

AN ANALYTICAL STUDY OF RETAIL INVESTORS POST COVID 19 ON INVESTMENT PATTERNS AND PREFERENCES

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Abstract

Nowadays in everyone individual's life investing plays an important role. Even though majority of India's population are covered with youth, importance on awareness towards investment avenues are lacking behind. Also, in March 2020 India was hit by COVID 19 pandemic. Every sector was affected and it had a great impact across the world. The main aim of this research is to analyse the retail investor investment preferences and also the study of investment industry in India with the effect of COVID 19. The study of returns is taken upto March 2021. People are choosing investment avenues where there is no risk or less risk. Due to COVID 19 majority of investors are preferring safety for their investments over returns. Therefore, investor's preference towards certain classes such as Gold, equity, real estate etc which ensure constant and steady returns at minimum risk created a spike in these sectors in 5 months. However investing in Gold, real estate and Equity has not been significant to give regular returns but the losing of invested money is negligible. Investor those who are financially aware grabbed this opportunity of rise and fall in the market and invested during this pandemic. From the month of March 2020 to March 2021 the stock market has shown 75% recovery. To Conclude, investment industry in India has a drastic effect during this COVID 19 pandemic. It not only change investment industry but also all other aspects of human life. Within the short span of time Indian markets have shown good recovery and hopefully will achieve its target.

Keywords: Investment Avenues, Investment Industry, Investment Preferences, Retail Investor, Risk and Return, Stock Market.

Introduction:

An investment is the acquisition of goods that are not used today but are used for the forthcoming to generate wealth. In finance, an investment is a financial asset bought with the purpose that the asset will produce income in the upcoming or will later be sold at more price. Investment is concerned with future earnings, and thus arises with some amount of risk.

Most of the investors like to invest where they wish to get more returns within short period and without losing any money in the name of risk. This is what the reason why many of them are always willing to invest in top investment options where they can double or triple their money within short span of life with zero or less risk. Actually risk and return both are directly related to each other i.e. if the risk is higher, return is also high and vice versa. So, while choosing an

investment avenue one should match the risk profile with the risk where it is connected to the product. There are some investment which have the potential to generate higher returns in short term than the other investment whose period is longer but where it carries with high risk. Vice versa some investments fetch lower / less returns with low risk. COVID 19 was first known in Wuhan, China during the year December 2019 which continued to India on January 30 2020 with first case in Kerala. Due to two new confirmed cases announcement by Union Health Ministry, BSE SENSEX witnessed a flash crash on 2nd March 2020. Owing to the outbreak in India, UN report, gauged a trade impact of US\$348 million, which makes India one of the 15 vilest affected economies across the world.

After WHO’s declaration of the outbreak as a pandemic Indian stock market suffered their worst crash. The lockdown heavily affected the service sectors like food vendors, banks, food delivery providers etc. This research aims to study the retail investors investment pattern and preference on investment avenues after COVID-19 pandemic.

Research Objective

The objectives of this research are:

1. To study and analyze the impact of COVID-19 on the retail investors Investment preference.
2. To understand during this pandemic whether investors are willing to invest money.
3. To identify the retail investors investment preferences during post COVID 19.
4. To analyze the investment avenues changes in returns due to the pandemic.

Scope

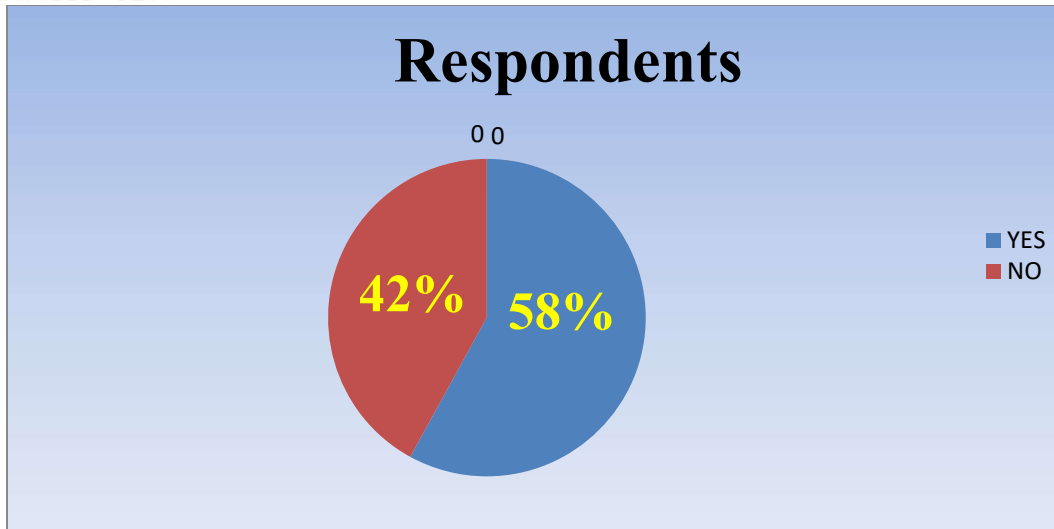
- The scope of the study covers the geographical area limited to Tier I and Tier II cities of India.
- To define the association between change in investor investing pattern and the market uncertainty.
- Most of the investors interrogated in this research have very basic knowledge about mutual funds and stock market. They are known with traditional investing methods.

Data Collection and Analysis:

a. Respondents wishing to change their portfolio post COVID 19:

Particulars	(₹)	%
ES	58	58
D	42	42
total	100	100

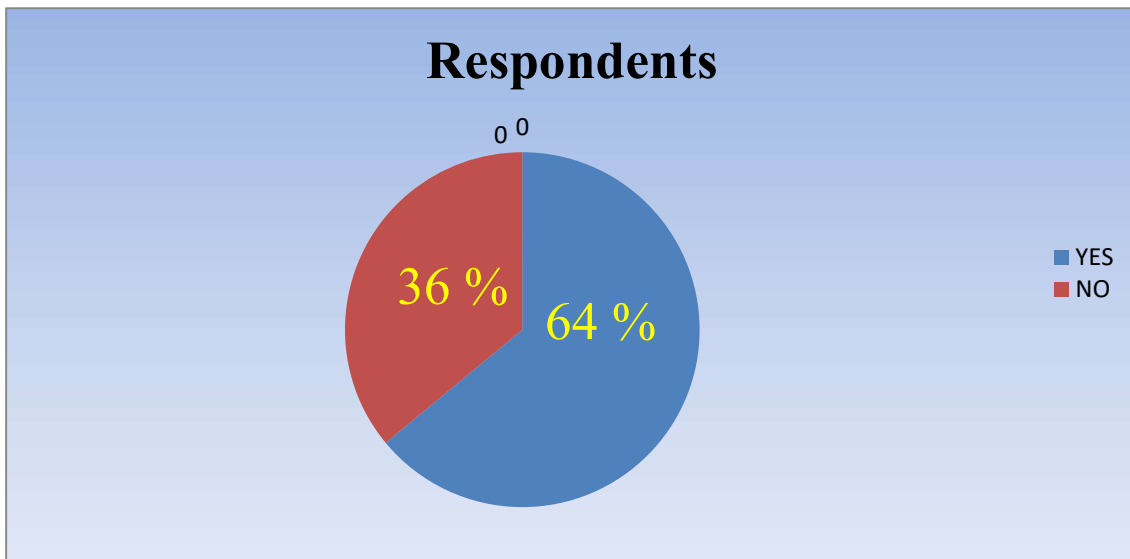
Note : RS- Respondents, % - Percentage



The above table and chart shows that majority (58%) of the respondents willing to change their investment portfolio post COVID 19. This specifies that the pandemic has an major impact on the investment preferences.

b. If Yes, During pandemic, is there is change in portfolio due to change in income?

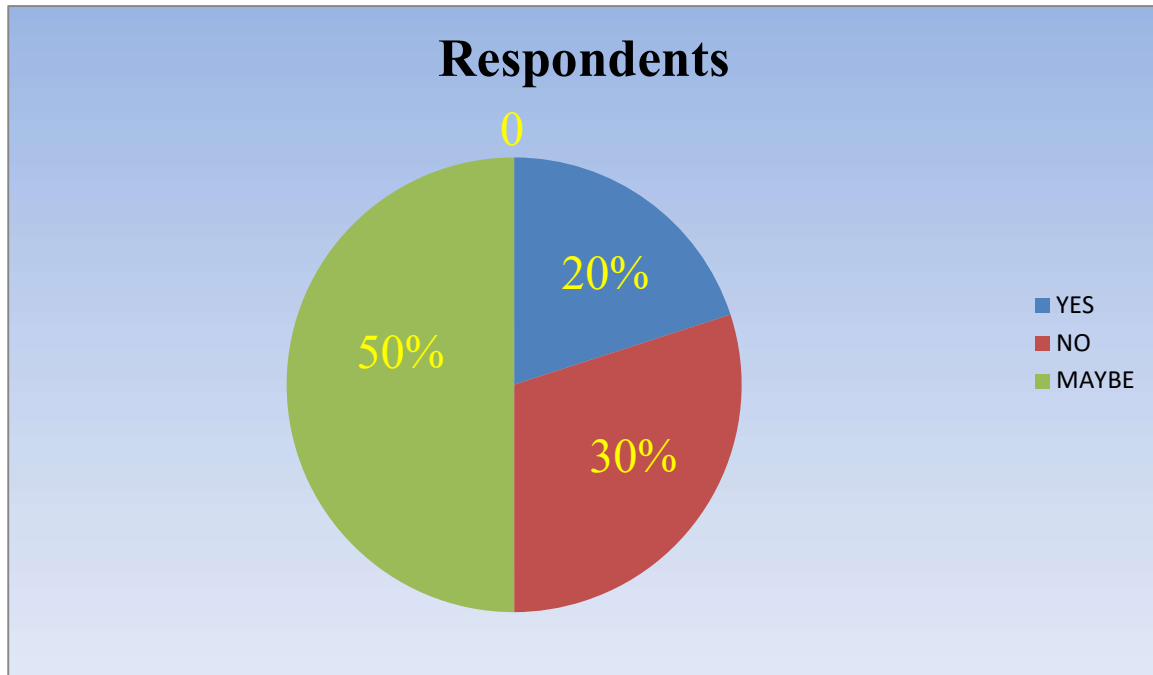
Particulars	(₹)	%
YES	64	64
NO	36	36
TOTAL	100	100



The above table and chart shows that majority 64% of the people's income level impacted the respondents investment preferences during pandemic. Hence, income has a major impact factor on investment preferences.

c. Would you still change the portfolio if the income level remains same?

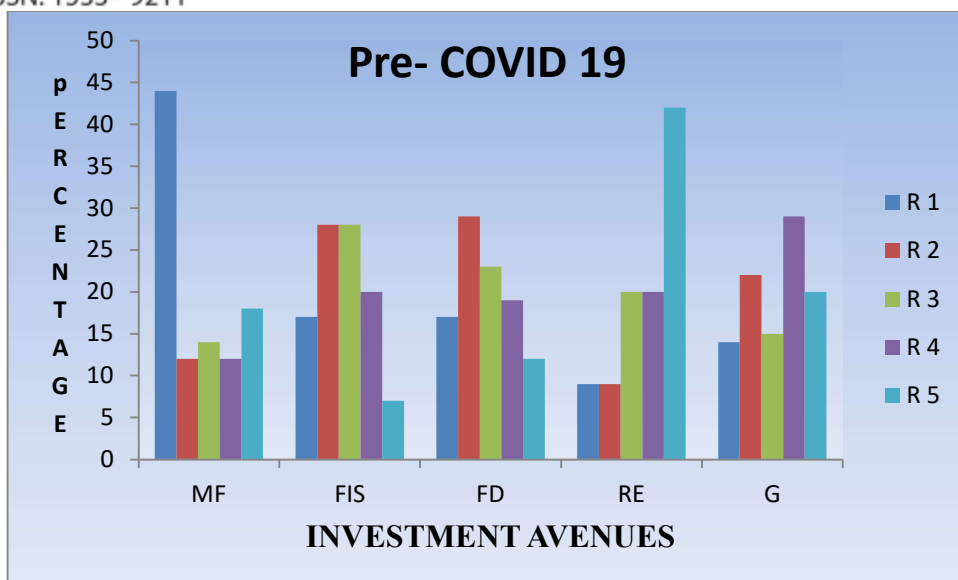
Particulars	(₹)	%
YES	20	20
NO	30	30
MAYBE	50	50
TOTAL	100	100



d. Preference of investment avenue rate during pre COVID-19:

Particulars	MF	FIS	FD	RE	G
R 1	44	17	17	9	14
R 2	12	28	29	9	22
R 3	14	28	23	20	15
R 4	12	20	19	20	29
R 5	18	7	12	42	20
TOTAL	100	100	100	100	100

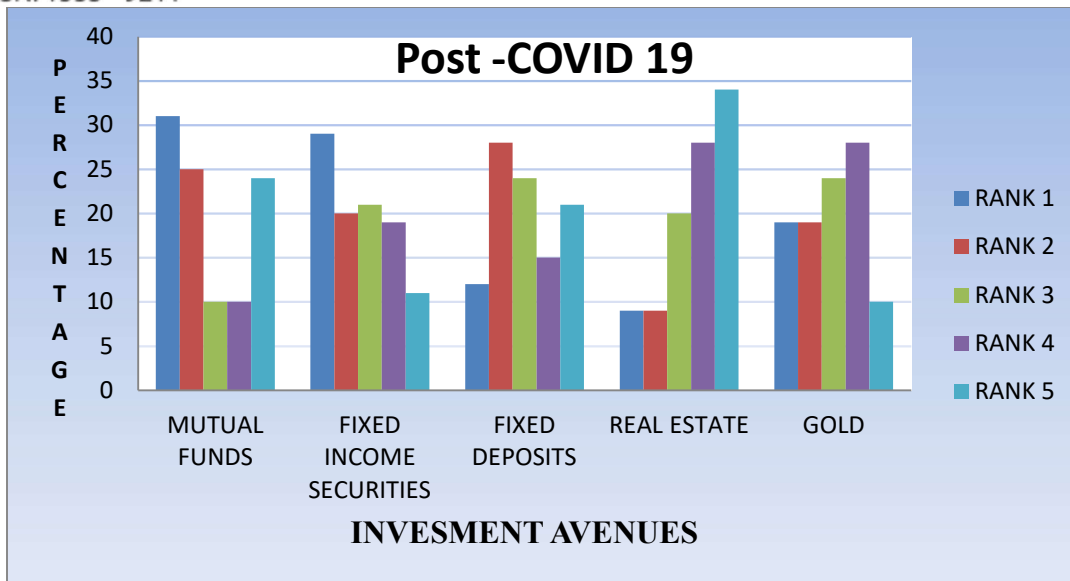
Note: R- Rank, MF- Mutual Funds, FIS – Fixed Income Securities, FD- Fixed Deposits, RE- Real Estate, G- Gold.



According to the data collected, 44 respondents have ranked mutual funds as the top investment avenue preference during pre COVID 19, followed by Fixed Deposits and Fixed Income securities like debt funds, PPF etc. Real Estate and Gold are preferred least during pre COVID 19.

e. Preference of investment avenue rate during post COVID-19:

Particulars	MF	FIS	FD	RE	G
R 1	31	29	12	9	19
R 2	25	20	28	9	19
R 3	10	21	24	20	24
R 4	10	19	15	28	28
R 5	24	11	21	34	10
TOTAL	100	100	100	100	100

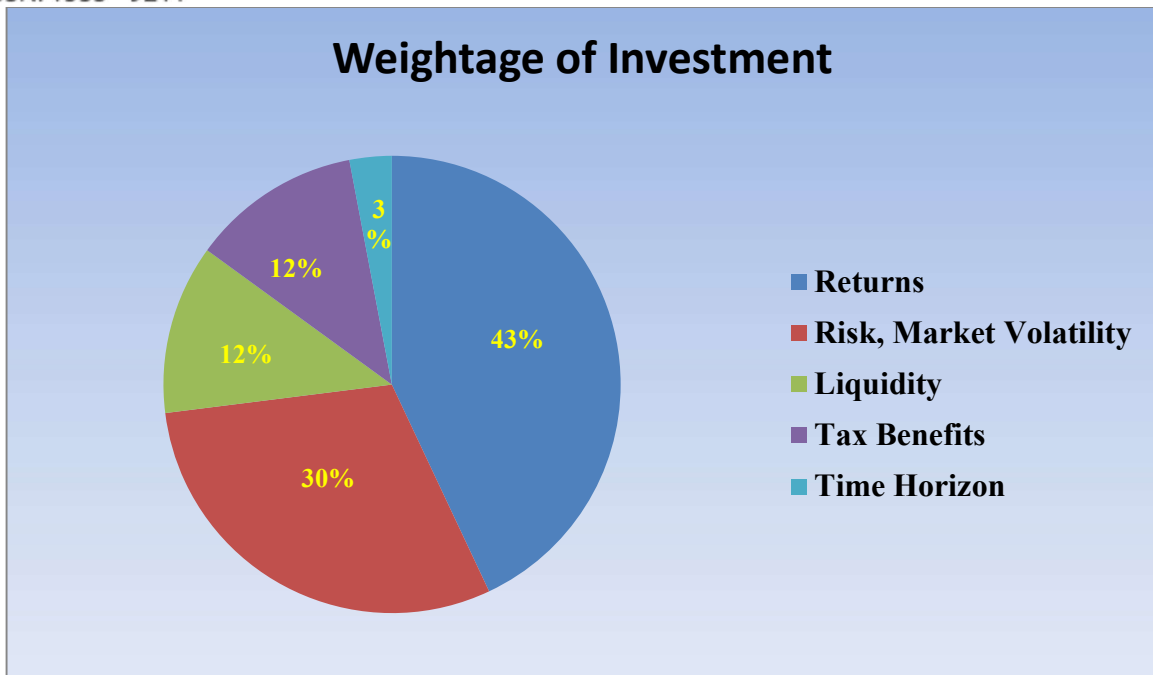


During Post COVID 19 as per the data, respondents are interested to invest in mutual funds followed by fixed deposits and gold. Real Estate is the least interest during post COVID 19.

f. During post COVID 19 which phase to be given utmost weightage for investment?

Particulars	f	%
Returns	43	43
Risk, Market Volatility	30	30
Liquidity	12	12
Tax Benefits	12	12
Time Horizon	03	03
Total	100	100

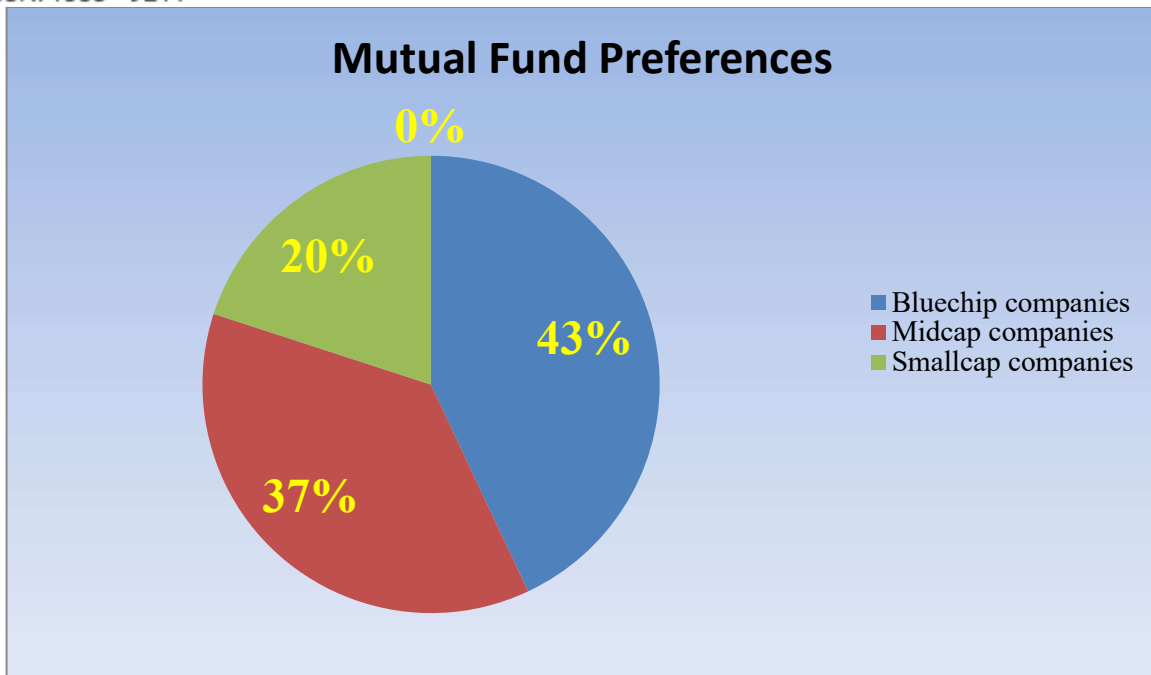
Note: f- Frequency



According to the data, 43% respondents highest weightage while making investment given to returns during post COVID 19 followed by risk and market volatility at 30%. The time horizon of the investment is measured by only 3% of the respondents making it as the least preference.

g. **Mutual Funds preference for investing.**

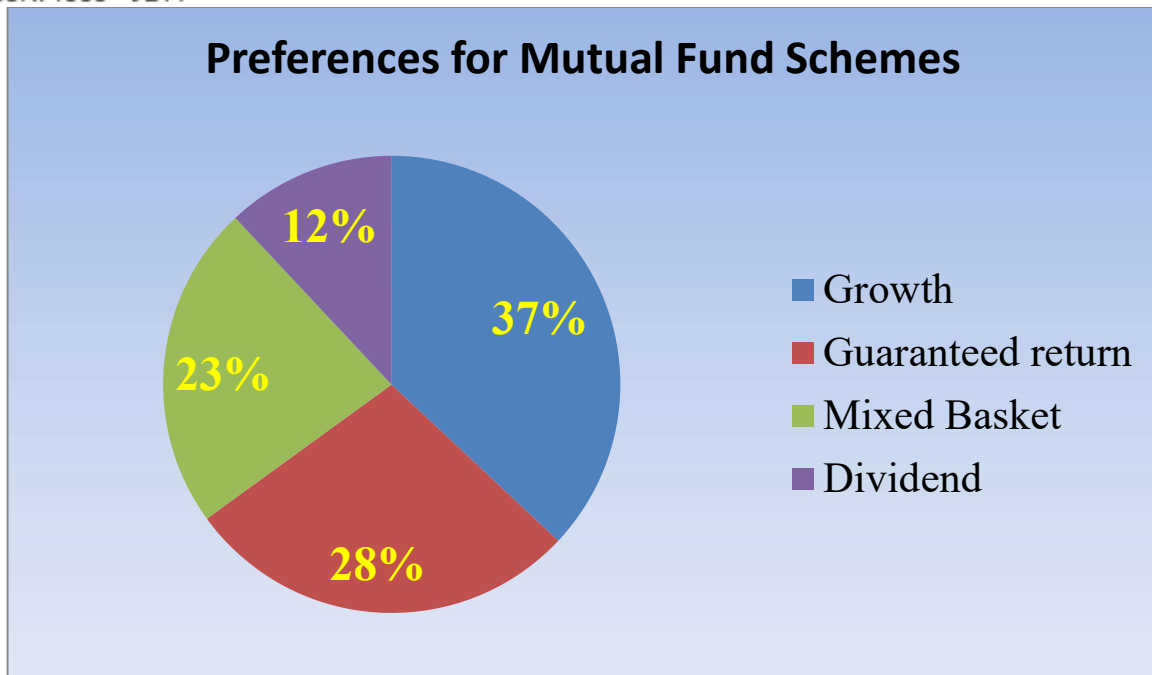
Particulars	f	%
Large chip companies	43	43
Midcap companies	37	37
Smallcap companies	20	20
Total	100	100



As per the data collected, 43% of respondent prefer to invest in bluechip companies continued by midcap companies 37%. 20% of respondents are preferring to invest in small cap companies.

h. Scheme of mutual funds selection:

Particulars	F	%
rowth	37	37
aranteed return	28	28
ixed Basket	23	23
vidend	12	12
otal	100	100



According to the data, concerning the scheme of mutual funds, growth plan remains to be the most widespread (37%). It is charted by guaranteed return plan (28%) and mixed basket (23%). Only 12% of the respondents need regular dividend on their investment.

Measurement of reliability Test using Cronbach’s Alpha:

- i) This method is used to test the dependability of items included in the factors.
- ii) This test is made to make assured that the measurements are reliable for further uses.
- iii) Excel’s Data Analysis calculation is used – Anova: Two-Factor without Replication.

Using the above mentioned test, Cronbach’s Alpha is Calculated:

Reliability Statistics	
Cronbach’s Alpha	No. of Respondents
0.597	100

The Cronbach’s alpha is 0.597 which indicates a high level of internal consistency for the scale.

Table: ANOVA: Two factor without Replication Results

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Rows	59.1875	3	19.72917	0.278066	0.839919	3.862548
Columns	45.6875	3	15.22917	0.214642	0.883786	3.862548
Error	638.5625	9	7.95139			

Total	743.4375	15				
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ANOVA Results:

- Cronbach's Alpha Results:

$$\text{Alpha } (\alpha) = 1 - \text{Mean Sum of Error} / \text{Mean Sum of Rows}$$

$$\text{Alpha } (\alpha) = 1 - 7.95139 / 19.72917$$

$$\text{Alpha } (\alpha) = 0.597$$

- Hypothesis Test:

Null Hypothesis H_0 : There is no significant difference between the selection of Investment avenue pre and post Covid-19

Alternative Hypothesis H_1 : There is significant difference between the selection of Investment avenue pre and post Covid-19

t-Test: Paired Two Sample For Means

t-Test: Paired Two Sample for Means		
	<i>Variable 1</i>	<i>Variable 2</i>
Mean	20	20
Variance	86.91666667	57.5
Observations	25	25
Pearson Correlation	0.526734273	
Hypothesized Mean Difference	0	
df	24	
t Stat	0	
P(T<=t) one-tail	0.5	
t Critical one-tail	1.710882067	
P(T<=t) two-tail	1	
t Critical two-tail	2.063898547	

The tabular value for significant level 0.05 with degree of freedom 24 is 2.06389 and the calculated t Critical two- tail is 2.06. Hence, Null hypothesis is rejected and alternate hypothesis is accepted which is, there is significant relation between the selection of Investment avenue pre and post COVID- 19.

The fluctuations in returns from investment avenues due to the pandemic.

1. Due to pandemic returns started to surge and the market become vastly volatile to invest and most of the investment avenues are started to give poor returns.
2. Equity funds has a great impact than debt funds during this COVID 19.

3. Most of the investors are thinking that investing in debt funds will grow their wealth with less or no risk.
4. The debt mutual funds are collected and invested in RBI bonds, Govt. Bonds and other fixed income securities. Wherein equity mutual funds major portion are invested in stock market.
5. The returns of debt mutual funds increased when compared to equity mutual funds because equity mutual funds returns are based on total AUM.
6. Due to safety of funds debt mutual funds are benefited during this pandemic but those who invested in equity mutual fund before pandemic faced heavy loss.
7. Debt funds are still given more than 5% of returns during this pandemic which states that debt funds are safe.
8. There is a sharp downfall in the Sensex and Nifty charts which are the base funds for maximum of mutual funds ever since the beginning of March 2020 due to COVID 19.
9. Though till March and, the graph has made known recovery but it is not up to the mark still.
10. Such a drop leads to a negative effect on investors on the subject of the stock market. So, investors consider shifting to safer investment avenues.
11. ICICI Prudential Bluechip Fund has the highest fund size of 416198 crore. The NAV as on March 31st, 2021 is 53.58 which is also one of the highest compared to other equity funds.
12. Due to COVID 19 the graph has shown an incredible decline from March 2020.
13. On March 23, 2020 It hit the lowest by giving negative 30.61% returns.
14. Investors are changed to gold where the COVID-19 Pandemic started to shake other investment avenue and fortified its status as a safe haven.
15. The Metal is receiving support from a lengthy list of factors like geopolitical pressures arising, dollar becoming weak. Govt and central banks have given a free rein to vast inducement and relief funds to boost up economies.
16. Fixed deposits are convenient for investors where the risk is less and assured returns. Usually the rate of interest is high compared to saving banks account.
17. But due to pandemic RBI reduced the lending rate of Fixed deposits to saving bank interest rate.

Findings:

1. As per the data after COVID 19 majority of investors are ready to change their investment portfolio where the risk is less.
2. The changes are due to fluctuation in their level of income like salary cuts, low or no business, job loss etc. due to pandemic effect.
3. Even though fluctuation in their level of income many investors are invested in NSC, equity and mutual funds. This shows that these investors levered the market volatility opportunity and it is also good to make investment when there is market decline.

4. Pre COVID investors ranked mutual funds for normal risk. But after COVID it became risk averse and shifting because of safety returns.
5. For decent returns and less risk few investors are willing to invest in FIS.
6. Because of market volatility, investors are decided to secure their money with guaranteed returns.
7. But the fact is respondents are giving more weightage to returns than risk. This shows the psychological focus on Indian investors where they need returns nor the risk.
8. Post COVID 19 investors willing to invest in blue chip companies which indicates their safety on investment.
9. Growth plan rating high in the scheme of mutual funds. Emerging companies attain maximum capital appreciation through growth funds.

Recommendations:

Investors are preferring to take less risk with maximum returns as the stock market showing recovery now. So, risk calculation will fetch them good returns in their investment. Newer investment avenues can be spreaded with the investors who are not aware of risk averse in their portfolio. So, shifting to other investment opportunities are not necessary though COVID 19 changes the life style of the investors.

Conclusion:

The effect of COVID 19 is worst and it will take some time to recover completely from this. Banking Financial services and insurance sector are still successful during the course of pandemic. No where it shows the huge downfall in investment industry but the same time the impact is visible. Though it is a global pandemic, retail investors are the best hope in investment industry to lead the stock market without shifting their investment avenues to any traditional method of investment. So, the future of investment industry is with retail investors preferences towards investment.

Acknowledgement:

The author immensely thankful to St.Francis College Management for their invaluable suggestions, guidance and moral support. The author wishes to thank Dr.Iyappan.M, Assistant Professor in statistics for his valuable suggestions and constant encouragement.

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