A Study on Long Term Investment Decisions

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ABSTRACT

The project “LONG TERM INVESTMENT DECISION” gives the brief idea regarding the various investment options that are prevailing in the financial markets in India. With lots of investment options like banks, Fixed Deposits, Government bonds, stock market, real estate, gold and mutual funds the common investor ends up more confused than ever. Each and every investment option has its own merits and demerits. This project I have discussed about few investment options available. Any investor before investing should take into consideration tae safety, liquidity, returns, entry/exit barriers and tax efficiency parameters. We need to evaluate each investment option on the above-mentioned basis and then invest money. Today investor faces too much confusion in analyzing the various investment options available and then selecting the best suitable one. In the present project, investment options are compared on the basis of returns as well as on the parameters like safety, liquidity, term holding etc. thus assisting the investor as a guide for investment purpose.

Keywords : Decision, Investment, liquidity, Stock market.

INTRODUCTION

These days almost everyone is investing in something, even if it’s a savings account at the local bank or the home they bought to live in. However, many people are overwhelmed when they being to consider the concept of investing, let alone the laundry list of choices for investment vehicles. Even though it may seem everyone and their brothers knows exactly who, what and when to invest in so they can make killing, please don’t be fooled. Majorities of investor typically jump on the latest investment bandwagon and probably don’t know as much about what’s out there as you think. Before you can confidently choose an investment path that will help you achieve your personal goals and objectives, it’s vitally important that you understand the basics about the types of investments available. Knowledge is your strongest ally when it comes to weeding out bad investment advice and is crucial to successful investing whether you go at it alone or use a professional.

The investment options before you are many. Pick the right investment tool based on the risk profile, circumstance, time available etc. if you feel the market volatility is something, which you can live with then buy stocks. If you do not want risk, the volatility and simply desire some income, then you should consider fixed income securities. However, remember that risk and returns are directly proportional to

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each other. Higher the risk, higher the returns.

TYPES OF INVESTMENT OPTIONS

A brief preview of different investment options is given below:

1. EQUITIES: Investment in shares of companies is investing in equities.

a. Stocks can be brought/sold from the exchanges (secondary market) or via IPO's – Initial Public Offerings (primary market). Stocks are the best long-term investment options wherein the market volatility and the resultant risk of losses, if given enough time, are mitigated by the general upward momentum of the economy**.**

There are two streams of revenue generation from this form of investment:-

2. DIVIDEND: Periodic payments made out of the company's profits are termed as dividends.

3. GROWTH: The price of the stock appreciates commensurate to the growth posted by the company resulting in capital appreciation.

On an average an investment in equities in India has a return of 25%. Good portfolio management, precise timing may ensure a return of 40% or more. Picking the right stock at the right time would guarantee that Pyour capital gains i.e. growth in market value of stock possessions, will rise.

Bonds:
It is a fixed income (debt) instrument issued for a period of more than one year with the purpose of raising capital. The central or state government, corporations and similar institutions sell bonds. A bond is generally a promise to repay the principal along with fixed rate of interest on a specified date, called as the maturity date. Other fixed income instruments include bank deposits, debentures, preference shares etc.
The average rate of return on bond and securities in India has been around 10-13% p.a.

Mutual Fund:

These are open and close-ended funds operated by an investment company, which raises money from the public and invests in a group of assets, in accordance with a stated set of objectives. It is a substitute for those who are unable to invest directly in equities or debt because of resource, time or knowledge constraints.

Benefits include diversification and professional money management. Shares are issued and redeemed on demand, based on the net asset value, which is determined at the end of each trading session. The average rate of return as a combination of all mutual funds put together is not fixed but is generally more than what earn is fixed deposits. However, each mutual fund will have its own average rate of return based on several schemes that they have floated. In the recent past, Mutual Funds have given a return of 18 – 35%.

Real Estate:

For the bulk of investors the most important asset in their portfolio is a residential house. In addition to a residential house, the more affluent investors are likely to be interested in either agricultural land or may be in semi-urban land and the commercial property.

PRECIOUS PROJECTS:
Life Insurance:

Precious objects are items that are generally small in size but highly valuable in monetary terms. Some important precious objects are like the gold, silver, precious stones and also the unique art objects. In broad sense, life insurance may be reviewed as an investment. Insurance premiums represent the sacrifice and the assured the sum the benefits. The important types of insurance policies in India are:

1.Endowment assurance policy.
2.Money back policy.
3.Whole life policy.
4.Term assurance policy.
5.Unit-linked insurance plan.

NEED FOR THE STUDY

To mobilize the profits in proper manner, to know the loopholes of the investment. To help the organization in better utilization and investment of profits.

HYPOTHESIS

H0: There is no difference between various returns on investments.
H1: There is a difference between various returns on investments.

RESEARCH METHODOLOGY

Data collection methods:

After the exploration issue, we need to distinguish and choose which kind of information is to look into. At this stage; we need to sort out a field overview to gather the information. One of the significant instruments for leading statistical surveying is the accessibility of vital and helpful information.

Essential information: For essential information gathering, we need to design the accompanying four significant perspectives.

Sampling
Research Instrument

Secondary Data - The Company's profile, diaries and different writing studies are significant wellsprings of auxiliary information.

Data examination and understanding
1. Questionnaires
2. Pie graph and Bar diagram

Surveys:

This is the most famous device for the information gathering. A poll contains question that the scientist wishes to ask his respondents which is constantly guided by the target of the study.

Pie diagram:

This is important diagram to address data , which are isolated into different classes. This diagram contains a drift of separated into different territories, which are relating to the characteristics they address. The hard and fast worth is addressed by the full make. The diagram bar framework can make assessment among the various fragments or between an area and a whole of data.

Bar plot:

This is another technique for addressing data graphically. As the name surmises, it include different mumbled bar, which begin from an ordinary example and are proportionate widths. The lengths of the troubadours are with respect to the value they address.

The report relied upon the assessment and gave the disclosures and proposals. The case of the surveys is united with the report itself.

Examining Methodology:

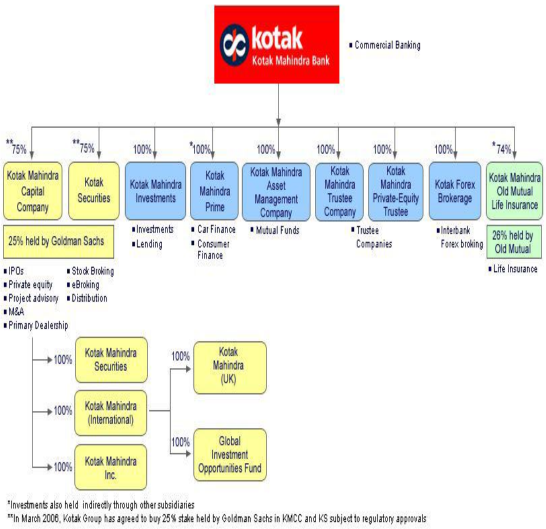
Nuances of the inspecting reasoning, I have made study.

COMPANY HISTORY

KOTAK MAHINDRA

Kotak Mahindra is one of India's leading financial institutions, offering complete financial solutions that encompass every sphere of life. From commercial banking, to stock broking, to mutual funds, to life insurance, to investment banking, the group caters to the financial needs of individuals and corporate.

The group has a net worth of around Rs.2, 500 crore and employs around 6,700 employees across its various businesses servicing around one million four hundred thousand customer accounts through a distribution network of branches, franchisees, representative offices and satellite offices across 250 cities and towns in India and offices in New York, London, *Dubai and Mauritius.*



Kotakstreet.com: The sign of real-world expertise Amidst all the uncertainties today, it had become imperative to take control of your financial assets. With lot of external factors affecting the volatility of the market, it is important to channelize your investments in an organized fashion. The virtual world of kotak street provides you that pedestal, where you as an investor can take control of all your investing needs. Kotak street, the retail arm of Kotak Securities, caters exclusively to your stock broking and investment requirements. Kotak Securities needs no introduction as one of the largest stock broking houses in the country and a leading distributor of primary market offerings.

Kotak Securities limited is a joint venture between Kotak Mahindra Finance Ltd. And Goldman Sachs, the international investment banking and brokerage firm. The company rose over Rs. 19000 crore in the primary market in 1999-2000 alone, and this is twice the amount raised by its closest competitor. In the secondary market, the broking turnover of Kotak was Rs. 40000 crore plus during 2000-2001.Kotak Securities is a corporate member of both the BSE and the NSE. It is also a depository participant with the National Securities Depository Limited (NSDL) for trading and settlement of dematerialized shares. Kotak Securities has the following areas of business: Institutional Stock Broking: It covers secondary market broking for foreign and Indian institutional investors in Indian equities. It also has a special research cell with sectoral analysts. Private Client Services:

This is a special investment division for high net-worth individuals, non-resident Indian investors, trusts, corporate and banks. This service is also available at the Group's offices in Dubai and London. Client Money Management. This division provides portfolio management services to high networth Individuals and corporate. The expertise of Kotak in research and stock broking gives it the right perspective to provide investment advisory services. Retail distribution: Kotak Securities has a comprehensive retail distribution network, consisting of approximately 7000 agents, 13 branches and over 20 franchisees across India.

This network is used for the distribution and placement of company fixed deposits, mutual funds, Initial Public Offerings, secondary debt and equity and small savings schemes. Depository Services:
Kotak Securities is a depository participant

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with the National Securities Depository Limited (NSDL) for trading and settlement of dematerialized shares. Since we are also in the broking business, investors who use our depository services get a dual benefit.

They can use our brokerage services to execute transactions and our depository services to settle them. If you have been waiting to experience the kind of exclusive service enjoyed by large institutional investors, Kotak Street signals the end of your long wait! So go ahead and enjoy an investing experience of a new kind. The Journey so far In October 2005, Kotak Group acquired the 40% stake in Kotak Prime held by Ford Credit International (FCI) and FCI acquired the stake in Ford Credit Kotak Mahindra (FCKM) held by Kotak Group.

In March 2006, Kotak Group agreed to buy 25% stake held by Goldman Sachs in Kotak Capital and Kotak Securities subject to regulatory approvals.

KEY GROUP COMPANIES AND THEIR BUSINESSES

kotak mahindra bank

The Kotak Mahindra Group’s flagship company, Kotak Mahindra Finance Ltd which was established in 1985, was converted into a bank – Kotak Mahindra Bank Ltd in March 2003 becoming the first Indian company to convert into a Bank. It’s banking operations offers a central platform for customer relationships across the group’s various businesses. The bank has a presence in the Commercial Vehicles, Retail Finance, Corporate Banking, Treasury and Housing Finance.

Kotak Mahindra Capital Company

Kotak Mahindra Capital Company Limited (KMCC) is India's premier Investment Bank and a Primary Dealer (PD) approved by the RBI. KMCC's core business areas include Equity Issuances, Mergers & Acquisitions, Structured Finance and Advisory Services, Fixed Income Securities and Principal Business.

Kotak Securities

Kotak Securities Ltd., is one of India's largest brokerage and securities distribution house in India. Over the years Kotak Securities has been one of the leading investment broking houses catering to the needs of both institutional and non institutional investor categories with presence all over the country through franchisees and co-coordinators. Kotak Securities Ltd. offers online (through www.kotaksecurities.com) and offline services based on well-researched expertise and financial products to the non-institutional investors.

Kotak Mahindra Prime

Kotak Mahindra Prime Limited (KMP) (formerly known as Kotak Mahindra Primus Limited) has been formed with the objective of financing the retail and wholesale trade of passenger and multi utility vehicles in India. KMP offers customers retail finance for both new as well as used cars and wholesale finance to dealers in the automobile trade. KMP continues to be among the leading car finance companies in India.

Kotak Mahindra Asset Management Company

Kotak Mahindra Asset Management Company (KMAMC), a subsidiary of Kotak Mahindra Bank, is the asset manager for Kotak Mahindra Mutual Fund (KMMF). KMMF manages funds in excess of Rs 10,000 crores and offers schemes catering to investors with varying risk- return profiles. It was the first fund house in the country to launch a dedicated gilt scheme investing only in government securities.

Kotak Mahindra Old Mutual Life Insurance Limited

Kotak Mahindra Old Mutual Life Insurance Limited is a joint venture between Kotak Mahindra Bank Ltd. and Old Mutual fund. Kotak Life Insurance helps customers to take important financial decisions at every stage in life by offering them a wide range of innovative life insurance products, to make them financially independent.

DATA ANALYSIS & INTERPRETATION

Performance Analysis Of Returns

YEAR	INDIEX	ABSOLUTE CHANGE	PERCENTAGE CHANGE (%)
2010	6602	0	0
2011	9397	2795	42.33
2012	13786	4389	46.7
2013	13908	122	0.88
2014	20323	6415	46.12
2015	10000	-10323	-49.2
2016	16357	6357	63.57
2017	18500	2143	13.1
2018	16863	-1637	-8.85

Table 1: Equity Returns At a Glance

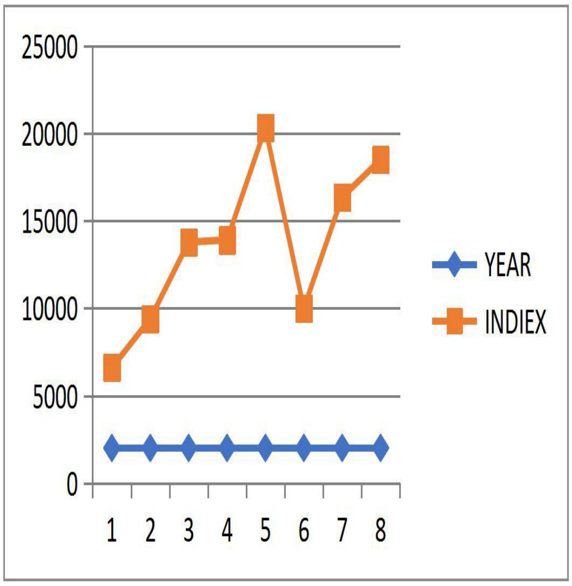


Chart 1: Graphical Representation Of Equity Returns At Equity Returns At a Glance

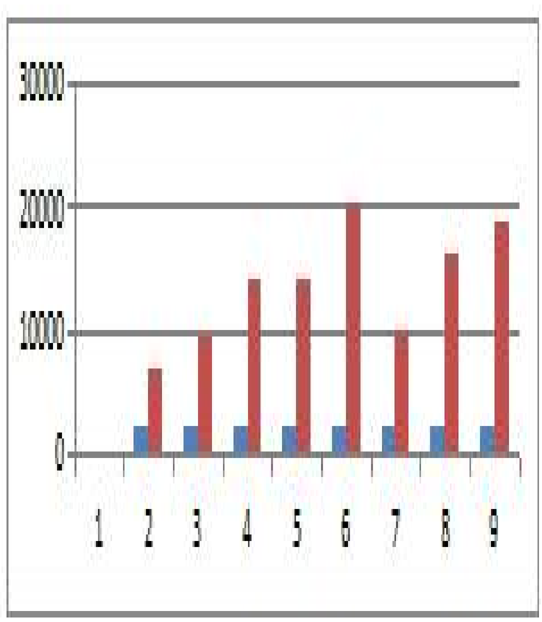
INTERPRETATION:

In the above analysis equity returns in the year 2010-11 no change, 2011 it is 42.33, 2012 it is 46.7,2013 it is 0.88, 2014 it is 46.12, 2015 it is-49.2, 2016 it is 63.57, 2017 it is 13.1,2018 it is -8.85. The above analysis found that the equity returns is fluctuated.

Table 2: BSE 100

YEAR	INDEX	ABSOLUTE CHANGE	PERCENTAGE CHANGE (%)
2009	2081	0	0
2010	2886	805	38.68
2011	4121	1235	42.79
2012	6501	2380	57.75
2013	6760	259	3.98
2014	5375	-1385	-20.49
2015	6491	1116	20.76
2016	6241	-250	-3.85
2017	6010	-231	-3.7

Chart:2: BSE 100



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INTERPRETATION:

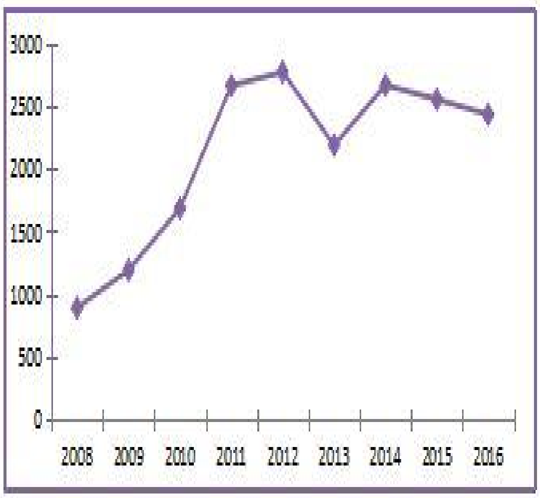
In the above table we have explained 9 years equity returns from(2009-17) In the above analysis equity returns in the year 2009 no change, 2010 it is 38.68, 2011 it is 42.79,2012 it is57.75 , 2013 it is 3.98, 2014 it is-20.49, 2015 it is 20.76, 2016 it is -3.85,2017 it is -3.7.

The above analysis found that the equity returns is fluctuated.

Table 3: BSE 100

YEAR	INDEX	ABSOLUTE CHANGE	PERCENTAGE CHANGE (%)
2010	888	0	0
2011	1190	302	34
2012	1684	494	41.51
2013	2666	982	58.31
2014	2776	110	4.12
2015	2189	-587	-21.15
2016	2671	482	22
2017	2557	-114	-4.27
2018	2436	-121	-4.73

Chart:3: BSE 100



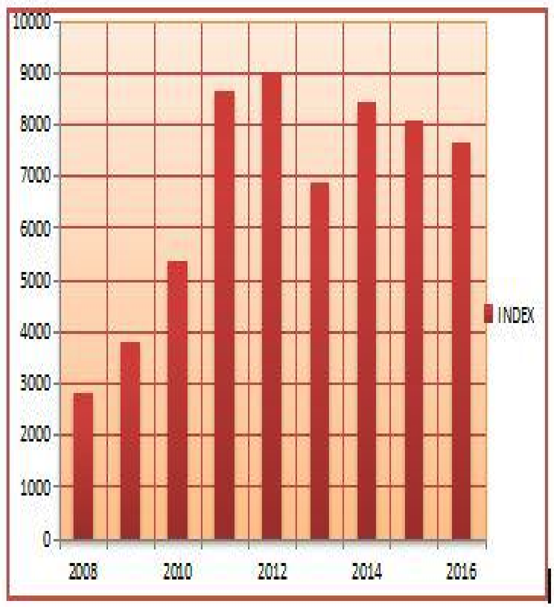
INTERPRETATION:
In the above table we have explained 9 years equity returns from(2010-18)

In the above analysis equity returns in the year 2010 no change, 2011 it is 34, 2012 it is 41.51,2013 it is 58.31 , 2014 it is 4.12, 2015 it is-21.15, 2016 it is 22, 2017 it is -4.27,2018 it is -4.73 .
The above analysis found that the equity returns is fluctuated.

Table 4 :Bonds returns at a glance

YEAR	INDEX	ABSOLUTE CHANGE	PERCENTAGE CHANGE (%)
2010	2784	0	0
2011	3806	1022	36.7
2012	5354	1548	40.67
2013	8616	3262	60.92
2014	8991	375	4.35
2015	6872	-2119	-23.56
2016	8434	1562	22.72
2017	8038	-396	-4.69
2018	7627	-411	-5.11

Chart 4.4:Bonds returns at a glance



INTERPRETATION:

In the above table we have explained 9 years equity returns from(2010-18) In the above analysis equity returns in the year 2010 no change, 2011 it is 36.7, 2012 it is 40.67, 2013 it is 60.92 , 2014 it is 4.35, 2015 it is-23.56, 2016 it is 22.72, 2017 it is -4.69,2018 it is -5.11 . The above analysis found that the equity returns is fluctuated.

Table 5: Gold returns at a glance

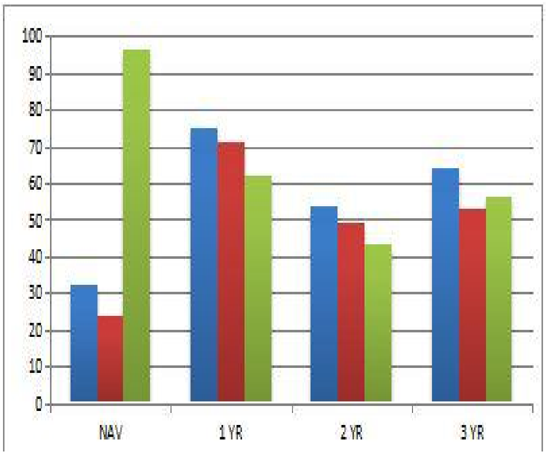
YEAR	PRICE ($)	ABSOLUTE CHANGE	PERCENTAGE CHANGE (%)
2010	435	-	-
2011	513	78	17.93
2012	632	119	23.19
2013	833	201	31.8
2014	869	36	4.32
2015	1087	218	25.08
2016	1405	318	29.25
2017	1531	126	8.97
2018	1657	126	8.22

In the above analysis equity returns in the year 2010 no change, 2011 it is 17.93, 2012 it is 23.19,2013 it is31.8 , 2014 it is 4.32, 2015 it is 25.08, 2016 it is 29.25, 2017 it is 8.97,2018 it is 8.22. The above analysis found that the equity returns is fluctuated.

Table 6: Mutual funds return at a glance

EQUITY TAX SAVING	NAV	1 YR	2 YR	3 YR
Magnum Tax Gain	47.7	108	93.4	112.3
Principal Tax Savings	74.6	91.2	59.3	73.7
HDFC Tax Saver	138.5	105	83.6	91.6

Chart 6: Mutual funds return at a glance



INTERPRETATION:

In the above table we have explained 3 years mutual funds of 3 different banks. In the above analysis the returns are fluctuating from one year to other year. When we are comparing Magnum balanced (47.7), Kotak balances(74.6), HDFC prudence(138.5) there is increase returns in NAV of
HDFC.

The above analysis found that the equity returns is fluctuated.

BONDS RETURNS AT A GLANCE

If we have a look at the average return, which the central government securities have given over a period of one year, it is 9.11%. Now if we look at the average return, which the state government securities have given over a period of one year, it is 9.28%.

REAL ESTATE RETURNS

Real Estate industry in India has come of age and competes with other investment options in the structured markets. Commercial real estate continues to be a desirable investment option in India. On an average the returns from rental income on an investment in commercial property in metros is around 10.5%, which is the highest in the world. In case of other investment opportunities like bank deposits and bonds, the returns are in the range of 5.5% - 6.5%.

Rejuvenated demanded since early 2008 has led to the firming up of real estate markets across the three sectors – commercial, residential and retail. The supply just about matches demand in almost all metros around the country. There has been an upward pressure on the real estate values. From a technical perspective, robust demand and upward prices are helping revive investment and speculative interest in real estate and this is being further aided by excess money supply, stock market gains and policy changes in favour of the real estate sector.

INVESTMENT YIELD

Increasing demand from the IT/ITES and BPO sector has led to approximately 20% - 40% increase in capital values for office space in the last 12-18 months across major metros in India. Grade-A office property net yields have come down from 12% -15% in 2013 and currently average around 10.5% - 11% p.a. The fall in yields has resulted from decreasing interest rates and increasing appetite from investors. This has in turn resulted from abundant liquidity options available coupled with the acceptability of real estate as a conventional class of asset. Lower interest rates, easy availability of housing finance, escalating salaries and job prospects have been lending buoyancy to the residential sector. The net yields (after accounting for all outgoings) on residential property are currently at 4% - 6% p.a.

However, these investments have benefited from the improving residential capital values. As such, investor can count on potential capital gains to improve their overall returns. Capital values in the residential sector have risen by about 25% - 40% p.a. in the last 15 – 18 months. The retail market in India has been growing due to increasing demand from retailers, higher disposable incomes and dearth of quality space as on date. Though the net yields on retail property have registered a fall from 10% - 13% p.a. reported earlier to 9% - 10.5% p.a. currently, the capital appreciation in this sector is close to 20% 40% p.a.

LIFE INSURANCE RETURNS AT A GLANCE

Life Insurance as “Investment” Insurance is an attractive option for investment. While most people recognize the risk hedging and tax saving potential of insurance, many are not an aware of its advantages as an investment option as well. Insurance products yield more compared to regular investment options and this is besides the added incentives (bonuses) offered by insurers.

You cannot compare an insurance product with other investment schemes for the simple reason that it offers financial protection from risks something that is missing in non-insurance products. In fact, the premium you pay for an insurance policy is an investment against risk.

In life insurance except for term insurance, unlike non-life products you get maturity benefits on survival at the end of the term.
In other words, if you take a life insurance policy for 20 years and survive and survive the term, the amount invested as premium in the policy will come back to you with added returns. In the unfortunate event of death within the tenure of the policy the family of the deceased will receive the sum assured. Now let us compare insurance as an investment options. If you invest INR 10000 in PPF, your money grows to Rs.10950 at

9.5% interest over a year. But in this case, the access to your funds will be limited. One can withdraw 50% of the initial deposit only after 4 years.

The same amount of Rs.10000 can give you an insurance cover of up to approximately Rs.5 – 11 lakh (depending upon the plan, age and medical condition of the life insured etc) and this amount can become immediately available to the nominee of the policyholder on death. Thus insurance is a unique investment avenue that delivers sound returns in addition to protection.

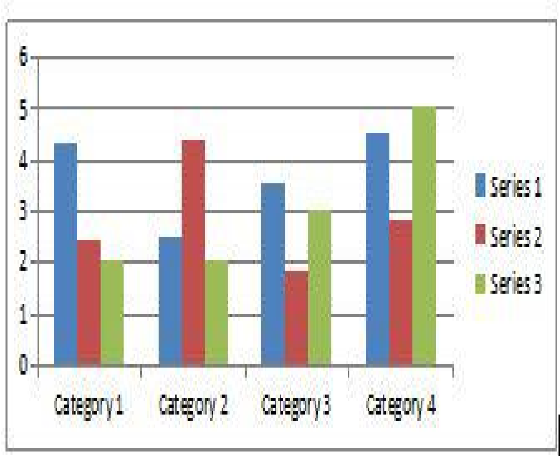
LIFE INSURANCE AS "TAX PLANNING"

Insurance serves as an excellent tax saving mechanism too. The Government of India has offered tax incentives to life insurance products in order to facilitate the flow of funds into productive assets. Under section 88 of income tax act 1961, an individual is entitled to a rebate of 20% on the annual premium payable on his/her and life of his/her children or adult children.

TEST OF HYPOTHESIS:

H0: There is no difference between various returns on investments.

YEAR	EQUITY	BONDS	MUTUAL FUND
2010	2784	2784	435
2011	3806	3806	513
2012	5354	5354	632
2013	8616	8616	833
2014	8991	8991	869
2015	6872	6872	1087
2016	8434	8434	1405
2017	8038	8038	1531
2018	7627	7627	1657



INTERPRETATIONS

The above hypothesis of null is rejected due to there is a difference between returns on investment is increase year by year.

ALTERNATIVE HYPOTHESIS

H1: There is a difference between various returns on investments.

The above alternative hypothesis is accepted due to there is a difference between returns on investment is increase year by year .

CONCLUSIONS

There are several investments to choose from these include equities, debt, real estate and gold. Each class of assets has its peculiarities. At any instant, some of those assets will offer good returns, while others will be losers. Most investors in search of extraordinary investments try hard to find a single asset. Some look for the next infosys, other buys realestate or gold. Many of them deposit their savings in the Public Provident Fund (PPF) or post office deposits, others plump for debt mutual funds. Very few buy across all asset classes or diversify within an asset class. Therefore it has been widely said that "Don't put all your eggs in one basket". The idea is to create a portfolio that includes multiple investments in order to reduce risk.

Things changed in early may 2013 since then the stock market moved up more than 74%, while many stocks have moved more. Real estate prices are also swinging up, although it is difficult to map in this fragmented market. Gold and Silver prices have spurted. Bonds continue to give reasonable returns but it is no longer leads in the comparative rankings.

Right now equity looks the best bet, with real state coming in second. The question is how long will this last? If it is a short-term phenomenon, going through the hassle of switching over from debt may not be worth it. If it's a long-term situation, assets should be moved into equity and real estate. This may be longterm situation. The returns from the market will be good as long as profitability increases. Since the economy is just getting into recovery mode, that could hold true for several years. Real estate values, especially in suburban areas or small towns could improve further. The improvement in road networks
will push up the value of far-flung development. There is also some attempt to amend tenancy laws and lift urban ceilings, which have stunted the real estate market.

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