Alpana Killawala's Views on Managing Investor Sentiment

FINANCIAL PR

Corporations are responsible to earn profits, provide adequate return on investments to investors, and retain the investors. To be able to suitably woo and retain investors, it is imperative to gain an understanding of 'who' are the investors, 'why' do they invest and who 'influences' their decision. The last factor enlarges the audiences that need to be informed - the influencers.

The investors can essentially be classified into individual and institutional, among the former we have professionals, retired persons, housewives and any other saving person. The latter includes profit and not for profit organisations. The reasons they invest in corporate stock varies from security to fair returns, or for some foreseeable expenses in the future and also for tax purposes.

The investor is influenced by more than a few factors such as publicity, both word-of-mouth from friends/peers or from print media; the returns on investment; what the broker or agent recommends; by incentives and preferences. Among the Newer Media influencing the investor we have the real-time news agencies, electronic media, internet, the regulators themselves and investment analysts - print media and foreign institutional investors with scientific and research capabilities.

Takeovers and mergers are the ulimate test of investor confidence and these are only going to be increasing frequent in the Indian corporate world, whether hostile or otherwise. this necessitate better management of information to the influencers.

Real time news agencies like Rueters, AP-Dow Jones, Bloomberg, Bridge news......put out news instantaneously. And the news carried by them is flashed simultaneously on all their monitors. These monitor are being watched by all major stock traders, analysts and institutional investors, which in turn trigger the sentiment of the individual investor. The power of this medium is illustrated by the fact that a newsflash quoting the Finance Minister on Rueters on August 20 moved the Rupee down from 42.80

to 43.75 to a US $. Equally on announcement intention of RBI to support the rupee it immediately gained 10 paise and upon annoucement of measures to strengthen the Rupee by a full one Rupee!

Internet is another emerging tool to influence and gain investor confidence amply illustrated by the success of the Resurgent India Bonds. As many as 70,000 applications for the Resurgent India Bonds were downloaded from the State Bank of India website. The Resurgent India Bond page on Bloomberg site gave it some 7,000 hits on the day the information was published on its site.

Staying with the Resurgent India Bonds, the effectiveness of the internet is the 533 queries generated through e-mail as a result of a series of analytical articles on the Resurgent India Bonds in a fortnight.

The electronic medium is a very impressionist medium. The evidence can be gauged by the succes of the VDIS scheme of the Government of India, which used the simple and effective messages on cable & satellite television. The challenge of this medium lies in getting your message across clearly and crisply in a 20 second time frame.

The analysts make or mar investor confidence, hence it is important to address them from time to time to gain their understanding of the company and its outlook. It would be impossible to get them to provide a fair assessment of the stock unless companies share their current financial status and provide them a window to the management’s outlook.

In India the regulators are indeed a very important influencer in the light of the fact that RBI had issued an advertisement cautioning the public about investing in low credit-rated companies after it was innundated with calls by investors seeking their assistance in recovering the funds invested in certain companies. Similarly SEBI issued an advertisement in public interest against the plantation companies to warn investors.

Regulators are faced with the dilemma where the investor blames the regulator for an investment that did not yeild the required return or went bad. This is queer in the light of the fact that investor absolves himself of complete responsibility abd puts the blame firmly on the shoulders of the corporate and the regulators. This makes the regulators responsible for educating the public as well as and providing a forum for redressal let us say some provision of insurance. Regulators would like to share this reponsibility with the corporations.

The financial institutions also comprise a very significant set of influencers as illustrated in the Indal-Sterlite takeover battle and of course, the Asian Paints-ICI battle. The other small investors are really taking their cue from te financial institutions and vice versa. Hence the subtle messages put out by the companies as to the support of the institutional investor can influence the investors sitting on the fence to make their decision.

(Excerpted from the presentation made by Alpana Killawala, GM Press Relations Division, Reserve Bank Of India, at PR Pundit's workshop - Emerging Constituencies, held in New Delhi on September 18, 1998)