ISSN: 0974-5823 Vol. 7 No. 2 February, 2022

International Journal of Mechanical Engineering

"An Empirical study on analyzing Behavior and preference of the Indian Investors Behavior Towards Investment Avenues During Covid-19"

***Sheenam Gogia,** Research Scholar, Jagannath University, Jaipur

***Dr. Bhumija Chouhan,** Associate Professor, International School of Informatics and Management, Jaipur

Abstract

The ongoing coronavirus virus is a critical threat to not just the individual's health but also to the investors and their valuable investments. The long lockdowns have also impacted the Indian economy and different sectors. To fulfill the objective of investment, it is necessary to understand and have knowledge about the market and different avenues available in the market for investment purpose and also, risk linked with each avenue so, that investor can take proper investment decision, In the current scenario, Markets very volatile therefore, it is very necessary for the investors to study and analyze the market as where to park their money for the safety and getting good returns from their investments. Investors need to understand the avenues they should consider in this covid-19 pandemic. Thus, it has become an immediate need to carefully understand the behavior and preferences of the Investors of India. The present study analyzes the behavior and preference of the Indian Investors. The study is conducted on working class investors of Bangalore city. The study is conducted through primary survey using online questionnaire. Few criteria's have been considered for drawing the sample from the population. The study will help the financial institutions to adopt proper strategies to earn good profits by understanding the preferences and attitude of investors towards investment in amid covid-19.

Keywords: Avenues, Behavior, Covid-19, Investment pattern, Investors, Preferences.

Introduction

Behavioral finance is one of the field of finance that contains the combination of behavioral and cognitive psychological theory with conventional economic and finance to provide explanations for why people make irrational financial decisions. Even, this filed became very popular while dealing in stock market and while taking investment related decisions.

Behavioral finance is one of branch of finance that study how psychological and sociological factors impact the behavior of the investors and it also aids to understand why people buy or sell stock without doing fundamental analysis and behave irrationally while taking investment decisions.

Behavioral finance is the study of finance that studies how individuals make investment based decisions on emotions.

Behavioral finance seeks to understand how investor's emotions and psychology affect decisions of investment. It is the study of how people in general and investors in particular make communal errors in their financial decisions due to their emotions.

Investment is considered as the commitment of funds at present time getting, in expectation of some good rate of return in future. An investment is triggered with a wide range of investment avenues like bank deposits, real estate, small savings, life insurance schemes, bullions, commercial deposits, corporate security- bonds, mutual funds, and equity and preference shares. From all these investment avenues, saving bank deposits are safest and most preferred by the Indian investors.
For economic development, it is required to invest all the savings in a meaningful way. How much money is invested by people out of total savings, frequency of their investments, financial instruments in which they invest and risk aversion demonstrate investors behavior and investment pattern.

The entire world is facing uncertainty and hardship due to the exceptional COVID-19 pandemic. This virus came at a time when the worldwide economy was already facing tough times. Hence, in the given situation, it is important to take cautious actions, both preventive and corrective, to safeguard the interests of investors and their family. The virus had brought a lot of downfall in the economy and have increased the Panic among the investors too. It is also giving the money managers a hard time.

Saving and Investment are two important concepts in Finance. Saving is considered that part of the income that the investors keeps aside with financial institutions for meeting the expenses and emergencies in the future. It carries less or no risk and does not provide returns in reality. Whereas, Investment is buying of the securities from the financial market and investing in different investment avenues in order to get good returns, avail tax benefits, future growth and for retirement. It has been analyzed by various studies that even in today's scenario many of the individuals are still not aware of the importance of the investment and different and new modes of investment available in the market. Even, they think by investing their money they will face with high risk and will not get good returns. Thus, it is necessary to make them aware of the importance of the investment and about different avenues ranging from less risky to highly risky one.

For effective investment, it is very important for the investors to not to get panic and stay positive because one wrong decision can result in huge losses. Thus, it has become very important to carefully understand the investing scene in the current scenario and attitude of the investors as to understand how they behave while taking investment decisions. For the present study, investors of Bangalore city are taken into consideration.

.

Literature Review

(**Tejas Bannore, Dr. Vinita Ahire Kale, 2020**) A study was conducted in 2020 to investigate the conduct of the investors post Covid-19. For the conduct of research, data was collected from 98 respondents from Pune city. It was discovered that most of the investors of Pune city wants to liquidate their cash amid Covid -19 and they use to invest monthly from their annual income. Investors still preferred safe and risk free avenues.

(**R. Muneeswaran, M. Babu, J. Gayathri, 2019**) Investors' behavior varies with situation, time and need. The research was conducted in Tiruchirappalli District of Tamil Nadu and data was collected from 120 respondents. It was found that There was difference in attitude and responsiveness level of Male and female investors. Also, there was difference in attitude and responsiveness level of investors of urban and rural area and there was no relation between demographic factors like age, qualification, occupation, gender and their usage of information sources of the investment.

Hossain and Nasrin (2012) conducted a study in Bangladesh in which he concluded that the most important factors that influence investor retention are company-specific attributes/reputation, net asset value, accounting information, business prospects, profile-raising, the organization structure, influence of other people like family, friends, and personal finance requirements. A research was conducted by Hoffman in which he found out that investors who prefers high risk invest more in equities in order to earn high returns (Hoffmann et al., 2015). Ahmad in 2017 conducted a research in which it was concluded that broker recommendations and friends' opinions are major factors which are considered important while family member opinion is the least considerable factor for investors.

A research was conducted by **Statman in 2011** to analyze how the investor's decisions are basically uttered by investors' demand. He researched that investor's behavior shows the real reasons for the rise and fall of the price of the financial markets and also, he found out investors who are directly involved in the stock exchange are very rare as compare to institutional investors who are actually dominating the stock market.

In 2008, A study was conducted by **Manish Mittal** on finding out the factors which affects the investor's decisions while making investment. From the study, it was discovered that certain behavioral biases hinder their investment decisions which leads to systematic errors while taking investment decisions. Researcher have even tried to classify the investors on the basis of risk-return capability and type of investment they make. It was also found out that demographic factors like age, income, education, occupation and marital status affects the investment decisions and had an important role to play in decisions. Also, it was discovered that different personality traits also influence investors in decision making. It means investors with different personality behave differently and their choices of investment differs. Thus, the study classifies the Indian investors according to different personality traits and shows how different various demographic factors influence the investors and their personality in investment decision making process.

In 2006, A study was conducted by **Avinash Kumar Singh** for studying the Investment Pattern of the individuals in Bangalore and Bhubaneswar and also, pattern of the investment in both the cities were compared. From the study, it was discovered that the investors of Bangalore city were more aware of the investment, investment avenues, risk and return associated with different avenues and are mostly risk takers as compared to the investors of Bhubaneshwar who were risk averse and aware not much aware about different investment avenues, risk and return associated with different avenues. Investors of Bangalore prefers to invest in shares, mutual funds and other risky avenues but, the investors of Bhubaneshwar prefer to invest mainly in less risky Avenues-Bank deposits, Fixed deposits, Post office savings etc. A comparison was made between investors of both the cities.

In 2000, **Bandgar P.K** conducted a study on middle-class investors of Mumbai to analyze the preferences of the investors towards different investment avenues. For this, data was collected from the investors via questionnaire. From the study, it was discovered that investors of middle-class were not so knowledgeable about the investment avenues available in the market and also most of them lacs investing skills. Also, in comparison to male investors, Female investors invest more in risky avenues. Also, it was revealed that middle-class investors of Mumbai prefer to invest in avenues like Banks deposits, Debentures, insurance, Government schemes etc.

According to **Barber and Odean (2001**), It is believed that many of the Individuals have good knowledge and are experienced in taking financial decisions than the other one. A study had been conducted by Racciardi in 2007 in which research was done on finding out the influence of demographic factors of the investors and their behavior while making the investment decisions. He discovered the following points in the study. In comparison to females, males are more risk-takers. Married people avoid taking more risks as compared to unmarried people. Youths prefers high risks in the investment than the older people. Highly educated people prefers taking high risk in comparison to less educated people. Also, Investors who are having good knowledge and have good understanding of the market and investment avenues prefers to take more risks while investing than less knowledgeable individuals.

A study was conducted by **Jawaharlal in 1992** entitled "Understanding Indian investors". The study was conducted on total 1200 respondents who were either shareholders or debenture holders. Data was collected using questionnaire method. The results of the study revealed that investors generally prefer to have large portfolio of more than five companies. But, investors were not good at accounting and calculations.

A survey was conducted in 1999 by **ORG- Marg Research Organization** to analyze the “Choice of Investors towards different Investment avenues”. From the study, it was found that Bank deposits was the most preferred investment avenue among the investors. Also, Mutual funds were the least preferred investment avenue. Therefore, companies should take steps to make investors aware about the mutual funds investment. Post office savings, Bonds issued by Government, Insurance were also preferred by some of the investors. The factors which affects investors choice while selecting investment avenues were also studied. It was found that preference of the investors was based on factors like risk, return, liquidity, tax benefits, safety, growth etc.

Stern and Walter (1969) conducted a study “The Investment Scene- An overview”. From the study, it was identifying that there are two types of Investors-Aggressive and serious long-term investors. The aggressive investors are those investors who are young, knowledgeable and identifies risk and return associated before they invest. Also, they are not price-earnings ratio oriented. On the other hand, serious long-term investors are those investors who are interested in earning trends and are more price-earnings ratio oriented.

In 1977, A study was conducted by **Lewellen Wilbur et.al** in order to analyze the “Pattern of investment and behavior of the individual Investors”. A Study was conducted on 972 respondents residing in U.S. The result of the study shows that age of the investors played an important role and strongly influence investors decisions. Younger and Middle-age investors prefer short-term capital gains whereas old-aged investors prefer long-term capital gains. Also, it was found that young investors were ready to take more risk and invest in risky avenues as compared to other investors of different age group.

A research was conducted by **V.K Somasundaram** in 1999 on salaried people in Coimbatore district, the study was done to analyze the saving as well as investment pattern of the salaried people. The study was conducted to analyze the saving as well las investment pattern of the salaried people. The study also analyzes the attitude, awareness & the factors that has an impact on investors while they save & invest. Savings pattern, preferences of the investors, how do people save & invest all these factors were also analyzed & the results were interpreted. The results of the study showed the factors, which influence the investors decisions & problems faced by the investors.

Research Gap

Since, it’s an ongoing pandemic therefore, there are very few studies conducted and available related to the studying The Investment Scene – Understanding the Investors behavior and preferences amid covid-19. So present study is intended to study the investing behavior and pattern of the Investors in the current ongoing epidemic.

Objectives of the study

- To understand the behavior pattern of Investors in current pandemic.
- To analyze the best avenues available for investment in current scenario.
- To Know the preference of the investors amongst various investment avenues during Covid-19

Scope of the study

The study will attempt to study the investing pattern and behavior of investors in current scenario and will help in identifying how the investors are managing and considering their investments while making investment decisions.

Data Collection

For completion of the objectives under study, Primary data is collected from the selected investors of Bangalore city. Data is collected through open-ended online questionnaire from the respondents. The selected sample of investors are assessed for their investment and saving behavior. For collection of **secondary data**, journals and articles related to this subject are considered.

Research Design

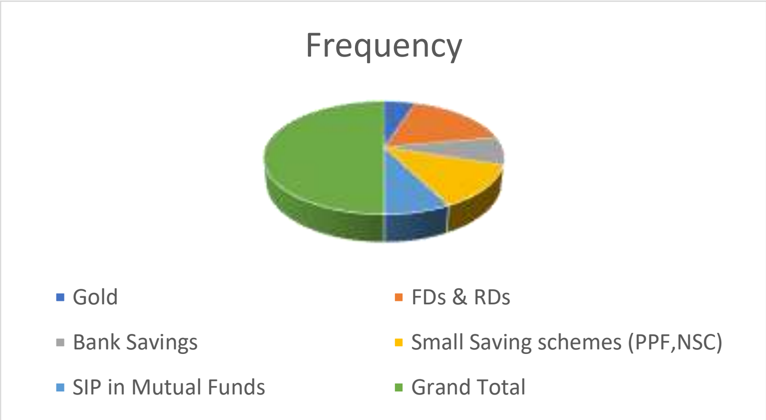
The study is descriptive study and is conducted with the help of questionnaires filled up by the respondents of Bangalore city. Judgmental sampling technique can be used for collecting the data from different investors of the selected city.

Sample Size: 100 Respondents from Bangalore City.

Data Analysis:

Most Preferred Investment option by the Investors in this current pandemic.

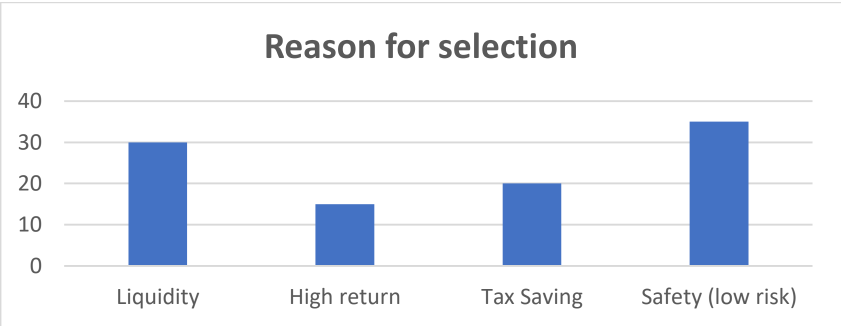
Investment avenue	Frequency
Gold	10
FDs & RDs	34
Bank Savings	16
Small Saving schemes (PPF,NSC)	25
SIP in Mutual Funds	15
Grand Total	**100**



Above table and graph revealed that the most of the investors had preferred investment in FDs & RDs and Bank savings followed by small saving schemes i.e. 34 respondents from the sample prefers to invest their investment in FD's and RD's., 25 respondents preferred small savings schemes. Few of the investors had preferred SIPs in mutual funds in this pandemic.

Reason for selecting the above investment avenues by the investors

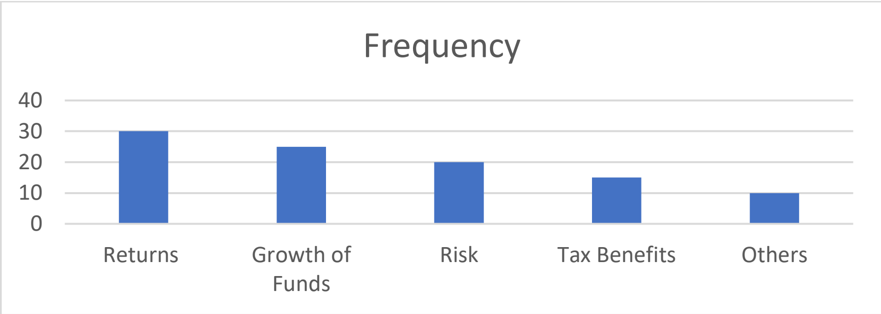
Reason	Frequency
Liquidity	30
High return	15
Tax Saving	20
Safety	35
Grand Total	**100**



Above table and graph revealed that most of the investors had considered safety and liquidity as the important for them while making investment decisions in this crisis amid covid-19. From the above graph, it is found out that 35 respondents from the sample considered safety as one of the very important factor while making investment decision and selecting avenues. From the total, 30 respondents considered liquidity as the reason for selecting the investment avenues and only few i.e. 15 respondents considered high return as the important for them for investment decision making.

Factors considered by the investors while making investment decision

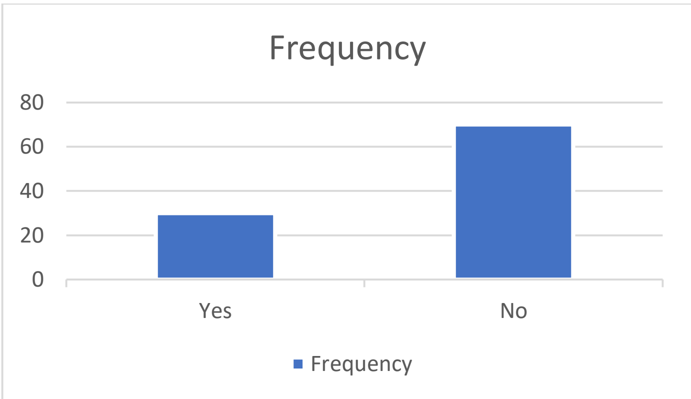
Factors	Frequency
Returns	30
Growth of Funds	25
Risk	20
Tax Benefits	15
Others	10
Grand Total	**100**



Above table and graph revealed that most of the investors had considered returns and growth of funds as important factors behind their investments in order to ensure overall financial wellness of their family. From the above, it is found out that from the total respondents, 30 of the investors had considered return as the important factor while making investment.

Impact of Covid-19 on Investment

Impact of Covid-19	Frequency
Yes	30
No	70
Grand Total	**100**



Findings

The Major findings from the study were that it is important to take concrete financial decisions, both preventive and corrective in order to guarantee financial wellness of the investor and his/ her family. From the study, it has been found out that investors are taking investment decisions very cautiously by considering the factors and the current market scenario. The Investors of Bangalore city in this pandemic are preferring the investment avenues like SIPs in Mutual Funds, Bank savings, FDs and Gold. Most of the Investors prefers safe and liquid investment options in this coronavirus pandemic. The main factors that most of the Investors considered while making investment decisions are returns and growth of funds. Also, It has been observed that most of the respondents feels that Covid-19 has not impacted their investments.

Suggestions

From the above study, the following suggestions may be worth considering while making investment in today's market amid covid-19.

- Investors should align their investment decisions with the changing reality.
- Investors should opt for particular investment avenue according to their preference and risk taking capacity.
- Investors should keep a close gaze at their financial records.
- The investor should monitor their investments and should tackle the current situation with financial prudence.

Limitations

- The sample size is small and is restricted to one city only.
- The study was also limited by its dependency on self-administered questionnaire**.**
- Time engaged for doing research is less.

Conclusion

"The Covid-19 pandemic is just a tough period and this too shall pass"

The ongoing covid-19 pandemic threated not only to the health of the people but also to their investments. Therefore, it is important to take right and corrective decisions as how to park the money for the safety and growth of the capital in the current scenario. It is concluded from the study that in this crisis, most of the investors of Bangalore city had preferred to invest or continue to invest in investment avenues like Bank savings, FDs and RDs, SIPs in Mutual funds. Investors of Bangalore preferred these avenues as these avenues are safe and highly liquid. Investors had also not considered exiting as the option as, they realize that crashes and crisis are an invincible part of the market and it shall pass soon. Most of the investors stays positive and maintain their investments instead of exiting.

References

1. A.K. Vashisht, R.K Gupta, Investment Management and Stock Market, Deep &Deep Publications Pvt. Ltd, New Delhi,2005, p.4.
2. C.R. Kothari, Research methodology: methods and techniques, Vishwa Prakashan, New Delhi, 1999, pp. 21-151
3. Bandgar P.K. (1998). A study of Middle Class Investor's Preferences for Financial Instruments in Greater Bombay. Doctoral Thesis Submitted to Saurastra University, Rajkot.
4. Dr. M. Ramesh and N. Geetha, ―A Study on People 's Preferences in Investment Behavior‖, IJEMR – November 2011-Vol 1 Issue 6 - Online - ISSN 2249 – 2585 - Print - ISSN 2249 – 8672
5. Funfgeld Brigitte and Wang Mei (2009), Attitudes and behavior in Everyday Finance: Evidence from Switzerland", International Journal of Bank Marketing, Vol.27, No.2, pp.108-128.
6. Hossain, & Nasrin. (2012). Factors Affecting Selection of Equity Shares: The Case of Retail Investors in Bangladesh. European Journal of Business and Management, 4(20), 110 – 124.
7. https://www.financialexpress.com/money/from-gold-to-mutual-funds-5-investment-avenues-to-consider-amid-the-coronavirus-crisis/1908728/
8. Jawaharlal, ―Understanding Indian Investors‖, Global Business Press, New Delhi, 1992
9. Lewellen.W.G. Lease R C & Schlarbaum G (1977). Pattern of Investment Strategy and Behavior among Individual Investors. Journal of Business, Vol. 50 pp 296-333
10. Mittal Manish, R. (2008). Personality Type and Investment Choice: An Empirical Study. The IUP Journal of Behavioral Finance, Vol. V, No. 3, 6-22
11. Rajarajan V (2000). Investor's Life style and Investment Characteristics, Finance India, VOl XIV, No.2, pp 465-478
12. Rekik, Yosra Mefteh, Boujelbene Younes (2013), Determinants of Individual Investors' Behaviors: Evidence from Tunisian Stock Market, Journal of Business and Management, Vol.8, Issue.2, pp.109-119
13. Statman, M. (2011). What Investors Really Want: Discover What Drives Investor Behaviour and Makes Smarter Financial Decisions (1st ed.). New York: McGraw-Hill, , NY.
14. Stern P. Walter, ―The Investment Scene – An Overview‖, Financial Analyst Journal, April 1969, p.309
15. Sultana. (2010). An Empirical Study of Indian Individual Investors behavior. Global Journal of Financial Management, 2, 19-33.
16. Tejas Bannore, Dr. Vinita Ahire Kale, "Investors Behaviour in Various Investment Avenues Post Covid 19", Journal of Seybold Report, VOLUME 15 ISSUE 9 2020, ISSN NO: 1533-9211.
17. V.K. Somasundaram, ―A Study on the Savings and Investment Pattern of Salaried Class in Coimbatore District‖, Ph.D. Thesis submitted to Bharathiar University, Coimbatore, 1999.