

30. SAVING AND INVESTMENT - I

Saving :

Saving money is important to meet future needs, long term goals, at the time of financial crises and accident etc. It is difficult to predict what will happen. In order to overcome these problems money saved will deal with these situations. Money only, gives us support, so we should save some part of our income for the future.

Those who save their income to fulfill the future needs is called savings. The difference in income and expenditure is called Savings.

$$\text{Income} - \text{Consumption/expenditure} = \text{Saving}$$

The prosperity and development of any nation depends on the savings of its citizens. The main purpose of saving is to provide financial security to the family.

Definition : According to J.M. Keng “Current income is more on current expenditure called savings.” Savings should always be done thoughtfully, so that there is no impact on present needs. Tension and frustration can be seen among the family members if not done accordingly.

Difference in savings and deposits :

Savings are always kept in productive form. Income can be increased by investing saved money.

The meaning of deposit is also to save money but it is kept unproductive, there is no benefit from this.

Need and importance of saving :

1. **Increase in income :** Dividend can be earned by the proper investment of the amount saved. Bank, post office and insurance etc. where money can be kept safe by depositing. It can increase the income of the family by availing the benefits of interest.
2. **Reducing unnecessary expenses :** Savings impede unnecessary expenditure in the family. The person should spend money wisely. Budget has to be prepared for saving and according to that, unnecessary expenses are deducted.
3. **Meeting emergency needs :** Accident can happen in the family any time, such as sudden onset of disease, the death of a family member, theft and robbery etc disturbs the family. It should be safe to save at least one month's salary for unwanted expenses. Families which regularly save are free and are able to successfully face the adverse situation.
4. **Mental satisfaction :** The family is mentally satisfied by saving and do not worry about the future. It increases the spirit and the courage. The person becomes nervous if there is no saving and gets frightened during casualty and accidents.
5. **Economic protection in old age :** Person becomes old with time and becomes physically and mentally weak in this stage. He depends on the members of the family to meet his needs. The family also helps only when they know that the person has wealth, so saving can help in the time of old age.

6. **Death of the earning member :** The future is uncertain, it is also not certain that when a person will die. The entire family may have to face the financial crisis and mental tension if a person who earns, die suddenly in the family. Time of this crisis can be successfully faced if saving are kept for the future .
7. **Long term requirements :** Every family has some long term goals such as children's education, marriage, houses etc. A lot of money is needed to achieve these goals which is possible only by savings.
8. **Increase in standard of living :** The increase in income by saving leads to a reduction in unnecessary expenses and the person saves lot of money, so that he can provide higher education, land, property and house etc to family members which raises the standard of living of the family. The family's life can be pleasant, full of joys and satisfied by saving.
9. **Social status :** The standard of living is high by saving and person receives honor due to high status in the society. Respect can also be received in society by donating some part of saving for social work.
10. **Purchase of fixed assets :** More money is required to purchase permanent property, house, store and land etc. Therefore, one should save a small amount of money from the beginning, so that permanent property can be purchased. It increases real estate and income.

Elements of saving

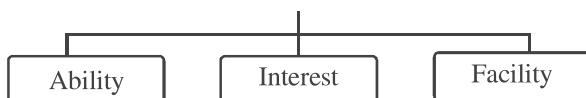


Fig. 30.1 : Elements of saving

11. **Economic security at retirement :** The income of the family is reduced to half after retirement. Some times, income is stopped and health also deteriorates after retirement. Therefore, expenditure increases on food, fruit, meal, medicine to maintain good health, hence save money for old age.

12. **Help in the operation of national plans :** The person receives dividends by investing his saved money in various schemes. The government operates various national schemes from that money, so that the nation can progress.

Investment : In the general sense, investment means to purchase those objects in order to get profit or to invest in the business.

Every person save some money from his income, which he either puts in locker at home or invest in any financial institution such as post office, bank, life insurance etc. thus increase the income by earning interest from the saving. Money kept at home can be stolen and it does not give any interest, but investing money in reputed company keeps money safe. Therefore, invest saved money to get profit is called investment.

$$\text{Investment} = \text{saving} + \text{interest}$$

Currently, there are many resources available money investment, but money is kept safe by investing in government institutions. Always invest money in those institutions where the interest rates are good, safe and more liquidity is there.

Important points :

1. In current circumstances, saving is necessary to run life smoothly and for family's economic and social security
2. Part left after consumption/expenditure from the total income is called Savings
3. Saving depends on the income, family members, standard of living and means of investment.
4. Money is safe by investing in right place and there is an increase in basic wealth.

Questions :

1. Choose the correct answer for the following questions :
 - (i) The part of the income which is reserved for the future is called :

(a) Money	(b) Deposits
(c) Saving	(d) Investment

- (ii) Saving is necessary for :
 (a) Travelling (b) Old-age
 (c) Purchasing clothes (d) None of these
- (iii) It is said that money should be used in right place to get profit :
 (a) Saving (b) Debt
 (c) Investment (d) Money
2. Fill in the blanks :
 (i) When expenditure is subtracted from the total income, the remainder is called
 (ii) The person gets interest on saving is known as
 (iii) The person increases in society by saving.
 (iv) Savings receive security after retirement.
- (v) Unproductive form of money is known as
3. Give detailed description of the following :
 (i) Investment
 (ii) Saving
 (iii) Increase in income by savings
 (iv) Deposits
4. What is the need of saving.
 5. Explain importance of investment.
 6. How does saving plays important role in operation of national plans ?
- Answer :**
1. (i) c (ii) b (iii) c
 2. (i) Saving (ii) Investment
 (iii) Prestige (iv) Economic
 (v) Deposits