

A STUDY ON IMPACT OF COVID-19 ON INDIVIDUAL INVESTOR PERCEPTION AND DECISION MAKING

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Abstract: Nowadays Corona virus issues have become major concerns for the entire world and it is being discussed at the national, international level widely. Almost every nation and their economies have affected very harshly by this. The outbreak of the pandemic named Corona Virus has emerged as the most unpleasant and unpredicted shock for Indian economy also. The economy of India was already struggling to do better when Covid-19 struck it. The regularly deteriorating condition of the country called a nationwide lockdown of 21 days which was even increased till 3rd of May. This decision has hurt every aspect of the economy from disrupting manufacturing to demand supply curve, from dismissing transportations to customers in the markets. The financial market of the country is disturbed highly by this and it has also affected the investor's sentiments. The situation caused by Covid-19 has impacted the way of making decisions by the Investors regarding their investments at least for the short term as no one is untouched by corona as of now. In this paper the researcher will discuss the changes came into Investor's behavior due to Covid-19. The study will try to understand the sudden became perception of the investors and their practices in order to protect their investments. The research also investigates the level of awareness among investors regarding various investment options and the current status with the help of a structured questionnaire. Investor's attitudes and preferences tried to be studied.

Keywords: Covid-19, Economy, Investor attitude, Investment Decisions.

Introduction

The Corona Virus outbreak occurred in Wuhan, a city in the Hubei province of China in the last month of 2019. Initially the epicenter of virus was traced in Wuhan but slowly it reached to the entire world with the travelers from the China and it has disturbed many countries in many aspects. There are mainly two shocks for the world the one is a health shock and the second one is economy shock which has taken place almost in every country. The virus continues to spread across the world. While some countries have been effectively treating the corona patients, on other hand many people are losing their lives every day and it can't be said where and when new cases will emerge. Amidst the significant public health risk COVID-19 poses to the world, the World Health Organization (WHO) has declared a public health emergency of international concern and pandemic in the 10 years but the seriousness level of the disease is being compared to Spanish flu which took place some 100 years back in the world and claimed millions of lives.

Global Impact

In this era of globalization, the entire world is highly interrelated and connect, also countries are somehow dependent on one another. Amidst the slowing down of the Chinese economy with interruptions to production, the functioning of global supply chains has been disrupted because China is the manufacturing hub of the world which provides raw material or finished goods to the world companies, irrespective of their size. It was the case when virus was spreading in China only and when it started reaching to other nations, the disruptions in pursuing business activities initiated there also which further slowed down the economic activities at the global level. Most importantly, panic is found not only in the business houses but can be also seen among individuals like consumers and investors. Consumers are unable to make purchases these days whereas investors have started selling off their investments in the stock markets which ultimately leads to plunge in the world financial markets. Observing all these the chief of International Monetary Fund, Kristalina Georgieva has said the world has entered into a recession worse than 2009 layman brothers' crisis. Initially, it was thought that the effects of the virus will remain to China only and business activities related to Chinese products will be hampered but later the Covid-19 came into the every part of the world through the movement of the people. The global economic pain became severe as people were asked to stay at home, follow the concept of social distancing, many nations declared lockdowns and the severity was felt almost in every sectors of the economy with travel bans affecting the aviation and tourism industry, sporting event cancellations affecting the sports industry, the prohibition of mass gatherings affecting the events and entertainment industries and thus all these things hampered the flow of money in the economy and the proper functioning of the economy is also disturbed at the huge level. The sudden economic disruption caused by COVID-19 is not only destructive but also has spillover implications because it created demand and supply shocks in almost every area of human endeavor.

Impact on Indian Economy

Almost all countries in the world have been shaken by the shock of Covid-19 in a similar manner in terms of demand and supply disruptions which resulted into economic slowdown. However, the problem might be more acute and long lasting in the case of the Indian economy which was already going through a troublesome state before the Covid-19 period.

According to the official statistics, GDP growth slowed to 4.7% in 2019, the lowest level since 2013. Unemployment reached a 45-year high. Industrial output at the end of 2019 fell by 5.2%-the worst in 14 years. Private sector investment had been stagnant for several years

and declining in recent times and consumption expenditure had also been falling, for the first time in several decades. While struggling with all these issues the country had started reporting cases of Corona Virus which led to nation-wide lockdown for 21 days and seeing the situation getting worse the lockdown has been increased further more and no one can predict the right time to call of this lockdown. As the financial markets in other countries have started falling down the same is happening with the Indian financial markets also and Indian as well foreign investors took out their investments from the market due to uncertainties which led more down fall in the market. On one hand when people are struggling to manage their day to day needs and another hand they are concerned for the investments they made out of their hard earned money.

Change in Investor Attitude

Almost every aspect of the economy is been affected by Covid-19 so thus the attitude of an individual investor too. That can be seen in their panic selling in the stock market and trying to protect their capital. The lockdown also dampens any chance of revival of consumption demand and private investment. The downturn marked a dark time for them in the market and sparked anxiety, especially among new investors, who had been riding high on continued market rallies over recent years. However, it's important to remember that this is not the first — and won't be the last — market dip, the only thing they want at the moment is to protect their investments from even those loses which are temporary. And Investors are also uncertain with their other investment options too and right now not in the mood to make new investments just to keep cash handy.

Review of Literature

According to (**Modani, 2020**)the coronavirus has changes our outside world as it has locked us inside and we are continuing our work lives from our homes. The Covid-19 has played havoc with the world economies and global markets. He says in his article like someone owning any business which is also going through a bad patch at the moment but he is not going to sell it off or discontinue it, the same strategy needs to be used with your investment options. Have patience, give your investments a proper time frame and when the economy will start doing well so as your investments perform.

(**Modi, 2020**)Writes in his article that stock market has shown the biggest downfall after 2008-09 recession due to Covid-19. This incident has created anxiety among investors too, so many of them are selling off their investments and many of them are waiting to buy them for their own price. But here people make mistakes hence the market is down right now and they

try to invest in cheap stock instead of doing this investors must rely on some fundamentally strong companies whether their share are comparatively costlier but one should always go with strong and reliable options.

According to **(Tamimi, 2005)** in his study the factors which affect investor behavior the most are mainly six: order of importance, expected corporate earnings, past performance of the firm's stock, get rich quick, government holdings in the firm, stock marketability. And five other factors are the least important factors while investing as follow- expected losses in other local investments, gut feeling on the economy, minimizing risk, expected losses in international financial markets and family member opinions.

(Rao, 2019) Has said in his article what measures should be taken care of by stock market Investors to safeguard their investments from recession period. He further gives some points to consider which are as follow:

1. Investors should not withdraw SIPs during recession.
2. Should opt for less volatile funds.
3. Avoid investing in real estate.
4. Diversify investment with gold.
5. Create funds for emergencies (recession is one of those emergencies)
6. Reduce discretionary expenses
7. Take medical cover for family
8. Formulate debt strategy
9. Don't change jobs in a hurry

(Dev & Sengupta, 2020) Analyzed in their report Covid-19 has posed an unprecedented challenge for India. India, the nation with large size of the population and the precarious situation of the economy, especially of the financial sector which was already shaken in the pre-Covid-19 period, and the economy's dependence on informal labor, lockdowns and other social distancing measures would be hugely disruptive. The central and state governments have recognized the challenge and have responded but this response should be just the beginning. Policy makers need to be prepared to scale up the response as the events unfold so as to minimize the impact of the shock on both the formal and informal sectors and pave the way for a V-shaped recovery. At the same time they must ensure that the responses remain enshrined in a rules-based framework and limit the exercise of discretion in order to avoid long-term damage to the economy.

(Peterson & Thankom, 2020) Analyzed the coronavirus outbreak and the spillover to the global economy which is taking the globe towards the forthcoming recession in 2020. Due to the spread of Covid-19 in many countries, governments made fast policy decisions to give some relaxations to their citizens that had far-reaching negative effects on their respective economy – many countries plunged into a recession. During the period of last global recession in 2008-2009 there were criticisms that the policies were too fast, premature or insufficient, and that the policies contradicted one another in some areas, for instance, the accommodative monetary policy encouraged economic agents to engage in economic activities while the lockdowns and social distancing (stay-at-home) policy prevented economic activities from taking place.

Research Methodology

Research Methodology is the general research strategy that outlines the way in which research is to be undertaken. The following methodologies have been adopted for this study.

Research problem

The research problem was to observe the changes came into Investors perception and their decision making regarding fresh investments.

Research Objectives

- To analyze perceived responses of investors.
- To find out awareness among people about Covid-19 related to their investments.
- To learn effect of perceived risk of Covid-19 on investment behavior.
- To understand the investor's expectations and future plans.

Research Design

The research design was initially exploratory in nature and further turned descriptive in nature during the course of research.

Sampling Method

Convenient sampling method was used for the research purpose.

Data Collection Method

The data collection method can be classified in two parts:

Primary Data – In this research, primary data was collected by a structured questionnaire and survey among people to find out the awareness level about the relation between the current situation and investments.

Secondary Data - Information that already existed was collected in the study from the authorized websites, articles, research papers etc. available on the internet.

Target Population

Opinion of general public of Udaipur from different age groups was taken.

Statistical tools

Percentage method was used to analyze a few close-ended questions. Pie charts and graphical representation is done to explain investor's perception. ; Mean and Chi-Square technique were also applied to analyze a set of data.

Data Analysis and Interpretation

Analysis is a process of breaking a complex topic or substance into smaller parts in order to gain a better understanding of it. For the analysis purpose a complete questionnaire was used for analysis. The results of the analysis are presented below.

Demographic Profile of the study area

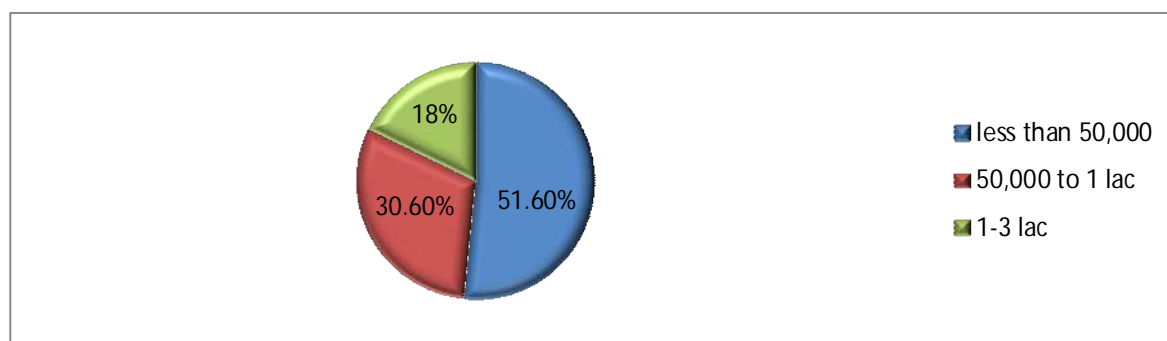
Total 180 respondents were taken into consideration for the study and the mean calculation of their demographic profile as follows:

Summary Statistics - Demographic Variables (Total 180)				
		Variable	%	Mean
Age Group	18 – 25	33	18.3%	31.64
	25 – 40	135	75%	
	40 – 60	12	6.7 %	
Income group(in Indian INR)	< 3 lakhs	84	46.7%	403329
	3 - 5 lakhs	60	33.3%	
	5 - 10 lakhs	24	13.3%	
	>10 lakhs	12	6.7%	
Gender	Male	93	51.6%	
	Female	87	48.4%	
Marital Status	Married	66	36.7%	
	Unmarried	114	63.3%	
Qualification	Under Graduate	15	8.3%	
	Graduate	24	13.3%	
	Post Graduate	132	73.3%	
	Other	9	5.1%	
Occupation	Government Job	15	8.3%	
	Private Job	96	53.3%	
	Self Employed	33	18.3%	
	House Hold	21	11.7%	
	Other	15	8.3%	

Amount of money invested by people annually

Most of the respondents which is 53.6% invest less than 50,000, 26.8% invest from 50,000 to 1,00,000 and remaining 19.6% invest between 1 to 3 lac per annum. No respondent invest more than 3 lac annually.

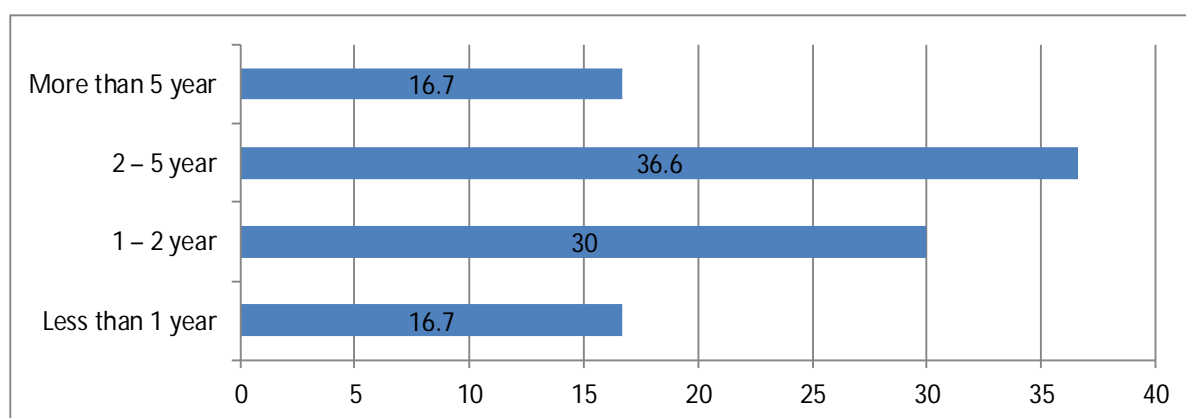
Investment Group(in INR)	Variable	%	Mean
< .5 lakhs	93	51.6	71387
.5 – 1 lakhs	55	30.6	
1 – 3 lakhs	32	17.8	
3 – 5 lakhs	0	0	
> 5 lakhs	0	0	



Time Horizon of Investment:

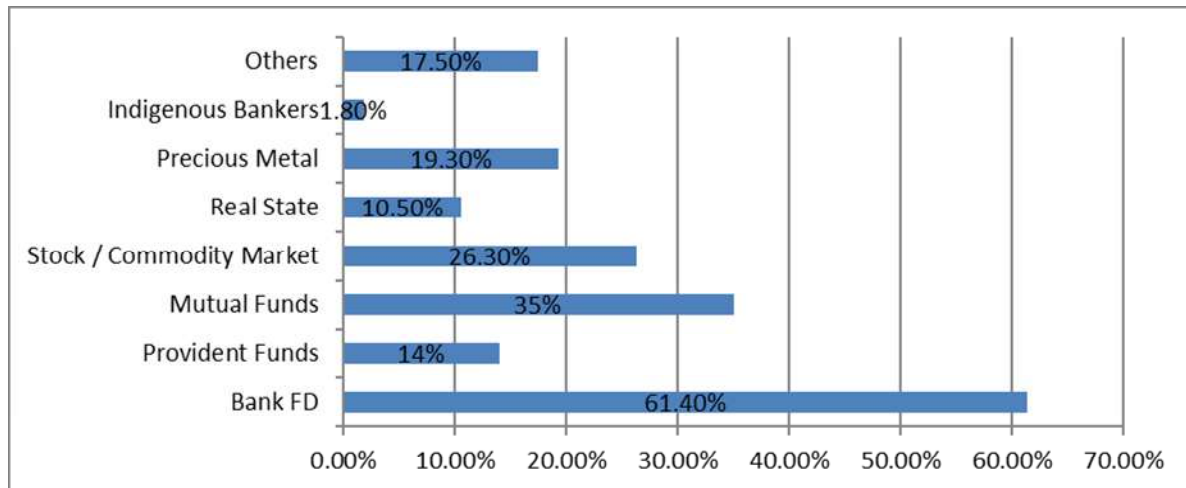
19.6% respondent invest for less than 1 year, 32.1% invest for 1 to 2 years, 41.1% invest for 2 to 5 years while 17.9% make investments for long term in the category of more than 5 years.

Time horizon of investments	Variable	%	Mean
< 1 year	30	16.7	3.06
1 – 2 year	54	30	
2 – 5 year	66	36.6	
> 5 year	30	16.7	



Investment options where people make their investments in:

There were 61.4% people who invest in Bank FDs, 14% invest in Provident Funds, 35% people who invest in Mutual Funds, 26.3% invest in stock/commodity market, 10.5% invest in real estate, 19.3% in precious metals i.e. gold, silver, diamond etc. , 1.7% make investments with indigenous bankers and 17.5% people invest in other options.

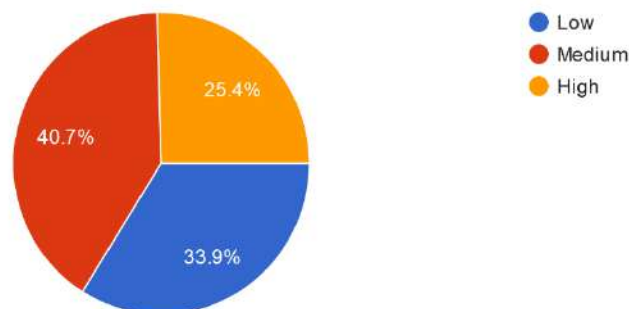


General awareness about Covid-19 impact on the economy:

When asked about awareness of people regarding Covid-19 impact on the economy all 100% respondents answered in Yes.

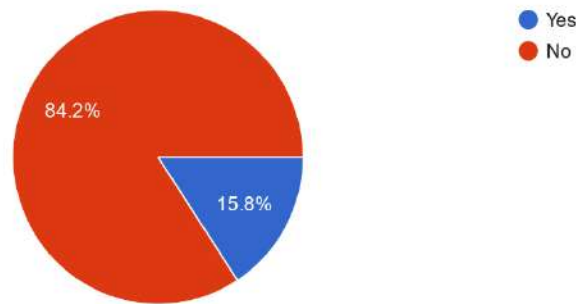
Covid-19 as a risk factor on previously made investments:

There are 33.9% people who consider low risk, 40.7% people find medium and remaining 25.4% people who feel high risk of covid-19 on their previously made investments.



Withdrawal of money from investments

When ask about do they want to withdraw money from their previously made investments 84.2% investors don't want to do so while 15.8% people want to withdraw the amount from their invested money.



Chi Square Test: Disinvestment decisions taken by investors are dependent on the level of Covid-19 risk felt by them:

Table 1

Risk level	Want to withdraw	Don't want to withdraw	Total
Low	0	61	61
Medium	9	64	73
High	20	26	46
Total	29	151	180

The above table shows the perceived risk level wise distribution of investors who want to and don't want to make disinvestment decision.

H₀ = There is no association between perceived risk level and disinvestment decision of an investor.

H_A=There is association between perceived risk level and disinvestment decision of an investor.

To check the significance of hypothesis we apply **Chi Square Test** on the table given above and interpret the results. If the calculated value falls under the tabulated value then the hypothesis is rejected and if it is more than tabulated value then the hypothesis is accepted.

Degree of Freedom (df) = (R-1)*(C-1) {R=no. of rows; C=no. of columns}

$$\Rightarrow (3-1)*(2-1) = 2$$

Calculation of the expected values for the table:-

$E_{11} = (R_1 * C_1) / N$ {N= total sum of column values}

$$\Rightarrow (61 * 29) / 180$$

$$\Rightarrow 9.83$$

Similarly the expected values from the remaining observed values of the table were calculated. The table given below contains the observed value, the expected value and the square of their differences:

Table 2

Observed Value (O)	Expected Value (E)	$((O-E)^2)/E$
0	9.83	9.83
9	11.76	0.65
20	7.4	21.45
61	51.17	1.89
64	61.24	0.12
26	38.59	4.10
	Total	38.04

$$X^2 = \sum((O-E)^2)/E$$

$$\Rightarrow 38.04$$

Hence 38.04 is the calculated value of Chi Square test.

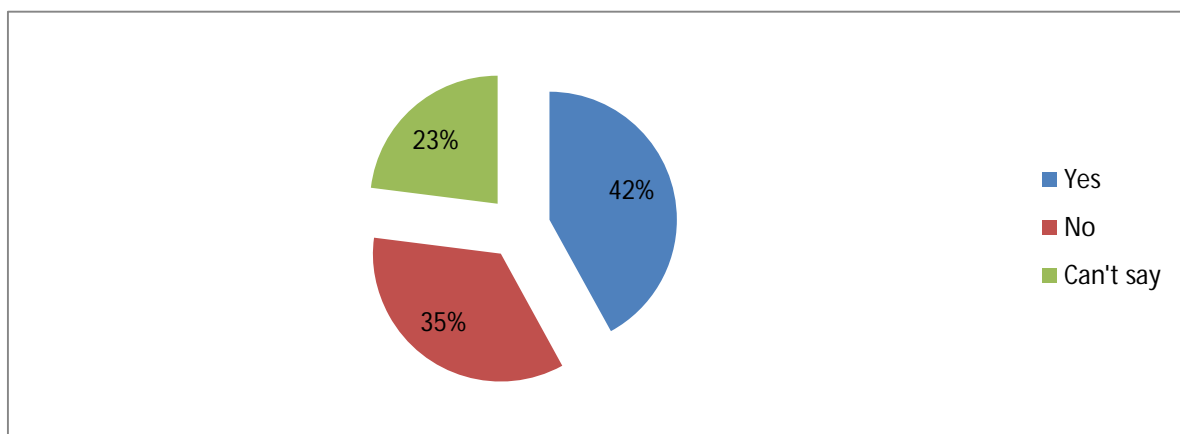
The tabulated value at the level of significance 1% and 5% are 13.3 and 9.49 respectively.

Since the calculated value is more than the tabulated value the hypothesis H_0 is accepted.

Interpretation: It is evident from the Chi Square test that **There is no association between perceived risk level and disinvestment decision of an investor.**

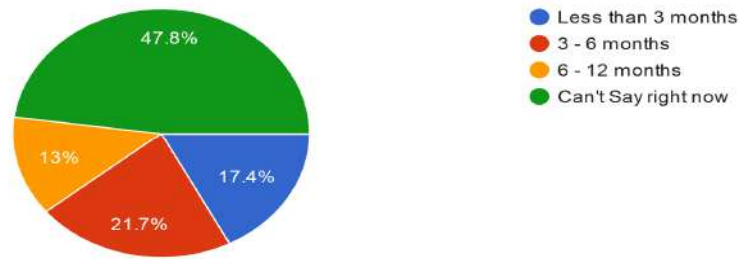
Postponement of fresh Investments:

When investors were asked do they want to postpone their fresh investment plans right now due to Covid-19 situation, 42% people answered in Yes, 35% say no and remaining 23 % said they can't say anything at present regarding their investment decisions.



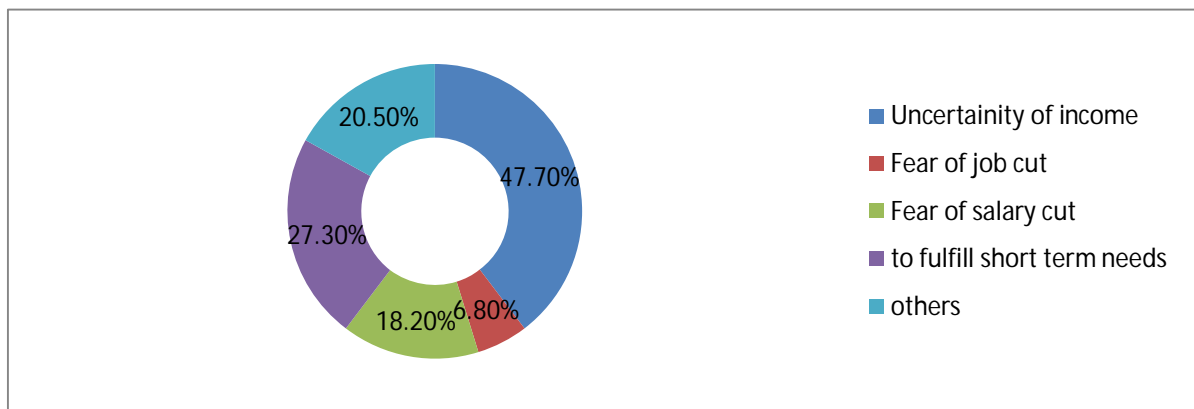
For how long do Investors want to postpone their fresh Investments?

Among those investors who said yes for keeping their current investment plans on hold due to Covid-19 situation, 17.4% people said they are planning to postpone their investment decisions for next 3 months, 21.7% said for 3 to 6 months, 13 % said for 6 to 12 months and remaining 47.8% said they can't say anything at present regarding their investment decisions postponement time span.



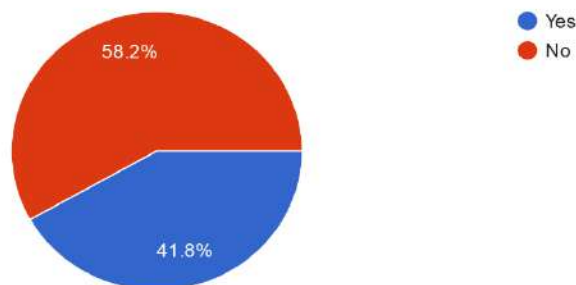
Reason behind delaying the investment plans

When asked about reasons behind putting investment plans on hold right now 47.7% people said they are uncertain about their income for next few months, 6.8% people have fear of job cut, 18.2% have fear of salary cut, 27.3% said they want to avoid cash crunch to fulfill their families short term needs, 20.5% said other reasons.



Covid -19 as an investment opportunity in some instruments

41.8% investors find the situation gives opportunity to make new investments while 58.2% don't see any kind of investment opportunity during covid-19 crisis.

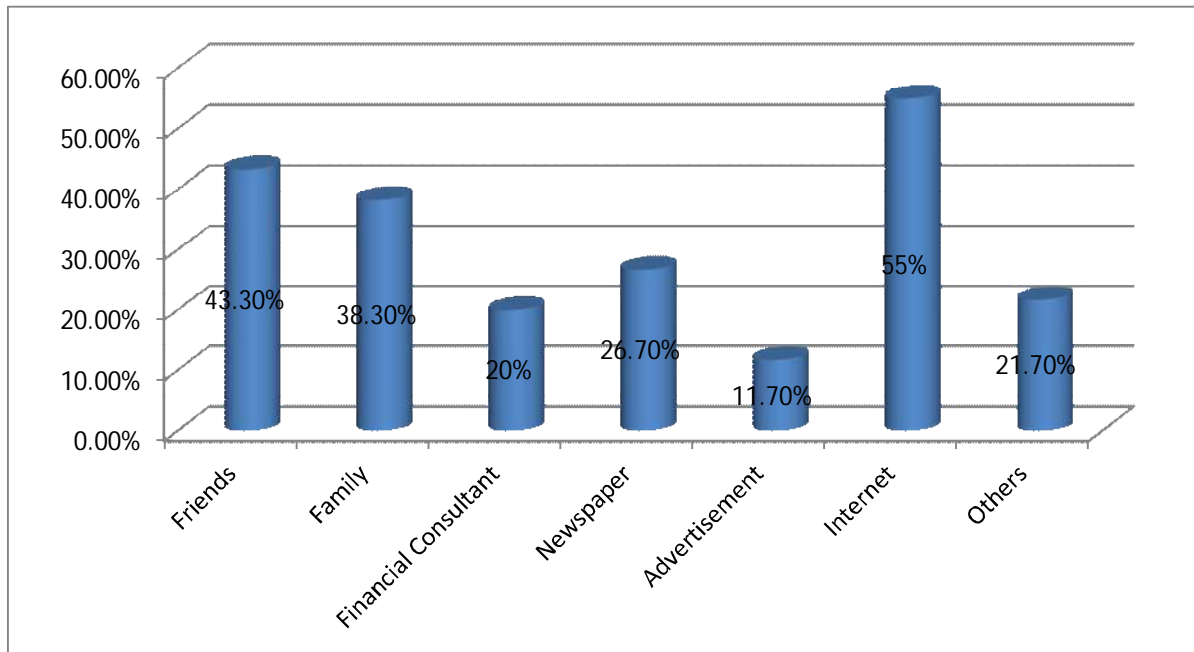


Most of the people who see investment opportunity at present suggest stock market as the priority and then Mutual funds. Precious metals, real estate etc. were also answered by people. Even there were also people who find better opportunities with bank Fixed Deposits

in this scenario.

Sources of investors information

There were 43.3% people opted friends, 38.3% said family, 20% said Financial consultant, 26.7% said newspaper, 11.7% said advertisements, 55% said internet and 21.7% people gave others option for their source of information regarding investments.



Conclusion

As a conclusion, based on this study which reveals that most of the people are aware about corona virus led crisis in the economy which is hurting the financial market so hard and their investments are also shaken by the crisis. Even if investors find the high risk level of corona virus on their previously made investments they don't want to make disinvestment decisions and want to hold the investments just in the hope that everything will be alright very soon. But yes, most of the investors also want to postpone their new investment plans because they are uncertain about the future situation and want to avoid the cash crunch for day to day necessities for their family. In the research it is also found that people like to have diversified portfolio and invest in more than one investment instruments for different-different time frame. Investors also have the point of view for some particular instruments to have opportunities to be invested in during Covid-19, because this situation has emerged as the downfall trend in the price and could be proven as better opportunity to book more profits. According to them stock market is very good option to invest these days as market is bearish and can provide huge returns in long run. Chi square test was also applied which suggests whether people are facing troubles in the time of nation-wide lockdown and find corona virus

