

COVID- 19's Effects on The Adoption of Investment Alternatives By Individuals

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Abstract- *The purpose of this study is to determine the impact of the COVID-19 pandemic on the decision making of individual investor regarding choice of investment alternatives with respect to SIPs. The numerous methods adopted by the government to combat the epidemic have been investigated in this research for the goal of a Literature Review. Data related to individual financial transactions has been collected by using the sample survey method. A small town in the Indian state of Uttar Pradesh served as the study's subject. The investors form diverse background having different approach regarding their choice of investment. The data has been collected either from service class person or businessman.*

Keywords- Investment Decision, Financial Investment, Investment Portfolio, Factors affecting Investment Decision, COVID-19

I. INTRODUCTION

The impact of COVID- 19 outbreak can be seen in each and every aspect of human life. However the consideration of the impact is varied based on the status of human as member of society. The researcher identified the impact of the COVID-19 pandemic on individual investor financial investments, particularly SIPs, and the numerous elements that influenced individual investment decisions during this pandemic condition in this study article.

On 30th January 2020, India reported first corona case in Thrissur, Alappuzha and Kasargod town, Kerala. (The Hindu) Government announced lockdown in Kerala on 23rd March and in the rest of the country 25th March 2020. First that was announced by the government for only 21 days however, as the number of confirmed cases grows, corona virus cases the government increased the lockdown in different phases with different restricted conditions. During this lockdown period government also divided the various town and city zone wise as red zone, orange zone and green zone respectively based on number of positive covid cases. (BBC News)

This study aims to identify the factors and to understand the effect of these factors on financial investment made by individual during COVID – 19 Pandemic. The investment alternate majorly can be divided into two parts as real investment and financial investment. Investment in real assets as land, building, machinery and all the tangible assets are known as real investment and the investment in intangible investment as stock and bonds are known as financial investment.

Financial market become a popular team not only for institutional investor but also for individual investor. All the related information is available to the investors within seconds. Investment decision of the individual most of the time, is depend upon the data available and its financial position in the future but the investor also takes decision on the basis of short term price change which is free from logic but affected by mood or instantly received news. [1]

Intuitions and feelings of human beings plays an import role in making investment decision rather than sufficient information. According to the portfolio selection theory given by Harry Markowitz “investors are rational and risk averse and will prefer low risk to high risk for a given level of return” [2]. Opposite to this theory some researchers also found that in actual market place investor shows irrational behavior. They do investment based on past performance without considering the fundamental value. They buy stocks on the basis of their friends decisions. The investors want to make their decision process simple which normally do not maximize utility. [3].

Every investor has a specific goal in mind when they invest, which is often unclear. When investors' objectives are unclear, they may make investment decisions that result in a suboptimal return. It is there for needed to clarify the investment objective to gain the clear understanding of what the portfolio required to generate. An investor may have short term and long term objective for investment. Short term authentication of return are examined through short term price fluctuation of recommended stocks where long term

investment is examined through the strategies applied for investment portfolio management.[4].

The risk and return available from different alternatives are different. The different alternative available for investment can be categorized into the following categories on the basis of risk involved as low risk alternatives – government securities, fixed deposits, saving accounts etc, moderate risk alternative – bond, debenture, mutual funds, life insurance etc, high risk alternatives – FOREX market, equity share etc, traditional risk alternative – real estate, silver/gold etc, emerging risk alternative – hedge fund, virtual real estate etc. The investor chooses the specific alternative according to the objective of investment, expected return and risk preference. [2]

II. LITERATURE REVIEW

1. *Factor Affecting Investment Decisions of Individual Investor*

J. Singh and P. Yadav discovered that investors rarely behave rationally when making judgments in their research on the Factors Influencing Investors Decision in Investing in Equity Shares with Special Reference to Gender. Investors react on the basis of available information. He further analysed that gender difference is one of the primary factors which influence the investment decision. The researcher took a 100 sample of Muradabad city, Uttar Pradesh. [5].

Having an interest in their research work N. Geetha & Dr. M. Ramesh (2011) examined the People's Preferences in Investment Behaviour. The researcher collected primary and secondary data for the study. A sample size of 210 respondents was collected for studying the investment behavior of people in Kurumbalur. The study found that investors are not much aware about the financial investment options as stocks, bond, debenture, equity etc. Investors of all age groups gave more preference to insurance, PPF, NSC and bank deposits etc. [6].

Et.al Sathiyamoorthy and Mr. C Krishnamurthy collaborated on a study titled "Investment Pattern And Awareness Of Salaried Class Investors," in which they discovered that education level, age of investors, number of family members, and other factors have a substantial impact on investment decisions. The study relied on primary data that was gathered through closed-ended questions. The chi-square test was used to analyse the data. The study discovered that the most common kind of investing was a bank deposit, with the primary goals of investment being retirement security,

marriage education, and marriage. (Krishnamurthy, Sathiyamoorthy, and Supervisor, 2015)

Lusardi Annamaria & Mitchell Olivia also did a research on Planning and financial literacy where he found that lack of planning is a significant factor which affects the financial decision. This study has been done by focusing towards female investors. Further he found that maturity of women have not made any preparations for retirement. Financial literacy and planning are closely interrelated with each other. Women with higher financial literacy are more concerned with retirement planning and are more likely to invest. [7]

Justine Hastings & Olivia Mitchell in a research found two important factors affecting the financial decision of individual as that financial illiteracy is one factor and the second is investor need immediate gratification. According to the researchers, impatience is a major predictor of wealth, and financial knowledge is similarly linked to wealth. [8].

Further the research also has been done on the impact of human behavior on the investment decision. A research has been done by Arti Chandani et. al. (2020) on the topic "An empirical study to analyze the human behavioral aspects on individual financial decisions based on Indian context" where the researcher discovered there are two behavioural biases as prospect theory and mental accounting theory. [9].

L. Mandell et al. (2009) in a research shows that it is important to equip the individual with required financial knowledge to make them capable of taking financial investment decisions.

The researcher studied 79 high school students and found that most of the respondents are financially illiterate. Only 27% of young adults having knowledge about risk diversification and inflation and do simple interest rate calculation. [10].

2. *Impact of COVID 19 on Individual Investment Behavior*

M. Talwar et al. (2021) in his research found that most of the financial market fell drastically due to this pandemic situation but on the other side retail investors considered this situation as an opportunity, after some preliminary nervousness. Financial market in most of the countries witnessed increased participation of retail investors. [11]

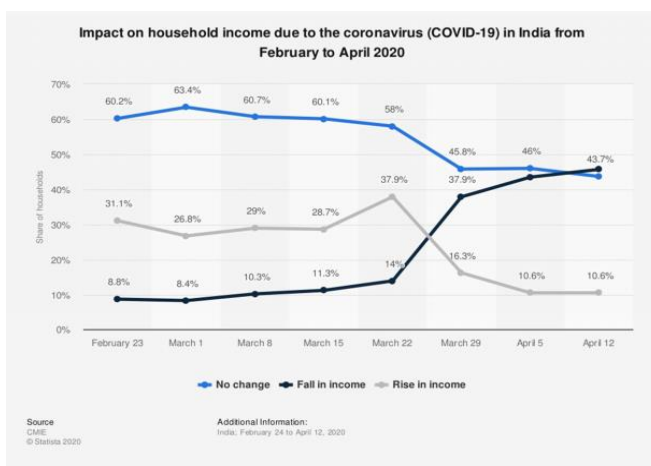
H. Christoph et al. (2019) discovered that professional investors' hazardous asset investments fell by

about 12% from December 2019 to March 2020 during the COVID -19 pandemic. They also found that the experimental assets volatility was more intense in December 2019. [12].

C. Park et. al. (2021) findings in his research paper was that NPL ration moves in the direction of emerging market. According to this research high interest rate is also a factor which affecting the investment decision of individual during this pandemic situation. [13]

3. COVID 19's effect on household income

The epidemic of Covid – 19 had a significant impact on household income. From 8.8 percent in mid-April 2020, the percentage loss in household income rises to 43.7 percent.



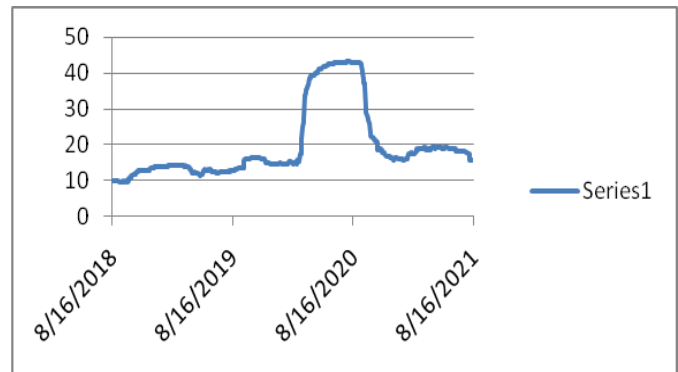
Source – Statista .com

As per above due to lockdown around 84% families affected adversely and reported decline in earning. Studies says that regular wages earner were affected more followed by casual worker. During the lockdown period, family members that worked for a living employed worked from home and continued to make money. Around 75% of urban household and 88% of rural household recorded decline in household income.

As per the center of monitoring Indian Economy (CMIE) urban unemployment rate fall in June 2021 but still remains at 10.07% which is greater in comparison to May 2021 (14.73%) . India unemployment rate fall to 11.9% in May which was recorded 7.97% in the month of April 2021.

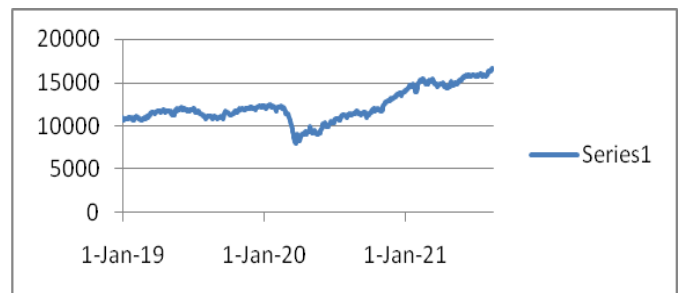
4. COVID 19's Impact on Financial Markets

Sensex volatility index from August 2018 to August 2021



<https://www.spglobal.com>

Nifty volatility index from January 2018 to August 2021



<https://www.spglobal.com>

Studies on the impact of COVID -19 on financial markets made a comprehensive assessment for advance and emerging economics.[14] By controlling macroeconomic and global and domestic financial factors this study conclude that COVID 19 ad most significant effect on European and Asian economies. This study also suggests that market may have some marginal permanent effects. [15]

III. RATIONALE OF THE STUDY

Most of the COVID 19 literature was focused majorly on macro factors as fall in GDP, Impact of stock market, employment rate etc However, the impact of COVID – 19 on investmentbehavior is the subject of this study. of individual due to loss of business income, loss of jobs, deductions in salaries, work pressure during pandemic and such micro factors. This study found the impact of such micro factorson the amount invested by individuals in systematic investment plan (SIP)

IV. RESEARCH METHODOLOGY

This study falls into the category of empirical research because it used a sample of 140 people. The study incorporated both primary and secondary data. The primary data was collected using convenience sampling and a closed-ended questionnaire. The people that responded are between

the ages of 20 and 70. The participant is from Dasna, a tiny town in Ghaziabad with a population of 34,914 people according to the 2011 census. Secondary data was gathered from many journals and articles authored by various specialists on individual investment trends.

A research questionnaire was created to determine the influence of COVID 19 on securities investment. By examining previous literature connected to the investment, the researcher discovered the following four factors-

Hypothesis-

The following hypothesis has been formed by the researcher for studying the objectives of research.

Hypothesis 1

H01: Before and during COVID -19 outbreaks, there is no change in Monthly Securities Investment.

Hypothesis 2

H02: Before and during the COVID -19 outbreaks, there was no significant association between the gender of investors and the amount invested in Securities.

V. DATA ANALYSIS AND INTERPRETATION

As a result of this study 100 respondent were analyzed. The respondent for this study are the investors who are making short term investment in mutual fund and stock market. Respondents were asked about the monthly investment made by them and the effect on the amount invested due to COVID – 19 pandemic. The respondent belongs from the age group between 22-70.

Hypothesis 1

H01: Before and during COVID -19 outbreaks, there is no change in Monthly Securities Investment.

Before and during COVID -19, respondents were queried about their monthly investment amounts. A paired sample t test was used to examine the relationship between the two amounts. Tables 1 and 2 show the results of the test.

Table-1					
Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Investment in security market	3127	100	1329.605	132.961
	Before COVID				
	Investment in security market	2511	100	2076.56	207.656
	during COVID				

Hypothesis 2

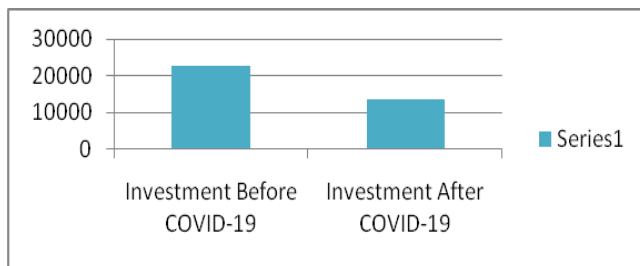
H02: Before and during the COVID -19 outbreaks, there was no significant association between the gender of investors and the amount invested in Securities.

Paired Samples Correlations					
		N	Correlation	Significance	
				One-Sided p	Two-Sided p
Pair 1	Investment in security market Before COVID & Investment in security market during COVID	100	0.358	<.001	<.001

The amount invested in SIP before and during the COVID 19 epidemic was determined by analysing 100 respondents. The effect of COVID-19 on investor investment and the link between gender and amount invested before and during COVID-19 were investigated using an independent sample t-test.

t-Test: Before Covid-19		
	Male	Female
Mean	29639.70588	8006.25
Variance	341632579	63354153.23
Observations	68	32
Hypothesized Mean Difference	0	
Df	97	
t Stat	8.174444213	
P(T<=t) one-tail	5.71E-13	
t Critical one-tail	1.660714611	
P(T<=t) two-tail	1.14E-12	
t Critical two-tail	1.984723136	

t-Test: During COVID-19.		
	Male	Female
Mean	18063.23529	4375
Variance	566914001.3	56048387.1
Observations	68	32
Hypothesized Mean Difference	0	
Df	90	
t Stat	4.309575911	
P(T<=t) one-tail	2.08E-05	
t Critical one-tail	1.661961085	
P(T<=t) two-tail	4.17E-05	
t Critical two-tail	1.986674497	



As the result of this test it has been analyzed that the gender difference made effect on the amount of investment made by the investor, before and after COVID – 19. In this research paper the researcher analyzed the impact of gender on the amount of investment made by invertors in security market. The researcher analyzed the gender impact in both the cases before and during COVID – 19. As the significant value is more then 0.05 so the null hypothesis will be accepted which shows that gender differences made impact on the amount of investment made by investors before and during COVID-19.

VI. LIMITATION OF THE STUDY

This study consider only 100 sample size. Further the study can be done with large sample size and the area of the study can be larger. Under this study the researcher tested the impact mainly based on two factors as impact of gender on investment and the impact of COVID -19 on the amount invested by the investors.

VII. CONCLUSION

The present study tried to find out the impact of COVID -19 on financial investment made by individual investors before and during COVID -19 out-break in Uttar Pradesh, India. In this existing literature the researcher found the various factors which affect the investment made by investor before and during COVID-19.

In this research researcher found that there is a significant difference between the amount of investment made by investors before and during COVID-19. The researcher analyzed that the amount invested by the investor in security market was less due to the impact of COVID-19. There may be various factor which affect the amount invested as reduction in salary, insecurity regarding future income, slowdown of economy in India, high inflation in India. The researcher found due to these factors, investors reduced the total amount invested by them due to COVID -19. Further the researcher found that the gender differences does not make any effect on the investment made by investors in security market.

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