Learn and Understand, What is the Concept of Investment?

Investment is the employment of funds with the aim of getting the 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 another item of value with an expectation of favorable future returns. **Also learned, Two Types: economic and financial investment, Difference between Saving and Investing, GST, What is the Concept of Investment?**

What is Investment? An investment is an asset or item acquired with the goal of generating income or appreciation. In an economic sense, an investment is the purchase of goods that are not consumed today but are used in the future to create wealth. In finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or will later be sold at a higher price for a profit.

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. **Also Importance, Industrial Relations!**

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. Various investment options are available, offering differing risk-reward tradeoffs. An understanding of the core concepts and a thorough analysis of the options can help an investor create a portfolio that maximizes returns while minimizing risk exposure.

There are two concepts of Investment:

#Economic Investment:

The concept of economic investment means an 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. The term investment implies the formation of new and productive capital in the form of new construction and producers durable instrument such as plant and machinery. Inventories and human capital are also included in this concept. Thus, an investment, in economic terms, means an increase in building, equipment, and inventory.

#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. Financial investment involves contracts written on pieces of paper such as shares and debentures. People invest their funds in shares, debentures, fixed deposits, national saving certificates, life insurance policies, provident fund etc. in their view investment is a commitment of funds to derive future income in the form of interest, dividends, rent, premiums, pension benefits and the appreciation of the value of their principal capital. In primitive economies, most investments are of the real variety whereas in a modern economy much investment is of the financial variety.

The economic and financial concepts of investment are related to each other because investment is a part of the savings of individuals which flow into the capital market either directly or through institutions. Thus, investment decisions and financial decisions interact with each other. Financial decisions are primarily concerned with the sources of money whereas investment decisions are traditionally concerned with uses or budgeting of money.

Wise investing requires knowledge of key financial concepts and an understanding of your personal investment profile and how these work together to impact investing decisions. Here we will understand the difference between saving and investing. Illustrate the risk/rate-of-return tradeoff, the importance of the time-value of money and asset allocation, your personal risk tolerance, recognize your financial goals and in defining an appropriate investment plan and asset mix for you and your family

#The Difference Between Saving and Investing:

Even though the words "saving" and "investing" are often used interchangeably, there are differences between the two.

Saving provides funds for emergencies and for making specific purchases in the relatively near future (usually three years or less). Safety of the principal and liquidity of the funds (ease of converting to cash) are important aspects of savings Rupees. Because of these characteristics, savings Rupees generally yield a low rate of return and do not maintain purchasing power.

Investing, on the other hand, focuses on increasing net worth and achieving long-term financial goals. Investing involves risk (of loss of principal) and is to be considered only after you have adequate savings.

Savings v/s Investment Rupees	
Savings	**Investment**
Safe	Involve risk
Easily accessible	Volatile in short time periods
Low return	Offer potential appreciation
Used for short-term goals	For mid- & long-term goals


7691.08
7274.08
6857.08
6440.08
6023.08
5606.08
4772.08
4355.08
16.02
17.27
13.12
14.37
11.47