

Survey Report

Saving and Investment Habits of Management Accountants

By Research and Publications Directorate, ICMA Pakistan

Survey Objective

Investment is one of the primary concerns of every individual investor and it pre-dominantly depends on saving capacity. The Research and Publications Department conducted this survey of members of ICMA Pakistan to know about their saving and investment habits and behavior which would highlight their contribution towards the growth of capital market and national economy.

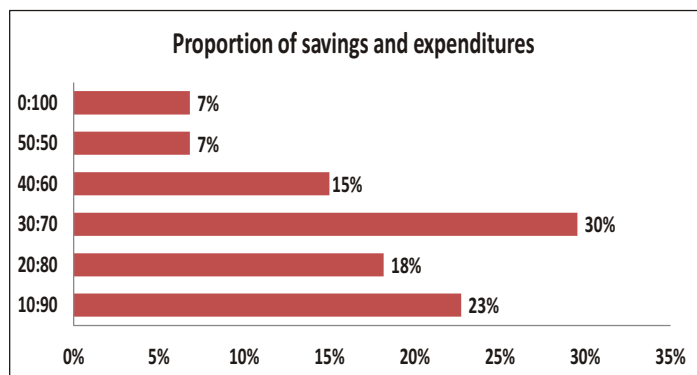
Survey Methodology

The feedback survey questionnaire was uploaded on Institute's website on 21st May 2018 with connecting link to Google Drive to provide an opportunity to members to submit their responses online. The members were also sent emails and SMSs wherein short link of survey was provided so that the members could provide their input online from their mobile device. The deadline for filling-up the online survey was 20th June 2018.

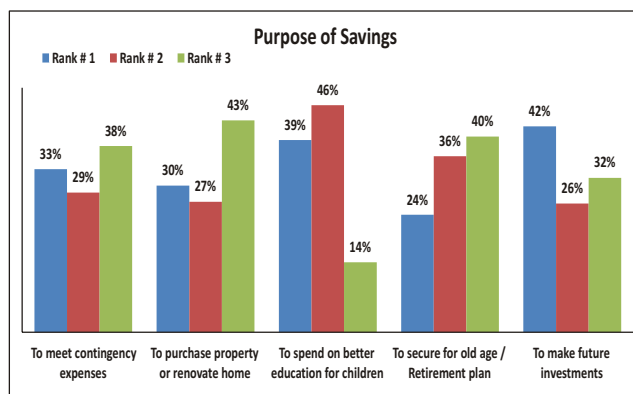
Survey Results

86% members are saving **10% to 40%** of their earnings

The members were asked to indicate the proportion of savings and expenditures in their earnings and for this purpose five different options were provided to them. One of the options was 0:100 that nothing is saved. Almost 7% of members hit this option and accordingly the remaining survey questions were freeze for them as those were meant for those respondents who are saving atleast 10% or more of their earnings. The outcome to this question indicates that almost 86% of ICMA Pakistan's members are saving in the range of 10% to 40% of their earnings. Around 30% members are saving around 30% of the earnings as per the results of survey.



Top saving motives are buying property and better child education



The survey results transpires that the three top-most reasons for savings by members are to purchase or renovate property (24%); spending on better education for children (23%) and securing for old / retirement age (20%). Around 17% say that they save for meeting contingency expenses whereas 15% are of the view that they are saving for making future investments. The respondents were asked to rank each option in order of priority from 1 to 3 and the results indicate the highest rankings as follows:

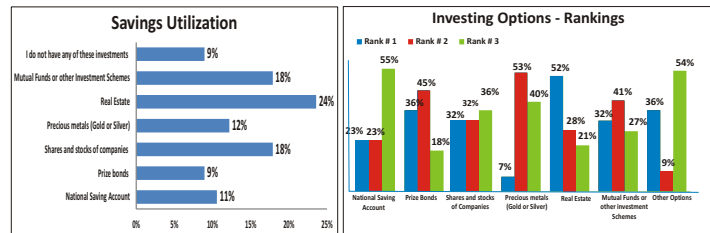
Rank 1: To make future investment (42%)

Rank 2: To spend on better education for children (46%)

Rank 3: To purchase property or renovate home (43%)

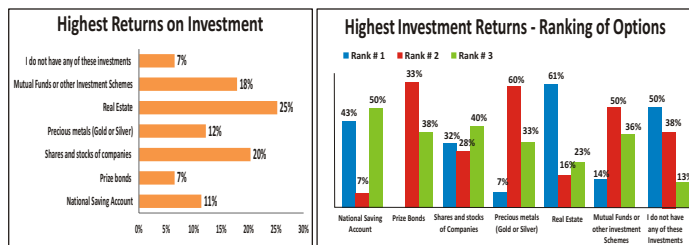
Top investors' preference is 'Real estate' sector

The overall survey results reveal that 24% respondents have either invested or prefer to invest their savings in 'real estate' sector, followed by 18% responses in favor of stock trading and mutual funds or other investment schemes. Around 12% say they prefer to save in shape of precious metals such as gold and silver. As far as top three rankings of each option are concerned, the results as per members' input are as under:



Rank 1: Real Estate (52%) | Rank 2: Precious metals i.e. Gold or Silver (53%) | Rank 3: National Saving Account (55%)

Highest investment returns are from real estate, stock trading and mutual funds



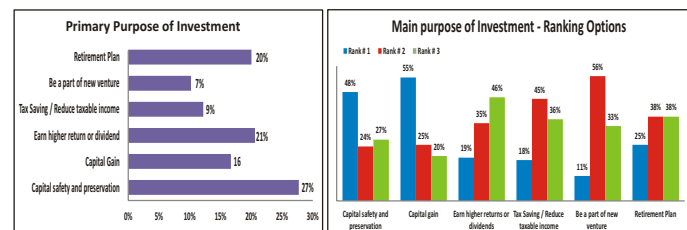
The members were asked that on basis of their past experience, from which investment sources they have got the highest returns. The overall results conclude that almost 63% respondents got highest return on investment from the real estate sector (25%) followed by stock trading (20%) and mutual funds or other investment schemes (18%). Around 12% indicated that they were able to get good return on sale of saved gold or silver.

The survey participants were also asked to provide ranking from 1 to 3 the potential sources for investment returns and their responses are summarized as under:

Rank 1: Real Estate (61%) | Rank 2: Prize Bonds (63%) | Rank 3: National Saving Account (50%)

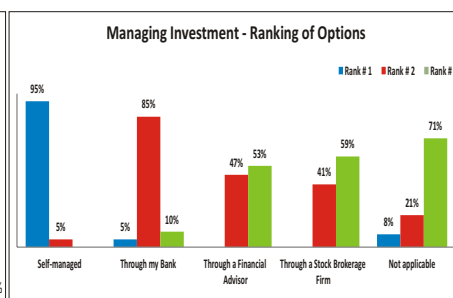
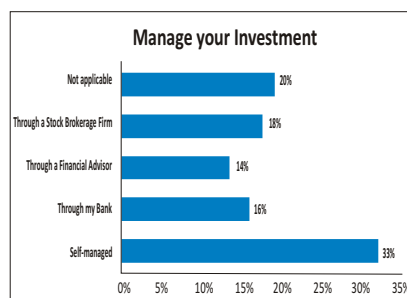
Top investment motives are Capital safety, earning high returns and retirement plan

The survey participants were asked as to what are the primary motives or purpose of their investment. The overall results transpire that 68% members invest primarily for three purposes i.e. capital safety and preservation (27%); earning high returns or dividends (21%) and retirement plan (20%). Almost 16% respondents pointed out that they invest mainly for capital gain. The 1 to 3 rankings of options under this question are as follows:



Rank 1: Capital Gain (55%) | Rank 2: Be a part of new venture (56%) | Rank 3: Earn higher return or dividend (46%)

Majority of members are self-managing their investment

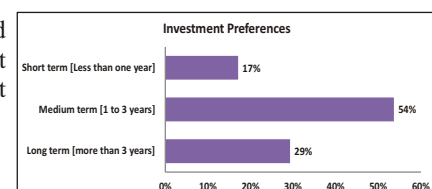


One of the questions posed to the survey participants was that how they are managing their investments for which five different options were provided with request to rank them from 1 to 3. The overall responses suggest that that majority of members (33%) are self-managing their investment. As regards ranking of options, the percentage of responses is depicted as under:

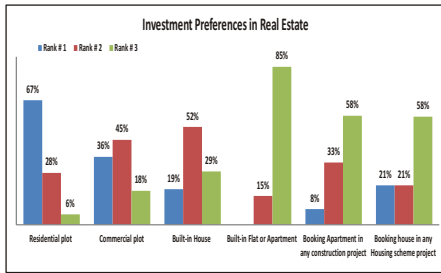
Rank 1: Self-managed (95%) | Rank 2: Through my Bank (85%) | Rank 3: Not applicable (71%)

Medium-term investment mostly preferred by members

The management accountants were requested to share their investment preference and more than half (53%) informed that they would prefer medium-term investment covering span of 1 to 3 years. Around 29% members preferred long-term investment whereas only 17% said they would be investing in short term of less than a year.



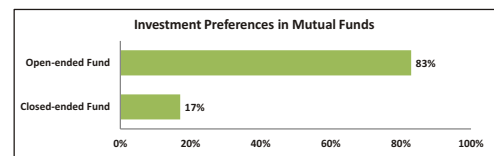
Buying a residential plot is top priority of members investing in real estate



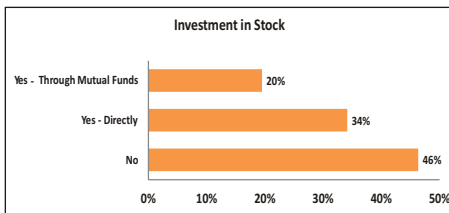
Everyone dreams of owning a home or property so the survey participants were asked to share their best preference for investment in real estate property for which six options were provided. They were also asked to rank the top three priorities of their investment in the real estate sector. As per survey results, 29% members ticked on 'residential plot' option whereas other choices include commercial plot (18%); Built-in-house (17%); booking in any housing scheme (15%) and built-in-flat or apartment (11%). As regards ranking of each option, the first ranking goes to 'residential plot' with 67% members choosing this option. Built-in-house with 52% responses stands at second rank with built-in flat or apartment with 85% responses is at third rank.

83% members are investing in Open-ended Mutual Funds

The survey participants were asked to inform about the preference for investment in mutual funds. Almost 83% members indicated that they prefer to invest in open-ended mutual funds whereas only 17% preferred close-ended mutual fund option.



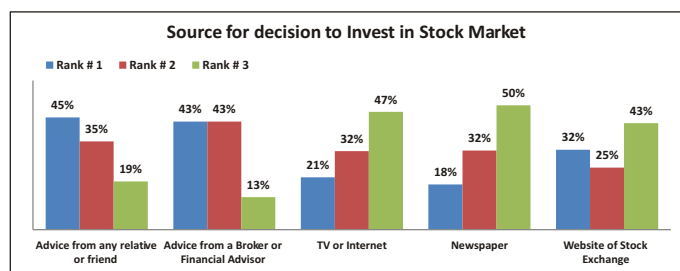
54% members are investing in Stock market either directly or through mutual funds



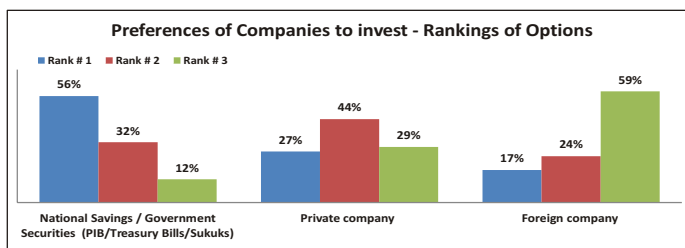
It is a fact that investing in stocks is one of the easiest and most profitable ways to build wealth over the short as well as long period of time. Keeping this in mind, the survey included a question to participants as to whether they are investing in the stock market. The results conclude that almost 54% members are investing in shares of companies listed on Stock Exchange, either directly (34%) or through Mutual Funds (20%). Around 46% of survey participants, however, say that they are not investing in the stock market.

Different sources used to decide investing in Stock market

Now-a-days a number of sources are available from where anyone intending to invest in the stock market can get the basic information. One of the survey questions posed to members was to identify the top three sources which have led to their decision to invest in the stock market. It is concluded from survey result that the main source of information is the advice from a friend or relative (25%), followed by frequent visits to Stock Exchange website by the investors (23%). The others sources are newspapers, TV or internet.



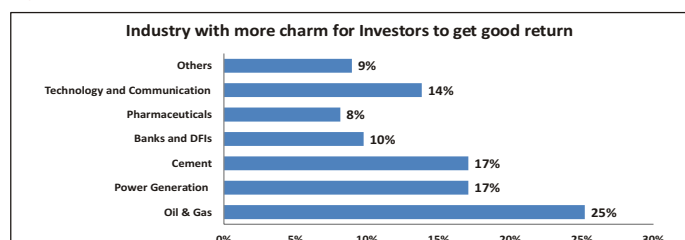
Majority of members prefer to invest in Government Securities



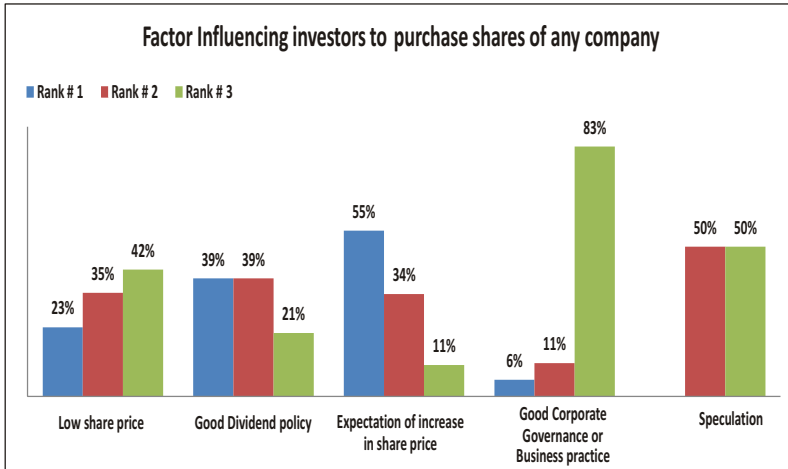
It was enquired from survey participants as to which companies they would prefer to make investment or have already invested. Majority of the respondents (40%) indicated that they prefer investing in national savings or Government Securities e.g. Pakistan Investment Bonds (PIB), Treasury Bills, Sukuks etc. The remaining 60% respondents preferred investment in private companies and foreign companies, respectively.

Oil & Gas companies are more charming for Stock market Investors

The respondents were asked which industry provides more charm for good return on investment. Around 25% members indicated that Oil and Gas companies are more enticing for them to get good returns. Cement and power generation companies were identified as second most attractive industries with 17% responses each, followed by Technology & Communications (14%); Banks and DFIs (10%) and Pharmaceuticals (8%).



Investors prefer to buy shares of companies on expectation of share price increase or dividend

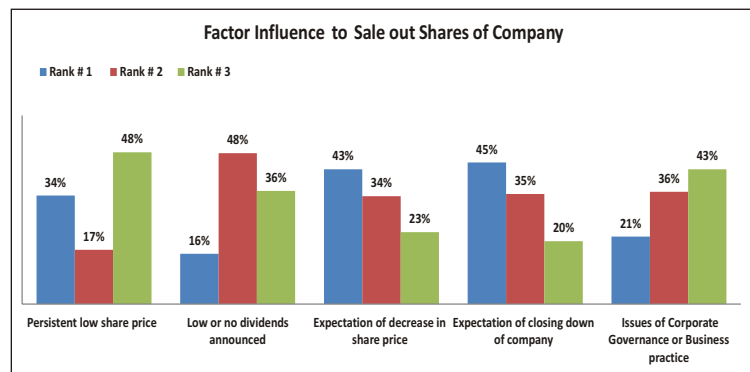


The survey participants were asked as to what important factors influence them to purchase shares of a certain company. The results indicate that the investors are mostly inspired by those companies from where they expect increase in share price (31%) or which offers a good dividend policy (27%). Other factors that influence investors to invest include low share price (21%) and good corporate governance or business practices (15%).

As far as rankings of options are concerned, the first rank is for 'expectation of increase in share price (55%)'; second rank is for 'Speculation (50%)' and third rank is for 'Corporate Governance and Best Practices (83%)'.

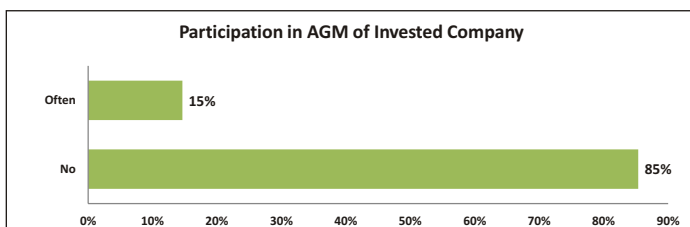
Investors sale out company shares with persistent low price or expected decrease in share price

The survey participants were asked as to what important factors influence them to sale out shares of a certain company. It transpires from the results that investors prefer to sale out shares of companies from where they are expecting decrease in share price (28%) or which have persistent low share price for long time (24%). Other factors that influence them to sale our share of companies are low or no dividends announced (20%) and expectation of closing down of the company in which they have invested (16%).



As far as rankings of options are concerned, the first rank is for 'expectation of closing down of business' (45%); second rank is for 'Low or no dividend announced (48%)' and third rank is for 'persistent low share price (48%)'.

85% members investing in stocks do not participate in Company AGMs



The survey participants were asked as to whether they usually participate in Annual General Meetings (AGM) of companies in which they have invested through purchase of shares. Quite interestingly, 85% members responded that they do not attend such meetings whereas 15% members said that they often participate in AGMs.

51% think Pakistan stock market will be stable and boom in next five years

Around 51% of survey respondents are expecting that the Pakistani stock market will not only remain stable but also boom and flourish in next five years. Around 27% respondents are of the view that stock market will be 'volatile' whereas 22% said that it is premature to say anything as it depends on the political and economic situation of the country in the next five years.

