

## **"Changes in Savings and Investment Patterns due to the Impact of COVID-19"**

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### **Abstract:**

The COVID-19 pandemic has significantly altered the financial landscape in India, causing substantial shifts in savings and investment behavior among individuals and institutions. This study delves into the nuanced changes observed in the savings and investment patterns within the Indian context in response to the pandemic.

Drawing upon empirical data, this research investigates how the outbreak of COVID-19 has influenced saving habits and investment strategies across different demographics and economic sectors in India. The study employs a mixed-method approach, combining quantitative analysis of financial data and qualitative assessments through surveys and interviews.

Key focal points include the altered risk appetites, changes in asset preferences, modifications in long-term investment plans, and shifts in saving patterns among various income groups. Furthermore, the study explores the impact of government policies, market volatility, and economic uncertainties on the decision-making processes related to savings and investments.

Understanding these evolving patterns is crucial for policymakers, financial institutions, and individuals in navigating the post-pandemic financial landscape effectively. The findings aim to provide valuable insights into the evolving dynamics of savings and investment behavior, aiding in the formulation of strategies that align with the changing financial preferences and goals in the Indian context post-COVID-19.

### **INTRODUCTION**

We often use the words 'Savings' and 'Investment' interchangeably, however there is a major

difference between them. Saving refers to setting or keeping aside a sum of the total income earned after subtracting the expenditure for future use or emergency. Whereas, Investing is putting money to work in order to create more returns on that money over a period of time. Coronavirus or COVID 19 is a disease that is caused by a deadly virus. First found in the province of Wuhan, China, this virus has spread across the globe affecting the health and economy alike. Sectors like the aviation, travel and tourism industry were the first to take a hit followed by the financial markets. The virus outbreak which has been declared as a pandemic has become one of the biggest threats to the global economy and financial markets. Being part of the global economy, India has not been immune to the effects of the pandemic.

In a country like India where the majority of the population depends on household savings and daily wages, the pandemic has disrupted the lives of many pushing millions of families to cut back on expenditure. This has led to unemployment and slashed incomes forcing people to exhaust their household savings in order to meet the daily expenses and healthcare expenses. As millions of people dip into their household savings due to decrease or absence of income, India's total household savings have declined thereby affecting the future consumption and risking the economic recovery. With less disposable income and lesser savings, the consumer market has reduced considerably with global investors backing out of new investment projects. The investment capability has also reduced drastically since people are more risk averse now. The pandemic has drastically affected the behavior of various investment instruments like mutual funds, stock markets, gold and also crude oil. As India fights the virus, government intervention and help is of utmost importance for reviving the economy.

### **NEED OF THE STUDY**

The study on "Changes in Savings and Investment Patterns due to the Impact of COVID-19" is crucial in unraveling the significant shifts in financial behaviors within India. The COVID-19 pandemic catalyzed unprecedented disruptions, prompting a reevaluation of savings and investment strategies.

Understanding these changes is vital for policymakers to craft adaptive strategies and financial policies suited to the evolving landscape. Moreover, it offers insights into how individuals and institutions navigate financial uncertainties, fostering financial resilience and effective risk management. This exploration extends to diverse socio-economic groups, illuminating

disparities and aiding in inclusive financial approaches.

The study's implications span beyond immediate adaptability; they inform future financial planning for individuals and institutions, shaping long-term financial goals. Furthermore, insights garnered drive innovation within financial markets, facilitating the creation of tailored products and services. In essence, this study serves as a guidepost, unraveling the dynamics of altered financial behaviors post-COVID-19 for effective planning and policy formulation.

### **SCOPE OF THE STUDY**

The study deals with the concepts of Saving and Investment and analyzing the impact of COVID 19 on the Saving and Investment pattern of people in the city Hyderabad of Telangana India. The study further aims to study the behavior of various Investment options during COVID 19.

### **OBJECTIVES OF THE STUDY**

1. To understand the concepts of Saving and Investment
2. To Compare the Pre COVID 19 and current saving and investment behavior
3. To study the behavior of various investment options during COVID 19

### **RESEARCH METHODOLOGY**

In view of fulfilling the objectives, an analytical study has been carried out which includes both primary data collected through questionnaire and secondary data relating to the conceptual review collected from various articles, blogs, journals, references and other sources on the internet.

**PRIMARY DATA:** The primary data is collected by a researcher from first hand sources, using methods like surveys, interviews or experiments. It is collected directly from the primary sources.

**SECONDARY DATA:** Secondary data refers to data that is collected by someone rather than the user. Common sources include censuses, information collected by government department, organisational records etc.

## **SAMPLE SIZE**

Sample size refers to the number of individual samples measured or observations used in a research. The sample size for the study is 70. Random sampling method is used.

## **TOOLS AND TECHNIQUE**

The tools used in this are questionnaire (open ended questions) and statistical tools like random sampling method.

MS word is used for entering the data and MS excel is used for graphs and figure entries.

## **Review of literature**

### **Impact on Savings Behavior:**

Studies by Gupta et al. (2020) and Kumar and Kumar (2021) emphasize the alterations in savings habits during the pandemic. They note increased precautionary savings due to uncertainty and reduced consumption, especially among lower-income groups.

### **Changes in Investment Preferences:**

Research by Sharma and Maheshwari (2020) and Singh and Das (2021) sheds light on altered investment preferences. The pandemic influenced risk perceptions, prompting a shift from high-risk to safer investment options, including fixed deposits and government securities.

### **Digital and Fintech Adoption:**

The pandemic accelerated digital financial inclusion. Patel et al. (2020) and Jain and Saxena (2021) highlight increased adoption of digital banking and fintech platforms for savings and investment purposes, especially among younger demographics.

### **Policy Interventions and Market Volatility:**

Bhattacharya and Ray (2020) and Sharma et al. (2021) discuss the role of government policies and market volatility in shaping savings and investment decisions. Policy interventions like rate cuts and relief measures affected investment choices and risk-taking behavior.

### **Long-Term Investment Planning:**

Studies by Mishra and Srivastava (2020) and Gupta and Roy (2021) delve into changes in long-term investment planning. They note a shift towards goal-based investing and a re-evaluation of retirement and wealth accumulation strategies.

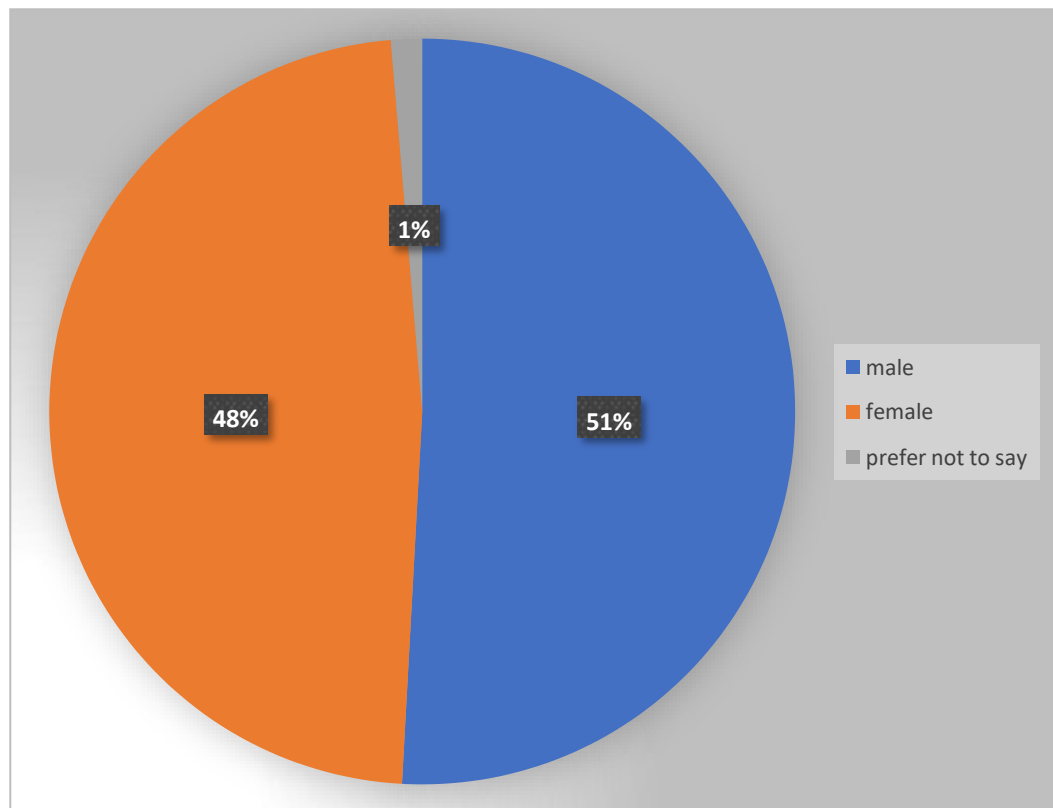
## **DATA ANALYSIS AND INTERPRETATION**

### **1. What is the gender of the respondent ?**

Sr.No	Particulars	Percentage
1	Male	52.9
2	Female	49.7
3	Preferred not to say	1.4

**Table No.:1**

### **GRAPHICAL REPRESENTATION OF GENDER**



**Chart No.: 1**

### **DATA INTERPRETATION:**

The sample size for the survey was 70 out of which 52.9% were Males and 45.7% were Females.

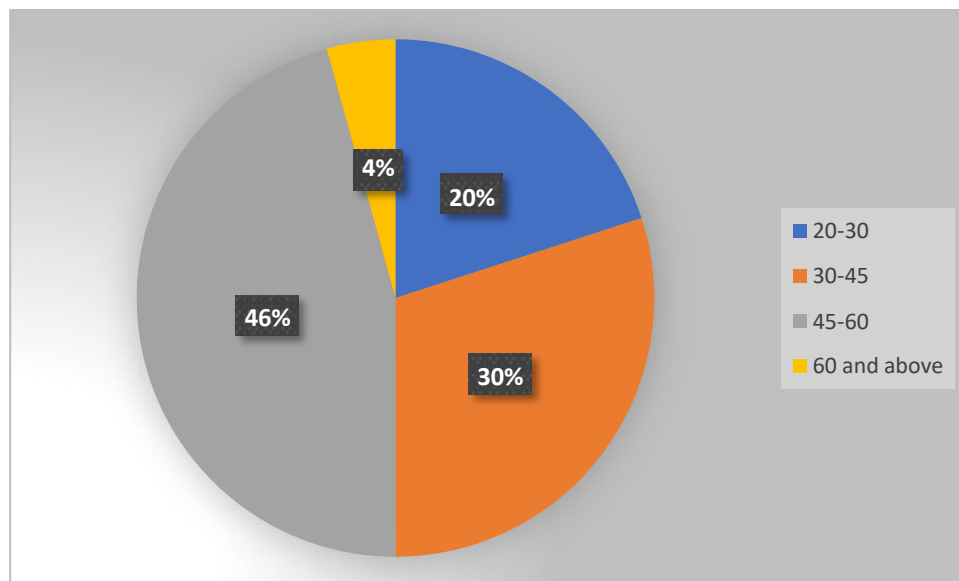
The remaining 1.4% preferred not to say.

## 2. What is the age of the respondent?

Sr.no.	particulars	Percentage
1	20-30	14
2	30-45	21
3	45-60	32
4	60 and above	3

**Table No.:2**

### GRAPHICAL REPRESENTATION OF AGE



**Chart No.: 2**

### DATA INTERPRETATION:

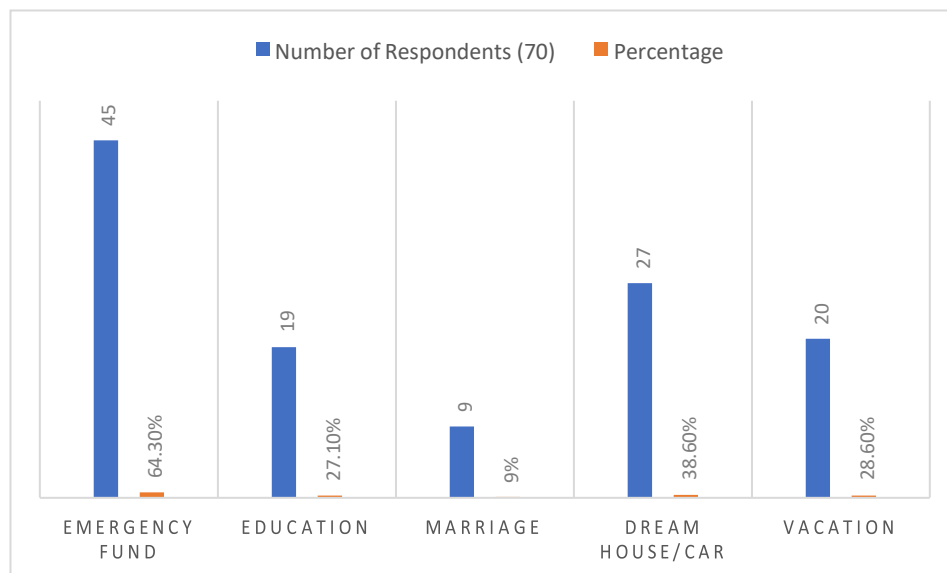
1. The sample size for the survey was 70 out of which 52.9% were Males and 45.7% were Females .The remaining 1.4% preferred not to say. The majority of the Respondents fall under the 45-60 year old age group with 32% and the 60 and above age group has the least number of respondents contributing to only about 3% .

**Question:** What was the reason for Saving your income Pre Covid?

Particulars	Number of Respondents (70)	Percentage
Emergency Fund	45	64.3%
Education	19	27.1%
Marriage	9	9%
Dream House/Car	27	38.6%
Vacation	20	28.6%

**Table No: 3**

### GRAPHICAL REPRESENTATION OF OBJECTIVE FOR SAVING MONEY



**Chart No.: 3**

### DATA INTERPRETATION:

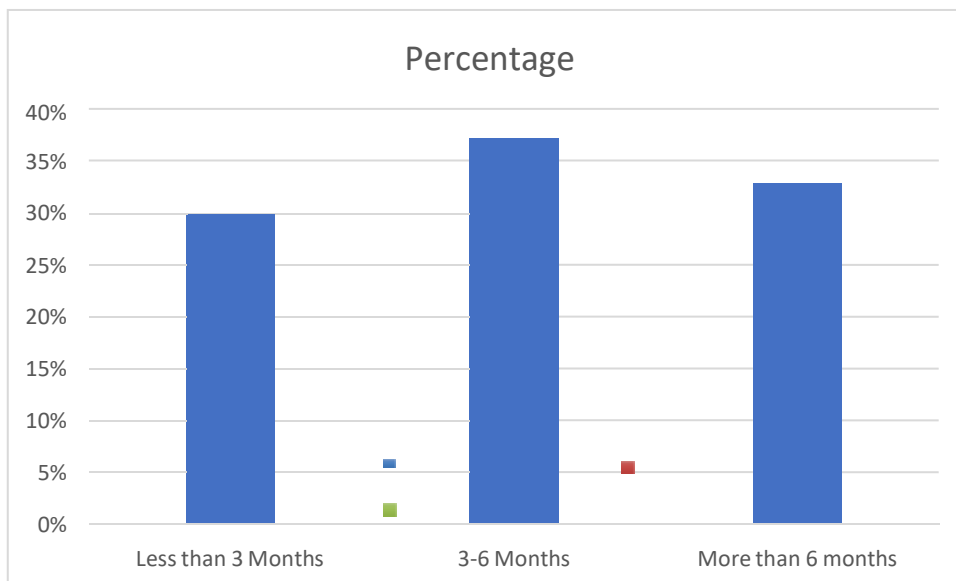
The major objective for saving money was Emergency Fund which accounted to 65.3%. Saving money for uncertainties is important as it puts you in a better position to cope with the challenges. The next common saving objective is Dream house/car. Saving for education and vacation represents almost 28% each. The least preference was given to saving for marriage at 12.9%.

**Question:** For how long can your emergency fund cover day-to-day expenses?

Particulars	Percentage
Less than 3 Months	30%
3-6 Months	37.1%
More than 6 months	32.9%

**Table No: 4**

### Graphical Representation of time period covered by Emergency Fund



**Chart No.:4**

### DATA INTERPRETATION

The above pie chart represents the duration of time in which the emergency funds can cover the expenses. It can be observed that 37% which is the highest represents 3-6 Months, followed by More than 6 Months at 33% and the lowest Less than 3 Months at 30%

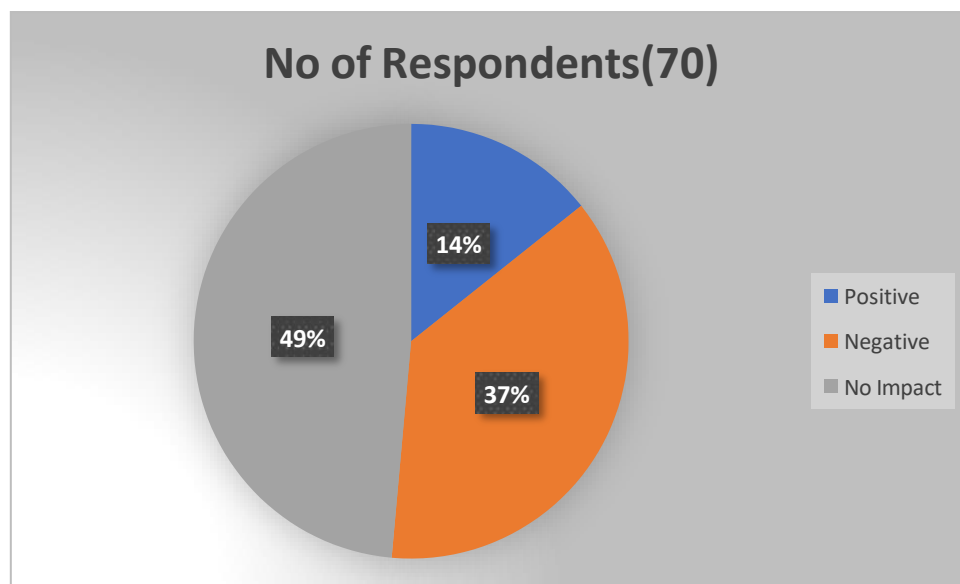


**Question:** Overall, due to the COVID-19 pandemic, how was your net household budget impacted?

Particulars	No of Respondents (70)	Percentage
Positive	10	14.3%
Negative	26	37.1%
No Impact	34	48.6%

**Table No: 5**

### GRAPHICAL REPRESENTATION OF IMPACT OF COVID 19 ON INCOME



**Chart No.:5**

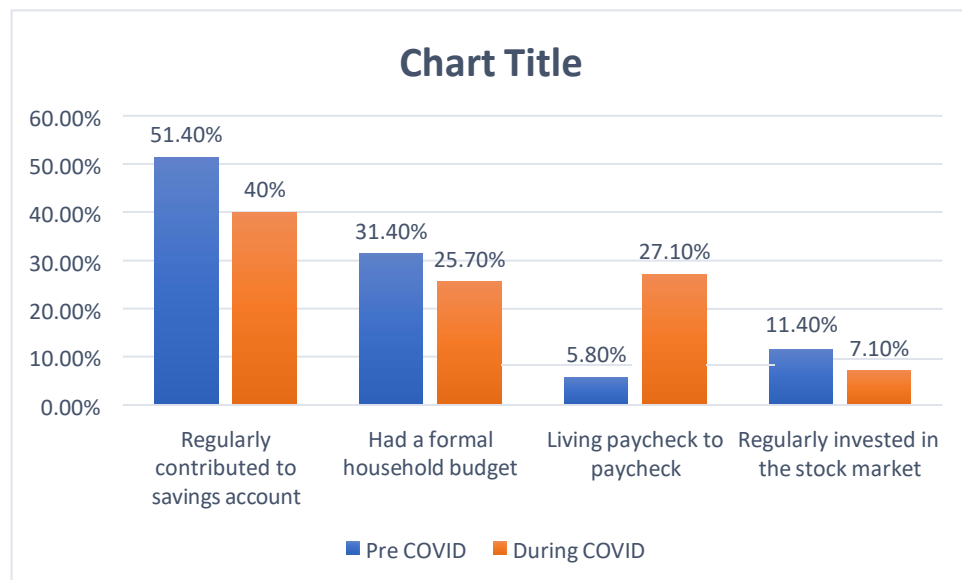
### DATA INTERPRETATION

The above pie chart represents the impact of COVID 19 on Income levels. We can see that a majority of the respondents felt no impact on their income i.e. 48.6%. However, 37.1% felt a negative impact on their income and the least of all 14.3% of respondents felt a positive impact.

**Question:** Which of the following describes your financial attitudes or actions before the COVID-19 pandemic?

Particulars	Pre COVID	During COVID
Regularly contributed to savings account	51.4%	40%
Had a formal household budget	31.4%	25.7%
Living paycheck to paycheck	5.8%	27.1%
Regularly invested in the stock market	11.4%	7.1%

**Table No: 6**  
**GRAPICAL REPRESENTATION OF REPRESENTATION OF SAVING HABITS:**



**Chart No.:6**

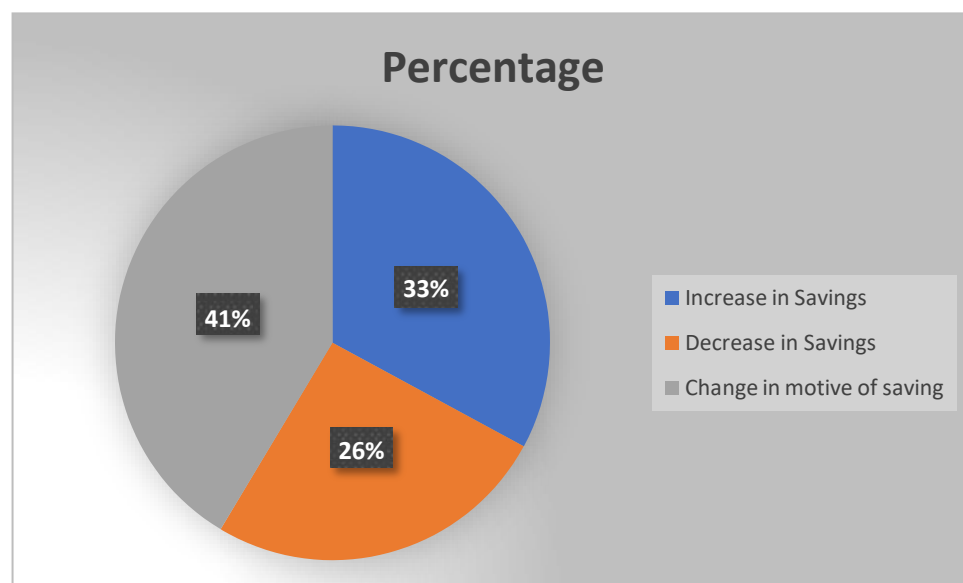
**DATA INTERPRETATION** -The above data represents the Saving habits of respondents before COVID 19. It is observed that around 51.4% of respondents had regularly contributed to savings account whereas 31.4% had a formal household budget. 5.8% of the respondents were living paycheck to paycheck pre COVID. However during COVID 27.1% were living paycheck to paycheck and only 25.7% had a formal household budget.

**QUESTION:** How has the pandemic impacted your saving habits?

Particulars	Percentage
Increase in Savings	32.9
Decrease in Savings	25.7
Change in motive of saving	41.4

**Table No: 7**

### GRAPHICAL REPRESENTATION OF IMPACT OF PANDEMIC ON SAVINGS



**Chart No.: 7**

### DATA INTERPRETATION

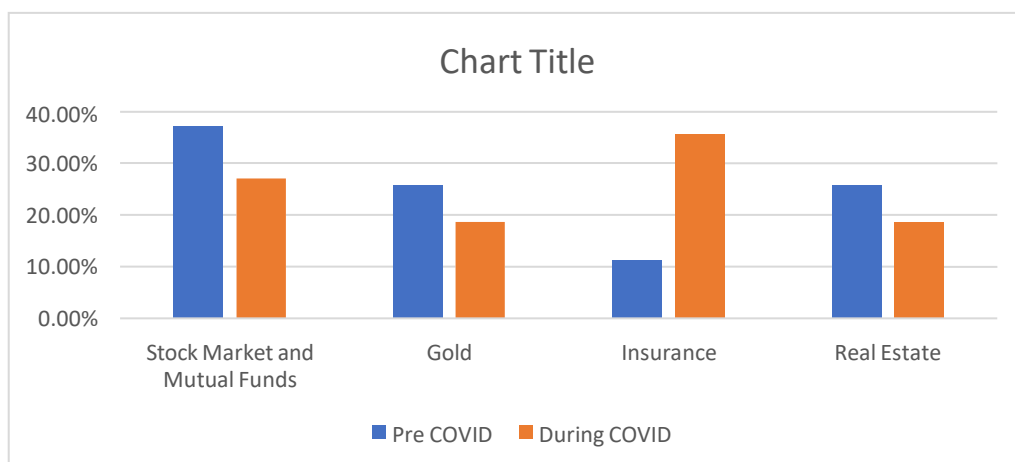
The above pie chart represents the change in savings due to the pandemic. It can be observed that 32.9% experienced an increase in savings whereas 25.7% experienced a decrease in their savings. Around 41.4% of respondents realized a change in the motive for savings.

**QUESTION:** Preference towards investment options Pre COVID and during COVID?

Particulars	Pre COVID	During COVID
Stock Market and Mutual Funds	37.1%	27.1%
Gold	25.7%	18.6%
Insurance	11.4%	35.7%
Real Estate	25.7%	18.6%

**Table No: 8**

### GRAPHICAL REPRESENTATION OF CHANGES IN INVESTMENT PREFERENCE (PRE COVID AND DURING COVID)



**Chart No.: 8**

### DATA INTERPRETATION

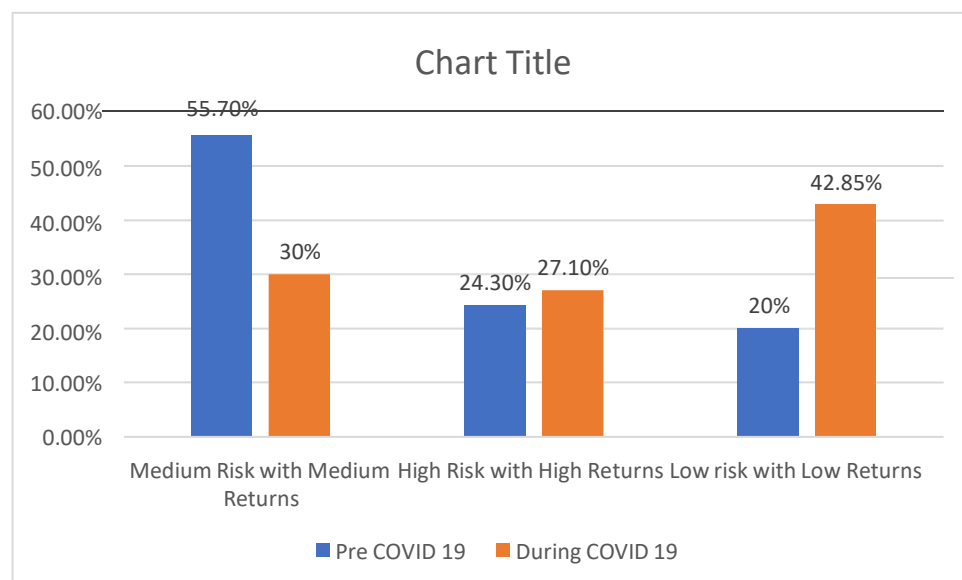
The above graph represents the changes in investment option preference. The pre covid data shows 37.1%, 25.7%, 11.4% and 25.7% of the respondents chose stocks, Gold, Insurance and Real Estate as their investment preference. During COVID, Insurance preference increased to 35.7% and all the investment options experience reduction in preference.

**QUESTION:** How do you define your investment behaviour Pre COVID and during COVID?

Particulars	Pre COVID 19	During COVID 19
Medium Risk with Medium Returns	55.7%	30%
High Risk with High Returns	24.3%	27.1%
Low risk with Low Returns	20%	42.85%

**Table No: 9**

### GRAPHICAL REPRESENTATION ON IMPACT OF COVID 19 ON INVESTMENT BEHAVIOR

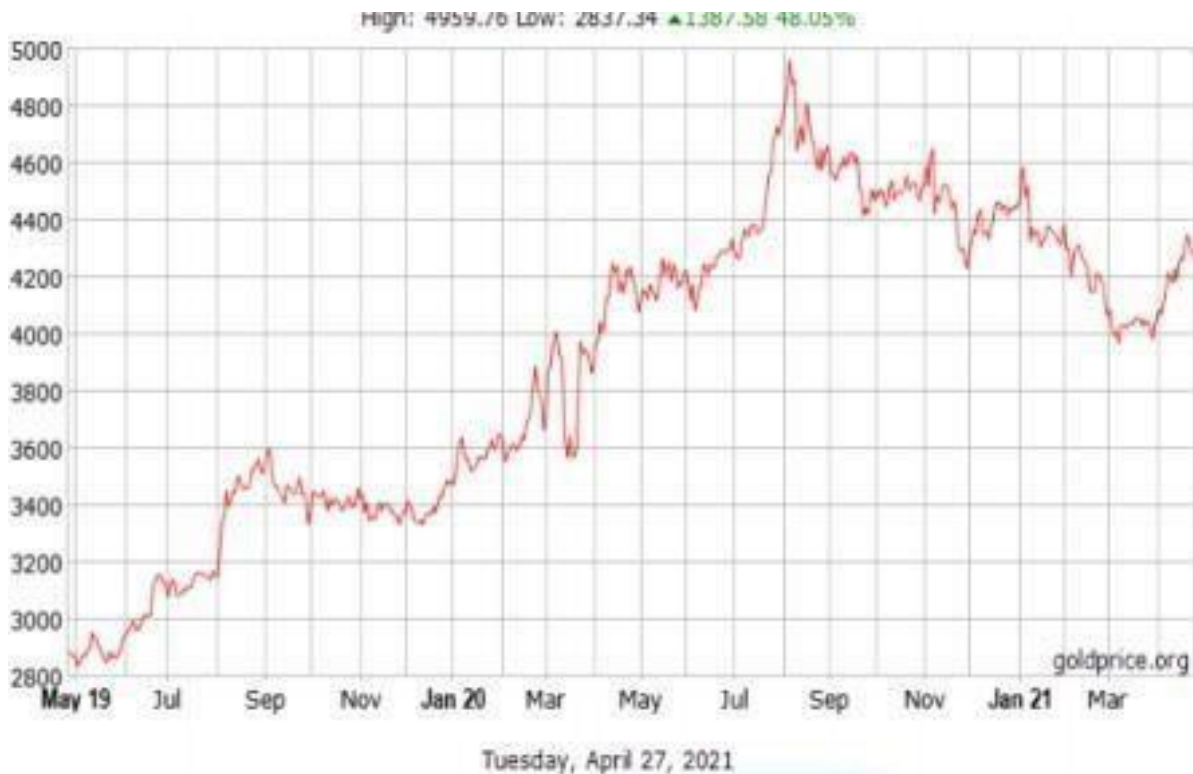


**Chart No.: 9**

### DATA INTERPRETATION:

The above data shows that now people prefer less risk with low returns when compared to medium or high risk. People have become more risk adverse.

## BEHAVIOR OF INVESTMENT INSTRUMENTS DURING COVID GOLD:

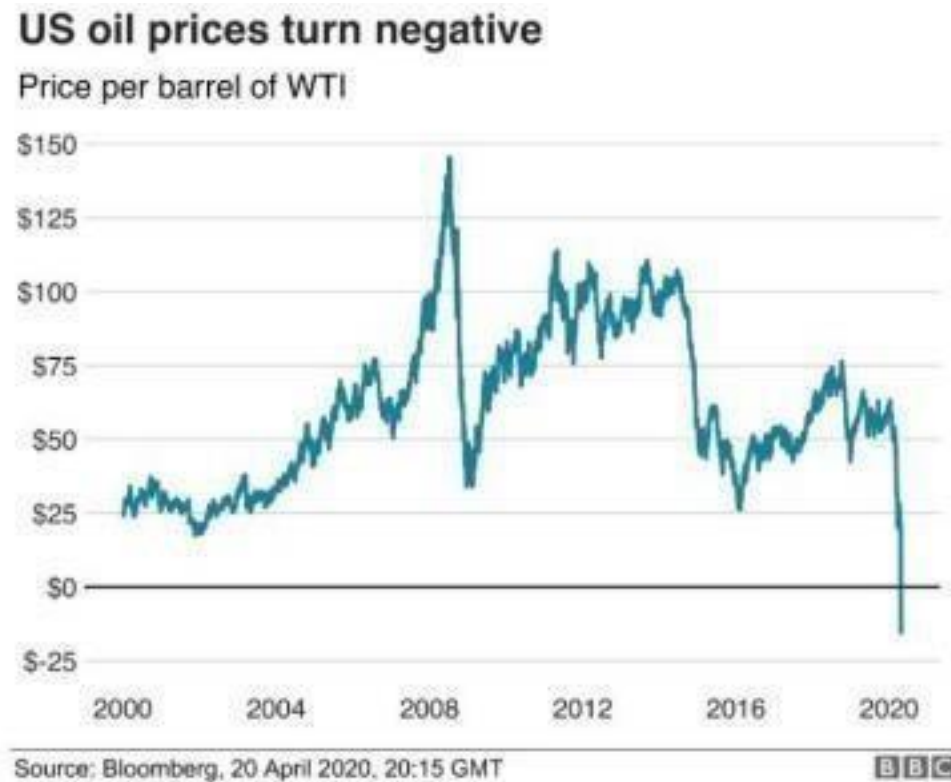


**Graph 1 Behaviour of Gold from May 2019 to March 2021**

### DATA INTERPRETATION:

Gold is believed to be a secure investment option in times of political and financial unpredictability. It is considered a hedge against inflation and currency degradation. In recent months, gold prices have continued to rise. And after the March crash due to the COVID-19 lockdown, they managed to break through the 5000 rupees mark per gram in July 2020. This proves that gold is an asset that seems to be able to grow in value even amidst uncertain and difficult times. However with the ease in lockdowns and the hope for vaccines, gold prices started reducing and in March 2021, gold price was recorded to be at 4200 rupees per gram.

## CRUDE OIL:

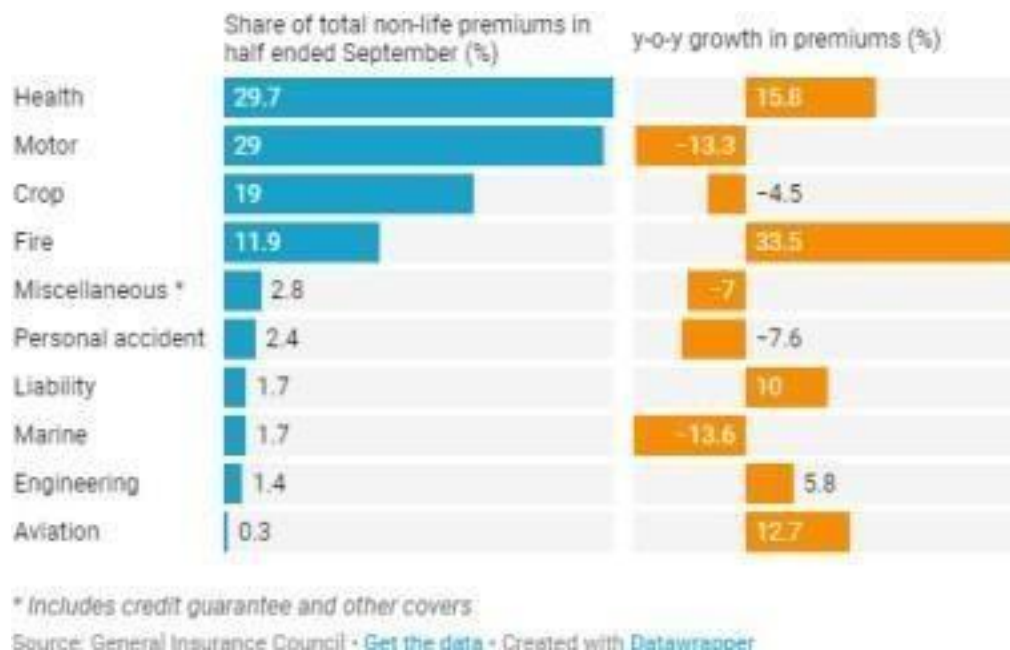


**Graph 2 Behaviour of Crude Oil from 2000 to April 2020**

## DATA INTERPRETATION:

The chart highlights the crude oil prices in USD per barrel from 2004 to 2020. In 2020, the crudeoil price was negative. Given the pandemic, demand for crude oil had plummeted. There was so much unused oil already in storage that there wasn't enough room to store the oil they'd receive from the contracts expiring in May. Hence, due the downward pressure from people doing anything to get out of receiving actual oil resulted in prices diving to negative \$37 per barrel.

## INSURANCE:



**Graph 3 Behaviour of Insurance**

## DATA INTERPRETATION:

The above data represents the share of total non-life premiums and year over year growth. It can be observed that the health sector records for 29.7% which has the highest share and has 15.8% year over year growth. The automobile sector, which accounts for over 35% of the overall insurance premium collection, was already witnessing a slowdown when the COVID-19 outbreak took place. The COVID-19 crisis has given rise to both immediate and potential challenges for the insurance industry in near future.



## FINANCIAL MARKETS:

### *Before and During COVID View of Indian Stock Markets*

	Indexes-14 Jan 20	Indexes-23 Mar 20	Indexes-24 Apr 20
Nifty 50	12,362	7,610	9,154
Sensex	41,952	25,981	31,327



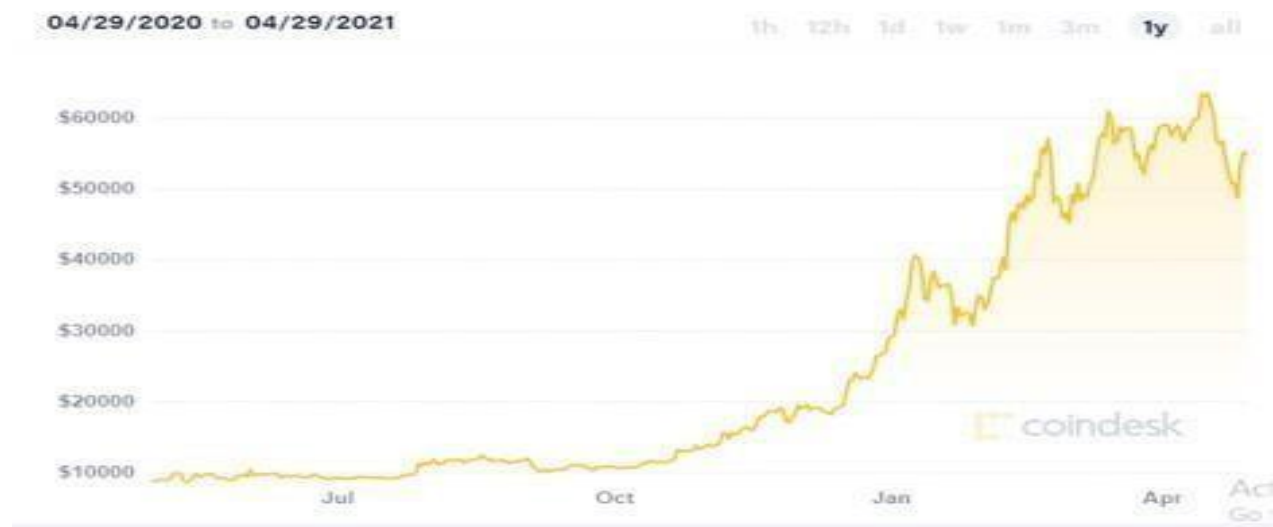
**Graph 4 Before and During COVID view of Indian Stock**

## Markets :

## DATA INTERPRETATION:

The above graphs represent the volatility of NSE: NIFTY and BSE: SENSEX from January 2020 to September 2020. The sudden crash in global markets led to a significant downward trend in the Indian financial market; with foreign investors (FPIs) shifting to dollar-backed assets, the Indian stock market witnessed a fall. BSE Sensex which stood at 41952 points on 14 January 2020, dropped to 25981 points by the end of March 2020. Nifty also fell by 38% (Table 1). The stock market reflected investor (foreign and domestic) sentiment in light of the pandemic.

## DIGITAL CURRENCY-BITCOIN:



**Graph 5 Behaviour of Digital Currency BITCOIN from April 2020-April 2021**

## DATA INTERPRETATION:

The above graph represents the increase in the price of Bitcoin over a period of one year. When the pandemic erupted, Bitcoin – the world’s first crypto currency – could be purchased for about \$7,300. In March 2021 exactly one year after the pandemic, the very same token costs more than \$46,800 – a staggering 640 percent rise. In other words, because cryptocurrencies are not managed by a central entity but rather operate automatically, they can enable investors to hedge some of the political risk and thus become more attractive.

## FINDINGS/ OBSERVATIONS

**The study conducted has established various findings with respect to the impact of COVID 19 on Savings and Investment pattern:**

- While savings deal with setting aside money for future use, investment deals with Investment and savings are often used interchangeably. However there are major differences between the two using the same money in order to create more wealth
- Savings deals with little or no risk and hence results in minimal returns, whereas risk and returns vary with different investment options.
- The major objective for saving money was for Emergency Fund. In difficult times like the pandemic, this has enabled 37% the respondents to be able to cover their expenses out of their Emergency Fund for a period of 3-6 Months.

- The impact of COVID 19 on income has been mostly negative- with around 48.6% of respondents reporting a fall in income levels due the COVID 19 outbreak. Further only limited household have the ability to cover their daily expenses through an emergency fund with 30% of the respondents having an emergency fund that lasts lesser than 3 months.
- With the onset of COVID 19, 21.3% of respondents who earlier had a formal household budget, regularly contributed to savings account and invested in stock market were forced to living pay check to pay check due to dwindling income.
- With rising uncertainty around and a challenging future ahead, 32.9% of respondents increased their savings whereas 41.4% felt the need to reevaluate and change the motive of saving money.
- The virus has forced the respondents to change their investment preference. Respondents who were earlier investing money into stocks, gold or real estate changed their investment preferences and chose to invest their money in Insurance which increased to 35.7% during COVID 19.
- The investment behaviour was also impacted. During COVID 19, Majority of the investors moved to options with low risks and low returns which was not the case earlier. However, a few people decided to take a chance and stick to high risks and high losses
- Gold reached the historic high and crossed the Rupees 50000 Mark in June-July 2020 due to the global economic impact of COVID 19 and lockdown measures. However as soon as the world returned to its normal pace and with the hope of vaccines, the gold price started declining and correcting itself.
- Crude oil price of the West Texas Intermediate (WTI) dropped by almost 300% trading at around -37 USD per Barrel. The crash in demand for oil that followed the pandemic a major role to play in the move to negative prices which has happened for the first time ever.
- Due to the pandemic, Equity markets had gone into a tailspin in March 2020, with the Sensex sinking a massive 8,828.8 points or 23 per cent and Nifty sinking 4752 points or 38% during March 2020 as concerns over the pandemic impact on the economy ravaged investor sentiments.
- From around \$7,000 on January 1, 2020 to around \$46800 in March, 2020, bitcoin has surged during the Covid-19 pandemic and witnessed a staggering 640% increase. The world's oldest and the biggest cryptocurrency, bitcoin, exploded back into the limelight this financial year, solidifying its reputation as digital gold.

## **RECOMMENDATIONS:**

- The pandemic has impacted the lives of millions resulting in negative savings and changing Investment Behaviour. In times of uncertainties, it is very important to carefully analyse your saving objectives and therefore choose the investment option accordingly.
- In times like this gold that has negative beta value can be considered as the ideal investment along with the various cryptocurrencies that are booming.
- Each individual should invest in Life and Health Insurance since everyone is exposed to the virus
- Markets should be studied keeping in mind the current economic condition. Risk Averse Investors should choose to stick to low-income investments with minimal risks and Risk Tolerant Investors can choose to reap the benefits of market uncertainties.
- Keeping in mind that India is still experiencing the second wave of COVID 19, we have to be extra careful and reduce our spending and should focus on saving our income for a rainy-day.

## **CONCLUSIONS**

It is important to review your goals and risk bearing capacity to figure out which option is best for each one, saving or investing. The COVID 19 virus has impacted the economy across the globe disrupting the incomes of many and resulting in major changes in the saving and Investment patterns. • The pandemic resulted in many people losing their jobs followed by a decrease in income levels. It has forced people to reevaluate their saving objectives and increase their savings by cutting down on unnecessary expenses. The investment preference also has changed with many investors moving to insurance options in the time of uncertainty away from volatile stock markets. Investors seem to have become more Risk averse and are moving towards secure options that offer low to moderate returns with low risk. The impact of pandemic was felt across all investment options with gold benefiting the most and touching a historic high of above Rs.50000 per 10 grams in July 2020. Crude oil prices and Global financial markets were hit the hardest. However, the financial markets started recovering and other effects were reversed with reversal of lockdowns. The cryptocurrency Bitcoin has emerged as the digital gold and it delivered a return of over 640% during the financial year 2020-2021

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## **PART A (PROFILE)**

1. Name
2. Age
3. Gender
4. Occupation

## **PART B (QUESTIONNAIRE)**

1. What was the reason for Saving your income Pre Covid?
  - A. Emergency Fund
  - B. Education
  - C. Marriage
  - D. Dream Home/Car
2. Overall, due to the COVID-19 pandemic, how was your net household budget impacted?

- A. Positively
  - B. No Impact
  - C. Negatively
3. Which of the following describes your financial attitudes or actions before the COVID-19 pandemic ?
- A. Living paycheck to paycheck
  - B. Regularly invested in the stock market
  - C. Had a formal household budget
  - D. Had an emergency fund
  - E. Regularly contributes to savings account
4. Which of the following describes your financial attitudes or actions during the COVID-19 pandemic?
- A. Living paycheck to paycheck
  - B. Regularly invested in the stock market
  - C. Had a formal household budget
  - D. Had an emergency fund
  - E. Regularly contributes to savings account.
5. For how long can your emergency fund cover day-to-day expenses?
- A. 3 Months or less
  - B. 3-6 Months
  - C. More than 6 Months
6. Has has the pandemic impacted your saving habits?
- A. Increased my savings
  - B. Change in motive for savings
  - C. Decreased my savings
7. Preference towards investment options Pre COVID
- A. Mutual Funds
  - B. Stock Market
  - C. Gold
  - D. Real Estate
  - E. Provident Fund

F. Bank Deposits

8. Preference towards investment options during COVID

- A. Mutual Funds
- B. Stock Market
- C. Gold
- D. Real Estate
- E. Provident Fund
- F. Bank Deposits

9. How do you define your investment behavior Pre Covid?

- A. Higher Returns with High Risk
- B. Lower Returns with Lower Risk
- C. Medium Returns with Medium Risk

10. How do you define your investment behaviour during COVID?

- A. Higher Returns with High Risk
- B. Lower Returns with Lower Risk
- C. Medium Returns with Medium Risk

11. Has the pandemic impacted your investment decisions?

- A. More Risk Averse now
- B. No Change
- C. More Risk Tolerant now.