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A CRITICAL ANALYSIS OF INDIAN RETAIL INVESTORS WITH REFERENCE TO STOCK MARKET INVESTMENT DURING PANDEMIC PERIOD

Dr. Sonali Bhushan Deogirikar, Associate Professor, Department of Commerce, K. J. Somaiya College of Arts And Commerce,Mumbai. Email: sonali.deogirikar@somaiya.edu

Abstract
Indian economy recovered drastically in financial year 2022 post pandemic. India's gross domestic product is estimated to be at rupees 301.75 trillion i.e. US$3.62 trillion by the financial year end of 2023-24. It highly indicates the strength of India as a speediest growing economy in the world. This progression is reflected in the stock markets largely during the post pandemic period. Retail investors are keen on investments in mutual funds and direct investments through stock exchanges. This has enhanced the domestic investment in the Indian market. It is necessary to study the changing approach of retail investors in Indian stock markets on this background. Increasing number of Demat accounts and systematic investment plans in mutual funds is the strong push for the study of retail investors and changing scenario of investing in India.
Key words: Retail investors, Indian stock market, Demat account, Investment

Introduction

Covid pandemic changed the way of our lives. The investment approach has also changed along with changing social and economic conditions. Indian retail investors have altered their investment strategies especially after the covid pandemic. Central Depository Services Limited, Asia's prime registered depository has 10,09,72,000 demat accounts registered in November 2022. More than one crore accounts have been added since July 2023.[1] The worth of securities in the confinement of CDSL is rupees 536.67 lakh crores. National stock Exchange showed the jump around 45 percent in retail share in financial year 2021 which was 38.8 percent in previous year. It was a milestone for Indian market.

Retail investors through mutual fund and direct investment in equity played a significant role in supporting the market during pandemic. Year 2020 was a turbulent time zone with respect to economic swings. Year 2020 and 2021, the pandemic affected years created an unforgettable impact on companies as well as society. Though retail investors gained even during this turbulence. A large part of savings by Indian households was invested in equities. Retail investor's share was more than 40 percent in financial year 2022 which was 33 percent in financial year 2016. The active retail investors in the equities market were around 3 million in January 2020, just earlier lockdown which surged to 11.7 million in January 2022. The mutual fund sector was a big beneficiary in this whole scenario. The aggregate volume of money directed through systematic investment plans marked Rs 1.56 lakh crore in financial year 2023.[2] The changing scenario in financial markets stimulates the thought process of researcher. The views of common man as retail investors matter a lot in this case. The researcher felt the need to understand and analyse the mindset and actions of retail investors with respect to investments in stock market during pandemic period.

Objectives of the study

There were 3.6 crore Demat account in India at the initiation of pandemic. However, this number surged to7.7 crore in Nov 2021.[3] 60 million Indians have opened more than 100 million Demat accounts, i.e. 4.3 percent of the population and around 13 million retail investors traded in May 2021.[4] A Demat account holds equities in digital format. Also, Demat account is a must for trading in equity. It is linked to trading account which facilitates buying and selling of shares. India is witnessing more

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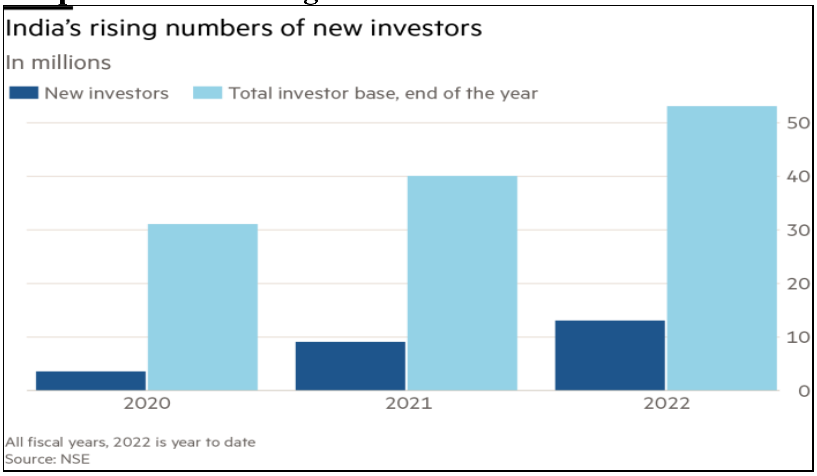
[1] CDSL Report, 2022-23
[2] The Economic Times, August 2023
[3] Ajay Tyagi, Chairman, the Securities and Exchange Board of India (SEBI), 2021

[4] RBI's financial stability report, June 2021

Demat accounts in operation. It is an indication that more and more population is investing in this asset type. This not only has happened in urban areas, but also remote rural citizens have shown active participation in this process. This trend has continued even after lockdown. This is an indication that young retail investors have understood the significance of stock market investments. Researcher defines objectives of the study:

1. To understand the scenario of stock market investment during pandemic period.
2. To understand the mindset and behaviour of retail investors with respect to stock market investment.
3. To analyse the demographic profile of retail investors and their financial goals.

Graph 1: India's rising number of new investors



Significance of the study

The Covid -19 pandemic created panic which consequentially directed to stock market collapse in the first half of the year 2020. The retail participation in the Indian stock market increased during this time to our surprise. Addition of huge number of Demat and trading accounts was the big news of this time. The retail investor's ownership in NSE 100 stocks has surged from 6.34 percent at the end of September 2019 to 7.22 percent in the last quarter of September 2023. Similarly, the share of NSE 200 has surged from 5.99 percent to 6.56 percent during the same period.[5]

The mutual fund industry's net assets rose to Rs 49,04,992.39 crore in November 2023 compared to Rs 40,37,560.81 crore in November 2022. Retail portfolios increased by around 16 percent to 12.92 crore in November 2023 from 11.18 crore in November 2022. The input of systematic investment plans went an all-record high of Rs 17,073 crore in November 2023. The total of outstanding SIP accounts accomplished its peak at 744.14 lakh in November 2023, with 30.8 lakh SIPs entered during the month.[6]

Table 1: Change in number of Demat Accounts

	CDSL			NSDL			TOTAL		
Month -Year	No. of Accounts (in lakh)	No. Of Accounts (Change from previous Year)	% Increase in Numbers	No. of Accounts (in lakh)	No. Of Accounts (Change from previous Year)	% Increase in Numbers	No. of Accounts (in lakh)	No. Of Accounts (Change from previous Year)	% Increase in Numbers
Mar-15 (*April-15 for CDSL)	96.83	-	-	137.08	-	-	233.91	-	-
Mar-16	107.91	11.08	11.44%	145.66	8.58	6.26%	253.57	19.66	8.40%
Mar-17	122.67	14.77	13.68%	155.8	10.14	6.96%	278.47	24.91	9.82%
Mar-18	148.40	25.73	20.97%	170.92	15.12	9.70%	319.32	40.85	14.67%
Mar-19	173.86	25.46	17.16%	185.22	14.30	8.37%	359.08	39.76	12.45%
Mar-20	211.82	37.96	21.83%	196.85	11.63	6.28%	408.67	49.59	13.81%
Mar-21	334.38	122.56	57.86%	216.89	20.04	10.18%	551.27	142.60	34.89%

(#Source-CDSL & NSDL Websites)

[5] NSE annual Report, 2020y
[6] Association of Mutual Funds in India (AMFI)

Research Methodology

The population for this study is all retail investors in Indian stock market. The sample size for this study is 200 respondents of different demographic profiles who have invested in stock markets and mutual funds during the pandemic period. The study is centered on both primary as well as secondary data. The stratified random sampling method is used for sampling of the population. The variables used for the study are:

- Age group of investors
- Educational qualification of the investors
- Occupation of the investors
- Financial Goals of investors
- Type of trade carried in stock market
- Preferred sectors for investments
- Duration of investments
- Possibility of continuation in stock market

The percentage technique is applied for investigation of the data. The data collected from 200 respondents is sorted, graded according to demographics, and then analyzed percentage wise.

Analysis of the data

The retail investors sampled for the study were grouped into three categories age-wise, i.e. 20 to 30 years, 30 to 40 years and 40 to 50 years.

Table 2.1: Age Group of Investors

Age group (years)	No. of Respondents	Percentage (%)
20-30	88	44
30-40	58	29
40-50	54	27
Total	**200**	**100**

Source: Primary data

As per table 2.1, 44 percent of the sample are from the age group of 20 to 30 years, 29 percent from 30 to 40 years and the remaining 27 percent are from 40 to 50 years. It indicates the participation of young retail investors in the majority. The working class who has just started earning have chosen the stock market as their investment option.

The second variable for collection of primary data was educational qualification of investors.

Table 2.2: Educational Qualification of Investors

Qualification	No. of Respondents	Percentage (%)
Undergraduate	38	19
Graduate	47	23.5
Postgraduate	84	42
Professional degree	31	15.5
Total	**200**	**100**

Source: Primary data

The above table displays the qualification of respondents. Most respondents are post graduate as per the data. Their percentage is 42. The second largest number of respondents are graduates. Researcher observes the dominance of highly qualified respondents in stock market.

All the three classes, i.e. salaried, business class and professionals are a part of the study.

Table 2.3: Occupation of Investors

Occupation	No. of Respondents	Percentage (%)
Salaried people	126	63
Business category	30	15
Professionals	44	22
Total	**200**	**100**

Source: Primary data

As per table 2.3, most of the investors are from salaried class. Their active involvement is seen in markets and especially mutual funds. Professionals with 22 percent representation are actively involved in financial markets.

People have different financial goals and objectives while investing in any financial instruments. These goals can be short, medium and long term.

Table 2.4: Financial Goals of Investors

Financial Goals	No. of Respondents	Percentage (%)
Wealth creation	78	39
Future Planning	76	38
Quick profits	46	23
Total	**200**	**100**

Source: Primary data

As per table 2.4, most of the respondents aim at wealth creation as their primary goal. Their representation in sample is 39 percent followed by 38 percent of the respondents who would like to go for future planning. Quick profits are the goal of 23 percent of the respondents.

Stock market investments can be done in different ways. It can be long term or short-term investment. People can be investors or traders in market. Investors generally look for long term investments whereas traders believe in short term investments like intraday or derivatives market.

Table 2.5: Types of trade carried in Stock Market

Type of Trade	No. of Respondents	Percentage (%)
Cash Market	95	47.5
Derivatives	38	19
Future and Options	27	13.5
Intra-Day	40	20
Total	**200**	**100**

Source: Primary data

Nearly half i.e. 47.5 percent respondents have stated their preference as cash market to trade. The percentage of respondents in derivatives market and intra-day investment is almost same i.e. 19 and 20 percent respectively. The respondents trading in future and options is 13.5 percent of the total sample.

The investment in market can be classified into different sectors. There are many sound and good performers in each sector and every sector performs in its own way to give better results and returns.

Table 2.6: Preferred Sectors for Investment

Sectors	No. of Respondents	Percentage (%)
Automobile	14	7
FMCG	34	17
Power	12	6
Information Technology	34	17
Banking and finance	28	14
Insurance	20	10
Aviation	10	5
Pharmaceuticals	38	19
Metal and Cement	10	5
Total	**200**	**100**

Source: Primary data

Majority of the respondents were seen keen towards pharmaceuticals. Their percentage is 19 percent as per table 2.6. The second most preferred sector is information technology along with FMCG sector. Banking and finance sectors appear at third place in terms of choice of investors with 14 percent. The remaining sectors have their own representations as shown in table 2.6.

Stock market funds are generally classified for different durations. It can be less than 3 months, between three months and one year and more than one year.

Table 2.7: Duration of Holding the Investment

Duration	No. of Respondents	Percentage (%)
Long Term (more than one year)	120	60
Medium Term (Three months to one year)	30	15
Short Term (less than three months)	50	25
Total	**200**	**100**

Source: Primary data

Partial respondents i.e. 60 percent prefer long-term investment in the stock market. short term investment is preferred by 25 percent and 15 percent prefer medium term investment.

Consistency and patience are the key to stock market investments. The possibility of respondents to continue in stock market as investor is presented through following table.

Table 2.8: Possibilities of Continuation in Stock Market

Possibility	No. of Respondents	Percentage (%)
Yes	142	71
No	36	18
Can’t say	22	11
Total	**200**	**100**

Source: Primary data

Most of the respondents i.e. 71 percent believe in continuing in market investments. Nearly 18 percent are not willing to continue, and 11 percent of the respondents are not sure about their possibilities to continue with their investment trend in financial markets.

Interpretation of the data

The researcher has tried to analyze the responses of investors on different parameters.

1. The study of age group of investors shows that young population is more interested in financial market investment than traditional investment instruments like fixed deposits and public provident

fund etc. Nowadays, the earning age starts around 25 years. Young generation is conscious about their investments and expenses. The other two age group categories show almost equal participation in market investment. The trend overall is rising and people are becoming educated about alternate or additional sources of income. Mobile and internet-based trading is convenient for all age groups.

2. Most investors are post graduate. The education at post-graduation level enables them to understand technicalities of this investment. The stock market has shown a new ray of hope for additional income in less time duration and people with good educational background are taking advantage of it. The graduates and professionals are also interested in this area. The major reason must be the idle time lockdown provided during pandemic. People were sitting at home with no work or less work which led to experimenting themselves with this investment. Also the tech savvy generation today finds it convenient to operate things online by sitting at home. Moreover the process of opening demat account is easy and quick due to technology driven initiatives like e-KYC.

3. Most of the respondents are salaried people. The concept and need of earning extra income attracted them to stock markets. Covid hampered the industrial and service area which intern led to loss of jobs by people in many sectors. SEBI and AMFI awareness drive removed the unwanted fear and myths from the minds of investors and they started investing more actively in stocks and mutual funds.

4. Most of the investors focus on wealth creation. The trend is changing rapidly and people have started recognizing and classifying their short term and long-term needs. Need-based investment is the key to wealth creation. Focus on your goals and try to invest to achieve them is what the investors follow. Very few investors are interested in quick profits. Respondents have also given equal preference for future planning. Wealth creation and future planning go hand in hand. They decided to systematically plan for future goals which will lead to wealth creation.

5. Most investors are for a safe way of operating into market i.e. cash markets. Derivatives or future and options need good knowledge and practice. Investors are conservative in their approach due to uncertainties in covid and the contingencies of medical and household expenses. Very few opted for intraday trading. The smart and quick approach for intraday trading is not the cup of tea of everyone.

6. Pharma and information technology sectors were the most preferred sectors during covid. The pharma products were in huge demand which was purely situational. Information technology was the only alternative to run the economy and country due to lockdown. The boom in these sectors gave multifold returns to the investors which increased their confidence.

7. Most of the investors entered the stock market with a long-term vision as they didn’t wish their hard-earned money to be in trouble. Also the respondents recognized the changing situations and understood the significance of long-term investments in stock as the long-term fixed deposits. The short-term investors made money in less than three months and were out of the market with profits.

8. The respondents who understood the vision of investing in the market would like to continue in this area as a source of additional income or alternative income. some of the respondents have made stock market as their main source of income. The convenience of online operations and transparency in transactions assured them of continuation. Still some respondents are not so comfortable with this instrument. They lost their money in a few hasty transactions and are skeptical about continuing in the market.

The young investors entered the national stock markets in large numbers during pandemic and post pandemic. This was like a shock absorber for the economy. The exclusive growth in demat account began from April 2020 resulting in 8.96 crore demat accounts at the end of financial year 2022. The NIFTY took off from 7511 in March 2020 to 18604 in October 2021. This spectacular return from the market attracted the young people towards it. Also, the fear of missing out in terms of profit making led the way to markets for more investors. The total number of demat accounts had reached 11 crores by January 2023.[7]

[7] VK Vijayakumar, Chief Investment Strategist at Geojit Financial Services.

Conclusion

The researcher analyzed the data and reasons behind the surge in stock markets investment. The mindset of investors has changed drastically during the pandemic. Uncertainties of life have shaken them and have changed their way of looking at it. It also changed their investment pattern. There are many other external factors that paved the way to this investment trend. The free time during pandemic led to impetus they needed to learn and read about stock trading. This also led to increasing competition among the broking firms. They started offering lots of innovative services like discount brokerage, no frill accounts, low maintenance cost etc. which further fulfilled the aspirations of investors to generate short-term and long-term gains from the market. Old traditional broking firms also transformed their way of operations by delivering online services as per the convenience of client. Lower returns by traditional instruments like fixed deposits and post office investments was one of the causes for finding alternative opportunities for investments.

The sum of new demat accounts initiated was around 4.7 million during financial year 2020. Around 10.7 million additional demat accounts were initiated during April 2020 and January 2021. This is clear indication of a enormous change in the extent of retail involvement in the Indian markets. Today this number has touched 51.5 million.[8]

The Indian financial markets were battling for long to improve their access into rural as well as semi urban areas unexpectedly noticed lot of young entrants joining from across the country. The drift of many people entering the stock market seems to stay intact as the overall stake of household income in the equity remains very low. A larger population of investors will join the equity market with the introduction of newer products and technology in future.

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