Impact of COVID on Individual Investors Investment Behaviour and Risk Endurance

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Abstract

A sound financial system not only ensures nation's economic stability, also citizens increased standard of living. If the people income increased means savings and investment in physical and financial assets also will increase. The cohesive enrichment of financial market with guidelines if SEBI encourages the individual to invest more in financial assets. This leads an investor to learn about financial systema and the related risk. For all nations whatever be the risk endurance facing to increase their financial and economic stability, the high impact of risk is by COVID pandemic. Hence the researcher examines the factors affecting individual investor's investment behaviour and risk endurance factor in the age of COVID-19 by using a qualitative research method analysis. The population of the study consists of individual investors investing in and around Coimbatore. The purposive sampling technique is used for research. Semi-structured interviews were conducted in order to get thorough insights from 117 sample respondents. For analysis purpose, descriptive statistics and Chi-Square teat were applied. The outcomes revealed that influence of demographic profile on investor awareness on investment during covid-19 and the investor choice of existing investment pattern also changed which is limited to individual investors with minimum risk.

Keywords: Individual investors, Investment decision, Investment Avenue, Risk endurance factors, COVID-19

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Introduction:

An efficient financial system of the country is the supportive hand to promote growth of the economy with investors increasing investment in financial assets and return on investments. The financial market links the investors and financial institution by offering different investment avenues. A good shift from investing the savings in physical assets to financial assets, with a growing awareness among investors. The impact of the COVID pandemic on financial transactions has to be considered because its influence in individual investors behaviour must be relatively examined. Investors' choice of existing investment pattern also changed. The risk associated with investment increased more during covid. The factors influencing and the risk endurance in the investors' behaviour during covid has remarkable cause in the investment pattern.

Statement of the problem

An investors decision in investment is based on market factors and psychological factors. The market volatility and government policies play significant role in financial market. The factors highly influence the investment decision of a normal citizen is mostly by confidence level, broker's advice, returns and political and market stability. At the same part least, influencing factors might be beliefs, family and friend's opinion, socio- cultural status for selecting the investment pattern. Now COVID throws a greater impact on all segments of life. Hence there is a need to know how far COVID pandemic influence the investors investing pattern and the risk related in trading in financial market.

Objectives of the study

- To study the influence of demographic profile on investors awareness on investment during covid-19.
- To study investors' psychosomatic biases affecting individual investor behaviour.
- To analyse the risk endurance factors to know investors willingness towards investment avenues

Literature review

- **Arpita Gurbaxani and Rajani Gupte (2021) "A Study on the Impact of COVID- 19 on Investor Behaviour of Individuals in a Small Town in the State of Madhya Pradesh, India"**, found that the relationship between COVID and change in individual investment decision (SIP) association was found between measures prevent covid and individual income,

has direct impact on savings and investment behaviour. 43% of respondents reported drop in SIP during covid.

- **Aamir Sohail and Abid Hussain (2020) "An Exploratory Study to Check the Impact of COVID-19 on Investment Decision of Individual Investors in Emerging Stock Market",** revealed that COVID-19's impact on individual investor's investment decisions trading in Pakistan Stock Exchange. The overall market factors are the most important factors, and psychological factors are the least influencing factors affecting an individual investor's investment decision. This research study is limited to individual investors as it does not include institutional and professional investors.
- **K. Parimalakanthi and Dr. M. Ashok Kumar, (2015), "A study on Investment preference and behaviour of individual investors in Coimbatore City",** stated that a variety of investment avenues are available in the Indian financial market. The authors found that the major factors behind an investment are income, government securities, principal amount and capital appreciation. And also based on investors risk taking attitude the invest their surplus money. The researchers concluded that most of the investors prefers bank deposits followed by investing in Gold.
- **Roopadarshini (2014) "Individual Investors Behavioral Biases in Vietnam Stock Market",** discussed the conception lens to explore the impact of factors influencing investment behavioural intention in Vietnam Stock Market. The author applied the theory of planned behaviour to investigate the influencing factors level of individuals' behaviour.

The research study related to investment pattern and related risk had been studied by many researchers. The mentioned literature review helps to identify the research gap; hence an attempt has been made to study the impact of COVID on investment behaviour of individual investors and related risk endurance.

Research Design

The research study is a diagnostic descriptive research, which focus on the impact of covid on individual investors investment behaviour and risk endurance. The information related to the study factors are collected from secondary data, by administering questionnaire and Semi-structured interviews, the raw data was collected from the 117 sample respondents of individual citizens. The purposive sapling method was used to select the sample respondents and for analysing the data, Chi-Square test and Descriptive statistics were used.

Analysis and Interpretation

Monthly Income and Frequency of Investment Before Covid19

H_0 - There is significant difference between monthly income and frequency of investment before covid-19.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.088	9	.827
Likelihood Ratio	5.303	9	.807
Linear -by-Linear Association	.218	1	.641
N of Valid Cases	117		

a. 5 cells (31.3%) have expected count less than 5. The minimum expected count is 1.38.

The analysis shows Pearson Chi-Square result revealed that there is a statistically significant association between monthly income and frequency of investment before covid-19. (χ^2 =5.088[a], P = .000)

Financial Assets Size and Savings Percentage in Investments

H_{01} - There is significant difference between financial assets size and savings percentage in investments.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.069	4	.723
Likelihood Ratio	2.044	4	.728
Linear -by-Linear Association	.038	1	.845
N of Valid Cases	117		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.92.

The Pearson Chi-Square result revealed that there is a statistically significant association between financial assets size and savings percentage in investments (χ^2 =2.069[a], P = .000)

The importance of investment objectives

The factors related to the importance of investment objectives are analysed with descriptive statistics.

Objectives	Mean	Std. Deviation
Purchase of basic needs	3.16	1.111
Education	3.47	1.213
Marriage	1.71	.921
Old age benefits	3.17	1.351
Construct / purchase house	3.21	1.224
Financial stability	3.60	1.148
Wealth creation	3.32	1.124
Valid N Listwise - 117		

Source: Primary Data

It is inferred that the existing investment objectives is less, the Mean score for most of the objectives mentioned in the importance of investment objectives is above 3. The individual investors must be clear about the reasons for investment while setting objectives.

Factors that attract to invest during COVID

The influencing factors to attract individual to invest during covid are tested with descriptive statistics.

Factors	Mean	Std. Deviation
Investment experience	3.14	.962
Awareness level	3.03	.921
Gut feeling in the economy	3.01	.871
Reputation of the company	3.75	1.686
Political stability	3.70	1.398
Valid N Listwise - 117		

Source: Primary Data

The analysis shows that the investors attractiveness towards investment during covid is low as the Mean Score value of factors are above 3. The investors must encourage their self - consciousness and improve knowledge towards the factors attracting the people to invest rather than savings.

Overall investment preference in the investment avenues during COVID

There are several investment avenues for the individual investors on their preference during covid analysed with descriptive statistics.

Avenues	Mean	Std. Deviation
Bank and Post office Savings	3.49	.903
Insurance	3.05	1.27
Shares	3.77	.734
Mutual fund	3.25	.963
Bond	3.17	1.02
Gold and Silver	3.01	1.31
Real Estate	3.13	.973
Valid N Listwise - 117		

Source: Primary Data

The analysis infers that the Mean Score value of the stated investment avenues are above 3, which indicates that the overall investment preference in the investment avenues during covid is relatively low.

Risk Endurance Factors during Investment

The risk endurance factors associated during investment decision of individual investors.

Factors	Mean	Std. Deviation
Interest rates	3.19	.982
Economic growth	3.21	.975
Confidence / expectations	3.84	.954
Technological developments	3.22	.983
Availability of funds	3.61	1.024
Inflation	3.12	1.32
Government policy	3.54	.734
Valid N Listwise - 117		

Source: Primary Data

It is analysed from the table that the Mean Score value is above 3, shows that the risk factors associated during investment should be keenly understood by the investors and must be well explained. So that the investors can reduce the risk during investment.

Suggestions

The researcher suggested to create awareness by organising audio-visual notes and screen plays, to educate the people who did not have much knowledge about the investment avenues. Even though Stock market, SEBI and financial institutions delivering seminars, certificate courses and protection measures for investors still the misleading continues related to higher returns for the individual investors' investment. The pre-said institutions and advisory bodies must take even more care on rate of return and all related risk should be well explained in advance. Social media should properly direct the investors because people get easily influenced by their statements. And individual investors must know about the diversified investment pattern so that they can reduce the associated risk level.

Conclusions

The researcher concluded that financial literacy rate is comparatively low in India, even the people have sound wealth and academic background. This study focussed on the impact od COVID in individual investors investment pattern and risk endurance. The author concludes that people are reluctant to invest in financial products and they should create self - awareness of where to invest and what criteria to be considered during their investment decision. The people who are financially literate or not, opt for the safer options even capital appreciation is less compared to other financial assets. By creating awareness individual can better understand to trade their financial product, when to invest, where to invest and the criteria to follow in selecting investment pattern not only during covid but at all the period.

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