Investors' prefer regular hefty returns along with tax benefits in the post Covid years

PHD Research Bureau, PHDCCI and* Jagan Institute of Management Studies (JIIMS), Rohini *jointly undertook an important study* "Investment patterns and preferences of Indian retail investors: COVID as an influencer'*. The study has come up with significant findings.

The report was released in the presence of Dr. Vandana Kalia, Scientist "F", Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology, Government of India, during the 'Round Table Discussion on Strengthening University-Industry Linkages for promotion of Innovation and Employment held on 18th September 2024 at PHD House, PHDCCI, New Delhi.

The industry body conducted a study with the objectives to analyse the factors influencing the individual investments across various financial instruments and to compare the investor behaviors towards selected financial instruments in pre and post Covid years. The time period considered for the analysis includes two years of pre-pandemic (FY 2018-2020) and two years of post-pandemic (FY 2021-23).

A total of 6 financial instruments were considered to assess the changing investor preferences in pre- Covid and post Covid pandemic years including mutual funds, bonds, stocks, derivatives, gold and real estate. The questionnaire was based on multiple choice questions based on five factors including degree of risk, tax benefits, liquidity, degree of returns and regularity of returns (from Investment option).

India's capital market has witnessed a robust performance during the post Covid years supported by the strong regulatory environment, high growth of economy and investors' confidence on India's growth story

Going ahead, our capital market is seen with outstanding performance in the coming years, as India is going to be the 3rd largest economy soon and have a size of USD 7 trillion by 2030.

The aggregate analysis of the factors impacting the investment decision in various investment avenues in the pre-Covid years and post Covid period indicates diverging patterns. In pre-Covid times, the degree of returns and the regularity of returns guides the decision to diversify the portfolio. Conversely, in the post Covid pandemic years, tax benefits along with the degree of returns and regularity of returns influenced the investing decisions.

Further, a disaggregate analysis of each factor impacting preferences of investors in various financial instruments in the pre Covid and post the Covid pandemic period indicates changing patterns.

The investment in mutual funds was largely influenced by the degree of returns, regularity of returns and degree of risk in pre Covid time period. While, the post Covid period saw more influence of liquidity rather than degree of risk involved along with degree of returns and regularity of returns in the mutual fund investments.

Bonds have an inherent characteristic of being secure offering fairly reliable returns. In pre-Covid scenario, investors majorly preferred bonds due to the tax benefits offered by bonds. But after the Covid pandemic, the preference to invest in bonds is largely influenced by tax benefits along with liquidity and higher returns.

Stocks is a riskier form of investment avenue which is more volatile and can cause steep gains or losses. In pre Covid times, the preference for investment in stocks was primarily driven by the degree of returns which the stocks were anticipated to yield in addition to the liquidity. In post Covid times, the investors had categorized stock investments as high paying ones and were not looking for any other advantage like tax benefits, liquidity, etc from them.

Gold bonds or Sovereign Gold Bonds (SGBs) generally are a step by the government to graduate the investors from buying gold in physical form. Tax benefits and regularity of returns governed the decision to invest in gold bonds in both pre and post Covid times.

In pre-Covid times, while investing in real estate the investors considered its probability to be sold quickly as a major factor. In contrast, tax benefits and regularity of returns were important factors governing investment preferences in post Covid times.

The investment preferences for derivatives were largely governed by degree of risk, liquidity, degree of returns and regularity of returns. However, the post-tax benefits and regularity of returns turned into significant factors impacting the preference to buy by derivatives.

The report has been widely covered by prominent media houses.

Please find the link to access the detailed document on the same.
https://drive.google.com/file/d/1hEdr7ozC8PE7zXwJ-UyGipZXC6d5B3oZ/view?usp=sharing

Please contact for any query related to this mail to Ms Reema Jain, Research Officer at reema.jain@phdcci.in and to Ms Nishika Chauhan, Research Associate at nishika.chauhan@phdcci.in with a cc to Dr S P Sharma, Chief Economist | DSG at spsharma@phdcci.in and chiefeconomist@phdcci.in

Warm regards,

Dr S P Sharma

Chief Economist | DSG
PHD Chamber of Commerce and Industry
PHD House, 4/2 Siri Institutional Area
August Kranti Marg, New Delhi-110016, India
Tel: +91 49545454
Fax: +91 11 26855450
Email: spsharma@phdcci.in
Website: www.phdcci.in
Follow us on

ISO 9001:2015

"Voice of Industry & Trade"

NABET

PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India) • Tel. : +91-11-2686 3801-04, 49545454, 49545400
Fax : +91-11-2685 5450, 49545451 • E-mail : phdcci@phdcci.in • Website : www.phdcci.in, CIN: U74899DL1951GAP001947

Connect with us: Facebook YouTube Linked in