CHAPTER- I

INTRODUCTION

1.1 Introduction

Investment involves turning capital or cash into tangible commodity or a demand for return on the future money. It is thought to be a sacrifice of the current value of the cash in the expectation of having reward later on. It is usually challenging, fascinating as well as rewarding for the investor. Risk and reward are usually go parallel to each other as where the risk is high, the returns are also high. There are a number of investment options like bonds, stocks, businesses, life insurance, gold and silver, real estate, postal deposits, etc. By taking into consideration several parameters such as income stability appreciation, safety of their money, easiness of transfer of fund, as well as liquidity the investors choose which suited best in accordance to their preference. On the basis of attitude of taking of risk, investors make investment in any institution listed above. Money is earned by making a lot of efforts as well as with hard work because of which everyone these days wants to enjoy the rewards of money. The spending of the whole money which is earned by facing a number of difficulties is not a wise thing. The smartest thing is to save the money for future as there might some uncertainties occur in the future like if you face an accident, any appliance of your house needs to be replaced and what you do if in future you lost your job? In such cases the saved money helps the person to face these uncertainties with less stress and insecurity. If someone had not spent money on insurance or saved it earlier, individuals may also be opening up to other dangers.

The best method to save the money is to reduce your spending on unnecessary things. In order to accomplish this task the first step is to make the list of the necessary things. After that make a budget and purchase the things according to this list. Also prohibit buying unnecessary goods as it increases your expanses and imbalance your whole budget. Avoid malls as well shopping complexes as it gives boost to the reduction of overall cost which enhances your savings. For improve their savings people make a cut on their electricity or telephone expanses. The bill of electricity affects pocket of a person a lot and judicious use of electricity like by switching off lights or other electrical appliances when are not in use boost the saving. Similar is in the case of expanses of the telephone by not buying too costly electronic item as well as making less or the just required calls. This not only improves your saving but also beneficial for the environment as the burden on the resources reduces which in turn contributes to nation economic growth and prosperity. When somebody thinks about why saving is too important the first thing comes in the mind is for the time of emergency as it can provide a new roof for home, for any medical out of the pocket expenses, income loss, unexpected loss of job etc. For all such kind of emergencies money is used to dealt with the harsh condition or to make the things smooth. The other reason is retirement. Everyone retires a day and after retirement the place of income is taken by the savings as then the person have just its savings with them to fulfill their needs and desires. It is observed that in the present days the average life expectancy rate has improved because of the availability and feasibility of the medicines, now people are living a longer life in comparison to that of the previous trend and hence needed more money than earlier. Education is the other important factor. It became difficult to meet the demands in the field of education as day by day the cost for the public as well as private education is rising at a brick pace. One may have need of money for making a house as well as saving of money is requirement for the down payment on the house. The power of negotiation of a person goes much further when the person has a large down payment on return and gets a higher rate of interest with which one can buy a larger home. For fulfilling all these demands it is required to have some saved money in hand. Along with these circumstances the saving is required for having fun, for buying luxury items as well as for vacations. If a person has good amount of cash in his hand his power of negotiating increases on the bigger purchases. With the changing trends it is necessary to have some change in luxury items in accordance with the job, status, society, business and to increase the standard of living. Sometimes somebody funds sink and in such a condition the saved money is the need of the hour. Anything set aside for the future usage is known as investment. Investment is nothing but sacrificing at the present time so as to have benefit in the future. There are number of aspects of the investment. The sacrifice of the present time along with the benefits of the future is the two major elements of the investments. Generally there can easily be the identification of different pursuits that demonstrate the two elements of the investment like thousand shares of the reliance industries limited was brought by a portfolio manager, a corporate firm for the purpose of expansion expands Rs. 40 lakh, one may acquire a fixed deposit scheme of Punjab National bank for several years as well as a father bought some jewellary for his daughter so as to give her as a gift on the her marriage and many more such possibilities. All these above mentioned are a type of investment as for this there is a necessity to sacrifice of the consumption of the present time so as to have benefit in the future. In simple words, investment applies to a fund pledge of one or more securities to be retained over a certain potential period of time. It is quite simple; investment refers to placing the cash of yours to meet your needs. It is not like gambling while it is another way of thinking of how to invest money to have higher benefits. In gambling one puts its money at risk by betting on the outcomes that are totally uncertain with an expectation to win money. Hence it is essential to differentiate among several activities as which is the real investment or which one is like that of gambling such as by the sacrifice of the present consumption one purchase a lottery ticket costing Rs. 1000 but this is not investment as there is a complete uncertainty as the winning or losing is not in the hands of the purchaser. It he does not win the lottery ticket he will lose his whole money; it is gambling not an investment. The investor is not a speculator and will not proceed with presumption of losing the capital of his since in investment there is the process of decision making. The investor which is experienced and genuine have well analyzed information and well known about the relation between the risk and return. The decision of investment is affected by the profile of the investor. The most important property of the investment is to wait for the reward. It refers to saving the resources from the present consumption in order to have future benefits. The investment as a term is not as modest as defined, it was determined by number of economists as well as financial experts along with this the term is mostly with speculation in confusion. In the anticipation of a better return in the future, an investor reconstitutes consumption in present. In order to generate profits some amount of capital is placed in real estates, shared or in the business ventures. The factor which influences the investment most is interest rate as the rate of interest reduces with the rise in the investment rate. For instance, the expectation the business community expectations about long term need as well as benefit, complex alterations in generation techniques, as well as anticipated relative expenses of capital as well as labour. Without saving no investment can be done as it is the saving which provides the required funding. Investment enhances the economic capacity of production which further enhances the economic growth of the nation. The term investment has a number of close meanings in the field of business management, related to finance, deferring consumption, saving or to economics. A person made a deposit in the bank or may purchase an asset in order to have interest or future returns. Basically, the meaning of the term is "action of putting something in to somewhere else". A number of times both the words investment as well as saving are used interchangeably that make confusion in their distinction like for the purpose of marketing the bank labeled some of their deposits accounts as the investment accounts. In order to find out whether you are making an investment or saving, you have to check it out whether you are investing on the asset in which there is a possibility of fluctuation in the future or in the cash. (Warren, 1950)

1.2 Financial and Economic meaning of Investment

The financial terms of investment means allocate the capital to assets with an expectation to have positive returns or gains over a certain time period. The asset ranges from the risky investment to the safe investment. According to the common people suppliers of the capital are the person who are investing their funds and from the point of view of these investors the term investment refers to a commitment of the funds of a person to derive upcoming earnings in the form of pension benefits, rent, interests, an appreciation in the principal value of money or the premiums. Whether capital is being spent for beneficial usage or in terms of the acquisition on the other - hand assets like as current securities as well as commodities traded on the basis of stock exchanges is not relevant to the financial investor. Majority of investments are actually regarded as to be transfers of financial assets from one individual to yet another. In the economic sense the meaning of investment is totally different to that of in the financial sense. According to an economist the meaning of investment is net addition to the capital stock comprising those good and services that are utilized in the production of other goods as well as services.Accordingly, in this sense, investment means the generation of new as well as productive capital in the form of new buildings, reliable machinery for new producers such as plants as well as equipment. In the definition of investment by economists the human capital along with the inventories are also included. The economic meaning of investment and the financial meaning of invested are correlated to one another as deposits are part of private assets that migrate into the capital market moreover directly or by means of organizations, separated into "new" along with second-hand capital funding. Investors as users along with the stockholders as suppliers of long-termassets found a region in market for meeting. (Alrabadi et. al., 2011).

1.3 History

The Hammurabi code of laws is a set of collection of laws well guided and established for providing legal framework for investment, commercial transactions and punishments and fines for the required justice. It codifies debtors and creditors rights involving crimes injury and death. Buyers of stocks, bonds, and other securities were identified as speculators in the early 1900s in newspapers, academia, and commerce.Since the 1929 Wall Street crash, and particularly through the 1950s, the term investment had come to represent the more cautious end of the securities continuum, while at that time financial brokers and their advertising agencies applied speculation to higher-risk securities that were much in vogue. The phrases speculation and speculator have explicitly been referring to higher-risk projects since the last half of the 20th century.

1.4 Investment and Risk

All risk related to the invested capital is bear by the investor. From arbitrage investment is totally different as in arbitrage profits are made with any investing any money as well as without bearing any kind of risk. Savings bear the risk of default on the financial supplier. While foreign exchange risk relates tohe foreign currency savings as in case when the saving account currency varies to the home currency of the holder of account there is always a risk that varying rate of exchange between the two currencies might move unfavorable. Hence there is reduction in the value of the currency of the saving account decreases if measured in accordance to the home currency of the account holder. The risk involves to the investments are more and the chance of the risk is more in the investment in the comparison to the savings

1.5 Investment and Speculation

Conventionally, there are factors ways by which we can differentiate between the speculation and investment. These are:

a) Capital gains

b) Risk and;

c) Time period

a) **Risk:** In meaning of the risk in financial terms is the probability of having loss in the financial transactions. In large, investment is to entail risk that is limited as well as restricted to those values in which the basic principle is actually healthy. The speculation is actually viewed as a participation of money of risk that is higher. A good example of this is the list of securities of the stock brokers that labels as well as suggests securities individually for the purpose of investment as well as speculation reasons. Risk is measured in the degree and there is no pure distinction between the high risks involves or the degree of risk is low as well as a many number of times this distinction of risk is arbitrary. In all investment involves risk. When the safety of the principal amount along with the interest is taken into account some unmanageable risks are there which are not easy to dealt with. These risks are the money rate risk and purchasing power risk. The risk of purchasing power involves the reduction in the principal as well as the interest while the risk of money rate involves reduction in the market value with the rise of the interest rate. Both investor as well as the speculator is affected by these risks. In order to understand the speculation as well as investment the usual indicators are low risk and the high risk.

b) **Capital Gains:** When the sole motive is to have higher profits by changing the price it is considered to be speculation while when before purchase a complete analysis as well as investigation is done so as to have a balanced rate over time it is considered as investment. Hence speculation is having high profits with buying less and high selling.

c) **Time:** Another distinction between speculation and the investment is of the time period. When the duration of fund allocation is high then it is considered as investment while investing for the 'quick turn' is considered as investment. To find of the role of speculator as well as investor the analysization of this distinction is much helpful. Speculator is considered about the price movement as well as the action of market while the investor consistently makes evaluation of the worth of security. It is clearly derive from these distinctions that the speculation and the investment are quite different. No rules and laws are there to define securities that are exclusively used of the investments. For the purpose of finding out if the investment is the suitable investment regular review of the securities are there. In addition, it is right to state that a few financial specialists have named expenditures a carefully planned speculation and also well founded or that good expenditures are productive speculation. Hence the speculation as well as investment is preparations of the future uncertainties. If for obtaining more expected returns someone take unnecessary risks then it will be converted into gambling.

1.6 Investment and Gambling

The demarcation between gambling and investment is totally partial in nature. From the above review, it has been identified that investing is an effort to schedule, analyze and allocate funds carefully in different investment channels, providing security of principal, reasonable along with steady arrivals well as long-term commitment while gambling is totally different to it as it involves high risks along with expectation of high return. Horse racing, lottery tickets and cards are some common epitome of gambling. Gambling is focused on hints, tips as well as hunches. Gambling has no linkage with the scientific aspects and well as the knowledge of the risk. The fundamental idea of the existence, intent as well as function makes differences between investments, gambling as well as speculation.

1.7 Importance of Investment

In the context of current circumstances investment is vital as well as valuable. The various factors because of which importance of the decision of investment are increasing are given below:

a) Longer Life Expectancy or Planning for Retirement: In between the age of 55-60 people retire in India. It is observed that in the present days the average life expectancy rate has improved because of the availability and feasibility of the medicines, now people are living a longer life in comparison to that of the previous trend and hence needed more money than earlier. Savings should be invested in such a manner that the principal amount as well as revenue is going to be enough for larger number of retirement years. The value of investment decisions is further increased by the reality that more women work in companies. These females are going to be accountable for preparing the own investments of theirs throughout their functioning lifetime to ensure that after retirement, they're competent to enjoy a steady cash flow.

Well planned life span, sustainability as well as increase in the working population have guaranteed the practical investments demand.

b) Increasing Rates of Taxation: All across the world in all the countries the most critical factor that introduces component of desire in a person’s savings is the Taxation. Undoubtedly, there are number of ways to do savings in India which is in the form of investments that helps to reduce the level of tax by suggesting deductions in personal income.

c) Interest Rates: The level of the interest rate is also a crucial aspect for a good plan of investment. These can range from dangerous to secure investments; these can also vary because of different profit packages provided through the investments. Prior to the allocation of any amount these factors must be weighed. The high interest rate might not be the single factor that favors the outcomes for the investment. A numerous kind of investments have to be included by the investor in his portfolio. Along with having high interest rate, it is also much important to have a stable interest.

d) Inflation: inflation is one of the consistent difficulties since the last few decades. In the many years of rising costs, a number of issues are actually connected fused with a dropping standard of living. For having the best choice of the investment, it is required to examine the erosion of the resourced prior to the investment of funds. The investor makes its full efforts and find out the way withhe can receive the maximum rate of returns as interest which can cover any loss because of inflation. It is essential for the investor to judge if the return is consistent or is there any inconsistency. In combination to high interest rate he will explore several ways so as to found the way that will certain the safety of the principal. In addition to safety of principal as well as the high investment rate, an investor must also take into account the tax angle. The burden of taxation should not boost with the earned interest through investment because if it happens then the benefits obtained from the interest of investment will utilize to nullify the rise in the taxation.

e) Income: the rise in the employment opportunities in India is another reason for the increasing focus on the investment decisions. The development in the country after independence give boost to new organizations as well as services which leads to increase in the opportunities to both men as well as women working force. The willingness along with abilities of the working people to save as well as investment of their funds is culminated with more saving opportunities and more incomes.

f) Investment Channels: The development as well as improvement of the nation major to significantly greater economic exercise has led to the launch of a wide array of expense retailers. Besides saving the money in the banks investors choose other instruments as the banks provides very low interest. But it is to determine that which is the most advantageous method and offers stable as well as balanced returns. The investor chooses that method of investment which will provides him the blend of stability of returns along with the high rate of returns. For example- life insurance, unit trust schemes, corporate stock, fixed deposits, provident funds etc.

1.8 Investment Decision

In the terms of stock market, the term investment decision means to make a decision of buying and selling of the orders and these decisions are highly affected by the flow of information as well as the how much money is available. The various factor such as the extent of under valuation or the over valuation, the fair value of the share as well as expectation of the returns decide either to buy or to sell the order. If the investment if for a long duration of the period then the investors have to depend upon the study of the fundamentals while when the investment is for a shorter duration of time then technical study is more crucial.

1.9 Factors Affecting Investment Decisions

It is crucial that the factors which are affecting the decisions of the investment decisions are well understood so as to offer best advice as well as to make informed investment decisions. Sometimes the tips provided by the investment advisors not well suited to the circumstances of the investor leading to unhappiness as well incomplete satisfaction of the investor and he starts criticizing the investment advisers for the advice. Mostly the unsuitable investment is the main cause of dissatisfaction of the investors. While giving advices of the investment it is must to have a look on the circumstances as well as requirements of the investor. Ignoring these factors may result in the disastrous outcomes.

Risk: Risk is perhaps the most underestimated of all the factors which influence investment decisions. There are lots of elements to take a chance of what, in case correctly analyzed, would develop a dissertation ideal for the doctoral thesis. In the simple words the most common risk to the investor is the probability of losing the money invested by him and it is found that the greater returns are obtained in the case when the investor is fully prepared for more risk. Some investors are prepares to have high risks while other may not take any risk, it varies from investor to investor. Investors would usually be more at risk with respect to their retirement funds compared with voluntary portfolios. With the changes in the life circumstance the risk profile of the investor will also change. An investor that is young in age is prepared to face any danger but it is not easy to face uncertainties for the investor which is near its retirement as it has a little time. The assumption of the risk taken by the investor is highly dependent on the achievement of the return from the investment. For a person who wants to collect money for the purpose of educating his children prefers to make an investment in such a way so as it will get certain amount of return from the investment in certain duration of time otherwise his goal associated with the investment does not fulfill. The returns from the investment are directly proportional to the risk which is associated to the investment. Risk as well as return is parallel to each other due to which the investment in which there is a possibility of higher returns the risk of losing the money is also high with it. The duration for which the money is invested play important role. The selection of unit trust for the purpose of investment is not suitable when the investment is for short duration like for one year as the risk involved is very high. The downwards trend of the market may result in the money loss by the investor. It is less risky as well as suitable to deposit the capital with a financial institution which is reputable while when the investor wants to invest for a longer duration of time let it be ten years in such a case the unit trust will also not a investment of high risk. On the opposite due to the effects of both taxation as well as inflation the deposit can be considered as a high-risk investment as there is a possibility of money loses in the real terms by the investor. The crucial decision in the investment is that the type of the investment is according to the investor risk profile.

Return: Returns are directly related to the risk involve and when there is more risk involved the returns are much high. Returns might in the form of increase of the money or it may be flow of the income as in the case of bank that offers the return on the investment in the form of flow of the income whereas the returns offered by the unit trust is in both form increase of money as well as the flow of the income. The decision of the investment is much affected by the type of return the investor will be going to receive (Samudra and Burghate, 2012).

Liquidity: The term liquidity means at the time of need how fast the investor is able to change the investment of his into money. As the management company promises the repurchase of the units from the investor, we can say that a unit trust provides high liquidity while the liquidity of the listed shares is less as in the listed shares only when there is a buyer at that price the investor can sell. Also, the shares in the private company are not having high liquidity as the investor can generally sell to one of the other shareholders and in the case when he is not interested to buy the shares only then one can find out an external buyer. Moreover, there is no mechanism to introduce sellers as well as buyers unlike to the stock exchanges. By making utilization of the investment as collateral might provide liquidity. It ensures that at such a short notice, achieving investment may not be feasible; the investment can be ceded or promised to secure a loan. A thing to consider that is associated to liquidity is actually the price of termination. "What is the cost structure of the investment? What will be the costs associated with terminating the investment within a certain period? Liquidity and liquidity at a price are different things."

Taxation: For the decision of any asset, the tax concerns of an investment are very important. The return of the investment which an investor wants is generally after-tax return. The marginal tax rate, the tax position of the taxpayers etc affects the effect of the taxation on the return of the investment. It might be that the stockholder is actually a tax-exempt entity. The investor's identity such as is the investor a individual person, a legal person, a trust etc. will also put impact on it. The essence of the return will also have a considerable influence. An interest-bearing fund may not be sufficient for a young individual looking to increase capital growth, as the profit will be invested in his pockets thus significantly dropping the return as of after-tax.As per the investment's taxation a gain will frequently be decided through the intent of the investor. In case when the investment made by the investor is made with the aim of having profits then the gain achieved by the investor is considered as income and then accordingly it will be taxed. It might be the case that two investment of the similar type by different investors be taxed completely different as everyone has different mindset in regards to the investment. It is very common that in the period of the investment the intentions of the investor changes but this change in the intention is not good and proved to be fatal (Kukreja and Gagan ,2012).

Inflation: The most important thing for the investors is the return after taxation the similar is the real return. The term real return means the return after the consideration of the various effects of the inflation. The investing makes an investor poorer than earlier in the case when he is not having positive real return. It is concluded from the above discussion that the risk involve in the investment can be derived from the real returns. It short the term risk is the chance of losing money by the investor and the word real in the real return qualifies this. In such context we can conclude that the investment with low risks like recurring deposits as well as fixed deposits turns into the investment having high risks after considering various factors of inflation as well as deduction of the tax.

Term: The term the investment is investing play a vital role in the process of the decision making. If the investor wants to invest for short term or for few months then he will not choose equity market as good option except in the case when individual is totally ready to bear a high risk while if the investor wants to invest for a longer duration of time then he can go with the equity market as in the equity market the level of risk reduces with the increased in term.

Timing: Out of all the decision of investing the difficult one is to choose the right time for investment. It is then no shock to know that it is the only decisions that the investors get more frequently wrong than not. The selection of the right time for investment becomes easy with the increase in the term of investment.

1.10 The Investment Process-Stages in Investment

Four stages are involving in the process of investment these are investment policy, investment analysis, valuation of the securities and the last one is portfolio construction.

Investment Policy: The very first step is to determine as well involves the personal financial affairs along with objectives prior to making the investment. This is generally known as the preparation of the investment policy step. The ability to generate an emergency fund, fast convertibility of the securities in the cash as well as elements of the liquid is checked by the investor. Hence this stage is must and well suited for determining the efforts of the investment as well as taken into consideration different characteristics of the investments.

Investment Analysis: Once the investor has established a logical order of the various types of the investment required by him in his portfolio the next move is to evaluate the securities that are available for making an investment. Prior to investment a comparative study of the type of security, type of the industry as well as variable securities v/s fixed securities should be done. The main aim behind is stage is to have an idea of the prices in the future, the estimation of the returns as well as the risk associated with the investment.

Valuation of Securities: This phase is the quite significant step as per the investment process. The present worth of the investment that will provide benefit to the investor is known as investment value and the investor should definitely have a clear picture of this in his mind. For the purpose of estimating the value of investment asset a suitable set of the weight must be applied with the usage of the anticipate benefits. How attractive an asset can be determined be making a comparison with the present-day price of the asset in the market. On the basis of the individual merit every asset should be valued and then the construction of the portfolio is done.

Portfolio Construction: the complete information of various securities features is required for the construction of portfolio. There're briefly recapitulated in this case, comprising of development and brilliance of liquidity of assets, principal after shooting in to interpretation the point concerning buy timing, assortment of expense, along with the allocation of savings cost to various asset as well as responses of profile. The investor will understand when he was evaluating the securities that in the environment of uncertainties the investments are done. No magic formula is there that will work in all the circumstances. The investor must concern with the principles and technologies that will meet his investment goals and continuously monitor his investment efficiency. If there is possibility of loss of the investment the investor must switch to the other proposals.

During preparation of the planning of the financial investment the common mistakes made by the capital market players and the knowledge of these mistakes help alot to the investor while making the design of the investment. The reasons for the emergence of these mistakes are:

1. Do not set the measurable financial goals;
2. Make a financial decision without understanding its effect on other financial issues.
3. Confuse financial planning with investing.
4. Neglect to re-evaluate their financial plan periodically.
5. Think that financial planning is only for the wealthy.
6. Think that financial planning is for when they get older.
7. Think that financial planning is the same as retirement planning.
8. Wait until a money crisis to begin financial planning.
9. Expect unrealistic returns on investments.
10. Think that using a financial planner means losing control.
11. Believe that financial planning is primarily tax planning

1.11 Investment Strategies

Value Investment

An investor that buys those assets which he believes having low value in the present time while having high possibility of overvalued sale is known as value investor. A value investor makes utilization of the various financial reports for the purpose of identifying the undervalued securities. In order to recognize security trading for costs below the worth of their value investors use various accounting ratios like sales growth, per share earnings etc. The best examples of these kinds of investors are Benjamin Grahm and the Warren Buffet. Graham and Dodd's seminal work, Security Analysis, was written in the wake of the Wall Street Crash of 1929. Price-to-earnings ratio (P / E) is a well-known as well as significant statistical ratio. It is the ratio of the share price of the stock to the earning per share and it provides the value of the amount investors willing to spend on each dollar in corporate earnings. As this ratio is capable to compare of values of several different companies this ration is considered as a vital aspect. A stock having low value of this ratio is preferred over the one having high value as with the increase in the value of this ratio the cost per share increase by taking into consideration the save financial performance level. In the case when various institutions in the varying industries are under comparison then the significance of this ratio is considerably less. It can be clearly seen in the case of the telecommunications stock that P/E when is in low teen is justified but in the case of hi-tech stock the value if ranges in figure of 40s represents its unusual character. Profit to Earning ratio is the core characteristic in comparison of the stock valuation which gives a wider analysis. Price-to-book (P/B) ratio is another factor other the P/E ratio that determine the valuation and guide investor to invest it funds in optimal manner. In the count of valuation by the process of P/B ratio, the moral character is not considered in valuation only the net assets, intangible goods are taken into account. So, this becomes a determining factor for the P/B ratio as it reflects the net valuation of tangible assets. With which we can conclude that P/B is far better criteria taken into account.

Intermediaries and Collective Investments

Now investments are coming from the indirect sources i.e. financial institutions that are intermediary such as banks, insurance companies, pension funds etc. Given institution obtain money from the individuals are collaboratively pooled with investment trusts, SICAVs etc. to make a larger scale fund. So, in turn each investor had claim on the assets bought by the investing institution reducing charges that are levied by the intermediate.

Expenditure techniques often referred to in collective investment advertising include averaging dollar prices as well as timing for the sector.

Famous Investors

Warren Buffett is the one of the successful investors. Forbes magazine one of the famous magazines in edition of the month of March of year 2013 ranked him second in their list of Forbes400. He had advised that the long-term strategy and conscientiousness is the core principle for investment. Another successful hedge fund manager was Edward O. Thoop in 1970s and 1980s who too guided on the same principle. The approaches of the both the investors are in line with the Kelly criterion for the management of the money. We can find a decent number of calculators based on Kelly criterion.

Investment Valuation

Free cash flow is the cash a firm generates through its operations, subtracting the cost of expenditures on assets. So, its represents the net cash in hand in turn this represent the company's profile therefore rising and high cash flow make the valuation more attractive to investors. From the various indicators of capital structure, debt-to-equity ratio is one of them. When a debt in debt-to-equity ratio it reflects in the high ratio that make investors earning more risking as it starts eroding companies' earnings and free cash flow. Every investor compares company's debt-to-equity ratio of the different companies in the same peer group before investing. It examines the free cash flow as well as debt to equity ratio.

1.12 Investors

The person which makes investment with a hope of having a financial return in the future is known as an investor. There are number of types of investment such as currency, tokens, derivatives, debt securities, equity, futures, call options, real estate's etc. This particular description makes absolutely no difference between the investors in the secondary and primary market segments. The investor is known as shareholder if he owns a stock. The person which buys a stock as well as the one which provides the required capital both is considered as investor.

Essential Quality

The word "speculation" means an analysis and calculation of a company or investment risk as well as its variation from the term "investment" is one of the degrees of risk. It is separate from gambling which is dependent on lucky outcomes. Stock traders can be grouped as investors but they are having different characteristics whereas as Investors is the one that own the company and held responsibility of their own.

Types of Investors

Institutional investors and the retail investors are two kinds of the investors.

Retail Investor

- Individuals gambling in games of chance
- Individual investors (including trusts on behalf of individuals, and umbrella companies formed by two or more to pool investment funds)
- Collectors of art, antiques, and other things of value

- Angel investors (individuals and groups)
- Sweat equity investor

Institutional Investor

- Venture capital and private equity funds, which serve as investment collectives on behalf of individuals, companies, pension plans, insurance reserves, or other funds.
- Businesses that make investments, either directly or via a captive fund
- Investment trusts, including real estate investment trusts
- Mutual funds, hedge funds, and other funds, ownership of which may or may not be publicly traded (these funds typically pool money raised from their owner-subscribers to invest in securities)
- Sovereign wealth funds.

The classification of the investor can also done in accordance to their ways. Here the attitude of the investor towards risk is the factor of distinction.

1.13 Different Types of Investments

Various options for investment are available in the market like stocks, bonds, mutual funds, and recurring deposits, fixed deposits, real estates, ETFs and many more. The investor can choose out of all these according to his requirement.

Stocks

A shareholder can avail the opportunity to take part in the success of the company with the increase in the price of the stocks buy by the shareholder as well as the dividends announced by the company. In the event of the liquidation the shareholder can make a claim on the asset of the company but it is not possible to own the assets of the company. Right to receive the dividends declared by the company as well as the right of voting in the meetings of the shareholders are there to persons having stocks in the company. The right of voting is not enjoyed by the holders of the preferred stocks but they also receive dividends and also, they have a much greater claim on the assets of the company in comparison to the common stock holders. (Jain and Khokhawat, 2012)

Bonds

Bonds are the debt instrument in which the investor provide loan to an agency or a company and have regular interval payments as well as at the maturity of the bond receive face amount of the bond. Various agencies that issue the bonds are the municipalities, corporations, agencies under governmental control as well as the federal government. The interest is paid semiannually as well as face value is $1,000 in case of the typical corporate bond. The interest obtained in such bonds is taxable fully while the interest received in the municipal bonds is exempted from state as well as federal taxes. At only federal level the interest on the treasury bills are taxed. In the form of the new offerings the bonds are bought or in the form of stocks in case of the secondary market. Various factors affect the increase or decrease of the value of the bond. Out of these various factors most prominent is the direction of the rate of interest. The value of the bond has an inverse relation with the direction of the rate of interest.

Mutual Funds

Mutual funds are a type of pooled investment in which the investor’s invest the money in bonds, stocks or in many other vehicles of the investment are the defined in the prospectus of the funds. After the closure of the market the transactions for selling or buying of the shares are done as well as at the end of the trading day the mutual funds are valued. Some mutual funds are tracked actively while the other are tracked passively. The example of the later are Barclay's aggregate bond index, S&P 500 etc. in the actively managed mutual bonds the manager makes selection of the bonds as well as stock that was held by fund and also such kinds of bonds are expensive in comparison to other. In order to decrease the net investment returns to the shareholders of the mutual funds, the underlying cost of a portfolio served. The distributions in the mutual funds are in the form of capital gains, interest as well as dividend and also these are taxable in case when they are held in the account of a non-retired. Similar as in the case of bonds hold by an individual the mutual fund results in either profit or loss on the capital invested. Mutual funds permit the small investors to buy the diversified access to a variety of investment securities instantaneously within the investing goal of the company. For example, around 50 or even more various foreign stocks are held by the foreign stock mutual in the portfolio. All underlying holding of fund may be owned by the investor with only $1,000 as the initial investment and in some case even less than this is required as initial investment. For achieving diversification instantly the mutual funds are the best option for the small as well as for large investors. (Jay and Joshi, 2013).

ETFs

Exchange traded funds are almost the same as that of the mutual funded. The major dissimilarity between the both is that the exchange traded funds are valued constantly on the regular basis while on "the end of trading day mutual funds are valued. Also during the trading day ETFs are traded on stock exchange as shares of the stock. Mostly ETFs tracked the index of the passive market such as the barclay’s aggregate bond index, S&P 500 as well as the Russell 200 0 index Actively managed ETFs have appeared in recent years, as have so-called smart beta-ETFs that build indices focused on "factors" like momentum, low volatility as well as” efficiency.

Real Estate

Investment of real estate can be made by direct purchase of a commercial or residential house. Real estate investment trusts are pooling money from investors and buying property. The trade of the real estate is similar to the stocks. In real estate investment trust ETFs as well as mutual funds also make investment.

Hedge Funds

Though the private equity as well as the hedge funds are open only to those investors that fulfill the net worth as well as the income requirement of simply being an accredited investor, they are considered as alternative investments. Hedge funds may invest almost anywhere and may hold up better than conventional investment vehicles in turbulent markets.

Private Equity

The term private equity implies with the rising of the working capital without actual intravenous of public. In a collaborative characteristic share are offered by private players of real estate. There is restriction that are imposed on alternatives in course how an investor can access his money.

1.14 Investor Protection

Investor protection implies by the fact of safeguarding an investor ie all such activities and efforts to enforce rights and claims of an investor. Legal action and legal advice are the part of investor protection. Protection is given on the assumption that an financial investor lacks experience and lacks professional knowledge of financial services having inadequate information and experience. In those countries where investor protection is stronger tends to grow faster compared to those having poor structure of protection of investors. It includes precise financial data of the public companies so that investor can make utmost decision of its investment. Investor protection advocates of the transparency among all the investor so that all the participants drive same piece of information.

Through Government

Protection of investor by the government requires rules, controls and compliance by various agencies of government to ensure fairness in the market as well as the prevention of fraudulent activities. The best epitome of such kind of government agency is Securities and Exchange Commission. This is a U.S. based agency having an aim to provide protection to the investor in the America.

As Individuals

The term investor protection implies to the strategy that investor use to minimize his loss. If an individual investor want to protects himself from the loss, he need to invest in the share businesses that they understand before buying and remaining calm when the market abruptly show the volatility. By the strategy an individual uses he can protect. The core is to grasp the opportunity of buying a stock and assets at right time.

But in this scenario, it is hard to find out the exact and right time as no one sale or purchase in absolute favorable time. However, with focus and determination one can assess the price of such share which is subjected to undervalue comparing to its peer and potential. This precaution is regarded as margin of "safety as investor can be calm when the price of such stocks is comparatively low.

Investment Tax Structures

Although a tax structure may change, it is generally accepted that long-term capital gains must maintain their position of giving investors an advantage. This is contrary to the view that after-tax returns should be taken into account, particularly during retirement, on the basis that equity allocation is generally lower than any returns and should be maximized to the most lucrative extent. In tax structure of US long term capital ,one of the best opportunities in current scenario. There are various funds by which long term capital gain tax can be gained such as Investment made in broad-based index, ETFs etc. which are independent of requisite indicators. Whereby some of unconventional exchange traded funds gives an opportunity to investor's to enter into markets that were earlier inaccessible and carried out different strategy which in turn have short term transaction due to these holding, overriding equation of tax and issues related to general performances. There after that dividends are paid to the investors after deduction of the tax from that profit. Being registered and operated in United States, some respite is given to the investor on preferential tax rate of 15%. Other than this being placed in a country having double taxation agreement with USA, it is accepted by IRS, Non-qualified dividends paid by other foreign companies or entities it is evident from the income that is generated by the interest from the bonds that are held in mutual funds are taxed at regular within higher rate of income tax. When applied to 2013, this is on a sliding scale up to 39.6%, with an additional 3.8% surtax for high-income taxpayers ($200,000 for singles, $250,000 for married couples).

Discipline

A planned and organized investment plan avoids emotional investing which can be lead to impulsive buying. It tool can be used to combat a marketplace's emotions, which often represent an entire population's emotional state. We could compare impulsive actions in the short-term activities in the stock prices. It is evident from the term "bull run" which encourages investors to step into to overcome the bearish market that in turn ruined away sells off. Such the situations held the investors to abandon their investment strategies. The ability to maintain strategy of investment even in the most extreme conditions in the market place depends upon the discipline of the investor. Systematic investment plans usually known as SIP is popular and established method for one of those people who have a regular and monthly surplus income. For reaping out maximum benefits the investors need to be quite disciplined strategist, which have utmost advantages for an investor to be successful. The one component that is consistency is need to closely manage that is related to strategy of investment and can related by various techniques, proven methods such as technical strategy, analyzing performance of funds and valuations. A competitive advantage meeting the requisite consistency is long-term investment, which in effect provides long-term capital gains tax benefits for investors. Although many investors are attempting to follow a long-term conservative approach, the investment marketplace may offer multiple enticing options, such as a sudden decline in the marketplace, or a pending global event. This is evident for the investors that are retired and handling their money with care.

Constant Advantage for Retirees

Core indices generally remain constant making it pointless for investors to switch from one to another. Given the maturation of the companies and their markets, an investor might move holdings; a large-cap exchange-traded fund would never entail swapping for a similar holding. A large-cap ETF will always remain that way, and an investor would typically want to retain at least a portion of their portfolio allocation to large-cap equities. Consistency is a major benefit for ETF investors and makes it easier to hold investment positions and benefit from long-term capital gains tax. Given a possible decrease in the capital gains tax advantage, it is an advantage that in generating after-tax returns will continue to offer some positive benefits. So this aspect becomes an equally important issue as if taxes may go up in future that might affect the living style of retirees. Additional taxes generated in short-term trading can add to this, exacerbating the situation, due to normal increases in income-tax rates.

1.15. Role of the Financier

A financier is actually an individual whose main occupation is to offer investment to the emerging or budding companies a well as to the companies that are well established, generally involving are large amount of cash or in most cases about private equity as well as the venture capital, acquisitions as well as the mergers, business financial, buyouts, investment banking or may be management of the asset of the large scale. The money is made by the financer through commission, fees of the management and also he receive interest on the investment he made and also in some case some fraction of the equity of the company is given to the finance in accordance with the deal. The financed business takes advantage of the reputation of the financier that finances their business. The reputation of the financed business is very much affected from the reputation of the financier. The more competent and efficient the financier is, more he will be able to contribute to the performance of the funded company, as well as the larger benefit the financier will receive. The word financier is a French word and is derived from the term finance. Financer is used for that person who handles the capital. Some financier is like the hedge fund manager. There is requirement of licenses or degrees to the certain financier such as trust fund manager, stockbrokers, public treasures, hedge fund manager, accountants and also venture capitalists while investment done with own financial does not need any such kind of thing as well as it is open to stock market. A financier "will be a specialized financial intermediary in the sense that it has experience in liquidating the type of firm it is lending to".

1.16 Theories on Investor Behavior and Perception

Economist Edmund Phelps claimed that the person who are financing plays a crucial role in steering money to projects, which is put on governments as well as social organizations to function: The pluralism of expertise which financiers carry to bear in the choices of theirs offers a broad range of entrepreneurial strategies a possibility of informative evaluation. However, most critically, the business owner as well as the financier does not require the endorsement of the condition or perhaps of interpersonal partners.

In the case when the project does not goes well they are not accountable to both the social bodies as well as the investor of the financier due to which that project is undertaken which is opaque as well as not certain for the endorsement of the social partners. The concept of the financier is totally different to the capitalist as in the case of financier more judgment is required while financiers are mostly mocked because of their nature to have profits at the expense of the other as well as without any kind of tangible labour. The humorist George Helgesen Fitch explained the financier as "man who can make two dollars grow more for himself where one grew for someone else before". It is a tough task to differentiate between the speculative motives and gambling from the motive of investment that is genuine. This difference is totally depending on the opinion of the person. Investment is made by every person with a goal to have sense of security, higher returns in the future, affordability of things as well as the personal freedom. Irrespective of why the investor invests that main thing is the effective management of the wealth which includes the protection of the assets from various factors such as taxes, inflation etc. Investors are investing in financial market which plays a major role in economic development of a country. Government policies are also to promote savings and capital in the economy that is primary instruments of economic growth. By moving them from savers to lenders, they encourage the redistribution of scare money, thus accelerating investment activities in the region. Earning income is a prime objective in everybody’s life. Individual take their own time and capacity to settle down in a job and to become a successful investor. Many individuals find that investment to be captivating because they can participate in the decision-making process and see the results of their choices. Not all investment will be beneficial, as investors will not always take the right investment decision over the period of years. Investment is not a game but a serious subject that can have a major impact on investor's future wellbeing. Even if the individual does not select specific assets such as stock, investment s are still made through participation in pension plan and employee savings program or through buy of life insurance, home ,gold, silver, bonds, post office savings or real estate. In India, there are so many investment avenues are available in market some are marketable while other are not marketable. Some involves more risk in comparison to the others. On the basis of the objective, preference of the risk, expected returns from the investment as well as the necessity, people need to choose the most appropriate avenues out of all options. Financial avenues and economic avenues are the part of investment avenues. Economic avenues are to purchase physical assets like building, land, house property; precious stone etc. Financial avenues are bond, equity, share, insurance policies, bank deposits, mutual fund helps in creating the capital stock of the country. Investment has a multiplier effect they generate income and employment and create demand and consumption. In India, few states have created a niche for economic development, thus they attract large investments. Every investors differs from others in all aspects due to various economic, political, cultural, age, education, and demographic factors which are influence to the investor's while making investment decisions in different investment avenues.

Regret Theory: This particular principle works with the psychological impulse folk's encounter after knowing they've created a mistake in judgment. Confronted with the possibility of promoting an inventory, investors come to be psychologically impacted by the cost during that they bought the inventory. So that they stay away from offering it as a method to stay away from the regret of having created a terrible investment decision along with the humiliation of reporting a loss. Regret principle may also keep true for investors once they find that an inventory, they'd just thought to be shopping for has grown in worth. By buying that stocks which are bought by most of the investors as well as by using the traditional wisdom the chance of the regret or feeling of guilt is avoid by some of the investors. With lose of the stock that is very much popular generally people are less embarrassed or guilty in comparison to the one which is unpopular.

Mental Accounting: Human beings have a propensity to put specific events in mental compartments while sometimes the disparity between these compartments influences our actions more than the incidents themselves. The best example of this in relation to the investment is the reluctance of the human being to sell that investment which sometime provides him a high gain. Much gains are achieved by the investor at the time of bull market as well as when the market is showing upward trend. The investors are reluctant or hesitate to sell at the lower profit margin if market corrections deflate the net worth of the investor. The investor wait for having much higher gain because of the mental compartment he created from the gains he made earlier.

Prospect/Loss-Aversion Theory: Prospect theory indicates that individuals voice an alternative level of emotion towards gains than towards losses as they are more distress when they have losses while the level of happiness after having gain is not of the same as the level of distress when they have losses. It is the human nature that the loss appears after greater than the gains. In accordance to the prospect theory the investor take less risk in order to avoid any kind of loss than to have any profit. Because of this in the hope of bouncing back of the price the investor remains in the position of the risk. The same trend is followed by the gambler in order to compensate the losses which they earlier had they double the bets. And so, even with our logical drive to buy a return for the chances we take, we are likely to value one thing we very own bigger compared to the cost we'd usually be well prepared to pay for this. The theory of the loss aversion has to different prospective towards they reason of holding the investment that may provide losses while sell those that are profitable. In accordance with this the investor may think that this can be the chance that the loser’s one soon be converted into the winners in the upcoming times. Most commonly, the investor attempt mistake of chasing the actions of the market. It is observed from the research that the flow of the money is less in the under performing mutual funds in comparison with the high performing ones.

Anchoring: It is assumed by the investor that market price or the labeled price is the real price if the investor does not have better information. Individuals are likely to put far too much credence in the latest market views, functions and views as well as wrongly extrapolate the latest trends which vary from historical, probabilities as well as long term averages. The decision of the investment in the bull markets are affected by the price anchor. Prices become significant due to its intimacy to the recent prices. In the decision of the investment the distant returns of pas become irrelevant by this.

Over / Under-Reacting: Generally, when the market is showing the downward trends the investor gets pessimistic and make mind to exit while in the case when the market is going in the upward trend it became optimistic and decide to continue with it. The term over reacting or under reacting is giving more importance to the current events and overlooking the historical information the outcome of which is cost falling way very much on the news that is bad as well as a rising trend on the news that is good. When the investor is optimistic, he becomes greedy which moves the stock beyond the real value. This over reaction and under reacting of the investor leads to the crash of the market.

Overconfidence: Most people have a misconception in their minds that they are more capable than other and also having more knowledge in comparison to the others. A lot of investors make an assumption that they are able to time the market reliable but the reality is not the same as there is a vast amount of evidence proving otherwise. The outcome of this overconfidence is reduction in the profits.

1.17 Need and Significance of the Study

Every person saves some portion of his income for financing the expenditure of the future and he makes its full efforts to adjust the saved money temporary in such a location that provides him positive returns in the future. The key indicator of the economic growth is savings. So, creating awareness about saving is inevitable in today's economic environment. Economic liberalization and securities market reforms have paved the way for potential investors to look up at the stock market and mutual funds for their investment needs. Share market is a feasible option and careful investment in it provides high returns. There are plenty of trading options in share market such as intraday trading, delivery trading, trade in cash segment and trade in derivative segment. Similarly, there are a variety of investment choices in share market e.g., investment in growth stocks provide rapid gain or in dividend stocks for long term provide return by means of tax-free dividend that keeps coming year on year. Investment in Mutual Fund is another viable option. In order to provide benefits to the small investors who are unable to invest directly in the capital market as well as in the money market for any purpose the foundation of the money market is done. For achieving maximum profit out of investment in shares and mutual funds some amount of basic knowledge about stock market and mutual fund is very essential. To keep an eye on the stock market a number of ways are available. With the advancement in the technology the whole world become a nation from which the access of information if very easy. It is quite easy through internet to have complete information on any of the business. The annual as well as quarterly published reports of the companied make it very easy for anyone to have a judgment of the soundness as well as the financial health of company. Many business news channels such as CNBC show prices of the stock whole day long. Along with showing the prices of stocks of various stock markets these channels also give information regarding commodity market, currency markets etc. there are numerous institutions also which provides tips on the investment and disinvestment on the stock market. The profits in the form of fee these institutions provide tips based on the detailed and analyzed reports. These institutions give tips on the selling as well as buying of the stocks which are more beneficial and profitable. In the case of mutual funds, the operators give direct advertisement in newspaper, TV and via brokers and mobile phones. Their Registrars & Transfer Agents also play a major role in fund mobilization. In the modern world, people tend to invest in safe avenues that yield quick and attractive returns. The introduction of online trading backed by new regulations and monitoring authorities has made it possible for Indian investors. In this mode with a single click of mouse the investor is able to purchase or even easily sell stocks by himself as well as this very resting at the convenience of his house or workplace. In the online stock market has no paper work is needed as well as there is no involvement of the broker. In the online stock trading the brokerage is much lower contrasts to the tradition trading of the stocks. In simple words one can say that with the advent of the online trading of shares for the individual investor the investment in the share market is very profitable. The ambitious investors may have lot of ideas in mind for taking an investment decision. The basic needs which an investor tries to fulfill include security of original capital, wealth accumulation, comfort factor, tax efficiency, life cover, income, simplicity, ease of withdrawal. Profit or loss of investment goes hand in hand. Loss of investment is always considered a risk. There are host of reasons for ending up with a loss. Investors are missing out because they try to apply logical, basic and technological steps to an irrational human emotion business. Loss also occur when an investor go by the flawed investment advices. The ingenuous investor is predominantly administered with the fear of loss as well as expectation of the profit but particularly by the fear of loss and thus does the inappropriate thing at inappropriate time period. In this context firstly it is advisable that the investor's not only invest in the appropriate stock but the time of purchase should also be appropriate. The decision should be taken after considering others actions. Investor must not only price the right stocks but must correctly time the purchases and sales by anticipating the actions of others. Secondly, one should know himself for taking the right type of investment decision. Age, occupation, education, family size and monthly income are some of the deciding factors of investment. Given factors are common to all, irrespective of the gender. Private investing, day-trading and playing the stock market by women in developed countries is in a rising trend. In Indian scenario, though the financial sector reforms have prompted the Indian women investors who have predominantly concentrated in

Bank Deposits, Insurance and other conventional avenues of investments switch to share market and mutual fund investments, for host of reasons their involvement in stock market and mutual fund investments cannot be matched with their foreign counterparts. It is true that deep knowledge about stock market and mutual fund is important in order to get regular and safe return out of the investment made therein. In India, basic knowledge about stock market and mutual fund among investors is very limited. There is also no separate branch of study aimed at improving the knowledge of investing in stock market and mutual fund at affordable cost in Indian school/ college level. Thus Indian investors are deprived of learning this noble art. Investible surplus money is the dire necessity for active participation in stock market and mutual fund investments. Though everyone may have some form of investment objective, in India the individual income in most of the cases will not support to achieve same. Commitments in life play an important role in women investors. Married women have more commitments as compared to unmarried women and their investment goal is centered around savings to meet education costs, marriage as well as for old age. Freedom is so important to become a smart investor. In the case of married investor, often times the investors freedom gets squeezed, when the investment happens to be a loss. In the case of singles though family side pressure may be limited, over commitments do not allow the investor to take losses easily. In these situations, balanced approach method can help sort out the temperament and to remain a successful investor. After New Economy Policy, 1991 many reforms have taken place in financial sector. The present research work will study the socio-economic profile of investors which is helpful for their investment decisions. Most of investors have limited information about the developments in the financial market. The information given by newspaper, television internet, and media sometime may not be sufficient to investment decision making. All these problems are removed by share brokers, fund managers and experts to invest in the financial market. It is very important for them to know their risk appetite and investment objectives for better decision making. Also analyze the investment preference of individual investors for different instruments available in the financial market. The present study will know the investment pattern of investors regarding financial market in Haryana. Moreover, the studies of this nature are more useful to academicians and research scholars in India to make further insights into the various facts of investment decisions in financial market. Haryana is a developing financial market in which investors and financial analysts continuously search for investment strategies, so there is need to conduct a study to analyze investors' behaviour towards "investment decisions in Haryana.

1.18 Objectives of the Study

1. To find out the impact of demographic, economic characteristics of the investors in investment decision.
2. To assess the motivating factors of investors in taking investment decisions.
3. To analyze the investment pattern of the investors.
4. To identify the investors perception regarding their financial broker

1.19 Chapter Scheme

This research work has been structured in following seven chapters:

Chapter I: Introduction

Chapter II: Review of Literature

Chapter III: Research Methodology

Chapter IV: Demographic-Economic Profile of Investors

Chapter V: Investors Behaviour and Investment Pattern of Financial Market

Chapter VI: Investors Perception regarding Financial Broker

Chapter VII: Summary of Findings, Conclusion and Recommendations