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A Comparative Study of The Strategic Differences in Investment Between Employers and Employees in Bangladesh

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ABSTRACT: Investment covers any purchase or expenditure made with the ambition of generating further income. An investment can hint at any mechanism that appreciates in value with time; examples include stocks, bonds, real estate property, index funds, among many others. In Bangladesh, a south Asian developing country, people tend to keep away a significant proportion of their income to acquire investment opportunities nationally or globally. The differences in the strategies used by Bangladeshi nationals, specifically employers and employees, in the process of investing have been critically examined in this paper. To attain this purpose, a brief definition of investment along with a few examples have been given. Therefore, the entire process of investing by a Bangladeshi citizen has been examined. Accordingly, three case studies are presented that make evident the long-term and short-term differences in investment strategies between employees and employers.

Keywords: Investment, income, developing country, Strategies, Employers, Employees

1. I INTRODUCTION

In this twenty-first century, the act of investing money to generate income has become widely popular. This popularity ended up incentivizing people of all ages to indulge in this years-old tradition to broaden their horizon of opportunities and further their scope of attaining better living standards. The critical concept of investment is vital as it enables people to obtain a foothold in the world economy. As a result of this, starting from the employed to the employer, every individual in Bangladesh wants to try their luck in the stock market or any form of investment opportunity, hoping for improved prosperity. Although the act itself has become omnipresent in today's era, people of different financial backgrounds tend to follow different paths to investment. This is a result of the lack of certainty of generating profit which follows while investing money onto something. The differences in strategies portray how people with a fixed income, the employees and people with large capital, the employers tend to give rise to their income with the means of investment. Furthermore, the strategic difference also highlights the risk factors employers and employee's lookout for while committing their funds for future gains. In this perspective, this paper takes an attempt to address the strategies used by employers and employees in Bangladesh and the differences between them. It also examines the contentious argument that strategies used by employees while investing are often those that minimize risk factors to almost zero. Accordingly, a literature review has been done on this fascinating and vital

field of thought and action. Also, some definitions that are necessary to understand the concept of investment have been given. Thereafter, major strategies used in the process of investing to avoid undesirable consequences that may blight one's financial position have been thoroughly examined. In support of the proposed study, three case studies are presented that show how employers and employees jostle for their places in the world economy through strategies they use while making investments.

1. KEY DIFFERENCES BETWEEN EMPLOYEES AND EMPLOYERS

The prevailing differences between employees and employers are explained in the following points:

1. An employee is an individual who is hired by an employer, majority of the time to hold a position in the non-executive level, to work and assist for a firm.
2. An employer hires employees as per choice and is often a part of a business's executive level.
3. Employers tend to hold decision making capabilities which employees do not have.
4. Employees receive a fixed sum of wages or salaries and with good performance are likely to receive bonuses.
5. Employers either receive a proportionately large sum of wage/salary in comparison to employees or have their hands on the firm's capital.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

<u>For my study I refer to the following case studies:</u>

CASE I:

Stefan Hochguertel et al. (1997) examined the portfolio allocation of households in the Netherlands to conclude that income, education, and rate of tax have a definite impact on the proportion of financial wealth held through risky assets by individuals.

CASE II:

Luigi Guiso and Tullio Jappelli (1999) analysed 800 Italian households to discover that wealth, college education and index of financial information significantly impacted the ownership of risky assets held by an individual and its proportion in an individual's overall portfolio.

CASE III:

SEBI-NCAER (2000) Discovered that investments in shares and debentures and in Mutual Funds made by households ranges from 7% to 9%. The research also advances that a set of households with low level of income and low penetration level of consumer durables are in the securities market, whereas another set of households with high income and higher penetration level of consumer durables do not tend to invest in the securities market.

Manish Mittal and Vyas (2008) Concluded that certain cognitive and emotional weaknesses come in the way of decision making of investors. It can be examined from the work of behavioural finance researchers that investors do not always tend to act rational. Systematic errors while processing information for making investment decisions are common occurrences due to behavioural biases. Moreover, it is evident that risk taking capacity, age, income, education and marital status affect an individual's investment decision and the type of investment they are likely to make.

Gaurav Kabra (2010) Found that a modern investor is one that is mature and adequately groomed. Furthermore, despite the incredible growth in the security market and Initial Public Offerings(IPOs), individual investors prefer investments which depend on the person's characteristics.

Andiyan & Aranganathan (2012) Deduced that all classes of investors save and invest. However, the attitude of employees is to assure security and guarantee of the investment being made. They also require appropriate guidelines for making proper investment. Finally, it was reasonably concluded that there are higher levels of saving habits among employees.

Dr. Varsha Virani (2012) Concluded in a study amongst 100 school teachers regarding their savings and investment models that majority teachers save funds as bank deposits and government securities as it is their preferred form of investment.

V.R. Palanivelu & K. Chandrakumar (2013) Propounded that factor like level of education, awareness about the ongoing financial system, age of the investor have a significant impact while employees make decisions about investment avenues.

Sonali Patil (2014) Inquired the preferred investment avenues among employees with reference to Pune City, India. Within a sample size of 40 investors, the research concluded that 60% of the investors were aware about the investment avenues while the remaining investors were not.

B. Thulasipriya (2014) Found that majority respondents tend to save money as bank deposits for the safety of an unpredictable future. The bank deposits are often intended for providing education for children, marriage and security after retirement.

3. OBJECTIVES OF THE STUDY

a. To understand the investment preferences of employees and employers in Bangladesh.
b. To determine the factors individuals in Bangladesh lookout for when investing.
c. To analyse the intentions of each group of investors.
d. To examine the investment opportunities employees and employers have in Bangladesh.
e. To know what influences investment amongst individuals.

5. SCOPE OF THE STUDY

This study focuses on the differences in investment patterns amongst employees and employers in Bangladesh and it will be helpful in identifying common strategies used by each group of individuals.

6.NEED OF THE STUDY

As employees have a fixed flow of income, their investment patterns are found to be different from their employers, who have their hands on a larger sum of money. Keeping that in mind, this research has tried to find out the major differences in the strategies used by employers and employees while making investments in the Bangladesh region. It will be helpful to understand the dissimilarities in the preference of investments between employers and employees and the way they vary from each other. This research paper and its findings will be the helping hand of many research scholars as well as students for further studies in their respective field.

7. LIMITATIONS OF THE STUDY

While this study does consider plenty of means of investments used by both employees and employers, it is safe to assume that there still exist many other methods of investment that are not mentioned. As a result, it can be inferred that this study has potential limitations. The data interpretations and case studies provided are based on interventional and prospective observational studies. Hence, they may be subject to biases and confounding which may have influenced the conclusions and estimates. However, the strategic differences in investment patterns were estimated from meta-analyses with confirmatory validity analyses, including from randomized surveys and interviews. The estimates made in this study may be conservating and and may underestimate or overestimate the risk taking capabilities of both employers and employees as our baseline scenario took into assumption that due to lower income employees will be more likely to avoid risks in comparison to employers. However, risk taking abilities may vary from person to person. The empirical results reported herein should be considered in the light of some limitations; nonetheless, doing more surveys across the entire region would be an alternative methodology which can abate the limitations presented.

8. RESEARCH DESIGN

This project is based on exploratory as well as descriptive study. The descriptive research presented is carried out to report about the strategic differences between employees and employers when it comes to investment, and the exploratory study is presented to clarify and define the most suitable reasoning behind the differences in strategies. Overall, exploratory studies have been used as a means of gaining ideas and insights to the topic and descriptive research to conclude. The uses of the exploratory studies came in the form of first formulating the topic for further investigation; then, building the appropriate hypothesis; next, setting priorities for furthering the research; finally, rising familiarity with the topic and coming to a justified conclusion. On the other hand, descriptive research was also used to come to a justifiable conclusion. It was in the means of setting out questionnaires, personal interviews and observations.

9. RESEARCH METHODOLOGY

Both primary and secondary sources form a significant portion of the data provided in the study. In the context of primary sources, the study has used qualitative methods to analyse non-numerical datas and interviews as a source of collecting non-numerical datas for the first time. On the other hand, secondary sources were collected through articles, online media and interviews done by others.

10.SAMPLING UNIT

In this study, the sampling unit implies who are the respondent investors amongst both the employers and employees.

11.SAMPLE SIZE

The sample size for collecting primary data was about five people from each category (employers and employees). So, in total ten people were surveyed, interviewed and had to fill up questionnaires.

12. DATA ANALYSIS AND INTERPRETATION

To analyse the data available and interpret them to come to a conclusion, the study made use of statistical tools such as bar graphs, pie charts and histograms, as a means of data representation; on the other hand, to evaluate responses, tables are provided.

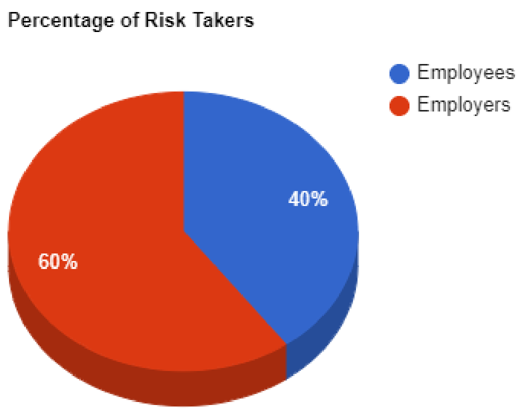

Figure 1.1

In general, people tend to employ a preferably small amount of funds, typically less than 30% of their savings, with the aim of achieving additional income growth in value. However, there still exist a few people, who anomaly spend their savings with the hope of generating a large sum of income in the proceeding future. Such types of people are categorized as risk takers.

Risk takers tend to invest more than forty percent of their savings with a desired hope of those generating larger revenue in future. Such types of people exist in both categories-employers and employees. However, according to the pie-chart above(Figure 1.1), it can be inferred that employers are more of a risk taker than employees. This is because, about sixty percent of total employers contacted tend to take risks when it comes to making investments; whereas, about forty percent employees are willing to be risk takers.

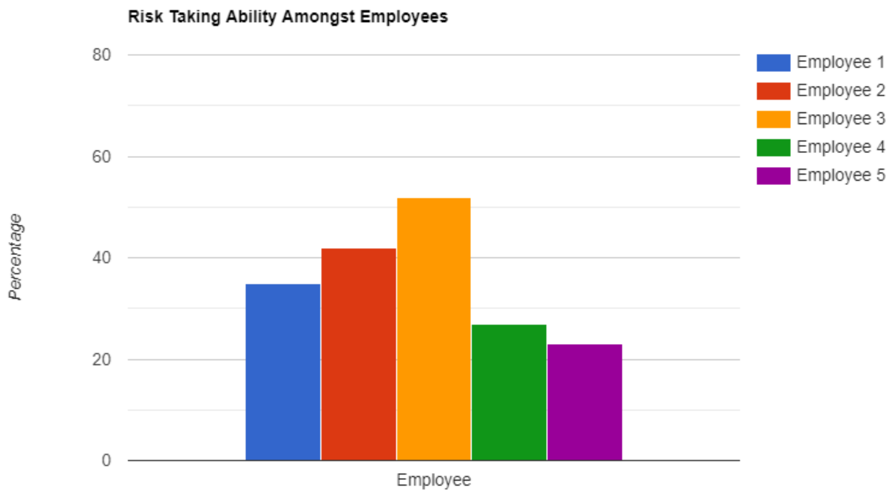

Figure 1.2

Figure 1.1 is used to depict what percentage of each category of people-employers and employees- are willing to bear risks while investing their money. However, Figure 1.2 is used to indicate the risk taking abilities in percentage of five general employees.

Each employee was questioned on what percentage of their monthly salaries they would have invested if it was made half. The answers ranged from 35 to 45 percent. As a result, it can be concluded that typically employees do not want to risk investing large amounts of their income, which indicates a major strategic difference.

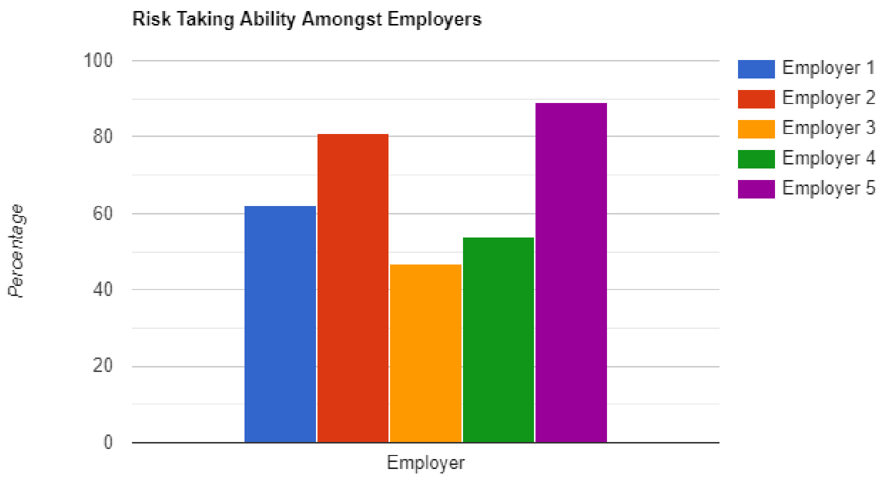

Figure 1.3

To further the comparison between the strategies differences of employers and employees, five employers were questioned on what percentage of their total monthly income they would be willing to invest if it was halved. The answers were in close proximity to 60 percent, as shown by Figure 1.3

From this it can be inferred that an average employer tends to be more of a risk taker than an average employee and are willing to invest large amounts of their income desiring increased income in the proceeding future.

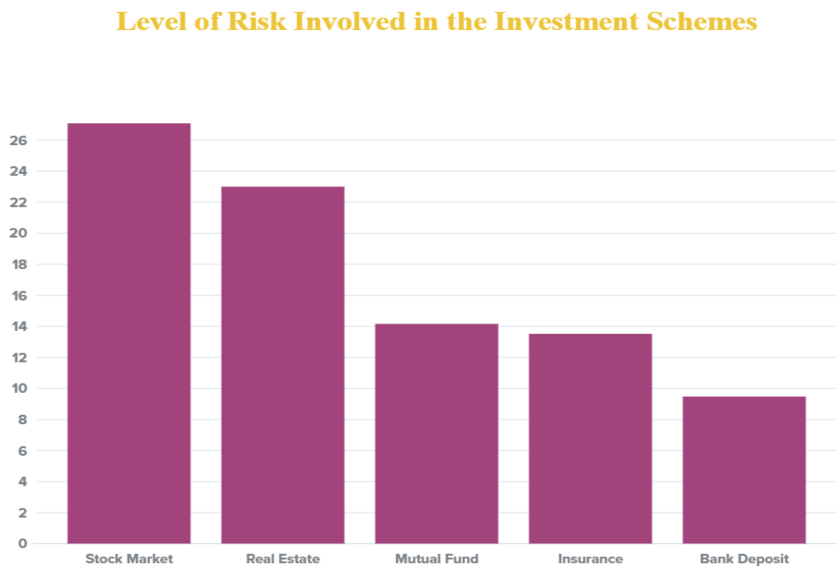

Figure 1.4

To deeply analyse the differences in investment strategies employed by both employers and employees, five of their mutually preferred investment schemes need to be first examined. Number one and by far the most common choice of investment is spending on the stock market. This common choice also tends to be the most risky, considering the rapid fluctuations in the price of stocks. Next is acquiring real estate, which is a relatively less risky form of investment compared to stocks, but still stands out as a risky investment scheme. Subsequent to real estate, mutual funds and insurance are also highly preferred investment schemes by both employers and employees. Both these schemes have a similar level of risk involved; however, they tend to largely differ from each other. Following is a bank deposit. This is a common investment scheme which is rising with the increasing number of financial institutions globally. However, as can be construed from Figure 1.4, bank deposits are quite less risky, which makes it attractive and stand out as an investment scheme.

Influencing Factors While Selecting Investment Avenues(Employees)			
Sr. No	Factor	No. of Respondents	Percentage
1	Safety	5	23.80%
2	Liquidity	4	19.00%
3	Tax Saving	4	19.00%
4	Affordibility	5	23.80%
5	Simplicity	3	14.40%

Figure 1.5

To delve into the topic of investment strategies used by employees, factors that influence the usage of them need to be first considered and analyzed. As can be seen from Figure 1.5, employees largely focus on the safety of their investments; meaning, they look out for investments that pretty much guarantee a good return and low risks are involved with them. According to the study's primary data, all five of the five employees contacted have agreed on safety being the factor they consider to the greatest extent, before selecting an investment avenue. Further, four of the five employees have agreed on the avenue's availability of liquid assets to be a factor that influences their investments. These are assets that can quickly be turned into cash by means of sales and a business can increase their capital. Up next is tax savings, which four of the five employees have agreed is an influencing factor for them. This indicates the abatement in tax payable to the respective authority. All employees have also shown interest in affordability; being able to pay for an avenue is also an influencing factor. Subsequently, simplicity of an investment avenue is also a factor that influences investments done by employees.

Influencing Factors While Selecting Investment Avenues(Employers)			
Sr. No	Factor	No. of Respondents	Percentage
1	Safety	3	20%
2	Liquidity	4	26.70%
3	Tax Saving	4	26.70%
4	Affordability	2	13.30%
5	Simplicity	2	13.30%

Figure 1.6

Strategies used by employers are also influenced by several factors. Among them, an equal number of employers have agreed that liquidity and tax savings are a major factor that influences their investments. Further, an equal number of employers have also agreed that affordability and simplicity is also an essential factor. Finally, the safety of an investment avenue is also an influent

Objectives Behind Investment(Employees)			
Sr. No	Factors	No. of Respondents	percentage
1	Future Security	5	21.70%
2	Good Returns	5	21.70%
3	Capital Appreciation	5	21.70%
4	Tax Savings	4	17.45%
5	Children career	4	17.45%

Figure 1.7

Investment strategies are often motivated by varying objectives. Every employee contacted has agreed that their major objectives are future security, good returns, and appreciation in capital. Further, an equal number of employees also keep tax savings and their childs' career in mind before making an investment.

Objectives Behind Investment(Employers)			
Sr. No	Factors	No. of Respondents	percentage
1	Future Security	4	18.20%
2	Good Returns	5	22.70%
3	Capital Appreciation	5	22.70%
4	Tax Savings	5	22.70%
5	Children career	3	13.70%

Figure 1.8

To further evaluate the strategic differences, we need to examine the objectives of the employers while they make their investment choices. As can be noted from Figure 1.8, five out of the five employers choose good returns, capital appreciation, and tax savings as a motive behind the investments they make. Also, three have agreed that they keep their child's career in mind while making an investment and decision. Finally, four employers agree that future security is essential when it comes to making investments.

Green Investment		
Sr. No	Individuals	Percentage
1	Employers	68%
2	Employees	33%

Figure 1.9

Environmental Factors and social issues can also be reasons why people belonging to different groups may have differences in their investment strategies. As can be seen from Figure 1.9, about sixty eight percent of employers take note of environmental factors before making their investments. Meaning, they choose investment avenues that are not well known for carbon-emitting and pollution through their production processes. However, on the other hand, only thirty three percent of the employees must said to invest in environmental-friendly companies.

Long-term Extensive Investment		
Sr. No	Individuals	Percentage
1	Employers	68%
2	Employees	33%

Figure 1.10

Investments can also differ between long-term and short-term. Meaning, some investments, which are typically made with the objective of receiving returns for over a year are referred to as long-term and short terms are ones that are kept for less than a year. Figure 1.10 shows that about sixty eight percent of employers prefer to make long-term investments, whereas only thirty three percent of employees look for such kinds of investments.

13. Comparative Analysis of Review or Survey

From the above research that were conducted and based on data that was collected it can be clearly seen that there exists multiple differences in the strategies employed by both the employers and employees while making their investments.

To begin with, the number of employers that are risk takers are twenty percent more than employees that are willing to take risks. Further, the abilities of taking risks also vary between the two groups. Despite not being willing to take risks, employees on an average have a twenty five percent lesser ability to acquire risk taking investments. Moreover, the investment schemes preferred by employers involve much more risk in comparison to the schemes preferred by employees. Also, there is a drastic difference between the factors that influence investments made by both groups. Subsequently, the objectives behind choosing investment avenues differ between both groups and such may include long-term and green investments.

14. Findings

1. There is prevailing evidence to suggest that employers and employees make investments with different strategies in mind.
2. There is a significant relationship between the capital in disposal and the risk taking abilities.
3. Safety is a major factor for employees while making investments; whereas, not all employers look for safety in an investment scheme.
4. Main objectives of both employers and employees are good returns followed by capital appreciation.
5. Employers do not rely on investments, be it short-term or long-term, for their future security.

6. The research can verify that investments in the stock market is a preferable scheme for both employers and employees; and it is the most risky amongst all the mutual investment schemes.
7. The researcher has found that the amount of employers that seek long-term investments are double the employees that seek investment avenues of that kind.
8. The researcher discovered that green investments are more preferred by employers in comparison to employees.
9. There exists a significant relationship between income and the awareness of the investment schemes. People with a comparatively high level of income tend to be more aware of the availability of investment avenues.
10. Respondents, mostly employees, keep in mind their upcoming generations before making any investment decisions.

14. Suggestions

"Save to invest, don't save to save. The only reason to save money is to invest it."--Grant Cardone

Investment avenues exist in a variety of forms; but where one should invest is nothing but solely a personal choice. While employers and employees do have differences in their strategies, both have intentions of generating profits. Hence, it is always a great idea to invest, no matter what category you belong to.

Further, it can be construed that in this world uncertainty lies everywhere. Hence, unassurance also plays a big role when it comes to making investments. However, assurance should not be the factor that drives us out of the idea of investing for a better future full of exciting adventures and good returns.

15. Conclusion

After the analysis and interpretation of data by the researcher it is concluded that the strategic differences consist of: the differences in the funds invested, types of risks involved with the investment avenues, and the social factors that are considered before making an expenditure. All these conglomerates play a significantly large role when it comes to one's investment making choices. However, it is also essential to mention that certain individuals may have certain reasons to choose an investment avenue-be it personal or an in-general cause.

CONFLICTS OF INTEREST

There are no conflicts to declare.

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