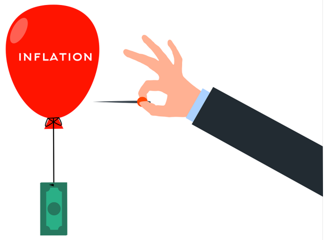


What are Equities in Investing or Equity investments? (3 mins read)

Description

In the context of the Stock Market, Equities or Equity investments are your money invested in the form of stocks or shares of a company. Simply, equities are stocks that are nothing but shares in the ownership of a company. Stocks are traded on the stock exchange [Bombay Stock of Exchange (BSE) and National Stock of Exchange (NSE) in India].

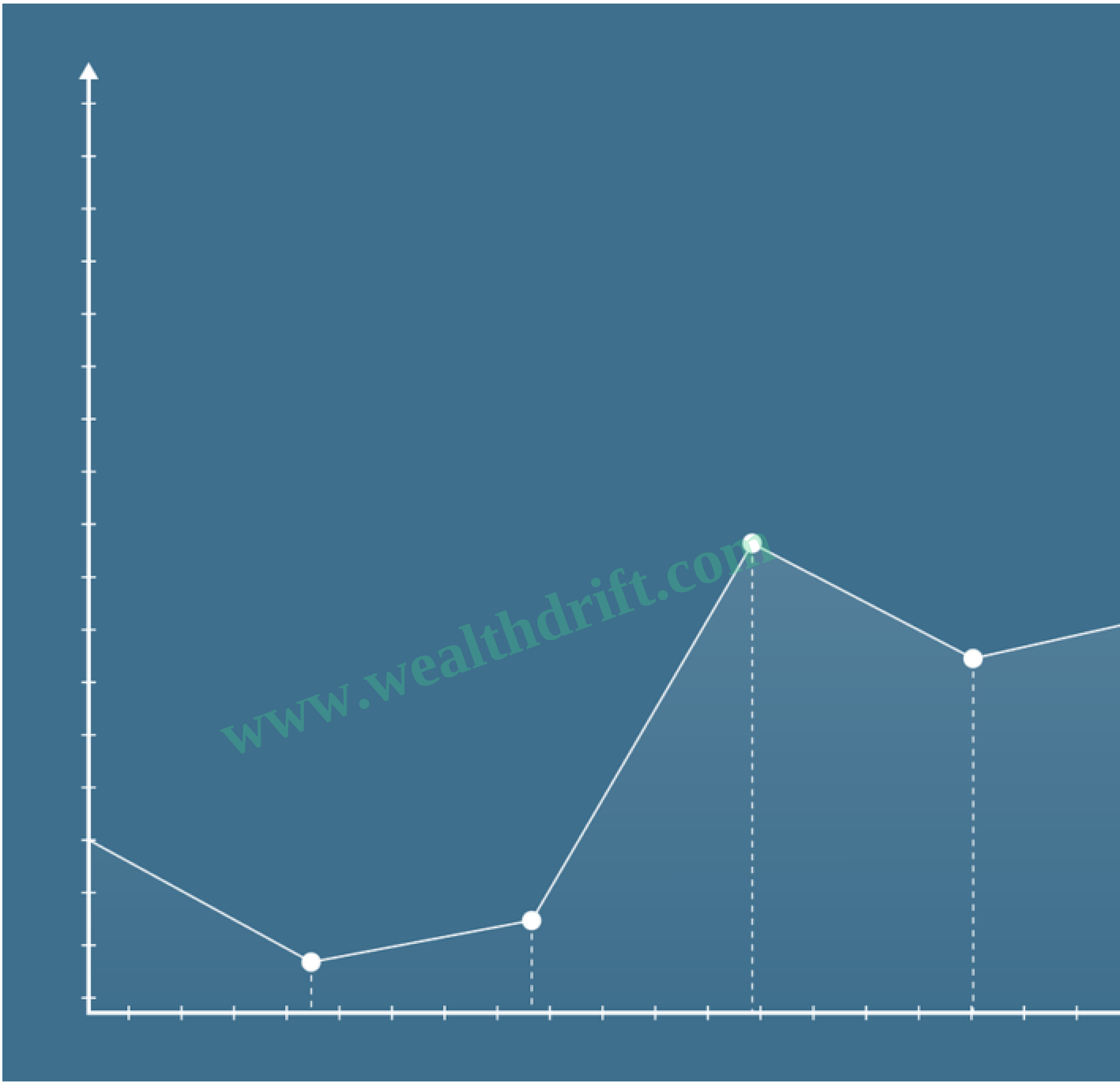
It may also be noted that the term ‘Equities’ has a different meaning in the context of Corporate. In a corporation’s balance sheet, equity is calculated as total assets minus the total liabilities of a company.

In this article, we will discuss ‘Equities’ in terms of the Stock Market. Let us have a real example of equity investment as mentioned below:

Example – The share price of Indian Oil Corporation Limited (IOCL) was INR81.70 on 17.01.2023. If you bought 100 shares of IOCL @ INR81.70. Then you have bought equities or equity investments of a value of **INR8,170**.

It may be noted that equities are market-linked investment that does not have fixed returns.

We hope it is now clear by the above example what is the meaning of ‘equities’ in investing.



Brief Overview of Equities Markets

The world's first Stock exchange was set up in 1631 in Antwerp, Belgium (then part of the Netherlands). London Stock exchange was opened in 1773.

First stock exchange in India, the Bombay Stock of Exchange (BSE) known as The Native Share and Stock Brokers' Association was established in 1870 (under the tree!).

The top five (5) largest stock exchanges based on market capitalization are given below in decreasing order:

- New York Stock Exchange (NYSE)
- NASDAQ
- Tokyo Stock Exchange (TSE)
- London Stock Exchange (LSE)
- Bombay Stock Exchange (BSE)

Trading in Stock Exchanges takes place through the mediators (Brokers, Market Makers, and, Jobbers).

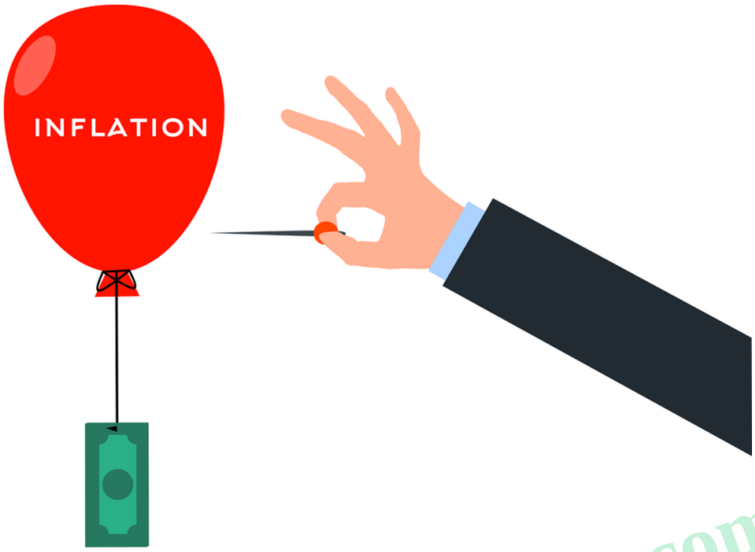
There are a total of 7 nos. of the national level stock exchanges in India as mentioned below:

- Bombay Stock Exchange
- National Stock Exchange of India Ltd.
- Calcutta Stock Exchange
- Indian Commodity Exchange
- Metropolitan Stock Exchange of India Ltd.,
- Multi Commodity & Derivative Exchange Ltd.

Top 5 reasons to invest in equities

Capital Growth (Capital Gains) – You earn money on money by doing the investment. The share price of multibagger stock of company Titan Company Ltd. was around INR 3/- on Nov 2002, now its share price is around INR 2400/- (Jan 2023). You can imagine enormous capital growth of 800 times in the span of 20 years. Though you won't find multibagger stocks like Titan every time. However, with knowledge and patience, you can get the return of 20% to 25% returns on average stocks as well easily.

Beat inflation (You stay ahead of inflation) – If you keep money in your savings bank account, inflation will eat your money. Because you hardly earn 3 to 4% per annum as interest on the amount deposited in the bank which is much lesser than today's inflation rate which is approximately 6%. A simple mutual fund investment can provide you with returns of 10% to 12% per annum easily.



Source of Passive Income – Investing in equities will bring you passive income in the form of dividends. For example, Company Britannia Industries has been consistently paying dividends to its shareholders for the past 5 years. For the year ending March 2022, they gave dividends amounting to INR 56.50 per share.

Save Taxes – Investing in Equity Linked Savings Scheme (ELSS) Mutual Fund can help you save taxes on your taxable income. You can save tax up to INR 46,800 per year by investing INR 1.5 Lacs in ELSS mutual funds (Section 80C of the Income Tax Act, 1961).

Investing in equities is a lot easier now – Mobile Apps / Platforms like Upstox, Zerodha, and ET Money, have made it very simple for you to invest at ease. You can get your Demat account opened online in 2-3 days and start investing in equities (Stocks, Mutual Funds) easily online.

Disclaimer about risks associated with equity investments

Investing in equities is subjected to market risks such as Credit Risk, Foreign currency risk, Liquidity risk, Political risk, Economic concentration risk, Inflation risk, etc. You may face a decline in the invested amount. This article shall be used as a reference for knowledge and information purposes only. For actual investment in equities, consult your investment advisor.

How to invest in equities, in the right way?

- Gather knowledge from **books on investing** and reliable online sources.
- Choose the type of equity investments:
  - Common Shares – Large-cap, Mid-cap, and Small-cap shares.
  - Equity-based Mutual Fund Investments – Large-cap, Mid-cap, Small-cap, Multi-cap funds.
- Do a detailed analysis of equities before buying and selling.

- Start investing in Stock Market / Mutual Funds through mobile apps (Upstox, Zerodha, ET Money, etc.) easily.
- Start with less amount first to gain experience in the equity market.
- Minimize market risks by diversifying your equity portfolio to different companies, different sectors, and even different countries. 25 to 30 stocks are enough for diversification.
- Start investing as early as possible and plan for long-term investment.

Equities investments are fun. It is always recommended start early. Let us end this article with two beautiful quotes by Warren Buffett (One of the world's most famous and wealthy investors).

> "***Risk comes from not knowing what you are doing.***"
>
> ***"Someone's sitting in the shade today because someone planted a tree a long time ago."***
>
> *Warren Buffett*

So, before further ado, start investing, earn money, and live your dream life in the future. If you liked this article then feel free to share it with your family, friends, and peers. Do ***subscribe us for new reads***.

Category

1. General
2. Passive Income

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