DURGA MAHAVIDYALAYA

Introduction of Investment

Presented by - Chetna Sona (Asst. Prof.)

Meaning of Investment

Investment is the strategic allocation of money or other resources with the expectation of generating future profit or income. It involves committing capital to assets like stocks, bonds, or real estate, aiming for wealth growth and the achievement of long-term financial goals, rather than simply saving it.

Scope of Investment

Wealth Creation – Investment provides opportunities to grow wealth over time through interest, dividends, rent, or capital appreciation.

Capital Formation – It helps in creating productive assets in the economy (factories, infrastructure, technology).

Employment Generation – Investments in industries and services create new jobs and business opportunities.

Risk Diversification – The scope allows investors to spread money across different assets (shares, bonds, real estate) to reduce risk.

Inflation Hedge – Certain investments like real estate, equities, or gold protect against rising prices.

Characteristics of Investment

1. Return Expectation – Every investment is made with the hope of earning income or profit in the future (interest, dividend, rent, or capital gain).

2. Risk Factor – All investments carry some level of risk; safer ones (like govt. bonds) have low risk but low return, while others (like shares) have higher risk but higher return potential.

3. Time Horizon – Investment requires a certain holding period; it may be short-term (T-bills, FDs) or long-term (real estate, shares, retirement funds).

4. Liquidity – Some investments can be easily converted into cash (shares, mutual funds), while others (real estate, fixed deposits) take more time.

5. Safety of Principal – Investors are concerned about protecting their original money; government securities are considered safer than equity.

6. Marketability – Many investments (shares, bonds) can be bought and sold in the market, while others (property, art) are less marketable.

7. Tax Benefit – Some investments (PPF, life insurance, ELSS) provide tax savings, which adds to their attractiveness.

8. Economic Growth Link – Investments channel savings into productive sectors, contributing to overall development of the economy.

Objectives of Investment

I. Primary Objectives of Investment

Return : The basic aim of investment is to earn returns through income or capital gain. Return rewards the investor for time and risk, and usually, higher risk means higher return, while safer options give lower returns.

Risk : Every investment carries some risk of loss. Investors aim to minimize risk while earning reasonable returns. Generally, safer investments (like govt. bonds) have low risk–low return, while risky ones (like shares) offer high risk–high return.

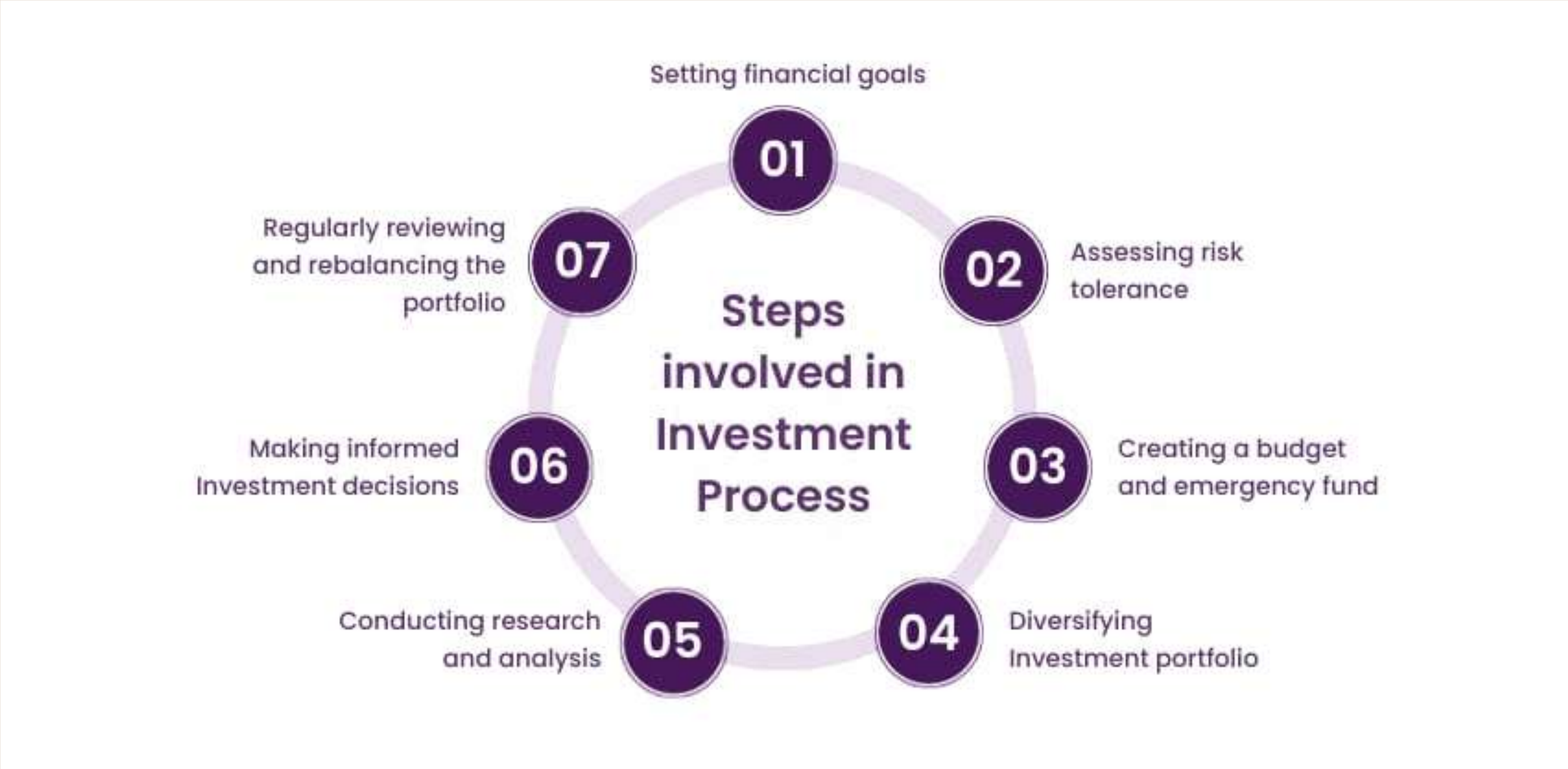
II. Secondary objectives of an Investment

Liquidity : Liquidity means how quickly and easily an investment can be converted into cash without loss of value. Investors prefer liquid assets (like shares, mutual funds) for meeting urgent needs, while less liquid assets (like real estate, fixed deposits) take time to convert.

Hedge Against Inflation : Inflation reduces the purchasing power of money. Investors choose assets like equities, real estate, or gold that generally grow faster than inflation. Such investments protect savings from losing value over time.

Safety : Safety means protection of the principal amount invested. Investors prefer secure avenues like **government securities, bank deposits, or bonds** to avoid chances of loss.

The Investment process



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