CHAPTER VI

INVESTMENT AVENUES FOR WOMEN

6.1 Financial and Investment Planning.
6.2 Various Avenues available to women for investment
6.3 Factors influencing the Investment decision.
6.4 Motives of Investment decision.
INVESTMENT AVENUES FOR WOMEN

Investment is putting money into something with hope of profit. In other words, investment is the commitment of money or capital to the purchase of financial instrument or other assets so as to gain profitable returns in the form of interest, income in the form of dividends or appreciation like capital gains, of the value of the instrument. Investment is related to savings or deferring consumption. In an economy saving is done by the households, business and public sector where contribution of household savings is maximum. In India during 1993-1994 to 2007-2008 household saving increased at the average rate of 20.8 percent while average household financial saving rate was 10.7 percent during the same period, on account of expansion of bank branches in urban and rural areas of the country and due to availability of variety of alternative investment opportunities, for the household. ¹

“An investment involves the choice by an individual or an organization such as pension fund, after some analysis or thought, to place or lend money in a vehicle, instrument or asset, such as property, commodity, stock, bond, financial derivatives (e.g. Futures or Options) or the foreign asset denominated in foreign currency, that has certain level of risk and provides the possibility of generating returns over a period of time”. ²
Investment can be associated with the risk of the loss of the principal sum. The investment that has not been thoroughly analysed, can be highly risky for the investor because of the possibility of losing money, is not within the control of the investor. The difference between speculation and investment is difficult to estimate. It depends on the mind of the investor whether the purpose is for lending the resource to someone else for economic purpose or not.  

The term investment is used differently in economics and finance. Economists refer to a real investment, such as a machine or house while financial economists refer to financial asset, such as money that is deposited in the bank or put into the market, which may be used later to buy a real asset.

In the context of personal finance, money used to purchase shares, or used to buy any asset where there is an element of capital risk is considered as investment. Saving in personal finance refers to money put aside, usually on a regular basis. Thus investment risk can cause a capital loss, when an investment is sold, unlike savings where the more limited risk is cash devaluation due to inflation.

The investment pattern of men and women varies according to their needs and interests. Investment pattern of working women may vary as per working sector, country, city, age, tax structure, law applicable, seniority in the service, marital status, social and economic background, priorities, skill, number of dependents,
time etc. Thus there are multiple dimensions affecting investment decisions of women. It is the psychology of the investor that decides the pattern of investment. Under the same circumstances people react differently. For example, during the period of recession in the market, some people prefer not to invest, while others prefer to take advantage of the situation. When the stock market is down people get panic and start withdrawing their investments, while others consider it as golden opportunity for purchasing stocks at lower prices. Investment behaviour may be looked as goal oriented behaviour which involves factors like motives, strength, need satisfaction, frustration, expectancy, availability etc, Many times investment is based on past experiences.

Investors can be classified into three categories like Risk averse, Risk neutral and Risk seekers. Risk averse investors are those who do not want to take risk. Risk neutral investors are those who calculate the costs and benefits of risk and take rational decisions, hence they are also called as rational investors. Risk seeker investors are anxious to take risk. As investment avenues are multifold and have risk and return characteristics. An efficient investor with proper training and experience can reduce the risk and maximize returns. He can avoid pit falls, so as to protect his interest. Investor has to work smart and fast. It is the vision of a person which proves him as the efficient investor. Knowledge of principles of investment and the art of the management of investment are the basic requirements for a successful investor.
Investment culture among the people of a country is an essential prerequisite for capital formation and the faster growth of an economy. Investment culture refers to the attitudes, perceptions and willingness of the individuals and institutions in placing their savings in various financial assets, called as securities. A study of the investors' perceptions and preferences assumes a greater significance in the process of formulation of policies for development and regulation of security markets in general, protection and promotion of small and household investors in particular.  

Investor awareness refers to the state where in a prospective investor is conscious of and is having the knowledge of the existence of an investment product or avenue for his consideration to place the savings. Awareness is a continuous process by which investors come to know about the particulars of investment. Sometimes they try to know about the various modes of investment and they decide about whether to accept a particular mode or reject it and go for an alternative mode. When the investors are aware of the numerous modes of investment, their inquisitiveness stimulates them to get more information. After being well versed of investment modes, than the investor goes for evaluation of each channel by making comparison with each other and finally the investor decides to make investment in that mode which he considers the most advantageous mode or modes. Thus awareness creates attitude in the investor towards investment channels. The sense of awareness of investors towards investment is created, modified and shaped by various external
sources of information such as daily newspapers, weekly publications, electronic media, relatives, friends and brokers advice etc. Awareness is an abstract concept and hence it is not possible to measure it directly and precisely in quantitative terms, however it can be measured indirectly by obtaining responses from the investors.  

6.1 Financial and Investment Planning

Financial planning is planning relating to one’s saving and spending his future income. It should be carefully budgeted. When investment planning is done, it is necessary to prepare a budget for both, small and large expenditures. When financial planning is to be done, both short term and long term savings have to be taken into account. Most people who perform financial planning tend to believe that, at least 20 percent of their monthly income be saved and for long term savings they have to explore best investment options. Financial planning may turn out to be an investment planning when a portion of savings is used to acquire assets. Investment planning ensures these assets will contribute towards increasing money income of an investor. There are several investment options in the form of assets, such as stocks, shares, mutual funds etc. Financial planning, when carefully done, helps the people to make even major purchases like a house, a car, etc. If right investment is done at the right time the investor can enjoy
his retirement. Thus financial planning enables a person to take care of his future.  

Financial planning helps in improving financial decision making and assessing risk tolerance and to develop an asset allocation strategy. It also helps in reducing tax liability of an individual, and safeguarding oneself against financial crises in the event of death or disability. It enables planning for retirement, children’s education and expenses of ceremonies. Finally it provides peace of mind. Hence financial planning and investment is said to be the key of individual’s satisfaction and peaceful life.

There are some myths about women, when it comes to investment. It is argued that, “women are not as active as men when it comes to investing money; they generally keep themselves away from taking investment decisions; they are well known for spending money or keeping it idle rather than investing it for earning more; even non-working women are mostly dependent on their spouses for meeting their day to day expenses.”

Women tend to keep cash idle because they think that this idle cash can be easily used for contingencies and to spend on their personal care like gold, clothes, etc. However earning women prefer to invest into risk-averse avenues, such as bank deposits and post office schemes. They generally
avoid risk options such as equities, as they find it difficult to understand the dynamics of equity market. At present women have come a long way from the traditional role of home makers, however they lack in their interest in investment matters and there is lack of confidence in handling financial matters.

Taking into consideration longer life expectancy, shorter career span—career breaks are bound to happen when one gets married and have babies, and single income periods occurring due to death, divorce or separation, women to day prefer to study investment options which will help them to enjoy better life. Choosing right investment plan for Indian women depends on her financial goals, employment status, age, time horizon and risk appetite. “An aggressive investment in equity, together with timely retirement planning, suits a young working women, because she has the high risk taking ability with enough liquidity at her end”  

In an increasingly wide variety of spheres, women employment is rising and women are occupying the top of their professions and contribution to society. Women are now found in various sectors of the economy, as women’s earning power increases, there is need to increase interest in the area of personal finance, take control of one’s personal investments, know how to save and where to invest those savings to achieve growth of one’s port folio.
In India the 85 Boards Women’s Investment Conference provides an opportunity for women to develop their skills and knowledge in the field of investment for achieving long term security. “85 Boards Mumbai, invites women professionals to spend a day with a great round up of experts and cognoscente exploring the avenues to saving and investing intelligently, choosing the asset types most suitable to one’s appetite, stage of life, risk profile, understanding the importance of starting early, saving and investing regularly”. Attendees will learn about the connection between events and realities in the world and their impact on global and local financial markets. Conference participants learn specific tips and process to start with their investments and they have already started, develop their knowledge and skills to become more seasoned investors. Attendees can learn from the pros and get the opportunity to network with other women interested in increasing their net worth through careful, thoughtful and regular investing.  

6.2 Various avenues available to women for investment

1) REAL ESTATE -

Real Estate may be defined as an “Interest in Land” the term interest can mean either an ownership interest or a leasehold interest. The various categories of real estate investments available are direct property ownership, mortgages and debt or equity securities. Real estates can be classified into
income producing and non income producing. Income producing real estate includes offices, retail, and industrial and leased residential, hotels, mini storage parking lots and seniors care housing. Non income producing, estates include vacant buildings, vacation properties etc.

(A) **Characteristics of Real Estate Investment.**

One of the beneficial features of real estate is that it produces relatively consistent returns which include income and capital growth. The income return from real estate is directly linked to the rent payments received from tenants minus the costs of operating the property and outgoing mortgage / financing payments.

Capital appreciation of property also tends to raise the value of the property during later period. Thus, income returns from the property tend to be stable, while capital returns fluctuate more.

Unlike a bond which has fixed maturity date, the real estate investment has no maturity date. In India there is general tendency to hold real estate property over several years, considering it as safe investment and it cannot be stolen by thieves like movable property such as gold, currency etc. Property can be disposed off whenever the owner, investor desires to sell it.
Real estate is real as one can visit his investment, speak with tenants and show it off to others. The investor of real property can have a certain degree of physical control over his investment, if something goes wrong with it, one can try fixing it, which is not possible with a stock or bond.

As real estate is tangible, it needs to be managed systematically. Tenant’s complaints need to be addressed, when the building starts to age, it needs to be removed.

A market of real estate tends to be inefficient, in a sense that, information asymmetry exists among participants, in the market. It allows greater profits to be made by those who have special information, expertise or resources. In contrast, public stock markets are more efficient because relevant information is efficiently disseminated among market participants, and those lacking in public information are not permitted to trade upon the information. In case of real estate markets, information is a key which can allow an investor to take advantage of profit opportunities, which otherwise would not have been possible.

Private market rent estate has high purchase costs and sale costs. At the time of purchasing, there are various costs such as commissions to real estate agents, lawyers and engineers fees, registration costs and many other costs
which add to the effective purchase price which tends to be higher than the seller has quoted. On sales side, a substantial brokerage fee is for the property to be properly exposed to the market. On account of high costs of trading real estates, longer holding periods, speculative trading tends to be rarer than stocks.

For the purpose of trading of real estate, public exchange does not exist, hence it is rather difficult to sell real estate and to sell it, and help of private brokers becomes necessary. Thus there can be a substantial lag between the time an investor decides to sell a property and when it will be actually sold.

When income producing real estate is purchased, two things are involved, the physical real estate and the income stream from the tenants, hence quality of the tenant has to be considered. If the tenant is likely to default on his monthly obligation, then the risk of the investment tends to increase.

Location is one of the important aspects of real estate investments as a real estate can perform differently among locations. This aspects needs to be considered as it has significant impact on future returns.
(B) Advantages and Disadvantages-

Investors prefer real estate because it has several qualities that can increase the return or reduce risk. Some of the benefits of having real estate are as follows:

Real estate returns have relatively low correlations with other asset classes, which helps in diversification of investor’s port folio.

Real Estate allows the investor to achieve higher returns for a given level of port folio risk. By adding real estate to a portfolio, an investor can maintain his portfolio returns at decreasing risk.

Real estate returns are directly linked to the rents received from tenants. Some leases contain provisions for rent increases to be indexed to inflation. In other cases rates of rent are increased, whenever lease period expires and the tenancy is renewed. Thus real estate incomes tend to raise faster during inflationary periods, which allows the investor to maintain his real returns.

As the real estate is a tangible asset, an investor can make necessary changes to the property to increase its value. However real estate has certain characteristics that require special considerations while taking investment decision.
Real estate investment tends to be costly to buy and sell and also to operate, due to higher transaction costs. Real estate requires continuous management to deal with the day to day operations of the property and secondly it calls for strategic management of property to consider long term market position of the investment. Hence its management tends to be costly.

In the private market it is difficult to maintain high quality and it is also difficult to measure risk relative to the market.  

2) **LIFE INSURANCE POLICY**

Insurance industry occupies a very important place among financial services in the world. On account of growing complexity of life, trade and commerce individuals and business firms are turning to insurance to manage various risks. Insurance is an instrument that enables an insurer to prosper on adverse consequences by reimbursing the individual his financial loss. People in the world are subject to unexpected risks, which make them defense less. Under such circumstances only insurance helps them to survive and recovering from losses and enjoy the normal life, which otherwise would not have been possible.
Insurance is a form of risk management primarily used to protect against risk of the contingent loss. Insurance may be defined as “the equitable transfer of the risk of a loss from one entity to another, in exchange for a premium.”

The policy holder takes life insurance policy because of various reasons, such as promotion of saving, getting income tax rebate under section 88 of the Income Tax Act 1961, getting the dependent’s life assured and getting bonus from the insurance companies.

Total insurance penetration (insurance premium as a percentage of gross domestic product) is not satisfactory as only 10% of the population has some form of Life Insurance. On account of this wide gap there has been huge opportunity which is responsible for attracting private insurers. As a result now there are 16 companies operating in the insurance field, with a current market share of about 60 percent. Buying an insurance plan, has moved from the neighborhood agent to a variety of options – from banks to brokers, to corporate distributors.

Although life insurance is mainly a risk management tool, in India it has come to represent more than just risk cover. The best – selling insurance products in the market double as investment options and offer of attractive
tax breaks. In fact it is because of this two-in-one profile that they appeal to the average individual, who seeks convenience in personal finance matters.

Based on their objectives, basic plans offered by insurers can be classified into three broad categories; pure insurance products (term plans); pure investment products (pension plans) and investment – cum – insurance products (endowment, money back, whole life and unit linked insurance plans). Most of the insurers are launching hybrid variants rather than plain plans, let us discuss these plans briefly as follows:

1) **Term plans**

Term plans are the purest form of insurance. These are no frills policies that cover only the risk of policy holder’s death. In the event of the policy holder’s death, during the policy term, his nominees receive the cover amount or the “sum assured”. He does not get benefits if he survives the policy term. Since the entire premium paid by the policy holder – the cost of buying insurance cover – on term policies goes towards covering the risk of his life. The insurer offers this cover at the minimum cost.

Many organizations prefer to buy group insurance for their employees and members. This is structured like term cover, which results in the payment of lump-sum to the employee’s nominee in the event of his
death. As the organization buys cover for a number of employees through only one policy, it pays significantly a lower premium upto 20 to 30 percent, than what an individual has to pay, if he was to buy the same cover on his own.

2) **Endowment Plans**

Endowment plans cover not only the risk of death, but also offer some return on the premiums paid by the individual. Thus when such a person dies, during the policy term, his nominee gets the sum assured plus some returns. If he survives the policy term, he still gets back the sum assured and returns. It is based on the philosophy that, “money if you die, money if you live.” But it tends to be costly affair because there is high premium which reduces returns from endowment plans, so as to have 4-6 percent per year.

In endowment plan premium is to be paid for a predefined period and the sum assured. The premium depends on age, the sum assured, the plan period and the nature of returns. A portion of the premium paid by the insured is invested by the insurer on behalf of the insured, another portion goes towards the cover and the third goes for meeting the insurer’s administrative expenses. As a result the effective yield on the investment gets reduced in case of endowment plans.
Endowment plans are of two types, with profit plans and without profit plans.

3) **Money – Back Plans**

These plans have payback which is staggered through the policy term. The part of money assured is returned to the insured at periodic intervals through the policy tenure.

4) **Whole-life plans.**

Term plans, endowment plans and money back plans provide for life cover only for a definite period up to certain age, generally 70 years of age. Whole life plans are structured such a way that the policy holder has the option to pay premium up to a certain age, called as “maturity age” which is generally 80 to 100 years, or for a specified period. On reaching the maturity age, the insurer gives the option to either continue with the cover through your lifetime, for which no further premiums will have to be paid on encashing the maturity benefits i.e. sum assured plus bonuses, some insurers do give the option to encash the bonus during the term itself – which can serve as a useful income stream during your later years – if you so desire.”

It can be used as an instrument to bequeath wealth.
5) **Unit – Linked Insurance Plans (Ulip)**

These plans are very popular at present, mainly because of their flexibility and higher returns than the traditional policies. In this case, it is the person who has to decide for how long he wants his policy to run. One can invest for a minimum of five years and a maximum of hundred years. The premiums can be paid monthly, biannually or annually. The premium allocation charges are deducted from the premiums paid and the balance amount, based on one’s risk profile and the financial objectives, can be graded into different classes such as equity, debt, or a mix of both or a more liquid asset. The dynamics of the portfolio can be changed by way of switching between these choices. When the policy matures one can receive the value of his funds depending on the market conditions. In case, the individual dies during the term, his nominee receives the higher of the sum assured less any withdrawals on the value of fund or both. In order to meet needs of the investor, the partial withdrawal facility has been provided, subject to the condition that three policy years are over and premiums have been paid for these years. The main advantage of the Ulip is that, it provides advantages of life insurance such as death benefit and tax advantages; Ulip has the potential to generate higher than average long term returns from the equity markets. However the
fortune of the Ulip is largely a reflection of the market conditions. So the Ulip is believed as a better option for the policy holders.

Ulips are of two types. In the first, only the higher of sum assured or the fund value is paid as death benefit. In case of the second both are paid to the beneficiary. In both the cases the policy terminates at this time.

In addition there are special purpose plans, such as Children’s plans, Pension plans and whole life plans. Any person having desire to invest in life insurance plans should study these plans and decide the most suitable plan for himself.

3) **BANKS**

Banks play an important role in mobilizing deposits from the public. People having surplus income and savings find it convenient to deposit the amounts with banks. Funds deposited in the bank also earn interest. Thus deposits in the bank tend to grow on account of interest earned. When the rate of interest is high, the public is motivated to save more and deposit it with the bank. The bank also provides safety for the funds deposited in the bank. So banks are called as custodians of public money. The banks accept money as deposit for safe keeping. As the banks use this money to give loans to needy
customers, they earn interest and they share a part of this interest with the depositors. The amount of interest depends on the tenure or length of time for which the depositor wishes to keep the money with the bank. The general rule is, the longer the tenure, the higher the rate of interest and lesser the restrictions on withdrawal, the lesser the interest.

Deposits are of two types, the Fixed deposits and Demand deposits. Fixed deposit presupposes a length of time for which the depositor decides to keep the money with the bank, and the rate of interest payable to the depositor is decided by this tenure. The rate of interest differs from bank to bank. Generally, the rate of interest is highest for deposits for three to five years. However the depositor does not lose any of his rights over the money during the tenure decided. If the deposits are withdrawn before the period is over, then the amount of interest payable to the depositor decreases.

Demand deposits are of two types i.e. saving account and current account. Saving account is the most suitable for depositing savings on temporary basis. It gives a nominal rate of interest and money deposited in this account can be withdrawn as and when the need arises. Such depositors are given Pass Books. As these accounts are temporary, the rate of interest of the saving account is much lower then Fixed Deposits. When the savings accumulate to an amount which can be spared for certain period of time,
even up to three months, then this money may be shifted to fixed deposit and higher interest can be earned. The rate of interest for saving account is lower but the flexibility to withdraw it is the highest.

Current account is the account with minimum restrictions. This account is used mostly by the traders as they have to deposit and withdraw money several times in a day. Banks accept deposits in current account and allow unlimited withdrawals subject to a minimum balance. This minimum balance varies from one bank to another. On this account no interest is paid. This type of account is opened by the business enterprises or high net worth individuals who deal with a lot of third party cheques, drafts etc. or who may at times need to borrow money from the bank against some security.

In addition there are other products and services offered by banks. As these banks provide safety to the deposits and flexibility for the convenience of the customer bank deposits are popular among the public. 

4) PROVIDENT FUND

The Employees Provident Fund or Provident Fund, as it is normally referred to, is a retirement benefit scheme that is available to the salaried employees. An employee means any person who is employee for wages in any kind of
work manual or otherwise, in or in connection with work of an establishment and who gets wages directly or indirectly from the employer.\textsuperscript{15}

Regarding membership, all the employees (except those whose pay exceeds Rs. Five Thousand per month) are required to be enrolled as members of the fund.

Pay includes basic wage and dearness allowance, retaining allowance and if any cash value of admissible food concessions.

Employee Provident scheme takes care of the following needs of the members: Retirement, Medical care, Housing, Family obligation, Education of children, Financing of Insurance Policies.

According to the amendment on 22.9.1997 in the Act, both the employees and employer contribute to the fund at the rate of 12 percent of the basic wages, dearness allowance, retaining allowance, payable to employees per month. However the rate of contribution is 10 percent in case of:

\begin{enumerate}
  \item \textbf{a)} Any establishment, covered by the scheme, with less than 20 employees, for establishments cover prior to 22.9.97.
  \item \textbf{b)} Any sick industrial company, which has been declared as such by the Board for Industrial and Financial Reconstruction.
\end{enumerate}
c) Any establishment which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

d) Any establishment engaged in manufacturing of jute, coir and Guargum industries / Factories

The rate of interest for 1999-2000 was eleven percent on monthly balances.

The main benefits of the Provident Fund are as follows:

1) A member of the fund can withdraw full amount at his credit in the fund on retirement from service after attaining the age of 55 years.

Full amount in provident fund can be withdrawn by the member under the following circumstances:

a) A member who has not attained the age of 55 years at the time of termination of service.

b) A member is retired on account of permanent and total disablement due to bodily or mental infirmity.

c) On migration from India for permanent settlement abroad or for taking employment abroad.

d) In the case of mass or individual retrenchment.

In case of the following contingencies, the payment of the provident fund be made after completing a continuous period of not less than two months
immediately proceeding the date on which the application for withdrawal is made for withdrawal by the member:

a) Where the employees of the closed establishment are transferred to other establishment which is not covered under the Act.

b) Where a member is discharged and is given retrenchment compensation under the Industrial Disputes Act 1947.

A member can withdraw up to 90% of the amount of provident fund at credit after attaining the age of 54 years on within or year before actual retirement or superannuation whichever is later. Claim application in the form of 19 may be submitted to the concerned Provident Fund Office.

Amount of Provident Fund at the credit of the deceased member is payable to nominees / legal heirs. Claim application in the form 20 may be submitted to the concerned Provident Fund Office.

Transfer of Provident Fund account from one region to other, from Exempted Provident Fund Trust to unexempted Fund in a region and vice versa, can be made as per the scheme. Transfer Application in the form 13 may be submitted to the concerned Provident Fund Office.
The member of Provident Fund shall make a declaration in Form 2, a nomination conferring the right to receive the amount that may stand to the credit in the fund in the event of his death. The member may furnish the particulars concerning himself and his family. These particulars furnished by the member of Provident Fund in Form 2 will help the organization in building up the data bank for use in the event of death of the member.

As soon as possible and after the close of each period of currency of contribution, annual statements of accounts will be sent to each member through the factory or establishment where the member was last employed. The statement of accounts in the fund will show the opening balance at the beginning of the period, amount contributed during the year, the total amount of interest credited at the end of the period or any withdrawal during the period and the closing balance at the end of the period. The members should satisfy themselves as to the correctness of the annual statement of accounts and any error should be brought through the employer to the notice of correctness to provident Fund office within six months from the receipt of the statement.

An employee can contribute more than the stipulated amount if he so desires, but the employer is not obliged to pay any contribution over and above the
The amount invested by the member of the EPF is eligible for deduction up to Rs. One Lakh limit under section 80C of the Income Tax Act. If a member has worked continuously for a period of five years, the withdrawal of PF is not taxed. If the member has not worked for at least five years, but the PF has been transferred to the new employer, then also it is not taxed. The tenure of employment with the new employer is included in computing the total of five years, but if the amount is withdrawn before completion of five years, then it is taxed. But if the employment of member is terminated due to ill health, then the PF withdrawal is not taxed. If a member urgently needs the money, he can take a loan on his PF, from the third year of opening his account to the sixth year.

**The Public Provident Fund : (PPF)**

The Public Provident Fund has been established by the Central Government. Any person can voluntarily decide to join the PPF, and open an account even if he is not an employed person or is not earning. Any person can open a PPF account in any nationalized bank or its branches, that handle PPF accounts or it can be opening at the head post office or certain selected post offices. The minimum amount to be deposited in this account is Rs. 500 per year and the
maximum amount to be deposited every year is Rs. 70,000/-. The return on this investment is 8% per annum. The accumulated sum is payable after 15 years. The entire balance can be withdrawn on maturity i.e. after 15 years of the close of the financial year in which the account was opened. It can be extended for a period of five years after that i.e. after 15 years. During these five years, the member can earn the rate of interest and also can make fresh deposits. The amount of investment in the PPF is eligible for deduction u/s 80C of the Income Tax Act upto Rs. One Lakh. On maturity no income tax is to be paid. If money is needed, the member can take a loan on the PPF from the third year of opening the account. 23

As the Employees Provident Fund scheme 1952, provides these facilities for employed persons, employed women prefer to take advantage of these facilities. By this way they feel satisfied that they are able to save out of their income, which otherwise would have been rather difficult.

5) **MUTUAL FUNDS**:

“Over the years, mutual funds have redefined the financial landscape of investors in India”. The asset under management now stands at more than about nine crores of rupees, which increased at a compound annual growth rate at 35% during 2005-2009. It has been estimated that the assets of Indian Mutual fund industry could reach at 18 trillion rupees by 2015.
“Mutual fund is a mechanism for pooling resources by issuing units to the investors and investing funds in securities in accordance with the objectives as disclosed in the offer document”

Investment in securities is spread across a wide cross-section of industries and sectors and thus the risk is reduced. Diversification reduces the risk because all stocks may not move in the same direction, in the same proportion, at the same time. Mutual fund issues units to the investors in accordance with quantum of money invested by them. Investors of mutual funds are called of unit holders.

Mutual funds have become an inevitable tool for a wide range of investors, from individuals seeking to save for retirement to sophisticated social units aiming at preserving their assets and businessmen focusing on creating wealth. Now, mutual funds have the potential to be a part of any portfolio and also have the ability to deliver in a defined time horizon. The mutual fund industry has become as the most dynamic segment of the Indian financial system. The economic reforms, industrial policies, public sector and financial sector reforms and the opening of the economy have been the main reasons for the rapid growth of the Indian capital market, which has stimulated significant growth of mutual funds.
Mutual fund is basically a trust that pools the savings of a number of investors, who share a common financial goal. The money collected is then invested in the capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to the number of units owned by them. Various parties are involved in taking advantage of mutual funds, such as unit holders, sponsors, trustees, asset management companies, custodians etc. and this is regulated by the Securities Exchange Board of India (SEBI). Mutual funds normally come out with a number of schemes with different investment objectives, which are launched from time to time. A mutual fund is required to be registered before it can collect funds from the public.

Unit Trust of India (UTI) was the first mutual fund setup in India in 1963. In the early 1990s the Government allowed public sector banks and institutions to setup mutual funds. In 1992 the SEBI Act was passed with the objectives to protect the interest of investors in securities and to promote the development and to regulate the securities market. SEBI also issues guidelines for the mutual funds from time to time to protect interests of investors. These regulations are applicable to all mutual funds whether they
are promoted by public sector or private sector entities including those promoted by foreign entities.

Net asset value (NAV) denotes the performance of a particular scheme of a mutual fund. Mutual funds invest the money collected from the investors in securities markets. NAV is the market value of the securities held by the scheme. Since market value of securities changes every day, NAV of a scheme also varies on a day-to-day basis. The NAV per unit is the market value of securities of a scheme divided by the total number of units of the scheme on any particular date.

The major benefits delivered by mutual funds to the small investors may be summarized as follows:

a) **Return Potential** – Over medium to long term, mutual funds have the potential to provide a higher return as they invest in a diversified basket of selected securities.

b) **Transparency** – An investor gets regular information about the value of investments in addition to disclosure on specific investments made under the scheme, the proportion invested in each class of assets and the fund manager’s investment strategy and outlook.

c) **Liquidity** – In open ended schemes, an investor gets the money back promptly at the Net Asset Value related prices from the mutual fund.
In close end schemes, the units can be sold on a stock exchange at the prevailing market price or an investor can directly repurchase at NAV related prices by the mutual fund.

d) **Flexibility** – As investor takes care of regular investment plans, regular withdrawal plans and divided investment plans, he can systematically invest or withdraw funds according to his needs and convenience.

e) **Affordability** – Investors at an individual level lacks in sufficient funds to invest in high – grade stocks. A mutual fund because of its large corpus allows even a small investor to take the benefit of its investment strategy.

“In India, mutual funds are back in fashion. Between August 2005 and August 2006, assets under management of mutual funds grew 57% to over Rs. three lakh crores. According to various estimates there are about 180 million households in India, of which only ten million have invested in mutual funds. In urban areas, 13.7% of households have mutual funds, while in rural areas it is just 3.8%. It indicates that there is a lot of scope for the growth of mutual fund companies in India, provided there are funds to satisfy everybody’s needs and sharp improvements in service standards and disclosure.”
6. POSTAL SERVICES

India possesses the largest postal network in the world with 155000 post offices spread all over the country, as on March 31, 2001, of which 89% are located in the rural areas. Post Offices in India play an important role in rural areas. They not only connect these rural areas with the rest of the country, but also provide banking facilities, in the absence of banks in the rural areas.

Post Offices offer various types of accounts, such as Saving Account, Recurring Deposit Account, Monthly Income Account, and Time Deposit Account etc.

a) Post Office Saving Accounts

Post office saving account is similar to a saving account in a bank. It is a safe instrument to deposit those funds, which are needed for liquidation, fully or partly, at a short notice. Post office savings accounts are more suitable to those who are living in rural and semi-rural areas where banking facilities are rarely available. The account can be opened at any post office with minimum balance of Rs. 20/- and maximum of Rs. One Lacs for a single account holder and Rs. Two Lacs for joint account holders. There is no maturity or lock in period. The amount can be withdrawn, subject to keeping minimum balance of Rs. 50 in simple account and Rs. 500 for cheque facility accounts.
b) **Post Office Recurring Deposit Account:**

Recurring deposit account is an instrument for saving money in a systematic way. This scheme is more useful for those investors who want to deposit certain fixed amount regularly, on monthly basis, in order to get a substantial amount after five years, on the maturity of the account. The recurring deposit account can be opened at any post office for the period of maturity of account at five years. After sixty equal monthly deposits made in the account the depositor can save substantial amount which otherwise may not be possible. For the sake of convenience of the depositor, premature closer of accounts is also permissible only after expiry of three years, in case of need. In case of premature closure of the account, the interest at the rate applicable to post office saving account is payable.

c) **Post Office Monthly Income Account:**

Post office monthly income account is meant for those investors who want to invest a lumpsum and earn interest on monthly basis for their livelihood. This scheme is most suitable for retired persons. The account can be opened by a single adult or 2-3 adults jointly. Period of maturity of an account is six years. Only one deposit is allowed to be made in the account. Minimum deposit limit is Rs. 1000.
Maximum deposit limit is Rs. Three Lacs in case of single account and Rs. 6 Lacs in case of joint account. The interest at the rate of 8% per annum is payable monthly. In addition bonus equal to 10% of the deposited amount is payable at the time of repayment on maturity. Premature closure facility is available after one year. Income tax relief is available on the interest earned as per limits fixed under section 80L of Income Tax, as amended from time to time.

d) Post Office Time Deposit Account:

Post Office time deposit account is similar to the bank’s fixed deposit account. These time deposits are meant for those investors who want to deposit a lump sum for a fixed period. Time deposit account can be opened at any post office with a minimum deposit of Rs. 200. There is no maximum limit for the account. The amount can be deposited for one year, two years, three years or five years. Interest for the deposit is calculated on quarterly compounding basis and is payable annually. Rate of interest varies according to the period of the deposit and is decided by the Central Government from time to time. Income tax relief is available on the amount of interest under the provisions of section 80L of the Income Tax Act. Premature withdrawals from all types of post office time deposit accounts are permissible after expiry of six months with certain conditions.
National Saving Certificate (NSC)

National saving Certificate is a time tested tax saving instrument that combines adequate returns with high safety. NSC is an instrument for facilitating long term savings. A large section of middle class families take advantage of NSCs for saving their tax liability and getting double benefits, as they not only save tax on their hard earned income but also make an investment which can give good and safe returns. NSCs are available at all post offices. The application can be made either in person or through an agent. Post Office agents are active, both in urban and rural areas, of the country. Types of NSCs issued are as follows:

a) Single Holder Type Certificate – This is issued to an adult for himself or on behalf of a minor and a Trust can have this facility.

b) Joint ‘A’ type Certificate – It is issued jointly to two adults payable to both the holders jointly or to a survivor.

c) Joint B type Certificate – It is issued to two adults payable either of the holders or to the survivor

An adult can invest in his own name or on behalf of a minor. A trust can invest in it and two adults jointly can invest in NSCs.

NSCs are available in the denominations of Rs. 100, Rs. 500, Rs. 1000, Rs. 5000 and Rs. 10,000. There is not any limit to maximum amount for
purchasing these certificates. Hence anybody can invest any amount as per his choice, in these certificates. This is the main benefit of these certificates.

The period of maturity of these certificates is six years. At present interest paid is 8% per annum and it is compounded half yearly. Premature encashment of the certificate is not allowed except at a discount in the case of death of the holder, forfeiture by a pledge and when ordered by a court of law.

Regarding tax benefits, interest accrued on the certificates every year is liable to income tax but it is deemed to be reinvested.

**Kisan Vikas Patra (KVP)**

Kisan Vikas Patra is a saving instrument that provides interest income similar to bonds. It is the only fixed income instrument which guarantees to double the investment, on the maturity, after eight years and seven months. The interest on it is compounded half yearly.

KVP can be purchased by an adult in his own name or on behalf of minor, a minor and or Trust.

The minimum amount of investment in KVP is Rs. 100/- KVPs are available in all post offices in India and in the denominations of Rs. 100/-, Rs. 500/-, Rs. 1000/-, Rs.5000/-, Rs. 10000, and Rs. 50000/-. There is no maximum
limit on purchase of KVPs. Hence a single individual can purchase any number of certificates. Encashment of KVP before maturity is possible from two and a half years at lower interest.

There is no provision for income tax exemption under section 80C. It disappoints those who are looking at the instrument from the tax perspective. Thus the interest earned on KVP is taxable, but KVP holder is not subjected to Tax deducted at source (TDS), at maturity.

KVP could be a better option during a low interest rate regime as it is safe and offers relatively higher returns with liquidity. It is useful for those who are not looking for regular income and are not liable for income tax.\(^26\)

7. **BHISHI**

Generally working women of low profile, for taking advantage of regular compulsory saving, come together and contribute their agreed sum regularly towards a fund called Bhishi. Generally the contribution is collected on monthly basis. Any member can raise loan from this fund at a rate of interest mutually decided by the members. Lottery method is used and who wins, gets the annual amount of his savings. This is common practice among the women although it tends to be risky in the long run.
8. STOCK MARKET

Indian stock market or equity market has been attracting attention of investors since last few decades, but according to the Reserve Bank of India only slightly over six percent of total household’s savings go into the capital market, including investments in debentures and mutual funds. Indian investors prefer to stay away from equities even with higher returns, because of risks involved and the lack of awareness about this asset class.

The stock exchange is a market for old securities i.e. those which have been already issued and listed on a stock exchange. These securities are purchased and sold continuously without involvement of companies. Stock exchange provides for free transferability of shares but also makes continuous evaluation of securities traded in the market as they have direct control of SEBI.

Investment instruments covered by the capital market may briefly be discussed as follows:

a) **Equity shares** – The Companies Act 1956 defines an equity share as “a share in the share capital of a company”. It represents a share in the company’s assets and also in profits earned on those assets after claims are met. The dividend on the equity share is not fixed and it may vary from year to year depending upon the amount of profits
available and the recommendations of the board of director of the company. Equity shareholders have voting rights in proportion of the paid up capital. They also have preemptive rights in the sense that they have a legal right to be offered by the company and the first opportunity to purchase additional issue of equity capital in proportion or pro-rata basis their existing ownership. Although the equity holders share the ownership risk, their liability is limited to the extent of their investment in the share capital of the company.

b) **Preference Shares** – Preference shares have a preferential right in respect of payment of dividend and repayment of principal. They are paid their fixed dividend before any dividend is declared to the equity holders. They have preferential right over equity to payment of capital and their share of assets in the event of winding up of the company. The right is subject to the claims of creditors. Preference shares are redeemable generally after 12 years, for which the company has to provide for transfer out of profits a sum to the reserves called capital Redemption Reserve. If there is no such provision to redeem these shares, they are non redeemable. Preference shares are convertible, if there is provision for their conversion into equity after a specified period in a particular ratio to the existing shares.

c) **Debentures** - Corporate debentures are securities of creditor and represent the loans taken by a company from the public. Debentures
are mostly secured either by a fixed charge or a floating charge on the assets of the company. There are various types of debentures. Recently convertible debentures are popular among the public and are issued by many companies. To ensure timely payments of interest and redemption of principle by a borrower, all debentures must be compulsorily rated by any rating agency out of the four agencies i.e. Crisil, Icra, Care or FITCH India.

9. **COMPANY FIXED DEPOSITS**

As fixed deposits with the banks are not earning much interest, and with inflation being at a higher level investors started looking for other options. One such option, not as risky as equity markets, is company fixed deposits. At the same time companies are trying to find sources of investment, they are coming up with the option of fixed deposits, wherein they provide interest rates much higher than the prevailing market rate. These deposits are similar to the bank deposits but the difference is that, they are being offered by private companies and are managed by themselves and no government body or any entity or banks have any control on them, on how they operate and how they are paying out to customers and even what interest rates they are offering.
These company deposits in India used to be very popular till some years back when people were not having much knowledge about the stock markets, mutual funds etc. However the loyalty switched to mutual funds and stock markets especially when there were instances of non payment of funds back to the investors and non-payment of interests etc. by a few private companies. Afterwards company fixed deposits were again revived couple of years back when the Indian stock markets stumbled.

The main advantages of company fixed deposits are: higher interest rates, no income tax on interest if the interest scheme is less than Rs. 5000 a years they are relatively safer than stock markets and have assured income until the company defrauds or goes bankrupt. Hence before investing in a company deposits it is desirable to see the creditability, higher rated by CRISIL and then take investment decision accordingly. 27

10. **GOLD AND JEWELLERY**

Over the last few years gold as an investment option has become increasingly popular. It is perceived as a safe and liquid investment and acts as a hedge against rising inflation expectations. Gold is one of the key assets in the household balance sheets. According to World Gold Council (WGC) estimates, Indian households own about $ 800 billion worth gold. Gold holding among Indian households at current market value are about 2.5 times
the current equity stock holding of $315 billion. Stock of bank deposits held by households is currently valued at $625 billion. The share of gold in annual household savings stood at 9-10 percent at present. On an annual basis, household savings in gold and bank deposits stood at $29 billion and $104 billion respectively, in equities it was $4 billion by the end of September 2010.

With its high rate of gold consumption, India accounts for 21 percent of annual global gold demand, while its share of global GDP in terms of nominal dollar GDP was only 2.1% in 2009.

Over the recent years investors have closely observed the pattern of gold prices but the prices have not disappointed them. They have become surer that investment in gold is the safest and most profitable option at present. Now Indians no longer buy gold in the form jewellery only. This is especially true in the case of investors. Now there is emphasis on investment in gold bars, gold coins, wedhani and gold ETF a/c. One of the reasons for this change is that, jewellery tends to get out of fashion soon. Secondly jewellery demand will be societal and festival related and investment demand for gold is generally price sensitive. The disinvestment in jewellery is not much profitable due to loss of making charges and ghat/ deduction in the weight. Taking loan against gold is another fruitful option. It is estimated
that Rs. 30 Lacs crores worth of gold has resulted into hoarding, taking this much amount out of the financial system, which could be put to productive use. Experts argue that when people borrow against gold, it can set a chain of productive economic activities and boost demand and consumption in the economy. Banks and NBFCs give loans from 60% to 80% of the total value of gold and can disburse the amount in a day’s time. Thus it may be concluded that investment or taking loans, gold is shining brighter than before and is safe for all consumers or investors.  

“Jewellery is a form of personal adornment, manifesting itself as necklaces, rings, brooches, earrings and bracelets. Jewellery may be made from any material usually gemstones, precious metals or shells”

Jewellery is sometimes regarded as a way of showing wealth and it sometimes carry certain functions, such as holding a garment together or keeping hair in place. Jewellery has been made to adorn every part of body, from hair pins to toe rings. “While traditional jewellery is usually made with gemstones and precious metals, such as gold or silver, there is also a growing demand for art jewellery, where creativity and design are prized above material value. In addition there is the less costly jewellery, made from lower value materials and often mass produced.”
Jewellery has been used for many reasons, such as currency, wealth display and storage, functional use, symbolism to show membership or status, protection in the form of amulets and magical wards, artistic display etc. Most cultures have a practice of keeping large amounts of wealth, stored in the form of jewellery. In case of some societies, wedding dowries are in the form of jewellery.

While creating jewellery, gemstones, coins or other precious items are used and they are set into precious metals. Alloys of several metals has been used for jewellery. High purity alloys are widely used in Asia, the Middle East and Africa. Beads are often used in jewellery, which may be made of glass, gemstones, metal, wood, shells, polymer clay etc. Beaded jewellery includes necklesses, bracelets, earnings, belts, rings etc. Gemstones used in jewellery include diamonds, amber, amethyst, emerald, jade, jasper, quartz, ruby, sapphire, turquoise, pearls, coral, amber etc.

In case of India especially in Pune City, jewellary buying on “Gurupushyayoga” is a common practice.” Yellow sapphire or pukhraj, the stone associated with prosperity and well being, flew off the shelves at jewellery stores amidst a host of other precious gemstones as Puneites rushed to make their purchases on the auspicious occasion of Gurupushyayoga.” People purchase gemstones and gold on Gurupushyayoga because it is
believed that it will lead to prosperity and well being. While gold is bought for investment purposes, gemstones are bought for astrological and religious purposes. There is demand for all the nine precious gemstones (navaratnas) – be it emerald, ruby, pearl, yellow sapphire, blue sapphire, diamond, garnet, coral and cat’s eye, but the most popular choice is pukhraj set in gold, while ladies opting for jewellery using prefer a combination of emerald and diamonds, because it is believed that emerald brings good health, while pearl helps in keeping calm and happy. Gemologists argue that, “when you buy a gemstone, do so on the basis of the specific problem you face and your date of birth”. For example, emerald is associated with wealth, topaz with luck and good education, yellow sapphire for prosperity, pearl and coral for peace, cat’s eye for business and marital problems and so on. On account of all these reasons women in India especially in Pune prefer to buy gold and jewellery whenever occasion arises to satisfy their desire to have and store them, believing that it is an ideal investment.

6.3 Factors Influencing Investment Decisions

When the investors take decision about investment, they consider the risk involved, time period and return. Thus risk, return and liquidity are the factors affecting decisions about investment or disinvestment. Even government policies affect investor’s decision. Investment decision of
working women may be based upon multiple factors. The common factors influencing investment decisions may be stated as follows:

1) **Self opinion** – A working woman’s perception based upon her reading and other sources of knowledge affect her decision about the quantum and avenue of investment.

2) **Husband’s opinion** – India being a male dominated society, husband’s opinion plays a vital role in her investment decision, although some women tend to invest secretly to circumvent her husband’s opinion.

3) **Relatives, Friends and colleagues** – Sharing experience of how they have invested their money and outcome of their investments affect her investment decision. They tend to have influence on the quantum and pattern of investment due to their day to day contact.

4) **Consultant or Agent** – Their skill of communication and knowledge has impact on the investment decision.

5) **Caste and culture** – Perception of an individual based on her traditional thinking affects her investment decision. The way woman perceives things and reacts upon determines her investment behavior.

6) **Rural and Urban Background** – The horizons of thinking of a person changes accordingly, which affects the investment decision and pattern.

7) **Age of a working woman** – Priorities of investment tend to vary as her life progresses.
8) **Seniority in the service** – These affect of working woman’s investment decision on account of more knowledge, experience and financial stability which increases with seniority.

9) **Financial Status** – Financial Status of working women as well as her family affects the quantum and pattern of her investment.

10) **Advertisement** – Advertisement about various avenues of investment through mass media of communication tends to create effective impact on the psychology of the investor. These days there is great impact of TV channels such as NDTV Profit, ET Now, CNBC Awaj, CNN IBN, Z Business, Times Now and CNBC TV 18 on the investors.

11) **Number of Dependents** – Dependents of working women may be her children, in laws, parents or other relatives. The financial dependability of these persons affects the quantum and pattern of investment of working women.

12) **Sector of Employment / Working Profession** – The psychology and attitude of investor varies as per her place of work. The work culture and atmosphere has impact on the thinking and priorities of investor.

13) **Marital Status** – Marital Status of working women determines her surrounding circumstances which has influence on the quantum and pattern of her investment

Thus various personal and economic factors affect investment decisions of the working women and hence investment pattern of working women varies
as per various factors as her age, marital status, seniority of service, number of dependents, sector of employment, financial status, knowledge of investment etc.

6.4 **Motives of Investment Decisions**

Various motives of investment decision tend to affect quantum and avenues of investment. These motives are briefly stated as follows:

1) **Provision for old age**: This is the common motive of the investors, where working women are not exception. They prefer to plan for peaceful and happy life retirement through making necessary provision for it.

2) **Tax Saving**: Working women, like other investors prefer to invest in such avenues of investment where tax benefits are available for the investors.

3) **Social Security**: Unmarried working women prefer to save and invest in secured channels of investment for making financial provision for their marriage or to purchase flat etc. Married women tend to invest for having proper financial provision for their children’s education, daughter’s marriages or for their retired life.

4) **Fighting with inflation**: Working educated women are aware about inflationary trends in the country. So they try to make financial provision through systematic investment plan to meet costs of education, monthly installment of loans, rising prices of food items, and other expenses to maintain the standard of living.
5) **Source of Income**: Some working women prefer to invest in real estate like flats, commercial premises etc. to be given on rent and earn income. Interest on Fixed Deposits can also be considered as a source of income.

6) **Family obligation**: Educated working women may have to meet, fully or partly, family obligations, such as meeting medical and other expenses for presents and in laws, marriages of sisters, daughter or other dependents, other family functions and family responsibilities.

7) **Risks or contingencies** – Working women have to save and invest to meet unexpected contingencies like resignation or retirement of husband, accident, death of earning partner resulting in family set back, etc.

8) **Spending habits** – Spending habits of women for clothing, hotelling, touring, jewellery, household purchases differ from women to women also motivates them to save and invest to earn sufficient income for enjoying better life.

9) **Standard of Living** – In order to improve or at least to maintain the existing standard of living, women think of investments according to their expectations. As time passes new needs tend to arise for which financial provision has to be made. Accordingly working women tend to plan for their investments.

10) **Self Development** – Investing for herself in respect of education, refresher courses and training, health clubs, gymnasiums etc. can also considered in the context of investment.
11) **Education** – Investing for self education, children or other relatives. Education is a need of today’s competitive world. Proper planning of money is essential as the fees for academic courses are quite substantial.

12) **Children** – When working woman is a mother her main concern is the future of her children. She considers about their health, education, sports and other activities and has to plan for the investments accordingly.

As priorities of investment differ from person to person, investment pattern differs in working women, which has been studied in the following pages.
CHAPTER VI

REFERENCES


3) http://www.scribd.com


5) Ibid. G. Ramkrishna Reddy

6) http://www.traderji.com/technical-analysis/39919

7) http://in.reuters.com/article/Personal Finance/idIN India.

8) Wikipedia, the free encyclopedia.

9) http://www.womeninvestmumbai.com/.


13) Ibid Monica Halan, Page 32


24) Investment Avenues: Mutual Funds: www.sebi.gov.in


26) www.ns/india.gov.in


28) 2010 rediff.com – investor information.


30) Wikipedia, the free encyclopedia.

31) Ibid, Wikipedia, the free encyclopedia.