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Dimensions Member: The first law of forecasting says that forecasts are always wrong. It is rather the market sentiments that drive the price. A lot of efforts are put in to understand what to buy and what to sell. Don't the efforts go waste when market sentiments rule?

PC: Everyone wants to know the prediction that is why we have numerologists in a huge numbers. The innate desire of human beings is to know what happens tomorrow. If you consider the world as a whole, superstition sells more than science. The same goes with forecasting as well. It is just the desire to know.

Dimensions Member: One needs to be a long term investor. But, don't you think the system encourages to make short-term investments?

PC: Not necessarily. Long term investments are more profitable; patience is the key in such investments. You will have to remain an investor for several years before you capitalise on your investments. While on the other hand, short term speculations are in buzz. If you observe the trading pattern of a stock exchange market, 95-97% are short term speculations. Again, the human psychology plays an important role here. People are impatient.

I met an investor a few years back, who was ready to invest 50 lakh rupees in stock market. He said that he wouldn't mind waiting for 15 years for his ROI. However, I explained the fluctuations in stock market to him and he did buy a share at Rs.335. But, within half an hour, I got a call from him. He was in a confusion if he had made the right decision by buying at Rs.335, for the price at that point of time had decreased to Rs.329. The person who was ready to wait for 15 years was in dilemma in thirty minutes. This is the problem. People are bombarded with price data on various media, which drives them to be short-term speculators.

Dimensions Member: In India, most of the people view insurance as a savings instrument rather than a protection instrument. Even the sales persons from the insurance companies project themselves to be a savings instrument. Is this the reason why India's insurance is the world's largest now?

PC: Not at all. The insurance sector in India is still under-penetrated, given the population we have. We are 1.25 billion in number, but look at the penetration level of insurance sector. It still has to grow tremendously. The western countries are far ahead. Don't be under an impression that we have made a tremendous improvement, going by what the sales persons try to project. Fortunately, in the last 5-7 years, people with basic knowledge about investment and insurance have learnt that insurance is a protective instrument.

Dimensions Member: With the GDP growth rate expected to increase, what would you think are the three best financial products (mutual funds, arbitrary funds etc.) to invest in, for a 25-year-old working professional?

PC: For a working professional that is 25-year-old, it is important to have a long time horizon and diversified portfolio. I would suggest to begin with mutual funds, like, if you have 100 rupees in hand, invest 75 on mutual funds and the rest 25 on something else. It is important to test your skills and know how to get your investment back. For the first time investors with long term horizon, it is advisable to have exposure to equities. Basically, the bulk exposure should come through equity and mutual investments. However, over a period of time, one would get to know what and what not is good for him/her, and where to invest. With enough experience and exposure, if he/she feels that self-management portfolio is better than mutual fund portfolio, he/she can anyways step up and explore more in the former one. It is all about testing the skillset.