

AN INSIGHT INTO INVESTMENT DECISION FOR A SECURE SOCIAL LIVING: A COMPREHENSIVE OVERVIEW

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ABSTRACT

The paper is going to establish a firm base for the investment decision for a person to have a secure social living. It is a challenge for a person to have a complete knowledge on all the investment products available in the market. In due course of time with increased marketing strata, it become much more complex for the people to arrive to a conclusion. Most likely it happens two possibilities either a happy ending with a satisfaction or with a bad investment along with a guilty feeling. But it is not always possible to go back and cancel the investment then choose another. Hence there is a need to establish firm base by considering all the possible investment decisions available. This paper is intended to fill such gap and also it lays an arena for the better investment. The paper includes the various facets of the investment options with a logical validation.

Key words: Insight, Investment, Decision, Secure, Social Living, Overview.

1. INTRODUCTION

The word investment is in the bold and thought of mankind since prehistoric age. Prehistoric man popularly known as 'adi manav' used to invest his/her time, energy to collect, store and secure food by hunting or any other means. In addition to it he/she used to invest their time and energy for sharpening of tools and constructing the huts over the trees. Little later in the stone age it become a bit advanced and investment is made by preparing a cooking setup over the rock and storing of the stone tools to hit a fire. Little later in the kings age, investment is put on collecting and storing of valuable metals including gold, diamonds etc. Slowly after separation and formation of the individual country's investment is put on land to maximize their area of occupancy. Then investment is also put on improving the technology, science and etc, that are required for the comfortable and social well-being. Now investments are further extended to store the stem cells in the stem banks for the comfortable life till end. Soon after the invention of the money in the form a paper, little later in the form electric means as well investments have become more prominent. Compare with early 2000- 2010 there were only few banks and ATM outlets. The first ATM in India was introduced by HSBC bank in Mumbai in 1987. The first ATM (formerly a cash machine) in the world is introduced in 27th June 1967 in United Kingdom, in the same year in the USA as well. Coming back to the investments, basically the investment can be anything that can be either tangible or intangible. Now a days we can often see the venture capitalists, these people have ideas but do not have capital. Simply they will invest their ideas and start business out of it. In similar lines free lancers invest their time and energy by churning their intellectual property and make business out of it. Hence there is no end for the investments, sky is the only limit. Even the sentence is also changed further due to the space missions to moon, mars etc. So, the point here is to have a detailed classification, analysis of the vital investment options that are available in the market in India as on date. This investment analysis is carried out by considering the structured and unstructured salaried persons. Hence it will cover the majority of the people for the investment options. It is the investment that can only yield a happy and prosperous life.

2. METHODOLOGY

The below (figure 1) flow chart gives the insight into the Investment options available and their classification.

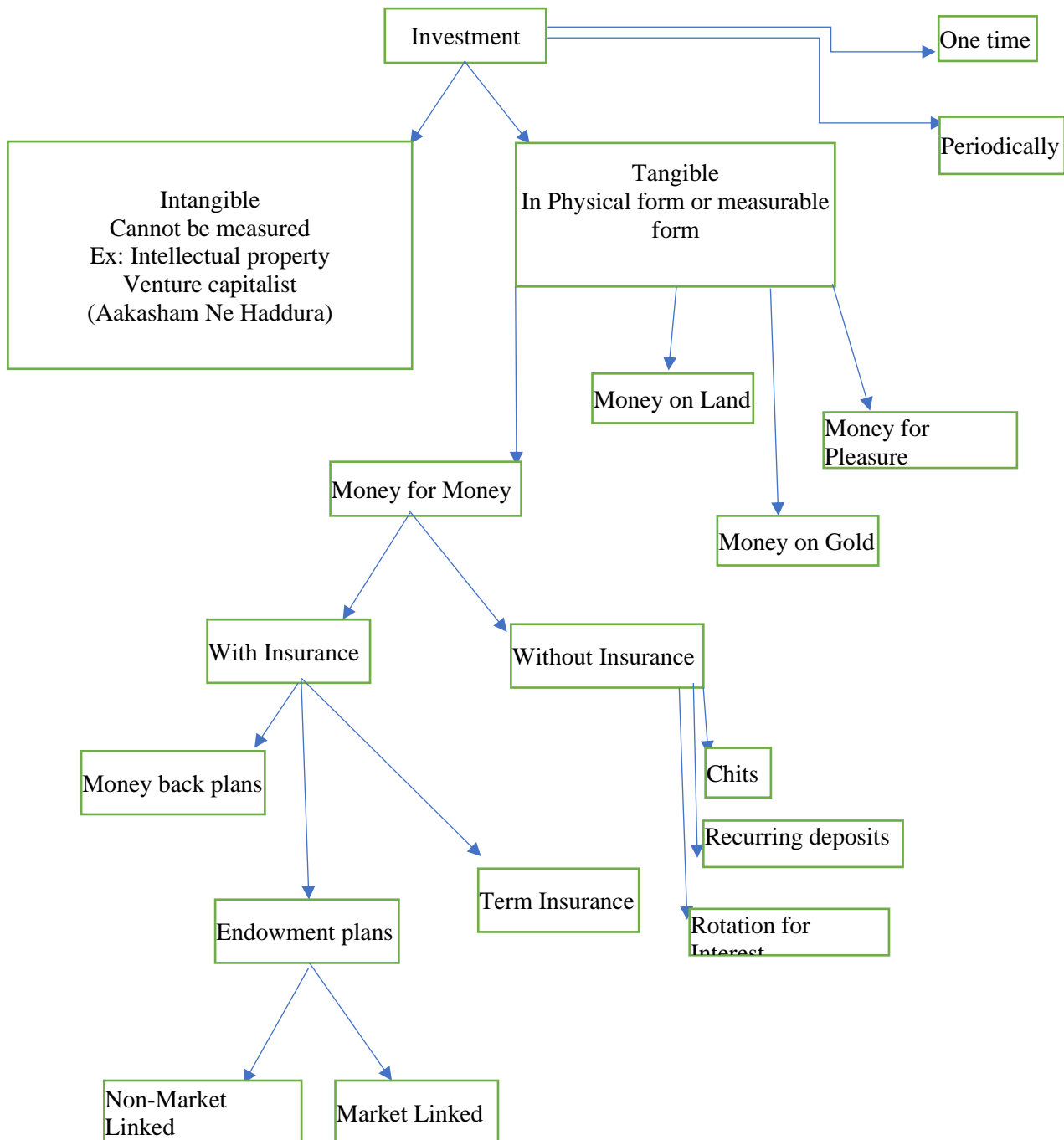


Figure 1. Flow chart depicting the investment classification.

The flow chart clearly shows the various possible investments available. Though the investment seems to be unique, it has the classification based on nature and quantity. Under the nature of investment there are two types present. They are intangible and tangible, intangible investment is investing the non-measurable parameters such as ideas, thoughts etc. The classic example for it would be venture capitalism. Simply investing ideas to attract the capital from the mob and making business out of it. On the other hand, second category is tangible investments. They can be calculated by means of some standard denomination. For example, money, gold etc. The second classification is based on the quantity of the investment, if the investment is huge then it can be taken as one time investment and if the investment is on periodical basis, then it can be taken as periodical investment. The real time example for periodical investment is a monthly pay-out for savings. Each of the individual options were explained here under. The present work is confined only to the tangible investment only.

2.1 Money back plans: These investment plans were used to get the money in a regular interval for example 3 yr, 5yr etc. For instance, a money back plan of Rs. 7,00,000 is taken then around Rs. 41,000 to be paid annually for 25 years.

For every 5 years Rs.1,00,000 will be paid back to the customer as a survival benefit. At the end of 25th year a lumpsum amount of Rs. 11,00,000 will be paid. During the 25 years of tenure a life coverage of Rs. 7,00,000 will be available. This is an investment of money for the sake of money with insurance.

2.2 Non- Market linked Endowment plans: These investment plans were used to get the money in a fixed interval for example 10 yr, 15yr, 25 yr etc. For instance, a non market linked endowment plan is that yearly Rs.10,000 is to be paid for 35 years. At the end of 35th year approximately Rs. 16,00,000 will be given. During the entire tenure of 25 years a insurance coverage of Rs. 3,50,000 will be given. Some of the time endowment plans insurance coverage will be continued even after policy tenure is over. That means a guaranteed return to the successors. This is an investment of money for the sake of money with insurance. Here the non-market linked concept is that the money invested by the customers will be kept in the company only. No investments were kept in share market. The subject of share market is a quite complex and tricky. Hence the persons do not want to take any risk will prefer a non-market linked endowment plan.

2.3 Market linked Endowment plans: These investment plans were used to get the money in a fixed interval for example 10 yr, 15yr, 25 yr etc but with a variable amount. The return amount is not fixed it depends on the share value of the company at the time of maturity. For instance, a market linked endowment plan is that yearly Rs.10,000 is to be paid for 35 years. At the end of 35th year approximately Rs. 6,00,000 plus certain amount will be given, but that value nobody knows including the insurance company. Purely it depends on share market. In some of the products there is no fixed return value, entire maturity amount will be decided only after the end of tenure. During the entire tenure of 25 years an insurance coverage of Rs. 3,50,000 will be given. Some of the time endowment plans insurance coverage will be continued even after policy tenure is over. That means a guaranteed return to the successors. This is an investment of money for the sake of money with insurance. Here the market linked concept is that the money invested by the customers will be kept in the share market. The subject of share market is a quite complex and tricky. Hence the persons do not want to take any risk will prefer a non-market linked endowment plan.

2.4 Term Insurance: It is purely designed by keeping the life security of the person to a support to the successors including family. Here in this case a nominal amount starting from Rs. 500 per month is to be invested for a life cover of Rs. 25,00,000, this calculation is for an early 20s person. As the age of the insurer and policy value increases the premium increases and vice versa. Term insurance is a very much useful to support their family post demise of the insurer.

2.5 Chits: These are very popular in the Indian subcontinent right from a small village to the metropolitan city. But it is a quite risky investment. Purely based on the trust. There were few registered chit funds in the country and many unregistered chits available. Again, it's purely the investor own decision to invest or not. And investment in chits were always without any insurance coverage. The chit schemes are for a short and medium term. There were two types of chits available in the market viz commission chits and non-commission chits. The below Table 1 shows the comparison of both chits.

Table 1. Comparison of commission and non-commission chits

Chit value	Rs. 1,00,000	Non commission chits		Commission chits	
		If not taken	If taken at first month	If not taken	If taken at any month
Month	1	Rs. 5,000	Rs. 5,000	Rs. 3,100	
	2	Rs. 5,000	Rs. 6,000	Rs. 3,200	
	3	Rs. 5,000	Rs. 6,000	Rs. 3,300	
	4	Rs. 5,000	Rs. 6,000	Rs. 3,400	
	5	Rs. 5,000	Rs. 6,000	Rs. 3,500	
	6	Rs. 5,000	Rs. 6,000	Rs. 3,600	
	7	Rs. 5,000	Rs. 6,000	Rs. 3,700	
	8	Rs. 5,000	Rs. 6,000	Rs. 3,800	
	9	Rs. 5,000	Rs. 6,000	Rs. 3,900	
	10	Rs. 5,000	Rs. 6,000	Rs. 4,000	
	11	Rs. 5,000	Rs. 6,000	Rs. 4,100	
	12	Rs. 5,000	Rs. 6,000	Rs. 4,200	
	13	Rs. 5,000	Rs. 6,000	Rs. 4,300	

	14	Rs. 5,000	Rs. 6,000	Rs. 4,400
	15	Rs. 5,000	Rs. 6,000	Rs. 4,500
	16	Rs. 5,000	Rs. 6,000	Rs. 4,600
	17	Rs. 5,000	Rs. 6,000	Rs. 4,700
	18	Rs. 5,000	Rs. 6,000	Rs. 4,800
	19	Rs. 5,000	Rs. 6,000	Rs. 4,900
	20	Rs. 5,000	Rs. 6,000	Rs. 5,000
Commission chits	The auction amount decides based on the bidding at every month, there is no guaranteed value purely situational			
Non commission chits	The auction amount is fixed, in the first month if lifted he/she will be paid Rs.96,000 and its value increases Rs. 1,000 a year.			

2.6 Recurring deposits: These are mostly offered by banks and non-banking financial institutions. The tenure starts from a minimum of 3 months to 6m, 9m, 12m, 1yr, 2yr etc. The minimum amount that can be invested is Rs. 100 to maximum no cap. Based on the tenure chosen a nominal interest will be given at the end of tenure. It is also an investment without insurance. But its purely an investment for ready to liquify.

2.7 Rotation for interest: It is a kind of money lending, whoever in need to money takes from the investor, in return the money to be paid with interest. It is quite complex sometimes and again its purely situational. In a needy situation money maybe be taken back instantly.

2.8 Money on Land: This does not need any explanation at the present scenario. But simply owing a land does not yield value all the time. The value to the land depends on nation's financial status. Land is not an equally acceptable denomination globally and locally.

2.9 Money on Gold: This is a fair enough investment option. Gold reserves gives a stability and confidence as well. Now a days purchasing pattern is much more simplified. Many of the jewellers offering gold schemes to eases buying process. Right from Rs. 1,000 a month to no cap is offering for a duration of 10m, 11m, 24m etc. The benefit is some jewellers offering discount on VA, some were offering discount on VA and guaranteed addition as well. But its purely an investment for ready to liquify.

2.10 Money for Pleasure: It is purely depending on individual's choice. No comparison can be given. One may love land, one may love gold, one may love phones, one may love colours etc.

3. COMPARISON OF INVESTMENT PLANS

Table 2: Comparison of various types of investments

Parameter					Safety	Guarantee d return	Growth	Ready to liquefy	
Tangible	One time	Money for money	With insurance	Money back plans		Safe	Yes	Moderate	Y
				Endowment plans	Market linked	Risk	No	Unpredictable	N
					Non market linked	Safe	Yes	Moderate	Y
			Without insurance	Fixed deposits		Safe	Yes	Low	Y
				Rotation for interest		Risk	Yes - risk	Risk	Unpredic table
		Money on Land				Safe	Yes	High	N
		Money on Gold				Safe	Yes	Moderate	Y
		Money for pleasure				NA	NA	NA	NA
	Periodically	Money for money	With insurance	Money back plans		Safe	Yes		Y
				Endowment plans	Market linked	No	No	N	N
					Non market linked	Yes	Yes	Y	Y

			Term Insurance	Safe	Yes	NA	N
			Recurring deposits	Safe	Yes	Low	Y
		Without insurance	Chits	Risk	Yes - risk	Moderate	Unpredic table
Intangible	One time	This is often a time bound and in fact rare scenario to get an attractive investor. But if we go through any product life cycle, it can be seen the infant age, young age, middle age and old age (death or demise). Though it is not a perfect example, still it might be seen in the movie field a person get popularity for a song or for a step or for a special talent. But it starts and ends with there only. Because change is the ultimate reality.					
	Periodical	It is a real time activity can be seen near around. An example again from the movie field can be seen a popular director lost all his wealth due to huge loss in producing a movie. Then with the relations he has and effort he made directed a small budget movie and he rose back. Even in business also some of such examples can be identified.					

The key takeaways from the above comparison table were given below. Before that a clarification is to be subtle for better understanding i.e., these investment plans and comparisons are perception based only. The actual suitability of the plans and their implications are to be taken based on end-to-end analysis. It is also to be understood that for a viz-a-viz situation alteration of the decision is often observed. But as a whole if the content is to be summarized then by keeping the broad objectives as the base key take aways are given.

- End to end if the planning is to be made then each person should have a term insurance, whatsoever the amount possible.
- Then further investment can be put as small amounts in multiple products is advisable. Any investment is planned with insurance. Because in chits, recurring deposits if investment is put there is no guarantee for the adverse situations. Particularly if the investments are to be put for children the insurance-based investments were very much beneficial as the plans are supported with rider protection.
- Again, the question arises for the sudden cash crunch, what can be done to liquidate the money. But the insurance-based investment plans can also be surrendered. Hence there is no problem w.r.t. cash crunch.
- Gold investments are also a good choice but to have protection for the gold is a bit challenging. The best part with gold is universally it is acceptable and equally valuable. In case of money its value changes day to day individually means change from country to country. But the value of gold will not decrease or increase from country to country.
- In case of investment on land, it is valuable only if the country economy is fair.

4. CONCLUSIONS

Any investment is good instead of no investment. But at the same time nothing is better than non-sense. Hence it is very important to have some idea about the investment plans and their implications. It gives a sense of satisfaction and fulfilment feeling for a person that some protection is there. Awareness is root source for a right decision. Energy levels often decrease with time. Hence if the investments start at the age of early 20s for an individual then a better financial stability can be added. For a family person to his/her child investment can be planned right from birth along with rider protection.

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