

INVESTMENT : WHERE TO INVEST?

Money is a valuable asset. Everyone wants to be richer each day. Who doesn't want to earn profits? Return? There is a risk factor involved in taking investment decisions. Where to invest? How much? What to invest? Whether the investment decision is right or wrong? This is a very important confusion every investor goes through.

Firstly, what is investment? Investment is defined as an action of money for profit or to get higher return. It can be defined as an asset which is likely to generate income in the future.

Investment can be risk-free or risk-return. Risk-free return includes fixed deposit, commercial paper and unsecured loans. And risk-return includes shares, mutual funds, secured loans etc.

Currency appreciation and depreciation also have an impact on investment decision. For example: China's currency YUAN has recently dropped against the US dollar, making Chinese exports much cheaper and imports expensive, especially metals. China accounts for about 33% of global gold demand. This means due to the depreciation of Yuan, investors will opt for gold. This means the depreciation of one currency will surely affect investment decisions in other economies. Not only will this hurt the commodities market because of weak demand from China, the devaluation of China's currency has pulled down the NSE and BSE stock indices in November 2015.

Today, many investors find an opportunity to invest in Gold. But is it a wise decision? Only one factor should not be taken into consideration.

The cash investment such as term deposits, saving accounts etc. is short-term investment. They have low risk but are more stable returns. One can compare interest rates offered by various bank saving accounts. For example: Yes Bank provides 6% P.A. on saving accounts for a balance up to Rs. 1 lakh, Kotak Mahindra offers 5.5% on a balance up to 1 lakh, Axis Bank offers up to 4% (September, 2015) on saving accounts. The interest rate varies from bank to bank.

Investment should be done with well-researched data. The Indian economy has been seeing recent fast fluctuations in Indian currency, gold price and commodity market. The traders have recently gone through a very tough period. The commodity Black Matype (Urad) has shown an increase in price during March 2016, which no one was expecting.

Most people prefer to invest in shares. Shares represent the ownership in a company. By investing in shares, one owns a part of the company's profit in the form of a dividend. Inflation and interest are two key factors determining investment decision. Investing in shares has a tax advantage.

Investment in property was considered a safe investment as the price of property was showing a rapid increase. Property has a return in the form of rent and other due to an increase in the value of property, popularly known as capital gains. However, property is not among liquid assets. It can't be convertible into cash easily. It is a long-term investment. However, in India, recently the price of property has also fallen in the previous year.

The investor should never make a decision based on a tax factor alone. Moreover, one needs to regularly update himself about the market and economic conditions. One of the popular sayings, "Don't put all your eggs in one basket". It simply means one should diversify the investment i.e. investing in various options. Suppose one investor wants to invest Rs. 5,00,000, so he should

not invest entire amount in shares of a single company. Rather he should have multiple options to invest. The benefit of same is it will help investor to play safe. The good investor is one who saves about one tenth of his earnings. One should not invest if he does not have much knowledge about the particular investment option. He can invest in mutual funds, fixed deposit bonds, debentures. Call option, put options etc. It has benefit of Risk diversification.

The younger generation should be encouraged so that they indulge in habit of doing savings from pocket money they get. This will help them to invest their savings and earn a favorable rewarding return.

Another important type of investment which most people use to consider as an expense is Education. However, with growing awareness and economy getting globalized, everyone is getting impulsive or attracted towards investing in education. Investment in education simply means providing good quality education to the children so that child is able to earn rewarding salary in future. The benefit of such investment is not only Individual growth but also economic growth, reduce in unemployment, and rise in literacy rate, more qualitative jobs, reduction in crime rate and other social and economic gains.

Conclusion:

Investment is an economic activity. It results in increase in GDP and social growth. People are investing in various options like shares, gold, property, bank etc. The more risky investment is the higher return is expected. The investor needs to be aware of market and economic condition. Not only domestic but international economy fluctuations do affect the investment decision. While investing, investor should carefully study various factors like base rate, interest rate, inflation rate, business cycle etc. which have strong influence on investment returns.

Recently, Investment in Education is becoming very important for individual, social and economic growth.

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