

ANALYSIS OF INVESTMENT BEHAVIOR OF INVESTORS IN NAGPUR CITY - STUDY ON PRE AND POST COVID PANDEMIC

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Abstract

COVID-19 pandemic situation and measures implemented by Government changes the investment behavior of the people. According to Statista Research Department, due to the lockdown, many people were able to save money during year 2020, and most of the people lost their jobs and their whole savings due to the pandemic situation. This research paper is based on the investment pattern and behavior of the people in Nagpur city. The purpose behind this study is to identify the pre and post effect of pandemic on investment behavior of the investors in Nagpur City. For this study, both primary and secondary data has been collected. Primary data was collected through more than 180 respondents using structured questionnaire. On the basis of demographics, investment objectives categorization of individual investor was done. Secondary data was collected through various research papers, websites and articles. Impact of COVID-19 and restrictions implemented by the Government has changes the investment behavior of the individual investors. The study also finds the factors which influence the investor's decisions like income level of the investors, risk and return proportion and market experience. Future studies could be conducted to identify the initiatives taken by the financial institutions or policy makers during and after COVID-19 pandemic to enhance the participation of the investors in various schemes.

Keywords:

Investment Behavior, Decision Making Behavior, COVID-19

1. INTRODUCTION

Investment and savings play a very important role in economic development of the country. Therefore, the Government's primary objective is to mobilize the savings of the individuals by promoting attractive investment options [7]. COVID-19 pandemic adversely affects the economy of every country including India [10].

In India, investment options can be categorized into two i.e., financial and non-financial assets. Financial assets include, market linked securities like mutual funds and share market, etc. and fixed income options like, Fixed Deposits, Recurring Deposits, KVPs, NSCs, PPF, etc. Non-financial assets like Gold, real estate, etc. [1].

While choosing the investment plan, it is mandatory for the individual investors to match the risk profile with the risk of the product before investing. Impact of COVID-19 adversely affects the risk tolerance level of the individual investors [2].

Due to COVID-19 pandemic and restrictions implemented by the Government, most of the people lost their jobs and their whole savings (ILO-OECD, 2020). Now the individual investors prefer more secured investment options with moderate return and minimum risk [5] [9].

While making the investment decisions, investors mostly react to the market sentiments, fundamental analysis and technical

analysis. Investor uses all these three while making investment decision but their intensity may vary depending on the investment objective, experience and risk tolerance level [4].

1.1 OBJECTIVES

- To identify the changes in preference for the investment options of the investors, before and during COVID 19 pandemic.
- To identify the factors which affect investor's investment decision and risk tolerance level due to pandemic situation.

2. LITERATURE REVIEW

Arpita Gurbaxani [2] observed that, individual investors have been impacted by the measures taken for the COVID pandemic. According to hypothesis testing it was found that, the amount invested by the respondents in systematic investment plans was dropped by 43%. Decreased house hold income, fall in the share market, negative performance of the Mutual funds was the major reason behind the decreased investment. According to second hypothesis testing, it was found that, the most impacted individual investor during COVID pandemic was the businessmen. As per the third hypothesis, there were no correlation between the age and change in the amount of investment in SIPs. COVID Pandemic changes the perception of the individual investors. Now they prefer more secured options for the investment with moderate return and minimum risk.

Fanyi Wang [3] relation between individual investor's behavior and financial market was analyzed during this study. According to study, the factors which affects the variables includes, financial risk to tolerance and general risk to tolerance along with investor's risk perception, profitability and satisfaction. Rate of profitability mainly based on assessment of financial risk and it will change according to change in the financial risk tolerance. According to study, there was a positive impact of satisfaction on financial risk to tolerance and general risk to tolerance. Uncertainty of COVID pandemic moderated between satisfaction and general risk to tolerance and between rate of profitability and financial risk to tolerance.

Kannadas [6] found that, most of the aged investors do not prefer financial advisor while making investment decisions. The main reason for investing in the market was wealth creation, to earn return and for future requirements. According to study, most of the respondents prefer high return investment options though there is a risk involvement. Majority of the respondents preferred safety of their principal amount while making investment decisions. It was observed that, there is no significance relation between the impact of gender differences while making investment decisions and ability to invest. While making investment decisions, investors have their own priorities and

expectations according to which they would like to participate in the market for the investment.

Prithviraj [8] Observed that, investor's education is very important for the investment decision. Average level of investment behavior was found the investors in Coimbatore city. Investor's behavior at the time of investment is much better than that of pre and post investment behavior. Safety in investment was the most preferred aspect in fixed incomes. Capital appreciation was the most preferred aspect for long term investment.

3. RESEARCH METHODOLOGY

Study is based on both, primary and secondary data. Primary data was collected using the structured questionnaire. More than 180 Respondents were selected through convenience sampling method from Nagpur city. Individual investor was categorized on the basis of demographics, investment objectives and their risk tolerance level. Secondary data was collected through various research papers, websites and articles.

4. DATA ANALYSIS AND INTERPRETATIONS

Table.1. Demographic Profile of the Individual Investor

Variables	Particulars	Total	Percentage
Gender	Male	106	58.88%
	Female	74	41.11%
Age	<30	36	20%
	30-45	78	43.33%
	45-60	57	31.66%
	>60	9	5%
Education	HSC	0	0%
	Graduate	104	57.77%
	Post-Graduate	64	35.55%
	Other	12	7%
Profession	Salaried	84	46.66%
	Self-employed	63	35%
	Student	22	12.22%
	Housewife	11	6%
Monthly Income	<25k	42	23.33%
	25K-50K	53	29.44%
	50K-1 L	68	37.77%
	>1 Lakhs	17	9%
Marital Status	Married	144	80%
	Unmarried	36	20%
Family Type	Nuclear	138	76.66%
	Joint	42	23.33%
Family Size	2	6	3%
	2-4	52	28.88%
	4-6	96	53.33%
	>6	26	14.44%
Earning Members	1	59	32.77%

	2	74	41.11%
	3	31	17.22%
	>3	16	8%

Table.2. Investor's Purpose of Investment

Variable	Particulars	Total	Percentage
Purpose of Investment	Tax-Saving	36	20%
	Earn return	41	22.77%
	Wealth Creation	54	30%
	Future Requirements	49	27.22%

Table.3. Factors considered by the investors before investment

Variable	Particulars	Total	Percentage
Factors considered before Investment	Quick Maturity Period	31	17.22%
	High Risk High Return	42	23.33%
	Low Risk Low Return	48	26.66%
	Safety of Principal	59	32.77%

Table.4. Source of Information for the Investment

Variable	Particulars	Total	Percentage
Source of Information	Internet	43	23.88%
	News Papers	14	8%
	T.V.	9	5%
	Friends or Peer Investors	58	32.22%
	Financial Advisor	56	31.11%

Table.5. Risk Tolerance level of the Individual Investor before and during Pandemic

Variable	Particulars	Before Pandemic	During Pandemic	Percentage Change
Risk-Tolerance Level	High	32	26	-3.33%
	Medium	98	112	7.78%
	Low	28	32	2.22%
	Very Low	22	10	-6.67%

Table.6. Preferred Investment option of the individual investor before and during Pandemic

Variable	Particulars	Before Pandemic	During Pandemic	Percentage Change
Preferred Investment Option	Fixed Deposits	32	34	1.11%
	Recurring Deposits	16	17	0.56%
	PPF	12	12	0%
	Mutual Funds	33	35	1.11%
	Share Market	26	22	-2.22%
	Gold	22	21	-0.56%

	Real Estate	6	3	-1.67%
	Govt. Post office Schemes	14	15	0.56%
	Insurance Scheme	19	21	1.11%

Table.7. Preferred Mode of Investment before and during Pandemic

Variable	Particulars	Before Pandemic	During Pandemic	Percentage Change
Preferred Mode of Investment	SIPs	118	132	7.78%
	Bulk/ Lumpsum Investment	62	48	-7.78%

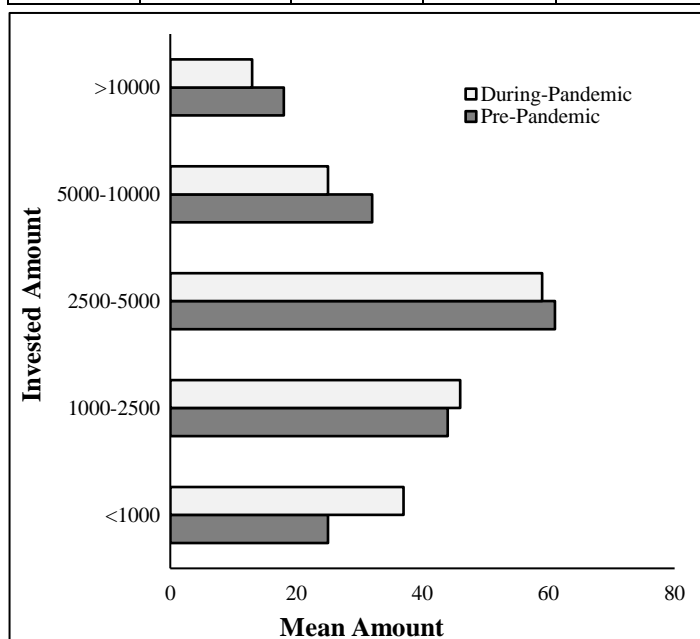


Fig.1. Mean Amount invested in SIP before and during Pandemic

5. FINDINGS

- The study found that, main purpose of the individual investor for the investment is wealth creation followed by future requirements.
- According to majority of respondents, safety of principal amount was the most important factor considered by the investors before making investment decision.
- Source for collecting the knowledge about investment, most of the respondents influenced by their friends or peer investors followed by involvement of financial advisors.
- COVID-19 pandemic impacted the individual investor’s risk tolerance level. Now the majority of respondents prefer medium level of risk with moderate returns.
- This study also found the most preferred investment option before pandemic is Mutual Funds followed by fixed deposits

and during pandemic also they are at the same position with positive growth of 1.11%.

- According to majority of respondents, investment through SIP option was the most preferred option than that of bulk or lump sum investment. It was same for pre and during pandemic situation also.
- Though most of the respondents prefer SIP option for the investment, but the pandemic situation changes their average invested amount. Now the investors invest less amount as compared to the amount invested by them before COVID pandemic situation.

6. CONCLUSION

COVID-19 pandemic impacted the investment behavior of the individual investors and also affect their risk tolerance level due to decreased household income and less savings. Now the investors prefer more secured options for the investment with moderate return and minimum risk. Measures taken by the state and central government like lockdowns, business closures and downfall in the share market also impacted the willingness of the investors to invest money in the market.

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