



A Study on Investment Patterns and Preferences of Retail Investors Post Covid 19

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Abstract

Investing is an important aspect of an individual's life. Although majority of India's population is the youth, there is a lack of awareness regarding investment avenues and its importance. Moreover, in March 2020, India was hit by the COVID 19 pandemic. It had an impact across the globe and every sector was affected due to the same. The basic aim of this research is to analyze the impact of COVID 19 on the investment preferences of retail investors and also on the investment industry in India. People have shifted to safer investment avenues which carry zero or low risk. Investors have prioritized safety of their investments over returns due to COVID 19. Therefore, we can see a spike in the gold prices in 5 months. Though investing in gold does not give regular returns but the risk of losing the invested money is negligible. Some of the financially aware investors have also grabbed this opportunity of the dip in the market and invested during the pandemic. To conclude, COVID 19 has a drastic effect not only on the investment industry in India but also on all the other aspects of human life. The Indian markets have shown good recovery in short span of time and will hopefully go back to normal soon.

Keywords: COVID 19, investor preferences, Equity, Gold, Real estate

INTRODUCTION

Investment is the sacrifice of certain present value for the uncertain future reward. Investment is always interesting, challenging and rewarding. Generally risk and return go together, if the investment has high risk simultaneously there should be a risk return and vice-verse Investment is an activity that is engaged by people, who have savings. Le, investment are made from savings or in other words people invest their savings. As an investor, have different varieties of investment options such as banks, gold, real estates, post services. mutual funds and etc. Investors are selecting different investment options for their investment with different objectives such as profit, security, appreciation, income stability. The major features of an investment are safety of principal amount, liquidity, income stability, appreciation and easy transferability. A variety of investment avenues are available in India such as shares, bank, companies, gold and silver, real estate, life insurance, postal savings and so on. Salaried Individuals are aware about share market and mutual funds but they consider these investments avenues as a high risk investments avenue.

Investment is a desire to earn expected return from his investments, this investments is portion of the savings from the salary. These investments were made for livelihood after their retirements. As per the recent survey results salaried employees investments were not increased as compared with the business persons. Unfortunately, it is true that employees think investments only at the time of retirements. Few years back there were only limited numbers of options available for investments, but in the present scenario the investments options are increased and awareness of investments also increased.

Savings means to set keep aside a part of your earned income for future use. People often save money, to fulfill their unexpected and sudden expenses or urgent money requirements. Savings, there are comparatively fewer chances of losing the hard-earned money.

The various available investment avenues are as follows

Safe and low risk investment avenues:

- Saving account
- Bank fixed deposits
- Public provident fund
- National saving certificate Post office saving
- Government securities
- Moderate risk investment avenues:
- Mutual funds
- Life insurance
- Debentures
- Bonds

High risk investment avenues:

- Equity share market
- Commodity share market FOREX market
- Traditional investment avenues:
- Real estate (Property)
- Gold/silver
- Chit funds

Emerging invests avenues:

- Virtual real state
- Hedge funds
- Private equity investments

(a) Saving account

Banks offer savings accounts to customers as a means of saving money. Savings accounts have a variety of features and benefits. A deposit account held at a bank or other financial institution that provides principal security and a modest interest rate.

(b) Bank fixed deposits

A fixed deposit (FD) is a financial instrument provided by banks or NBFCs which provides investors a higher rate of interest than a regular savings account, until the given maturity date. It may or may not require the creation of a separate account. For a fixed deposit is that the money cannot be withdrawn from the FD as compared to a recurring deposit or a demand deposit before maturity.

(c) Public provident fund

The Public Provident Fund is a savings-cum-tax-saving instrument in India, introduced by the National Savings Institute of the Ministry of Finance in 1968. The aim of the scheme is to mobilize small savings by offering an investment with reasonable returns combined with income tax benefits. The scheme is fully guaranteed by the Central Government.

(d) National saving certificate

National Savings Certificates, popularly known as NSC, is an Indian Government Savings Bond, primarily used for small savings and income tax saving investments in India. It is part of the postal savings system of Indian Postal Service (India Post)

These can be purchased from any Post Office in India by an adult (either in his/her own name or on behalf of a minor), a minor, a trust, and two adults jointly. These are issued for five and ten year maturity and can be pledged to banks as collateral for availing loan.

(e) Post Office Saving

India post, operated by Government of India, under Indian Postal services is providing small savings banking and financial services, including National Savings Certificates

(f) Government securities

Government securities are bonds issued by the government and repaid upon the maturity date. Securities such as treasury bills, savings bonds, and notes also offer a periodic coupon or interest payments throughout the term. Because the taxing power of the government is so strong, government securities are typically considered low risk investments because the securities are backed by the credit of the government. These securities are issued throughout the Treasury Department to institutional investors

(g) Mutual funds

A company organized for the purpose of making investments. A mutual fund gets its capital stock from private individual investors, who, in effect, allow the mutual fund to decide where to invest their money.

h) Life insurance

A life insurance policy is a contract with an insurance company. In exchange for premium payments, the insurance company provides a lump-sum payment, known as a death benefit, to beneficiaries upon the insured's death. Life insurance is chosen based on the needs and goals of the owner. Term life insurance generally provides protection for a set period of time, while permanent insurance, such as whole and universal life, provides lifetime coverage. It's important to note that death benefits from all types of life insurance are generally income tax-free.

(i) Debentures

A debenture is a medium to long-term debt instrument used by large companies to borrow money, at a fixed rate, of interest. Debentures are generally freely transferable by the debenture holder. Debenture holders have no rights to vote in the company's general meetings of shareholders, but they may have separate meetings or votes e.g. on changes to the rights attached to the debentures. The interest paid to them is a charge against profit in the company's financial statements.

Statement of problem

The COVID 19 made the huge impact on investment pattern and that being the huge losses in the field for the past years. So this research is about to collect the retail investors preference towards various investment avenues often COVID 19. The percentage of Indian investors investing in Indian equity market is very less as compared to the bank deposits. This project contains the investor's preferences as well as the different factors that affect investors decision on different investment avenues.

Objectives

- To identify the demographic of retail investors
- To understand the investment patterns of retail investors
- To examine the impact of COVID19 on investment patterns
- To identify the preference of retail investors towards various investment avenues.

Research Methodology

Research design

Descriptive design: Descriptive research is used to describe the basic features of the data in the study. It can be used in multiple reasons. It is used to answer questions of who, what, when, where and how associated with a particular research questions or problem.

Population

Populations taken for the study were the clients of FinCliniq.

Sampling size

The sample size is 149.

Sample technique

- **Non-probability sampling**
Non-probability sampling is a sampling technique where the samples are gathered in a process that does not give all the individuals in the population equal chances of being selected.
- **Convenient sampling**
Convenient sampling is a type of non-probability sampling that involves the sample being drawn from that part of the population that is close to hand.

Data collection

- **Primary data**
Primary data is the data collected from the respondent for the first time. For the purpose of collection of primary data, a well-structured questionnaire was framed based on objectives..
- **Secondary Data**
The secondary data relating to the study were collected from books, journals, research articles, magazines, reports, newspapers and websites.

Tools of analysis

The following are the statistical techniques used for the study

- Simple percentage
- Chi square test
- ANOVA

Scope of the study

The study covers only the retail investors in Coimbatore.

Limitations of the study

- Reluctances of the people to provide complete information about them can affect the validity of the responses.
- The lack of knowledge of customer about the financial instrument can be a major limitation.
- The information can be based due to use of questionnaire.

LITERATURE REVIEW

(Septian, Hasnawati, & Hendrawaty, 2022) Conducted a study on the COVID-19 pandemic has caused various economic upheavals around the world, especially in the financial sector. During the pandemic, the stock market in Indonesia showed high volatility mainly due to unpredictable market conditions and unexpected investor behavior. In this study begins with the basis of behavioral finance theory and then the formulation of the hypothesis is tested through the collection of questionnaires which have been obtained 295 respondents. Data were analyzed using a structural equation model with the help of LISREL 8.80 software. The results identify that heuristic and market behavioral bias have a positive influence on individual investors' investment decisions, while behavioral bias factors such as prospects and herding negatively influence individual investors' investment decisions during the COVID-19 pandemic in Indonesia.

(Manjunath & Bankar, 2021) Conducted a study on the association between demographic characteristics of respondents and mutual funds as an investment choice in particular. Increasing presence of retail investors, in the Indian financial markets, calls for extensive study on their investment habits and behavior. The current study tries to understand the impact of the demographic characteristics of the individual investor on risk appetite, investment habits and selection of mutual funds as an investment choice. The study also investigates the impact of the demographic characteristics on choice of risky investment options Vs. Non-risky options and all the investment options together.

(Muppavaram & Bhatt, 2021) Conducted a study on as survival goals became predominant during the unexpected contingency of Covid-19, it became equally important look after one's financial health. Many people suffered from a money crisis due to unemployment, pushing them to look for alternate sources of income such as investment in Portfolio channels, which promised higher returns. The present study focuses upon studying the various components of the Portfolio mix of the Retail investors as well as the factors influencing their Portfolio mix. To study various components of the Portfolio mix of Retail investors during Covid-19 period. To determine the factors influencing Portfolio mix of Retail investors during Covid-19 period. To analyse the trends of Portfolio mix of Retail investors before and after the outbreak of Covid-19 Pandemic.

(Ortmann, 2020) Conducted a study on we use transaction-level trading data to show that investors significantly increase their trading activities as the COVID-19 pandemic unfolds, both at the extensive and at the intensive margin. Investors, on average, increase their brokerage deposits and open more new accounts. The average weekly trading intensity increases by 13.9% as the number of COVID-19 cases doubles. The increase in trading is especially pronounced for male and older investors, and affects stock and index trading. Following the 9.99%-drop of the Dow Jones on March 12, investors significantly reduce the usage of leverage. The relation between the outbreak of COVID-19 and investors' trading activities using an OLS regression analysis. We use several variables to proxy investors' trading activities. Trading intensity denotes the number of trades in a given week. The variable takes a value of zero for investors who do not trade in a given week. Leverage, a pure measure of risk-taking, denotes the leverage employed for a trade.

(Mehta & Nerlekar, 2020) Conducted study a on the objectives of the study are to understand the volatility of major indices during the period of COVID19 Pandemic as well as to study on retail investors/traders behaviour on this market and to study their perception and psychology during this pandemic. The design of the research is descriptive research design. The findings of this research study revealed that every news articles brings certain impact on the indices rate especially in COVID19 pandemic time. The findings also suggest that volatile stock market not only happen because of COVID19 but also various international factors affected. The findings also suggest that it is necessary for retail investors to trade/invest in stock market for short term period as well as after checking through the fundamentals of the respective company. As this all taken into consideration it revealed that COVID19 did not have significant effect on the volatility of Indian Stock Market.

FINDINGS OF THE STUDY

Simple percentage analysis

Demographic profile of the respondents

- Majority (61.1%) of the respondents are female.
- Majority (65.8%) of respondents are unmarried.
- Majority (77.2%) of respondents are in the age group of 21-30 years.
- Majority (53.7%) of respondents are undergraduates.
- Most (49.0%) of respondents are private employee.
- Majority (51.7%) of respondents belong to urban area.
- Most (46.3%) of respondents monthly family income range between INR50000-100000.

The investment patterns of retail investors

- Majority (83.9%) of respondents invest their earnings.
- Majority (69.9%) of respondents invest 20% of the income.
- Majority (59.2%) of respondents invest 2-4 times in a year
- Most (36.8%) of respondents are never about the saving account.
- Most (49.6%) of respondents are rarely about the fixed deposit.
- Most (44%) of respondents are sometimes about the post office saving.
- Most (27.2%) of respondents are rarely about the bond.
- Most (32.0%) of respondents are sometimes about the equity shares.
- Most (31.2%) of respondents are sometimes about the gold.
- Most (42.4%) of respondents are sometimes about the real estate.
- Most (36%) of respondents are rarely about the gold.
- Most (39.2%) of respondents are sometimes about the life insurance.
- Majority (73.6%) of respondents are 1-2 years investment horizon.
- Most (48.8%) of respondents are liquidity.
- Majority (53.6%) of respondents are dream house.

The impact of covid 19 on investment pattern

- Majority (86.4%) of respondents investment pattern changed covid 19.
- Majority (61.6%) of respondents income has increased post covid 19.
- Majority (61.6%) of respondents investment has increased post covid 19.

The preference of retail investors towards various investment avenues

- Saving account was the most preferred investment avenue by the investors post and pre covid 19.
- Most (36.8%) of the respondents stated that low risk as the less important factor while selecting an investment avenue.
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- Majority (57.6%) of the respondents stated that low risk as the less important factor while selecting an investment avenue.
- Most (27.2%) of the respondents stated that low risk as the less important factor while selecting an investment avenue.
- Most (46.4%) of the respondents stated that liquidity as the important factor while selecting an investment avenue.
- Most (39.2%) of the respondents stated that tax saving as the important factor while selecting an investment avenue.
- Most (40.8%) of the respondents stated that Tax saving as the important factor while selecting an investment avenue.
- Most (47.2%) of the respondents agree that return potential is the factor influencing their investment decision.
- Most (45.6%) of the respondents agree the sector performance is the factor influencing their investment decision.
- Most (32.0%) of the respondents agree that safety is factor influencing their investment decision.
- Most (32.8%) of the respondents agree that Tax benefits is the factor influencing their investment decision.
- Most (32.8%) of the respondents agree that liquidity is the factor influencing their investment decision.

- Most (39.2%) of the respondents agree that Hedge Against Inflation is a factor influencing their investment decision.
- Most (37.6%) of the respondents agree that convenience is the factor influencing their investment decisions.
- Most (36%) of the respondents agree that Division attraction is the factor influencing their investment decision.
- Most (39%) of the respondents agree that Financial needs is the factor influencing their investment decision.
- Most (40.8%) of the respondents neither agree that Advice & Recommendation is the factor influencing their investment decision.

Chi square

- There is no significant relationship between the gender and investment in saving account.
- There is no significant relationship between the gender and investment in fixed deposits.
- There is no significant relationship between the gender and investment in post office savings.
- There is no significant relationship between the gender and investment in bond.
- There is no significant relationship between the gender and investment in equity shares.
- There is no significant relationship between the gender and investment in gold.
- There is no significant relationship between the gender and investment in real estate.
- There is no significant relationship between the gender and investment in land.
- There is no significant relationship between the gender and investment in life insurance.
- There is no significant relationship between the gender and percentage of income.
- There is a significant relationship between area they belong and saving account as the preferred investment avenue.
- There is a significant relationship between area they belong and post office saving as the preferred investment avenue.
- There is a significant relationship between area they belong and government securities as the preferred investment avenue.
- There is a significant relationship between area they belong and mutual funds as the preferred investment avenue.
- There is a significant relationship between area they belong and life insurance as the preferred investment avenue.
- There is a significant relationship between area they belong and debentures as the preferred investment avenue.
- There is no significant relationship between area they belong and bonds the preferred investment avenue.
- There is a significant relationship between area they belong and equity share market as the preferred investment avenue.
- There is a significant relationship between area they belong and real estate as the preferred investment avenue.
- There is a significant relationship between area they belong and gold/silver as the preferred investment avenue.
- There is no significant relationship between area they belong and others as the preferred investment avenue.

ANOVA

- There is a significant difference in the investment horizon based on age.
- There is no significance difference in the investment avenue preferred post office, government securities, mutual funds, debentures, bonds, equity share market, real estate, gold/silver based on monthly income.
- There is a significance difference in the investment avenue preferred saving account and life insurance based on monthly income.
- There is no significance difference in the stated that low risk, high return, assumed return, investment period, liquidity, tax saving, investment planning factors important as the factor while selecting an investment avenue based on the qualification.
- There is no significance difference in the stated that high return, assumed return, investment period, liquidity, tax saving, investment planning factors important as the factor while selecting an investment avenue based on the occupation.
- There is a significance difference in the stated that low risk as the important factor while selecting an investment avenue based on the occupation.

CONCLUSION

The impact of COVID 19 is huge and the economy is going to take time to completely recover from it. The investments industry also did not witness a huge downfall but still the impact was visible. Considering it is a global pandemic, the recovery will be tough but retail investors need to have faith and should not completely shift to the traditional, safer investment avenues. The future of investment industry in India looks very promising and the perception of retail investors is also positive.

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