



STUDY OF THE IMPACT OF COVID 19 ON INVESTMENT BEHAVIOUR OF INDIVIDUALS IN THE CAPITAL CITY LUCKNOW, UTTAR PRADESH

Sweta Singh
Research Scholar
PhD Management Department
Babu Banarasi Das University

ABSTRACT

Purpose of writing this research paper is to understand how Covid 19 Pandemic has affected the investment and financial decisions of individual in Tier 2 city and Capital of Uttar Pradesh Lucknow. A literature review was undertaken on Covid 19 and the steps taken to control and fight back with the pandemic. A review was done on the lockdown measure taken by the government and its impact and affect on the individual household income, savings and investment. The respondents were basically belonging to service sector in public undertaking like Hindustan Aeronautics limited, and civil defence. Apart from that some respondents are from the business class who suffered a lot during prolong lockdown at the time of Covid Pandemic that led to decline and withdrawal of investment amount in SIPs. As per the findings of the study Significant association was found between measures taken to spread Covid 19 and individual Income and such measures directly impacted savings and investment Drop was seen in the SIP investment during Covid 19 pandemic. Secondly Association was also found between the gender and the amount invested. The results highlighted the socio- economic effects of the Covid 19 pandemic at micro level that enables the financial institutions and other firms to better handle such situations. The scope of this research is limited future research should consider larger samples and different contexts to get more deeper findings about Socio economic effects of Covid 19 Pandemic.

Keywords: Investment behaviour, Covid 19, Household income, savings, SIP Investment.

1. INTRODUCTION

The Covid 19 pandemic outbursts had badly affected and disrupted the human life. Various measures have been taken like social distancing, self-isolation etc to reduce the effects of pandemic. But the biggest step was the prolong lockdown that led to shutting down of various big establishments like manufacturing concerns, financial market, stock markets etc due to which various individual saw a decline in the amount of household income. This decline led to higher amount of savings and lower amount if investments which badly impacted the economic activity around the globe significantly. The first Covid 19 case was registered on 30th January 2020 after which cases started increasing regularly and substantially. To control the spread and its impact Government imposes three-week central lockdown in the country which disrupted the functioning of various small and big establishments in the country. During this period all educational institutions, offices, tourist places, all essential and non-essential business came to shut down. Due to this continuous lockdown situation companies suffered huge losses and to recover that they started doing cost cutting that led the loss of jobs for various individuals. People lost their earnings, businesses severely hit. Economy of the country suffered a huge setback and GDP fall down drastically.

Mutual fund investment during covid pandemic.

It is well known that in comparison to stock market, shares, commodities etc mutual fund considered to be the safest investment options. It is a pool of money managed by a professional fund manager. They collect money from numerous numbers of investors who has common investment objective of investing in equities, bonds or any other securities. As per investors it is seen as a good way to diversify minimal risk. Apart from that it requires a least for doing initial investment but with a chance of getting higher returns. Doing small and monthly investment in mutual fund termed as SIPs. Different types of mutual funds are available in the market like money market funds, Bonds funds, stock funds, target funds etc.

During covid 19 pandemic most of the investment alternatives greatly affected by the pandemic including mutual fund. Pandemic led to reduction of household income which induces the investors to invest less and save more for future due to which average reduction has been seen in the monthly investment of SIPs. Most of investors either reduced the investment amount or withdraw their investment amount from mutual funds.

2. LITERATURE REVIEW

Authors have carried out a literature review to find out the impact of covid 19 on economy, household income as well as on financial markets: The findings of literature review are given below:

A) Age, income factors that affect Mutual fund investment decisions

Monica Violet Achim: In this Study author aims to analyse various key changes in entities activities to evaluate the level of business performance in response to Covid 19 pandemic. For this purpose, author used panel data analysis on

218 Romanian Listed companies of different sizes that belong to different business sectors for the period of June 30, and find out that net profits of the overall market decreases by 37.43% over the analysed period. The findings of the study are really helpful for managers and investors to take investment decisions. But this study has a limitations of short period analysis due to limited financial data but has the scope for further research by extending the data limit.

Singh and jha: Authors discovered that investors chose mutual funds on the basis of the funds' ability to provide returns, liquidity, and security; investors were not well informed about systematic investment plans (SIPs). Investor preference with respect to mutual funds varied with age and income. Age significantly impacted awareness of mutual funds while gender did not show a significant influence on awareness of mutual funds. Investors falling within the age group 20-30 displayed the tendency to invest more in mutual funds

B. Factor influencing individual investor behaviour

Harlis and Peterson : They stated in the study that during selection of the investment alternative investor usually focused on the element of gain, and paid less attention to inherent risk or expenditure. A financial product is usually chosen on the basis of one's awareness of the product and the advantages and disadvantages it offers. For example, gold as a primary investment might reflect preferences, beliefs or liking of female family members for gold products and accessories.

C impact of covid 19 on household income

In India household income was very badly affected by the outburst of Covid 19. Consistent decline was seen in the consumption of household income and people become more inclined towards the saving rather than consumption and investment.

Marianne Bertrand, Kaushik Krishnan: Authors stated that during lockdown most affected were the regular wage earners, casual workers and own account workers. More than 80% of the families reported a decline in the earning that had adversely the social and economic condition of the people in the country.

Bilal Celik and Kemal Ozden: As per the author Pandemic has increased a lot of panic and depression level in both teenagers and adults. As per the analysis of the study it has been found that during Pandemic unemployment rose to higher margin, consumption reduces, earnings drop down, consumption of luxury and semi luxury goods has been reduced a lot due to which the revnue generation was very slow in the economy and the condition of financial as well as capital market both was at the crisis level.

D. Impact of Covid 19 on financial market

During Covid Pandemic the sudden crash occurred in global market led a significant downward trend in the Indian Financial market. the stock market reflected investor sentiment in the light of pandemic. This development give rise to layoffs, cost cuts, low remuneration. Unemployment etc.

Italy Goldstein, Ralph S.J koijen: Author mentioned that Covid 19 pandemic had badly affected the financial market and the real economy worldwide. As per the analysis of the study it has been found that equity oriented mutual funds displayed an adverse yield of around 25% during march and April as the extensive downturn amid covid generated recession worries, Mutual fund industry also suffered an economic setback and they were carrying on the process under too much stress. Investor behavior showed a sudden turn as they feel e gold as the safer investment opting and prefer to investment in public deposits, e gold in comparison to mutual funds and other financial instrument

3. OBJECTIVES OF RESEARCH

- To know the impact of covid 19 on household income
- To know the preference of investors for investment after Covid 19 Pandemic
- To know the reduction taken place in the investment of mutual funds after Covid pandemic
- To know factors that affect the investment in mutual funds after Covid 19 Pandemic

4. RESEARCH METHODOLOGY

The present study uses Convenience Sampling and followed survey method of data collection. Respondents include both Male and female (Investors) who fell in the age group of 20 to 70. The participants belong to Lucknow, Uttar Pradesh. The metro population of the city is currently 3854000. People of Lucknow are mostly engaged in Government service and small business. A well-structured questionnaire was framed and randomly circulated to 150 investors. Lucknow was considered because it's a Tier 2 city and the impact of covid 19 was still in the process of examination due to its continuous existence in the country. It has been found that population of the city pertaining to service sector and business generally invest in financial instruments like Mutual funds and shares. Respondents belonging to service industry works in Hindustan Aeronautics Limited which is a public undertaking. Majority of the employees are graduates/ diploma holders, engineers and the basis of salary is Government pay scale. Approximately the sample size is higher than a representative sample size arrived at by keeping 95% confidence level with 5% margin of error. Individuals engage in small business in relation with education sector or any customer related services in which their earnings are erratic.

5. HYPOTHESIS TESTING

- 1) Monthly investment in SIPs prior to Covid 19 outbreak were equal to monthly investment in SIPs during Covid 19 outbreak.
- 2) There is no association between gender and amount invested in SIPs before and during Covid 19

Hypothesis testing and finding

The study was conducted on 150 respondents. These respondents were investors who preferred to invest in mutual fund and the stock market on a monthly basis. Respondents falling in the age group 22-70 provided information about

monthly investment in SIPs before and during Covid 19 that is before February 2020 and after. They also mentioned the reasons behind changes in monthly investment amounts and mentioned other investment options preferred during Covid 19.

Respondents also disclosed reasons behind changes in monthly investment amounts and mentioned other investment options they preferred during the COVID-19 outbreak.

Tests related to Hypothesis 1: Amount invested by investors in SIPs prior to and during the Covid 19 outbursts.

Respondents were asked to disclose the monthly amounts invested in SIPs before and after Covid 19. To determine the association between these amounts a paired sample T test was used and results of the test are given below in **Table 1 and Table 2**

Paired sample statistics

Table 1 and Table 2

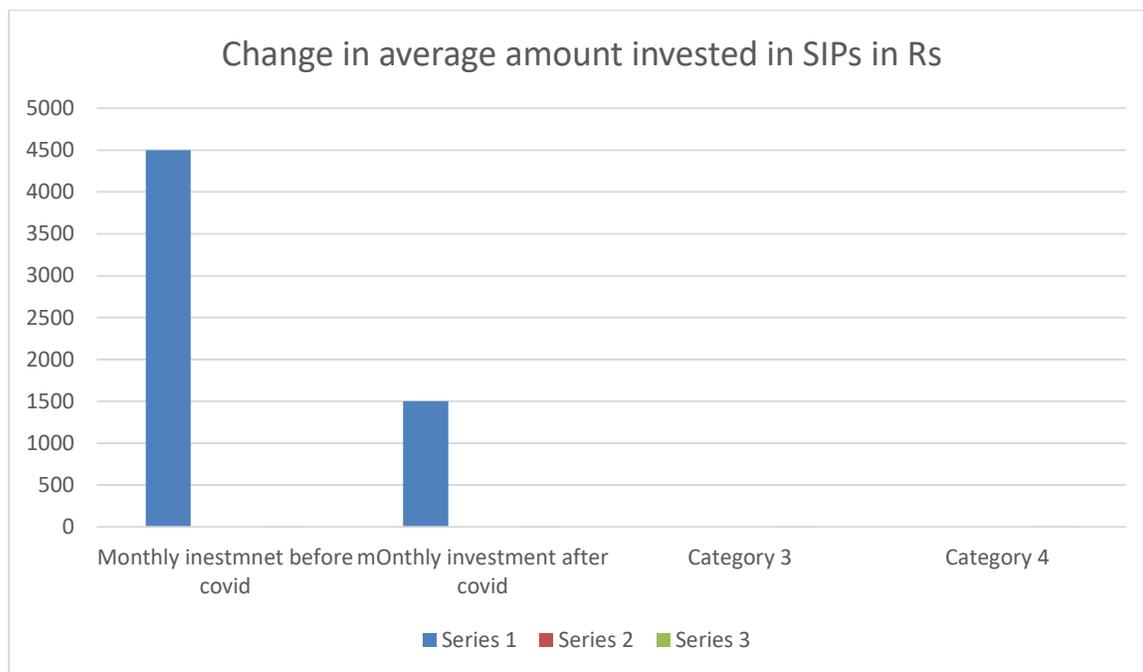
	Mean	N	Standard deviation	Standard error mean
Monthly Investment before Covid 19	4591	150	4725.59	386.07
Monthly investment after Covid 19	3452	150	3520.85	287.65

	Mean difference	Standard deviation difference	Standard error mean difference	95% confidence interval of the difference		T	Df	Sig(2 tailed test)
				lower	upper			
Monthly investment before Covid 19 monthly investment after Covid 19	1139	1204.74	98.42	1154	1123	2.36	149	0.000

Test Result

The $p=0.001$; that is the significance level of two tailed test is less than .05 (typically ≤ 0.05 is statistically significant). It indicates strong evidence against the null hypothesis as there is a less than 5% probability that null hypothesis is correct. Therefore, we reject null hypothesis 1, and accept the alternative hypothesis. It can be concluded that the monthly amounts invested in SIPs before the Covid 19 outbreak differed from those during the outbreak.

Chart 1.



Test related to hypothesis 2: No Association between gender and investment in SIPs before and during the Covid 19 outbreak.

Table 3: Monthly investment in SIPs gender wise.

		N	MEAN	STANDARD DEVIATION	Standard error mean
Monthly investment before Covid 19 pandemic	Male	85	4557	5425	443.21
	Female	65	4220	3402	277.94
Monthly investment after Covid 19 pandemic	Male	85	2621	3764	307.51
	Female	65	2321	2120	173.202

Table 4: paired Sample test for Male

	Mean Difference	Standard Deviation	Standard error mean	95% confidence interval of the difference		T value	df	Sig 2 tailed test
				Lower	Upper			
Monthly investment before Covid 19 pandemic	1936	1661	135.7	1670	2201	3.54	149	0.000
Monthly investment after Covid								

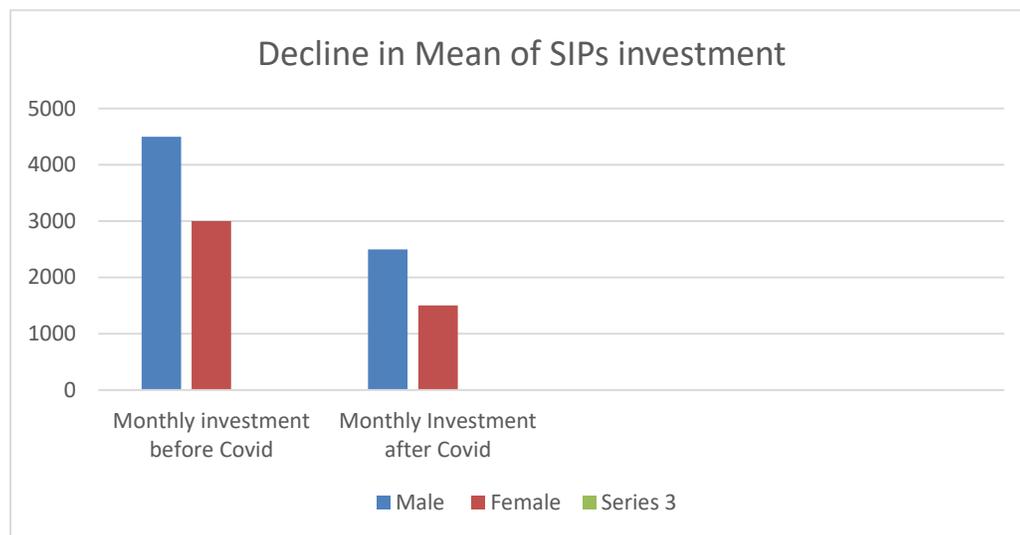
Table 5: paired Sample test for female

	Mean Difference	Standard Deviation	Standard error mean	95% confidence interval of the difference		T value	df	Sig 2 tailed test
				Lower	Upper			
Monthly Investment Before Covid 19 and after Covid 19	1899	1282	104.73	1693	2104	5.80	149	0.000

Test Result: The $p=.001$; that is the significance level of two tailed test is less than .05 (typically ≤ 0.05 is statistically significant. It indicates strong evidence against the null hypothesis as there is a less than 5% probability that null hypothesis is

correct. Therefore, we reject null hypothesis 1, and accept the alternative hypothesis. It can be concluded that there is association between Gender and investment in SIPs before and after Covid 19 Pandemic.

Chart 2



6. RESEARCH FINDINGS

The first Hypothesis reveals that individual behavior was greatly affected by the measures taken during Covid 19 Pandemic and there was a difference in the amount invested before and after Pandemic. The monthly investment was drop down by approximately 43%. Basically, the main reason behind the declined investment is the inclination towards saving more and investing less and second is the fall in the household income.

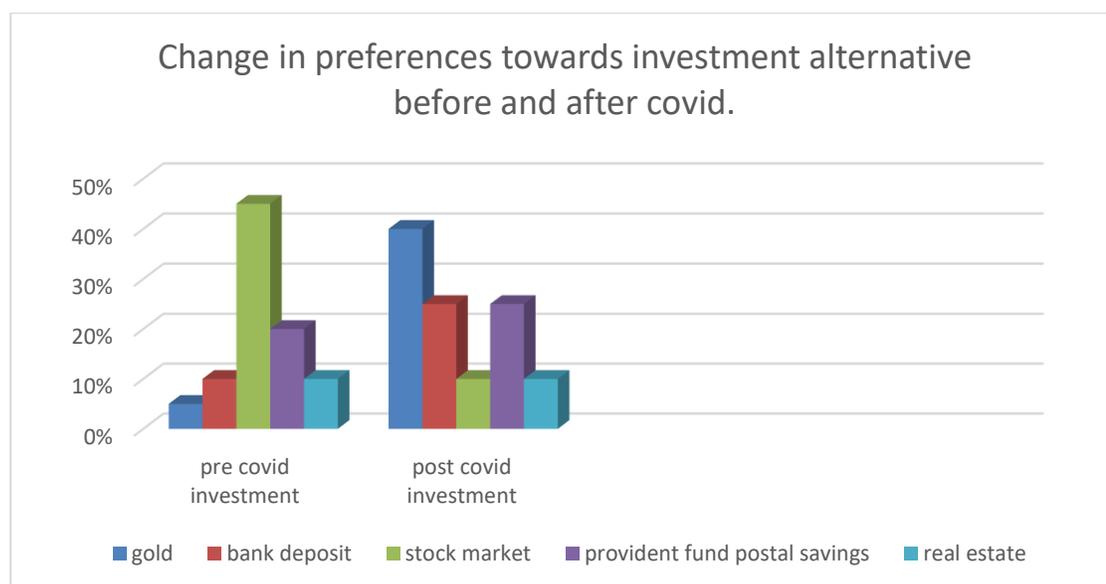
Second hypothesis assumed an overall decrease in the amount of SIP invested during Covid 19. There is a association between the between the gender and the amount invested in the SIPs. Usually, women are more risk averse and not very certain toward the investment in Mutual fund. During Covid Pandemic people who are involved in some business concerns were greatly affected by the outbreak that led to a significant decrease in the amount of investment in SIPs.

At last Respondents were asked to explain their preferences toward investment options before and after Pandemic. Many of the respondents have mentioned that after Covid outburst their investments options has been changed a lot. Now they follow those investment alternatives which are less risk and give at least moderate returns like gold, postal savings.

Apart from stock market, financial market there are other areas where people feel more safe to invest like :

- Provident fund
- Postal savings
- Real estate
- Fixed deposit
- Gold

Chart 3



As per the chart 3 various investment alternatives available in the market but before covid investor more risk taker and believe in taking risk and earning more therefore more and more people were interested in investing in the stock market but after Covid outbreak various policies got changed drastically due to a prolong lockdown because most of the business concerns suffered a huge loss due to which they prefer to be risk averse and invest where their money will not get lost because due to covid their household income have got reduced and earnings became very less. This change makes them bound to inclined towards those investment options which are safe and less risky and therefore they have chosen gold, provident fund, postal savings as their investment options after Covid 19 pandemic.

7. DISCUSSIONS

The main purpose of the present research was to study the impact of the Covid 19 outbreak on the opinion and decisions of individual investors. A well-structured questionnaire was distributed

Among investors that belongs to the area of Indiranagar Lucknow. These respondents were regular SIP investor and invested a fixed sum in SIP every month. After collecting the response on questionnaire, it was found that most of the respondents either reduced the number of SIPS or withdraw the amount of SIP during lockdown. Two hypotheses were framed and statistical test were applied for the analysis. The present study states that there has been a decrease in SIP investments during Covid 19 outbreak as household income was decreased and stock market got crashed .The study reveals that investor shifting towards more secure options like bank deposits, postal savings, provident fund etc.it has the scope for further research on the measures taken by the investors to diversify their portfolio , steps taken by the investor to recover losses from the stock market, the investor of particular areas or regions try to increase their financial literacy after Covid 19.

8. LIMITATIONS

- Instead of consensus method this study is based on random sampling
- Response of respondents and Findings may not be generalized to other regions.

9. CONCLUSION

The Covid 19 outburst has significantly impacted the economy. Although various measures have been taken like lockdown, social distancing but all proven to be unsettling due to huge population and problematic circumstances. This outburst led to the crash of stock market, change in the investor willingness to invest in mutual funds and also affected the overall financial and capital market negatively. In current scenario, Investors seem to have become more risk averse and prefer relatively secure investment options that might offer a moderate return but involve a less risk of losing money like Gold ETFs. Most of the investors have either exited from the stock market or reduced their investment options. It's the time to conduct some policy campaigns and generate awareness about the investment options in financial market so that financial literacy can be increased and people will invest in these areas by managing the uncertain risk on their own.

10. REFERENCES

- Agnew, JR & Szykman, LR, 2005, 'Asset allocation and information overload: The influence of information display, asset choice, and investor experience', *The Journal of Behavioral Finance*, 6(2), 57-70. DOI: <https://doi.org/10.1207/s15427579jpfm0602>
- Alber, N, 2020, 'The Effect of Coronavirus Spread on Stock Markets: The Case of the Worst 6 Countries'. DOI: <http://dx.doi.org/10.2139/ssrn.3578080>
- Barber, BM & Odean, T, 2001, 'Boys will be boys: Gender, overconfidence, and common stock investment', *The quarterly journal of economics*, 116(1), 261-292. DOI: <https://doi.org/10.1162/003355301556400>
- Baur, DG & McDermott, TK, 2010, 'Is gold a safe haven? International evidence', *Journal of Banking & Finance*, 34(8), 1886-1898. DOI: <https://doi.org/10.1016/j.jbankfin.2009.12.008>
- Bekiros, SD, 2014, 'Contagion, decoupling and the spillover effects of the US financial crisis: Evidence from the BRIC markets', *International Review of Financial Analysis*, 33, 58-69. DOI: <https://doi.org/10.1016/j.irfa.2013.07.007>
- Bertrand, M, Krishnan, K & Schofield, H, 2020, May 11, 'How are Indian Households coping under the COVID-19 lockdown? 8 key findings', Chicago Booth. <https://www.chicagobooth.edu/research/rustandy/blog/2020/how-are-indian-householdscoping-under-the-covid19-lockdown>
- BI India Bureau, 2020, March 26, 'What is lockdown meaning and what to expect from it', *Business Insider*. <https://www.businessinsider.in/india/news/what-is-lockdown-andwhat-to-expect-from-the-lockdown/articleshow/74759615.cm>
- Bucher-Koenen, T & Ziegelmeyer, M, 2011, 'Who lost the most? Financial literacy, cognitive abilities, and the financial crises. DOI: <https://doi.org/10.2139/ssrn.1738368>