Influence Of Stock Market On Indian Population During COVID-19 Pandemic

Shubh Borade
Shri Chinai College of Commerce & Economics, Andheri East, Mumbai-400-069, Maharashtra, India

Abstract- The coronavirus outbreak is causing widespread concern for everyone across the globe. Countries were in turmoil and recession ceased in many, inflation ate savings away while everyone sat and watched it happen. Money was being printed as candies being distributed; enough to gratify the wants but with an under-calculated risk. While some people grew richer alternatively many lost their jobs and faced financial crises where they could only wish they had more money. Amid chaos people vigorously scrutinized every possible way to not only make money but to save them. There were many schemes introduced to lure the unfortunate and vandalize them. During which the financial literacy skyrocketed with more people willing to learn about making money, there now exists the moment where we can spot at least someone talking about one way or another to grow richer as if everyone was now synchronized: from real estate to online dropshipping, the now booming cryptocurrency and even starting their very own startups which felt risky earlier, people considered and relied upon the new safest option the Stock Market. Whilst the stock markets would fall after the news of the COVID-19 wave the number of retail investors grew and barged on the opportunity of their lifetime. The IPOs were being oversubscribed. Stocks are being gifted instead of the traditional ones. Withdrawal of money from bank FD’s/RD’s just so they could catch the gold rush of the surging stock market prices. The fundamental trends have propelled some companies while for others it turned into a nightmare. The plethora for gaining insights about the stock market has been at its all-time high since the start of the pandemic.

By observing the ups and downs of the Capital Markets during the pandemic, the researcher has decided to study and investigate how reliable and necessary the capital markets have become. Furthermore, it is concluded that there has been a positive influence on people about the stock market during the COVID-19 Pandemic.

Key Words- Capital Market, IPO’s, FD/RD, financial literacy, inflation.

1. Introduction- The Stock Market, the ocean that can fill everyone's thirst while for some end up drowning in it. Some people used to view the stock market as testing their luck or gambling their money which is until the pandemic happened where people wanted new ways to grow wealth instead of relying on their regular 9-5 jobs. On 28th February 2020, the Sensex lost 1448 points and Nifty fell by 432 points due to growing global tension caused by the coronavirus while many were devasted by the news, some saw this as an opportunity and the right time to enter, the number of retail investors grew rapidly, the gold rush had just begun, instead of buying products of the any given company they rather preferred to buy its shares, digital gold was considered over physical given they were easily transferable, watching videos about investing in the stock market became widely popularized and viewed as the new culture. The financial literacy of the country has been growing at a never-before-seen pace, people’s mindsets have changed they now believe that the stock market can help them hedge against inflation. The IPOs are attracting more attention towards it as it continues to be oversubscribed.
The pandemic has eventually led to erasing the fog where people believed stock markets are risky and scam.

3. Research and Methodology-
Data Collection: The research is based on primary data and secondary data. Primary data is collected from various people by asking them to fill a questionnaire and their responses were collected and recorded. The collected data were analyzed and are being represented with the help of a pie chart and bar/histogram chart. The response was collected based on the beginning of the pandemic till 31st December 2021. The questions are as follows. The secondary data was collected from www.pib.gov.in.

Pie Chart 1: -
Do you believe Stock Market can help you achieve your financial goals?

![Pie Chart 1](image1.png)

As the awareness of the stock market is spreading like a wildfire almost 80.7% of the people believe that the stock market can help them achieve their financial goals and no one denies it. Though there is 19.3% of the people do not want to completely commit to the stock market to help them achieve their financial goal.

Pie Chart 2: -
Do you believe investing in the stock market is better than investing in FD/RD?

![Pie Chart 2](image2.png)

With increasing awareness about the rising prices and inflations being at an all-time high majority of the people (73.7%) think investing money in the stock market is better than investing in FD/RD. Although there are still 17.5% of who are still unsure as they were not much aware of how the stock market performs whilst 8.8% of the people choose FD/RD’s over the stock market.
On a scale of 1-10, how much do you think you have been influenced by the stock market since the start of a pandemic?

In this histogram, the surveyed sample was asked to rate how much they were influenced by the stock market during the COVID-19 pandemic where 1 being the lowest and 10 being the highest.

Pie Chart 3: -
Do you think the financial literacy of the country has been rapidly growing since lockdown?

Stock Market has become an extremely essential as well as a common topic during the COVID-19 pandemic with 52.6% of the people agreeing to the fact that financial literacy has been growing rapidly in the country on the contrary there are 17.5% who deny it and 29.8% of the people who feel otherwise.

Pie Chart 4: -
Do you consider investing in the stock market on your own instead of paying someone else?

73.7% of the sample chooses to invest in the stock market on their own instead of paying hefty brokerage fees. 15.8% of the sample chose to somewhat rely on the brokers as it would save them time and 10.5% of the sample considered letting the brokers handle their funds.
Pie Chart 5: -
Do you have a Demat account? (If no) Do you wish to have one?

From the surveyed sample, 78.9% of the sample either already has a Demat or is willing to have a Demat account. 8.8% of the sample is still unsure of having a Demat account and 12.3% of the sample simply refuses to have a Demat account.

Pie Chart 6: -
Do you believe investing in the stock market will help you hedge against inflation? (Help against increasing expenses)

21.1% of the sample strongly agrees that the stock will help them hedge against inflation tagged along with 61.4% of the sample who agree to the fact but they would consider other options as well. 15.8% disagrees as they would first like to opt for other options and 1.7% of the sample simply disagrees as they think there are still other better ways (like investing in startups that are not listed on the stock exchanges or real estate which is guaranteed to give profit).
Pie Chart 7: - Do you consider/wish to learn more about the stock market?

With continuously growing market capitalizations of the companies, 94.8% of the sample chose to learn more about the stock market as it will be more profitable to easily spot a new unicorn and 3.4% of the sample does not consider learning about the stock market rather letting the brokers do the work for them.

Pie Chart 8: - Have you been trying to watch or learn about the stock market through any sources (books, social media reels, Facebook, YouTube, Coursera, Udemy)

With 86.2% of the sample already getting videos or are trying to learn about investing in the stock market through either of the above social media platforms and educational platforms. Though 8.6% of the sample sometimes try to watch or are sometimes recommended videos about investing. 5.2% of the sample never tried to learn about the stock market.
Pie Chart 9: 
Do you wish you had more investments during the pandemic?

39.7% of the sample wished they had more investments during the COVID-19 pandemic. 44.8% of the sample agree that having more investments would have been better. While the other wished they had more savings during the pandemic.

Pie Chart 10: 
Are you viewing the stock market as a great place for investment?

A great percentage of the sample i.e. 72.4% viewed the stock market as a great place for investment. 20.7% of the sample views not only the stock market but as well as other options as a great place for investment. And 6.9% of the sample rather opts for different options to invest instead of the stock market.
Pie Chart 11: -
What is your view on the stock market during a pandemic?

When asked the view on the stock market during pandemic the sample responded with; 70.7% wished they had invested, 13.8% were already investing, 13.8% were rather happy they didn’t invest and 1.7% viewed it as a scam controlled by operators.

Pie Chart 12: -
How often have you been receiving videos about investing in the stock market on any social media since the start of the pandemic?

As social media has begun to shape the world, it was the financial literacy of the people which was the target this time. With 22.8% of the sample-receiving such videos frequently (very-often), 45.6% would receive them regularly, 24.6% received them rarely while 7% never received them.
Has your view changed about the stock market since the pandemic began?

The sample was surveyed about how has their view changed since the pandemic began and were to answer on a linear scale where 1 meant “Don’t want to invest” and 10 meant “Want to invest”.

Pie Chart 13: -
What are your views on IPO’s that have been listed since the beginning of the pandemic? (e.g., Paras Defense was listed at 171% premium.)

When questioned about their views on IPO’s that were listed during the pandemic they were given three options Attractive, Risky, and Scam while the majority chose Attractive and minority choosing Risky no one chose Scam.

Pie Chart 14: -
Would you recommend anyone to invest in IPO’s?

55.2% of the sample chose the option of recommending others to invest in IPO’s while 41.4% are not so sure about recommending them and 3.4% would not at all recommend them.
4. Results and Discussion-

As per the above research and responses that have been generated, collected, and evaluated indicate the growth of the majority of people in the stock market since the start of the pandemic. As per the information provided by the Securities and Exchange Board of India (SEBI), as of October 31, 2021, there are around 2.75 crores mutual fund (MF) investors, 7.38 crore Demat account holders and 1,324 SEBI Registered Investment Advisors (RIA). This was stated by Union Minister of State for Finance Shri Pankaj Chaudhary in a written reply to a question in Lok Sabha today. The ratio of Mutual Fund investors and Demat Account holders to the Registered Investment Advisors (RIA) in India is around 76,510: 1, the Minister added.

The total number of Demat Accounts at the start of the fiscal year 2019 and the increase in the number of Demat Accounts therein have been provided in Table 1. From Table 1 given above it can be understood that the number of Demat account holders has more than doubled in the past two years (i.e, since the start of the pandemic).

There are numerous reasons for this sudden opening of Demat accounts. One of the major reasons seems to be a realization of the importance of having multiple income source as investing money in the stock market rather than saving them in FDs which barely gives more interest than the current inflation rate. The lack of employment and rental income sources were blocked as many people left their rental homes and decided to work remotely which they found to be more convenient. Another reason would be that there was plenty of free time that many individuals had due to the string of nationwide lockdowns imposed during the first half of FY21. This extra time turned out to be the impetus that people needed to read about and get involved in stock trading. The other peculiar reason is the increased number of online/paperless brokering firms being adopted which have made trading easier even for the beginner.

From the above Pie Charts, it can be deduced that the majority (81%) of the population now believes that the stock market can help them achieve their financial goals while the minority (19%) still seems to be uncertain about the potential of the stock market but providing a positive overline on the fact that no one disagrees with the fact that stock market will help them achieve their financial goals. Pie chart 2 shows the increased number of people willing to take risks and invest in the stock market instead of depositing them in banks as FDs which also shows that people are willing to break the long chain of mindset for depositing money and rather evolving and learning something new which is giving higher returns.

From histogram 1 we can learn that the stock market has been a major influence on the people during the COVID-19 pandemic. The most common reason seems to be the widespread use of the stock market jargon being used on social media platforms and a new set of social media influencers are emerging who are looking forward to educating and increasing the literacy of the people while keeping them entertained and informed about the events that are taking place around the globe. The results are backed in the Pie Chart 12 which concludes that 24.1% of the population has been receiving such
informative videos very often, 44.8% of the population has been receiving such videos often, while 24.1% of the people have received such videos rarely and only 6.9% of the people never really received such videos ever.

While there are a growing number of people who are viewing the stock market as a great place for investment (72.4%) there simultaneously exist few people who refuse to view the stock market as a great place of investment (6.9%) and rather prefer something else. Amidst the COVID-19 pandemic, there have been 70.7% of the population who wished they had more investments of which only 13.8% of the people were already invested and 1.7% of the population believing that it’s a scam.

The IPO season during the pandemic has been a bonanza, with IPOs getting listed at more than 20% premium and a few even at 100% the stock market never left to amaze everyone and attract them. From the research conducted it can be seen that 56.9% of the population find the IPOs to be attractive and 43.1% consider it to be risky which can be understood as even among the mega-hit IPOs there were few failed ones as well. The IPOs which were launched during the pandemic have flabbergasted the population with such joy that the 55.2% of the population have recommended others to invest in it as well, 41.4% of the population would consider recommending it to other people while only 3.4% of the people refuse to recommend it, the reason being they would rather invest their money elsewhere instead of depositing their money in a lock-in period where the allotment isn’t guaranteed.

The number of retail investors has been growing significantly as the financial literacy grows, there are approximately 94.5% of the population that wishes or considers learning more about the stock market and roughly 86.2% of the population is already trying to learn about the stock market through any sources such as reading books, social media-reels, Facebook, YouTube, and even opted for online courses on Coursera, Udemy.

There are around 74.1% of the population that considers investing in the stock market on their own instead of paying hefty brokerage charges but still, there are 10.3% of the people who rely on brokers to make the investments. With rising inflation and no space for people to hedge their losses, 60.3% of the population believe that the stock market can help hedge against inflation whilst there are still being 1.7% of the people strongly disagree with this fact as they would rather rely on other commodities.

4. Conclusion

Though the study has allowed only partially confirming of the hypothesis of whether the stock market is the new honeypie. The results that were obtained confirmed the positive influence and growing interest of the stock market on the people during the pandemic and thus helped achieve the objective of proving it to be the new honeypie during the COVID-19 pandemic. The major growing concern that lies ahead is that an increase in the number of investors which are mainly saturating a set number of industries to invest in would cause a bubble to be formed and when the bubble will burst there are going to be way too many retail investors losing their hard-earned money. But on the positive end, an increase in the number of investors has given a huge upliftment to the country and by pooling investors' beliefs about the future, the stock market can be a powerful indicator of what could lie ahead. And this view puts the new realities we face into stark relief. The improved efforts brought up by various brokerage firms that have put the interest of the newly emerging investors before them by letting them have a trial account where they were allowed to trade with virtual cash has provided a huge backbone to attract the investors. Although the stock market has always been a huge conventional topic to speak about for a minority of people, now there is a majority of the population that can understand it rather abruptly claiming it to be a scandal.

At the same time, the obtained results of the constructed questionnaire provide a basis for further research using different models to determine the more in-depth reason of the people not willing to invest in the stock market.
References


