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ROLE OF FINANCIAL ADVISORS IN SHAPING RETAIL INVESTORS INVESTMENT PERCEPTIONS

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Abstract:

Financial advisors are crucial while making investing decisions. The study reveals that investors require knowledgeable and skilled financial advisors to help them manage the risk of their investments advise them on how to capitalize on market volatility, and recommend strategies for post-retirement, family responsibilities such as children's education and marriage, and age-related health issues. When hiring financial advisers, investors take into account a number of issues, including the fees that are charged, the services that are provided, and the advisors' adherence to ethical standards. The investors are given a structured questionnaire to complete in order to gather the data needed for the study. The study uses a descriptive research design. The study indicates that the investors expects that the financial advisor should discuss the risk & return associated with investments, should recommend good product, keep personal information safe and solve queries & doubts on time.

Keywords: Financial Advisors, Shaping, Retail Investors, Investment, Perceptions.

Introduction

If a person falls ill for a day, they usually head to a chemist and buy an over-the-counter medicine. This medicine in most cases does the trick. What if the problem persists for long? They should then visit a doctor. This is because people realize that doctors know best when it comes to health. It is the same with legal matters. Lawyers are the experts. There are no second thoughts when engaging their services. Similarly, the Income Tax Department allows the filing of tax returns on its website for free. There are instructions given to how to go about it as well. Still, many people take the help of chartered accountants and tax advisors. They know that these professionals are experts when it comes to tax issues. They feel it is better to get an expert help than risk making a

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mistake. But when it comes to the management of finances, most people shy away from taking help. There can be a plethora of things occupying one's mind for the same:

- They might think it is a waste of money.
- They may think that they know best how to manage their finances.
- They are reluctant to confide in a third person about financial matters.

Relevance of Expert Financial Advice:

Most people are satisfied if they earn a good salary and live within their means. They are happy if they do not have unmanageable debt. They feel they do not need to waste time and money on a financial advisor. But what if expert advice helped them to manage their finances better? Would that be worth paying for? Most people make do with what they have. They stumble along and somehow meet goals that may not be clearly defined. Sometimes, they may not even meet these goals. Yet, it makes sense to plan and budget for the different stages of life. You need to make sure that you are going in the right decisions.

Benefits of Availing the Services of a Financial Advisor:

1. An advisor examines an individual's financial situation and health. He may pinpoint weak points that need strengthening. For example, the advisor may alert you about wasteful expenditure. He may identify investments that are not giving optimal returns.

2. With the help of the advisor, you can chart out your financial goals–even the improbable and ambitious ones. The advisor can then help you create a plan to achieve these targets. He may suggest that you split your goals into short-term, medium-term, and long-term goals. This allows for better financial management.

3. The advisor can recommend products to help you reach your goals faster. In this, the advisor would assess your risk profile, personality, and financial responsibilities. He would also explain the product features and suggest how to make the investments. Of late, behavioral psychology has become an important part of investor profiling. So, more financial advisors are factoring this in while engaging with clients. Human emotions vary with circumstances and situations. People act irrationally when they are in panic mode. Reports suggest that investors panicked during the recent demonetization. They pulled out of the stock markets (even taking losses) because they felt the economy was on a downswing. There are also people who become attached to an investment. They may refuse to part with it even when it is not performing. A financial advisor is an unbiased third party. He can offer the best advice in such cases.

4. A financial advisor also has the mandate to monitor a client's investments. Most people may not have the time for monitoring their investments after they are made. The advisor can suggest changes in your portfolio. He may even recommend when to exit or enter a particular asset class. He may foresee if you need to change or realign a particular goal.

Qualification to Apply for Registration as an Investment Adviser in India

(1) A professional qualification or post-graduate degree or post graduate diploma in finance, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science or adviser should be a graduate in any discipline with an experience of at least five years in activities relating to advice in financial products or securities or fund or asset or portfolio management.

(2) A certification on financial planning or fund or asset or portfolio management or investment advisory services from (a) NISM or (b) from any other organization or institution including Financial Planning Standards Board India (FPSB) or any recognized stock exchange in India provided that such certification is accredited by NISM. In simple words, a post graduate in finance related topics or a graduate in any discipline with 5 years' experience in financial sector can pass the following 2 examinations by National Institute of Securities Markets (NISM) and apply to SEBI for registration as an Investment Adviser.

1. NISM – Series-X-A: Investment Adviser (Level-1) Certification Examination
2. NISM- Series – X-B: Investment Adviser (Level-2) Certification Examination

In lieu of the above 2 examinations, advisor can pass Certified Financial Planner (CFP) examination of the Financial Planning Standards Board India (FPSB). Advisor should also have net tangible assets of not less than rupees one lakh if he is an individual or partnership firm. For others, the net worth should not be less than 25 Lakhs rupees. Individual or Partnership Firm, the application fee is Rs. 5000/-. Otherwise, it is 25,000. Once your application is approved, you have to pay the registration fee of 10,000 if you are applying as Individual or partnership firm. For others, the registration fee is 5 Lakhs.

Literature Review:

Rao (2018) in his research paper titled "A study on personal financial planning profession in Andhra Pradesh" concludes that the Personal Financial Planning Profession has grown upsignificantly in recent years due to a number of causes, particularly in India. India being one of the emerging economies has shown considerable growth in per capita income and purchasing power of people. This has given rise to a need for professionals to manage personal financial planning. The study indicates that career in the personal financial planning profession specifically in the state of Andhra Pradesh and generally in India is full of challenges; however, the career promises a high growth prospect job in the economy.

Karve and Deogharkar (2015) in their paper titled "A study of financial planning need analysis" focused on importance of financial planning analysis. A financial plan is a series of steps or goals used by an individual or business, the progressive and cumulative attainment of which are designed to accomplish a final financial goal like elimination of debt, retirement etc. The paper also highlighted the pattern in which individual allocates their savings, whether investors are aware about the financial planning & its importance. Economictimes.indiatimes.com (April 2018) article titled "Do you know why 71% of Indian investors trust their financial advisers?" brings out the key highlights regarding what do investors look for in a financial adviser? The investors look for someone who will act in their best interest, who can achieve high returns, ethical conduct, recommended by others while choosing a financial advisor. Trust and ethics are important to investors, but so are returns.Cnbc.com (Dec. 2012) Article titled "What disappoints investors about their financial advisor" brings out that for financial advisors, client trust and their investment track record are either best attributes, or a couple of brewing problems. These are the two important factors which are the main reasons investors say they choose a particular advisor. They also are the top two areas that cause clients to feel disappointed by their advisors.

Mullainathan et al. (2012) in their study titled as "Market for financial advice: an audit study" found that whether financial advisers undo or reinforce the behavioral biases and misconceptions of their clients? They used an audit methodology where trained auditors met the financial advisers and presented different types of portfolios. These portfolios reflect either biases that are in line with the financial interests of the advisers (e.g., returns-chasing portfolio) or run counter to their interests (e.g., a portfolio with company stock or very low-fee index funds). The study indicates that the advisers fail to de-bias their clients and often reinforce biases that are in their interests. Advisers encourage returns-chasing behavior and push for actively managed funds that have higher fees, even if the client starts with a well-diversified, low-fee portfolio.

Objectives of the Study:

- To understand the function of financial counselors in the process of choosing investments.
- To find out what investors anticipate from their financial advisors.
- To ascertain the elements affecting the investors' choice of investments.
- To evaluate how financial advisors' recommendations affect investment decisions.

Research Methodology:

Data Collection

The data required for the study is collected both from primary and secondary source-

Primary Data - is collected by administrating a structured questionnaire.

Secondary data - is collected from the books, Journals & websites

This was done to collect information from sample of people by means of questionnaires. Investors who are directly associated with the Way-2 Wealth Broking firm were interviewed for their opinion. Sample Design Convenient Sampling (non-probability sampling) technique is adopted for the study. 100 investors were taken as sample size. Descriptive research design is adopted for the study.

Data Analysis:

Table 1 - Age of the Respondents Source

Age of the Respondents	No. of Respondents	%
Under 25	20	20
25 to 34	38	38
35 to 44	26	26
45 to 54	16	16
55 & above	00	0
Total	100	100

Source: Researcher's Compilation

The data indicates that 38% of respondents falls in the age group of 25 to 34, 26% of respondents falls in the age group of 35 to 44, 20% of respondents falls in the age group of under 25, 16% of respondents falls in the groupof 45 to 54.

Table 2 - Educational Qualification of the Respondents

Qualification	No. of Respondents	%
10th Std.	0	0
12th Std.	24	24
Diploma	8	8
Degree	52	52
PG	16	16
PG & Above	0	0
Total	100	100

Researcher's Compilation

Interpretation

The study found the education profile of respondents i. e. 52% have completed degree, 24% are 12th Std., 16% PG and8% are Diploma holders.

Table 3- Duration of Investment

Tenure	No. of Respondents	%
Less than 1 Year	38	38
1 to 3 Years	40	40
3 to 5 Years	22	22
More than 5 Years	0	0
Total	100	100

Researcher's Compilation

Table 4 - Investment Done based on the Advice of Financial Advisors

Mode of Investment	No. of Respondents	%
Equity Shares	50	50
Mutual Fund	50	50
Bonds	0	0
Treasury Bills	0	0
Certificate of Deposits	0	0
Total	100	100

Researcher's Compilation

Interpretation – The study indicates that 50% of therespondents have made investment in equity and the remaining 50% invested in mutual funds based on the advice given by the financial advisors.

Table 5 - Level of Satisfaction about Advice Given by Financial Advisors

Response	No. of Respondents	%
Strongly Agree	14	14
Agree	26	26
Neither Agree nor Disagree	52	52
Disagree	8	8
Strongly Disagree	0	0
Total	100	100

Researcher's Compilation

Interpretation

The survey indicates that 14% of the respondents arehighly satisfied with the advice given by financial advisors and 26% are satisfied whereas 52% of the respondents are neither satisfy nor dissatisfied and 8% of the respondents are dissatisfied.

Findings of the Study:

The survey reveals that 38% of respondents falls in the age group of 25 to 34, 26% of respondents' falls in the agegroup of 35 to 44, 20% of respondents falls in the age group of under 25, 16% of respondents falls in the groupof 45 to 54 and the male respondents are 82% and female respondents are 18%.

The study found that education profile of respondents i. e.52% have completed degree, 24% are PUC, 16%PG and8% are Diploma holders and the occupation/ professionof the respondents is as follows- 34% are Salaried, 28% ofare having business, 16% are Students, 14% are professional and 8% falls in others category and the monthly income level of respondents is as follows 46% falls in the range of Rs. 20,000 to 30,000, 30% in the range of below Rs. 20,000 and 24% in the range of Rs. 30,001 to 50,000/-

The study indicates that 40% invest for a duration of 1 to 3years, 38% for less than 1 year and 22% invest for a period of 3 to 5 years. 38% of respondents are of the opinion that availability of finance is the key factor for influencing investment decision, 20% feels that rate of return is the influencing factor, 20% presumes correct & timely advice is the important factor, 12% of the respondents feels that self-confidence and knowledge is the influencing factor whereas 10% perceive that economic growth is the influencing factor.

The survey indicates that 14% of the respondents are highly satisfied with the advice given by financial advisors and 26% are satisfied whereas 52% of the respondents are neither satisfy nor dissatisfied and8% ofthe respondents are dissatisfied.

The research indicates that 52% of the respondents are satisfied with the performance of investments done basedon the advice given by financial advisors whereas 42% ofrespondents are neutral and 4% are not happy.

Conclusion:

Managing personal finances is not a rocket science. People have been doing since long ago but it is all a matter of trial and experience. Choosing the right financial advisor is crucial to the success of any financial plan. It is important to look around for the right advisor. Investors should find someone who puts their interests first. A financial advisor can advise, it is eventually the investors' decision to follow the given advice or not; after all, it is about investors' hard earned money.

In today's highly complex and volatile financial market the importance of financial advice in decision making is difficult to deny. People may seek for this type of help through close networks (like family or friends) or professional financial advisors. The financial advisors play an important role in investment decisions. It is found from the study that the investors need experience and competent financial advisors who will help them in hedging the risk associated with investment, should guide the investors in capitalizing volatility in market and also suggest the plans which will help the investor for his/her post retirement, family obligations like children education, marriage and age related ailments. Investors consider the following factors while availing the services of financial advisors such as fees charged, services offered and ethical standard followed by the advisors.

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