

# Impact Of Covid-19 On Small Town Individual Investors

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**ABSTRACT:** *The outbreak of coronavirus in India has been troublemaking for economic activity. Approximately all the sectors have been badly affected as household demand and export of goods sharply dropped. A every coin has two sides pandemic too became cold for some and a boon for others. Before the pandemic small-town investors used to invest in the mutual funds, gold, land, etc. after the pandemic they were not able to invest the money due to the financial crisis. SIP collections drop to 96000 crores in the 2020-21 the fiscal year. Despite the challenge's shops, businesses related to daily essentials have seen a sharp increase because of restricted travel due to preventive measures taken by the government as lockdown. Entrepreneurship survey shows that more than 60% of the small business in India are confident that besides slow down and negative impact due to pandemic their business will recover and continue to grow. In my research, I have gathered information from individual investors of small-town using electronic media. I have received information through news papers, editorials. I have analyzed there lieffund allocated by the government and how it help sto small-town individual investors to grow. This research study includes only individual investors.*

**Keywords:** *Individual investor, pandemic, SIP, entrepreneurship, small business*

## 1. INTRODUCTION

The covid-19 Pandemic has changed the human life drastically. Social distancing, self-isolation, shutting down of institutions, restricted transportation, and nationwide lockdown are the only way to fight against this pandemic. Since there is no cure for this novel disease so these above steps are considered necessary.” Lockdown”, “Mask”, “Social Distancing” is the new normal thing these days. The first covid-19 positive case in India was reported on 30<sup>th</sup> January 2020 (Wikipedia). The virus spread in the whole country rapidly. The government of India announced a three week long country-wide lockdown to curtail the spread of this contagious virus. Due to lockdown all educational institutes, tourist places, religious places, offices and all nonessential services were shut down. The lockdown was further extended for 18 days, 14 days and then again for 14 days. After 31<sup>st</sup> May the services restarted in phase manner. There is no dispute that despite the economy has faced many challenges and many sectors have been affected badly but the optimism of human beings and willingness to move ahead this difficult time to turn disaster into an opportunity. The spread of the novel coronavirus to small towns of the country impacted negatively as well as positively. It may be changing the nature of economic activities in a small-town due to this pandemic. The main cause of changing economic activities in small-towns is disruption due to lockdown, the rising price of daily essentials due to shortage of supply, Increase the number of unemployment. At least temporarily people are trying to remove dependency from larger cities or even closest larger urban areas for daily economic activities.

## 2. LITERATURE REVIEW

The positive and negative impact of covid-19 pandemic on small-town investors are shown below in this literature review.

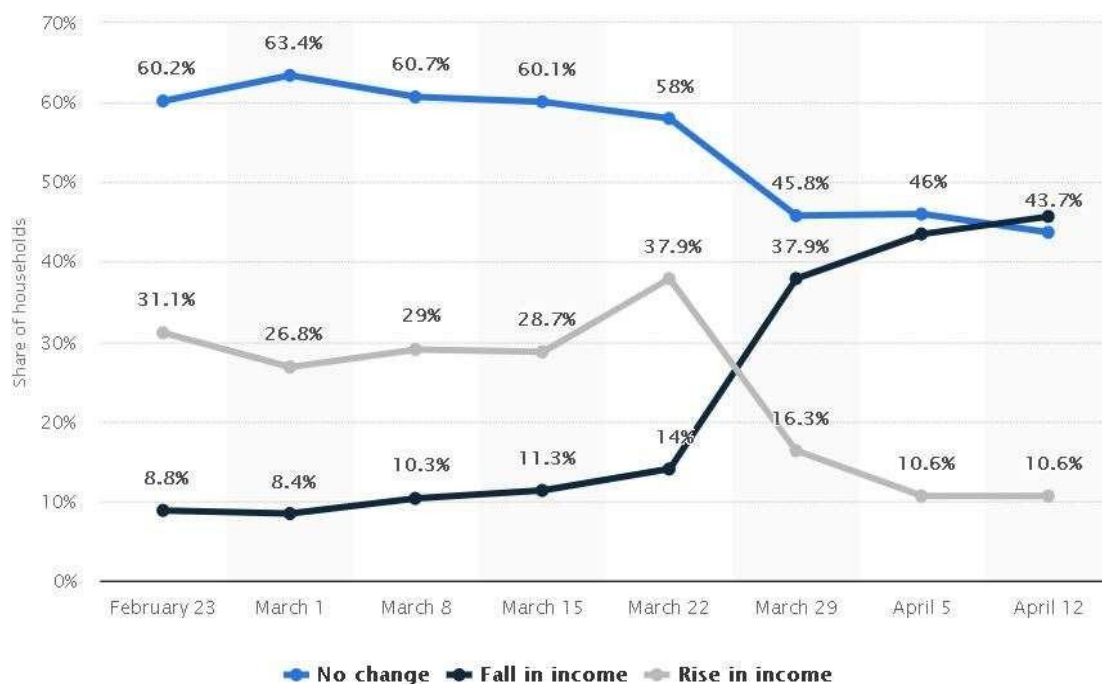
### 1. Negative Impact of Covid-19 on small-town individual investors

#### a. Impact of covid-19 on Mutual fund investment decision

The individual investor was deeply impacted by step taken during the covid-19 pandemic like lockdown, social distancing, etc. The amount invested every month has declined sharply. The main reason behind this decline was a decrease in household income, people want to save cash for an emergency, crashed market, and insecurity.

#### b. Impact of covid-19 on household income

Due to lockdown in India, the household income impacted very badly about 9% in late February to 45.7% in mid April (Statista.com 2020)



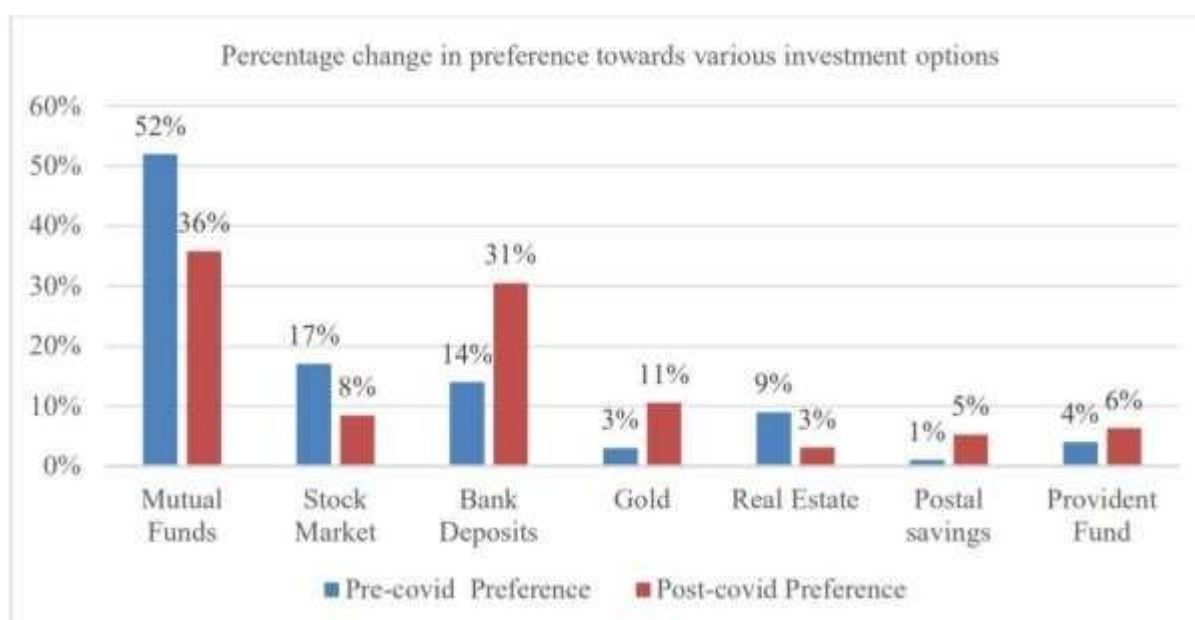
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Source: Statista.com

The regular wage earners are most impacted by the lockdown. Also, 84 percentage of families registered a decline in earnings due to lockdown (CMIE). The households who are dependent on source earnings hit most.

**c. Impact of covid-19 on individual investors decision-making behavior**

During the lockdown investors don't want to take the risk to invest, a significant number of investors either withdraw or decrease the amount. A significant number has been seeing to change their preference of investment. Currently, they prefer to do less risky investments like bank deposits (savings account and fixed deposits), gold, mutual funds, and postal savings. bank deposits, PPF, gold, chit funds, NSC, etc. attract investors in search of less-risk investment options. Figure 8 below displays the percentage change in preference for investment options before and during the COVID-19 pandemic.



Source (ro.uow.edu.au)

The above graph shows that investment in mutual funds declines and investors prefer low-risk investments during covid19.

**2. Positive influence of the Covid-19 on small-town individual investors**

We begin with positivity. This pandemic has proposed, "Atam nirbhar Bharat", "New Education Policy", "One Nation One Ration Card. All of this above helps to give hope and rebuild the trust of small investors. The Indian Manufacturing sector has been given thrust with Atam nirbhar Bharat. India also has started "Vocal for Local" which empowers the food industry, textile industry electronics manufacturing in India. Majorly the small-town individual investors get benefitted after this movement because the demand for made-in-India products has been increased. The small-town individual investor has risked everything to launch a

new business to solve the problem that arises due to lockdown, especially in a smaller town where big e-commerce and food tech start-ups are not served. Most of them are self-funded. The whole of India has come online for any activity in this pandemic in small towns and villages too. Now in small-town all individual investors are converting their business digitally. According to research by (global management and strategy firm) Zinnov, India has 38000 start-ups of which 35% are from outside tier 1 cities. While pandemic there is a boom in online classes, cloud kitchen, and Zoom events.

### 3. METHOD

The qualitative approach has used in this study. Here data were collected using semi-structured interviews and words are processed based on that data. The semi-structured interview is used for qualitative data collection because the scope and concept of the research are well known. 20 participants were selected from different small cities. The study involves small city individual investors. These selective sampling technique has used. The researcher conducted the semi-structure interview. Email and Telephonic interviews were conducted for taking interviews because due to current pandemic situation it was very difficult and unsafe as well to visit anywhere physically. The interview duration was around 15 to 20 minutes for each.

### SAMPLE CHARACTERISTICS

The interview was conducted with 20 individual investors from small cities. Male and Female both have participated.

Table: Demographic information of Interview

Interviewee	Occupation	Gender	Age	Investment	Reason
S01	Private Teacher	female	29	Withdraw the amount	Salary deduction
S02	clerk	male	28	Reduce the investment amount (SIP)	Overburden of household
S03	bank	male	30	Investment in ppf	Secured investment
S04	household	female	35	Withdraw the amount	Reduce household income
S05	Government teacher	male	30	Investment in post office	Secured investment
S06	Shop-owner	male	45	Withdraw the amount	Overburden of household
S07	Maid	female	25	Withdraw the amount	Due to no work(jobless)
S08	household	male	38	Reduce the investment amount (SIP)	Reduce household income
S09	Government employee	male	38	Invest in bank deposits	Secured investment

S10	Post-office clerk	male	40	Invest in post-office	Secured investment
S11	business	female	40	Invest in own business	Took loan under atamnirbhar Bharat
S12	Small Gold-merchant	male	35	Invest to make his business online	To become self dependent
S13	household	female	32	Reduce the investment amount (SIP)	Dependent on others source
S14	teacher	male	31	Reduce the investment amount (SIP)	Overburden of household
S15	bank	female	39	Investment in ppf	Secured investment
S16	teacher	female	29	Invest in bank deposite	Secured investment
S17	household	female	35	Withdraw amount	Overburden of household
S18	household	male	45	Withdraw amount	Overburden of household
S19	business	male	55	Invest in new business	Inspired by policy announced during covid
S20	business	male	45	Invest in new business	Inspired by policy announced during covid

There are some responses of interviewee and researcher made some concluding statements based on that. All response and analysis are given below.

### 1. Fluctuating market influence investorsdecision

"At the precise moment investing option from high risk to low risk." (interviewee2)

"At the present scenario continuing up with the mutual fund investment seems to be like a difficult task so to reduce the investment amount."(interviewee4)

### 2. Declining in household income affect investorsdecision

"Declining in household income complete withdraw SIP's."(interviewee6)

"Shutdown came as a nightmare for several small businesses making it much more difficult for paying SIP's."(interviewee8)

### 3. Decline in gold investment

Due to lockdown gold investment could not be done although gold investment is always safe investment." (interviewee9)

#### 1. Increase in low-risk investment

"In this time of pandemic low risk of investment come forward as a secure way." (interviewee11)

"Investing in bank deposits, PPF, etc seems like a better options these days." (interviewee13)

#### 2. Small-city people want to become self-reliant not depend on urban areas or big cities for daily essentials.

"Good thing about this pandemic is there are so many new small business men in local that everything easily available." (Interviewee20)

"There is a boom in investments for small scale business related to daily essentials" (interviewee19)

#### 3. Government Policies announced during pandemic affect small investors positively.

"Policies under Atamirbhar Bharat helps to get a loan for small business." (interviewee12)

## 5. DISCUSSION

The focus of this study was to study the impact of covid-19 pandemic on small-town individual investors. To investigate the positive and negative impact, some interview questionnaire was prepared and asked through emails and calls to small-town individual investors. These people who participated in the interview were regular SIP investors and invested a fixed amount in SIP's monthly. In interview response, it was found that a notable number of investors had either curtailed the amount of investment or withdrew their money during the lockdown. It was also found that there are so many investors who risk their investments to open a small business. The government policies that came in the covid-19 pandemic helped to individual investors to take decision about their start-ups. There has already so many researches done on the impact of the covid-19 pandemic on Stock Prices in the Indian economy. So many studies have been conducted on changing nature of gold prices. Research has also been done on the impact of covid-19 on the income of the household in India (Chicago Booth, 2020). The current study show that because of decrease in household income, stock market crash and individual investors preference changing towards more secured investment like health insurance, bank deposits. SIP investments during lockdown have been decreasing. The present studies also depict that because of governments policies announced during covid-19 there has been an increase in new small businesses in tier 2 and tier 3 cities.

## 6. CONCLUSION

The covid-19 pandemic has impacted the economy badly but this pandemic taught people to be self-reliant and the result of this is people don't want to depend on others they have started something own. The economy has dropped down due to action taken by government to curtail the spread of covid-19 such as lockdown. Individual investors became insecure to invest in the mutual fund. At the current time investors don't want to take the risk, they prefer to invest in safe options. Policymakers should organise some campaigns in smaller towns to increase the financial literacy of people.

## 7. LIMITATIONS

1. Respondents belonged to small towns, and findings may not be generalized.
2. The research is based on before the 2<sup>nd</sup> wave of the covid19 pandemic

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