

Investment in fixed deposits

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With all the kinds of investment, investment in Fixed Deposits has their own advantages as well as disadvantages which depend on the specific goals of the investor. In Fixed Deposit there is high rate of interest in comparison to the normal saving accounts. In Fixed Deposits since the amount is deposited for a limited time period, banks generally provide high rate of interest on these Fixed Deposits.

In Fixed Deposits we get a guaranteed return once the time period is completed so, we can say that the Fixed Deposit is one of the safest means of doing investment. For instance, while making an investment in real estate or in stock market there is a high risk that all the money will lose in the crashes of stock market. But in case of investment in Fixed Deposits, there is comparatively less risk because it is sure that a person will get returns in Fixed Deposit i. e. to say that a person will get the amount which he has deposited and also the interest on monthly, quarterly or annually.

Further if one is facing a crunch of cash then the Fixed Deposit can very well save him. In this situation of crunch of cash a person instead of taking a personal loan in order to tackle with his financial emergency should take the loan against his Fixed Deposit. Moreover, this facility of taking loan against Fixed Deposit will grant him a loan of up to 90% of amount of Fixed Deposit. Even the rate of interest in Fixed Deposit is less than the personal loans.

The most important aspect of Fixed Deposit is that it helps the person to save his money. If a person wants to fully take the advantage of the scheme of savings then he should not withdraw the amount deposited by him before his amount has achieved the level of maturity.

The main advantage of Fixed Deposits is that it is very flexible. A person can deposit any amount of his/her own choice for 7 days to 10 years. So, basically these FDs help us to plan our future savings. Instead of investing huge amount of money in real estate it is beneficial to invest in Fixed Deposits where one can even start with Rs. 1, 000. Further, in case of extreme emergency, this Fixed Deposit can be break and one can use his money.

So we can say that Fixed Deposit is a kind of financial instrument which helps people to deposit their amount with the bank for a certain time period and further the bank use to pay interest on that amount. Basically, it is one of the way to lend a money to the bank i. e. it is opposite of taking loan. It is also known as term deposits and bonds.

We can now conclude that Fixed Deposit is the primary source of cheap capital for all the banks. When this capital is multiplied by Fixed Deposit made by millions of people then it is added to huge corpus which the bank uses to lend to people in the form of loans. So the FDs are advisable for all those who want to make most of his idle funds.