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An analysis of young investors in the stock market

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Abstract
Many new and first-time investors are entering the stock market during the COVID-19 pandemic. Financial experts are surprised to see that during the COVID-19 pandemic new and young investors entered the equity market and started to invest significantly. Among investors of all ages, millennial investors are more adoptive of new technologies, and they find new ways and methods to achieve their financial objectives. The coronavirus pandemic and the rise of trading apps and social media are attracting a new breed of Indian equity investors who have a very high-risk appetite. This has been spurred by people having to stay at home because of the pandemic, mobile apps that made stock trading easier, and rising stock markets. The total number of active Demat accounts in India (Accounts where stocks are held) has more than doubled between March 2020 and March 2021 and is 89.7 million at present. This paper aims to study and analyze the millennials investing in the equity markets during and post COVID-19.

Keywords: young investors, investment, stock market, Covid-19

Introduction

Among all the generations, the millennial generation has been the most adaptive to new technologies. New investors between the ages of 20 and 30 are equipping themselves with financial education [1] through various technological tools. Today's investors with faster-flowing and easily available information about the stock market and economy have more options to invest through investment apps and make money in ways that were not available before.

The COVID-19 pandemic compelled everyone across the world to reconsider their spending and investment strategies. The widespread availability of smartphones and low-cost data has pushed investing and trading into the digital realm. The use of eKYC and Aadhar e-sign has made opening a Demat account a paperless and simple process. Currently more than 80 percent of Upstox's (an online digital brokerage) total customer base is millennial and 70 percent are first-time investors. This was reported by Ravi Kumar, chief executive officer of Upstox to Business Standard recently [2].

The stock market is a market where shareholders, stock brokerage houses, and traders can purchase and sell shares, bonds, and other securities. Most large companies have their stocks listed on a stock exchange. As a result, shares become more liquid and thus more attractive for many investors. Shares may be purchased and sold through a broker in the market.

India has more than 50 percent of its population below the age of 25 and more than 65 percent of its population below the age of 35. In this decade, India's productive workforce between the ages of 15 to 64 years will be more than 99.5 percent. This makes India one youth-centric country. As a result, it is expected that India will have many young investors. Today's youth in India prefer financial freedom at the earliest. Young investors refuse to accept the traditional saying that wisdom comes with age [3]. At the same time, they are able to gather key learnings about investment in the stock market from various sources such as social media, YouTube videos etc. This easy availability of knowledge about investments, desire for financial freedom, and higher risk appetite has led millennials to be more open to investing in the stock market. According to market regulator Securities and Exchange Board of India (SEBI), the majority of the Demat accounts have been opened by clients between the age of 24 to 39 years in the year 2020[4]. This is further evidence that millennials in India are more interested in online stock trading these days.

Upstox, a discount brokerage, disclosed that more than 70 percent of its 4 million customers are first-time investors and under the age of 36. Similarly, Groww a web-based funding platform, recorded a spike in the number of new investors since 2020. The company officials state that there was a 206.08 percent growth in first-time investors in 2020 and 94.53 percent in just two quarters of 2021[5]. Zerodha, a brokerage house, saw investors in the age group of 20-30 increase to 69 percent of its total customers from 50-55 percent pre-COVID [7].

As per a report published by livemint.com on 9th May 2021, the fiscal year 2020 (April 2020-January 2021) alone has seen an addition of 10.7 million new Demat accounts in India compared to 4.7 million new accounts registered in the fiscal year 2019 and around 4 million in the fiscal year 2018. The number of active Demat

accounts in the country jumped 63 percent to 89.7 million in the financial year 2021-22 as per the data provided by depositories [2].
Investment instruments and the manner of investment for getting higher returns have changed over time depending upon the economic conditions, market conditions and investor's preferences.
The COVID-19 pandemic forced many companies in the world to have their employees work from home. As a result, employees have more flexibility in working hours to research and invest in the stock market. Further, uncertain economic conditions have encouraged people to explore different opportunities to earn income to meet their daily expenses. Market experts consider COVID-19 as the major reason for the acceleration in the stock market, and investment amongst today's youth [5].
In today's scenario, most Indian youths are well versed with the latest technologies and digital sources of information. Being technologically literate, the new young investors are opting for investment and financial literacy courses online. These courses are organized by leading financial institutions and brokerage houses in India and are fueled by financial social media influencers who provide free financial advice on social media. Technology and social media contributed a lot to the momentum of new investors in the equity markets.
With a changing economic landscape and financial literacy, financial independence has become a top priority. Young investors know that investing is important for wealth creation and are not afraid to try new and different modes of investment. With the easy availability of mobile devices, use of better technology, high internet speed, and access to analyst information, there is an increase of over 76 percent in online trading volumes among young investors in the last few years.[6]
Ease of investing and trading brings more participation in the market. The younger generation trades with a higher frequency and brokerage houses have taken advantage of this aspect by providing them with the ease to transact from anywhere and at any point of time. An investor can place a stock market order at 12 in the night and sleep while it automatically executes the next morning when the market opens.
Securities and Exchange Board of India (SEBI), the stock market regulator, took several steps to make market participation and investments easier during the COVID lockdown. This led to the boom in the stock market during the year 2020-21. In April 2020, SEBI reduced broker turnover fees to 50 percent of the existing fee structure for June 2020 - March 2021 and filing fees on offer documents for public issues, rights issues, and share buybacks. One of SEBI's highest impact regulation changes during the pandemic is the digitalization of the entire process of know your customer (KYC) [7]. Now customers can get verified online without having to send physical documents.
Gamification has also contributed to young investors' involvement in the stock market. Gamification of investment refers to the addition of features to investment apps that make the user experience more intuitive, exciting, or visually appealing. The purpose of gamification is to make stock trading more fun for the average consumer, like playing a video game.

Section 2: Objective

The objective of this research paper, "An analysis of young investors in the stock market" is to analyze young people's investment in the stock market, especially during the COVID-19 pandemic. For the purpose of this paper, we define "young" as people in the age group of 18-30 years, and a sample of 50 participants was taken. The sample was chosen on the basis of the participants being younger than 30 years of age and of diverse backgrounds. The study was conducted in the form of a survey where young investors were asked to fill out an online questionnaire. The findings were analyzed through the percentage method and conclusions were drawn.

Section 3: Analysis of Questionnaire and Findings

Table 1

	AGE		
	Less than 20 years	**20-25 years**	**25-30 years**
Number	7	36	7
Percentage	14.0%	72.0%	14.0%

We observe that 20-25-year-old age group investors have the highest percentage in the survey as the markets require a basic understanding of the financial systems coupled with the fact that people at the start of their career have a higher risk appetite and low financial liability.

Table 2

	Occupation			
	Students	**Salaried Employee**	**Business**	**Unemployed**
Number	31	17	2	-
Percentage	62.0%	34.0%	4.0%	-

Occupationally students invest the most primarily due to the higher risk appetite of students and lower investment size. The information from the questions about the size of funds, the age group of the investors, and the purpose of investing helps put things in perspective and explain why young salaried employees at the start of their career are also investing heavily.

Table 3

	Did you start investing during the pandemic?	
	Yes	**No**
Number	32	18
Percentage	64.0%	36.0%

Many young investors entered the stock market for the first time during the COVID-19 pandemic due to various factors such as lockdowns, working from home, easy availability of technology and internet facility for online sale-purchase of stocks, etc.

Table 4

	How did you hear about the stock market?			
	Friends and Family	**Social Media**	**Newspaper**	**Others**
Number	23	16	4	7
Percentage	46.0%	32.0%	8.0%	14.0%

Nowadays most Indian youth are connected with technology and digital services. Social media (Facebook, Twitter, YouTube, Forums, etc.) investment tutorials by brokerage houses, and technology contributed a lot to the momentum of people investing in the stock market.

Table 5

	Purpose of investment in stock market					
	Beat Inflation	**Trying out investing**	**To generate additional source of income**	**To learn**	**Interested in this field of study**	**Others**
Number	4	3	19	13	9	2
Percentage	8.0%	6.0%	38.0%	26.0%	18.0%	4.0%

In today’s world financial independence is considered as important. Young investors know that investing is for wealth creation and are not afraid to try new and different modes of investment to generate an additional source of income.

Table 6

	Size of Funds				
	Less than 20,000	**20,000 – 50,000**	**50,000-2,00,000**	**2,00,000-5,00,000**	**More than 5,00,000**
Number	25	8	7	2	8
Percentage	50.0%	16.0%	14.0%	4.0%	16.0%

Table 7

	Sources of Funds Used For Investment				
	Small Savings	**Own Income**	**Funds from Parents**	**Loan**	**Others**
Number	21	21	8	-	-
Percentage	42.0%	42.0%	16.0%	-	-

Many young investors entered the market with small funds as it is the start of their investment journey in the market. As observed in the previous questions, these investors are mostly students or people at the beginning of their careers. Additionally, keeping in mind that direct equity investment is the preferred choice of investment, a small size of funds helps keep risk low in what is a very high-risk investment strategy

Table 8

	Basis of Investment			
	Tips	**Broker Calls / Research Reports**	**Financial Advisor**	**Self-Research**
Number	4	1	2	43
Percentage	8.0%	2.0%	4.0%	86.0%

The young generation is more creative in terms of finding money making opportunities. A cocktail of education, technology, social media and curiosity among the young investors is doing wonders for the stock market. Youngsters are investing in stocks based on their self-research and calculated market risk.

Table 9

	What is the primary security you trade in?			
	Mutual Funds	Stocks	Options	Futures
Number	23	44	7	3
Percentage	46.0%	88.0%	14.0%	6.0%

Stocks and mutual funds are the preferred investment options for young investors as these are preliminarily much cheaper, low risk, and easier to understand than derivatives (options and futures) but at the same time are also high yielding investment strategies compared to term deposits.

Table 10

	Style of Investment		
	Short Term [less than 1 year of Holding]	**Long Term [more than 1 year of Holding]**	**Trading**
Number	19	27	4
Percentage	38.0%	54.0%	8.0%

Young investors prefer long term investments as they have a long path to future earnings. Moreover, financial liabilities are also limited at a young age.

Table 11

	Frequency of Trading			
	Daily	**Weekly**	**Monthly**	**Any other**
Number	6	12	17	15
Percentage	12.0%	24.0%	34.0%	30.0%

Table 12

	Time spent for investment Activities			
	0-2 Hours a Week	**2-8 Hours a Week**	**8-15 Hours a Week**	**More than 15 Hours a Week**
Number	33	13	3	1
Percentage	66.0%	26.0%	6.0%	2.0%

Young investors try to learn about stock market investments through various online platforms such as Zerodha Varsity. These initiatives help the investors to improve their knowledge of the stock market. To gain market knowledge young investors are spending some time every day on investment activities. The frequency of trading is also low since most investors are long-term investors.

Table 13

	Would you prefer stock investments over bonds, fds, real Estate Etc?	
	Yes	**No**
Number	41	9
Percentage	82.0%	18.0%

Majority of the young investors preferred stock investments over other investment options such as FDs, Bonds, Real Estates, etc. as the stock market provided better returns in the years 2020-2021.

Conclusion

From the findings of the survey it can be concluded that with the help of financial tools and apps, new investors are equipping themselves with financial education. Many young investors entered the stock market for the first time during the COVID-19 pandemic due to various factors such as COVID lockdown, working from home, easy availability of technology and internet facility for the online sale-purchase of stocks, etc.

Investors consider financial independence important, and they think of making money at a very young age through the stock market. They prefer small size long-term investments in the stock market to keep the risks low. Young investors are not afraid to try new and different modes of investment to generate an additional source of income.

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