



# **INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)**

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## **IMPACT OF COVID-19 ON BLUE CHIP STOCK**

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### **ABSTRACT**

Covid- there have been 19 linked lockdowns, which have had widespread effects throughout the nation and in every industry. The financial sector has been struggling with increasing the virus's unpredictable behaviour makes everything unpredictable. Liquidity needs have starting to be felt by monetary institutions. The banking sector's success in india is probably related to the economy more than to the success of any one industry. Impact of covid-19 on blue-chip stock, which is already suffering from a multi-decade low credit growth, will be struck by further asset quality difficulties as loan collections will be impacted when both big and small businesses come to terms.

Economic growth in India is widely believed to have slowed dramatically in recent years. The banking industries in India have been negatively impacted by them pact of covid-19 on blue-chip stock, leading to a decline in the market. The purpose of this research is to examine how cov19 has affected the Indian stock market and the banking industry.

### **GENERAL INFORMATION**

The global financial system has been severely impacted by the COVID-19 outbreak. Since the commencement of the COVID-19 pandemic, stock markets in key economies have been impacted and have declined drastically. This includes nations in Asia, which have had more negative anomalous returns than other regions. As a result of the catastrophes, operational financing becomes more challenging, capital expenses rise, and financial flexibility decreases.

Specifically, they underprice equity risk and reduce leverage in response to COVID-19 macroeconomic shocks. The market has reacted strongly to the COVID-19 epidemic, with a drop in market value being recorded by several operations. As a result of COVID-19, global economic growth has slowed in almost every country. All of society is impacted, not just the economy, and as a result, companies and consumers have had to make some drastic adjustments.

Blue-chip stocks, as most experts in the field know, often provide reliable returns. Speculators seeking safety during a financial crisis may flock to these locations. Companies with strong management teams and the ability to consistently generate profits, known as blue chips, provide stability during periods of slower economic growth. Even if the stock market is experiencing a bear market, investors shouldn't lose sleep about blue chips because of their track record of recovery.

It's an undeniable fact that many market leaders regularly provide dividends to their shareholders. Blue-chip companies don't see significant price fluctuations, but they do provide lucrative returns. The track record of blue chip firms shows that over time, they often increase their profit margins and maintain a steady stream of dividend payments to shareholders. Profit installments and portfolio compensation might be very lucrative long-term strategies for a financial expert. Revenue instalments protect against inflation's unfavorable effects.

The phrase "blue chip" comes from the game of poker, which is fitting given the potentially high-risk nature of stock choosing. White, red, and blue chips make up the basic sets of poker chips, with the blues being the greatest value according to American custom.

Noun and adjectival uses of "blue chip" (referring to a high-value investment) date back to 1873 and 1894, respectively, in the United States, reflecting the term's long association with wealthier investments.

In the 1920s, this well-established meaning began to be used to describe a high-quality stock. A legend circulates at Dow Jones that in the 1920s, when Oliver Gingold was watching the stock ticker at the brokerage business that would become Merrill Lynch, he developed this sense extension. He told Lucien Hooper of stock firm W.E. Hutton & Co. that he was going back to the office to "write about these blue-chip companies" after seeing many deals at \$200 or \$250 per share or more. Ever since then, people have been using it to talk about expensive stocks, which is what it originally meant.

## ABOUT THE COMPANY / INDUSTRY / SECTOR

### Industry profile

#### Can you explain the concept of "Blue Chip Stocks"?

A blue chip stock is one that is highly valued by investors and has a history of strong fundamentals as well as the consistent payout of dividends to its owners. There is less of an impact from market downturns on these companies than on other mid and small caps. Blue chips are well-known corporations that offer their high-quality goods and services on a national scale via an extensive distribution network.

## Common Characteristics of Blue Chip Stocks

### Stable Returns Can Be Expected From Blue Chip Stocks

Long-term, conservative investors tend to choose blue chip companies because of their consistency in providing such returns. Blue chip stocks produce consistent returns and substantially less return than other equities, albeit this may not be the case in absolute terms.

### A Consistent Dividend Is Offered By Blue Chip Companies

Dividends are a common kind of compensation given to stockholders by publicly traded firms. They may lower dividend payments in order to reinvest in the business's development or growth, but they are under no obligation to do so. Dividends are distributed from the company's earnings to show appreciation to shareholders for their financial backing.

### Capitalization-weighted blue chips

Blue chip stocks are costly due to their high value of above 20,000 crores (a measure of market capitalisation). State Bank of India, Bharti Airtel, Tata Consultancy Services, Reliance Industries, Coal India, HDFC, ITC, Infosys, ICICI Bank, ONGC, GAIL, and Sun Pharmaceutical are some of India's most valuable firms.

Investments in blue chip stocks are ideal for the long haul.

Blue chip firms see moderate but consistent growth over time, making them a good investment option for those with a longer time horizon. Most investors choose to put their retirement funds into blue chip firms so that they may receive a healthy return.

## INTRODUCTION OF THE STUDY

there are several ways in which the recent epidemic of coronavirus (covid-19) infections has altered daily life. it's not only people's health that's at risk as covid-19 spreads over the world; the economy and the environment are feeling the effects, too. 222 nations, regions, or territories have reported cases as of 24 december 2020. there have been 77,228,903 confirmed positives and 1,718,470 confirmed fatalities. different industries have seen the effects of the covid-19 epidemic, which has almost stalled the economy.

the global economy, particularly indonesia's, has slumped due to the impact of covid-19 on bluechip stock. market dynamics have shifted as a result of dramatic changes in the community's socioeconomic landscape. as a whole, the indonesian economy has shrunk very alarmingly, albeit certain sectors have fared better than others due to the tragedy. before the epidemic, both the international and domestic economies were thriving. this is shown by the fact that impact of covid-19 on bluechip stock composite opened the new year at 6300 and national economic growth was at the level of 5.5%. Due to the epidemic, the IDX composite trend dropped to 4000. Investor mood, which was mostly risk adverse and risk neutral, was a major factor in the stock market's collapse.

A number of publicly traded firms have taken a major hit, and not only in terms of their bottom lines. Companies in the food and beverage industry, as well as those in the telecommunications industry, have benefited from the epidemic since they provide needs that are in high demand right now. This is because more people are working and studying from home. The stock market has been quite volatile because of this predicament. Uncertain economic circumstances contributed to the high volatility both during and after the crisis. Investor sentiment was also a factor. In addition to producing stock market volatility, the COVID-19 pandemic altered investors' decision-making views and their willingness to accept risks.

## LITERATURE REVIEW

Numerous expert groups and individual researchers have focused their attention on certain aspects of branch development using an advantage technique. The expert has planned and thought about the examination's functioning using preparations.

An analysis of the "Impact of CIVD-19 on Blue-Chip Stock Associations: A Key Examined" was conducted by **Hamsalakshmi and Manickam (2015)**. The examination has been centered around taking a gander at the structure of liquidity position, \simpact and productivity. The analysis shows that the company has sufficient working capital and liquidity.

The analysis also revealed that the majority of the associations rely on internal funding, and that the growth of general profit has been modest. Based on the research of **Shurveer S. Bhanawat (2018)**.

"The "Indian Bluechip associations" of the National Stock Exchange of India are the subject of this introductory analysis. In this examination the influence of cash related problem on Indian Automobile Business with the support of measurable fundamental techniques is \dismembered.

**Basudev Sen (2017).**

The effect isn't fundamental, showing that although recession affects economies as a whole, the Indian auto industry was able to adapt and show little overall decline. The significance of risk management on boards in a post-Enron world, as well as the factors influencing risk managers' promotion rates, were revealed.

In his view, in a market-based economic system, both the perception and the leading body of risk are critical for participants and controllers. Risk management officials have begun updating their procedures and protocols. They have enhanced inside control structures including internal \survey and they are dynamically applying worth research of superior quality.

## BACKGROUND OF THE STUDY

### Stability of Blue-Chip Stocks

Most shareholders are aware that blue-chip companies often enjoy consistent profits. Investors may flee to these havens during times of economic uncertainty. Fortune 500 corporations provide stability in times of managerial teams and consistent profit generation have allowed them to weather sluggish development phases. Despite a bad market, blue chips usually return, so investors shouldn't lose sleep over them.

### Payment in Blue Chips and Dividends

The majority of blue chip firms have provided dividends to investors in the past. Blue-chip companies' dividends make up for their lackluster price movements. There is evidence that dividends from blue chip companies tend to grow and remain stable over time. Dividends may be a great source of passive income for investors over the long term. The dividends provide further insurance against inflation.

### In Conclusiveness

Financially, operationally, strategically, and expansion-wise, blue chips consistently outperform the market.

Many traders believe blue-chip stocks to be safe bets. Blue chip companies are generally safe bets for long-term investors because of their history of consistent growth and dividend payments. In case you do some number crunching, you'll see that the stocks fall into a wide variety of categories.

Companies are classified as either "small-cap," "mid-cap," or "large-cap" depending on their market capitalisation. Dividend (income) stocks, value stocks, and fast-growing companies (growth stocks) are all categorized by their respective characteristics.

However, there is a certain category of companies that receives a great deal of attention from all types of investors (novices to seasoned pros) and they are the BLUE CHIP stocks. We'll define blue chip companies and rank the top 10 blue chip companies in India. High-quality blue-chip companies are regarded as the best options for long-term investment portfolios. In fact, they seem to be productive in terms of long-term portfolio growth. Blue-chip stocks are those of well-established companies with a strong track record. There are several characteristics of blue-chip companies that provide long-term benefits to investors.

## PROBLEM STATEMENT

As a general rule, blue chip stocks are safer than other types of stock investments because of their lower risk. One of the most important criteria for a blue chip stock is that the underlying firm has the financial resources to weather economic downturns. When major market indices fall, it's usually not because of anything the stock itself is doing wrong, but rather because of broader economic conditions. So, if you purchase cheap, you may anticipate a price increase after business cycles have run their course.

## OBJECTIVES OF THE STUDY

- 1) To study price fluctuation on bluechip stocks
- 2) To know the demographic factors influencing investors decision while investing in share market.
- 3) To find out the awareness level of the investors of share market
- 4) To find out the most preferred channel.
- 5) To analyse the comparative study between other leading bluechip banks in the present market.

## RESEARCH METHODOLOGY

### METHODS FOR DATA COLLECTION & VARIABLES OF THE STUDY

#### Methods for data collection

##### Secondary Data

##### Secondary Data

Secondary source of data was collected from

Books

Journals

Magazines

Web's logistics es

##### Plan of analysis

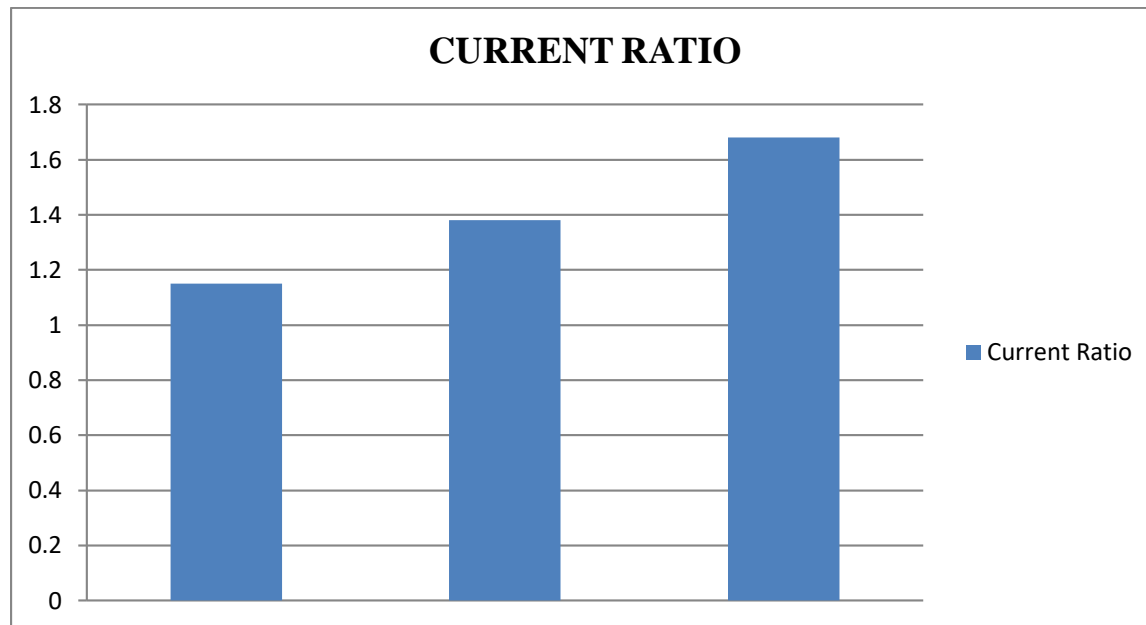
Diagrammatic representation through graphs and charts

Logistics able inferences will be made after applying necessary statistical tools.

Findings & suggestions will be given to make the study more useful.

### 1.CURRENT RATIO

Year	Current Asset	Current Liabilities	Current Ratio
2018-19	111443.00	96391.53	1.15
2019-20	132537.65	95528.15	1.38
2020-21	159624.98	95657.34	1.68



Analysis and interpretation:

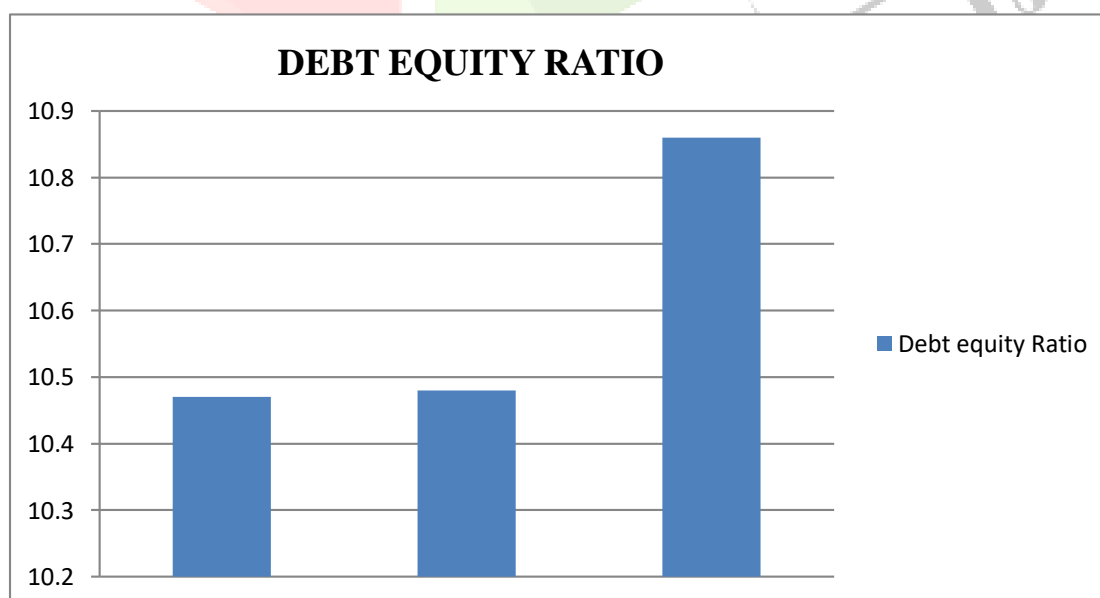
As per the current ratio of 2018-19, 2019-20 and 2020-21 is 1.15, 1.38 and 1.68 respectively. Current ratio of 2020-21 is increased than the 2018-19 and 2019-20.

So, hence the assets are more than the liability ensure that having a good financial position compared to past years.

## 2. DEBT EQUITY RATIO

Year	Total Liabilities	Shareholder's fund	Debt equity Ratio
2018-19	112526.17	10747.35	10.47
2019-20	136446.90	13017.25	10.49
2020-21	163664.39	15791.31	10.86

Analysis and interpretation:

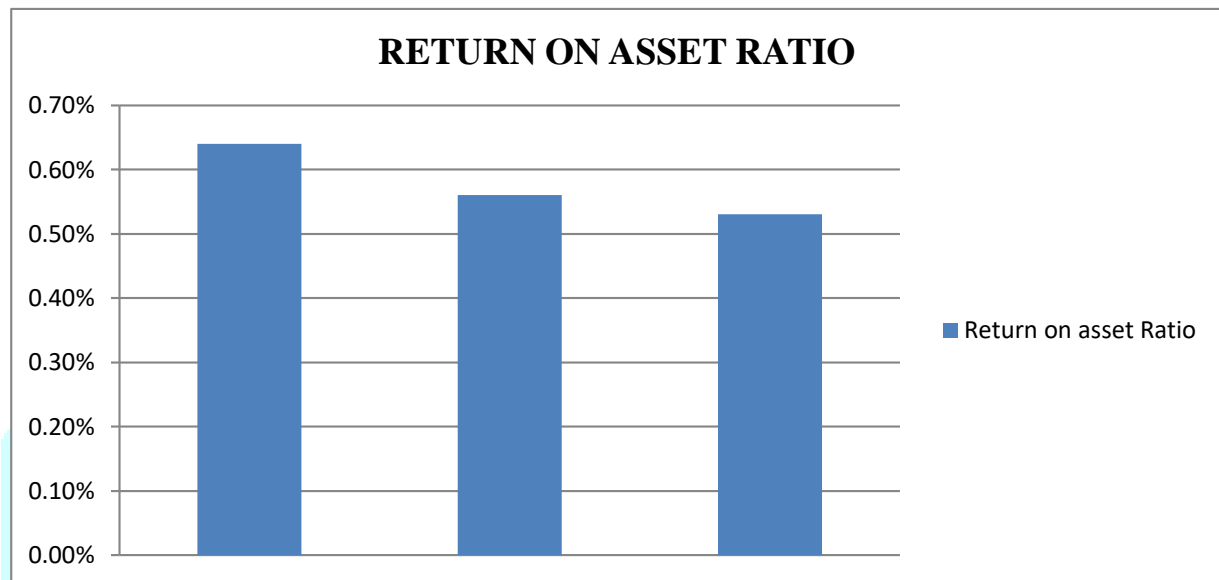


As per the debt equity ratio of 2018-19, 2019-20 and 2020-21, ratio of 2020-21 is more than 10.86 when compared to 2018-19 and 2019-20 that is 10.47 and 10.49.

In the above chart represents that the company having more shares and debt to finance a company.

### 3. RETURN ON ASSET RATIO

Year	Net profit	Total Asset	Return on asset Ratio
2018-19	724.97	112526.17	0.64%
2019-20	768.63	136446.90	0.56%
2020-21	877.91	163664.39	0.53%



Analysis and interpretation:

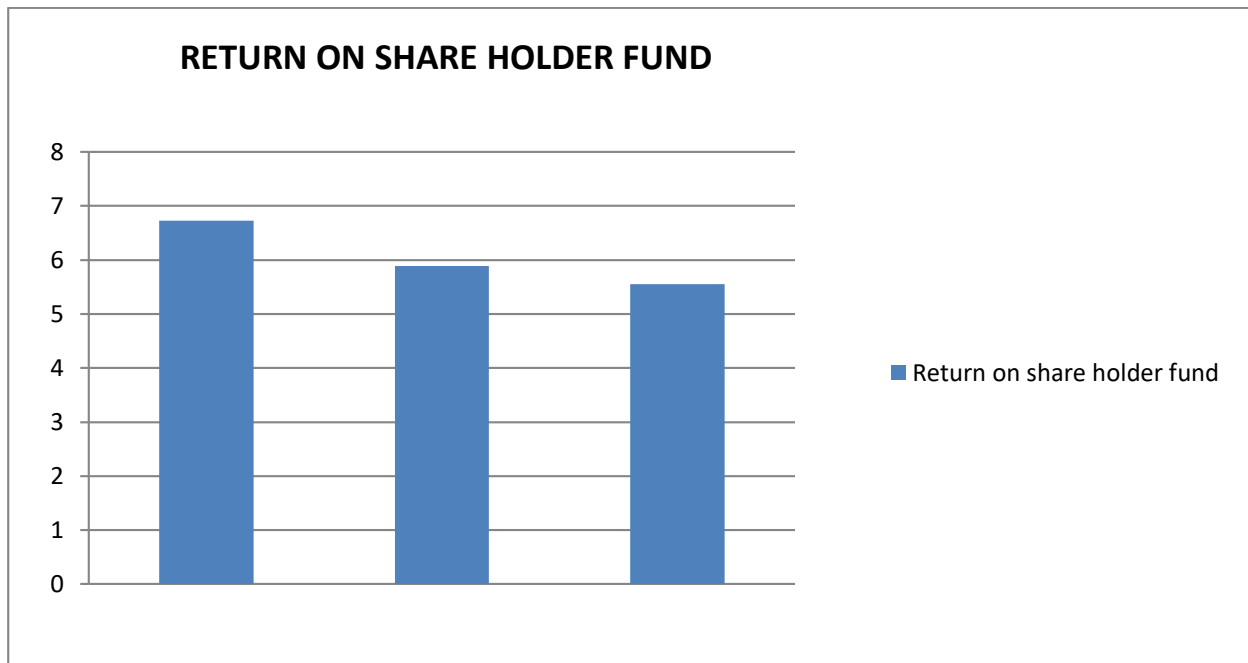
The in the year 2018-19 was 0.64% and it reduced to 0.56% in the year 2019-20 it came down to 0.53% in the FY 2020-21.

So here ROI is not stable. ROI is decreased year by year. In the above chart indicates the increase value of asset which can be treated as using asset more than liabilities. It is a time to improving.

### 4. RETURN ON SHARE HOLDER FUND

Year	Net profit	Share holder fund	Return on shareholder fund
2018-19	724.97	10747.35	6.73
2019-20	768.63	13017.25	5.89
2020-21	877.91	15791.31	5.55





Analysis and interpretation:

In the year 2018-19 return on shareholder fund was 6.73, Next year 2019-20 return on shareholder fund was decreased to 5.89 and financial year 2020-21 it will be decreased up to 5.55 respectively. The chart above shows that the return on shareholder funds goes down every year.

### CONCLUSION/SUGGESTIONS

High profits may be generated by investing in blue chip companies even in the face of market volatility. These are often more expensive than average since they are owned by market leaders. Long-term investors may also benefit from the stable dividends that certain blue-chip stocks pay out. blue-chip companies are those that have consistently paid rising dividends, have strong balance sheets and cash flows, and have a track record of success in their industry. Therefore, due to their proven track records and consistent past performance, blue-chip companies are often regarded as some of the safest stock investments.

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