AN ANALYSIS OF INVESTMENT DECISIONS REGARDING CORPORATE FINANCE

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Abstract

Investment is putting money into something with the hope of profit. More specifically, investment is the commitment of money or capital to the purchase of financial instruments or other assets so as to gain profitable returns in the form of interest, income, or appreciation of the value of the instrument. In finance, Investment is the commitment of funds by buying securities or other monetary assets in the market.The paper analyzes all the relevant factors to be considered before making decision regarding an investment. The paper also discusses circumstances under which firms might prefer to raise debt and equity funds as well as situations where an investor may have a preference. Finally, the paper examines all the relevant aspects of investment decisions.

I. INTRODUCTION

Investment is putting money into something with the hope of profit. More specifically, investment is the commitment of money or capital to the purchase of financial instruments or other assets so as to gain profitable returns in the form of interest, income, or appreciation of the value of the instrument. It is related to saving or deferring consumption. Investment is involved in many areas of the economy, such as business management and finance no matter for households, firms, or governments. Investment comes with the risk of the loss of the principal sum. The investment that has not been thoroughly analyzed can be highly risky with respect to the investment owner because the possibility of losing money is not within the owner's control.

II. DEBT AND EQUITY AS A MEANS TO RAISE FUNDS

Equity funds are considered to be the more risky funds as compared to other fund types, but they also provide higher returns than other funds. It is advisable that an investor looking to invest in an equity fund should invest for long term i.e. for 3 years or more.

Funds that invest in medium to long-term debt instruments issued by private companies, banks, financial institutions, governments and other entities belonging to various sectors (like infrastructure companies etc.) are known as Debt / Income Funds. Debt funds are low risk profile funds that seek to generate fixed current income (and not capital appreciation) to investors. In order to ensure regular income to investors, debt (or income) funds distribute large fraction of their surplus to investors. Although debt securities are generally less risky than equities, they are subject to credit risk (risk of default) by the issuer at the time of interest or principal payment. To minimize the risk of default, debt funds usually invest in securities from issuers who are rated by credit rating agencies and are considered to be of "Investment Grade".

III. METHODOLOGY

The basic rationale behind the research paper is to analyze and interprets the various sources so far being used as a means of raising capital and the risk involved with such means. The paper is a blend of descriptive and analytical research where primary and in some spheres secondary data have been used. With the help of certain basic statistical measures interpretations have been drawn.

IV. DATA ANALYSIS AND INTERPRETATION

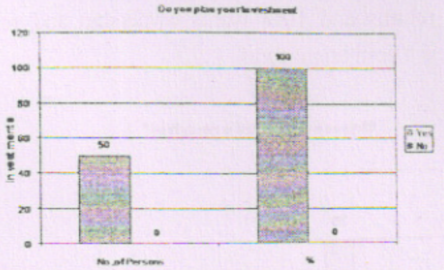
Q-1. Do you plan your investment?

a) Yes b) No

Plan for Investment	No. of Persons	%
Yes	50	100
No	0	0

Interpretation

From the above data, we can simply make out a conclusion that when 100% of people plan for investment. It clearly indicates that to a greater extent people want planning for their investment. They want utilize their complete investment and also wants the better returns.



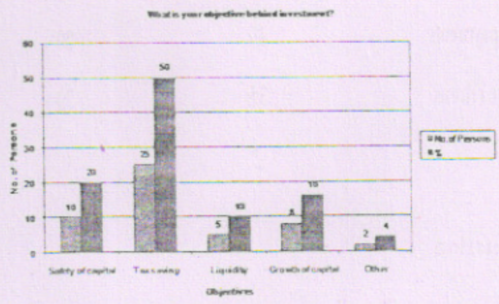
Q-2. What is your objective behind investment?

a) Safety of capital b)Tax saving c)Liquidity d)Growth of capital e)Other

Objectives	No.of Persons	%
Safety of capital	10	20
Tax saving	25	50
Liquidity	5	10
Growth of capital	8	16
Other	2	4

Interpretation

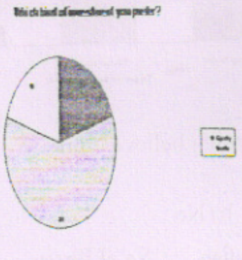
From the above data, the majority of the people i.e. 50% invest their income on funds because of saving of tax and rests of the people take other options for investing their incomes on funds.



Q-3. What kind of investment you prefer?

a) Equity fund b)Debt fund c)Both

Type of funds	No. of Persons	%
Equity funds	10	20
Debt funds	30	60
Both	10	20



Interpretation

From the above data, the majority of the people i.e. 60% prefer debt funds because it having less risk and gives moderate returns to the investors. Rest of the 20% people invest in equity funds they want quick returns and able to take high risk and rest 20% people want to invest in both the funds according to the need of the investment.

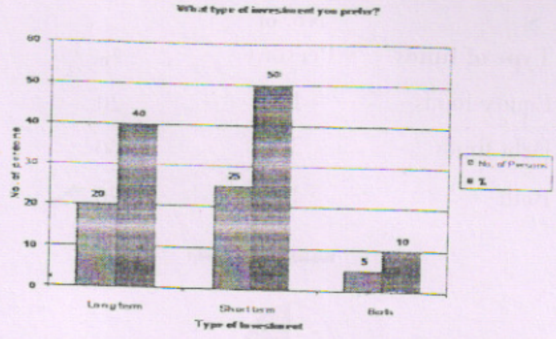
Q-4. What type of investment you prefer?

a) Long term investment b)Short term investment c) Both

Type of Investment	No. of Persons	%
Long term	20	40
Short term	25	50
Both	5	10

Interpretation

The majority of the people i.e. 50% prefer short term investment because they want regular income with a low risk and 40% people prefer long term investment because they want quick and higher returns and remaining 10% people prefer both type of investment because their decision is based on market condition.



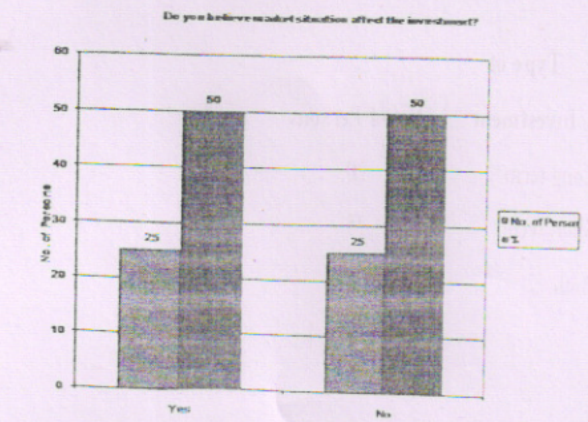
Q-5. Do you believe market situation affect the investment?

a) Yes b) No

Market Situation	No. of Person	%
Yes	40	80
No	10	20

Interpretation

From the above data, the majority of the people i.e. 80% believe that market situation affect the investment if market rises, the investment is increased and if market falls investment is decreased and rest 20% people believe that market situation does not affect the investment.



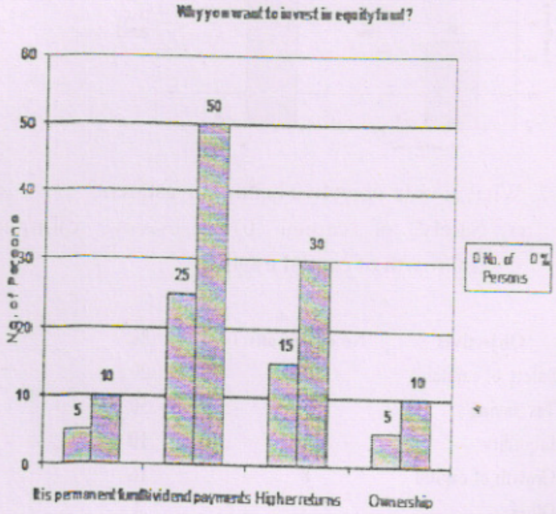
Q-6. Why you want to invest in equity fund?

a) It is permanent funds b) Dividend payments c)Higher returns d) Ownership

Investment	No. of Persons	%
It is permanent funds	5	10
Dividend payments	25	50
Higher returns	15	30
Ownership	5	10

Interpretation

From the above data, the majority of the people i.e. 50% want to invest in equity funds because it gives dividend payments and 30% people invest in this fund because it gives higher returns and 10% wants ownership and rest 10% thinks it is a permanent fund.



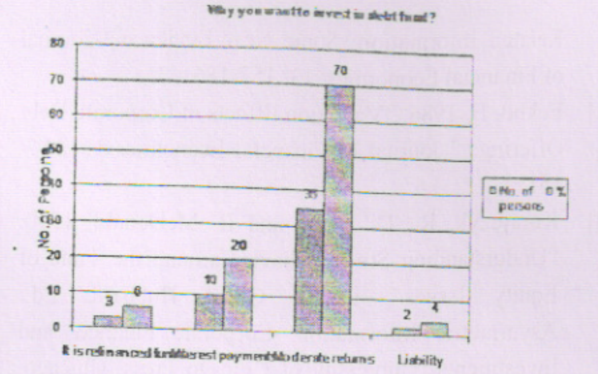
Q-7. Why you want to invest in debt fund?

a) It is refinanced funds b)Interest payments c) Moderate returns d)Liability

Investment	No. of persons	%
It is refinanced funds	3	10
Interest payments	10	20
Moderate returns	35	70
Liability	2	0

Interpretation

From the above data, the majority of the people i.e. 70% invest in debt funds because it gives moderate returns and 20% people invest in debt because interest payments are there and rest 10% people invest in debt because it is refinanced funds.



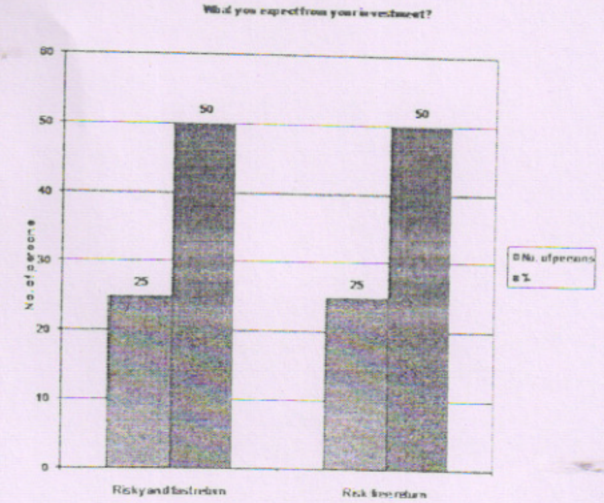
Q-8. What you expect from your investment?

a) Risky and fast return b) Risk free return

Expectations	No. of persons	%
Risky and fast return	10	20
Risk free return	40	80

Interpretation

From the above data, the majority of the people i.e. 80% expect risk free returns and remaining 10% people expect risky and fast returns.



Q-9. What you prefer regarding your investment decisions?

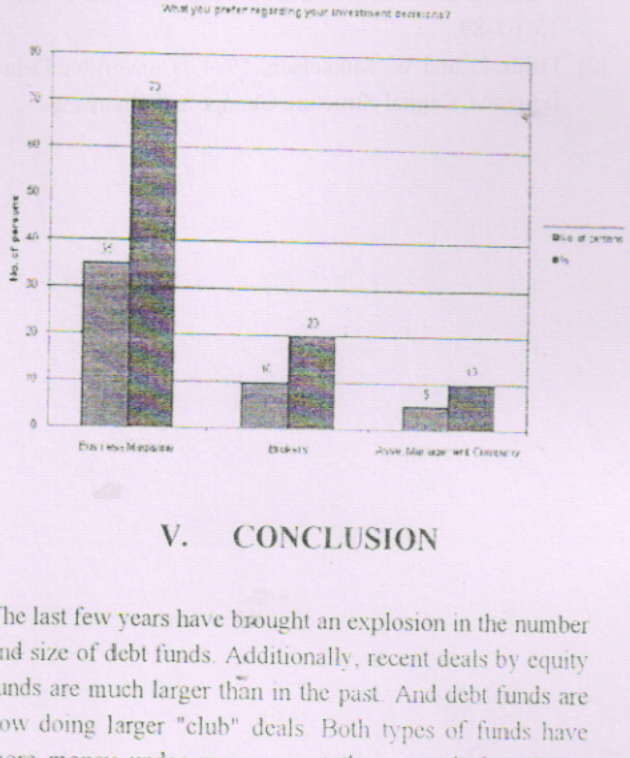
a) Business Magazine b) Brokers

c) Asset Management Company

Decisions	No. of persons	%
Business Magazine	35	70
Brokers	10	20
Asset Management Company	5	10

Interpretation

From the above data, the majority of the people i.e. 70% prefer business magazines regarding their investment decisions and 20% people prefer broker for their investment decisions and rest 10% people prefer asset management companies regarding their investment decisions.



V. CONCLUSION

The last few years have brought an explosion in the number and size of debt funds. Additionally, recent deals by equity funds are much larger than in the past. And debt funds are now doing larger "club" deals. Both types of funds have more money under management than ever before. More cash is chasing deals, causing overlap where both types of funds vie over the same company. Although these funds do not represent long-term threats to each other, secured lenders must recognize that equity and debt funds have markedly different characteristics, goals and behaviors. The most fundamental difference in equity funds seek to buy all of the equity of companies debt funds are not constrained to controlling equity investments. Whether investing in debt or equity, debt funds typically demand a much more rapid exit strategy than equity funds. Debt funds generally seek a quick flip of their investments. The time-hold differences directly affect the exit strategy, risk tolerance and desired rate of return of the two types of funds

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