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## Pandemic and War: Impact on Investors' Perception in Indian Capital Market

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**Abstract:** *The COVID-19 pandemic and the Russia–Ukraine war have had significant and prolonged effects on global markets, especially the Indian capital market. COVID-19, which initially emerged in Wuhan, China, in December 2019, was declared a global pandemic by the WHO on March 11, 2020, triggering widespread fear and uncertainty. Simultaneously, the Russian invasion of Ukraine in February 2022 added further distress to financial markets. These dual crises disrupted economic activities and caused major fluctuations in investor sentiment. This paper seeks to analyze the impact of both events on investor behavior in the Indian capital market by examining BSE Sensex trends, social media influences, and panic trading patterns.*

**Keywords:** *WHO, Pandemic, Endemic, Russia, Ukraine, Panic Investors, Perception*

### I. INTRODUCTION

The global outbreak of COVID-19 and the unexpected eruption of the Russia–Ukraine war have introduced significant turmoil in international capital markets, including India's. The COVID-19 pandemic, first reported in Wuhan, China, in December 2019, evolved from a health crisis into an economic and financial catastrophe. Its declaration as a global pandemic by the World Health Organization on March 11, 2020, triggered unprecedented volatility in global equity markets. Government-imposed restrictions such as lockdowns, quarantines, and travel bans resulted in widespread uncertainty and fear among investors.

Similarly, the Russian invasion of Ukraine in February 2022 brought new waves of global uncertainty. Escalating geopolitical tensions, coupled with rising energy prices and disrupted trade, sent shockwaves through financial markets. In this context, investor sentiment plays a vital role in shaping market dynamics. This study focuses on analyzing the impact of these dual crises—the pandemic and the war—on investor perception and behavior in the Indian capital market, particularly reflected in the BSE Sensex movements.

#### OBJECTIVES OF THE STUDY

- To find out the major bull and bear trend in BSE Sensex during the pandemic and Russia–Ukraine war period.
- To find the correlation between social media trends, news headlines, and investor trading perception.
- To analyze panic trading behavior and investor sentiment during the study period.

### II. REVIEW OF LITERATURE

Accordingly, global stock markets have quickly processed information regarding these upheavals and integrated it into stock prices, resulting in an over 30% decline in stock prices around the world. Some studies argue that the Covid-19 pandemic effect is homogeneous and stock returns have fallen across markets [Topcu and Gulal (2020); Ashraf (2020a, b; Phan and Narayan (2020); Erdem (2020); Alexakis et al. (2021)]. However, Covid-19 does not affect all stocks across sectors equally, with some stocks in the information technology, health, and consumer staples industries actually earning positive returns during the pandemic period.

Therefore, the Covid-19 pandemic has a heterogeneous effect in the markets [Liu et al. (2020), Narayan et al. (2021), Mazur et al. (2020), Baek et al. (2020)]. Further, stock markets are affected negatively in the initial period of the pandemic and later react positively due to the relaxation of lockdowns and adoption of government stimulus packages [Narayan et al. (2020a, b; David et al. (2021); Ashraf (2020a, b; Fernandez-Perez et al. (2021)].

### III. RESEARCH METHODOLOGY

The study focuses on the closing prices of the top 30 BSE Sensex companies from January 2020 to September 2022. Data was collected from the official BSE website. Social media trends and Google search data related to the pandemic and war were compared with market movements to determine investor sentiment. Twitter hashtags and news headlines were analyzed alongside market fluctuations to establish correlations.

## LIMITATIONS OF THE STUDY

This study is limited to the top 30 companies listed on the BSE Sensex, which may not represent the entire spectrum of investor sentiment across small-cap and mid-cap companies. The reliance on secondary data from Twitter, Google Trends, and media headlines introduces potential bias, as these platforms may not reflect the sentiments of all investor demographics. Further, the use of publicly available closing price data without intraday metrics may limit the depth of behavioral insights derived from market fluctuations.

## RESEARCH GAP

Although extensive research exists on the financial consequences of COVID-19, limited studies examine the combined effects of the pandemic and the Russia–Ukraine conflict on investor sentiment in India. Additionally, the integration of social media sentiment analysis with market trends remains underexplored. This study fills this gap by correlating social media trends, news headlines, and trading data to assess their influence on investor perception during these global crises.

## TIMELINES OF COVID 19

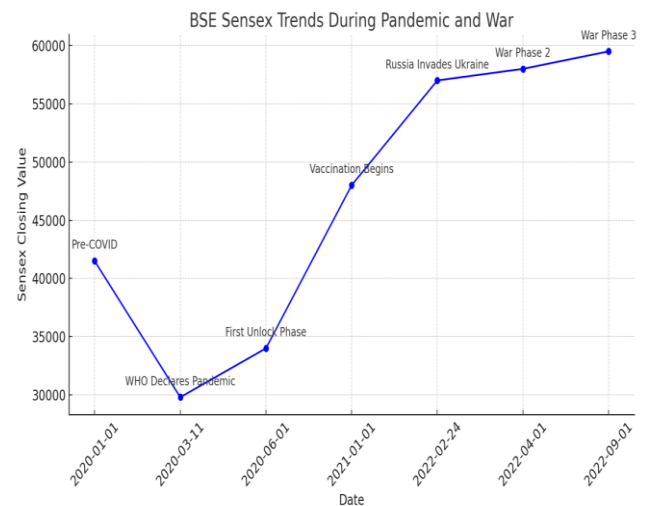
- Timeline of the COVID-19 pandemic in India (January–May 2020),
- Timeline of the COVID-19 pandemic in India (June–December 2020), and
- Timeline of the COVID-19 pandemic in India (2021) - Vaccination for Covid from Early December 2020 – WHO announced.

## RUSSIA AND UKRAINE WAR – TIMELINE (8 MONTHS)

- **Phase 1:**  
*Invasion of Ukraine (24 February – 7 April)*  
Russia sets out to conquer Ukraine and replace its government. The West reacts by imposing comprehensive financial and trade sanctions on Russia.
- **Phase 2:**  
*Southeastern front (8 April – 5 September)*  
Russia refocuses on the east, as Ukraine launches counteroffensives in the north and south, taking back more than 1,000 settlements. The US and UK send advanced missile systems to Ukraine.
- **Phase 3:**  
*Ukrainian counteroffensives (6 September – present)*  
Russia re-expands its goals to include Kherson and Zaporizhia. Ukraine uses missiles to devastate Russian ammunition, bases and command posts deep behind the front lines.

## ANALYSIS AND INTERPRETATION

The following chart visualizes Sensex trends in relation to major global crisis events:



The closing values of the BSE Sensex from January 2020 to September 2022 exhibit a clear pattern of volatility influenced by global events. During the initial declaration of COVID-19 as a pandemic, the market experienced a sharp dip. Similarly, the onset of the Russia–Ukraine war triggered an immediate decline in the Sensex, followed by partial recovery during subsequent phases.

Social media trends and news headlines had a significant correlation with panic-driven sell-offs. Sentiment peaks in Twitter activity, particularly around major announcements such as lockdowns or geopolitical escalations, coincided with large market fluctuations. This suggests that investor behavior was heavily influenced by emotional reactions to real-time information rather than fundamental valuations.

## FINDINGS

1. **Market Sensitivity:** The BSE Sensex exhibited significant volatility in response to both pandemic-related news and the Russian invasion. Bearish trends were especially prominent in the initial phases.
2. **Investor Panic:** News headlines and trending social media hashtags triggered panic-driven sell-offs, especially in the early months of COVID-19 and the beginning of the war in Ukraine.
3. **Sectoral Effects:** While most sectors saw declines, stocks in healthcare, IT, and consumer staples showed resilience or gains during the pandemic.
4. **Institutional Behavior:** Both Foreign Institutional Investors (FIIs) and Domestic Institutional Investors (DIIs) engaged in heavy sell-offs during crisis periods, indicating systemic fear-driven reactions.
5. **Social Sentiment Correlation:** Periods of intense social media activity on pandemic and war themes closely aligned with spikes in trading volumes and market drops.

## SUGGESTIONS

1. Real-Time Sentiment Monitoring: Regulators and investors should adopt tools that track social media and news sentiment to anticipate potential market shocks.
2. Investor Education: Increased awareness campaigns are necessary to reduce panic-driven decisions and promote rational investing during crises.
3. Diversification Strategies: Investors should adopt diversified portfolios, including crisis-resilient sectors such as healthcare and technology.
4. Policy Response Timing: Government and regulatory bodies should ensure timely policy interventions and communication to stabilize markets during geopolitical or health-related disruptions.
5. Algorithmic Warning Systems: Financial institutions can develop AI-based early warning systems that flag potential market downturns based on media and social trend analysis.

## IV.CONCLUSION

This study reaffirms that global crises like pandemics and wars deeply influence investor psychology and trading behavior. The Indian capital market, as represented by the BSE Sensex, reflected sharp volatility in reaction to both COVID-19 and the Russia-Ukraine war. Investor sentiment, often influenced by media and social platforms, played a central role in shaping market outcomes. The findings highlight the importance of combining traditional market analysis with behavioral insights and real-time sentiment tracking to better understand and navigate financial market fluctuations in times of crisis.

## SCOPE FOR FURTHER RESEARCH

Future studies may include a broader sample of listed companies across NSE and regional exchanges to get a comprehensive view of investor sentiment. The inclusion of intraday trading data could reveal finer patterns of panic trading and recovery cycles. Advanced sentiment analysis using machine learning and natural language processing (NLP) could improve the precision of behavioral finance studies. Comparative cross-country studies would also shed light on how emerging and developed markets respond differently to global crises.

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