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Study on the effect of COVID – 19 pandemic on the savings and investment pattern of the manufacturing sector

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A B S T R A C T

As a consequence of Corona Virus unroll; humans faced uncertainty in income and changes in lifestyle. Due to lockdown, the spending attitude changed, as there was no way to have outings, expensive purchases like gold, real estate, car, etc. Most of the decisions are based on the circumstances faced. The circumstances are like walls, putting a limit around us. Behavioural Finance shows the financial activity of an individual based on his or her mental stability. In this paper, the savings and investment decisions before and after the COVID – 19 pandemic of the people related to the manufacturing sector in Tamil Nadu are observed by a survey. A study was made on circumstances created by COVID – 19 pandemic which brought change in savings behaviour and investment behaviour of individuals in manufacturing sector. An analysis was made based on the survey conducted to know the impression of the pandemic on manufacturing sector peoples’ financial attitudes in Tamil Nadu (TN). The participants belonged to the working community of manufacturing sector. The association between the circumstances formed by corona virus and change in savings and investment options of the people related to the manufacturing sector in Tamil Nadu was studied. There is association between the actions undertaken by the Government (like lockdown and travel restrictions) and person’s earnings, directly impacted savings and investment pattern of the individuals in manufacturing sector.

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1. Introduction

The Ministry of Statistics and Program Implementation released a statistics that, in India the economy diminished by 7.3% in the April-June quarter of this year, 2021. This pathetic decline is the worst one ever recorded by the ministry since it started compiling GDP stats quarterly in 1996. Approximately 10 million migrant workers moved to their native places after the declaration of lockdown. They lost their jobs and their lives during the lockdown. The assets and liabilities of the households are tracked by RBI.

Postal savings, fixed deposits, mutual funds, provident funds, real estate, precious objects like gold, all come under assets. On the other hand, personal loans, debentures, income taxes payable comes under liabilities. So total assets minus liabilities gives the net assets. The assets and liabilities of an unregistered business is not considered as private data. The net financial assets declined to 8.2% in the third quarter 2020-21(October-December), which was at 21% of India’s gross domestic product before two continues quarters of 2020-21 (April-June) and (July-September) of turn down. Total assets decreased from 19% of GDP to 12.7%.

The circular flow of money needs to be increased in India. Money is stagnated in the form of gold. Rich people have more gold; if we view the other side people struggle to survive and meet their daily expenses. And circular flow of money is blocked through corruption; if all the black money comes out, it will reduce the stress of the economy.

Savings are helping hands at times of financial hardships. It is an important lesson to be learnt from ant, as it saves in seasonal times in order to use in tough times. Savings must be a part of
day to day activities. Investments are seeds whose growth is unseen but in years, its fruits will cherish us. Right investment must be made at the right time. The unexpected situations like natural calamities and pandemics generally affect the financial status of the country. But; as Indian citizens had savings behaviour, we were able to survive this pandemic.

2. Review of literature

Rajeev Kumar et al. [1] states that the behaviour of saving money has kept the people in India on the safer zone. Even the youngsters realized the significance of savings and investment. It insists to spare money to face any future crisis. Suggested to avoid frequent shopping and unenroll for advertising emails or websites which influence to buy more. Minimize the expense on festivities, functions like marriage, birthday etc. Set one day in a week as “nil expense day”. Avoid unnecessary purchases and storing in excess, choose products at reasonable rate. Saving a drop and compounding in years makes a pond.

Gurbaxani et al. [2] states that in the current context, investors have become increasingly risky, and opt for secure investment methods that offer limited and low-risk profits. Awareness must be created among the people about Gold ETFs, when to move in and out from the stock market, and affiliate fund plans.

Shouvik Lahiri et al. [3] focus on how the global epidemic is changing the behaviour of individuals, from a socio-economic view point. Discussions were made about the social and economic impact on homes, income, education and employment. This research helps to innovate and is very good for any future epidemic diseases.

Farzana Afridi et al. [4] have ruled that the biggest negative impact on the employment status of men immediately after the closure of economic activity due to nationwide closure, in relation to the pre-epidemic period. This was also accompanied by a significant reduction in men’s monthly income. On the contrary, we do not find much impact on the employment of women.

Jagdish Sheth [5] states that the COVID – 19 epidemic conditions such as confinement, social isolation, and travel restrictions have disrupted human eating and shopping habits. Consumers are starting to get closer to the digital platform and adapt to it. For example, customers can’t go for shopping outdoor, so the store has come home. As people return to the old habits, there will be a change in their shopping environment as a result of new procedures and principles. Technological advances and changing demographics and new entrepreneurs will provide consumers with better products and services.

Lewellen et al. [6] intended that personality factors such as age, gender, family income, and other factors influence individual decision-making. Age and income have had a significant impression on the choice of a joint fund. Author also examined the attitude of women investors towards investment options and stated that women investors were reluctant to invest in joint ventures for a variety of reasons, including: insufficient knowledge of various investment tools and appropriate instrument policies; market flexibility; uncertainties related to investments and investment assessments; redress of grievances.

3. Statement of the problem

When the epidemic hit for the first time, financial savings first jumped into the first quarter of 2020–21, but continued to prove successive estimates in the next two quarters. According to the first RBI estimate, housing savings were 8.2% of GDP in the third quarter, after 10.4% of GDP in the second quarter (expired in September 2020) and 21% in the first quarter. In total, total real estate finance declined to Rs 4,44,583 crore in the December quarter from Rs. 4,91,906 Crore in the September quarter and RS 8,15,886 crore in the June quarter [7–11].

In this report, research is being done on the effect of COVID – 19 epidemic on the savings and investment individuals related to the manufacturing sector of Tamil Nadu residents. As the approach to savings and investment changes, policies and strategies to maintain a balanced cash flow must be implemented, to strengthen the economy.

3.1. Scope

The study is to understand the savings and investment pattern before and after COVID – 19 pandemic and the awareness of the investment avenues among the people in manufacturing sector of Tamil Nadu. It is used to determine: The impression made by the circumstances created by the corona virus on the savings and investment options of individuals in manufacturing sector. The lifestyle changes which lead to save more. The main factors which influence the corresponding investment decisions [12–16].

3.2. Objectives

- To understand the changes in savings behaviour and investment options of the people in manufacturing sector in Tamil Nadu before the COVID – 19 pandemic and during the pandemic. [17–21]
- To get to know the lifestyle changes of the people which increased the savings during lockdown.
- To realize the risk preference of the individuals in manufacturing sector in Tamil Nadu [22–26].
- To identify the preference towards the investment avenues before and after the pandemic.

3.3. Hypotheses

- There is significant relation between the financial attitudes prior to COVID – 19 and after the arrival of COVID – 19.
- There is considerable association between the Pre-covid preference towards various investment options and Post-covid preference towards various investment options
- There is significant relation between the COVID – 19 pandemic circumstances (lockdown) and the savings pattern.

3.4. Research methodology

- Research Type: Under conclusive research, both causal research and the descriptive researches are done
- Type of Sampling: Convenience Sampling
- Sampling Unit: Employees of Manufacturing Sector
- Sampling Universe: Employees of Manufacturing sector all over Tamil Nadu
- Sample size: 225
- Data Type: Primary as well as Secondary Data
- Dependent variables: Savings and investment pattern
- Independent variables: Various investment awareness variables and also the pre and post COVID – 19 pandemic circumstances.
- Data Source: Survey using questionnaire through both offline and online modes.
3.5. Limitations

- The study was confined only to employees of manufacturing sector.
- The respondents may be biased in giving the response to the questionnaire.

4. Results and discussion

4.1. Pre-covid VS Post-covid financial attitudes

H0: There is no association between the Pre-covid and Post-covid Financial attitudes.

H1: There is association between the Pre-covid and Post-covid Financial attitudes as shown in Table 1.

Table 1
Chi-Square Test for Pre-covid VS Post-covid financial attitudes.

|                      | Value  | Df  | Asymp. Sig. (2-sided) |
|----------------------|--------|-----|-----------------------|
| Pearson Chi-Square   | 638.860 | 144 | 0.000                 |
| Likelihood Ratio     | 235.336 | 144 | 0.000                 |
| Linear-by-Linear Association | 18.367 | 1   | 0.000                 |
| N of Valid Cases     | 225    |     |                       |

a. 158 cells (93.5%) have expected count less than 5. The minimum expected count is 0.00.
Using chi-square tests the association between the two independent variables are identified.
Reject H0, If P-value < 0.05.
Here P-value=less than 0.05 [27–31].
Thus, H1 is accepted. There is association between the Pre-covid and Post-covid Financial attitudes.

4.2. Pre-covid selection in respect of various investment options vs Post-covid preferred to various investment options

H0: There is no relationship between Pre-covid options for different investment options and Post-covid for different investment options.

H1: There is a relationship between Pre-covid selection depending on the different investment options and Post-covid for different investment options as shown in Table 2.

Thus, there is association between the Pre-covid preference towards various investment options and Post-covid preference towards various investment options [39–42]. People generally invest for financial security during adverse situations and old age times. And their main source of investment has been found to be from their monthly savings. People in Tamil Nadu prefer moderate risk in investing [43–49]. Most of them prefer to invest as bank deposits and gold. The awareness of the various investment avenues must be given to the millennial. The investors are suggested to try investing in stock market too by analyzing the market conditions [50–53]. The people are suggested to invest the savings amount in various investment avenues to enjoy possible returns with risk considered [54–59].

4.3. COVID – 19 pandemic circumstances (lockdown) VS the savings pattern

Which of the following has led you to saving more money? By ranking method, not able to go for outings ranks first in saving money [60–66].

The Fig. 1 says that is connection between the COVID – 19 pandemic circumstances (lockdown) and the savings pattern. Lifestyle changes like not spending on outings, avoiding unnecessary purchases have reduced the expense and enhanced the savings [67–71]. Individuals are suggested to avoid admiring luxurious items to increase the savings. People must practice to have home food as it is healthier as well as reduces expenses.

5. Future scope of the study

The savings and investment behavior of employees can be studied in future relating to the purchasing behavior. The study can also expand with the other segment people also. The study will
definitely be a whistle blower for the respondents, to think about their investment behavior.

6. Conclusion

Savings is not to be considered light, savings of each individual has prevented the whole country from being pushed to poverty.

- Savings and investment pattern had significant relationship with the COVID – 19 pandemic.
- Basically people show less awareness and risk adverse behaviour for the various investment options. The arrival of COVID – 19 has laid a negative impression in the minds of the people towards investing in mutual funds and stock market.
- In current scenario, investors have become increasingly risky, and opt for secure investment methods that offer limited and low-risk profits.
- Awareness must be created among the people about Gold ETFs, when to move in and out from the stock market, and affiliate fund plans.

CRediT authorship contribution statement

Annie Rose Nirmala: Writing – original draft. R.K.A.Bhalaji: Conceptualization, Methodology. S. Bharani Kumar: Writing – review & editing. S.Joe Patrick Gnanaraj: Supervision. M Appadurai: Investigation.

Data availability

No data was used for the research described in the article.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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