

## **AN ANALYTICAL STUDY OF FACTORS EFFECTING INVESTMENT DECISION**

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### **ABSTRACT**

*Investment is an economic activity that can be a way for a person to expand or maintain his wealth. However, in investing, the public must be more careful in making decisions so that they are not trapped by fake investments. In investing, there are several factors that influence the decision to invest, namely Financial Knowledge, Income, Self-Control, Financial Behaviour, and Financial Attitude towards Investment Decisions. This study aims to examine the influence of the variables of Financial Knowledge, Income, and Self-Control on Investing Decisions mediated by Financial Behaviour and Financial Attitudes. This study uses Financial Knowledge, Income, and Self-Control as independent variables, then Investment Decisions as the dependent variable, then Financial Behaviour, and Financial Attitudes as intervening variables. The results of this study indicate that financial knowledge has an effect on financial behaviour. Financial Knowledge affects Financial Attitudes. Financial knowledge influences investment decisions. Income has an effect on Financial Behaviour. Income has an effect on Financial Attitudes. Income does not affect the Investment Decision. Self-control affects financial behaviour. Self-Control affects Financial Attitudes. Self-Control has no effect on Investment Decisions. Financial Behaviour has no effect on Investment Decisions. Financial Attitudes do not affect the Investment Decision.*

**Keywords:** Financial Attitudes, Financial behaviour, Financial Knowledge, Income, Investment Decisions, Self-Control

### **INTRODUCTION**

Investment is the employment of funds with the aim of getting return on it. In general terms, investment means the use of money in the hope of making more money. In finance, investment means the purchase of a financial product or other item of value with an expectation of favourable future returns. Investment of hard earned money is a crucial activity of every human being. Investment is the commitment of funds which have been saved from current consumption with the hope that some benefits will be received in future. Thus, it is a reward for waiting for money. Savings of the people are invested in assets depending on their risk and return demands. Investment refers to the concept of deferred consumption, which involves purchasing an asset, giving a loan or keeping funds in a bank account with the aim of generating future returns.

1. **Economic Investment:** The concept of economic investment means addition to the capital stock of the society. The capital stock of the society is the goods which are used in the production of other goods.
2. **Financial Investment:** This is an allocation of monetary resources to assets that are expected to yield some gain or return over a given period of time. It means an exchange of financial claims such as shares and bonds, real estate, etc.

### **Elements of Investment**

1. **Return:** Investors buy or sell financial instruments in order to earn return on them. The return on investment is the reward to the investors. The return includes both current income and capital gain or losses, which arises by the increase or decrease of the security price.
2. **Risk:** Risk is the chance of loss due to variability of returns on an investment. In case of every investment, there is a chance of loss. It may be loss of interest, dividend or principal amount of investment.

#### **OBJECTIVES OF BAJAJ CAPITAL LIMITED:**

- ❖ working capital cycle starts from the day raw materials are acquired and completes when the finished products are sold. One of the major objectives of working capital management is to ensure that there is no hindrance during the abovementioned process.
- ❖ The good net working capital is required to stay in a stable equilibrium. The ratio of current assets and current liabilities should be optimized.
- ❖ Working capital management focuses on minimizing cost of capital, rate of interest in some special cases. It is only when the cost of capital will be lesser than revenue, one can earn profit. Utilization of long-term funds (in proper mix) is one way of minimizing capital cost.
- ❖ Over-borrowing is among the quickest techniques towards business growth as well as business failure. The objectives of working capital management out of over-borrowing leads to mismanagement of finance as well as assets.
- ❖ The return on the investment infused on short term assets must exceed the average cost of capital to ensure wealth maximization.
- ❖ Money you saved from effective working capital management tactics is being an inexpensive source of finance that can be used for your business expansion, funds for existing projects or company's investment toward expansion of their idea and vision towards growth of an organization.
- ❖ When a business has defined objectives of working capital and engaging its best management concerning its working capital along with other financial indicators. Its important that you set your objectives of working capital management to achieve your day to day business goals. There are many other advantages when there is effective working capital management like: improve earnings, ensure availability of sufficient resources always, Improves efficiency of a company, Avoid under-utilization of company's resources and more.

#### **SCOPE OF BAJAJ CAPITAL LIMITED:**

1. **Ensures business continuity:** Working capital management enables business in continuing their activities uninterrupted. Proper management of working capital will lead to availability of sufficient funds at all times. Business will receive regular supply of raw materials from supplier by paying them on time which will help in continuing production activities regularly.

2. **Improves business solvency:** Business managing their working capital efficiently are able to maintain proper liquidity. It will improve their cash management and will reduce their dependency on external financing as large amount of funds is tied up in working capital. Management of working capital will enable them in paying all short-term debts and operating expenses on time.
3. **Ability to face crisis:** Efficient management of working capital enables business in facing emergency situations such as depression. It ensures proper availability of funds at all times so that business can easily face time of crisis or peak demand where they need to boost up their production.
4. **Increase creditworthiness:** Improving the business value and position in market is another important advantage of working capital management. Businesses having sound working capital position enjoy better liquidity and credit rating. It helps them in raising funds from various external sources easily at favorable terms.
5. **Better relations with supplier and creditors:** Management of working capital leads to better relations with supplier and all creditors. It enables business in paying all dues to suppliers or trade creditors on time through always maintaining sufficient amount of funds. This will result in gaining confidence of creditors towards business.
6. **Helps in expansion:** Every business wants to expand its activities over the time for which it needs additional capital. Proper management of cash will provide business with necessary funds timely and make expansion programs successful.

#### **IMPORTANCE OF BAJAJ CAPITAL LIMITED:**

- Guarantees sufficient funds.
- Planning helps in guaranteeing a harmony between outgoing and incoming of assets with the goal that stability is kept up.
- Guarantees providers of funds to effortlessly put resources into organizations which provokes financial planning.
- Financial Planning supports development and expansion programmes which support in the long-run sustenance of the organization.
- Diminishes vulnerabilities with respect to changing business sector patterns which can be confronted effortlessly through enough funds.
- Financial Planning helps in diminishing the vulnerabilities which can be a deterrent to the development of the organization. This aids in guaranteeing security and benefits of the organization.

#### **RESEARCH METHODOLOGY**

The task of business research is to generate accurate information for use in decision making as we say above, the emphasis of business research is on shifting decision makers from intuitive information gathering to systematic and objective investigation. Business research is defined as the systematic and objective process of gathering, recording, and analyzing data for aid in making business decisions.

This definition suggests, that research information is neither intuitive nor haphazardly gathered. Literally, research (re-search) means to “search again”. It connotes patient study and scientific investigation wherein the researcher takes another, more careful look at data to discover all that can be known about the subject of study.

**PRIMARY DATA COLLECTION:** Primary data is collected from the first-hand experience and is not used in the past. The data gathered by primary data collection methods are specific to the research's motive and highly accurate. Primary data collection methods can be divided into two categories: quantitative methods and qualitative methods.

**Quantitative method:** Quantitative techniques for market research and demand forecasting usually make use of statistical tools. In these techniques, demand is forecast based on historical data. These methods of primary data collection are generally used to make long-term forecasts. Statistical methods are highly reliable as the element of subjectivity is minimum in these methods.

**Qualitative method:** Qualitative methods are especially useful in situations when historical data is not available. Or there is no need of numbers or mathematical calculations. Qualitative research is closely associated with words, sounds, feeling, emotions, colours, and other elements that are non-quantifiable. These techniques are based on experience, judgment, intuition, conjecture, emotion, etc.

**SECONDARY DATA COLLECTION:** The researcher can obtain data from the sources, both internal and external, to the organization.

**Internal sources of secondary data:**

Organization's health and safety records

Mission and vision statements

Financial Statements

Magazines

Sales Report

CRM Software

Executive summaries

**External sources of secondary data:**

Government reports

Press releases

Business journals

Libraries

Internet

**TOOLS AND TECHNIQUES**

1. **Continuous Search for New Methods, Processes and Products:** A management can find new methods, process and products through trial and error method or through research and development process. If so, the investment in fixed assets may not be affected the longterm profitability to some extent.

2. **Planned Development:** A sound organizational structure should be established for analyzing, screening and implementing various capital expenditure proposals. If so, there is a possibility of planned development of all the departments of the firm through capital budgeting.

3. **Capital Budgeting:** An expected sources and uses of funds may be prepared in a statement form. If so, how much amounts received and used for a specific period is known to the management. In this way, capital expenditure controlled through capital budgeting. Hence, capital budgeting should be invariably followed in the firm.

**LIMITATIONS**

❖ Compared to running a business as a sole trader the administrative affairs of a Limited company are more involved.

❖ As a sole trader business your only obligation is to produce a set of sole trader accounts and file a tax return each year paying any tax due.

- ❖ Notifying Companies House of any changes to your company as they occur.
- ❖ Filing an “Confirmation Statement” at least annually with Companies House (fee applies).
- ❖ Filing annual accounts with Companies House – even if the company is non-trading or dormant.
- ❖ Filing accounts with HMRC and attaching a Corporation Tax computation annually.
- ❖ Fortunately these processes can be outsourced in one way or another, in many cases being handled by the company’s accountant.

**CHAPTER-IV**

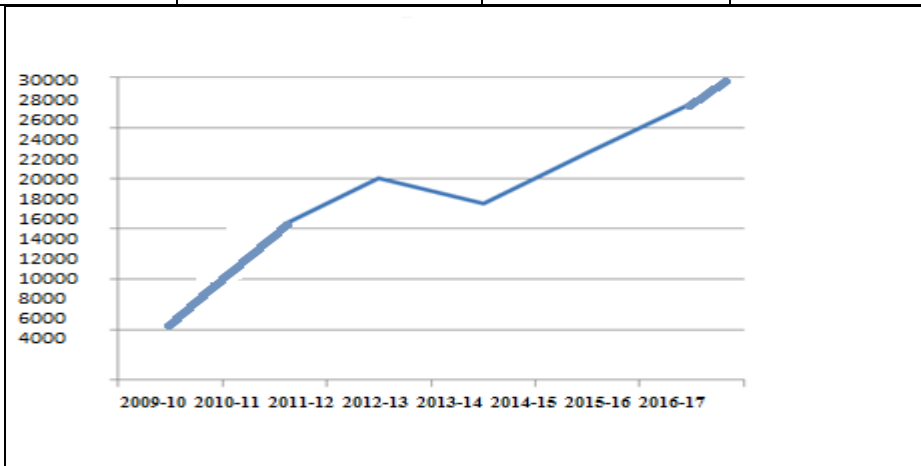
**DATA ANALYSIS & INTERPRETATION**

Equity returns at a glance

If we have a look at equity returns of the past 7 years it is like this:

**SENSEX**

YEAR	INDEX*	ABSOLUTE CHANGE	PERCENTAGE CHANGE (%)
2008-09	3972	0	0
2009-10	3262	-710	-17.88
2010-11	3377	115	3.52
2011-12	5838	2461	72.88
2012-13	6602	764	13.08
2013-14	9397	2795	42.34
2014-15	13786	4389	46.70
2015-16	13908	122	0.88
2016-17	20323	6415	31.57



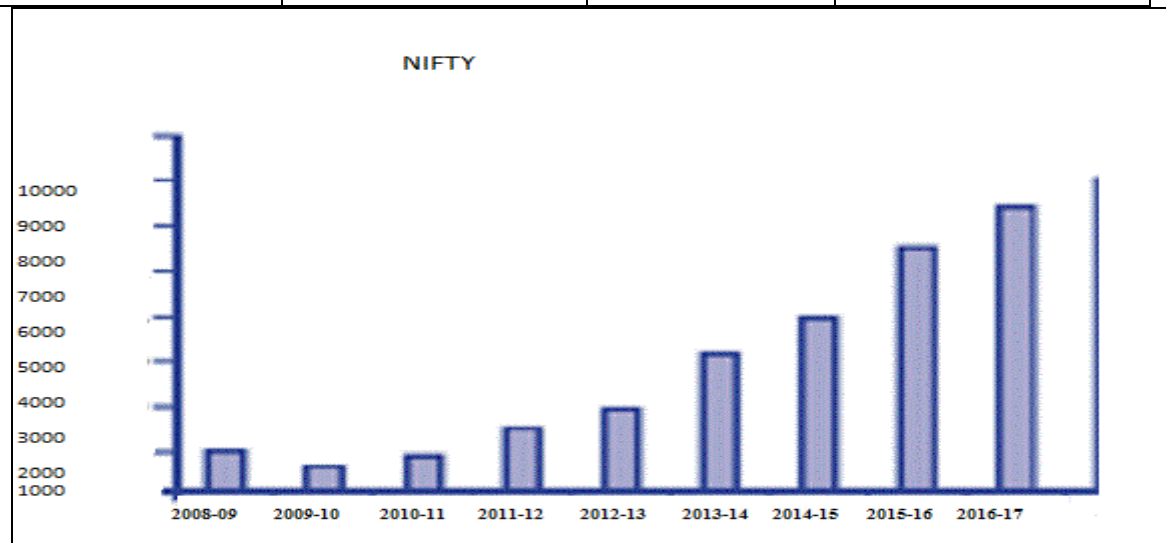
**NSE100**

YEAR	INDEX	ABSOLUTE CHANGE	PERCENTAGE CHANGE (%)
2008-09	2032	0	0
2009-10	1559	-477	-23.38
2010-11	1664	107	6.88

2011-12	3076	1412	84.74
2012-13	3580	506	16.46
2013-14	4953	1373	38.32
2014-15	6982	2029	40.96
2015-16	7026	44	0.65
2016-17	9132	2106	23.06

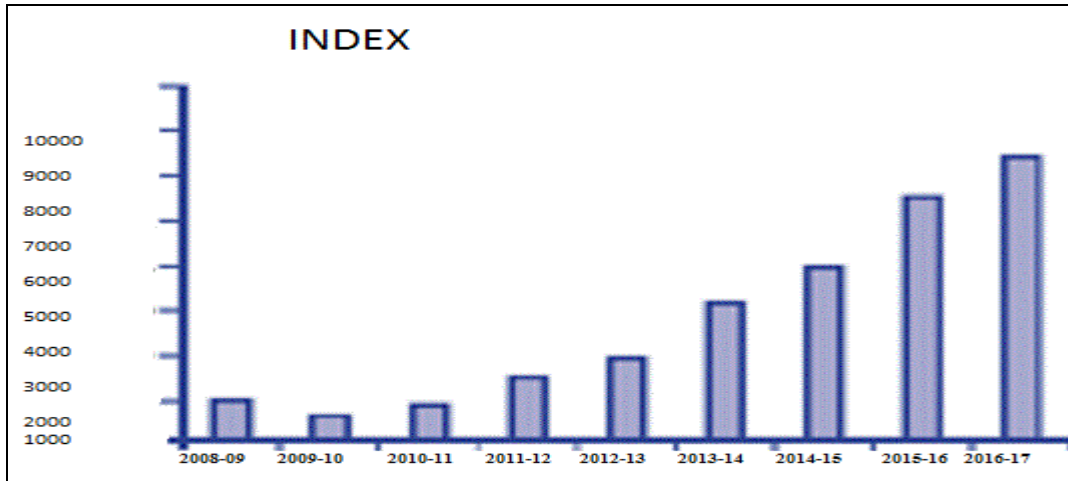
**NSE200**

YEAR	INDEX*	ABSOLUTE CHANGE	PERCENTAGE CHANGE (%)
2008-09	437	0	0
2009-10	340	-95	-21.96
2010-11	394	53	15.54
2011-12	766	372	94.41
2012-13	884	118	15.66
2013-14	1186	300	33.86
2014-15	1655	469	39.54
2015-16	1662	7	0.42
2016-17	2160	498	23.05



**BSE500**

YEAR	INDEX*	ABSOLUTE CHANGE	PERCENTAGE CHANGE (%)
2008-09	1304	0	0
2009-10	1005	-299	-22.93
2010-11	1176	171	17.01
2011-12	2368	1192	101.20
2012-13	2779	413	17.46
2013-14	3795	1016	36.56
2014-15	5268	1473	38.86
2015-16	5295	25	0.47
2016-17	6883	1588	23.07



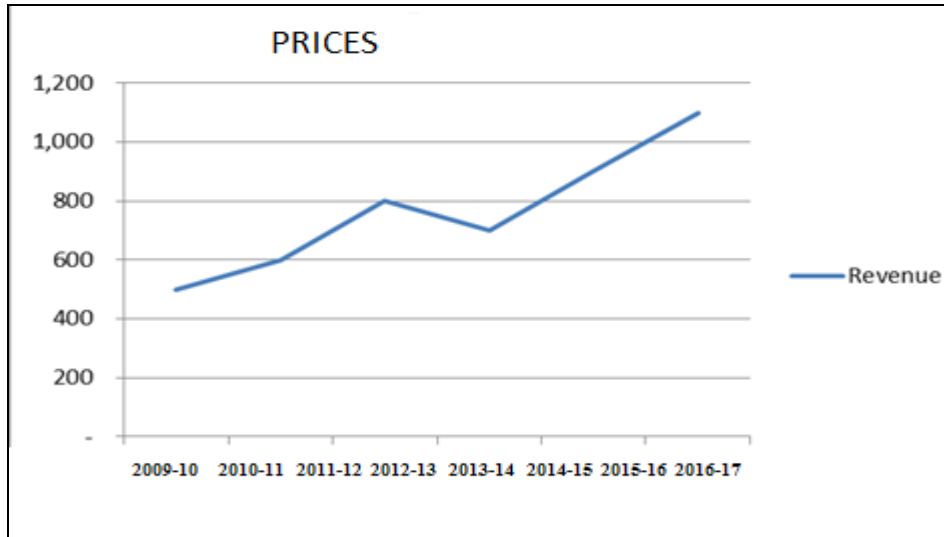
**Bonds returns at a glance**

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%.

**Gold returns at a glance**

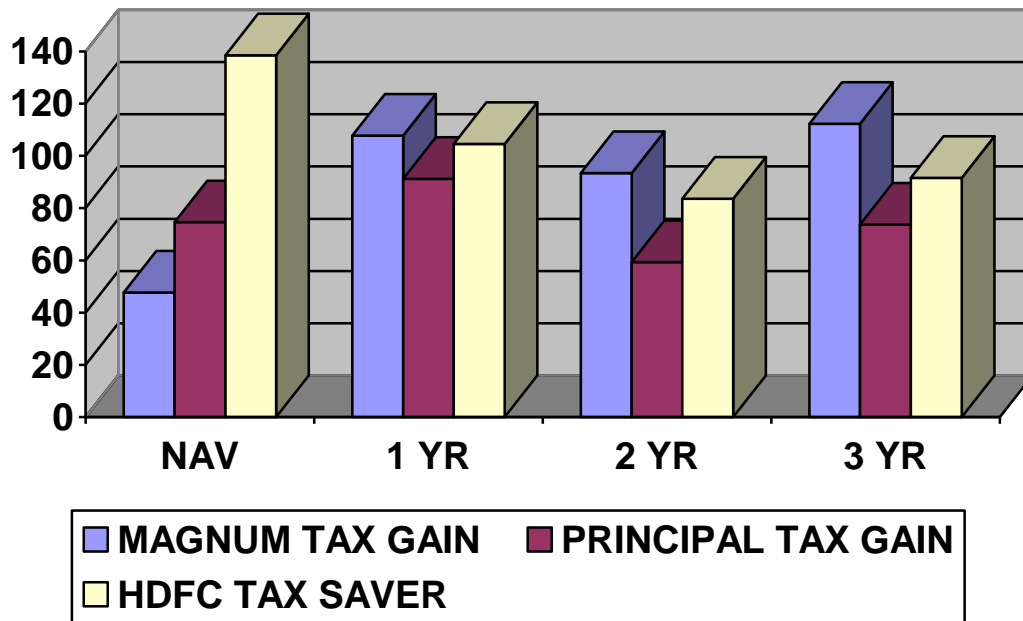
“Gold shines when everything else falls apart” goes an old adage. True, the glitter is back. During the 50s gold appreciated marginally. The next decade, 1960-1970, it moved from \$35 to \$40 and between 1970-1980 came the massive rise from \$40 to \$614, a whopping 1407%. The trend of gold prices in India in the last few years is given in the following table.

YEAR	PRICE (\$)*	ABSOLUTE CHANGE	PERCENTAGE CHANGE (%)
2008-09	272	-	-
2009-10	278	6	2.20
2010-11	346	68	24.46
2011-12	414	68	19.65
2012-13	438	24	5.79
2013-14	517	79	18.03
2014-15	517	79	18.03
2015-16	636	119	23.01
2016-17	995	359	36.08



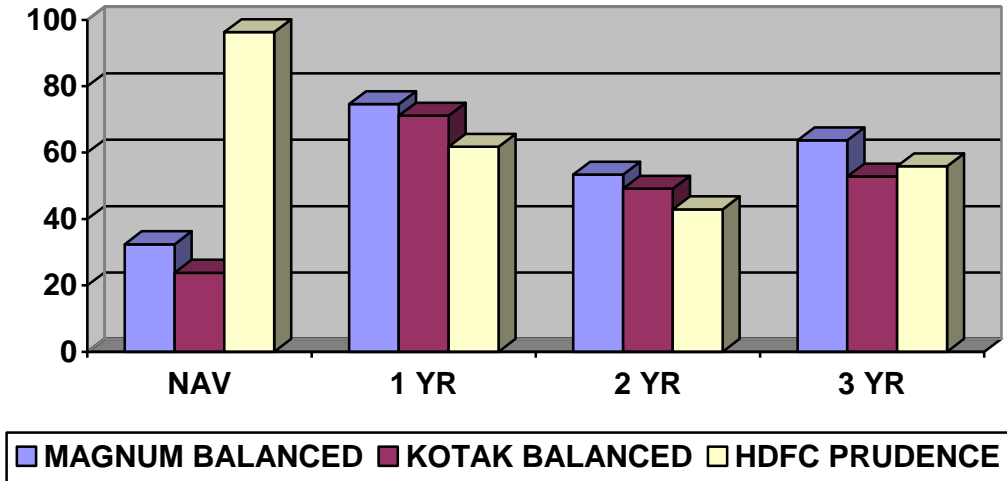
\*Price indicates December end prices of that particular year  
Mutual Funds return at a glance

EQUITY TAX SAVING	NAV	1 YR	2 YR	3 YR
Magnum Tax Gain	47.7	107.70	93.40	112.30
Principal Tax Savings	74.60	91.20	59.30	73.70
HDFC Tax Saver	138.50	104.60	83.60	91.60



EQUITY BALANCED	NAV	1 YR	2 YR	2 YR

Magnum Balanced	32.40	74.60	53.40	63.70
Kotak Balanced	23.80	71.10	49.10	52.80
HDFC Prudential	96.30	61.80	42.90	55.90



**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 2011 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 favor 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 2010 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. However, the risks associated with this sector are higher as retailers are prone to cyclical changes typical of a business cycle. Changing consumer psychographics combined with increasing disposable incomes will ensure further growth of the retail sector in India.

### **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 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. Thus, before comparing with other schemes, you must accept that a part of the total amount invested in life insurance goes towards providing for the risk cover, while the rest is used for savings.

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.

## **CHAPTER-V**

## FINDINGS, SUGGESTIONS AND CONCLUSION

### FINDINGS

Evaluating an investment option is never an attempt to run down the credentials of other instruments in the block. Rather the aim is to uncover ways to make the scene more persuasive and more rational. Mutual funds are an ideal investment in more ways than one. After a number of investigation and back seat squabbling over the latest budget, investors have finally started asking for the right investment instrument that truly fits his needs. At the backdrop of this uncertainty I am trying to size up the depts. And breadth of benefits of six investment instruments in this section of triggering thoughts. Abandoning the marketing tricks, I stretched out my analysis with a ranking scale of 10 as a fundamental figure crunching exercise. Gradually, I have identified and categorized all the investment requirements into three broad heads to seize the flaws into procedure. And in a remarkable finding, mutual funds appears to act as a treat to all embodies investment at its best and widely addresses the savings component of safety to suite your income tolerance.

#### Primary Needs

The basic requirements an investor looks for in an investment are safety, returns and liquidity. After the US-64 fiasco, many people are confused whether to invest in any government backed financial institutions. Most of them are now transferring their money to bank FD's, which according to them is one of the safest investment options. Many state that 'I don't mind getting low returns, but I should be sure to receive them'.

#### Secondary Needs

Ancillary requirements for an investment are absence of entry barrier, tax efficiently and cash flow effectiveness. In an attempt to encourage real estate or the housing business in the country a lot of tax soaps have been given to this sector. A taxpayer can claim the deduction of up to Rs.1.5 lakh per year on the interest payable on the funds borrowed for the purchase of the house or for construction. Coming to mutual funds, though the dividends are being taxed in the hands of the investor this year, there is another route to save to tax – the growth option or the systematic withdrawal plans. In the case of lone term capital gain tax, one has the option of either paying 20% tax with indexation benefits or a flat rate of 10%. Apart from good tax soaps mutual funds also enjoy the benefits of entry barriers i.e. unlike in bonds, any person need not have to wait for an issue to be open to invest in a mutual fund, instead can enter anytime he wishes to do so. One may think that with so many advantages mutual funds need huge investment to start off, but one can start investing in mutual funds with a nominal amount of Rs.500/- in case of systematic investment plan.

#### Tertiary Needs

The stock market is one of the options for investing your money. Stocks are unmatched to any other investment tool. They are the best way to make money and stay ahead of inflation over time. This is ideal if you have long-term investment goals. When you buy stock in a company and if they go bankrupt then the stock will not be the worth the price you paid for it. These thing do happen, gut if invest with proper strategies you will usually come out a winner.

For e.g. If someone had invested Rs.1 lakh in the equity market 22 years back, the thing would have appreciated to Rs.25 lakhs today. Another classic example is the Infosys stock where in if one had invested Rs.10000 in June 1993, when it came out with its maiden IPO,

your holding would be worth more than Rs.85 lakhs. Over the same period debt has generated an annual return of 12% whereas gold 3.4% and real estate, though it gave 10% during this period it continued to be bogged with problems relating valuation, liquidity, sale proceeds etc. another good option is the systematic investment plan (SIP) in the mutual funds. This is feature in most of the mutual funds specifically designed for those who are interested in building wealth over long-term and plans a better future for themselves and their family. There are three major benefits of SIP. They are benefit of compounding rupee cost averaging and convince. With cost averaging one need not worry about the price of the unit, instead just invest regularly over a long-term period. This approach turns the odds in your favor over the long-term period.

### **SUGGESTIONS**

Indeed the last couple of years were bad for the mutual fund industry. However as the saying goes 'every dark cloud has a silver lining' so the same is happening to mutual fund industry. With most of AMC's coming up with innovative products to beat the drawbacks of what they faced in the past, definitely the industry will take a new high from here. For a better understanding, after a through analysis our in house research team has quantified the investment options, as figures speak louder than words. With the help of the asset grid one can easily make a choice of investment. A careful look at those figures below reflects that investing in mutual stand at an advantage over the others.

	Equity	Bonds	Gold	Real Estate	Equity MF	Debt MF
Primary Needs	2.33	1.90	2.33	2.54	2.91	2.64
Secondary Needs	2.42	1.33	1.65	0.94	2.65	2.32
Tertiary Needs	1.50	2.46	1.27	1.41	2.20	2.30
Value of Specific Instrument	6.25	5.69	5.25	4.89	7.76	7.26

### **Procedure followed**

Firstly, the primary requirements have been broadly classified into three i.e. Basic Requirements, Ancillary Requirements and Portfolio Fit. These have been further classified into Primary needs, Safety returns and Liquidity. Secondary needs – tax efficiency, entry barriers and cash flow effectiveness. Tertiary needs – long term goals and holdings/liquidation cost. The primary secondary and tertiary needs have been assigned 40%, 30%, 30% respectively and each of the subcategories have also been assigned individual weights.

These ranks are multiplied with respective weights each category and in turn the sum of these are multiplied with by the weights assigned to the primary requirements. For safety as the parameter, in comparison with mutual funds equity is ranked the lowest because of the risk it carries with it. Most of the scripts are market driven. Anything or anyone can affect

the market. On the other hand bonds are ranked the highest because they are government backed. Contrast equity is ranked the highest for returns, as it is one of the best investment options to give good returns. Bond are rated the lowest because of the assured returns promised by the government. Both of them pay around 8% - 9% of annual returns.

For liquidity mutual funds and gold are ranked the highest as these can be converted into cash immediately as and when the investor wishes to do so. However that is not the case with the real estate or PPF account as the former is not easy to dispose and the later has a lock in period of 15 years. Even in case of entry barrier, equity and mutual funds are ranked the highest at they can be bought at any point of time with minimal investment. But, it s is not the same with the real estate, since you cannot buy the land you wish to until and unless there is someone wishing to sell it. Taking into consideration the tax angle of an investment, then the most advantageous are the real estate and equity mutual funds. In case of real estate, a maximum amount of Rs.1.5 lakhs is allowed as deduction for the interest paid for the loan taken to either buy a house or construct it. Even in case of mutual funds, if the units are held for more than a year, only 10% of the capital appreciation is taxed and not at the peak rates. Bank FD's are the wrong choice if one is looking for the tax aspect because, firstly the amount of interest paid is less and secondly TDS is applicable. There are a few options, which meet our long-term goals. The systematic investment plan, a special feature in mutual funds is the best option to meet your long-term requirements for the same mutual funds has the highest score in the asset grid. The same thing is even applicable to the real estate, as there is a high possibility of appreciation over time and every chances of depreciation. Bank FD's are ranked the least because the capital appreciation is not huge.

Investment Needs	Weight (%)	Equity	Bonds	Gold	Real Estate	Equity MF	Debt MF
Safety	40	2	7	7	8	5	7
Returns	40	8	4	5	5	8	5
Liquidity	20	7	4	8	2	7	9
Entry barrier	60	9	5	5	1	8	7
Tax Efficiency	20	3	6	3	9	7	8
Cash Flow Effectiveness	20	8	3	9	4	8	9
Long Term Goals	40	4	5	6	9	9	7

Holding / Liquidation cost	60	5	9	3	2	7	8
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Note: 9 – indicates highest positive value on a parameter and 1 – indicates the lowest positive value on a parameter.

**CONCLUSION**

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 real estate 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 70%, 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 long-term 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. My gut feeling is that a large weightage in equity and in real estate will pay off during 2014-2015. But don’t exit debt or sell off your gold. Try and buy more in the way of equity and research real estate options in small towns/suburbs.

Regardless of your means of method, keep in mind that there is no generic diversification model that will meet the needs of every investor. Your personal time horizon, risk tolerance, investment goals, financial means, and level of investment experience will play a large role in dictating your investment experience will play a large role in dictating your investment mix. Start by figuring out the mix of stock, bonds and cash that will be required to meet your needs. From there determine exactly which investments to in completing the mix, substituting traditional assets for alternatives as needed.

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