

Awareness on Savings and Investment for the Students

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Savings and Investment for Students-A Rationale

These two integral components are essentials to everybody's economic and social life.

- **Inbuilt Capacity:** Career Development of students irrespective of subjects and standards of livings are significantly affected by savings and investment practices;
- **Financial Inclusion:** One can be a Part of stream of economy through savings and investment;
- **World Class Financial Citizen:** This is the need of today's modern art of technology; Otherwise one lags behind.
- **Knowledge:** Knowing how to secure your financial well-being is one of the most important things you'll ever need in life.
- **Learning through practice and Value:** You don't have to be a genius to do it. You just need to know a few basics, form a plan, and be ready to stick to it.
- **Exploiting Opportunity:** No matter how much or little money you have, the important thing is to educate yourself about your opportunities.
- **Way Forward: Awareness on Savings and Investment**

Awareness of students on Savings and Investment for Students-A Rationale

- **Saving is a prerequisite for investment.**
- **While making an investment activity, investors normally tolerate the sacrifice of certain present value for the uncertain future reward. It could entail arriving numerous decisions, such as what type of instruments/assets to be invested, mixed instruments, the amount of investment, timing consideration, and etc.**
- **A standard finance theory assumes that investor decision towards investment must be made rationally, while the behavioral finance assumes that the investors are basically deviated from rational decision making (Sewwandi, 2015).**
- **People easily fall into confusion between savings and investment, while thinking about the investment as a means of savings. This becomes as one of the factors to reduce the tendencies of making investment among people (Lokhande, M. A., 2015).**
- **The variable like awareness, income level, and skills play a mainstream role which might influence young generation/students to invest in some specific financial instruments/assets. One thing is clear that investment could generate an income to the investor if it is properly managed, and the right investment tool is chosen and timely monitored.**

Awareness of students on Savings and Investment for Students-A Rationale

- **Awareness on savings and investment is significantly and positively influenced by three factors:**
 - I. Financial Literacy;**
 - II. Personal Interest- Supportive Income; and**
 - III. Environment- Rules & Regulations.**
- **A student with knowledge skills, technological skill, analytical skills, and communication skill in these areas can be able to save and use of a part of savings through managing expenses in the form of investment to make return/profit/utility/surplus/yield/money as expected.**
- **No one can guarantee that you'll make money from investments you make. But if you get the facts about saving and investing and follow through with an intelligent plan, you should be able to gain financial security over the years and enjoy the benefits of managing your money.**
- **So, students should be aware of savings and investment to be world class financial citizen.**

Financial Literacy for Students-Concepts

- **Financial literacy can be defined as the ability to read, interpret and analyze, manage the money, communicate about personal financial conditions that affect material well-being, compute, develop independent judgment, and take actions resulting from those processes in order to thrive in our complex financial world. Financial literacy gives university students capacity to prevent them from the tendency being trapped with extensive debts, especially the credit card debts (Azizah, 2013).**
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- **Financial literacy provides knowledge skills, analytical skills, and decision making skills**

Financial Literacy

- **Knowledge and skills about personal planning and management of income and savings.**
- **Basic understanding to assess the suitability of various financial products and investment opportunities available in the financial markets.**
- **Awareness and ideas about access to financial services and availability of various types of products and their features.**
- **Understanding consumers rights and obligations, risk and return potentials related to investments opportunities.**
- **Changed attitude to translate knowledge into responsible financial behavior.**

Why Financial Literacy?

- Ensuring self-protection from financial frauds.
- Building a financially secured future.
- Preparing for emergencies by incorporating contingencies in financial plan.
- Making an individual more responsible with a disciplined approach to money.
- Understanding alternative financial products, their risks and returns.
- Understanding basic financial concepts.
- Developing skills and confidence.

Common Behavior of Ignorant Investors

- **Invest without proper knowledge and assessment about the risks of financial markets and products.**
- **Invest in risky products for utopian abnormal benefits.**
- **Invest without assessing own capacity and risk bearing ability.**
- **Speculative and rumor-based decision making and investment without proper analysis.**
- **Invest in high market price and panicky divest when price declines.**
- **Take high cost debt without assessing repayment ability.**
- **No specific plan of savings and investment.**
- **Invest all in a single or similar product.**
- **Attitude to follow big investors.**
- **Herd behavior.**
- **Invest without searching for alternatives.**

Investment -Fundamentals

Definition: Investment is the tying of funds to assets for making profit. Investment is the activity of generating surplus. Investment is the commitment of funds (cash, equity and loan) to assets –Financial Assets and Real Assets for a particular periods (Investment period-Short and Long) with an anticipation of receiving larger cash flows (objective of investment) in the future (Harvesting Period).

Features : An investment is characterized by following features:

- F1: Availability of Funds:** Investment is the commitment of funds-cash, equity and loan;
- F2: Investible Assets:** to assets –Financial Assets and Real Assets
- F3: Investment period-Short and Long:** Definite Period or indefinite period;
- F4: Investment Objective:** With an anticipation of receiving larger cash flows-objective of Investment
- F5: Harvesting Period.**

Types of Investors

1. Individual Investor and

2. Institutional Investors-Dealer, Mutual Fund, Merchant Banker, Banks, and Insurance

1. Risk Neutral /Conservative Investors- No risk and a secured return

2. Risk Averse/Moderate Investors- Minimum Risk and Maximum Return

3. Risk Taker/Aggressive Investors-High Risk and High Return

1.Short Term Investors and

2. Long Term Investors

1. Primary Market Investors

2. Secondary Market Investors

3. Mixed Investors

1. Investors willing to make profit on a regular basis and

2. Investors willing to make capital gain

1. General Investors and

2. Natural Investors

1.Equity Investors and

2. Bond Investors

Forms of Investment

Investment in Financial Assets	Investment in Real Assets
<p>1. Equity Claim –Direct</p> <ul style="list-style-type: none"> -Equity/common stock -Option -Warrant 	<p>1. Real Estate</p> <ul style="list-style-type: none"> -Land/Building/Apartment/Duplex -Furniture, -Vehicle -Machineries, etc.
<p>2. Equity Claim-Indirect</p> <ul style="list-style-type: none"> - Mutual Fund/Unit Certificate; -Money Market Fund, - Pension Fund, Exchange Traded Fund, wtc. 	<p>2. Precious Metal</p> <ul style="list-style-type: none"> -Gold, -Silver
<p>1. Creditors Claim</p> <ul style="list-style-type: none"> - Deposit - Treasury Bill/Notes/Bonds, -National Saving Certificates, -Corporate Bond/Debentures, - Commercial Paper, -Assets Backed Securities, - Banker’s Acceptance; -Others 	<p>3. Precious Gems</p> <ul style="list-style-type: none"> - Diamond -Ruby, etc.
<p>1. Preference Share</p>	<p>1. Collectibles: -Arts, -Antiques</p>
<p>5. Financial Derivatives</p> <ul style="list-style-type: none"> - Forward -Futures -Option -Swap 	<p>5. Others</p> <ul style="list-style-type: none"> -Spices -Oil -Cattles -Living Hogs -Agro Products. etc.

Investment on Market Basis-Bangladesh Perspective

Money Market

- Current
- Savings
- Short Term Deposit
- Fixed Deposit
- Pension Scheme
- Islamic Deposit Schemes
- Other Deposit Scheme

Govt. Borrowings

- Treasury Bonds
- Postal Deposit Schemes
- Jatio Shanchay patra
- Wage Earners' Bond
- Other Scheme

Capital Market

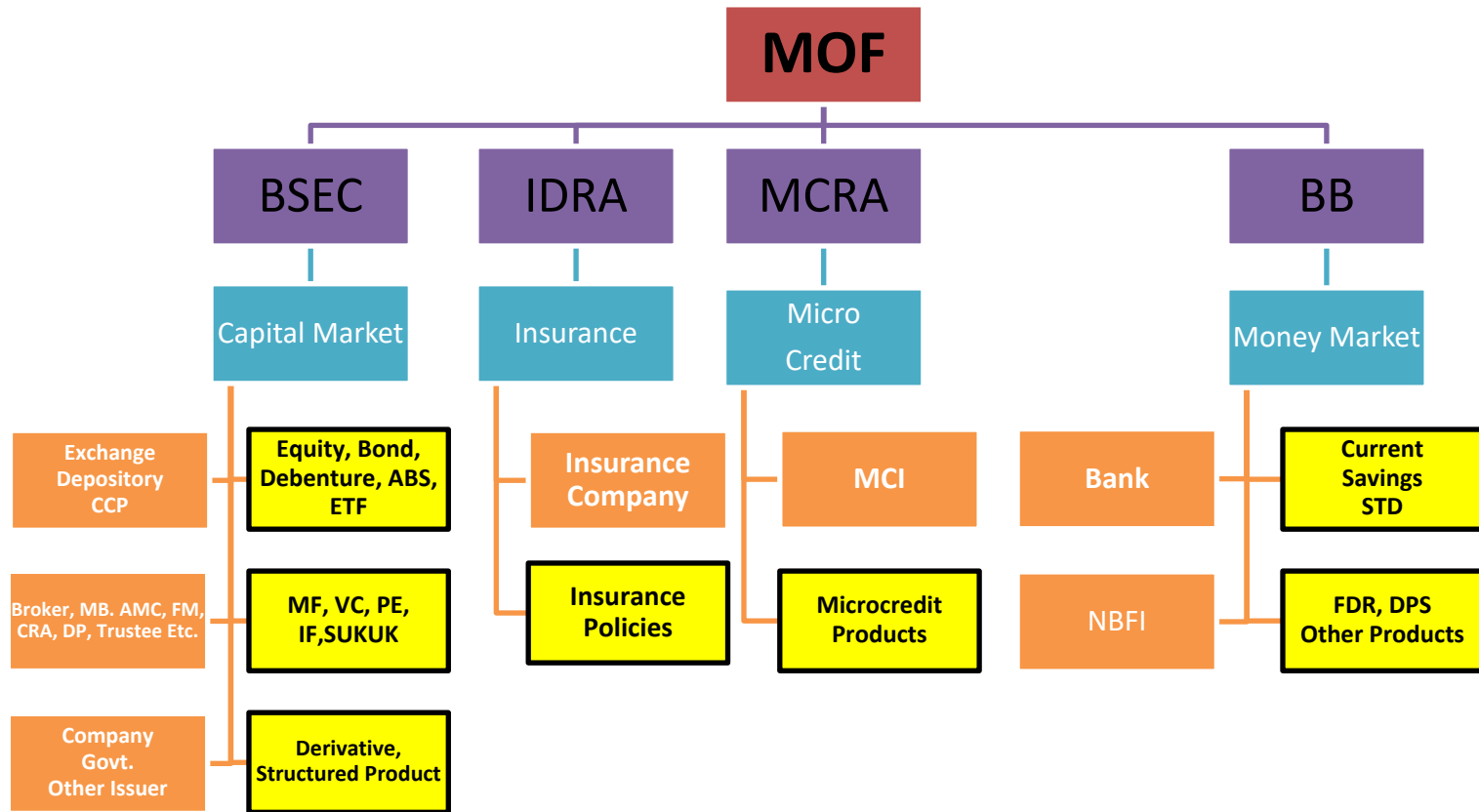
- Share
- Bond
- Debenture
- Mutual Fund
- ETF
- Alternative Investment Funds
- Asset Based Securities
- Derivatives
- Other Structured Products
- SUKUK

Insurance

Different
Insurance
Schemes

Real Assets
Market-Real Estate,
precious metal,
Precious Gems,
Collectibles,
and others.

Financial System



Regulators

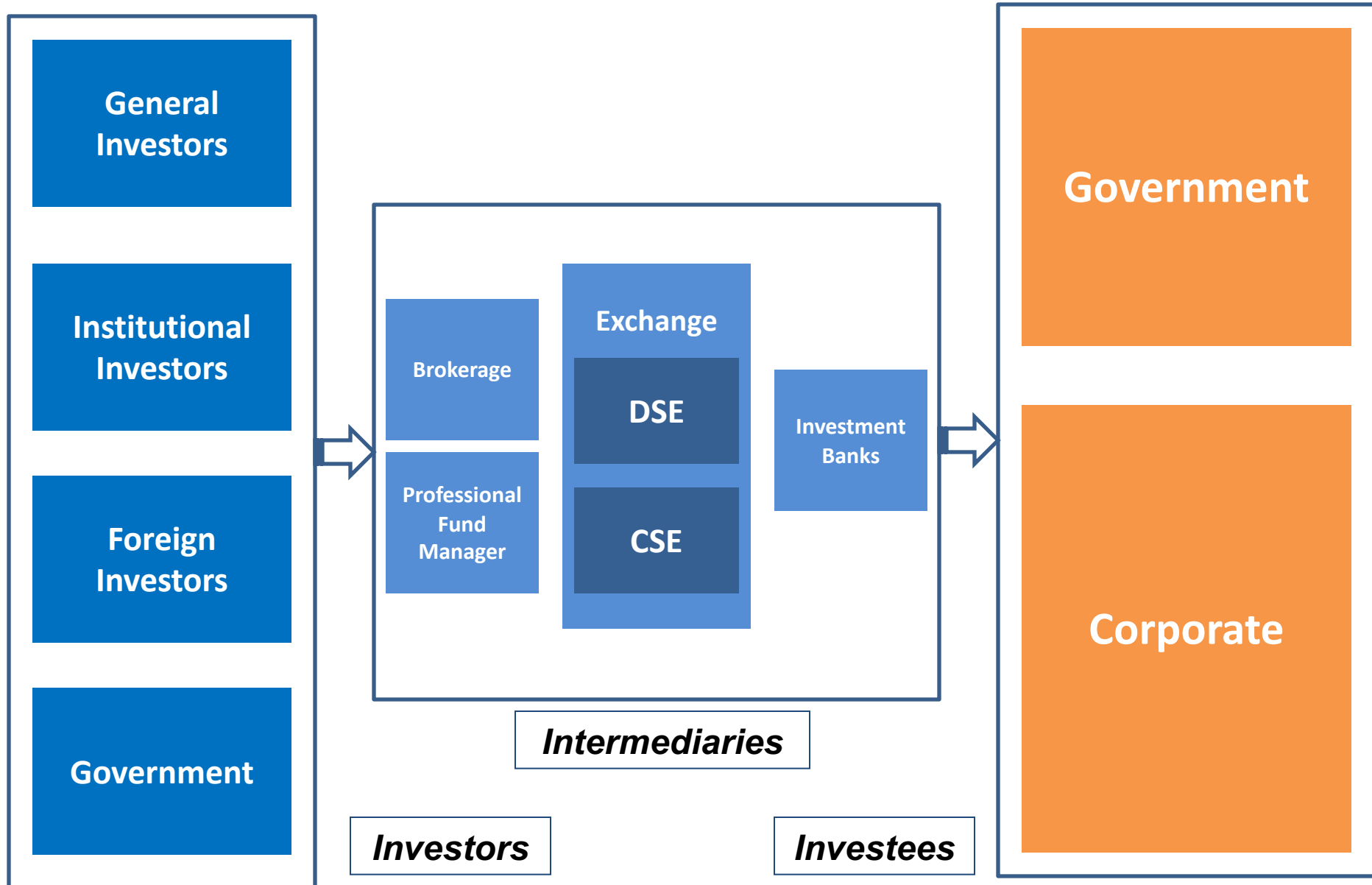
Financial Markets

Government

Financial Institutions

Financial Instruments

Capital Market Mechanism



Investors (Providers of Fund)

General Investors

- *Any individual with a BO account.*
- *Invests to make wealth for him/herself*
- *Usually not sophisticated*

Institutional Investors

- *Usually Financial Institutions*
- *Invests to make wealth for the institution*
- *Usually sophisticated*

Foreign Investors

- *Usually Frontier and Emerging Market Fund Managers and Hedge Funds*
- *Invests to make wealth for global investors pool*
- *Highly sophisticated*

Government

- *Government of Bangladesh*
- *Invests for Strategic Purposes*
- *Strategy driven*

Investee (Users of Fund)

Government

- Wants **Capital** for development or day to day operations
- Wants to help the market **develop**

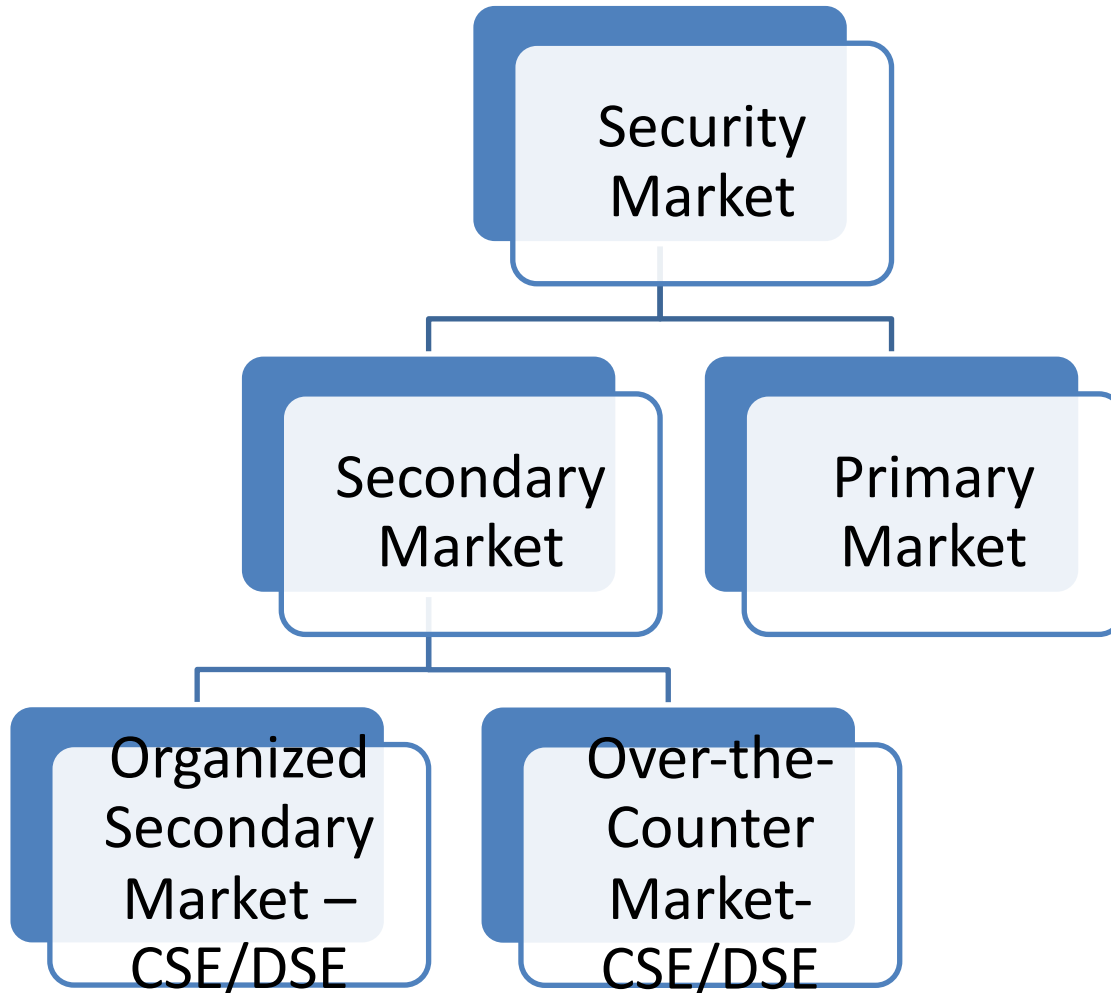
Individual/Household

Consumer Credit/Household Credit/Education/Marriage/Pilgrimage Credit, etc.

Corporate

- Wants **Capital** to expand
- Wants the market to **discover** its true value
- Wants to create **liquidity** for its share, so that new investors can enter and old one exit, if they want

Capital Market-Where to invest?



Primary Market-Functions

- Primary Security Market facilities issuing securities for raising funds for financing both long term capital and working capital.
- Parties to the Primary Market:
 - I. Regulator-BSEC;
 - II. Issuing Company-Public Limited Company;
 - III. Exchange -CSE/DSE;
 - IV. Managers- Issue Managers/Underwriter/Registrar/Bankers to the issue;
 - V. Custodian: Central Depository Bangladesh Limited.
 - VI. Investors-Individuals-Local and NRBs and Institutional Investors-Dealers/Mutual Fund/Merchant Bankers/Banks/Insurance;
 - VII. Functional Agents: Credit Rating Company/Chartered& Cost Accountancy Firms/Valuation Agents/EEE of BUET

SECONDARY SECURITY MARKET-FUNCTIONS

Basic function of the Secondary Market like CSE facilitates buying and selling shares and securities between buyers and sellers either through brokers or direct at competitive price during trading hours of the working days across year.

Parties involved in the Secondary Market:

- a) Exchange –CSE/DSE;**
- b) Brokers for Buyer and Sellers**
- c) Dealers**
- d) Depository Participants**
- e) Investors**
- f) Custodian-Central Depository Bangladesh Limited.**

Generally, Secondary Security Market performs following functions:

- Liquidity**
- Efficiency**
- Consistency and**
- Continuity.**

Comparison between Capital Market & Money Market

Capital Market:

1. It provides finance/money capital for long-term investment.
2. The finance provided by the capital market may be used both for fixed and working capital.
3. Mobilization of resources and effective utilization of resources through lending are its main functions.
4. It's one of the constituents, Stock Exchange acts as an investment market for buyers and sellers of securities.
5. It acts as middleman between the investor and the entrepreneur.
6. Underwriting is one of its primary activities.
7. Its investment institutions raise capital from public and invest in selected securities so as to give the highest possible return with the lowest risk.
8. It provides long-term funds to Central and State Governments, public and local bodies for development purposes.

Money Market:

1. It provides finance/money for short-term investment.
2. The finance provided by money market is utilized usually for working capital.
3. Lending and borrowing are its principal functions to facilitate adjustment of liquidity position.
4. It does not provide such facilities. The main components include call loan market, collateral loan market, and bill market and acceptance houses.
5. It acts as a link between the depositor and the borrower.
6. Underwriting is a secondary function.
7. It provides outlets to commercial banks, business corporations, non-bank financial concerns and others for their short-term surplus funds.
8. It provides short-term funds to Government by purchasing treasury bills and to others by discounting bills of exchange, etc.

Objective of Investment

- To make return;
- To make return;
- To make surplus;
- To make money;
- To make yield and return;
- To doubling or trebling money.

To ideal Investor-To make maximum return/ profit.

Criteria of Making Investment Decision

Two Criteria:

➤ Return and Risk

Return-

- Total Return;
- Return Return
- Warrnat Total Return
- Mean Return
- Portfolio Return
- Market Return

Risk:

Financial Risk

Operating Risk

Equity Risk

Market Risk:

- Interest Rate Risk
- Inflation Rate Risk
- Exchange Rate Risk
- Unit Value Risk

Liquidity Risk

Technological Risk

Regulatory Risk

Financial Plan-

- **Financial plan is the projected plan of an investor.**
- **Financial planning is a method of projecting**
 - **Financial Budget-Cash Budget, Sales Budget, Purchase Budget, Production Budget (Taka and Unit), Overhead Budget, Investment Budget, Capital Expenditure Budget, etc.)**
 - **Financial Statements (Components):**
 - » **Income Statement;**
 - » **Cash Flow Statement;**
 - » **Financial Position/Balance Sheet;**
 - » **Statement of Change in Equity;**
 - » **Notes to the Financial statement**
- **on the basis of target/objective;**

Financial Plan-Steps

A. SET YOUR FINANCIAL GOALS If you don't know where you are going, you may end up somewhere you don't want to be. To end up where you want to be, you'll need a roadmap, a financial plan.

What do you want to save or invest for?

By when?

- **1.**-----
- **2.**-----
- **3.**-----
- **4.**-----

B. KNOW YOUR CURRENT FINANCIAL SITUATION

- Sit down and take an honest look at your entire financial situation. You can never take a journey without knowing where you're starting from, and a journey to financial comfort is no different. You'll need to figure out on paper your current situation—what you own and what you owe. You'll be creating a “net worth statement.” On one side of the page, list what you own. These are your “assets.” And on the other side list what you owe other people, your “liabilities” or debts.

Assets	Current Value	Liabilities	Amount
Cash _____		Credit cards _____	
Checking accounts _____		Bank loans _____	
Savings _____		Car loans _____	
Other investments _____		Student loans _____	
Personal property _____		Other _____	
TOTAL _____		TOTAL _____	

C. KNOW YOUR INCOME AND EXPENSES

- **The next step is to keep track of your income and your expenses for every month.**
- **Write down what you earn, and then your monthly expenses.**
- **Find money to save or invest-Small Savings Add Up to Big Money**
- **Pay off Credit Card or other high interest debt;**
- **Put Away the Plastic;**
- **Know What You Owe;**
- **Pay Off the Card with the Highest Rate;**

KNOW YOUR INCOME AND WHAT YOU SPEND

Monthly Income _____

Monthly Expenses

Savings _____

Investments _____

Rent or mortgage _____

Telephone _____

Utilities _____

Clothing _____

Food _____

Transportation _____

Loans _____

Insurance _____

Education _____

Music _____

Recreation _____

Gifts _____

Other _____

TOTAL

Making Money Grow

Two ways to make money

1.You work for money. Someone pays you to work for them or you have your own business.

2.Your money works for you. You take your money and you save or invest it.

Where to invest your savings?

- When you “invest,” you have a greater chance of losing your money than when you “save.”
- The money you invest in securities, mutual funds, and other similar investments typically is not insured. You could lose your “principal”—the amount you’ve invested. But you also have the opportunity to earn more money.
- **WHY SOME INVESTMENTS MAKE MONEY AND OTHERS DON’T**
You can potentially make money in an investment in a company if:
 - The company performs better than its competitors.
 - Other investors recognize it’s a good company, so that when it comes time to sell your investment, others want to buy it.
 - The company makes profits, meaning they make enough money to pay you interest for your bond, or maybe dividends on your stock.

How to select security for investment?

- **Investors should consider following factors while selecting security for investment:**

<i>Investors</i>	Fundamental Features of Security
<ul style="list-style-type: none">• Risk and Safety of Principal;• Liquidity• Short Term Vs Long term Oriented;• Total Return vs Yield;• Tax Plan;• Financial Plan;• Ease of Management	<ul style="list-style-type: none">• Earning Momentum;• Value;• Growth in Assets, Sales, Capital, and Profits• Growth at Reasonable Growth in P/E Ratio $\geq <$ Growth Rate

Security Market Environment for Investment

- **Regulator: Bangladesh Securities Exchange Commission-Enforces Law in the capital market;**
- **Market-CSE/DSE-provides automated floor for transaction of shares;**
- **CDBL-works as custodian of shares and securities;**
- **Transaction of share and Securities- Automation/Internet based transaction;**
- **Categories of Share-Five Categories: A-B-G-N-Z**
- **Settlement of A Category Transaction: T + 2**
- **Types of Order: Market Order + +**
- **Form of Share: Electronic Form of Shares;**
- **Price- Opening Price-Closing Price-High Price- Low Price**
- **Number of Securities Listed with CSE- 331**
- **Stock Indices for Market Performance-Five-CSE-30 Index/CSCX Index/CSEAShare Price index/CSE Shariah Index.**
- **Shares and Securities: Equity Share/Unit Certificate/Corporate Bond/ Treasury Bonds(OTC Market)**

Questions???

**THANKS
FOR
DEVOTING TO THE DELIBERATION
MADE
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