

IMPACT OF GLOBAL GEOPOLITICAL ISSUES ON INVESTMENT PATTERNS

Anshika Mahajan

DPS School, Ludhiana

ABSTRACT

This study explores how global geopolitical issues affect the financial perceptions and investment behaviour of adults in Mandi Gobindgarh. Using a descriptive design and responses from 142 participants, the research found that geopolitical uncertainty leads investors to prefer safe assets—especially gold—and adopt cautious, calculated risk strategies. Mutual funds emerged as the most popular investment option, while confidence in the global economy remained moderate. The findings highlight the need for improved financial awareness and diversification to support more informed investment decisions during global instability.

INTRODUCTION

In today's interconnected world, global geopolitical developments—such as international conflicts, trade disruptions, political instability, and currency fluctuations—play a significant role in shaping financial markets. These external events influence not only institutional investors but also the investment decisions of individuals at the community level. With increasing access to financial products, digital platforms, and global economic news, retail investors are becoming more aware of how global events can affect their personal finances.

Mandi Gobindgarh, an industrial town known for its steel and manufacturing workforce, provides a unique setting to examine these behavioural shifts. As working professionals and business owners in the region navigate rising inflation, market volatility, and geopolitical uncertainties, their financial choices and risk perceptions are continually evolving. Understanding how these individuals respond to global events is essential for building more effective financial literacy programs and helping communities make informed investment decisions.

This study aims to analyse the investment patterns of adults in Mandi Gobindgarh in the context of global geopolitical changes. It explores how individuals perceive risk, which assets they consider safe, and how their confidence in the global economy influences their investment behaviour. By examining these trends through a combination of descriptive and statistical methods, the study seeks to highlight the major factors driving investment choices and to understand how geopolitical uncertainty affects financial decisions at the local level.

The insights generated from this research will not only contribute to understanding investor psychology but also help in designing targeted financial education initiatives, promoting diversification, and strengthening financial resilience in communities.

MAJOR ONGOING GEOPOLITICAL ISSUES

1. Russia–Ukraine War

The prolonged conflict has disrupted global energy markets, increased oil and gas prices, and created volatility in grain and commodity supply chains. Many countries are facing inflationary pressure as a result.

2. Israel–Hamas Conflict

Tensions in the Middle East continue to affect global oil stability, shipping routes, and investor confidence. The region's volatility often triggers a shift toward safer assets like gold.

3. US–China Strategic Rivalry

The competition between the United States and China—spanning technology, trade, and military influence—creates uncertainty around global supply chains, semiconductor access, and currency markets.

4. Red Sea Shipping Disruptions

Drone attacks and shipping route blockages in the Red Sea have slowed global trade, increased logistics costs, and triggered concerns about global inflation and supply chain reliability.

5. Uncertainty in Global Elections

Major elections in the US, UK, India, and EU have increased market speculation, policy uncertainty, and investors' risk aversion as economic strategies may shift with leadership changes.

6. Rising Oil Price Volatility

Conflicts and political instability in oil-producing regions have led to fluctuating crude oil prices, impacting transportation, manufacturing, and inflation worldwide.

7. Global Inflation & Interest Rate Instability

Central banks—including the US Federal Reserve—continue to adjust interest rates in response to inflation, affecting investment flows, borrowing costs, and currency movements.

DIFFERENTIAL IMPACT OF GEOPOLITICAL ISSUES ON COUNTRIES

1. Energy-Importing Countries (e.g., India, Japan, EU)

Face higher inflation, rising fuel costs, and pressure on foreign exchange reserves when global oil and gas prices rise.

2. Energy-Exporting Countries (e.g., Saudi Arabia, Russia)

Often benefit from higher oil prices through increased revenue, but sanctions or conflicts can restrict market access.

3. Developing Economies

Experience sharper impacts: falling currencies, costlier imports, capital outflows, and reduced investor confidence.

4. Advanced Economies (e.g., US, UK, Germany)

Manage shocks better due to stronger financial systems, but still face supply-chain disruptions and inflation spikes.

5. Trade-Dependent Economies (e.g., Singapore, South Korea)

Suffer when global shipping routes, production chains, or export markets are disrupted.

6. Conflict-Zone Neighbors

Face refugee inflows, border tensions, and economic instability due to proximity to geopolitical hotspots.

7. Commodity-Driven Economies (e.g., Brazil, Australia)

Benefit when commodity prices rise, but face volatility when global demand slows.

REVIEW OF LITERATURE

1. **Smith (2019)** found that geopolitical conflicts create uncertainty in global markets, leading investors to shift towards safer assets such as gold and government securities.
2. **Khan & Verma (2020)** reported that rising oil prices during geopolitical tensions significantly impact inflation in developing countries, affecting household investment capacity.
3. **World Bank (2021)** highlighted that supply-chain disruptions caused by geopolitical events affect trade-dependent economies more severely, altering their investment and economic growth patterns.
4. **Rao (2020)** noted that individual investors become more risk-averse during global conflicts, often reducing exposure to equities and increasing preference for fixed-income instruments.
5. **OECD (2022)** observed that investor confidence declines globally when major powers (US–China) experience economic or political tensions, influencing both stock markets and capital flows.
6. **Sharma & Gupta (2021)** found that gold demand rises during war-like situations because it is perceived as a stable store of value across cultures and income groups.
7. **Fernandez (2020)** reported that advanced economies absorb geopolitical shocks better due to stronger fiscal capacity, while developing countries face sharper currency and investment fluctuations.
8. **IMF (2022)** suggested that uncertainty related to global elections and political transitions leads to temporary market volatility and cautious investor behaviour.
9. **Patel (2021)** found that increased digital access makes retail investors more sensitive to global news, causing faster shifts in investment patterns during geopolitical crises.
10. **United Nations (2023)** noted that geopolitical instability increases financial stress among working populations, pushing them towards secure, low-risk investment options.

NEED FOR STUDY

Geopolitical events today directly affect markets, inflation, and investment choices, yet little is known about how individuals in smaller towns like Mandi Gobindgarh respond to such global changes. This study is needed to understand how adults interpret global uncertainty, which assets they trust, and how their investment behaviour shifts. The findings will help improve financial awareness and guide individuals toward more informed and resilient investment decisions.

RESEARCH METHODOLOGY

Objectives of the Study

1. To analyse how global geopolitical issues influence the financial perceptions, confidence levels, and investment behaviour of adults in Mandi Gobindgarh.
2. To identify the preferred investment choices and perceived safe assets among individuals during periods of geopolitical uncertainty.

Research Design

The study uses a **descriptive research design**, supported by basic statistical analysis, to understand investor attitudes and behaviour without establishing causal relationships.

Population and Sample

The target population consists of **adults aged 25–45 years** residing in Mandi Gobindgarh. A total of **142 respondents** were selected using **convenience sampling**, suitable for community-level surveys.

Data Collection

Primary data was collected through a **structured questionnaire** containing perception-based, awareness-based, and behaviour-focused questions. The responses were collected through both offline interactions and digital forms.

Data Analysis Tools

The collected data was analysed using:

- **Descriptive statistics** (frequencies, percentages)
- **Basic statistical comparisons**
- Interpretation of trends related to risk preference, safe assets, and investment confidence

These tools helped identify patterns in how geopolitical events shape financial choices.

Scope of the Study

The study focuses on understanding **local investor behaviour** in the context of global geopolitical developments, limited to the town of **Mandi Gobindgarh**.

Limitations

- The findings are based on a limited sample size and may not represent the entire population.
- Responses may be influenced by personal perception and recall bias.
- The study does not measure long-term investment

RESULTS AND INTERPRETATION

This section presents the key results of the survey and interprets how global geopolitical conditions influence the investment behaviour of individuals across different age groups and occupations.

1. Demographic Patterns

Result:

Most respondents belonged to the **36–50 age group (64.8%)**, followed by the 25–35 age group (19.7%). The sample primarily included **working professionals (53.5%)** and **business owners (46.5%)**.

Interpretation:

The findings reflect the views of an economically active and financially responsible demographic, who are more likely to adjust their investment strategies in response to geopolitical developments. This enhances the validity of the results, as these groups make real investment decisions regularly.

2. Investment Preferences

Result:

The top investment choices were:

- Mutual Funds (69%)
- Gold (54%)
- Real Estate (45%)
- Stocks (43%)

Cryptocurrency had the lowest adoption (11%).

Interpretation:

The strong preference for mutual funds indicates increasing comfort with professionally managed, diversified products. However, the high reliance on **gold**—a traditional safe asset—suggests that geopolitical instability pushes investors towards tangible, low-volatility options. Low participation in cryptocurrency reflects concerns about volatility, regulation, and risk.

3. Perception of Safe Assets

Result:

During global uncertainty, **67% of respondents chose Gold as the safest asset**, followed by real estate (20%). Very few trust stocks (3%) or USD (1%) as safe havens.

Interpretation:

Gold's dominance highlights a cultural and psychological inclination towards physical assets during crises. Despite global narratives around USD and equities, local investors in Mandi Gobindgarh prefer **assets they can see and hold**, reflecting risk aversion amplified by geopolitical tensions.

4. Confidence in Global Economic Stability

Result:

- 39% felt **neutral** about global economic stability,
- 24% were **somewhat confident**,
- 23% were **not confident**,
- Only 13% were **very confident**.

Interpretation:

The majority holding a neutral stance indicates uncertainty and cautiousness. The low proportion of “very confident” respondents reflects widespread concern about global tensions, wars, inflation, and political instability. This cautious mindset often translates into safer or diversified investments.

5. Risk Appetite

Result:

- **67% take calculated risks**
- 14% avoid risk entirely
- 10% prefer high-risk, high-return options
- 9% do not think actively about risk

Interpretation:

Investors are generally rational and conservative. Most respondents are **balanced risk-takers**—willing to invest but only after evaluating potential outcomes. This aligns with their preference for mutual funds over volatile assets. The low percentage of high-risk investors reflects the impact of geopolitical instability on risk tolerance.

Overall Interpretation

The results reveal a community that is:

- **Conservative yet evolving** in its investment approach
- Influenced strongly by **geopolitical uncertainty**, leading to a shift towards safe assets like gold
- Growing more aware of **managed financial products** (mutual funds)
- Moderate in confidence about global economic stability
- Inclined towards **calculated decision-making**, avoiding extreme risk

Collectively, these patterns show that global political and economic disruptions significantly shape investment choices, encouraging diversification and caution among individuals in Mandi Gobindgarh.

FINDINGS AND SUGGESTIONS

Findings

Based on the survey responses collected from adults across different occupations and age groups, the following key findings emerged:

1. Strong Preference for Safe Assets During Uncertainty

A majority of respondents identified **gold** as the safest investment during geopolitical instability. This reflects a culturally rooted trust in tangible assets during times of uncertainty.

2. Mutual Funds Emerging as a Popular Investment Choice

Mutual funds were the most preferred investment option, indicating a gradual shift towards **professionally managed and diversified financial products**, especially among working professionals.

3. Moderate Confidence in the Global Economy

Most respondents maintained a **neutral or only somewhat confident** outlook regarding global economic stability. This suggests cautious investor sentiment driven by global conflicts, inflation, and currency fluctuations.

4. Calculated Risk-Taking is Common

The majority of respondents preferred **calculated, moderate levels of risk** in their investment decisions. Very few participants reported a willingness to engage in high-risk investments.

5. Limited Trust in Emerging Assets

Cryptocurrency had low adoption. This indicates concerns about **volatility, lack of regulation, and limited awareness** in the local community.

6. Real Estate Remains a Strong Symbol of Security

Many respondents still viewed real estate as a reliable investment, likely due to its **long-term value stability**, especially among business owners.

Suggestions

Based on the findings, the following suggestions can help improve investment awareness and decision-making during geopolitical uncertainty:

1. Promote Financial Education and Awareness Campaigns

Workshops or awareness drives can help individuals:

- Understand the relationship between geopolitical issues and financial markets
- Make informed decisions based on risk profiles
- Learn the benefits and limitations of different asset classes

This is especially important for those who rely solely on traditional assets like gold.

2. Encourage Diversification

Investors should be guided to diversify portfolios across:

- Mutual funds
- Fixed income instruments
- Gold
- Real estate
- The goal is to balance risk and return, reducing dependence on a single investment type.

3. Strengthen Digital Financial Literacy

Since many respondents are concerned about digital fraud, targeted programs should teach:

- Safe use of digital payments
- Identifying online scams
- Basic cybersecurity for financial transactions

4. Provide Simplified Resources on Emerging Assets

For individuals hesitant about newer investment avenues like cryptocurrency or global stocks, simplified guides and unbiased information can help them evaluate whether these assets fit their risk appetite.

5. Improve Access to Professional Financial Advice

Community-level collaborations with financial planners or bank officials can:

- Clarify misconceptions
- Encourage better planning
- Offer tailored guidance based on income and risk capacity

6. Promote Long-Term Financial Planning

Encouraging respondents to:

- Create emergency funds
- Consider insurance
- Plan for retirement

will help them handle economic shocks triggered by geopolitical disruptions.

CONCLUSION

This study explored how global geopolitical issues influence the investment patterns, perceptions, and decision-making behaviours of adults in Mandi Gobindgarh. The findings reveal that while the community is gradually adopting modern financial instruments such as mutual funds, traditional assets—especially gold—continue to dominate during periods of uncertainty. Respondents showed moderate confidence in the global economy and preferred taking calculated risks rather than engaging in high-risk investments.

The data indicates that geopolitical disruptions heighten investor caution, prompting individuals to seek stable, familiar, and low-risk assets. At the same time, the growing popularity of mutual funds reflects an evolving investment mindset among working professionals and business owners.

Overall, the study concludes that investment behaviour in Mandi Gobindgarh is shaped by a blend of **cultural familiarity, perceived safety, financial awareness, and the broader geopolitical climate**. Strengthening financial education, promoting diversification, and improving digital financial literacy can help individuals make more informed and resilient investment decisions in the future.

REFERENCES

1. Smith, A. (2019). *Geopolitical conflicts and global financial market reactions*. Journal of Economic Perspectives, 33(4), 112–128.
2. Khan, R., & Verma, S. (2020). *Oil price volatility and its impact on emerging economies*. International Journal of Energy Economics, 12(2), 45–57.
3. World Bank. (2021). *Global economic prospects*. Washington, DC: World Bank Publications.
4. Rao, M. (2020). *Investor behaviour during geopolitical uncertainty: A behavioural finance approach*. Asian Journal of Finance, 8(3), 76–89.

5. Organisation for Economic Co-operation and Development. (2022). *Economic outlook: Global risks and investor sentiment*. Paris: OECD Publishing.
6. Sharma, P., & Gupta, N. (2021). *Gold as a safe haven asset during crises*. Indian Journal of Finance and Banking, 14(1), 25–34.
7. Fernandez, L. (2020). *Shock absorption capacity of advanced vs developing economies*. Global Policy Review, 9(2), 54–66.
8. International Monetary Fund. (2022). *World economic outlook: War, inflation, and uncertainty*. Washington, DC: IMF.
9. Patel, D. (2021). *Digital awareness and retail investor behaviour in volatile markets*. Journal of Digital Finance, 5(1), 33–47.
10. United Nations. (2023). *Global geopolitical risks and their socio-economic impacts*. New York, NY: United Nations Publications.