



International Journal of Engineering Researches and Management Studies

A PILOT STUDY ON CHANGING INVESTMENT PREFERENCES AND STOCK MARKET PARTICIPATION AMONG RETAIL INVESTORS IN PUNE CITY AFTER COVID-19

Shradha Ganesh Bansode¹, Dr. E. B. Khedkar²

¹Research Scholar, Dr. D.Y. Patil School of Management, Charoli BK Lohegaon, Pune, Affiliated to Savitribai Phule Pune University

²Research Guide & Director, Dr. D.Y. Patil School of Management, Charoli BK Lohegaon, Pune, Affiliated to Savitribai Phule Pune University

ABSTRACT

The pilot study investigates how the COVID-19 pandemic has changed retail investors in Pune Maharashtra their stock market investment choices and their stock market participation patterns. The study used a structured questionnaire to collect data from 120 respondents who were selected through purposive sampling to measure their shifts in attitude and behavior between seven different investment instruments which included equity shares mutual funds fixed deposits real estate gold and commodities cryptocurrency and government bonds. The study results show that investors have shifted their investment focus from traditional safe-haven assets which include fixed deposits and real estate to market-linked instruments that include mutual funds and equities and most notably cryptocurrency. The data show that younger investors have experienced a complete industry transformation because of pandemic-related digital adoption and rising financial knowledge and the current state of low interest rates and their increased willingness to take risks. The paper delivers its final results which show their significance to financial educators and market regulators and retail-investor advisory services.

KEYWORDS: COVID-19, retail investors, investment preferences, stock market participation, Pune, mutual funds, cryptocurrency, equity, behavioural finance.

1. INTRODUCTION

The COVID-19 pandemic which began in early 2020 became a global health crisis that caused an economic break which reached historic levels. The global financial system underwent complete transformation because of lockdowns and supply chain interruptions and widespread job loss and unprecedented government spending and monetary policies. The market activities of retail investors who trade with their personal funds instead of company resources represent one of the main areas driving this market change.

The research demonstrates how emerging market trends develop in India which currently stands as one of the world most rapidly growing markets. The period from 2020 to 2022 witnessed a historic peak of new demat account openings which occurred at both the National Stock Exchange NSE and the Bombay Stock Exchange BSE. The active user base of NSE customers grew from approximately 20 million users in March 2020 to more than 70 million users by March 2023. The mutual fund industry reached its first major achievement when assets under management AUM reached Rs 100 crore in 2023. 40 million crore mainly through retail Systematic Investment Plans (SIPs). The number of young consumers in India has increased for crypto exchanges which continue to operate under an unstable regulatory environment.

Pune, which ranks as India's eight most populous city, functions as a miniature study of national demographic patterns because it contains a significant information technology industry and a large student body and a diverse international workforce. The investor group possesses high financial understanding and digital capabilities which enables researchers to study how post-pandemic investment practices develop from community level sources. The pilot study contains an exploratory research design which investigates 120 participants but aims to establish three research objectives. The study adds to existing research about pandemic-related behavioral finance while it informs policymakers about retail investor protection and financial inclusion efforts in India after the COVID pandemic.

2. REVIEW OF LITERATURE

The academic literature on retail investor behaviour has expanded substantially in the aftermath of the 2008 global financial crisis, with a second acceleration following COVID-19. The research includes three different areas that provide direct relevance to this study.



2.1 Behavioural Dimensions of Investment Decision-Making

The fundamental principles of classical finance research which assumes that people make decisions through rational processes to achieve their highest possible utility have been replaced by behavioral finance research which shows that cognitive biases and emotional states and social factors influence how people make investment choices (Kahneman & Tversky, 1979; Thaler & Sunstein, 2008). The pandemic created intense psychological pressures which included fear and uncertainty and mandatory idle periods and excessive digital media exposure which behavioral finance states would increase existing cognitive biases. Barber and Odean (2001) showed that retail investors have a tendency to engage in excessive trading which became more pronounced during the pandemic because new market participants found it easier to trade through zero-commission trading apps.

2.2 COVID-19 and Financial Markets

Baker et al. (2020) showed that US equity markets experienced extreme price fluctuations during the initial COVID-19 period because retail investors used social media to express their market opinions. Acharya and Steffen (2020) studied how central banks responded to the corporate credit market freeze which forced them to take action. SEBI's annual reports from 2020 to 2023 present an Indian situation where markets recovered despite economic decline because retail investors increased their activity. The March 2020 market crash created a new group of confident stock market investors who made substantial profits by staying invested until the V-shaped recovery.

2.3 Digital Financial Infrastructure and Investor Demographics

The pandemic accelerated the adoption of fintech platforms which include Zerodha and Groww and Paytm Money and Coin by Zerodha because these platforms enabled users to enter financial markets through their simplified KYC procedures and fractional investing options and their educational resources which were included in their trading platforms (Gomber et al. 2018. RBI Financial Stability Report 2022). Younger first-time investors entered the investor ecosystem through this market access democratisation because it operated as a direct gateway to investing which specifically attracted millennials and Generation Z.

3. RESEARCH OBJECTIVES

The current research work is dedicated to achieving its particular research goals which serve as its guiding objectives.

1. The study aims to create a profile that describes the sociodemographic characteristics of retail investors who participated in the research study from Pune.
2. The study seeks to track how investors in the sample group selected their investments during the time periods before and after the COVID-19 pandemic.
3. The study aims to assess how stock market participation has transformed after COVID through three specific measures which include tracking changes in trading frequency and portfolio size and portfolio instrument diversity.
4. The study aims to identify the key factors which drive people to invest through various information channels that lead to their altered investment practices.
5. The study aims to establish initial research hypotheses which will undergo validation through extensive testing in future research studies.

4. RESEARCH METHODOLOGY

4.1 Research Design

The research uses a descriptive research design which conducts its study through cross-sectional methods because this design fits its pilot research. The research used both primary data and secondary data sources. The researchers gathered primary data through a digital and physical distribution process, which used self-administered questionnaires that they created through Google Forms to reach retail investors in Pune during the period from January to March 2024.

4.2 Sampling

Researchers used purposive sampling to select 120 participants from Pune city who represented different age groups between 21 and 55 years and different occupational groups which included professionals who worked and self-employed individuals and students and retired people and different investment experience levels. The sample, while not statistically representative of the full Pune investor population, provides sufficient variation for a pilot study aimed at identifying directional trends.

4.3 Data Collection Instrument

The questionnaire consisted of four sections which included (i) sociodemographic profile and (ii) pre-COVID investment



behaviour through retrospective assessment that used aided recall and (iii) post-COVID investment behaviour and (iv) motivational and informational influences on investment decisions. The assessment included three types of questions which were Likert-scale items and multiple-choice questions and rank-order questions. The testing process used 15 participants to evaluate the instrument, which underwent improvements to enhance both its transparency and its initial accuracy assessment.

4.4 Data Analysis

Researchers used descriptive statistics which included frequencies and percentages and means to conduct their analysis and to assess changes that occurred before and after the study. The histogram presented in Figure 1 visualises percentage changes across investment instruments. The findings are understood through the existing research about behavioral finance.

5. FINDINGS AND ANALYSIS

5.1 Sociodemographic Profile of Respondents

The survey showed that 68% of 120 participants were male while 32% identified as female. The age group of 25 to 35 years made up 44% of the population while the 35 to 45 age group accounted for 29% and the under 25 age group represented 17% and the over 45 age group made up 10%. The IT and corporate sectors employed 52% of the workforce while 21% worked as self-employed individuals or business owners and 15% studied or worked as recent graduates and 12% belonged to various fields which included teaching and healthcare. Annual household income spread from below Rs. 5 lakh (12%) through Rs. 5–10 lakh (31%) to Rs. 10–20 lakh (38%) and above Rs. 20 lakh (19%). The income distribution shows how affluent urban investors make up Pune's investor base.

5.2 Pre- and Post-COVID Investment Preferences

Table 1 below presents the comparative frequency and percentage of respondents who participated in each investment instrument before and after the COVID-19 pandemic. Respondents were allowed to select multiple options because they usually held investments across several different instruments. The first table shows how investors chose between different investment options before and after the COVID-19 pandemic (n = 120).

Investment Instrument	Pre-COVID (n=120)	% Respondents	Post-COVID (n=120)	% Respondents	Change (%)
Equity Shares	34	28.3%	54	45.0%	+16.7%
Mutual Funds	42	35.0%	74	61.7%	+26.7%
Fixed Deposits	62	51.7%	46	38.3%	-13.4%
Real Estate	48	40.0%	40	33.3%	-6.7%
Gold / Commodities	26	21.7%	37	30.8%	+9.1%
Cryptocurrency	6	5.0%	22	18.3%	+13.3%
Government Bonds / PPF	22	18.3%	32	26.7%	+8.4%

The results from Table 1 show that reorientation behavior develops in a particular way which continues throughout the study. The absolute increase of mutual fund participation reached its highest point when it grew by 26.7 percentage points because investors maintained their inclination to use SIPs which AMFI promoted through its 'Mutual Fund Sahi Hai' campaign while investors found it easy to use app-based investing. The equity share participation experienced significant growth which reached 16.7 percentage points because investors believed in market recovery and because new brokerage platforms entered the market. The cryptocurrency market experienced its most remarkable growth when it increased from 5.0% to 18.3% because younger investors in Pune tested digital assets throughout the pandemic. The fixed deposit system showed its most significant decrease when it dropped by 13.4 percentage points which matched the Bank of India policy that kept interest rates at low levels during the period from 2020 to 2022 which caused term deposits to lose their real value. The real estate market experienced a slight decline because investors used their need for immediate access to cash during uncertain times and because they found it difficult to sell physical properties. Gold and government bonds experienced slight growth which indicates that investors prefer safe assets but they still choose to invest in higher-risk products.

5.3 Visual Representation of Investment Preference Changes

Figure 1 shows a grouped histogram which displays the percentage of respondents who invested in each financial



instrument before and after COVID-19. The two cohort bars display visual differences which show how all seven instruments experienced a directional change.

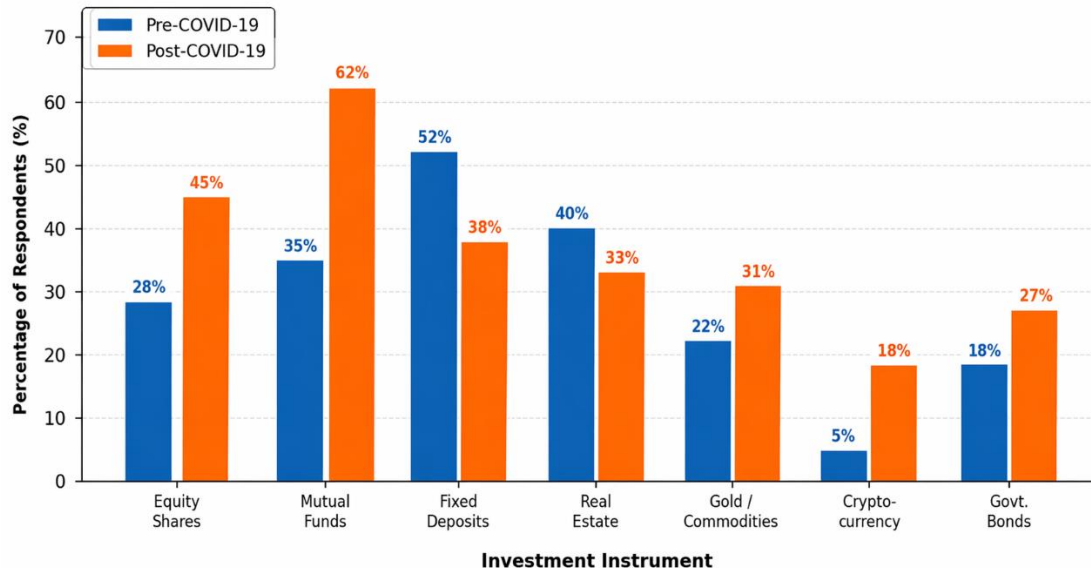


Figure 1: Investment Preferences of Retail Investors in Pune — Pre- vs. Post-COVID-19

5.4 Stock Market Participation: Frequency and Portfolio Changes

The research investigated two types of changes which included both instrument-level changes and shifts in investment activity and portfolio size assessment. Forty-one percent of respondents reported that they had begun investing in equity markets (directly or via mutual funds) for the first time after March 2020. During the pandemic and its aftermath, 58% of existing investors chose to increase their investment activities through more frequent trading. Forty-four percent of respondents described their post-COVID portfolio as "more diversified" compared to pre-COVID, while 29% described it as "larger in overall value."

5.5 Motivational Factors and Information Sources

Respondents were asked to rank the primary factors motivating their changed investment behaviour. The three most important reasons for people to invest were assessed as follows: (i) availability of time for financial research during lockdowns (cited by 61%); (ii) peer and social media influence, including YouTube financial channels and Reddit-style forums (58%); and (iii) dissatisfaction with returns from traditional savings instruments in a low-interest environment (54%). The two additional motivating factors which drove people to invest their money included FOMO (fear of missing out) which linked to market recovery gains and employer-facilitated financial wellness programmes which 19% of people used.

Digital channels emerged as the main information sources because 73% of participants identified YouTube as their main educational platform and 62% of participants used social media through Twitter/X Instagram finance pages and Telegram groups and 44% of participants accessed trading apps which contained educational modules. The financial information ecology which exists in Pune's retail investor community has undergone a complete transformation because only 28% of participants used traditional financial advisors and 22% of participants used print broadcasting media.

6. DISCUSSION

The results of this pilot study support existing research about pandemic-era investor behavior. The research shows how mutual fund and equity participation trends in this study match national trends which AMFI and SEBI data show yet it provides city-level research that explains those national changes. The study shows that cryptocurrency participation has increased by almost four times yet this growth still represents a small fraction of users which makes this study important for the research and needs further exploration in future studies.

The data creates multiple ways to explain its content. The pandemic brought first-time investors to the stock market who learned to handle tough market conditions because they saw significant price changes which helped them become more confident with their investment decisions. Investors who experience these financial market changes will develop overconfidence and recency bias which financial advisors and regulators need to observe during the upcoming market



stabilization period.

The digital self-education platforms which replaced traditional financial advisors create a new system for financial intermediation which allows people to access their funds without needing human financial advisors. The availability of financial information to everyone benefits society as a whole but especially helps young investors from low-income backgrounds who face challenges with digital financial content because its quality and regulatory supervision differ so much. In India, financial advisors who use Instagram and YouTube to provide financial advice operate without any regulatory oversight which creates consumer protection issues that SEBI addresses through its registered investment adviser framework although the problems remain unresolved. The decreasing popularity of fixed deposits which financial experts consider a valid choice under current interest rates will create long-term effects on how households manage their financial resources. Fixed deposits give investors a predictable return which market-linked products fail to provide; whenever retail investors stop using fixed deposits they will create excessive portfolio risks during extended market downturns because they lack basic skills to control their exposure to risks.

7. CONCLUSION AND RECOMMENDATIONS

The pilot study demonstrates through its research findings that COVID-19 has caused retail investors in Pune to change their investment strategies and stock market activities in significant ways. The transformation shows broad changes which move investors away from traditional low-yield instruments and towards digitally available market-linked portfolios that now offer more investment options. Investors have changed their investment strategies because of new economic conditions but their financial behavior needs to be studied because it creates long-term effects on their investment risks.

The study demonstrates to financial educators and policymakers that they need to develop high-quality financial literacy programs which follow regulations and challenge the existing digital financial education system because it has become the main teaching method for most urban retail investors in India. The findings show market regulators especially SEBI need to focus on two main areas which include the dangers that inexperienced investors bring when they trade volatile assets like cryptocurrencies and mid/small-cap stocks and the quality requirements which digital financial content makers and platforms must meet. The pilot study produces multiple testable hypotheses which researchers can use to conduct their longitudinal research because younger investors show higher post-COVID equity and cryptocurrency investment interest than older age groups who invest money. The research study demonstrates that digital financial literacy connects COVID-19 exposure with later investment preference changes through platform engagement metrics. The research study demonstrates that post-COVID investor assessment of portfolio performance creates an incorrect assumption which exceeds actual investment returns.

REFERENCES

1. Acharya, V. V., & Steffen, S. (2020). The risk of being a fallen angel and the corporate dash for cash in the midst of COVID. *Review of Corporate Finance Studies*, 9(3), 430–471.
2. Baker, S. R., Bloom, N., Davis, S. J., Kost, K., Sammon, M., & Viratyosin, T. (2020). The unprecedented stock market reaction to COVID-19. *Review of Asset Pricing Studies*, 10(4), 742–758.
3. Barber, B. M., & Odean, T. (2001). Boys will be boys: Gender, overconfidence, and common stock investment. *Quarterly Journal of Economics*, 116(1), 261–292.
4. Gomber, P., Kauffman, R. J., Parker, C., & Weber, B. W. (2018). On the fintech revolution. *Journal of Management Information Systems*, 35(1), 220–265.
5. Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica*, 47(2), 263–291.
6. NSDL (2023). Annual Report 2022–23. National Securities Depository Limited, Mumbai.
7. RBI (2022). Financial Stability Report. Reserve Bank of India, December 2022.
8. SEBI (2023). Annual Report 2022–23. Securities and Exchange Board of India, Mumbai.
9. Thaler, R. H., & Sunstein, C. R. (2008). *Nudge: Improving Decisions About Health, Wealth, and Happiness*. Yale University Press.
10. AMFI (2023). Mutual Fund Industry Data — March 2023. Association of Mutual Funds in India. <https://www.amfiindia.com>
11. Zerodha (2022). Zerodha Annual Report 2021–22. Zerodha Broking Ltd., Bengaluru.
12. Gupta, A., & Sharma, R. (2021). Digital financial services and retail investor behaviour during COVID-19: Evidence from India. *Journal of Emerging Market Finance*, 20(2), 185–212.