

Impact of Recession on Middle Class Investor in India: In View of Coronavirus Pandemic

Dr. Megha Mehta

(Senior Faculty)

(INurture Education Solutions Pvt. Ltd, ADYPU, Pune)

ABSTRACT

This paper analyses the effect of recession on middle class investor due to covid-19 pandemic. Middle class is the backbone of our Indian economy which has significant financial impact also and population with an annual income 2.5 lacs to 20 lacs is considered as middle class. The paper discusses in detail about investment behaviour of middle-class people, avenues of investment available and alternative investment opportunities in view of coronavirus pandemic and recession. From the study, it was found that mostly investors wanted to invest in fixed deposits and insurance and least in gold and real estate.

1. INTRODUCTION

Middle class is stratum which strengthens economy and lies in the middle of a social hierarchy. Investment is earnings of income and wealth through various approaches. In this current scenario, the fear of unknown is emerging and many businesses are facing financial crisis. So, investments depend on current earnings, professional and business background, dependent members in the family, social status and future prospects.

2. OBJECTIVES

- To identify the investment behaviour and avenues of investment of the middle class.
- To find out purpose of investment of the middle-class investor.
- To analysis the impact of covid 19 and recession on middle class population.
- To determine alternative investment opportunities due to recession.

3. METHODOLOGY

Study included sample size of 30 respondents for primary data collection using technique of simple random sampling. Data collected applying telephonic interview and WhatsApp tools in this lockdown period. A simple questionnaire was prepared which included questions relating to name, age, profession/business, annual income, savings and investment and type of instrument they wanted to invest in. Exploratory research method was used and secondary data has been taken from journals, internet, textbooks etc. Sometimes respondents hesitated to give information regarding annual income and alternative ways of investment.

Behaviour and Avenues of investment of Middle-Class Investor:

• Behaviour:

Behaviour of middle-class investor is largely influenced by trade cycle of recovery, boom, recession, and depression which in turn impact the GDP level and income and saving ratios. It is also affected by age, educational background, profession, type of business, security, amount of returns etc.

• Avenues of Investment

Investment is basically acquiring any financial product or commodity of certain value which has

anticipated advantageous future returns. Investment in financial instruments is great source of income which includes physical and financial investment. Physical investment incorporates gold and real estate. Financial investment consists of public and private bank deposits, mutual funds, shares and bonds, government operated saving schemes (PPF and NSC), insurance etc.

Impact of covid 19 and recession on middle class investor:

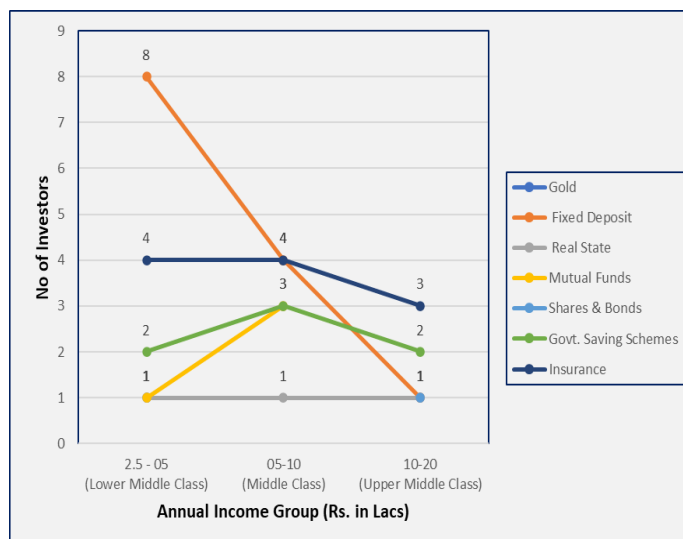
• **Data analysis and interpretation:**

Data analysis and interpretation was conducted by calculating number of investors and their percentage in various investment avenues and percentage of investment to total income. Also, analysis was done considering factors such as age and business / profession.

Income Group (Rs In Lacs)	Gold	Fixed Deposit	Real Estate	Mutual Funds	Shares & Bonds	Govt. Saving Schemes	Insurance
2.5 - 05 (Lower Middle Class)	4%	32%	4%	4%	0%	8%	16%
05-10 (Middle Class)	0%	16%	4%	12%	0%	12%	16%
10-20 (Upper Middle Class)	0%	4%	4%	0%	4%	8%	12%
Total	4%	52%	12%	16%	4%	28%	44%

Table 1: Percentage of Investors in varous investment avenues by middle class Income group during Covid 19

Table 1 reveals that among all respondents only 4% wanted to invest in gold and shares & bonds respectively. Highest 52% wished to utilize their funds in fixed deposits and 44% in insurance. 32% lower middle class and 16% middle class investors preferred fixed deposits followed by 16% and 16% respectively in insurance. 12% upper middle-class investors liked insurance and lowest 0% mutual funds.



Above graph shows that lower middle class wanted to invest highest (8 investors) in fixed deposits and lowest (1) in mutual funds and real estate. Middle class and upper middle-class preferred insurance highly (4 and 3) and real estate (only 1) slightly.

(Rs. In Lacs)

Income Group	Annual Income	Annual Investment	% of Investment to Total Income
Below 2.5	3.5	0.03	0.9%
2.5 - 05	36.24	0.2495	0.7%
05-10	34	0.645	1.9%
10-20	41	0.19	0.5%
20 - above	432	2.05	0.5%
Total	546.74	3.1645	0.6%

Table 2: Percentage of Investment to Total Income by Income group

Table 2 depicts that only 0.5% and 0.7% investment by upper and lower middle classes respectively. Highest 1.9% funded by middle class. Overall, only 0.6% investment to total income was observed.

4. FINDINGS

- Due to soaring rates of gold and diminishing trend in share market people didn't want to invest in gold, and shares & bonds.
- Moderate investment in real estate and mutual funds because of pre-existing commitments.
- Respondents highly preferred to invest in fixed deposit, insurance, and govt. saving schemes as they are safe and secure.
- Fixed deposits and insurance were highly preferred by all age groups and professionals, businessmen and practitioners. Real estate, gold and shares & bonds are least preferred amongst all age groups. Salaried persons had faith in govt. saving schemes also. Mutual funds were highly liked by businessmen.

Alternative Investment Opportunities

- All middle-class investors wanted to have cash or cash equivalents including bank accounts, commercial papers, short-term govt. bonds etc.
- Middle class businessmen didn't want to sell on credit and wanted to keep stock. They preferred to stock their products on low price and sell at higher prices whenever market will open. They were also interested in subsidized business opportunities.
- Lower middle-class salaried women wished to invest in VC (voluntary contribution) and Mahila Bachat Gat.
- New business aspirers of middle class had shown keen interest in PM's Aatmanirbhar Bharat Plan related to MSMEs.

5. CONCLUSION

During this scenario of covid 19 and recession, middle class investors were quite aversive towards investment because of already committed responsibilities. Still today, India's middle class is more optimistic, confident, and globalized. Thus, from above analysis we found that middle class investors highly wanted to invest in fixed deposits and insurance and very less in gold, real estate, and shares & bonds. They wanted to keep cash & cash equivalents as alternative for contingencies.

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