



Half a Loaf is better than none: A Qualitative Study of Investors in a Developing Country

Adil Riaz¹, Khurram Ashfaq², Farooq Ahmad³

¹ Lecturer, Government College University Faisalabad (Sub-Campus Hafizabad), Pakistan

² Assistant Professor, College of Commerce, Government College University Faisalabad, Pakistan

³ Lecturer, Government College University Faisalabad (Sub-Campus Hafizabad), Pakistan

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ABSTRACT

The study is conducted to explore the available investment avenues when the market is highly volatile, the interest rate is high, and contractionary monetary policy is in place by the central bank. A phenomenological research design was used to conduct the study. Data were collected from ten finance professionals who were full time investors with more than five years of experience. Data was collected through structured interviews, and thematic analysis was applied for data analysis. The validity of the data was checked through member checking and reviewed by an expert in the field of investment and economic policy. The themes reported that the safest investment avenue available at present is fixed deposits, but there is a hurdle of strict tax laws. Investors are not clear about the future direction of the present Government. Small scale private investors, students, and researchers studying Government policies may be benefited from the findings of this research to formulate their investment strategies. This study helps the potential investor to better invest in the most suitable avenues available when the market is highly uncertain and the policies of the Government are rigid. The study fills the gap as there is a lack of research in Pakistan in this context.

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Corresponding Author's Email: adilriazhcc@gmail.com

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Introduction

Pakistan is ranked as the sixth most populous country in the world, as the population of the country is growing, and this makes Pakistan a good zone to expand for every industry and better investment opportunities (Rahman & Thompson, 2022). However, the economy of Pakistan is not growing up to the mark in comparison to other countries in the region. Economic growth is dependent on enormous factors, but the most important factor is investment (Mehtar, 2017). Since

investment is a remarkable deciding factor, economists and investors are interested in various investment avenues. One of the prospective elements influencing investment decisions in Pakistan is the volatility of financial markets, which is eventually dependent on the benchmark interest rate and policies of the Government (Parveen et al., 2021). In the Pakistani economy, the benchmark policy rate of interest is solely regulated by the State Bank of Pakistan, and policies are determined by its Government (Saqib & Zafar, 2020). In a scenario when there is high volatility and uncertainty in the financial markets and economy at large, the Government is trying to increase investment by increasing the benchmark interest rate so that inflation in the country may be controlled.

But the reality is certainly different investors are reluctant to invest. One reason may be the rigidity of Government regulations. Therefore, there arises a gap that needs to be explored. The present study aims at exploring the available investment avenues when interest rates are high, and Government policies are rigid. The present study is an addition to the literature on the study of available investment avenues when the financial markets are highly volatile, and Government policies are uncertain. The study explores the perceptions of individual private investors about the available investment avenues in the present scenario. The study may help potential investors and individuals research the effectiveness of Government policies in a constructive way. Study intends to explore following objectives, to explore the influence of volatile financial markets on investment patterns, to explore various avenues available for investing, to explore the impact of raising interest rates on individual private investor's behaviors lastly, to explore the perception of individual private investors about the prevailing Government policies.

2. Literature Review

In the literature, there are different views on the effect of interest rates on the level of private investment. One of the views is an increased interest rate intensity eventually elevates the cost of capital & results in decline in private investment. In contrast, in developing countries, the weak developmental structure of financial markets as well as most private projects doesn't have access to adequate financing by foreign ventures; both imply that domestic savings are the ones that constrain private investment. According to previous literature and theory, these factors are anticipated to retort positively to increased interest rates. Therefore, in developing countries or less developed countries, private investment might be significantly associated with the rate of interest (Greene & Villanueva, 1990).

An immense number of contradicting studies are available on interest rates and market volatility. Greene and Villanueva (1990) explored the patterns of investment privately placed in less developed countries, a total of 23 countries over the period 1975-1987 were selected. The study concluded that private investment and the interest rate have a significant but negative relationship. Hyder and Ahmed (2003) conducted a study in Pakistan that focused on the slow pace of private investment in Pakistan. The study resulted that private investment has a negative relationship with interest rates. Similarly, Larsen (2004) conducted a study in the United States of America and reported that suppliers of real estate units are more attracted to direct real estate investment because of low mortgage interest rates.

Aysan et al. (2005) examined the causes of rambling private investment development in the North African region (MENA) and the Middle East from a period spanning from 1980 to 1990. The results reported that the interest rate seems to employ a negative effect on corporate investment development. Similarly, Wang and Yu (2007) conducted a study in Taiwan on the role of interest rate in investment choices, and the study reported that interest rate plays a significant part in choosing from various available investment avenues.

3.0 Methodology of the study

When less previous knowledge is available on a particular field qualitative or exploratory studies are most suitable (Gregar, 1994). A qualitative approach is used in the present study. This study is conducted in the natural environment of finance professionals who are investing in various available avenues. The research design of the study is phenomenological, in which the focus of the researcher is on a single central phenomenon, and the data is collected from the participants who have experienced that phenomenon (Groenewald, 2004; Sreejesh et al., 2014).

3.1 Interview Questions

Structured interviews were conducted with the help of twelve questions with a focus on one central phenomenon (Hesse-Biber, 2010). Some introductory questions and ice breakers (Preziosi, 2006) were used as well as probing questions (Price, 2002) were also used where the researcher deemed them necessary. The following twelve were the content questions of the study.

Table 1: Structured interview questions.

No.	Questions
1	When did you start investing?
2	Where do you usually invest?
3	In what ways high interest rates are impacting investment decision?
4	What are the investment avenues available right now, when interest rates are high?
5	What are the main reasons for investing in Capital or Money Market?
6	What avenues are of high, moderate and low risk at present?
7	What is your point of view about risk in Current market situation? Would you like to make a risky investment for higher return?
8	Do Political or economic situation is affecting your investment decision?
9	What do you think is the most suitable avenue/avenues for safe investment?
10	What avenues are generating most of the return?
11	Where do you see economy will stand in near future?
12	Is it the time to invest or to hold on?

3.2 Participants & Sampling

A convenience sampling strategy was used in the study. The target population was investors with rational behavior and sound financial and investment knowledge. Therefore, Participants from a strong financial background with regular investment activity were selected. A total of ten participants were interviewed with the help of a structured interview method. In a qualitative study, the purpose is to explore an area rather than to generalize it. A total of ten interviews were conducted, which were structured in nature, from finance professionals with vast experience in market and investment (Marshall et al., 2013).

3.3 Thematic Analysis

Thematic analysis is widely used by previous researchers while conducting qualitative studies in the business studies (Delgosha et al., 2022; Gupta & Levenburg, 2010; Nicholas & McDowall, 2012; Rashid et al., 2019). All ten structured interviews were transcribed in a table format mentioning questions with their answers, and on the left side, codes were mentioned on the right-side themes were written. An intensive thematic analysis was performed. A total of twelve questions were included in the interview; these were transcribed and then analyzed manually by reading thoroughly and highlighting codes and themes. In the first stage, 40 codes were assigned to text. After that, similar codes were merged and reduced to 15 by dropping redundant codes. Lastly, codes were grouped into four themes which are discussed in the findings section

3.4 Validity Analysis

In the present study, to check the validity of the data, transcribed interviews were again presented to the same participants to check if all the ideas were properly exhibited in the transcription, and their comments were obtained for any discrepancy. The results of the study were validated by professionals from the field of finance and economics to ensure rigor (Golafshani, 2003)

4.1 Findings and Discussion

After coding the transcribed data, we got fifteen main codes from the data; after the coding process, a thematic analysis was performed on the data, and a total of four themes were extracted. Below is the table showing themes, Sub-themes, and verbatim statements of all ten participants of the study. The main themes extracted are investment avenues, Government policies, Economic policies, and Market volatility.

Table 2: Thematic Analysis of Interviews

Themes	Subthemes	Verbatim Statement	Participants
Investment Avenues	Fixed Deposits	<i>Fixed deposits are most suitable in the prevailing situation when interest rates are higher (R6)</i>	R1, R3, R4, R6, R9, R10
	Term Deposits	<i>TDRs are good to go as they are paying a good return on the principal amount (R1)</i>	R1, R2, R3, R4, R8, R10
	Real Estate	<i>Property is hitting its lowest possible as tax laws are rigid for the property. (R9)</i>	R7, R8, R9

	Blue chip stocks		R2, R3, R4
		<i>Small-value stocks of reputable companies are still performing in the long run (R3)</i>	
	Foreign Currencies	<i>The local currency is devaluating to meet the requirements of international bodies. (R8)</i>	R2, R6,R7,R8,R9
Government Policies	Political Situation	<i>All the business tycoons are either behind the bar or in the process of investigation (R6)</i>	R1, R2, R4, R6, R7, R8 R9, R10
	Direction of Government	<i>The future is uncertain as Government is unable to give us a hint about the direction of their future decisions (R2)</i>	R2,R3,R6,R7,R8,R9
	Govt Policies	<i>Government is in the process of settlement with the FATF, so policies are a major impacting element (R7)</i>	R2,R3,R4,R6,R7,R8 R9,R10
Economic Policies	Economic Situation	<i>The economy is passing through the most difficult phase in my career I have ever seen (R5)</i>	R1,R2,R3,R4,R5,R7 R8,R9
	High Interest	<i>Benchmark policy rate is the deciding factor either to invest in capital or the money market. (R2)</i>	R1,R2,R3,R4,R5 R6,R7,R8,R9,R10
	Monetary policy impact	<i>Whenever SBP goes for a contractionary monetary policy, the process of fund mobilizations will get slow (R3)</i>	R2,R3,R4,R6,R7 R8,R9,R10
	Tax Laws	<i>Tax laws are also rigid, so if a person tries to invest in money or the real estate market, he will have to pay higher taxes (R2)</i>	R2,R6,R7,R8,R9
Market Volatility	Risk	<i>The market (Stock market) is moving in a particular range of indexes, so it is much riskier than before (R5)</i>	R3,R5,R6,R7,R8 R9,R10
	Return	<i>Every investor is investing for better returns and lower uncertainty (R3)</i>	R1,R2,R3,R4,R5 R6,R7,R8,R9,R10
	Market Uncertainty	<i>All the technical and fundamental analyses are saying stay away from the market (Stock Market) (R9)</i>	R2,R9,R10

Conflict of Interests/Disclosures

The authors declared no potential conflicts of interest w.r.t this article's research, authorship, and/or publication.

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