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Change in Trading Propensity (Inclination) Before and Post Covid-19 Role of Bias

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INTRODUCTION

The novel Coronavirus pandemic has prompted remarkable repercussions on day-to-day existence and the economy. The flare-up makes financial backers, strategy producers, and general society at large aware of the way that cataclysmic events can cause monetary harm for a formerly obscure scale. While the total impact of the pandemic on the financial exchange and the spending conduct of families have been recorded, little is had some significant awareness of the way of behaving of retail financial backers during such a fierce time. Taking into account that retail exchanges move stock costs the heading of their exchanges and specifically retail short selling has prescient capacity for future (negative) stock returns, it is, in any case, critical to research their way of behaving in these exceptional circumstances at the miniature level to more readily figure out total market results. We research exchanging designs and monetary gamble taking of a huge example of retail financial backers in view of their singular exchanging records during the flare-up of COVID-19.

We utilize two lines of argumentation to communicate differentiating assumptions regarding financial investor way of behaving during the COVID-19 flare-up. In the first place, the flare-up of the pandemic is in many respects equivalent to psychological assault it is an exogenous shock, that has radical outcomes on regular day to day existence, raises public dread, and causes incredible (financial) vulnerability. Investor behaviour in the consequence of psychological militant movement is related with more gamble unwilling decisions, like a decreased exchanging power and a diminished stream to unsafe resources show weighty retail financial backer selling in the emergency time frame set off by 9/11 that drives down resource costs. In accordance with these outcomes, however against the foundation of the episode of COVID-19, However Chinese understudies in Wuhan show that people there show considerably lower general inclinations for risk. People that are more presented to COVID-19 results show a diminished ability to take dangerous ventures and more negative convictions on the economy. Subsequently, in light of the flare-up of COVID-19, financial backers might decrease their market openness and hazard taking.

Second, in accordance with this expanded vulnerability, press articles, media reports, and well-qualified suppositions show a torn picture of things to come monetary turn of events and, along these lines, of ideal speculation and portfolio methodologies. The flare-up of COVID-19 has prompted critical monetary market declines and expanded monetary market takes a chance all over the planet. National banks and states have tossed their approach instruments into the market and sent off help programs never seen. Regardless of these help programs, a lot of vulnerability continues. With the specific worldwide financial effects not yet clear, various conclusions circle. While, for instance, President Donald Trump unhesitatingly declared that there will be a speedy V-formed recuperation of the US economy and Hanspal report that US families expect a quicker recuperation of the financial exchange comparative with past accidents, Janet Yellen communicated that it is normal for monetary development after an emergency to stay on a lower track for years, not months. Against the scenery of these uncertain assumptions, researching financial backers' exchanging exercises during the flare-up of COVID-19 is profoundly intriguing.

The further details regarding the trading propensity before and after covid will be discuss in the coming heads.

REVIEW OF LITERATURE

Several things have been taken up in the following article like, the study looked at how a person's financial mindset affects their financial behaviour as a retail investor, Individuals' financial attitudes were investigated using six dimensions, there were both linear and non-linear connections between the dimensions and trading behavior, the largest relative value in predicting trading activity was interest in financial concerns, during COVID-19, optimism and financial worry had the least impact on trading (Talwar et al. 2021). Kiruba and Vasantha (2021) focused on investigating the investor's psychological behavior in the stock market amidst pandemic. The survey was performed between April and June 2020, following the Indian government's announcement of a lockdown on March 25th. There were 400 people that responded. During the early stages of COVID-19 in India, this article aimed to determine the impact on psychological behaviour. The information gathered was utilised to figure out what psychological factors may have influenced investing decisions. The study looked at how people react to fear, risk perception, and other psychological factors. Investors' fear of market volatility, herding, and vaccine updates are all factors that influence risk inclination. The outcomes show that fear, risk perception, herding, and vaccination updates have a behavioural response affected the decision-making of investors during the COVID-19 epidemic. Ortmann et al. (2020 study is all about, "how do retail investors respond to the outbreak of covid-19?". Following observations have been made, we show that as the COVID-19 epidemic progresses, investors' trading activity increases dramatically, both at the extensive and intensive margins, using transaction-level trading data. Investors are increasing their brokerage deposits and opening new accounts on average. As the number of COVID-19 instances doubles, the average weekly trading intensity rises by 13.9 percent. The rise in trading is most noticeable among male and older investors, and it affects both stock and index trading. Following the Dow Jones' 9.99 percent loss on March 12, investors have drastically reduced their use of leverage.

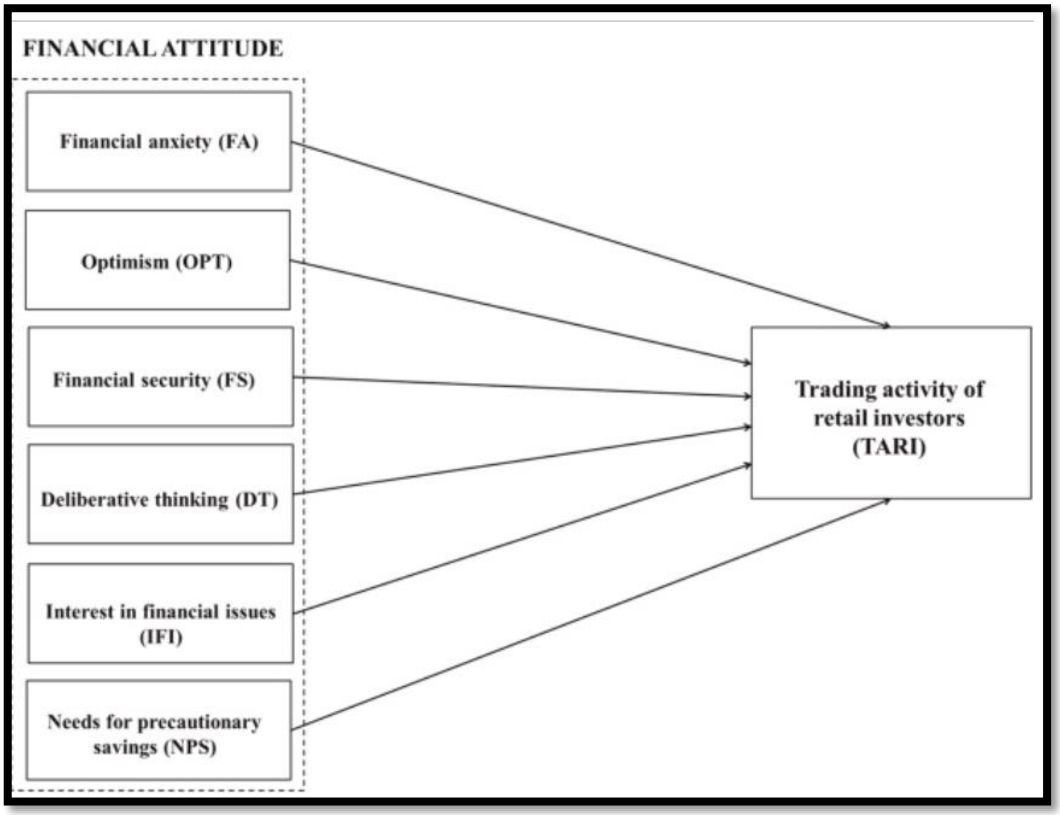
DATA COLLECTION METHOD

The research for this topic is done completely on the basis of Secondary Research.

Secondary data is information that has already been acquired by someone else and processed statistically. Websites like Research Scholar and Scopus is used for the collection of secondary data on the given topic. Three research papers were chosen and on the basis of these three papers, All the data compilation is done.

ANALYSIS AND DISCUSSION

Financial Attitude and trading activities of retail investors: -



- ❖ The effect of **anxiety** is one of the major variables affecting the trading activity of the investors, and this behavior backs from long back. Anxiety is further divided in to 2 categories of influence it has: -
  - i) Risk taking tendencies
  - ii) Degree of self-assurance in assessing investment avenues.
- ❖ The second variable that is discussed and found having an influence is **Optimism**

Less optimistic individuals are more likely to work harder and save more whereas the more optimistic are known to think other way round i.e., they are less conservative and will take more risk for a given return. Also the fact that there is relation with the opposite of term optimism (i.e. pessimism) in the market- the more depressed people have more of pessimism bias compared to people who are more lively and happy.

- **Deliberative thinking**

It has been observed and proven in some of researches by the scholars that

The Individuals who believe more in intuition than deliberative thinking use more heuristic-based judgments than to the contrast of professional who use more deliberative thinking while trading then heuristic, while making decisions. People/ Professionals using more deliberative thinking than the ones who use more heuristic are in a better position to make sound financial decisions and better trade on markets

- Interest in Financial Issues-

Certain of the research showed that women have less interest in the financial matters and they tend to avoid taking decisions based on market knowledge and also the fact that they subsequently have less financial knowledge. High interest in financial issues can have a positive financial attitude making the likely the better decisions.

- Needs for precautionary saving –

Savings are more related to individual thought process; they are guided by uncertainties around them. There is also a positive linkage between risk aversion and individuals need for precautionary saving. Individuals with attitude of saving will be more cautious in trading the markets because for them the need their capital intact, and might lose certain opportunities of booking profits but will be more concerned of not having losses.

IMPLICATIONS OF THE STUDY

The study's goal is to determine the psychological influences on investors' investment decision-making before and post COVID-19's crisis. The panic that occurred in the wake of the COVID-19 outbreak caused most financial markets to fall by 10-20% in a single day. The risk propensity data proved remarkably consistent. The survey was done during COVID-19's initial period to assess risk propensity behaviour. During COVID-19, the impact of risk perception, vaccine updates, herding, fear on investment decision-making was investigated using multiple regression analysis. According to the findings of the research - Post COVID-19 pandemic, the investors increased their trading activity both at the intensive and extensive margins. The number of investors who open their first account with a broker rises, while existing investors increased their average trading activity. Investors have increased their brokerage deposits and opened new accounts on average. With the number of COVID-19 cases increased, the average weekly trading activity increased by 13.9 percent. The rise in trading is most evident among male and older investors, and it affects both index trading and stock trading. Another theoretical implication of the research is that it looked at the impact of psychological variables on investor trading activity during a health crisis, like the COVID-19 pandemic. The findings also show that investors' risk aversion and worry over market volatility had no influence on their decisions.

This study can be considered as the first empirical effort to propose and also in order to test the influence that the financial anxiety, optimism, financial security, deliberative thinking has on the trading activity of the retail investors.

This study also helped us in improving the theoretical understanding of financial attitude and behavior. It also revealed the impact that the six different dimensions of financial attitude on the retail investors’ trading activity. The findings of the study susuggesthat if the retail investors try to improve their financial attitude, their decisions which relate to trading may get positively impacted in such a way that they might be able to maintain and construct profitable portfolio.

Risk propensity has a minor impact on investment decision-making, which is similar with research on the impact of risk propensity on the emerging market. The study's findings can help both individual and corporate investors to invest money post Covid-19 pandemic. The findings also indicate that by improving their financial mindset, retail investors trading decisions may be effectively influenced, allowing them to build and maintain a healthy portfolio. Simultaneously, it will enable them to make good decisions, resulting in less unpredictable trading and a more stable financial market. The implication of this research is to assist current investors as well as those who will be involved in future pandemic scenarios. Governments should take the appropriate measures in the future to prevent having to go to lockdown situation.

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