A Study on Impact of Pandemic on Changes in Investment Pattern with Special Reference to Chennai City

Journal of Development Economics and Management Research Studies (JDMS)
A Peer Reviewed Open Access International Journal
ISSN: 2582 5119 (Online)
Crossref Prefix No: 10.53422
10(16), 141-147, April-June, 2023
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A Study on Impact of Pandemic on Changes in Investment Pattern with Special Reference to Chennai City

Anirudh. S[1]

Abstract:

Investment is an integral part of an individual and his family as well. The objective of investment varies from individual to individual. One may invest for various reasons like to meet uncertainties without any financial hardships, educational purposes or maybe for any events which require huge amounts instantly. Also, one invests to grow his wealth and multiply his current wealth to manage well with the inflation rates in the economy and to become financially strong and independent. The COVID-19 pandemic has had a profound impact on investment patterns and preferences. But during this pandemic many people's earnings and its pattern were disturbed due to the deadly virus both positively and negatively. Some people started to try out new investment alternatives like crypto currencies, mutual funds, REITs, NFTs, ETFs etc., whereas some liquidated their investments to meet the uncertainties financially. This study concentrates about the major causes for the change in investment pattern of retail investors during the pandemic and explores the factors driving the shift in investment behavior during the pandemic. The objectives of this study were to discover the causes for the change, the reasons for trying out new investment alternatives by retail investor, their perceptions regarding investments and to study the liquidity and necessity needs of the investors during the pandemic. A descriptive survey design was used in this study. Primary data was used to proceed with the study and these data collected using a self-designed questionnaire using Likert 5-point scale, few close ended questions and a few checkboxes for questions on their preferences. To collect the data from the retail investors, the convenient sampling and snow ball sampling techniques were used. The study's target population was 156 retail investors across all age groups. The statistical tools like One-way ANOVA tests, independent sample t-test and correlation tests were used to analyze the collected data. From this study we conclude that the major factors influencing the changes in investment preferences and pattern were interest to take risks, influence of pandemic by means of time and need for passive income and objective to earn higher returns.

KEY WORDS: Investment Pattern and Preferences, Investment Alternatives, Inflation Rates

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[1] Final Year, Department of Accounting and Finance, Ramakrishna Mission Vivekananda College, Evening college (Autonomous), Mylapore, Chennai-600004.

INTRODUCTION

Every individual requires income in some form or another. It can be obtained by anyone from a variety of sources. Salary is the only source of income that is normally assumed to be consistent and regular due to its nature. However, a COVID-19 pandemic disproved our salary income assumption. Many salaried employees, particularly those working in the private sector, faced problems such as job loss, reduced pay, and delayed payment as a result of the business activities being halted during the lockdown period. The money they saved prior to the COVID pandemic was used to the greatest extent possible for consumption and to meet emergencies. Their savings and investment patterns have changed dramatically as a result of this situation. Investment is also an important part of everyone's life. It is nothing more than the purchase of assets or goods, both physical and financial, with the intention of accumulating wealth that can be consumed in the future. The majority of investors put their money into investment options that provide higher returns with no risk of losing money. As a result, the primary goal of this study is to examine the income, savings, and investment patterns of employees working in private sector businesses before and after the COVID - 19 pandemic. To summarize, COVID 19 has a significant impact not only on the Indian investment industry, but also on all other aspects of human life. A study on the causes of changes in investment patterns during the pandemic would seek to identify the factors that have influenced investment decisions during that time. By doing so, the study could help investors and policymakers better understand the changing investment landscape and develop strategies to navigate the ongoing economic uncertainty.

REVIEW OF LITERATURE

Dr. V. Kanimozhi and Ms. K. Nivetha (2022) conducted this research is to assess how COVID 19 will affect the investment preferences of Indian investors as well as the country's investment market. They found out that because of COVID 19, investors now place a higher value on asset security than on returns and some astute investors took advantage of the market's reversal to make investments during the epidemic. They concluded that COVID 19 affects all aspects of human existence, not just the Indian investment market and that Indian markets have made remarkable progress in a short period of time and are expected to return to normalcy soon. This study attempts to comprehend retail investors' investment habits and preferences following COVID '19.

Surabhi Kumthakar, Dr. Varsha Nerlekar (2021) studied the effects of COVID 19 on retail investors' investment preferences as well as the Indian investment market. The authors used returns up to July 31st, 2020, for the study. The authors discovered that people are now turning to less risky, safer investment options, and that as a result of COVID 19, investors have prioritised investment safety over return. Finally, the author concluded that COVID 19 has a significant impact on all aspects of human existence, not just the Indian investment industry.

Mupppavaram & Bhatt (2021) conducted research on how survival goals became dominant during the unexpected Covid-19 contingency, as it became equally important to look after one's financial health as well. Many people experienced a financial crisis as a result of unemployment, prompting them to look for alternative income sources such as investing in Portfolio channels, which provided higher yields. This study focused on analysing the various elements of retail investors' portfolio mixes as well as the variables influencing those portfolio mixes, as well as researching several elements of retail investors' portfolio mixtures during the Covid-19 period.

Arpita Gurbaxani and Dr Rajani Gupte (2021) conducted this research is to determine how the COVID-19 epidemic has influenced financial and investment decisions made by people in rural areas of developing countries such as India. According to their respondents, the COVID-19 epidemic reduced SIP investments by 43%. The study analysed that despite the fact that both genders experienced investment declines, the difference in percentage decline was not statistically significant. Furthermore, the study reveals that the behaviour of investors did not change with their age. Their findings emphasise the COVID-19 outbreak's microeconomic and socioeconomic consequences.

Mr. Babu K. A. and Dr. Giridhar K. V. (2021) conducted this study to assess the income, savings, and investment trends of those working for private sector businesses in the education, automotive, and telecommunications industries before and after COVID-19. It has been established that there is a link between the monthly savings of salaried households and both time periods. Their study revealed that prior to the lockdown, gold and silver were the most popular investment options, but chit funds quickly surpassed them.

OBJECTIVES

- To study the awareness of the newly popularised investments across age groups
- To analyse the factors influencing the investment decisions of investors during the pandemic
- To study the reason for the popularisation of highly volatile and return yielding investment alternatives among investors during the pandemic.
- To study the perception of people on decreasing investments in conventional investment avenues

RESEARCH METHODOLOGY

- Research Design: Descriptive survey design
- Sampling techniques: From non-probability sampling techniques, Convenient Sampling and Snow Ball Sampling methods were used.
- Sample size: 156 retail investors across age groups
- Statistical tools used: Chi-square tests, One-way ANOVA tests, Independent sample t-tests, correlation tests and frequency tests.

ANALYSIS AND DISCUSSION

DESCRIPTIVE STATISTICS:

1. The collected data shows that 36% of the respondents belong to the age group 41-50. There were 57 respondents out of 156 respondents belonging to this category. Also, 53 respondents belong to the 18-21 age category which implies that the respondents were majorly youth and middle-aged retail investors.
2. Out of the 156 respondents, 69 respondents have annual income less than Rs.2 lakhs and 50 respondents have annual income above Rs.10 lakhs which constitute to 44% and 32% of the total respondents respectively.

INFERENTIAL STATISTICS:

1. **Age and Interest to take risk for the sake of higher returns**.

NULL HYPOTHESIS H0: There is no relationship between age and interest to take risk for the sake of higher returns.

ALTERNATE HYPOTHESIS H1: There is a relationship between age and interest to take risk for the sake of higher returns.

Table 1

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	3.455[a]	4	.485
Likelihood Ratio	3.514	4	.476
Linear-by-Linear Association	1.520	1	.218
N of Valid Cases	156		

INTERPRETATION:

The level of significance from the test was 0.476 which is greater than 0.05. Thus, Null hypothesis is accepted and it implies that there is no significant relationship between age and interest to take risk for the sake of higher returns.

2. **Interest to take risk for the sake of higher returns and High returns being the major factor for investing in highly volatile investment avenues.**

NULL HYPOTHESIS H0: There is no relationship between interest to take risk for the sake of higher returns and high returns being the major factor for investing in highly volatile investment avenues.

ALTERNATE HYPOTHESIS H1: There is a relationship between interest to take risk for the sake of higher returns and high returns being the major factor for investing in highly volatile investment avenues.

Table 2

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	10.051	1	10.051	17.332	<.001
Within Groups	89.308	154	.580		
Total	99.359	155			

INTERPRETATION:

The level of significance from the ANOVA test was less than 0.05. Thus, alternate hypothesis is accepted and it implies that there is a relationship between interest to take risk for the sake of higher returns and high returns being the major factor for investing in highly volatile investment avenues.

3. **High returns being the major factor for investing in highly volatile investments and Decreasing investment in conventional avenues due to the availability of high return yielding investment alternatives.**

NULL HYPOTHESIS H0: There is no relationship between high returns being the major factor for investing in highly volatile investments and decreasing investment in conventional avenues due to the availability of high return yielding investment alternatives.

ALTERNATE HYPOTHESIS H1: There is a relationship between high returns being the major factor for investing in highly volatile investments and decreasing investment in conventional avenues due to the availability of high return yielding investment alternatives.

Table 3

Correlations			
		High returns were the major factor for investing in highly or relatively volatile investments	The high-yielding investment alternatives had led to decreasing investments in conventional investment avenues
High returns were the major factor for investing in highly or relatively volatile investments	Pearson Correlation	1	.250**
	Sig. (2-tailed)		.002
	N	156	156
The high-yielding investment alternatives had led to decreasing investments in conventional investment avenues	Pearson Correlation	.250**	1
	Sig. (2-tailed)	.002	
	N	156	156

INTERPRETATION:

The level of significance from the correlation test was 0.02 which was lesser than 0.05. Thus, alternate hypothesis is accepted and it implies that there is a relationship between high returns being the major factor for investing in highly volatile investments and decreasing investment in conventional avenues due to the availability of high return yielding investment alternatives.

FINDINGS

- It has been observed that there is no association between age and interest in taking risks in order to earn better returns.
- The primary motivation for investing in high return-yielding alternative investments like crypto currencies and other such investments has a significant connection between interest in taking risks and objective of earning high returns.
- It was also discovered that the investment in traditional and less risky investment avenues decreased due to the preference of investors towards high return yielding investment alternatives.
- Investing in volatile investments rather than more traditional investment paths was driven primarily by high returns.
- During the pandemic, the majority of respondents chose to invest in shares, cryptocurrencies, mutual funds, gold, and post office deposits.
- Aside from that, investments like NFTs, ETFs, and REITs have not yet gained popularity since investors are largely unaware of its benefits.

SUGGESTIONS

- **For the bankers:** The banks should provide a diversified investment plans like asset management companies to their customers to fully utilise the investors idle funds held with the bank using expertise knowledge of the bank officials to reward both the bankers and the investors by huge returns. Also, the investors should be provided with a guarantee and detailed explanation regarding the investment diversification plans of the bankers provided to their customers.
- **For the Government:** The government should regulate all possible investment alternatives to ensure investors diversify their investments which diminishes the risk of losing money and idle capacity of funds with investors and also encouraging them to invest in investment avenues provided by government like SGB, NSC, PPF A/c’s, etc. Also, to make sure that investors are taking calculated and measured risks and are also taking risks based on their capacity, the government should raise knowledge about the benefits and drawbacks of all investment options through advertisements and awareness campaigns.

CONCLUSION

The investment pattern and preferences changed during the pandemic due to several factors such as the desire to take risks, the desire to earn higher returns, and the time factor assisting investors to learn about and invest in new investment alternatives. These changes differ from person to person because no two people have the same needs or circumstances. Some may require immediate funds where liquidity is critical, whereas others may be more conservative about investment options, and vice versa. However, the majority of the investors studied in this study were influenced by the pandemic to try out new investment alternatives such as crypto currencies, shares, and so on, where market conditions were very favourable to invest and earn huge returns. This study also concludes that investors of all ages were interested in diversifying their portfolios with a mix of conventional and unconventional investments, and they were willing to take risks during the pandemic. It also implies that people are well-versed in most, if not all, investment options and choose based on necessity and capacity, indicating the investors' financial literacy. As a result, the major factors influencing the investment decision were high returns, risk-taking capacity and interest, and the impact of the pandemic, which provided time to learn about the investments before entering into them and increased the need for a passive income due to job uncertainty.

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