



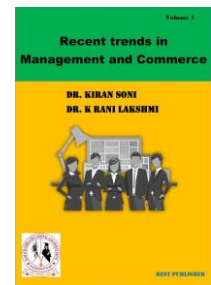
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Behavioral Transitions of Individual Investors during the Covid -19 Pandemic Stock Market

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Abstract

COVID 19 pandemic have adversely affected the global stock markets. Indian stock market have dropped around 35 percentages. The emotions and tensions of individual investors during the COVID Pandemic is tremendous. The March 23rd of 2020 faced an unexpected bearish trend, a squandering time to the investors. The market volatility was around 74 percentages. Investment decision of individual investors became onerous. Now market prediction is not an easy task also. Stock market investment and construction of optimum portfolio undergoes through a complex process of all the time, because the stock market has become very sensitive and not static. Every information may results in the ups and downs of the prices of each stocks. This volatility lead to emotional changes for the investors in all the time. This paper focuses on framing the relationship between emotional behavior of individual investors and their attitude towards the market in this pandemic situation. Primary data have been collected from 50 samples of investor population of Kerala through Google form questionnaire. The results of the study reveals that fear is the most significant emotion in this pandemic. However, the paper outcome also conveys that, investors have optimistic attitude towards the stock market and believed that this is the appropriate time for the beginners to enter into the stock market, because most of the fundamentally strong shares are in non- inflated prices and investors opinioned about construction of a new portfolio in this pandemic is not a wrong financial decision.

1. Introduction

India is a developing country with huge investment opportunities. Development of Indian economy deeply depends upon the stabilized growth of industrial sector. This growth is immensely depending on the financial markets. Indian financial system is an organized one. Our organized financial market provides a wide range of investment opportunities to all types of investors. Stabilized stock market growth is an important factor to the active participation by the investors. Volatility of market and unanticipated market movement will be forced to quit from market by the investors. Investors are rational in their financial decision but high volatility will lead to fear to take investment decisions. From the various investment avenues, equity share is a very liquid than other financial instruments. So, the participation makes the secondary market of equity shares is very active also. COVID infected to most of the markets in the world. The adverse movements of equity market affected to all the investors. The investment behavior of the individual investors changed as they became fear to invest blindly and almost all the shares became corrected its prices. However, most of the investors are spending more time to analyses the market and new investors trying to enter into the market with best portfolios.

STATEMENT OF THE PROBLEM

Indian stock market dropped around 35% during the Pandemic. It affected to all types of investors and the emotions and tensions of individual investors became get larger. The investment behavior of the individual investors rapidly changed. This study aimed to analyses the significant relationship between emotions of investors and the pattern of investment.

SIGNIFICANCE OF THE STUDY

The stock market has enormous investment opportunities to the investors not only to the existing investors but also to the interested individuals. The market become highly volatile and uncertain during this COVID 19 pandemic period resulted in mixed emotional bias and behavioral changes among the individual investors. As emotions play a vital role in the market investment decisions and the investors do not always perform the decisions rationally, a study during this pandemic condition is worthy in order to cover the existing research gap.

SCOPE OF THE STUDY

The study focused only the emotional influences and behavioural changes of investors of Kerala only and their perceptions on the investment opportunities in this pandemic. Thus the current research paper is focused on framing the relationship between human psychological variables as investors.

OBJECTIVES OF THE STUDY

This Paper is carried out with the following objectives:

1. To analyze the emotional influences and investment behavioral changes of individual investors and their perception toward the stock market in this COVID 19 pandemic.
2. To examine the rationality of investors in financial decision making and opportunities for making return to the investors from the stock market with the risk of this pandemic.

HYPOTHESIS OF THE STUDY

1. **H0₁:** There is no relationship between emotions of individual investors and behavioral changes in stock market investment
2. **H0₂:** Emotions of individual investors and their investment behavior is not correlated.

RESEARCH METHODOLOGY

This study is partly descriptive and primarily analytical in nature. The study is purely based on primary data and a sample survey is undertaken to complete this study. Primary sources of data only used in this study. 50 individual investors belonging to Kerala were selected using convenience sampling method and a structured Google form questionnaire with optional type questions was used to collect data.

IBM SPSS software was used for the data analysis. Measures of descriptive statistics like mean, standard deviation and percentages were used for better understanding the nature of data. Statistical tools like ANOVA One way, Chi Square test for independence were also used for hypothesis significance test.

LIMITATIONS OF THE STUDY

- ❖ The research area of the study is confined to Kerala only
- ❖ Data collected from the sample of 50 only
- ❖ Convenience sampling method is used.
- ❖ The investors are widely scattered in the study area.
- ❖ The information provided by the investors is purely based on their perception only. The quality and reliability of the data collected is the actual expression of respondents

DATA ANALYSIS AND INTERPRETATION

Chi-Square test for independence between emotions and behavioral changes in stock market

	Value	df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	60.874 ^a	1	.000		
Continuity Correction	57.49	1	.000		
Likelihood Ratio	65.52	1	.001		
Fisher's Exact Test				.000	.206
Linear-by-Linear Association	60.266	1	.000		
N of Valid Cases	50				

Source: Primary survey

The above table calculates the Chi Square test for association of independence between investor's emotion and behavioral changes in market. It can be interpreted that, the Pearson Chi Square value is 60.874 and is significant at 0.000, which is less than 0.05. Hence the null hypothesis is rejected. Therefore there is statistically significant difference in the emotions of individual investors towards the behavioral changes in stock market.

ANOVA - (One way) for percentage of income for investment and the time spending for market analysis

Source of Variation	Sum of Squares	D.f.	Mean Square	F	Sig.
Between Groups	1.679	5	0.336	3.040	0.011
Within Groups	25.852	234	0.110		
Total	27.531	239			

Source: Primary survey

The table above describes about the ANOVA One way for finding the significance of difference in the time spending for market analysis on the basis of percentage of income for investment. It can be interpreted that, the P value (Significance value) 0.011 is less than the 0.05 level and is significant. Therefore the null hypothesis is rejected. Therefore there is a significant relationship between the percentage of income of investment and the time spending for analysis.

FINDINGS

1. The percentage of investment in the last 3 months is depend on the emotional (fear) factor of individual investors. That means, emotion play a vital role in investment decisions. Fear is the most significant emotions in this pandemic
2. There is a significant relationship between the percentage of income of investment and time spending for analysis. Investors became too rational and they are spending much more time analysing the market than the previous.
3. 56 % of investors are male and 52% are post graduated individual investors.
4. 78% of investors are confidence in stock market investment. Investors are optimistic and they are expecting a bullish trend in Indian indices as well as in global indices.

5. Stock market opportunities never end, both long term investment and short-term speculative opportunities are there.
6. This is an appropriate time for the beginners to enter into the stock market, because most of the fundamentally strong shares are in non- inflated prices.
7. Construction of a new portfolio in this pandemic is not a wrong financial decision.

Conclusion

The financial crisis of 2008 and the global crisis of 2009, investors are becoming more cautious towards financial market investments. In the COVID Pandemic, the future of stock market is not easily predictable. Individual investors became more cautious about the investment decisions. The emotions and tensions of investors increased drastically because of the unpredictability of future market movement. The percentage of investment in the last 3 months is depend on the emotional (fear) factor of individual investors. That means, emotion play a vital role in investment decisions. Fear is the most significant emotions in this pandemic. There is a significant relationship between the percentage of income of investment and time spending for analysis. Investors became too rational and they are spending much more time analysing the market than the previous.

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