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B.Com Honours | Semester II | Calicut University

Essentials of Investment

Course Code: COM2MN105 • Module 2 Notes

1. Alternative Investment Avenues: Fixed Income and Alternatives

Investors select investment avenues based on their risk tolerance, investment horizon, and return expectations. A well-balanced portfolio combines safe fixed-income assets with growth-oriented equities and tangible alternatives. This module covers traditional bank deposits, government savings schemes, real estate, gold, commodities, and digital assets.

Traditional Bank Deposits

- **Fixed Deposits (FD):** Investors deposit a lump sum for a fixed period at a guaranteed interest rate. Provides high safety and steady interest.
- **Recurring Deposits (RD):** Investors deposit a fixed amount monthly, building a lump sum over a set period.

Government Savings Schemes in India

The Indian government promotes savings by offering tax-saving, high-yield schemes:

Government Scheme	Target Group & Features	Tax Treatment (Section 80C)
Public Provident Fund (PPF)	15-year long-term retirement savings scheme with flexible annual contributions.	EEE status (Exempt on deposit, Exempt on interest, Exempt on withdrawal).
National Savings Certificate (NSC)	5-year fixed income scheme issued via post offices. Interest is compounded annually.	Tax deduction on initial deposit; interest is taxable but eligible for deduction.
Sukanya Samridhi Yojana (SSY)	Savings scheme specifically for the girl child, offering high interest rates.	EEE status (tax-free returns at maturity).

Tangible Alternatives: Real Estate, Gold, and Crypto

Real Estate & Commodities

- **Real Estate:** Investing in physical land or properties to earn rental income and capital appreciation. Requires high capital and has low liquidity.
- **Commodities & Bullion:** Trading raw metals or farm outputs. Physical gold serves as a traditional inflation hedge.

Gold ETFs & Cryptocurrencies

- **Gold ETFs (Exchange Traded Funds):** Mutual funds tracking physical gold prices. Allows investing in gold digitally without storage risks.
- **Cryptocurrencies:** Highly volatile digital currencies (Bitcoin, Ethereum). Speculative and unregulated in many jurisdictions.

Direct Equity vs. Mutual Funds

Founders and retail investors enter financial markets via two main options:

- **Direct Equity:** Purchasing shares of individual public companies. Requires intensive stock research and active monitoring.
- **Mutual Funds:** Professional fund managers pool capital to invest in a diversified portfolio of shares or bonds, suitable for retail investors.