A Critical Analysis of Investment Resources Used For Sustainable Wealth Creation.

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Abstract:

This research was undertaken to understand, analyze various avenues for investment and also measure the risk-adjusted returns as considering only returns in isolation is not a good practice. This study investigates how people can manage their income to operationalize sustainable development. This research will make a unique contribution to knowledge by drawing a conceptual bridge between investment resources and sustainable wealth creation literature using both the phenomenon and practice-based approach. The practice-based approach aims to understand how people manage and effectively utilize their income into the investment towards a purpose – which for this research is sustainable development. A key outcome of this study is a framework to manage sustainable wealth creation resources which results in how people identify, measure/value, control, and report their investment at various stages. The research design is descriptive and exploratory type a focused on the various investment resources available. Data is collected through secondary data resources.

Introduction:

Indian economy is growing trajectory by the virtue of its demographics, spending economy, etc. According to estimates, the economy will grow leaps and bounds and there would be opportunities for each and everybody to create wealth either actively or passively by investing in mutual funds. But it is not possible for everyone to research on their own owing to lack of time, intellect, or interest and thus one ends up burning his fingers in stocks Investing is allocating money towards assets in the hope of making your future better.

Importance of Investment –

Investments are made with the view of earning returns, which grows your amount invested to a higher sum. Investing is essential to meet long-term goals. One can secure his future by making investments. By making investments, people are saving for any kind of sudden need or retirement. Apart from that, by making regular investments one can inculcate financial discipline in himself.

Research question

A Critical Analysis at Investment Resources Used For Sustainable Wealth Creation is related to the ordinary man try to create sustainable wealth in the long term without taking any significant risks and plan his finances following his/her short-term and long-term goals taking into consideration his/her risk appetite. This research is briefly reviewing the important ways and conceptual framework to identify and guide the sustainable wealth creation resources

Types of Investments

There are lots of varieties of investment products to choose from and one needs to carefully assess his / her risk profile and accordingly invest. There are two types of investments namely Active Investment and Passive

Investment. Active investments frequently balance their scripts according to the conditions in a market. People should be well qualified and must have enthusiasm and zeal and time to actively manage their investments. Equity investments are the best example of active investments. Speaking about passive investments, they do not require much attention. People invest their money and stay invested for a certain duration of time. It is called the buy-and-hold strategy of investment. This strategy of investment is advisable for those who don’t have time to manage their investments. The following table shows the major differences between active and passive investments:

Parameter	Active Investments	Passive Investments
Suitability	People with thorough knowledge of investments.	Everyone
Cost of investment	Higher as frequent trading is done.	Lower as securities are bought and then hold for a long duration.
Risk involved	Higher as buying and selling are done the number of times.	Lower as frequent trading is not done.
Return potential	Higher	Lower

Popular Investment Options in India

There are numerous investment options to choose from. However, investing should be done only in those products which fall under risk level and return criteria. The following are the top 7 investment options in India:

i) Direct Equity Direct equity is investing in stocks, is capable of giving high returns. When a share is purchased, partial ownership is transferred. The investor directly becomes a part of the growth and development of the company. Enough time and knowledge are needed to invest in direct equity as it is high risk and high return game. Otherwise, it is as good as gambling. Stocks are offered by the main big Exchanges and any person who has a D-mat account can buy stocks in electronic format. Stocks are good for long-term investments. They need to be actively managed as they are very sensitive to any news, event, etc. Also, returns are not guaranteed at all.

ii) Mutual Funds Mutual funds exist for the past few decades and are gaining popularity amongst people. A mutual fund pools investment from a single person and institutional investors who have a common goal. The amount is managed by a professional called the fund manager, who invests to generate optimum returns for investors. Mutual funds are divided into equity, debt, and hybrid funds. Equity mutual funds invest in stocks and debt mutual funds invest in bonds and papers. Hybrid funds invest in both equity and debt instruments. Mutual funds are flexible investment vehicles, in which investment can be stopped or started anytime. Any individual may consider investing in mutual funds. Time and knowledge are not required as the fund manager decides to buy and sell securities as he is an expert. However, it is advisable to invest in only those funds where risk levels and objectives match. The returns are not guaranteed as it is up to market movements.

iii) Fixed Deposits Fixed deposits are offered by banks where one needs to deposit a fixed amount of money for a fixed amount of time at a rate that is fixed at the time of depositing money. Fixed deposits offer a complete guarantee of returns as well as money is not lost. Returns are far lower than the other asset classes. Fixed deposits are good for conservative investors. The interest offered by fixed deposits changes as per the economic conditions and is decided by the banks depending on the RBI's policy review decisions. Fixed deposits are often locked in but one can avail loan on those deposits as well.

iv) Recurring Deposits A recurring deposit (RD) is another fixed-time period investment that allows investors to invest a fixed amount every month for a fixed time and earn a fixed rate of interest. Banks and post office branches offer RD. The interest rates are defined by the institution offering them. An RD allows investors to invest a small amount every month to build a huge amount over a defined period. Like FD's recurring deposits give a guaranteed rate of return and also the principal amount is guaranteed.

v) Public Provident Fund Public Provident Fund is a long-term tax-saving investment option that comes with a lock-in period of 15 years. It is offered by the Government of India and the government guarantees back your investments. The interest rate offered by PPF is revised every three months by the Government of India. The sum withdrawn at the end of the 15 years is entirely tax-free to the investor. PPF also allows loans and partial withdrawals after certain conditions are met. Early withdrawals are permitted to meet certain conditions, and one can extend investment in a five-year block after maturity.

vi) Employee Provident Fund Employee Provident Fund (EPF) is a retirement-oriented investment option for salaried people and one also has many tax benefits in it. EPF deductions are typically a percentage of an employee's monthly salary, and the same amount is contributed by the employer as well. Upon maturity, the withdrawn sum from EPF is also entirely tax-free. EPF rates are also decided by the Government of India every three months and the sovereign guarantees back investments in EPF. One can contribute more than the minimum prescribed amount under the Voluntary Provident Fund (PPF). However, one needs to note that he can access his EPF investments only on meeting specific criteria and your EPF account matures only when an employee retires.

vii) National Pension System National Pension System (NPS) is a new tax-saving investment option. Investors subscribing to the NPS scheme will compulsorily stay locked in until their retirement and can earn higher returns than PPF or EPF. This is because the NPS plan invests in equities as well. The maturity sum from the NPS is not entirely tax-free, and a part of it has to be used to purchase an annuity that will give the investor a regular pension. One can withdraw only up to 40% of the entire corpus accumulated as a lump sum, while the remaining goes towards an annuity plan. Some government employees are compulsorily required to subscribe to NPS.

Which Investment Option Should Anyone Choose?

Since there are numerous investment options it is normal for an investor to get stuck when selecting one. If one is new to investing, then it is likely that he is not sure as to where he should invest his money. Making the wrong investment choice can lead to financial losses, which one would not want. Hence, it has been recommended that he/she base his investment decisions on the following parameters:

i) Age Typically, young investors have fewer responsibilities and a longer investment horizon. When one has a long professional life in front, he can invest in vehicles with a long-term view and also keep increasing his investment as his income increases over time. This is why equity-oriented investments like equity mutual funds would be a better option for young investors than fixed deposits. But on the other hand, older investors can opt for safer avenues like FDs. One has to modify your investments as one grows old.

ii) Goal Investment goals can be either short or long-term. One should opt for a safer investment for a short-term goal and consider the high return-generating potential of equities for long-term goals. Some of the requirements can also be postponed and some urgent. For urgent goals like children's education or down payment for a house, guaranteed-return investments would be a good choice. If the goal can be postponed which means that it can be pushed back by a few months, then investing in equity mutual funds or stocks can be beneficial. If these investments perform well, you can even meet your goals much sooner than expected.

iii) Profile Another factor to consider while choosing an investment option in the profile. Factors like earnings and financial dependents are also critical. A young investor with a lot of time in hand may not be able to take equity-related risks if he also has the responsibility to take care of his family. Similarly, someone older with no dependents and a steady income source can choose to invest in equities to earn higher returns. This is why it is said that in terms of investments it is different for everyone and accordingly decision needs to be taken. Investments have to be chosen and planned to get the most out of them. The following table briefs the various investment options covered in this article:

Investment	**Type**	**Return Potential**	**Potential to Beat Inflation**	**Risk Involved**
Direct Equity	Active	Very high	Very high	High
Mutual Funds	Both active and passive	Moderately High	Very high	High
Fixed Deposits	Passive	Moderately low	High	No risk
Recurring Deposits	Passive	Moderately low	Low	No risk
Public Provident Fund	Passive	High	Low	No risk
Employees' Provident Fund	Passive	High	Moderately High	No risk
National Pension System	Both active and passive	Moderately High	Moderately High	Moderate

Detailed Literature Review

Aashka Thakkar (2017) studied Indian capital market is growing leaps and bounds and is providing a varied investment avenue to the investors and sights that mutual funds have evolved as a widely preferred tool to earn maximum risk-adjusted returns.

Sayed Mohammad Tariq Zafar and Dhani Shankar Chaubey (2015) believed that with liberalization policies and delicensing the Indian economy is poised to grow and to be part of this phenomenal growth staying invested in equity mutual funds is the preferred tool by a variety of people and creating wealth.

Dr. N.M. Vechalekar and Prof. Gauri Prabhu defines mutual funds as a trust that pools the savings of the number of people who share a common financial goal.

Ms. Shalini Goyal and Ms. Dauly Bansal (2013) believe that to be a successful mutual fund investor one needs to be good at two skills is a sense of timing and investment discipline.
Dr. Vikas Chaudhari and Dr. Preeti Sehgal Chawla (2014) in a comparative study of equity mutual funds believe that return and risk analysis and risk-adjusted measures such as Sharpe ratio and Treynor ratio should be calculated when comparison of performance is done.

David Murphy and Scott Yetmar (2010) in their research found that although most of the participants felt that financial planning is important and they are interested in developing the plan but they lack the necessary skills and resources and believed that CFP was the right person for that.

Senky Bansal and Saini (2012) in his study to find out the impact of Sharpe ratio, Treynor ratio on selected mutual funds found out that the risk profile of the aggregate mutual fund universe can be accurately compared by a simple market index that offers comparative monthly liquidity, returns, systematic & unsystematic risk, and complete fund analysis by using the special reference of Sharpe ratio and Treynor's ratio.

R. Udyasankar and K. Maran (2018) in their attempt to study the perception of mutual fund investors in India the investors feel that, the company should analyze perfectly before going to invest the specific fund schemes. The organization tries its level best to satisfy their customers by providing prompt services. Investors today are more sophisticated more selective and more demanding than ever before.

Ashok Bantwa and Krunal Bhuva (2020) in their study to evaluate the performance of selected Indian equity diversified mutual fund schemes found that majority of the schemes beat the market by a high margin and high positive degree of the correlation coefficient between Jensen measure and portfolio return and Fama measure and portfolio return validated fact that fund returns can be enhanced through better stock selection skills of fund managers.

Y. Maheswari in her research concluded that the performance of mutual funds are estimated by various performance evaluation technique like Ranking, Average Return, Standard Deviation, Sharpe Ratio and outcome from an evaluation will let the investor contribute access to the correct categories of the mutual fund.

1) The study also revealed that about
2) 60% of the schemes were able to beat the market with help of better stock
3) selection skill of fund managers. High positive degree of correlation coefficient
4) between Jensen’s measure and portfolio return and Fama’s measure and portfolio
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17) returns also validated the fact that, fund returns can be enhanced through better
18) stock selection skill of fund managers. Mrs. Vimala. S and Mrs. Saranya P. B and Ms. Saranya. R in their study of behaviour of equity share price of selected industries The securities market is highly volatile in nature. Inspire of its volatility the investor has chances to make comfortable profits with the help of moving average trend line and the relative strength Index trend lines.

R.Jayaraman, Dr. G. Vasanthi, M.S. Ramaratnam in their study of investor's behavior towards equity and mutual funds concluded that population was tested with z statistic and it was proved that most of the above said biases were rejected in choosing equity as the mode of investment. Further, it was also brought to light through factor analysis that the selection of mutual fund schemes was based on certain factors like Core Factor, Operational Factor, Services Factor, Management Factor, and Scheme Highlight Factor.

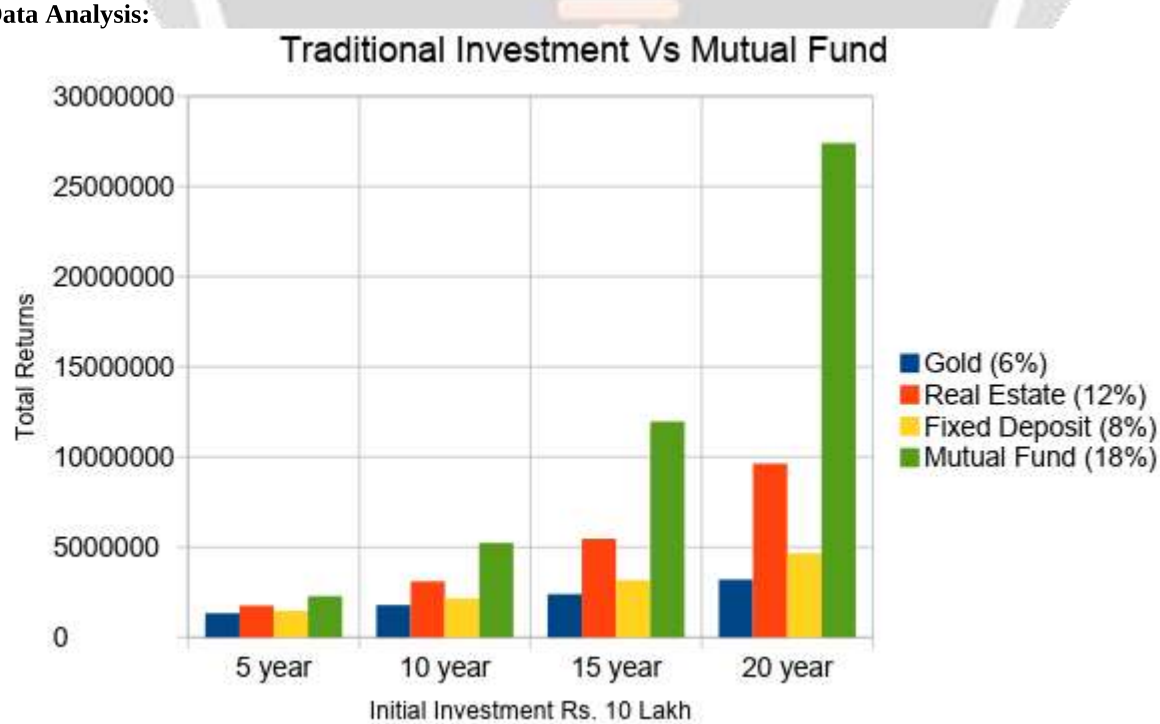
Jismy Maria Joseph (2018) in her study on equity investments and people's preferences towards it concluded that people are not aware of their rights and therefore they burn their fingers and it also makes an attempt to spread awareness among people about their rights and protection measures.

Jeet Sing and Preeti Yadav (2016) in their study of factors influencing investors decision in equity shares concluded that Since behavioral finance is a new and promising branch of finance, financial advisors should scan the behavior of investors and their preferences particularly the urban investors when trading in mutual funds, stocks and investing in other financial alternatives. Some investments are risky and few are not, so depending upon the age, the investors should decide about the degree of risk to be taken. Older investors should avoid risky investments while younger generation investors can take risks. There are lots of considerations while investing such as tax planning, future needs, the safety of investments, recurring income, etc. So as per the requirement of individual investors, he or she should consider these variables.

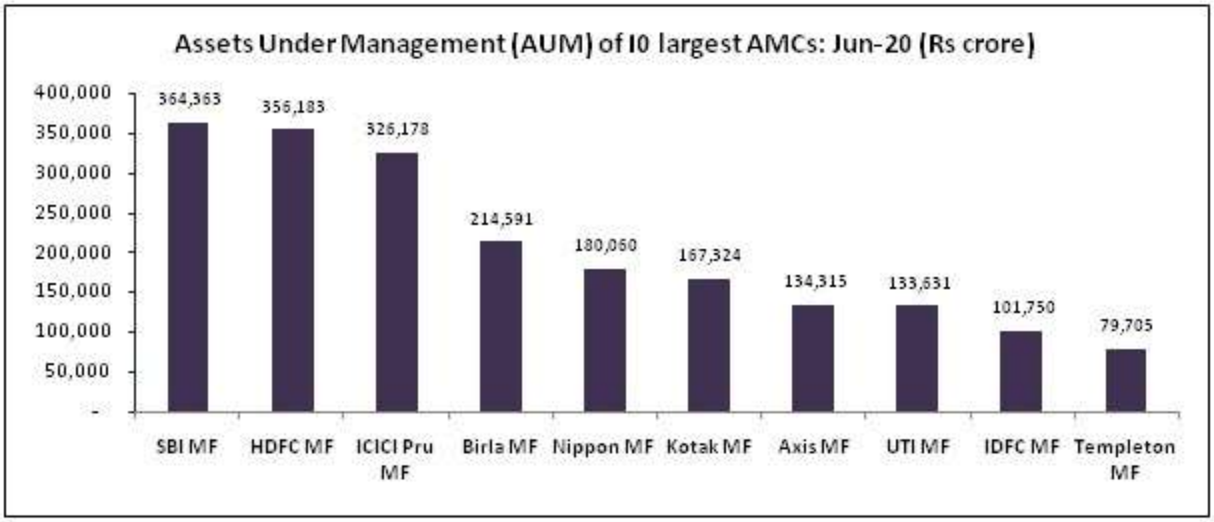
Deepak Adhana (2020) in his study to evaluate the performance of equity investments and mutual funds found out that evaluation needs to be done by comparing average risk and average return and none of the measures should be studied in isolation and that it would give a biased conclusion.

Research Methodology –
It is a descriptive analysis and exploratory research method of investment resources available in India a wherein the researcher reviewed and explored the methods of investment by using secondary data collection methods, The data has been collected from established sources, various research papers available on electronic media. Analyzed thesis works, web portals, digital databases, indexed journals. Thorough internet research was done to understand the basic terms and their significance in the Asset Management Industry. For research, many interviews of eminent personalities in the field were watched, analyzed along with it various articles were referred

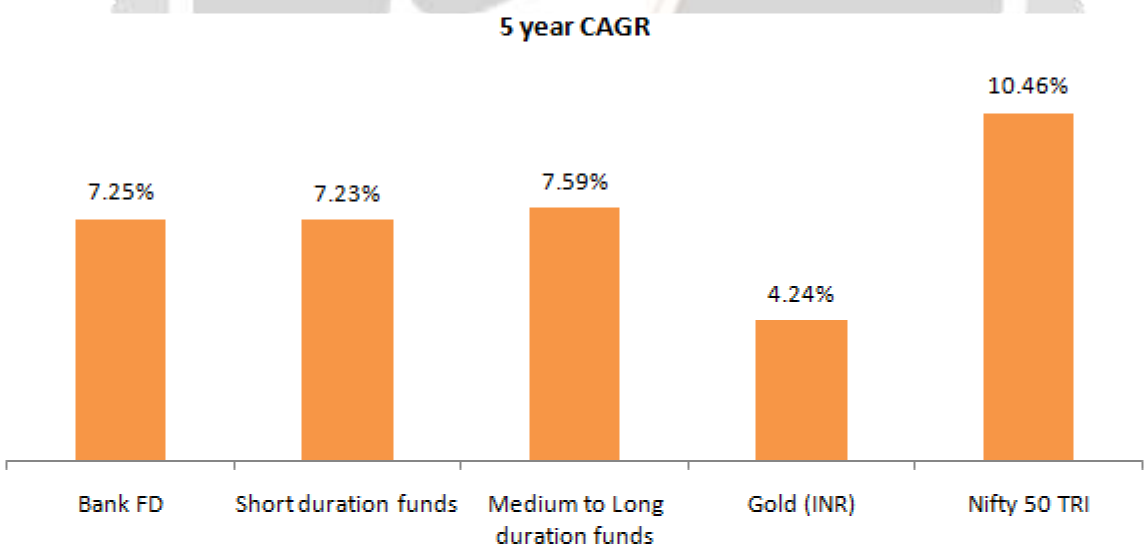
Data Analysis:



The above graph shows us the comparative returns of different asset classes and as clearly evident we can see mutual funds over a very long period have by a great margin outperformed other asset classes like real estate, fixed deposit, gold. It has given a CAGR of 18% the highest.

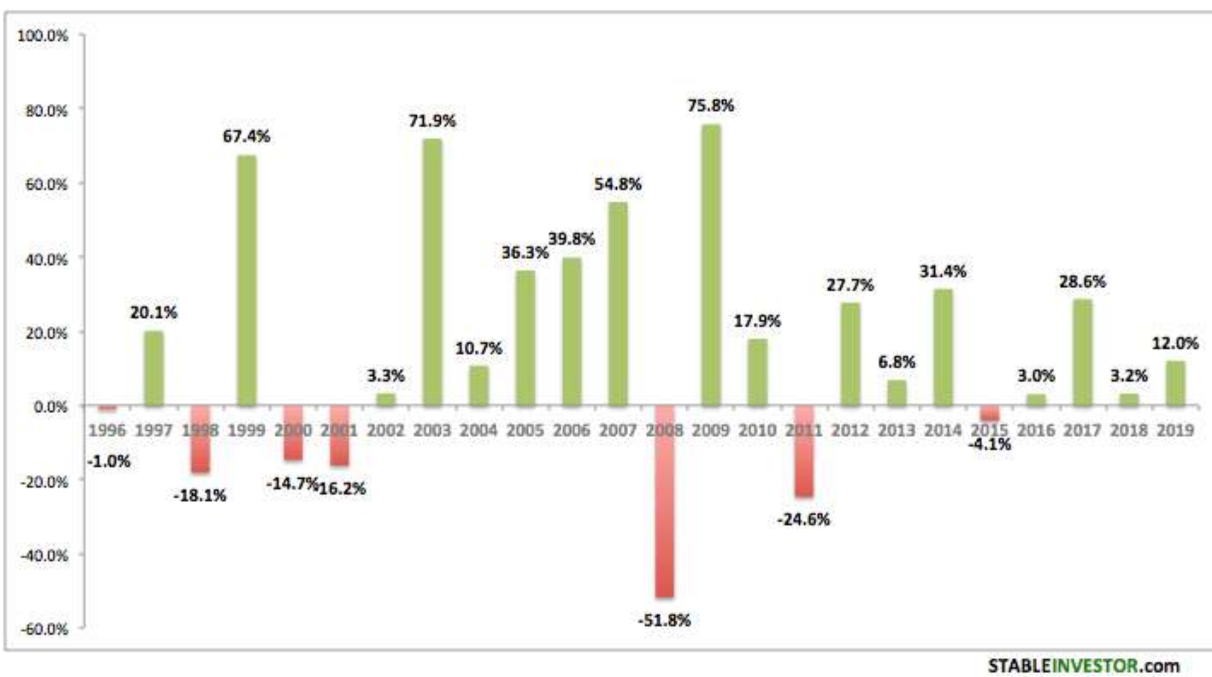


As evident from the graph, there is a shift in paradigm in terms of investing patterns of people at large, and AUM's of all the reputed fund management houses have risen multifold over the years and they stand at the following figures. SBI stands at the top with an AUM of 3,64,363 crores as of June '20.



The above graph attempts to compare the returns of Bank FD, Gold, Nifty 50 funds and **again** as an anticipated investment in equities are winners.

The above graph shows us the returns per year Nifty has given us since its inception. Barring a subprime crisis, and other macro global events it has delivered well above the other asset classes.



The above graph indicates the returns Sensex has given since 1996 to investors and it has outperformed other asset classes even in terms of risk-adjusted returns.

Findings and Discussions:

Historically, over the long horizon equities have time and again always outperformed all the asset classes be it fixed deposits, bullion, debt mutual funds, hybrid mutual funds

But all the asset classes have to be evaluated on all the parameters such as Sharpe ratio, risk measures, return measures, the average rate of returns, etc.

Investors, in general, have been varying of equity investments owing to lack of knowledge or unfavorable past experiences but there is a shift in paradigm recently and now the investors are turning to professional certified and well-qualified fund managers for sustainable wealth creation keeping in mind their goals and risk appetite.

Timing and discipline are two of the most important things for an investment to be successful and create wealth in the long term as people tend to discontinue investments in uncertain times but that is an opportunity to buy good at a cheap price.

Now there are various protective measures available to investors and SEBI is the medium through which investors seek security and assurances and it has only gotten stronger in the years passed by.

The Indian economy is poised to grow in the future and mutual funds by far have emerged as the best way to be a part of this growth journey if risk-adjusted returns are taken into consideration.

All the experts think that one must stay diversified into various asset classes and hedge themselves against any kind of risk.

Professional fund managers can be hired if there is a large fund as the cost-benefit of scale is achieved. Active and Passive management are two kinds of funds management strategies.

Conclusion:

From the above research, I have concluded that it is in the best interest of individuals to be diversified and gain the benefits of diversification. At the initial stages of the career, one can take additional risk and invest a larger proportion of their funds into equities as there are no additional responsibilities and one can afford the risk. Discipline and conviction and belief are the most important things to be practiced if one is to succeed even in uncertain times as that is an opportunity to invest. One must not get carried away by emotions and stop his investments in falling markets as that is the only opportunity to accumulate more at a low price. One must also be cautious about selecting the right mutual fund scheme and must consult a financial planner or professional fund manager before investing as there are thousands of schemes and the best suitable can be discussed with the experts
in the field.

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