

INVESTMENT DECISIONS AND OPPORTUNITIES FOR DIFFERENT INCOME GROUPS OF PEOPLE IN INDIA WITH EFFECT FROM THE YEAR 2022

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ABSTRACT

Nowadays all the classes of people are aware about the financial Management. So, they are cautious about future returns and investment plans. In India there are more opportunities for investment for all the income groups of people. Some People invest because they need financial security, whereas others do it to achieve their investment goals. The best way to invest money should be based on the risk appetite, investment horizon, financial goals, and liquidity needs. In India, the best investment options can be broadly classified in to two categories: financial and non-financial assets. We can further divide the financial assets into market linked securities such as mutual funds, stocks bonds etc. And fixed products like bank Fixed Deposits, PPF, and Bank Recurring Deposits. Depending on the goals and needs the people decide their investment decisions. Here is an explanation about the investment decision and opportunities of different classes of people in India with effect from 2022.

KEYWORDS: Investment Decisions, Frequency of returns, Risk involved, Investment Tenure, Inflation rate, Risk Appetite, Volatility, liquidity, Tax liability, long term funds, short term funds.

INTRODUCTION

Investment Decisions means and refers to financial resource allocation. Based on the risk profiles, investment objectives and return expectations, the investors opt for the most suitable assets or investments. In case of firms, having limited resources, the top-level management undertakes capital budgeting and fund allocation into long term assets. To ensure liquidity and working capital in business operations managers opt for short term investments. The

investment decisions are mainly influenced by the frequency of returns, maturity periods, associated risks, tax benefits, volatility and inflation rates.

What make a good Investment option? It is a relevant question nowadays. There are several factors behind the selection of an investment plan. They have several factors to measure the effectiveness of an investment plan and savings plan. The factors mainly influence their investment decision are as follows: -

- 1.Freedom to invest and anytime withdrawal
- 2.flexibility to invest any amount as their choice
- 3.risk return proposition should be safer
- 4.investment period should be customized one
5. tax and other benefits

Investing in an asset or a project or a security requires a lot of patience. The decision-making process ideally, should be analytical. The five steps in decision making process that guides investors should be explained as follows.

- 1.Analyse the financial position: For financial management, before taking an investment decision one has to understand the current financial condition of the company or individual.
- 2.Define investment objective: The next step is that the investor must set up an investment objective. That is to invest whether short term or long term. Also, be aware of the risk appetite, that is the leveled risk that they desire to take.
- 3.Asset Allocation: Based on their investment objectives the investor should allocate the assets into debentures, stocks, bonds, commodities and real estate options etc.
- 4.select the investment products: This step is very crucial in investment decision, in this step, after narrowing down on a particular asset class, investors must select a particular security or asset. This could be a basket of assets that fit all requirements.
- 5.Monitor and due diligence: Performance and return on the investments should be monitored by the Portfolio managers, and must take prompt actions in case of poor performance.

In case of an investment decision it is a planned one. There are some factors that are responsible for these decisions, we can explain that factors in the following way

- 1.The objective: The starting points an investment decision is takes place mainly by its objective. The purpose behind an investment determines that the fund allocation will be short term or long term.
- 2.Return: The main priority of an investment is the positive returns. So, the mangers try to employ limited funds in a profitable assets or securities
- 3.Frequency: The number of returns in an investment offer is very crucial. The investors choose the investments that yield monthly, quarterly, semi-annual or annual returns.
- 4.Involved risk: Risk analysis is required for every investment because an investment may possess high, medium or low risk and the risk appetite of every investor and company is different.
- 5.Investment tenure: - Investor decisions are influenced by the maturity period because funds are blocked for a certain period when investments pay off. So, it is very important to take an apt decision about the maturity period or investment tenure.
- 6.Tax benefit: Another crucial factor for deciding investment in a security is depends with the tax liability associated with it. The investors tend to avoid heavily taxed investment opportunities.
- 7.Safety: The main point while considering an investment opportunity is its safety. An asset or security is considered as safe that when a company offered it adheres to regulatory frameworks and has a transparent. financial disclosure. So, the Government backed assets are considered most secure.
- 8.Volatility: Market fluctuations significantly affect the investment returns, therefore that cannot be overlooked and be vigilant for that.
- 9.Liquidity: The investors always look at the degree of the liquidity offered by a particular security or asset, because they are often worried about their emergency funds. They specifically considered the provisions to withdraw money before maturity and the withdrawal restrictions and penalties.
- 10.Inflation rate: When considering Investment opportunities investors mainly choose those types of securities which where returns surpass the inflation rate of the nation.

Wealth management is an area of concern for the people while choosing the best investment options. For the people of all income groups considered it as an important matter. Accumulating money is crucial for a financially secure life in all income groups.it does not make sense that rely on savings alone.

Opting for the top investment options in India is one way make the money grow over the years. investors are often seen synonymous with the stock market or equity money. However completely it is not a true factor. Apart from these, some other best investment options in India. we can discuss here about all the investment opportunities along with equity money and stock markets.

There are several short terms and long-term investment options which all the income class of people can opt for, considering their goals and risk appetite. Many top investment options offer additional returns in the form of guaranteed additions. At the same time it is very effective and risk managing factor that while considering investment options diversifying the portfolio with good investment options for maximizing returns and minimizing associated risk.

We can take look about some of the best investment options in India for 2022.

1.Fixed Deposits and Recurring Deposits

2.Direct equity

3.Mutual funds

4.Bonds

5.National pension schemes (NPS)

6.post office saving scheme

7.Liquid funds

8.Unit Linked Insurance Plan (ULIP)

9.Public Provident Fund (PPF)

10.Senior Citizen Savings Scheme

1.Fixed Deposits and Recurring Deposits: The types of people who interested in the investment plans with guaranteed returns with minimal risk mainly choose recurring deposits or fixed deposits.it can easily be opened with leading banks and Non-Banking Financial Companies and also in the post offices. Fixed Deposits and Recurring Deposits are popular investment plan along with interest earnings. Recurring deposits suitable to the people aiming a savings habit along with interest and a steadily regular monthly plan.

2.Direct Equity: If a person interested and looking for a long-term investment plan Direct equity is one of the best investment options for him. Equity shares binds the legal terms related the owner ship of a company.

If a person purchases shares of a company he became the owner of a company and get the right to involve company meetings and the right to vote for the resolutions passed by the company. Right to involve in the decisions of the company and also get the profits in proportion to the shares hold by him.

He must know about the company's performance and its impact on share price positive or negative. The investor considering his risk appetite and the market conditions can choose to continue or give up the shares. Later he can return back the shares to the company or to a third party.

3.Mutual funds: Investment in mutual funds are risky. Before investing in mutual funds, one has to evaluate the market trends and risk involved in it. The mutual fund should be advantageous one when the investor understands the market conditions and risk involved it. If he creates an investment portfolio based on his preferences as it long term or short term It will be more profitable to him. If a person has a monthly systematic investment and withdrawal plan and a lower risk appetite mutual funds can be a good option for investment. It also a choice of high return investment in India.

4.Bonds: If the companies and Government bodies need funds for their development they issue bonds in the public markets. The interested investors can bond this will be helpful to these entities to raise funds and also a beneficial investment plan for the investors.

In India bonds are the best investment plan with a fixed income and it assures the safety of investment along with an additional return. In the bond details, loan principal, terms for fixed interest payment and tenure are included.

5.National Pension Schemes: To replace the pension schemes of central and state government employees the national pension scheme was introduced. The national pension system is its another name. then it is made available to all citizens of India from May 1, 2009 onwards. In case of NPS there were two tier accounts. Tier one account is mandatory and provide tax benefits. But the tier two account is not mandatory it is only optional and not provide any tax benefits. The benefits and features of NPS investment scheme on a look at the year 2022 are as follows:

1.Annually, an investment amount starting from only Rs500 and also a flexible investment plan.

2.choose an option of own choice as Equity, Debt finance or Government Bond etc.

3. Available tax benefits under section 80C and additional tax benefits under section 80CCD(1B)

4. In case of financial and medical emergencies partial withdrawal is possible.

5. Long term financial security provided after retirement.

Market linked instruments do not provide guaranteed returns and have no potential to generate inflation beating returns while considering these unique factors and tax benefits NPS is one of the best and safest long term investment plans in India in 2022.

6. Post Office Savings Schemes: Indian Postal Services Who control the postal chains in India has provided some investments and savings schemes for the common people to inculcate an habit of savings and strengthen their financial stability. The savings schemes are

Post office Savings Account

Post office Time Deposit

Recurring Deposits for 5 years.

Monthly income scheme account

7. Liquid Funds: It is the investment option in which investment is made in Government securities and bonds and having no lock-in period, it is like a stock market investment. In Liquid funds we can invest for 3 to 5 years and withdraw money as and when required. It is one of the best investment option for short term investment plan and less market risk compared to mutual funds.

8. Unit Linked Insurance Plan or ULIP: Unit Linked Insurance Plan is best option for the investors who want market linked returns along with insurance. In this plan they offer dual benefits of insurance and market investments. The investor can choose the most suitable tenure for them long term or short term. It also provides tax deductions under section 80C of the Income Tax Act 1961.

9. Public Provident Fund: PPF is a Government backed security that provides good guaranteed return as interest. The interest rate is decided by the government. current interest rate of PPF is 7.1% it was applicable from September 2022 onwards. The advantages under PPF are as follows:

1. Maturity period of PPF is 15 years but partial withdrawal is possible after completion of six years.

2. Use PPF balance as security for taking loans.

3.PPF is under EEE category of tax savings, so principal amount, interest earned and maturity amount all are eligible under tax savings.

10.Senior Citizen Savings Scheme: It is an investment options provided by the Indian Government mainly for the people above 60 years of age. The maturity date of the amount is five years after the date on which account opened. It is the most interest gained on savings and highest interest earned government backed security in India so the most of senior citizens in India are attracted by this scheme. Interest rate of SCSS is 7.4% from September 2002 onwards.

CONCLUSION

1. The new age investors in India are moving from savings to wealth creation. They have a larger risk appetite and higher aptitude for investments.
2. Almost 32% of the investors said they invest for long term returns,30% with wealth multiplications, 25% for retirement purpose, almost 26% invest for additional income.
3. Inflation is the main concern for all. It is because of inflation that the purchasing power goes downwith time. Investment has the potential to beat inflation.
4. After the retirement most of the persons no longer have a regular source of income. They need a finance planning to maintain their desired standard of living. They choose risk minimized earnings guaranteed investment plans. And want to safe guard the wealth they accumulated throughout their career.
5. The rural area people India have no proper awareness about the various investment avenues. They believe that investments are luxurious so most of the rural people do not concentrate on investments.

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