Expanding Investor Education on Managing Risk Vs. Return in Recent Market Environment

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Low Interest Regime

Interest Rate in India
<table>
<thead>
<tr>
<th>Annual Deposit</th>
<th>Maturity Amount @ 5%</th>
<th>Maturity Amount @ 6%</th>
<th>Maturity Amount @ 7%</th>
<th>Maturity Amount @ 8%</th>
</tr>
</thead>
<tbody>
<tr>
<td>100,000 for 30 Years</td>
<td>7.096 M</td>
<td>8.595 M</td>
<td>10.46 M</td>
<td>12.8 M</td>
</tr>
</tbody>
</table>
Emerging Future Trend in Investment

Alternate Investment Schemes

- **5% Projected Return**
  - Fixed Charges
  - Risk Factor
  - No Guaranteed Return

- **10% Projected Return**
  - High Fixed Charges
  - More Risk
  - No Guaranteed Return

- **15% Projected Return**
  - Higher Fixed Charges
  - Higher Risk
  - No Guaranteed Return

Fund Management is purely discretionary to Scheme Manager
Need For Extra Protection

- Reduction in net inflow of old public/ pensioners.
- Imperative to find out source of higher income
- Human Tendency to try for more
- Emergence of Hybrid and complex products
- Distributor Margin Under Pressure
- Propensity to devote low time and efforts in due diligence
- Gullible Investors and Ponzi Schemes
- Mis-selling by organized sector

“When is comfortable may be desirable but rarely profitable”
Gearing up Investor Education

- What is Investor Education?

- How is it to be imparted in a most effective, efficient and economical manner?

- What are the challenges?

“Literacy is a bridge from misery to hope”
About Investor Education

• Investor Education means educating, guiding & spreading awareness among Investors regarding:
  - Rights & Obligations
  - Investor Grievances Redressal Mechanism
  - Informed Decision
  - Product Information
Impartation of Investor Education

- Effective
- Efficient
- Economical

- Clarity
- Short & Simple
- Relates to general Investor
- Cover all class of Investors
- Examples and Facts & Figures
- Connection & Conviction with audience
Challenges to Investor Education

- Resources
- Supply Push Vs. Demand Push
- Whether informed investor performs better
- Behavior of Financial Market
- Short Term Investment Vs. Long term Investment
- Direct Investment Vs. Mutual Funds
- Role of Wealth Managers
- Level Playing fields across all investment class.
Key Pillars of Investor Protection

Self Discipline

Market Discipline

Regulatory Discipline
<table>
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<th>Self Discipline</th>
<th>Regulatory Discipline</th>
<th>Market Discipline</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Poor corporate Governance</td>
<td>• Inadequate Oversight</td>
<td>• Information Asymmetric</td>
</tr>
<tr>
<td>• Unethical Conduct</td>
<td>• Regulatory gaps</td>
<td>• Education &amp; Awareness</td>
</tr>
<tr>
<td>• Lack of Transparency</td>
<td>• Inadequate education</td>
<td>• Failure of gatekeepers</td>
</tr>
<tr>
<td>• Poor Disclosure</td>
<td>• Structural impediments</td>
<td>• Conflict issues – role of watchdog</td>
</tr>
</tbody>
</table>
Extra tools for Investor Protection

- Investor Charter
- Hedging
- Call/ Put Options
- SLP/ SIP
- Stop Loss
Charter of Investor Rights:

- Fairness
- Transparency
- Suitability
- Privacy
- Grievances redressal
Obligation on Market Intermediaries

Pre Sale
- Know your Client requirement
- Ensure Product suitability
- Product & Risk Disclosure
- Advertising Guidelines
- Competent representatives
- Conflict of Interest

Point of Sale
- Disclosure
- Product Suitability
- Sales Practice

Post Sale
- Continuous disclosure
- Prompt Service
Obligation on Investors

- Do’s and Don'ts which Investor is expected to follow
- Timely & frequently settlement of accounts
- Tracking unauthorized trades
- Let not greed make you an easy prey
- Beware of the grey market
- Hearsays or tips are not the best way of investment
- There is nothing like assured return
Expectations from Regulators

- Mass media campaign
- Awareness of Class rights
- Encouragement of Proxy advisory Services
- Encouragement for Class Action
- Training to market participants
- Surveillance and prompt action
- Disgorgement of unethical profits
Thank you!

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