

Impact Of Covid 19 On Investment Behavior.

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ABSTRACT

The purpose behind this research study is to understand how the Covid-19 pandemic has impacted investment behavior of investors. A literature review was undertaken on Covid-19 pandemic. A sample survey was conducted to determine the impact of Covid-19 on investor's investment behavior. The respondents either belonged to the salaried person, self-employed/ Business, students, retired person. The relationship between the COVID 19 and change in investment behavior of investors with respect to multiple investment option (SIP, Mutual Fund, Public Provident Fund, Fixed Deposit, Commodities, Equity market, Bonds, Senior citizens saving scheme) was studied. To prevent the spread of Covid-19 government do various things like lockdown, travel restriction so it impacted on individual's income and saving as well as investment behavior of investors. In this research study respondent reported a 83% investors thinks COVID 19 impacted on their investment behavior. The overall market factors are the most important factors that affecting an investor's investment decision. More specifically the study findings showed that high risk, uncertain return, saving and stability, economic condition, un-availability of finance, interest rate, Government policies are the most considerable factors that influencing for the investment option selection process of investors.

Keyword: - Covid 19 , Impact, Investment Behavior , etc....

1. Introduction

The outbreak of COVID-19 significantly disrupted human life. Government take measures to fight with pandemic included social distancing, self-isolation, shutting down of institutions and establishments, restricting modes of transport, and nation- wide lockdowns. While such steps seemed necessary considering the fact that this was a novel disease with no known cure, the impact on economic activity around the globe was significant.

The first COVID-19 positive case in India was registered on 30th January 2020 (India Today). Cases have increased regularly and substantially ever since. The Government of India declared a three weeklong country wide lockdown with effect from 25th March 2020, 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 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. The lockdown continued till 31st May after which services were restored in a phased manner. With the protracted lockdown and restricted economic activity, the economy witnessed an extended period of slowdown, millions of jobs were lost, and businesses severely hit. Investors lose over Rs 4.54 L corer as markets crash. The 30- share BSE index was trading 867 points or 1.73 percent. Lower at 49,163, while the broader NSE Nifty was down 228 points or 1.50 percent at 14639. The covid-19 financial impact has been seen negative and led to- a rise in unemployment

rates, crash in GDP, National Statistical office recorded a contraction of -23.9% of India GDP rate, covid-19 personal finance impact has seen a sharply increase, covid-19 also impacted on savings and investments. The investing money into various avenues such as stock market, mutual fund, equity, real estate, fixed deposits etc. has impacted. The COVID-19 pandemic has been considered a cause of systematic risk, hence, it's impacted on financial transactions and impacted on investment behavior of investors.

The outbreak of COVID-19 significantly disrupted human life. Government take measures to fight with pandemic included social distancing, self-isolation, shutting down of institutions and establishments, restricting modes of transport, and nationwide lockdowns. While such steps seemed necessary considering the fact that this was a novel disease with no known cure, the impact on economic activity around the globe was significant.

1.2 Literature Review

We carried out a literature review to how covid-19 impacted on financial market, saving of individual, income of household and investment decision of individual. The findings from the literature review are presented below-

1. Stock market crash and expectation of American household, Hudomiet, Kezdiand Willis in 20110-

The above author stated that in their report, by financial crises of 2007-2008 affected individual investors .Due to Market volatility individual investors change their perception and attitude . This paper utilizes data on subjective probabilities to study the impact of the stock market crash of 2008 on households' expectations about the returns on the stock market index.

2. Patterns of Investment Strategy and Behavior among Individual Investor Lewellen, Lease and Schlarbaum (1997)-

According to the above author age, gender, earning and literacy factor influenced investor's choice for capital gain, total income and dividend income.

3. Statista.com, 2020-

In above website's report of the 2020, stated that due to pandemic situation and by the lockdown and covid-19 outbreak, the household income was impacted. The household of income of India decline by 9% in late February to 45.7 % in mid-April 2020.

4. How are Indian households coping under the covid-19 lockdown? Marianne Bertrand, Kaushik Krishnan and Heather Schofield (11 May, 2020)-

The above authors indicated that the how covid-19 impacted on employment of people, the unemployment rate touched 25.5% on May 5, from 7.4% on March 2021, during covid-19 pandemic 2020. During the May 5 to March 21 the rate participation of labour force dropped by 6.6 % which are further impacted on income individual and household . In this report stated that covid-19 impacted negatively on household income, with nearly 84 % of Indian households reporting decreases in income since the lockdown.

5. BW Business World (11 May ,2020 By S Ravi)-

According to news published in business world Covid-19 impacted on the Indian stock Market. The Indian stock market witnessed a fall. BSE SENSEX dropped by 29894 points on 8 April 2020, which stood at 42273 points on date 20 January 2020. Nifty 50 fell by 38%. The other sectors also impacted by covid-19 such as hospitality, tourism, and entertainment sectors impacted and fell by over 40%.

6. The current global financial crisis: Do Asian stock markets show contagion or interdependence effects? Lucia Morals and Andreosso-O'Callaghan (2012)-

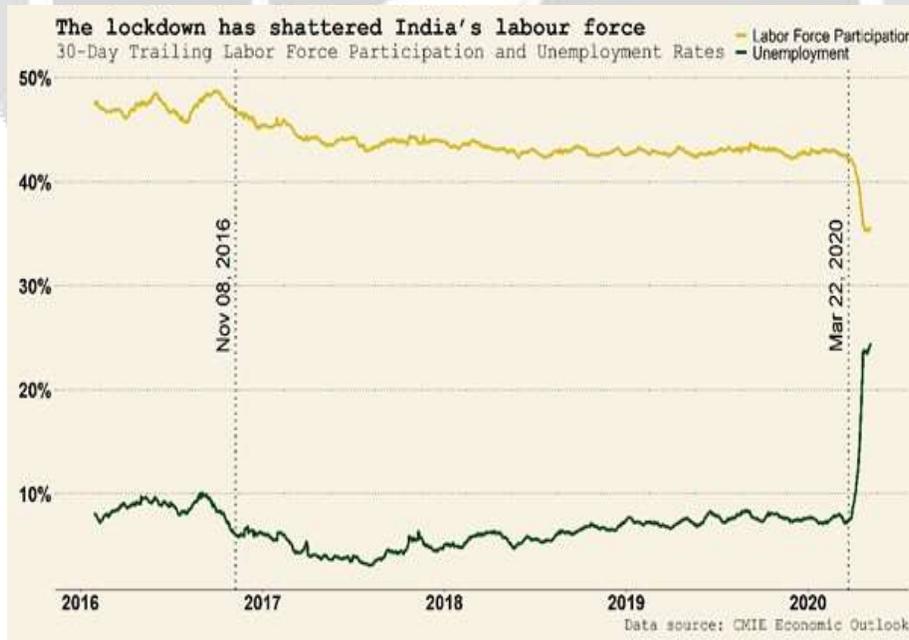
The above author stated in their report the global stock market is highly interdependent with pandemic crises. The pandemic situation resulted to negative change in investors' behavior or sentiments towards investing in stock market.

7. COVID-INDUCED ECONOMIC UNCERTAINTY, Baker et al. (2020)-

From the study of above authors' reports it has found that during covid-19 (pandemic and uncertainty) investors' perception change towards investing into share market and bank. They also stated the reason behind the fall of shares, oil, equity and bonds throughout the world is the result covid-19 pandemic.

8. Corona virus- Economic & Credit Market implication, S & P Global Report 2020-

In S and P global report of 2020 highlighted about all international organizations who reported about covid-19 that, the covid-19 affected the global economy, the reconstruct the economy and its restoration will also be tough. In above report stated that whole world should need to stand together to overcome this pandemic situation.



9. COVID-19 Financial Impact, By Knowledge Team, Sep 28, 2020-

In the above report stated that impact of Covid-19 has impacted on Indian market. And how can covid-19 affect financial goals? The covid-19 financial impact has been seen negative and led to- A rise in unemployment rates, crash in GDP, National Statistical office recorded a contraction of -23.9% of India GDP rate, covid-19 personal finance impact has seen a sharply increase, covid-19 also impacted on savings and investments. The investing money into various avenues such as stock market, mutual fund, equity, real estate, fixed deposits etc has impacted.

The loss of jobs has led to decline in investment, insurance premium to rise as a consequence of covid-19 economy loss, covid-19 impacted on increasing in insurance premium in existing insurance policies, several insurance company have put the burden of covid-19 economy loss on policyholder.

1.3 OBJECTIVE

- To understand the impact of Covid-19 on change in investment behavior of investors.
- To identify the factors to change investors investments behavior of individual during Covid-19
- To understand what is broad economic outlook of investors during Covid-19

1.4 Research Methodology

Research methodology is the procedure which used to identify, select, process, and analyze information about a topic. A research study has opted 'Descriptive research approach' of data collection, under descriptive research survey research are used. A sample survey conducted to determine the impact of Covid-19 on investment behavior of individual. The present study used purposive sampling and followed the primary survey method. Respondents (male and female) were a group of investors who fell in the age group 18 to above 55. The participants belonged to a small town Shirdi, Kopargaon, Rahata or nearby this location. Respondents belonging to salaried, students, retired or self-employed category. A sample of 100 respondent represents 80% of the individual investing regularly in various investment option. Research questions were framed to determine the impact of COVID-19 on investments behavior. Conclusions were drawn on the basis of the examination of various factors impacting investments behavior before and during the COVID-19 outbreak.

DATA COLLECTION

Primary data-

Primary was gathered by questionnaire. The questionnaire consists 13 question which are framed to determine how the Covid-19 impacted on investment behavior of investors.

Secondary Data —

Secondary data was gathered various sources like newspaper, articles, journals, and various research paper.

Sampling Method -

For this research study we used purposive sampling method. A purposive sample, also referred to as a judgmental or expert sample, is a type nonprobability sample. The purposive sampling technique was used by the researcher. Google form was used for asking respondents responses electronically because due to the current situation it is very hard to visit physically.

Sampling Area-

Respondent is belongs from Shirdi, Kopargaon, Rahata or nearby this location. The population of the study consists of individual investors investing in multiple investment option.

Population-

The target population for this research study are all the individual investors of Shirdi, Rahata, and Kopargaon and nearby this location.

1.5 SCOPE

This study is meant to analyze how covid-19 has change the behavior of investment of individual who are residents of Shirdi, Kopargoan, Rahata or nearby this location.

This study is limited to before mention area.

1.6 Limitations

This research study is limited to individual investors, it does not include institutional and professional investors. Respondent is belongs from Shirdi, Kopargaon, Rahata or nearby this location, finding may not be generalized to other location (All over India). For this research study descriptive research approach are used, which cannot test or verify the research problem statistically.

2. Data Analysis -

- Distribution of respondents by the gender .

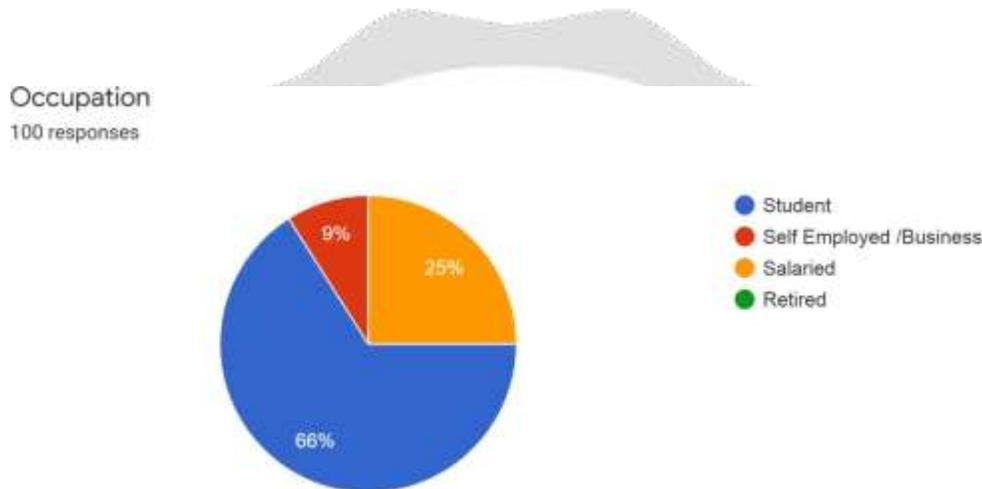


Fig 1. Distribution of Respondes By Gender

- Distribution of respondents according to their occupation-

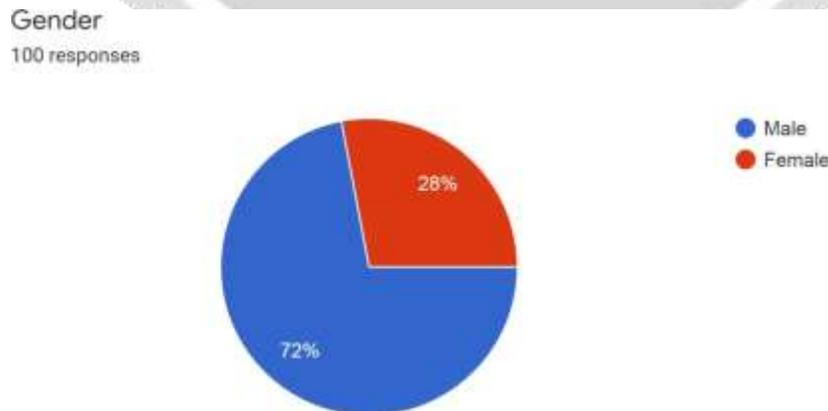


Fig. 2 Distribution By Occupation

The 72% of resepondents are male, 28% of respondents are female.

For this research study respondent belongs to various category students, self- employed, salaried and retired. 66% respondent are students,9% are self-employed and 25% respondents are from salaried people.

The main purpose of behind this research study is Covid-19 impacted on investment behavior of individual. The above chart shows what investors thinks about impact of covid-19 on their investment behaviour.17% of respondent's responds covid-19 not impacted on their investment behavior and 83 % responds yes covid-19 impacted on their investment behavior.

What do you think Covid 19 impacted on your investment decision?
100 responses

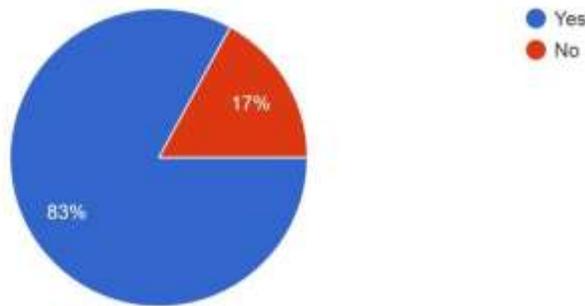


Fig. 3 Covid 19 Impacted on Investment Behavior decision??

What is purpose behind investment?
100 responses

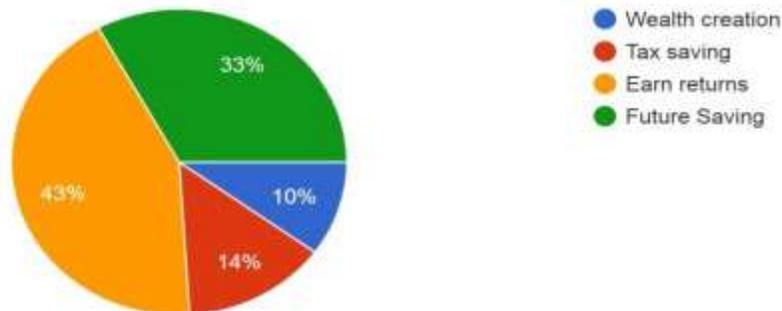


Fig. 4 Distribution by how many people investing their money?

80% are Respondents like to invest their money into some kind of investment asset like equities and multiple investment option.

According to above figure it can be concluded that 43% of the respondents were investing with the intention to earn return, 33% are investing for future savings, 10 % are investing for wealth creation or 14% respondents are investing

for tax saving purpose. From above charts we conclude that mostly for earning higher returns investors are investing.

Are you investing Money into share market or any other investment option?
100 responses

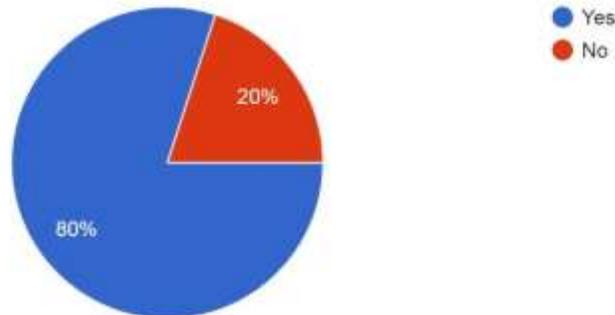


Fig.5 Purpose Behind Investment.

Mostly in which type of Investment option you invest?
100 responses

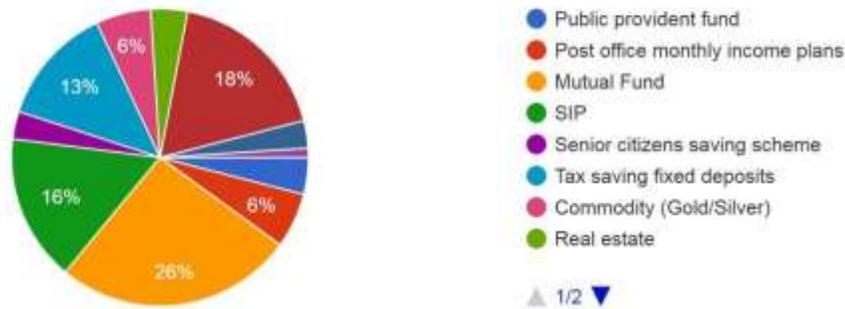


Fig. 6 Mostly in which type Of Investment Option people invest

The above chart shown how many respondents are investing in multiple investment option like public provident fund, post office monthly income plans, mutual funds, SIP, senior citizens saving scheme, tax saving fixed deposits, commodity, real estate, Equity market and bonds.

26% of respondents mostly invest in mutual fund, 16% are investing in SIP, 13% of respondents invest in tax saving fixed deposits option, 6% are investing in commodity market (Gold, Silver), 6% respondents are investing in post office monthly income plans, 18% are investing in equity market and remaining are investing in real estate, senior citizens saving scheme and bonds.

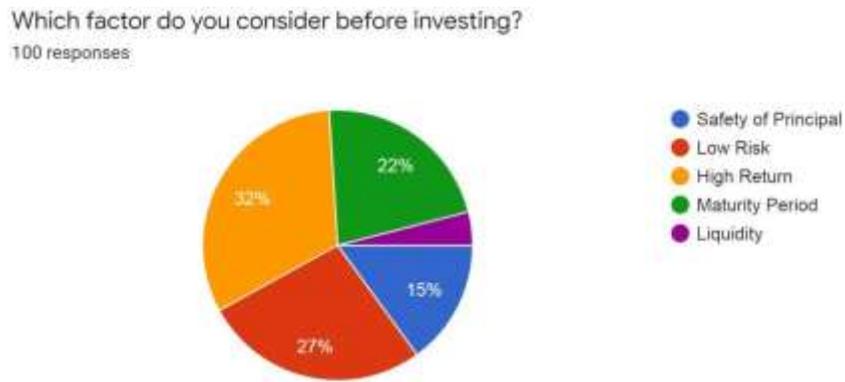


Fig. 7 Factor Consider before investing

Investment behavior is the relationship between the risk and return. Investors desire to have a balance between the risk and return .from the above chart infirm that 32% of the respondents were ready for high return and high risk.22% consider maturity period before investing,15% of the investor thought safety of principal as greater factor before investing. 27 % investors consider low risk before investing. Remain consider liquidity as a great factor before investing.

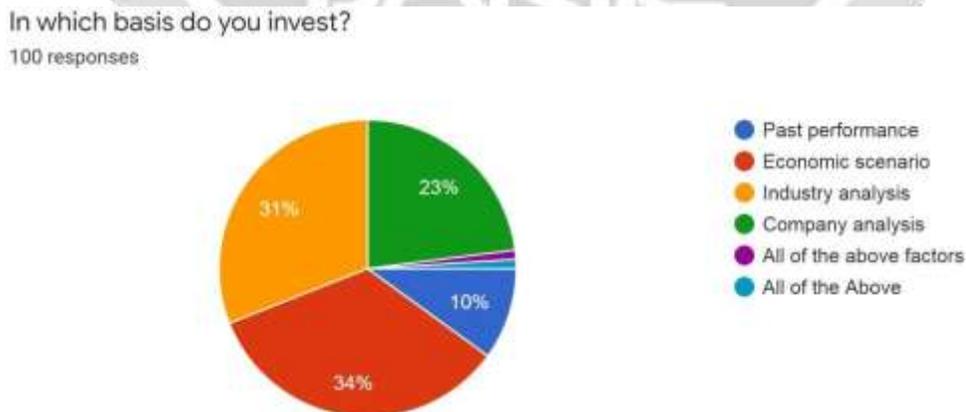
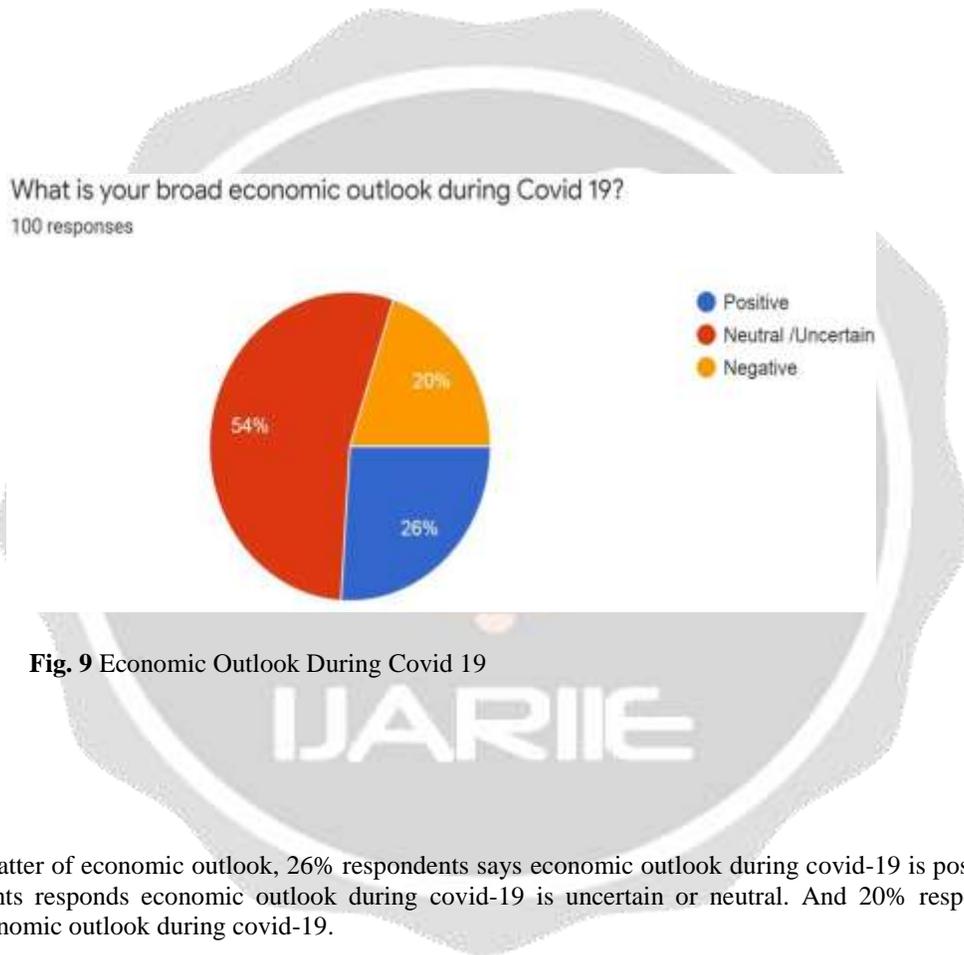


Fig. 8 factors considering before investment

Investment behavior is all about how the investor's judge, predict, analyze and review the procedures for decision making. Before investing 34% of respondents like to look at economic scenario while 31% respondents look at industry analysis and 23% at company analysis.



As far the matter of economic outlook, 26% respondents says economic outlook during covid-19 is positive. 54 % of respondents responds economic outlook during covid-19 is uncertain or neutral. And 20% responds it has negative economic outlook during covid-19.

Factors that affect investment decision during covid 19?
100 responses

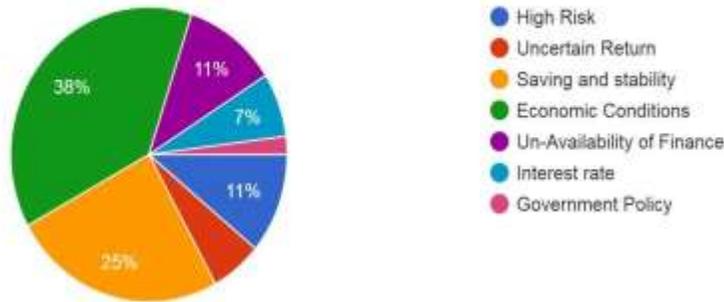


Fig.10 Factors Which Affect Investment Decision

Investment behavior is all about making decision of investing by considering various factors. And various factors are effects on investors investing decision such as uncertain return, high risk, savings and stability, economic condition, un-availability of finance, interest rate and government policy. This research study done to determine covid-19 impacted on investment behavior or not. In above diagram we find which factor affects/impacted on investment decisions during Covid-19. Mainly 11% respondent’s responds because of un-availability of finance investors are not make their investment decision. The outbreak of the highly infectious COVID-19 significantly disrupted human life. Measures to fight the pandemic included social distancing, self-isolation, shutting down of institutions and establishments, restricting modes of transport, and nation-wide lockdowns. So because of lockdown and many businesses shutdown and peoples not having money to invest. 25% of respondents responds future saving and stability affecting their investment decision. 38% are responds economic condition affects their investment decision. In covid-19 pandemic the share market collapsed and also GDP fall in by -23.9% IN 2020. 11% and 7% respondents’ responds because of high risk and interest rate during covid-19 they not made investment decision.

In which type of investment option you like to invest during covid 19?

100 responses

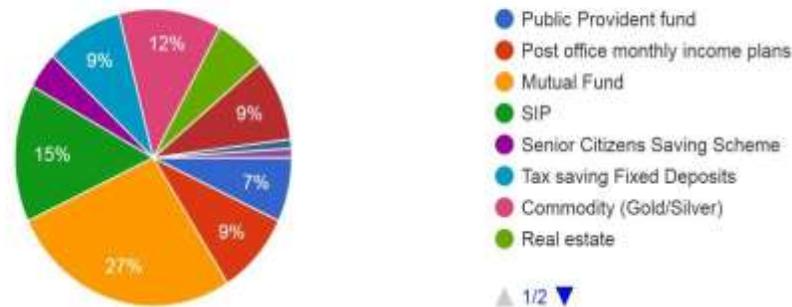


Fig. 11 During Covid 19 Most preferred investment option to invest

Among all multiple investments avenue which are available during covid-19, 27% of investors feels mutual fund is good option for investment during covid-19. While 15% respondents feels SIP is good option to invest. 9% feels tax saving deposits is good option and 12% investing in commodities. 9% are feels share market good option for investing.

3. FINDINGS FROM DATA ANALYSIS:

- The main purpose of behind this research study is Covid-19 impacted on investment behavior of individual. 17% of respondents responds covid-19 not impacted on their investment behavior and mostly 83% responds covid-19 impacted on their investment behavior
- 80% are Respondents like to invest their money into some kind of investment asset like equities and other investment option.
- 26% of respondents mostly invest in mutual fund, 16% are investing in SIP, 13% of respondents invest in tax saving fixed deposits option, 6% are investing in commodities.
- 43% of the respondents were investing with the intention to earn return, 33% are investing for future savings
- 32% of the respondents were ready for high return and high risk. 22% consider maturity period before investing, 27% investors consider low risk before investing. 15% of the investor thought safety of principal as greater factor before investing. Remain consider liquidity
- 34% of respondents like to look at economic scenario while 31% respondents look at industry analysis and 23% at company analysis.
- 54% of respondents responds economic outlook during covid-19 is uncertain or neutral.
- 25% of respondents responds future saving and stability affecting their investment decision. 38% are responds economic condition affects their investment decision during covid-19.
- Among all multiple investments avenue which are available during covid-19, 27% of investors feels mutual fund is good option for investment during covid-19

4. CONCLUSIONS

The COVID-19 outbreak has significantly impacted the investment behavior of investors. Due to measures taken by government to control spread of covid-19 such as lockdown the stock market crash ,interest rate also reduce ,people not having finance to invest in multiple investment option, individual investor's willingness to invest hasbeen impacted negatively.

Investors who invest multiple investment option before covid-19, now (During covid-19) they prefer to secure investment option offering moderate return with low risk. Mostly 83 % respondents responds covid-19 impacted on their investment behavior.

54 % of respondent responds economic outlook during covid-19 is uncertain orneutral. Among all multiple investments avenue during covid-19, 27% of investors feels mutual fund is good option for investment during covid-19.

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