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ANALYTICAL STUDY OF INVESTMENT PATTERNS AND INVESTMENT PREFERENCES OF RETAIL INVESTOR

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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. The returnsup to february 21st, 2023 are taken for the study. 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 havealso grabbed this opportunity of the dip in the market and invested during the pandemic. The stock market has shown 70% recovery till the end of february 2023from the dip in february 2023.

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.

INTRODUCTION

An investment is the purchase of goods that are not consumed today but are used for the future to create wealth. In finance, an investment is a monetary asset purchased with the intention that the asset will yield income in the future or will later be sold at a higher price. Investment is oriented toward future returns, and thus comes with some degree of risk.

Most investors want to make investments in such a way that they want to get sky-highreturns in less time without the risk of losing any money. This is the reason why many are always on the lookout for top investment options where they can double their money in short period of time with little or no risk. In reality, risk and returns are directly related and go hand-in-hand, i.e., higher the risk, higher is the return, and viceversa. While selecting an investment avenue, one has to match the risk profile with the risks associated with the product. There are some investments that carry high risk but have the potential to generate higher returns than other asset classes in the long term while some investments come with low-risk and therefore fetch lower returns.

Coronavirus or covid 19 was first identified in december 2019 in wuhan, china, and has resulted in an ongoing pandemic. The first case of covid-19 in india was reported on 30 january 2020 in kerala. On 2 march 2021, the bse sensex witnessed a flash crash due to the union health ministry's announcement of two new confirmed cases. A un report estimated a trade impact of us$348 million on india due to the outbreak, making india one of the 15 worst affected economies across the world. On 12 march 2021, the indian stock markets suffered their worst crash since june 2017 after who's declaration of the outbreak as a pandemic. The lockdown has adversely have affected service sector like banks, restaurants, food vendors, and food delivery providers at par with providing health safety and medical sustenance.

The present research aims to study the investment pattern and preference of investment avenues of retail investors after the covid 19 pandemic.

Research objective

The objectives of this research are:

- To analyze the impact of covid-19 on the investment preference of the retailinvestors.
- To understand whether investors are willing to invest money during the pandemic
- To identify the investment preferences of investors, post covid 19

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- To analyze the changes in returns given by investment avenues due to thepandemic.

Scope

- The geographical scope of this study is limited to tier i and tier ii cities of india.
- To determine the relationship between uncertainty in the market and the change in investing pattern of the investors.
- Most of the investors interviewed in this research have zero or very basic knowledge of the stock market and mutual funds. They are informative about the traditional investing methods.

RESEARCH METHODOLOGY

research questions

1. Demographic factors, which have an impact on the selection of an investment option
2. Investment preference of the retailinvestors.

Sample design:

Sample unit that was considered for the study were retail investors who have made any kind of investment. Data was collected from respondents residing in hyderabad and secunderabad. Convenience sampling method was used to choose the sample units. 113 samples were collected, out of which the 100 samples were appropriate.

Research tools

The data collected is mostly ordinal, hence non parametric tests like chi square, mann - whitney u test, kruskal - wallis has been used to test the associations. Ibm spss was used to conduct the chi square tests. The spss version 23 was used to conduct statistical tests.

Chi square test

Chi square test was used to measure the association between the data units that were categorical in nature. The probability value of the chi square test is compared with 0.05. The null hypothesis is accepted if the probability value is greater than 0.05, else rejected. Phi value, cramer’s v statistic, contingency coefficient are also measured. All the three parameters measure the strength of association between the variables. Cramer's v statistic is used to explain the strength of the association, when the number of rows is not equal to the number of columns. Range lies between 0 and 1. Contingency coefficient, measures the strength of association between the variables under study using min and max value. The minimum value being 0. Max value calculated using the formula $Sqrt$(r-1)/r. If the calculated contingency coefficient is closer to the max value, then the association between the variableswould be a strong one.

LIMITATIONS OF THE STUDY

- The study was limited to only six investment options.
- Most of the information collected is secondary data.
- The data is compared and analyzed on the basis of performance of the investment options over the past five years.
- While considering the returns from mutual funds only top performing schemes were analyzed.
- It was very difficult to obtain the date regarding the returns yielded by real estate and hence averages were taken.

LITERATURE REVIEW

Aarugonda k (2012) minimum assured returns, transparency and consistency are the top most factors affecting the purchase of a mutual fund. Past performance, stability, consistencyplay a very important role in the selection of a mutual fund scheme.

Amaraveni p, archana m (2017), preference of respondents towards various investment avenues was analysed. It was found that income level has a significant impact on investment avenue selected, however the age does not have any impact on the investment avenue.

Bhushan p (2014) financial knowledge, financial behavior, financial attitude was used to study the financial literacy. The study concluded that there is a relation between the financial literacy and awareness, and investment preferences. Chi square test concluded that there is a significant relation between the income levels and the objective for which the investment was made.

Gakhar & prakash (2017) the study concludes that level of optimism is not impacted by the personality type, on the other hand the risk taking ability is affected by the personality type.

Geetha, s. N., & vimala, k. (2014) impact of demographic variable on investment decision and impact of information technology on financial markets was studied. It was found that there is no impact of gender age and education levels on the risk taking ability of the investors, but there is an impact of family size on the risk taking ability of investors

Kannadhasan m (2015) the relationship between financial risk tolerance and financial risk behavior was studied. It was found that the level of income, education does not have any impact on the financial risk tolerance . High family responsibilities and family size has an impact on the risk taking ability of the respondents .macro economic variables like exchange rate fluctuation, market volatility, inflation, political instability, and the impact of global crises on the economy have equally long-term implications for younger investors.

Mak, m. K., & ip, w. (2017). Empherically it was observed the psycological , sociological and demographical factors impact the investment decisions education income age, gender , investment experience , help in predicting the investment preferences in honkong and mainland china .

Mishra p& chhatoi b p (2018), chi square test concluded that there is no relation between investment and profession, awareness levels and profession, however there exists a relation between time period of investment and the profession of the investor.

Prabhat& srivani, et.al (2016).demographic variables gender and age have no impact on the choice of investment options . Income level, occupation and education have an impact on the investment avenues chosen.

Rizvi, & abrar. (2015) language, orientation of education income and age determine the investment style of the investor. Financial literacy is one of the major factors influencing the decision making of retail investors .

Thulasipriya. (2015) it has been found that age, income levels and number of family members play a significant role in the selection of investment choices of government employees

Veena, & olekar. (2018) there is a correlation between education and investment into metals. Negative correlation was found between education and postoffice deposits as an investment option . Negative correlation was found between family size and bank deposits . Negative correlation was found between marital status and objective of speculative profits .

Venkataiah g c & surya prakasha rao b k (2018) mann-whitney u test concluded that there is a considerable association between investment avenue and gender.

Ul-hameed et al. (2018) in the study has mentioned that the investor perception is a factor ofa number of variables. T test was used to test the hypothesis that demographic variables have an impact on the mutual fund preferences.

Zanvar, & bhola. (2016). There is significant difference in the investments made in the riskier vs safe investment avenues. Banks and insurance were two of the most popular investments. High returns tax benefits and safety were the factors influencing the choice of options.

DATA ANALYSIS AND INTERPRETATION

Data collection and analysis

a. Respondents willing to change their portfolio post COVID 19?

Particulars	Respondents	Percentage
Yes	38	58.46
No	27	41.54
Total	65	100

Table 8.1

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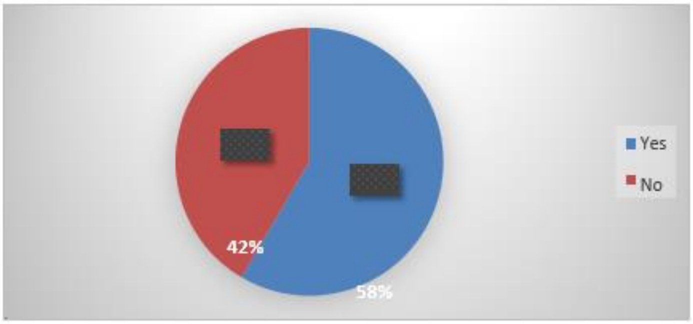


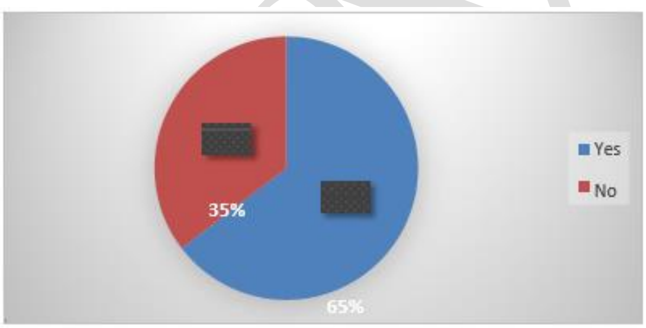
Graph8.1

The above table and graph shows that majority (58.5%) of the respondents will change their portfolio post covid 19. This indicates that the pandemic has an significant impact on the investment preferences.

a. If yes, is the change in portfolio due to change in income during the pandemic?

Particulars	Respondents	Percentage
Yes	42	64.8
No	23	35.2
Total	65	100

Table 8.2



Graph8.2

The above table and graph shows that 65% of the people's income level has changed during the pandemic which has impacted the investment preferences of the respondents. There fore, income has a significant impact on the investment preferences.

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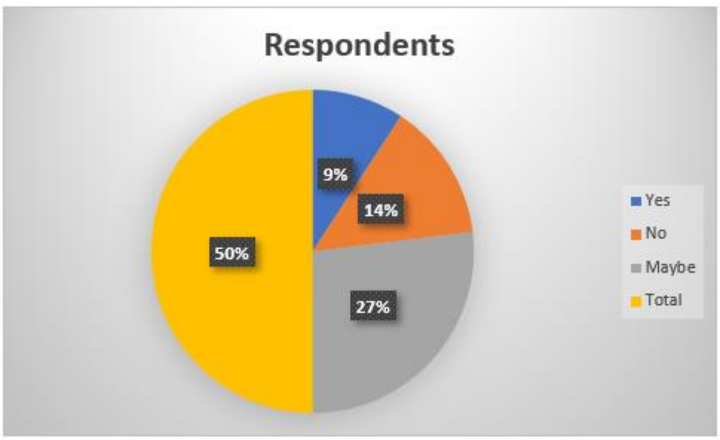
a. Had the income levels remained the same, would you still change the portfolio?

Particulars	Respondents	Percentage
Yes	12	19.4
No	18	27.4
Maybe	35	53.2
Total	65	100

Table 8.3



Graph8.3

a. Rate according to preference of investment avenue epre COVID- 19

	Mutual Funds	Fixed Deposits	Fixed Income Securities	Gold	RealEstate
Rank 1	28	11	11	9	6
Rank 2	8	19	18	14	6
Rank 3	9	15	18	10	13
Rank 4	8	12	13	19	13
Rank 5	12	8	5	13	27
Total	65	65	65	65	65

Table 8.4

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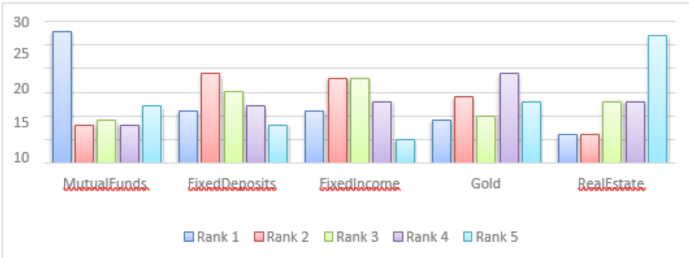

Graph8.4

According to the data collected, 28 respondents have ranked mutual funds as the topinvestment avenue preference pre covid19 followed by fixed deposits and fixedincome securities like ppf, debt funds. Gold and real estate were least preferred precovid 19.

FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

1. As seen in the data, majority of the people will change their portfolio post covid 19.this indicates the impact of market volatility on the investments. People are notwilling to takeany shortterm risksandwantto shift theirinvestments into lessvolatileandless risky avenues.
2. This change in portfolio is majorly due to changes in the income levels during thepandemic period. Job loss, salary cuts, low business/no business are some factorswhichhavehampered the portfolio of investors.
3. In spite of change in income levels, many respondents have made investments evenduring the pandemic in mutual funds, nsc, equity markets. This indicates that theserespondents have leveraged the opportunity of market volatility as it is always good tomakeinvestments when the market dips.
4. Respondentshaverankedmutualfundsasthetopinvestmentavenueprecovid.thisindicatesthattheywerewillingtotakerisksinnormalscenario.butpostcovid,respondents havebecome riskaverse and areshifting tosafe havens.
5. Post covid, respondents are willing to invest in fixed income securities as theycarrythe least risk

and givedecent returns ascompared totherisk taken.

6. Due to the high market volatility, respondents have decided to secure their money andonlyinvest in avenues which fetch guaranteed return.
7. But the interesting part is, in spite of being risk averse, respondents have given returnsthe highest weightage followed by returns. This indicates the psychological aspect ofindianinvestors whereinthey want returns without incurringrisk.
8. Mutual funds being a popular investment avenue post covid, respondents want toinvestinbluechipcompanies.thisindicatessaferinvestmentpreferencesandinvestorsbenefit being a priority.
9. Growth plans have been given highest ranking in the scheme of mutual funds. Growthfund invests in the emerging companies to attain maximum capital appreciation. Thiscanbeinresponsetotheprimeminister'sannouncementof'atmanirbharbharat'andseeing the success of multiple startupsin india.

SUGGESTIONS

Investors are recommended to take a little risk in their portfolio so as to maximizetheir own returns since the markets have shown recovery now. It is a good time toinvest now since the market will boost as soon as vaccine for covid 19 will beavailable.therefore,taking calculatedrisks shouldfetchthem good returns.

Portfoliomanagers/fundmanagersarerecommendedtodiversifytherisksandencourage risk averse investors to take on some risk in their portfolio. Also, newerinvestment avenues can be explored which the investors are not aware of and can beencouragedto include those in the portfolio.

Shiftingbacktotheprepandemic risk-takingabilitiesisrecommended asthecovid 19pandemichasalmostcometoanendandthechancesofsuchapandemichappeningagain inthe life ofthe investor are almost nil.

CONCLUSION

The impact of covid 19 is huge and the economy is going to take time to completelyrecover from it. The bfsi sector was still thriving throughout the pandemic so the lossesare not that much. 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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