

31. SAVING AND INVESTMENT - II

Every family wants to put the amount of their savings in such productive activities, which will give maximum benefit and if necessary, then get the money immediately.

Investment can be done mainly in three formats.

(1) Short-term investment : When a person wants to receive money by investing his savings in productive activities for a short period of time, and if he can get back the money when needed, then small investment be done. Bank, Post Office, Savings Bank are its best tool, Interest is very low but money is safe.

(2) Long-term investment : It is done for a long time. Interest rates are higher in this but its benefit is only on completion of a fixed term. Its main means are : Life Insurance, National Savings Bank, Farmer Development Paper, General Provident Fund, State Sector, State Insurance etc.

(3) Lifetime investment : Person utilizes his savings for a lifetime. The benefit is to the family members, and provides them financial security. The person secure his future by investing money in this scheme, for example, life insurance.

Method of saving and investments :

The following means are important in terms of income and security,

Bank is the most popular and safe method of saving and investment .

(1) Bank : It is a financial institution that lends money. A person can get interest by depositing his savings in the bank and can also be withdrawn if required. He can also get loans for land, ornaments, house, education etc.

Definition : According to Professor Kinley, the bank is an institution which gives loan to such people, who requires money, and those who have extra money can deposit it in.

Main function of bank :

- Deposit money
- Give loan

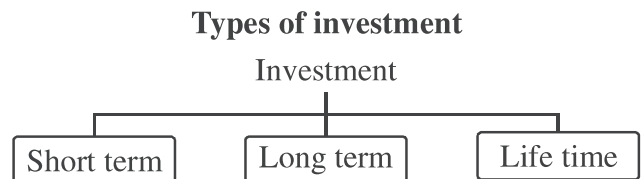


Fig. 31.1 : Types of investment

The bank also offers the following other facilities-

1. Facility of cheque and demand draft, which facilitates the payment of money safely.
2. Locker facility is also provided by the banks where all valuable items, papers, land and property etc can be kept safely.
3. The passenger cheque is available in order to avoid the risk of losing cash in travel.
4. There is the credit and debit card security, so that anytime anywhere buy items 24 hours and the money can be withdrawn.

Types of bank accounts :

(i) Savings account : This account encourages short-term savings in which the person deposits the money as much as possible. To open this account, the person have to deposit the minimum amount that is

vary for every bank. The account holder gets cheque book and passbook after opening the account . The details of the transaction are kept in the passbook and cheque book. He can easily withdraw money. Bank provides the interest on deposits. The rate of interest varies from time to time. The current interest rate is 4%.

(ii) Current account : This account is good for traders. The main purpose of this account is to provide convenience in the transaction of money. This type of account is not given interest on deposits. The account holder can deposit or withdraw money regardless of the time and number.

(iii) Fixed term account : In this type of account, the funds are deposited for a fixed period and the depositor can withdraw only after the completion of the term. The interest rate is higher than the other accounts. The interest rate varies from time to time.

(iv) Recurring deposit scheme : The main objective of this scheme is to encourage people to make small savings by making them economical. In this account, a certain amount of money is required to be deposited in a month for a certain period of time, after a certain period, the deposited money gets added to the interest. It can be applied for long term purposes, in this case, it receives 7.25% interest on deposited amount.

(v) Home savings account : This account can be opened by anyone at any time at the house. The bank's employees come home and take the money. They give the receipt. This account teaches the people to save money in which money can be added every day basis for a weekly or monthly This account is more beneficial for the housewives.

1. Open the account in bank : It is very easy. It can be opened by filling a form and selection of the type of account, along with the submission of 2 photos and residence certificate. The account number and printed passbook is provided by the bank. The bank gives interest on the amount deposited in the account which changes from time to time. Senior Citizens get 0.5 per cent interest more from each bank.

2. Postoffice saving bank : It was set up by the Government of India to promote post office savings bank whose main objective was to encourage the public for small savings. The only way to save money in villages where there is no facility of bank. Post office facility is available at all places. An uneducated person can also open the account easily.

Type of account in post office :

(i) Postoffice savings account : Anyone can open an account with less money in their name or joint name in the post office. You can deposit the money any time in the savings account, but can withdraw only twice. The money deposited in the post office gives more interest than the bank.

(ii) Postoffice monthly income scheme : The person has to deposit a fixed amount per month in this plan. Rate of interest varies per year.

(iii) Postoffice term deposit scheme : Under this scheme, the person can open an account for 1 year upto 5 years. Payment of interest is made in this account every year. If required, the account needs to be closed early then the rate of interest is 1 to 2% lower and the account holder gets the all deposits.

(iv) Postoffice recurring deposit : A certain amount has to be deposited at regular intervals to open this account, and the whole money is returned with 7 to 8% interest after 5 years of completion.

(v) National savings certificates : This scheme is meant to encourage small savings. It is an important scheme of post office. The person can purchase savings certificate by investing the amount as per his desire, in which a certificate is provided by the post office after 6 years. The certificate can be shown by the person to the post office. Money can be withdrawn, with interest. Detailed information is given on the National Savings Certificates. One can buy form back from post office which bought the certificate from person.

(vi) Kisan vikas patra : This is a scheme similar to the National Savings Certificates, in which the postmaster has to fill up a form. The development letter is issued after the investigation, in which the deposit amount doubles after 8 1/2 years and its payment is also fixed that occurs after the period.

3. Life insurance : Life insurance is a very important instrument and its purpose is. “Your welfare is my responsibility”. Today’s life is very stressful and miserable and it is difficult to tell when the accident will and with whom. Life insurance person brings light to life and provides financial security to the family. Life insurance is nationalized by the Indian government. Life insurance company was established in 1956, several schemes for each group to secure the indefinite future is running today.

It is a sure plan that it is the only such institution which by providing protection, reduces the risk factors. In case of accidental mishappening or due to the death of the insured person, the amount of money insured by him is given to the respondent by life insurance.

Life Insurance is financially safe for a person, 75% of the deposit amount can also be borrowed if it is needed, income tax is exempted, small savings are encouraged, There are certain conditions at the time of making life insurance such as the person should be physically and mentally healthy, there should be no hereditary disease. The insurance company has the time period and amount of insurance plan.

In this, the person pays the premium in 3 months, 6 months or 1 year for a certain period. In return, a letter is used in the name of the policy, which also has detailed information of the plan and also the information of the insured bonus get back.

Types of life insurance :

Life insurance : In this plan, the person deposit installement throughout of his life. dependant get all the money on the death of the insured person . The insured himself cannot take advantage of this scheme.

Endowment insurance : This plan is for a fixed period of time. Money is paid back after completing time. If in the middle of the plan, the insured person dies without completing the plan, then the amount will be paid to the successor. Life insurance plans change according to time. Nowadays, schemes such as Jeevan Anand Pension Scheme, Jeevan Surbhi

Children and Plot Policy GrahLaxmi etc. are going on. Nowadays, many insurances plan are prevalent in medical field in which the entire expenditure on sickness of the person is beared by the insurance company.

4. Unit trust of India : It was set up by the Government of India in 1974, in which people’s savings are invested in the industries and 90% of the dividend received is distributed among the appointees. In this scheme, one unit is of 10 and one person is required to buy at least 10 units and these can be purchased from post office, bank, agents anywhere. Its income is free from tax.

5. Provident fund : This scheme is mandatory for the employees in the government and non-government sector. Every month a certain amount is deducted from the person’s salary and is deposited in the provident fund , which is at the rate of 8% interest rate at the time of retirement. If the person needs money in the middle then he can also withdraw money from the account where money is exempted from income tax.

Selection of Investment method: Nowadays, there are a lot of means for investment, but the choice of the tool should be thoughtfully invested in the government institutions, which are safe. It should be invested according to the time of appropriation, which is easily paid every month. Money invested in which interest rates are good and funds can be easily withdrawn if required.

Important points :

1. The person saves for the academic need of the future.
2. The amount of savings should not be kept in the house, and should be invested in the financial institution, which increases the income.
3. The main three instruments of investments are bank, post office and life insurance.
4. The person gets interest on the savings amount, with the increase in income, the person’s future remains financially secure.

Questions :

1. Choose the correct answer for the following questions :
 - (i) The main means of investment are :
 - (a) Bank (b) Postoffice
 - (c) Life Insurance (d) All of the above
 - (ii) Savings that are mandatory for job seekers :
 - (a) Unit trust
 - (b) Lottery
 - (c) Life insurance
 - (d) Future fund scheme
 - (iii) The account in which the dealer is transacted :
 - (a) Saving account
 - (b) Recurrence deposit account
 - (c) Current account
 - (d) None of the above
 - (iv) The government has established the institution to encourage small savings :
 - (a) Bank (b) Life insurance
 - (c) Postoffice (d) All of the above
 - (v) The insurance in which the person himself can not take advantage of his own :
 - (a) Life insurance
 - (b) Endowment insurance
 - (c) Postoffice
 - (d) None of these
2. Fill in the blanks :
 - (i) Under the deposit scheme, the person deposits a fixed amount in for a fixed period of time.
 - (ii) Account is opened by by the bank in which the transaction details are kept
 - (iii) Lump sum funds are available in the plan during retirement
 - (iv) Life Insurance was founded in the..... year
3. Give the definition of Investment.
4. Write the importance of life insurance in the life of a person
5. Explain what to take care when investing in any organization
6. Write a brief comment on the following :
 - (a) Bank Savings Account
 - (b) Unit Trust of India
 - (c) Life Insurance (d) Post Office

Answers :

1. (i) a (ii) d (iii) (iv) (v)
2. (i) (ii) (iii) (iv)