There are two Friends named Kabir and Pratik. Both are working in a company with a salary of rupees 30000. One day they had a bonus of rupees 20000. Pratik decided to save that money in the bank. Pratik asked his friend Kabir what he would do with this bonus money. Kabir said that I will invest this money for a long term. Pratik didn't understand what investing was. So he asked Kabir what is the difference between savings and investing, then Kabir told Pratik what investing is and how it works in the long term. So today we're going to learn the difference between savings and investing that Kabir told to Pratik.

SAVING Vs INVESTING

What is savings ?

When you place your money in such a type of position where you can easily withdraw it then it is called savings.
Ex - Bank , Fixed deposit , Physical commodity (gold, silver, liquid funds) etc.

What is investing ?

When you place your money in such a type of product where the goal of the product is to make money and grow continuously.
Ex - Shares , Mutual fund , Bonds , Insurance etc.

Which one has more liquidity ?

1.In savings you can withdraw money when you want or when it is necessary from the bank very easily so savings has more liquidity.

2.In investing your money is less liquid because you are investing for a long term. Money that you invested in government schemes, insurance,bonds etc. Here you can't take money fast.

Which is safe ?

Obviously savings are generally safe. There is no single risk to take on the principal amount. So there is no change for capital loss.
Ex - savings in bank and fixed deposit.

Investing is risky; you can make a profit. So it's very important to take calculated risk before investing in any product.

Saving is a wealth preservation but Investing Aims wealth creations.

Investing money works for you on the other hand in savings you work for money. You can say that Investing is a kind of big source of income.

Where is More Return ?

Warren buffet says that Buy what you understand if the stock is popular and also more profitable but if you don't know about it business then don't buy it. Are you able to understand it's business means it's -

1.product and services

2.operations in that business

3. competitions

4. competitive advantage (Moat)

Competitive advantage means that one thing in which your business is 10 times better than other competitors. Because Moat is an important factor in a business for a long term profit. Next is if we can estimate the profit and sales of that business for the next 10 to 20 years then we can think about buying it after analysis. but if we can't estimate it's profit and sales after 10 to 20 years properly then it's not a right decision to buy it.

So where do you get all of this information ?

The answer is in that company's Annual report. Annual report is a report published by the company's owner. Annual report gives us total information about the company and its business. Also you may research on the Internet about this company and its business model. In that way you can clear the 1st process Business Quality analysis.

Also you can find the Annual report and other all details about stocks on other website as well.

To analyze the business quality of a company for investing purposes, consider the following key factors as well:

1.Competitive edge: Evaluate the firm's competitive standing and determine whether it has a long-lasting edge over its competitors. Consider elements like distinctive goods or services, well-known brands, patents or other forms of intellectual property, cost benefits, or high levels of client loyalty.

2.Market Potential: Assess the size and expansion potential of the market that the organisation is trying to reach. Determine if there is a sizable chance for the company to grow and take market share by examining industry trends, customer demographics, and the competitive landscape.

3.Financial Performance: Evaluate the company's profitability, sales growth, and financial stability by looking over its financial statements and performance metrics. Take into account elements like return on investment, profit margins, and cash flow creation, and debt levels. Look for consistent and improving financial results over time.

4.Business Model: Recognise the company's business strategy and the way it makes money. Analyse the company's ability to grow and adapt to shifting market conditions. Determine whether the company model is viable over the long term and whether there are any risks or threats that could affect it.

5.Management Team: As was covered in the previous question, take into account the knowledge and expertise of the company's management team. For corporate objectives to be carried out and long-term success to be achieved, strong and capable leadership is necessary.