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A Study on the Perception of the Investor for Investment in Mutual Funds and Shares During Pandemic in Lucknow City

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Abstract:
The goal of this study article is to comprehend how the COVID-19 pandemic has impacted people's financial and investment choices in Lucknow, the capital of Uttar Pradesh and a Tier 2 city. A review of the literature on COVID-19 and the measures implemented to contain and combat the pandemic was conducted. An analysis of the government's lockdown action and its effects on household income, savings, and investment was conducted. The responders were primarily from the civil defence and public aviation sectors, including Hindustan Aeronautics Limited. In addition, some respondents are members of the business class who suffered greatly during the protracted lockdown during the COVID-19 pandemic, which resulted in a decrease and withdrawal of SIP investment funds. According to the study's findings, there was a significant correlation between individual income and the steps taken to propagate COVID-19, and these steps had an immediate effect on investments and saves. During the COVID-19 epidemic, there was a decline in SIP investment. Second, a correlation between the amount invested and gender was also discovered. The findings demonstrated the micro-level socioeconomic repercussions of the COVID-19 epidemic, which help financial institutions and other businesses better manage similar circumstances. This study's scope is constrained; in order to obtain more in-depth conclusions regarding the socioeconomic implications of the COVID-19 pandemic, future research should take into account larger samples and other circumstances.

Keywords: Covid 19, investment, stocks , Mutual funds

Introduction:

The role of investor and their impacts on the stock and financial market is a significant factor that is necessary to be focused and studied. Various investment alternatives are available in the market like shares, gold, commodities, mutual funds, real estate etc. Investors select their investment alternatives based on their choices and risk factor. Every investor has different perception towards available investment alternatives. Investment is very crucial decision and it is volatile in nature because the returns and earnings are totally depended upon the market condition of the financial and capital market.

Mutual funds

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to the number of units owned by them. It is a very useful source of investment for common man.

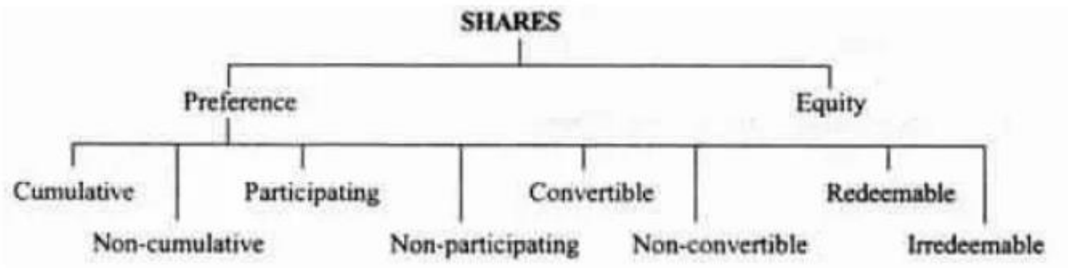
Concept of Mutual funds

Mutual Fund is essentially a mechanism of pooling together the savings of a large number of small investors for collective investment, with an avowed objective of attractive yields and capital appreciation, holding the safety and liquidity as prime parameters. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to the number of units owned by them. Mutual funds are dynamic financial institutions (FIs) which play a crucial role in an economy by mobilizing savings and investing them in the stock-market, thus establishing a direct link between savings and the capital market. Therefore, the activities of mutual funds have both short-and long-term impact on the savings pattern, growth of capital markets and the economy.

Shares

Companies issue shares as a means to raise money. This may be to finance company expansion, a new development, or to move into overseas markets. When you buy shares, you effectively become a part owner of the company. The bigger the investment you make, the bigger your stake will be in the company. When an investor buys a company's stock, you're purchasing a small piece of that company, called a share. Investors purchase stocks in companies they think will go up in value. If that happens, the company's stock increases in value as well. The stock can then be sold for a profit.

Types of shares



Source: (indiafreenotes)

Investment during Covid 19 in shares and Mutual funds in Lucknow city

Covid 19 Pandemic

Since the first case of coronavirus, named as COVID-19, in Wuhan, China (Zhu et al. 2020), COVID-19 became a pandemic in a short span of time. As on May 15, 2020 (2.00 am; Indian Standard Time; UTC + 05:30), total 4,258,666 coronavirus cases and 294,190 deaths of coronavirus patients have been reported from 216 countries of the world (WHO 2020).

A lot of research on the nature of its spread, the mechanisms of its transfer from human to human, the genome of COVID-19, the mechanisms of its infection in human cells and its effects on various tissues has been published (Chen et al. 2020; Guo et al. 2019; Baig et al. 2020; Gu et al. 2020; Driggin et al. 2020). It is apparent that the lockdown and consequent reduced mobility of people and industrial and almost all other human operations would have also impacted air pollution. The worst-affected districts in Uttar Pradesh by COVID-19 were Lucknow, Kanpur Nagar, Prayagraj, Gorakhpur, Ghaziabad, Meerut, Varanasi, etc. Out of 75 districts. The hardest hit city was Lucknow, the capital of Uttar Pradesh.

Investment decisions during pandemic

The COVID-19 pandemic brought about massive economic disruptions globally, and the stock market in India was no exception. In cities like Lucknow, the impact of the pandemic was profoundly felt, affecting both institutional and retail investors. As the virus spread, fear, uncertainty, and unpredictability engulfed the financial markets, which saw extreme volatility during the initial phases of the pandemic, especially from March 2020 onwards when the government imposed a nationwide lockdown.

In the early stages of the pandemic, the stock market in India experienced a sharp decline, mirroring trends seen globally. In March 2020, stock indices such as the BSE Sensex and NSE Nifty plummeted by more than 30%, leading to a significant loss in investor wealth. For investors in Lucknow, this downturn in the market created an atmosphere of anxiety. Many retail investors who lacked deep market experience were overwhelmed by the scale of the losses. In Lucknow, retail investors exhibited tendencies of herd behavior, following market trends without a thorough understanding of the market conditions. This was especially true when the market saw a rebound after the initial crash. Investors flocked to invest in stocks that were rising rapidly, often ignoring the fundamental analysis of those companies.

Literature Review

Investment in mutual funds during pandemic

(Agrawal G.and Jain M.) Examine there has been a tremendous growth in the mutual fund industry in India, attracting large investments not only from the domestic investments but also from the foreign investors. Increasing number of Asset based Management Companies providing opportunity to the investors in the form of safety, hedging and arbitrage. With the growing middle-class household families with limited risk bearing capacity, it provides better returns than any other long-term securities. India's high rate of savings and a rapid-liberalizing economy is expected to elevate the mutual fund sector to new hikes**.**

(Y Prabhavathi, 2013) He has observed that the two growth oriented mutual funds have not performed better than their benchmark indicators. Though Master Gain has performed better than the benchmark of its systematic risk (volatility) but with respect to total risk the fund has not outperformed the Market Index. Growth oriented mutual funds are expected to offer the advantages of Diversification, Market timing and Selectivity. In the sample, Magnum Express is found to be highly diversified fund and because of high diversification it has reduced total risk of the portfolio. **(Anna A. Merikas, 2019)**

He observed that the cost of the SRI constraint is especially high for investors who insist upon allocating their entire mutual fund investments to socially responsible funds but it is also quite substantial for the average SRI investor who **(Anju, 2015)**allocates only a third to that subset of funds. Given its focus on mutual funds, this paper formally considers less than the entire universe of socially responsible managed funds. The intent is that the setting and general characteristics of the mutual funds studied are representative of the SRI industry at large, including institutional investments**.**

(Arathy B, 2015) He finds for 1984-2006, when the CRSP mutual fund database is relatively free of survival bias, mutual funds on average and the average dollar invested in fund underperform three-factor and four-factor benchmarks by about the amount of fees and expenses. Thus, if there are funds with good information that enhances expected b returns they are offset by funds with bad information**.**

Investment in Shares during pandemic

(Zhu, Srinivasan, & Lash, 2024) In this paper, we examine the predictability of social media-based WoM on day-ahead US stock market returns across three phases of the pandemic: pre-COVID, peak-COVID, and recovery. We collect over 24 million stock-related tweets from Twitter across these three periods and employ text-mining methods for feature engineering. Researcher focus on two channels of WoM information, aggregate sentiments, and disaggregated topics, representing investors' overall opinions and discussion patterns about the stock market. They find that, in contrast to normal market conditions, the investor sentiment indices are not significant in predicting market returns during the peak-COVID and recovery periods, while for the pre-COVID period, our findings are consistent with prior studies. To explore the effect of disaggregated latent topics, the study proposes an ensemble feature selection approach that identifies relevant topics for each of the three periods. find that adding topic information significantly improves model prediction during the peak-COVID period. The findings imply that during a global socio-economic disruption and the subsequent recovery, the landscape of financial markets, examined through the lens of social media-based WoM, is different than during normal market conditions.

(Emre Cevik, 2022) : This study examines the relationship between positive and negative investor sentiments and stock market returns and volatility in Group of 20 countries using various methods, including panel regression with fixed effects, panel quantile regressions, a panel vector autoregression (PVAR) model, and country-specific regressions. It proxies for negative and positive investor sentiments using the Google Search Volume Index for terms related to the coronavirus disease (COVID-19) and COVID-19 vaccine, respectively. Using weekly data from March 2020 to May 2021, we document significant relationships between positive and negative investor sentiments and stock market returns and volatility. Specifically, an increase in positive investor sentiment leads to an increase in stock returns while negative investor sentiment decreases stock returns at lower quantiles. The effect of investor sentiment on volatility is consistent across the distribution: negative sentiment increases volatility, whereas positive sentiment reduces volatility.

(Shankar & dubey, 2021): This study examines the impact of COVID-19 pandemic on the performance of Indian stock market, measured by daily average returns and trading volume. The analysis is aimed at discovering the vulnerability of the general market as well as nine crucial sectors to the pandemic while also checking the impact on overall volatility in the market. The findings suggest that all the sectors followed a consistent pattern of being significantly impacted by the pandemic. However, the benchmark index remained resilient in the context of average returns. The entire market witnessed decreased returns and increased liquidity, which is explained by reduced volatility in the market**.** The results from this study remain consistent with investor risk aversion theory. The behavioural aspect of this effect can be a scope of future study. Despite a decent performance, the Indian stock market does not reflect the real picture of the economy. It may, indeed, prove to be good news for investors as they can take advantage of the resilience in NIFTY 50 return by taking a long position to offset the losses incurred on other asset classes vulnerable to COVID-19. For the policymakers also, it has a positive side as their initiatives to keep the market going have taken effect in the form of NIFTY- 50 returns not reacting to the pandemic significantly while most sectors gaining trading volume. However, the study could be further elaborated by understanding the direct causal linkage from COVID-19 to stock market performance.

The performance evaluations of various securities serve as a valid reason for investors to make changes in their investment portfolios. Investors make decisions about the overall success of different assets in the market based on their past returns, which helps them in developing potential portfolios **(Sundali, 2012).** Recent findings indicate that due to unexpected returns on high-risk assets **(Azimli, 2020)**some investors are shifting towards a more conservative portfolio. This aligns with previous research suggesting that prior gains lead to more investment in risky assets, while prior losses lead to a reduction in risk-taking capacity, commonly known as the 'snake-bite effect' **(Verma)**

OBJECTIVES OF RESEARCH

- To know the preference of investors for investment after Covid 19 pandemic.
- To know the reduction takes place in the investment of mutual funds after Covid 19 pandemic
- To know the reduction takes place in the investment of shares after Covid 19 pandemic.

RESEARCH METHODOLOGY

Convenience sampling is used in this study, and the survey method is used to collect data. Male and female investors between the ages of 20 and 70 comprised the respondents. The participants are from Uttar Pradesh's Lucknow. There are presently 3854000 people living in the city's metro area. The majority of Lucknow's population works for the government and runs small businesses. A carefully designed survey was created and distributed at random to 150 investors.

Lucknow was taken into consideration since it is a Tier 2 city and the effects of COVID-19 are still being investigated because the virus has been present in the nation for a long time. It has been shown that the city's commercial and service sector residents typically invest in financial products like shares and mutual funds. Respondents' affiliation to work in the service sector for the public company Hindustan Aeronautics Limited. The majority of the staff members are engineers with degrees or diplomas, and their remuneration is based on the government pay scale. The sample size, about is greater than the representative sample size determined by maintaining a 5% margin of error and a 95% confidence level. People run small businesses relating to the education sector or any customer-related services where their profits fluctuate.

Hypothesis Testing

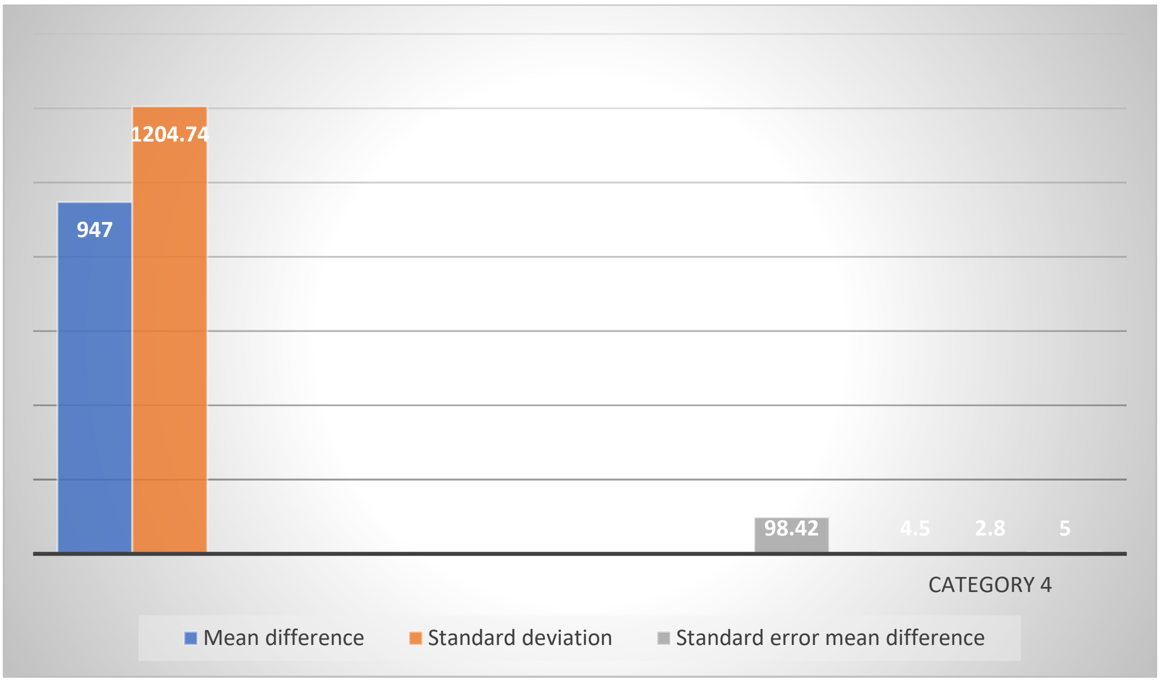
Monthly investment in mutual funds and shares prior to Covid 19 outburst were equal to monthly investment in SIPs during Covid 19 outbreak.

150 people participated in the study. These respondents were investors who favoured making monthly investments in the stock market and mutual funds. Respondents between the ages of 22 and 70 shared details about

Matching sample statistics

	Mean	N	Standard deviation	Standard error
Monthly investment before Covid	4392	150	4720	376
Monthly Investment after Covid	3445	150	3520	278

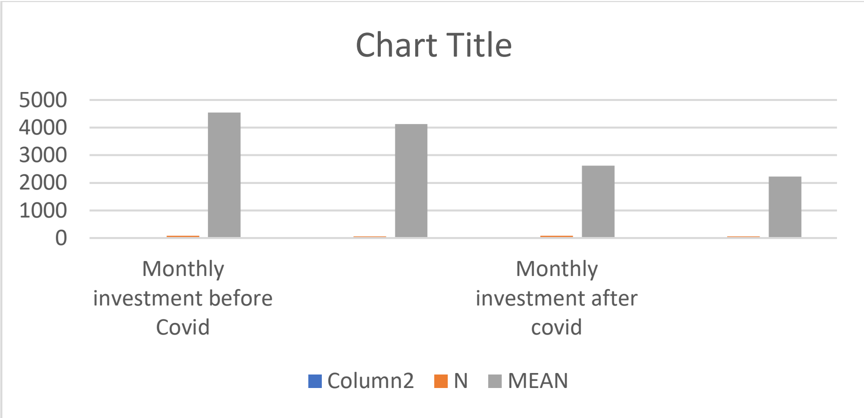
Monthly Investment before and after Covid	Mean difference	Standard deviation	Standard error mean difference	95% Confidence interval of the difference		T	Df	Sign2 Tailed test
	947	1204.74	98.42	1154	1123	2.36	149	0.000



Interpretation: The p=.001; that is the significance level of two tailed test is less than .05(typically<=0.05 is statistically significant. It indicates strong evidence against the null hypothesis as there is a less than 5% probability that null hypothesis is correct. Therefore, we reject null hypothesis 1, and accept the alternative hypothesis. It can be concluded that the monthly amounts invested in SIPs before the Covid 19 outbreak differed from those during the outbreak.

Monthly investment in SIP gender wise

		N	MEAN	STANDARD DEVIATION	STANDARD ERROR MEAN
Monthly investment before Covid	Male	85	4545	5425	442.0
	Female	65	4129	3444	277.90
Monthly investment after covid	Male	85	2622	3746	305.71
	Female	65	2223	2002	167.20



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Findings of the study

Hypothesis of the study reveals that individual behavior was greatly affected by the measures taken during Covid 19 Pandemic and there was a difference in the amount invested before and after Pandemic.

The monthly investment was drop down by approximately 40%. Basically, the main reason behind the declined investment is the inclination towards saving more and investing less and second is the fall in the household income.

The analysis about the monthly investment in SIP reveals overall decrease in the amount of SIP invested during Covid 19 During Covid Pandemic people who are involved in some business concerns were greatly affected by the outbreak that led to a significant decrease in the amount of investment in SIPs.

At last Respondents were asked to explain their preferences toward investment options before and after Pandemic. Many of the respondents have mentioned that after Covid outburst their investments options has been changed a lot. Now they follow those investment alternatives which are less risk and give at least moderate returns

After Covid outburst various policies got changed drastically due to a prolong lockdown because most of the business concerns suffered a huge loss due to which they prefer to be risk averse and invest where their money will not get lost because due to covid their household income have got reduced and earnings became very less.

This change makes them bound to inclined towards those investment options which are safe and less risky and therefore they have chosen gold, provident fund, postal savings as their investment options after Covid 19 pandemic like gold, postal savings.

Future scope of the study

The primary goal of the current study was to investigate how the COVID-19 pandemic affected the beliefs and choices of individual investors. Investors that come to the Indiranagar neighbourhood of Lucknow were given a well-structured questionnaire. Regular SIP investors, these respondents made a monthly fixed sum in SIP. The majority of responders either decreased the frequency of SIPS or withdrew the amount of SIP during lockdown, according to the questionnaire responses gathered. For the analysis, two hypotheses were developed and statistical tests were used. According to the current analysis, SIP investments declined during the COVID-19 pandemic as household income declined and the stock market plummeted. It has room for more research on how investors diversify their portfolios, how they recover from stock market losses, and how investors in specific areas or regions attempt to improve their financial literacy following COVID-19. The study shows that investors are moving toward safer options like bank deposits, postal savings, provident funds, etc.

Limitations of the study

- The study's exclusive emphasis on Lucknow City investors may not fully reflect how investors in other parts of India are seen.
- The results may not accurately reflect the wide range of investment choices and behaviours across all investors because they are based on a small sample size.
- Because the study focuses on the pandemic era, investor attitudes may shift after the outbreak, which would restrict the conclusions' long-term relevance.
- The study depends on survey replies, which could be impacted by social desirability effects, memory recall problems, or personal biases.
- The study mostly examines investor perception and might not take into consideration other general economic elements that could affect investment choices, such as inflation, governmental regulations, or worldwide market trends.
- The study's conclusions may be inconsistent due to respondents' varying degrees of financial knowledge, which may influence their answers.

Conclusion of the study

The economy has been greatly harmed by the COVID-19 outbreak. Despite the use of different solutions, such as social separation and lockdowns, they have all been found to be unpleasant due to the large population and challenging situations. This outburst had a detrimental impact on the entire financial and capital market, caused the stock market to plummet, and altered investor sentiment about mutual fund investments. In the current environment, investors appear to have grown more risk cautious and favour safer investing options, such as gold exchange-traded funds (ETFs), which may yield a moderate return but carry a lower chance of losing money. The majority of investors have either decreased their investing options or left the stock market. In order to raise financial literacy and encourage people to invest in these sectors by independently managing the unpredictable risk, it is essential to launch certain regulatory initiatives and raise understanding of the financial market's investment alternatives.

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