

Impact of Covid 19 on Personal Finance & Investment in India

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Abstract

The disease of corona virus (Covid-19) pandemic, which instigated in the city of Wuhan, China, had speedily broadened to various countries. In the month of May 2020, more than 50,000 positive cases have been reported in India. The Indian government imposed 55 days lockdown in the whole country that started on 25th March, 2020 to reduce the spread of the virus.

During this pandemic, many people lost their employment, many type of businesses like travelling, hotel industry, textile industry suffer from losses in this critical situation. Thus, it also affected to the personal financial management for making investment planning and insurance planning in the pandemic.

This research paper studies about financial impact of covid-19 on personal financial investment decisions in the Indian market. It focuses on how can COVID-19 affect personal financial goals. It also studies the changes in personal financial investment in India like digital transactions picked up at par with the increasing digitization of financial services during the pandemic. The emerging areas of financial services like banking, investing and insurance are affected as a result of pandemic.

This research study is going to use qualitative research method for analysis of investment planning of individuals in the district of Vadodara in the stage of pandemic. The study consists of population of individual investors investing in Indian Stock Exchange. The purposive sampling technique has been used and online mode used to contact the respondents.

Keywords: Pandemic, COVID-19, Individual investors, Investment decision.

Introduction:

Personal finance refers to the financial decisions which an individual or family unit is required to make to obtain budget, save and spend monetary resources over time, taking into account various financial risks and future life events. When planning personal finances the individual would consider the suitability to his or her needs of a range of banking products, investment and insurance products etc.

Personal finance, as a term, covers the concepts of managing your money, saving, and investing. It also includes banking, budgeting, mortgages, investments, insurance, retirement planning, and tax planning. One can consider that personal finance comprises the entire industry that provides financial services to individuals and advises them about financial and investment opportunities.

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Objectives of the Study

1. To study the impact of covid-19 on personal financial investment decisions in the Indian market.

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2. To analyze the changes in personal financial investment in India in the pandemic.
3. To study the impact of covid-19 on the emerging areas of financial services like banking, investing and insurance.
4. To find out how can Covid-19 affect personal financial goals.

Methodology

Qualitative data refers to words rather than numbers, and is often used in situations where fewer people need a deeper and clear understanding of a particular topic. At this stage, words are processed based on the data collected in the form of questionnaires in Google form. Since the scope and concepts of the research are well known, qualitative data were collected through questionnaires. According to the target sample, 10 participants were selected from Vadodara district. The demographics of the respondents are described in the next section.

The population of the study consists of individual investors investing in Indian stock exchange. The purposive sampling technique was used by the researcher. Google Doc was used for asking respondents responses electronically as in the current situation it is very difficult to visit personally. Moreover, telephonic interviews were also conducted according to the feasibility of the respondents. Finally, the researchers asked the respondents to share the findings with them and send them a copy of the transcript for verification electronically.

SampleCharacteristic Table: 1

Demographic Information of Respondents

The interview was conducted with ten individual investors of Vadodara district on the Indian Stock Exchange and identified various factors that could affect investment decisions. None of these investors have less than one year of investment experience. All respondents are Indian and currently investing in Indian stock market. All the respondents have degrees relevant to business administration. All the respondents have good knowledge of the stock market.

Respo ndents	Gender	Age (years)	Investme nt status	Educational Qualification	Investment in more than two assets
1	Male	44	Current Investor	Master	Yes
2	Male	29	Current Investor	Master	Yes
3	Male	33	Current Investor	M.Phil	Yes
4	Male	40	Current Investor	Master	Yes
5	Male	33	Current Investor	MBA	Yes
6	Male	29	Current Investor	ICWA	Yes
7	Female	35	Current Investor	Ph.D	Yes
8	Female	33	Current Investor	CA	Yes
9	Female	32	Current Investor	MBA	Yes
10	Male	45	Current Investor	MBA	Yes

The COVID-19 financial impact on the Indian market:

The impact of COVID-19 has had far-reaching effects on the Indian market. So far, the Covid-19 financial impact has been negative and led to:

A rise in unemployment rates: The continuous rise of unemployment rates is one of the main side effects of the Covid-19 economy loss. Citizens continue to lose their jobs. Those in the informal work sector are experiencing the hardest of economic hardship. Those working daily wage jobs in construction, real estate, trade, transport and manufacture seem to have suffered the Covid-19 financial impact the most.

Crash in GDP: India's GDP was already facing a massive slowdown in the past years. But the arrival of the pandemic has led the country's GDP towards a new low. In April-June, the National Statistical office recorded a contraction of -23.9% of India's GDP rate. It is evident from these numbers that the intensity of the Covid-19 economy loss is set to get worse.

Crumbling health infrastructure: To add to the economic woes of the citizens, India's public health infrastructure is in harm. The absence of ample infrastructure, coupled with the explosive population, has led to poor healthcare practices. Moreover, understaffing in hospitals is putting the burden of treatment on the handful of the country's doctors. As a consequence, even healthcare professionals are facing a harsh Covid-19 financial impact.

Impact of COVID-19 on personal financial goals

Covid-19 had exhausted individual's financial goals. This has required them to re-evaluate their financial cash flows and condition. Due to Covid-19 in the past few months, the cost of living has become high. The followings are various effects of Covid-19:

Savings and investments: Investors are savers but all savers cannot be good investors, as investment is a science and an art. Savings are sometimes autonomous and sometime induced by the incentives like fiscal concessions or income or capital appreciation. The number of investors is estimated of about 50 million out of population of more than one billion in India. Savers come from all classes except in the case of the population who are below poverty line. The growth or urbanization and literacy have activated the cult of investment. More recently, since the eighties the investment policy has become more popular with the change in the government policies towards liberalization and financial deregulation.

Insurance premiums to rise as a consequence of COVID-19 economy loss: Another effect of COVID-19 is the increase in insurance premiums in existing insurance policies. Several insurance companies have put the burden of the Covid-19 economy loss on policyholders. This has put holders of life and medical insurance policies in a fix. By the end of the year, insurance premiums for varying insurance policies will hike up by 10-20%.

An objectionable cut short to professional or career goals: Covid-19 personal finance impact has been in career and professional goals. People who graduate and part-timers are finding it difficult to search a job. Those who plans to go out of the country for higher studies have faced problem to their plans due to the higher financial cost and travel restrictions in other countries.

Impact of covid-19 on the emerging areas of financial services

Banking: From a consumer perspective, banks allowed investors to manage their money using an app alone. They could make payments, check their investments, and pay their insurance premiums. More importantly, you could carry out these transactions any time, any day, and anywhere. Digital payments have been on a steady increase for some years now. However, the pandemic spurred their growth, triggering a record high month-on-month in 2020. According to the Reserve Bank of India data, mobile payments reached 20,919.08 crore (INR 7,04,109 crore in value) with a further 28.22 crore transactions worth INR 34,36,124 in net banking payments in September 2020 alone. Other than its ease, emerging technologies like mobile wallets, Unified Payments Interface (UPI), and card-less barcode scanners further added to the quick adoption of digital payments. Businesses were also quick to reciprocate, ensuring that digi-payment tech was intertwined with point of sale (PoS) technologies. So, you can now use a UPI or bank digital payment gateway across vendors or even public utilities.

Investing: While cryptocurrency is not accepted as legal tender in India, there has been growing interest in its scope as an investment device. In fact, India ranked second in global cryptocurrency adoption as per the 2021 Global Crypto Adoption Index.

Despite the impressive numbers, there are still many challenges in wider crypto adoption. As mostly speculative assets, they often see wild fluctuations. So, while you may see a massive rally in cryptocurrencies' prices one day, you are equally likely to see it plunge a few days later. The lack of consumer education on crypto has only added to the lack of clarity that one often associates with cryptocurrency. The government's decision to disregard it as a legal tender has made its future in India quite uncertain.

As buyer preferences change with increased personalization across the finance sector, there is a growing demand for more curated insurance services that meet their particular needs. This conclusion was drawn by two key reports that took stock of last year's events, namely the 2021 Deloitte 2021 insurance outlook, and the McKinsey & Company's prediction for the future of life insurance.

Conclusion

The findings of this research study shows that market factors and personal factors are the most important factors influencing individual investor's decisions. Furthermore, results of the study also show that during COVID-19 investors are carefully investing in the market by relying on their own experience and broker advices. The results also showed that religious beliefs, social status, "getting rich quickly" and opinion of family members have not affected on equity decisions. This research will be able to provide new insights for investors, helping them make appropriate and powerful decisions. This study aims to improve our insight and understanding of the relationship between behavioral factors and investor decisions. This research shows that Covid-19 financial impact has been negative in Indian capital market. Due to Covid-19, individual savings and investments also reduced.

Limitations of the Study

The period and sample size of the study are limited. This research study is limited to individual investors as it does not include institutional and professional investors.

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