



IMPACT OF COVID-19 ON INVESTMENT PREFERENCES, INVESTMENT AWARENESS AND SAVING PATTERNS OF INVESTORS OF SMART CITY (WITH SPECIAL REFERENCE TO INDORE MADHYA PRADESH)

Dr. Jitendra Chouhan, Associate Professor, Commerce & Management Department, Idyllic Institute of Management DAVV Indore M.P. jitendrachouhan666@gmail.com

ABSTRACT

Investing money has become a very complex task because of huge number of savings and investment companies and products offered by them. 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. 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. Some of the financially aware investors have also grabbed this opportunity of the dip in the market and invested during the pandemic. This Research Study is proposed to know the Investment Preference, Investment awareness and Saving Patterns of Investors of Smart City after COVID-19 Indore Madhya Pradesh. Using the data collected from Around 200 Investors were directly interviewed using questionnaire and the result of the study is showing valuable work has been done. For this, a research was undertaken to find out the demographic variables, awareness & preferences of mutual funds, and shares have a significant impact on investor preferences. The awareness level of mutual funds and the stock market are the major variables contributing to Investors preference. Investors personal characteristics like knowledge, confidence, ability, responsibility, and belief negatively influence investor preferences. This study adds to the existing literature by analyzing investment awareness and saving patterns during the COVID-19. Examining the determinants of investors preferences is necessary to maintain a positive trend.

Keywords: - Investment Preference, Investment awareness, Saving Patterns, Investors, Covid -19, Smart City, Indore

I. INTRODUCTION

COVID-19 positive case in India was registered on 30th January 2020 (India Today). Cases have increased regularly and substantially ever since. With effect from 25th March 2020, the Government of India declared a three weeklong country-wide lockdown to restrict the number of cases due to the fast spread of the virus. During this period, all educational institutions, offices, public and tourist places, public utilities, religious places, and non-essential businesses and services (including retail establishments) were shut down. Modes of transport were also restricted. The lockdown was further extended from 15th April 2020 to 3rd May 2020, and then from 4th May 2020 to 17th May 2020. Indeed, the lockdown continued till 31st May after which services were restored in a phased manner. The COVID-19 pandemic has been considered a cause of systematic risk, hence, its impact on financial transactions must be examined. Financial Planning plays a crucial role in everyone's life. Investor must be clear about their future goals of being financially independent & strong. For an

efficient investment portfolio, investor should have enough knowledge, skills & risk averseness regarding investment. Investing is an emotional and enthusiastic activity where it is associated with necessities and dreams and when uncertainty rises it puts your planning for your need and dreams at stake. The COVID-19 shock was unprecedented in our lifetime; however so was our response. Investing activity in the pandemic has become more emotional experience for the investor because of the high volatility and unpredictability of the markets and the changed sentiments of the investors. The study has shown that Investors preferences are dynamic, they are influenced by investor behavior and external factors. This research has made an honest attempt to comprehend the of preferences of investors COVID-19 situations. Generally, Investors prefer asset classes that ensure constant and steady returns at minimum risk. Ultimately Investment is a rational decision that depends on the individual's risk appetite and return expectations arising out subjective assessment of multiple factors. The present research study is an attempt to highlight on savings and investment pattern of investors, their preference regarding various investment.

II. LITERATURE REVIEW

The impact of the COVID-19 outbreak has been repeatedly compared with the financial crisis of 2008, which has been extensively studied in interrelation and overabundance effect literature (e.g. Kenourgios et al. 2011; Bekiros, 2014; Luchtenberg & Vu, 2015; Yarovaya et al., 2016).

This pandemic has a serious impact on the economies of the nation hinting towards change in market dynamics. Abe (2020) in her report on 'Market Trends and D2C Opportunities in the COVID-19' observed trends such as from people raiding grocery store walkways to the cancellation of the world's most significant events and mandates for 'non-essential' businesses to be temporarily closed to prevent spread of infection. During the pandemic, people are spending less of their income on items perceived as nice-to-have or non-essential.

According to Khanooja (2020), Covid- 19 has affected crores of people worldwide and claimed lakhs of lives, leaving families broken and the world injured. Apart from its effects on the physical health of the people, it has also hit the economy where it hurts the most. It has affected the pockets of almost every stratum of the society leaving thousands jobless and without a steady source of income. As India took an aggressive stance to slow the spread of Covid 19, the economic activity came to a standstill and has brought it to its knees. With reduced mobility, and disrupted supply chain management, businesses across all sectors have had to scale down their operations, lay off employees or reduce salaries.

However, the trend is changing, and more young Indians are showing interest in high risky investments. It is apparent, in 2020, despite the economic uncertainty after COVID-19, investment in shares, mutual funds, and life insurance are witnessing a significant increase (Ravi, 2020; Financial Express Bureau, 2020). Due to the economic meltdown caused by the COVID-19 lockdown, businesses and income got heavily affected. Particularly, the salaried workforce was asked to work from home. Hence, the sudden change in the personal financial conditions and favorable working conditions made investors seek high rewarding investment options such as life insurance, mutual funds, and shares with different investment objectives. Further, investors consider different investment objectives while preferring an investment avenue.

Forbes (2020) examines the impact of crises on different generations and states that millennials witnessed three events: 9/11, during which nearly all of them were under the age of 18; the Great Recession (2008), when a few of them were either beginning their careers or about to complete their education; and now, the COVID-19 outbreak. Millennials are termed 'jobbaggers' who value purpose- driven work. Saving has never been high on their agenda, but with this pandemic, they will probably shift their priority to saving and stability.

III. RATIONALE OF THE STUDY

Recent COVID -19 related literature has focused on macro factors such as changes in stock markets, employment, fall in GDP, etc., but this study examines how the investment preference of individuals was impacted during the COVID-19 outbreak due to reduction in business income, loss of job, preserving cash for emergencies, etc. This paper studies the impact of such factors on the amounts invested. Comparing the results of this study with those of earlier crises related studies with respect to gender and investment preferences would provide deeper insights into the impact of the COVID 19 pandemic on investors preference and awareness for new understanding of the different dimensions to a crisis.

IV. OBJECTIVES OF THE STUDY

The purpose of the study to understand the Investment Preference, Investment awareness and Saving Patterns of investors of smart city Indore M.P. The overall objectives are as follows: -

- To Find out the Impact of COVID-19 on the Investment Preference of the Investors
- To Analyze the changes in Saving Patterns after COVID-19
- To Examine the investors awareness level after pandemic

V. HYPOTHESES

H0: Investment Awareness have no significant impact on Investor Preferences.

H1: Investment Awareness have a significant impact on Investor Preferences.

VI. RESEARCH METHODOLOGY

The present study used convenience sampling and followed the primary survey method. Respondents (male and female) were a group of investors. The participants belonged to Smart City Indore in the state of Madhya Pradesh (India) A well-structured questionnaire was framed and randomly circulated among 200 Investors. The common statistical tools used to study this data.

VII. RESULTS AND DISCUSSION

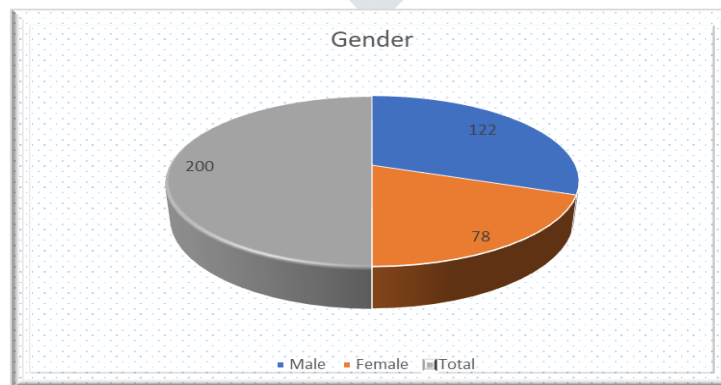
Descriptive Analysis of Demographic Characteristics

The Gender distribution of the respondents is as follows:

Gender of Respondents

	Category	Count	Percentage
Gender	Male	122	61%
	Female	78	39%
	Total	200	100 %

Gender of Respondents

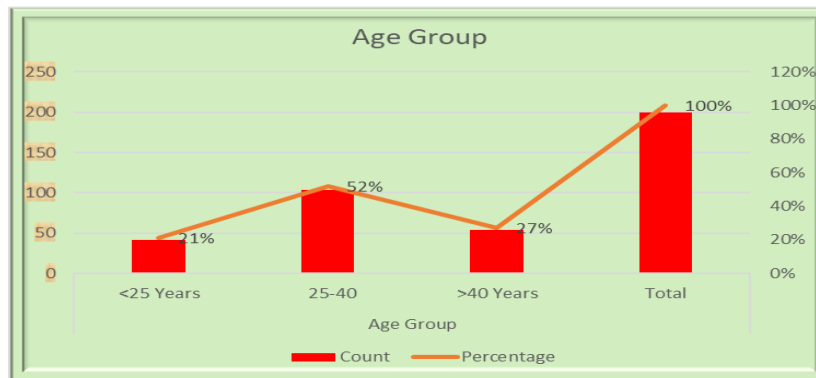


given above shows that 122 (61%) of the respondents in the sample were male while 78 (39%) were female. The number of respondents is representation of the target population.

Age Group of Respondents

	Category	Count	Percentage
Age Group	<25 Years	42	21%
	25-40	104	52%
	>40 Years	54	27%
	Total	200	100%

Age Group of Respondents

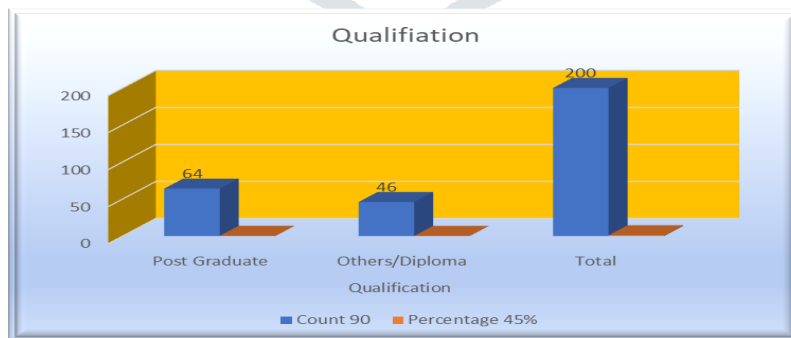


Shows that 21% respondents in the sample were below 25years, 52% respondents between 25-40 and 27% were above 40 years of age.

Education of Respondents

	Category	Count	Percentage
Qualification	Graduate	90	45%
	Post Graduate	64	32%
	Others/Diploma	46	23%
	Total	200	100%

Education of Respondents

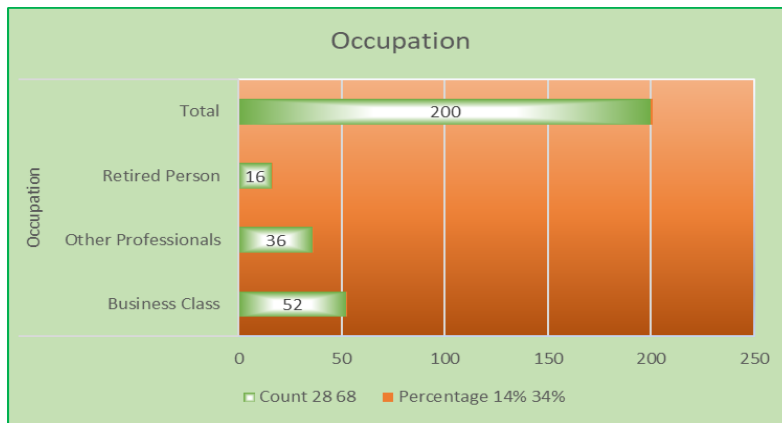


shows that 32 % respondents in the sample were holding the Post Graduate Degree, 45% respondents were Graduates and the remaining 23% were qualified in other disciplines.

Occupation of Respondents

	Category	Count	Percentage
Occupation	Student	28	14%
	Service Class	68	34%
	Business Class	52	26%
	Other Professionals	36	18%
	Retired Person	16	8%
	Total	200	100%

Occupation of Respondents

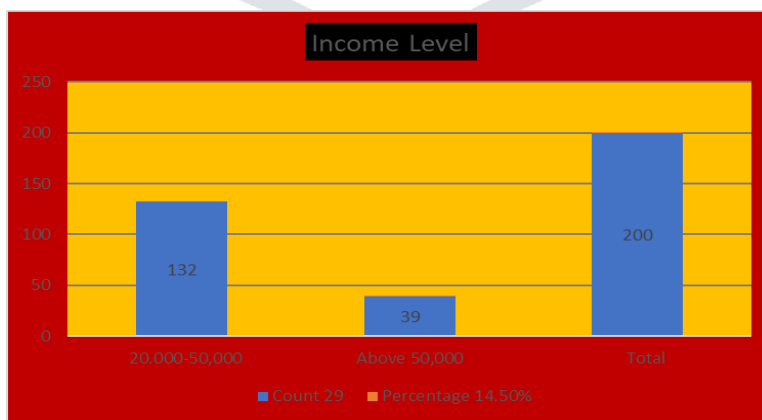


shows that 14 % respondents in the sample were students, 34% respondents were service class, 26% were from business class, 18% were from other professionals and the remaining 8% were from Retired Person

Income Level of Respondents

	Category	Count	Percentage
Income Level (Monthly Income)	Below 20,000	29	14.5%
	20,000-50,000	132	66%
	Above 50,000	39	19.5%
	Total	200	100%

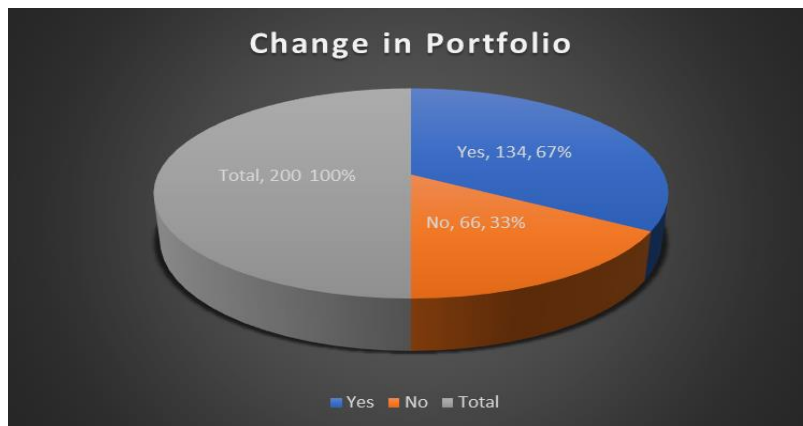
Income Level (Monthly) of Respondents



Shows that 14.5% respondents in the sample were having monthly income below 20,000/- 66% respondents were having between 20,000/-50,000/-, and the remaining 19.5% were having more than 50,000/- monthly income

Respondents willing to change their portfolio in COVID 19?

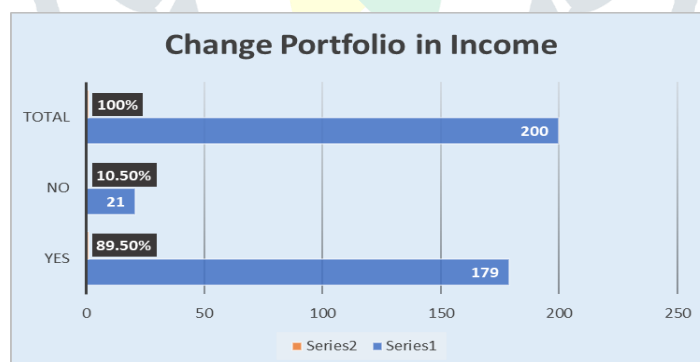
	Particulars	Count	Percentage
Change Their Portfolio	Yes	134	67%
	No	66	33%
	Total	200	100 %



The above table and graph show that majority (67%) of the respondents will change their portfolio in COVID 19. This indicates that the pandemic has a significant impact on the investment preferences.

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

	Particulars	Count	Percentage
Change Portfolio (Change in Income)	Yes	179	89.5%
	No	21	10.5%
	Total	200	100 %

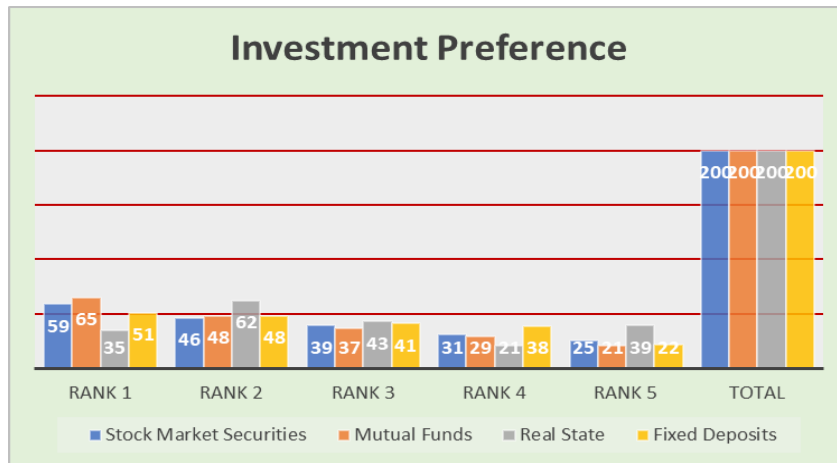


The above table and graph show that 89.5% of the people’s income level has changed during the pandemic which has impacted the investment preferences of the respondents. Therefore, income has a significant impact on the investment preferences.

Rate according to preference of investment COVID- 19

	Stock Market Securities	Mutual Funds	Real State	Fixed Deposits
Rank 1	59	65	35	51
Rank 2	46	48	62	48
Rank 3	39	37	43	41
Rank 4	31	29	21	38

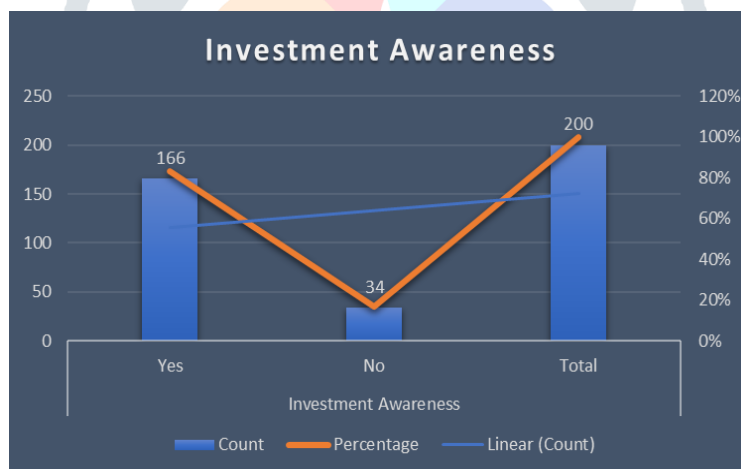
Rank 5	25	21	39	22
Total	200	200	200	200



According to the data collected, 65 respondents have ranked mutual funds as the top investment preference COVID19 followed by Fixed Deposits and Fixed Income Securities like PPF, debt funds, real estate were least preferred in COVID 19.

Investment Awareness after COVID-19

	Category	Count	Percentage
Investment Awareness	Yes	166	83%
	No	34	17%
	Total	200	100 %



It is observed that 83% of the investors are aware of Investment in Indore City while 17% of them are not that much aware of Investment.

VIII. FINDINGS AND SUGGESTION

From the data analysis, the researcher found that:

1. Covid – 19 has had a significant impact on Investment Preferences, Investment Awareness and Saving Patterns of Investors of Smart City
2. The preference rating scores across all three investment avenues i.e Gold, Real Estate and Equities are lower in post – covid scenario as compared to pre – covid scenario. This may be attributed to lockdown restrictions and reduction or loss of income due to job losses.
3. Here it can be said that a high number of smart city investors are aware of investment & saving pattern & prefer investing, the reason behind this is for emergency purpose & more liquidity.
4. The resident of Indore should consider things such as they should see beyond fixed deposit, savings A/C & home saving. They should have complete knowledge regarding awareness, pattern, risk, return & tax advantage

due to investment. Investment & saving organizations should tie up with various banks, as residents believe higher in banks as compared to direct investment & saving companies.

5. Qualification has not been a significantly influential factor pertaining to investor preferences of Covid-19. But, it is a significant factor and has had an impact on preferences towards “Others” Category before the outbreak of Covid – 19.

6. After the outbreak of Covid – 19, however Qualification is a significantly influential factor pertaining to investor preferences towards Real Estate, Equity and Others. The impact is not significant on preferences.

7. Income has not been a significantly influential factor pertaining to investor preferences towards Covid-19. But, it is a significant factor and has had an impact on preferences towards Real Estate and Equity before the outbreak of Covid – 19.

8. However, after the Covid – 19, Income is a significantly influential factor pertaining to investor preferences.

9. 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 not willing to take any short-term risks and want to shift their investments into less volatile and less risky avenues.

10. This change in portfolio is majorly due to changes in the income levels during the pandemic period. Job loss, salary cuts, low business/no business are some factors which have hampered the portfolio of investors.

IX. CONCLUSION

From this literature review on awareness of investment & savings pattern, the residents are required to study the investment and saving pattern for their future goal, this can be concluded that Investor preferences are dynamic. They are influenced by investor behavior and no of external factors. Covid – 19 was an unprecedented event that changed the paradigm of the entire world and has established a “new normal”. This research has made an honest attempt to comprehend the of preferences of investors. The impact of COVID 19 is huge and the economy is going to take time to completely recover from it. The BFSI sector was still thriving throughout the pandemic so the losses are 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 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. The positive impact of COVID-19 on increasing investment in shares, mutual funds, and life insurance requires examining the investment motives that drive investors towards these avenues. Study shows that the nature of the investment, investor personal characteristics, investor behavioral aspects, investor options, awareness of mutual funds, and shares are important determinants of investor preferences. Further, awareness of mutual funds and the share market highly influences investment preferences than other investment motives.

X. LIMITATIONS AND SCOPE FOR FURTHER RESEARCH

Limitations

1. The study has been limited selected investment avenues
2. This study is confined to only one city

Further scope for research

1. This study can be extended by including other investment asset classes such as “Bonds” and other fixed income securities etc
2. This study can be extended across different geographical locations

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