

## 12. Five Essential Investing Topics for Finance Students

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### Introduction

Finance is an essential and integral part of our business school curriculum. Drawing inputs from several, but inter-related disciplines including management, commerce and economics, finance is a basket full of jargon. Teaching finance involves simplifying concepts without letting the terms lose their gravity. This paper explores some key personal finance and investing topics that can be used in both professional and personal financial life.

### Methods

While a classroom setup is necessary to introduce financial jargon and make students comfortable with, a handpicked mix of modern tools such as internet websites and smartphone apps increase the student interest, involvement and engagement. Colourful presentation slides add excitement to theoretical concepts. They can be supplemented with pre-computed tables (to explain what-if scenarios) and with graphs (to explain impact of late / incorrect decision making). Since investing decision

making is not simple and straight forward, and often uses consensus from various data points, it is important to bring all details into a single page – both in terms of fundamental and technical analysis. A template / worksheet-based scoring system can help in this regard. Needless to say, spreadsheet skills are mandatory to do decent financial analysis, at least at basic level (Zhang, 2014). Even for mutual funds, a check- list driven evaluation system and a point-scoring system can help. However, industry-grade stock market data feeds are to be purchased and are often out of reach for smaller educational institutions or in ad hoc setups such as in a workshop. An alternative to this is to use openly available online financial website tools (such as SIP calculator, Screener etc.). With over 6000+ listed companies and a similar number of mutual fund schemes in India, financial analysis takes a lot of time, is mundane and nearly impossible. Hence a filtered approach of pre-screening by using openly disclosed / disseminated portfolios can dramatically cut down analysis time to just 350 – 650 companies and only handful number of schemes. A 42-point rule driven approach is then used to find an investment worthy company (Get Paid India, 2019). Social media tools such as WhatsApp groups can be used for pre and post- class interaction and engagement. Assignment questions can be effective (Drenk, 1982) in challenging students with current market scenarios and act as a good post-class practise. Considering time constraints, a comprehensive study material in the form of booklets for each of the topics can be given at program registration time. This helps students to do some background preparation before they sit in

the class.

## **Results**

1. Personal finance topics though appear to be already familiar, can act as a revision and be a precursor to the right way of investing.
2. Investing strategies highlight importance of invest planning, control emotions and inculcates discipline.
3. Mutual funds are great tools to implement a variety of financial plans.
4. A structured theoretical approach, supported with templates, can make fundamental and technical analysis a very interesting subject.

## **Discussion & Conclusion**

Research shows that financial training intervention amongst teenagers improves their interest on finances, risk identification abilities and overall financial knowledge. (Lührmann, Serra- Garcia, & winter, 2014). Of course, different topic weightages and explanation methods will be used when teaching school kids, college students and working professionals. The concepts are stacked such that the student is gradually taken from already understood and comfortable topics to more serious and specialized ones. Keeping this mind, the subject can be organized into five topics:

1. Personal Finance teaches the importance of money management, builds a solid financial foundation and generates surplus cash to channel into investments.
2. Investing Strategy transforms the student from savings to investing-mindset so that surplus cash can be deployed into debt and equity markets using various short, medium- and long-term strategies. Cash and risk management and emotional and psychological control are kept in mind.
3. Mutual Funds focus on scheme selection matching investor intended risk and returns and implemented using an active or passive strategy.
4. Fundamental Analysis is the qualitative approach of evaluating quality, valuations and financial trend of a company. Macro and micro economic factors can be introduced while discussing quality aspects with reference to the company, business and the sector in which it is operating. Valuations can be discussed explaining various financial ratios but using real life math examples which students can easily correlate and understand. Several methods ranging from use of working capital approach (Upton, 1949) to use of algebra to explain a consolidated balance sheet (Francis) were suggested, but, their use would be limited, particularly amongst students from non-finance backgrounds. The company's financial performance can be explained by downloading the recent quarterly and annual report.

5. Technical Analysis, being quantitative study, is pictorial and is relatively easier to explain. Basic charting concepts are first introduced before branching the subject into patterns and studies. These are explained by drawing charts of various securities (stock or indices) - and for various time-frames - so that the subject is justified for all market roles (ranging from scalper to long-term investor).

Our studies and experiences in teaching these five-topics of investing and methods employed have found to have simplified investment decision making and made profound impact in the financial journey of the investors.

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