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Trading habits among Indian youth during and post lockdown period: A study

Praneet Parameshwar
Bharatiya Vidya Bhavan Bhavan's Vivekananda College for Science, Humanities and Commerce, Sainikpuri, Secunderabad, India

Rampalli Eshwara Ashok
Bharatiya Vidya Bhavan Bhavan's Vivekananda College for Science, Humanities and Commerce, Sainikpuri, Secunderabad, India

Anuj Jain
Bharatiya Vidya Bhavan Bhavan's Vivekananda College for Science, Humanities and Commerce, Sainikpuri, Secunderabad, India

***Abstract*---**Driven by quarantine boredom, many 18 to 30-year-old Indians have turned to stock trading during the pandemic. India's youth population is driving a boom within the country's investment landscape as millions are piling into stock trading during the pandemic. The coronavirus securities market meltdown in March gave Indian millennials an enormous opportunity to start out investing within the stock exchange. The pandemic which has resulted in people spending more time in their homes might also be another reason for their tilt towards the stock market trading. While the pre-covid period for millennials was less about saving and investment and more about spending, in the post-covid world they seem to be more curious about making and saving money fast through all means possible including risky stock exchange bets and unregulated crypto currencies. India's various and growing online investment platforms like Zerodha and Upstox have also seen a surge in demand, particularly among younger, less experienced investors, as they lower entry fees and ease access to overseas markets. Technology helps Indian youth access the stock markets like never, Indian brokerage companies say. The availability of mobile trading apps that charge low or maybe zero commission on trades has opened the gates to the stock exchange. The objective of this study is to identify trading habits among youth and their consequences. The data collected for this analysis is from both primary sources through a structured questionnaire and secondary sources through trusted websites,

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journals and research articles. The data collected is analysed through exploratory analysis.

***Keywords*---**trading, saving, investing, pandemic, lockdown, online jobs, earnings, stock markets, shares.

Introduction

The stock market refers to the collection of exchanges and other venues where the buying, selling, and issuance of shares of publicly held companies take place. Once new securities have been sold within the primary market, they're traded within the secondary market—where one investor buys shares from another investor at the prevailing market value or at whatever price both the buyer and seller agree upon. The secondary market or the stock exchanges are regulated by the regulatory agency. In India, the secondary and primary markets are governed by the Security and Exchange Board of India (SEBI). A stock market facilitates stock brokers to trade company stocks and other securities. A stock could also be bought or sold as long as it's listed on an exchange. Thus, it's the forum of the stock buyers and sellers. India's premier stock exchanges are the Bombay Stock Exchange and the National Stock Exchange.

For those imagining the commonplace 2020 day-trader as a young adult equipped with a smartphone and some cash, those suspicions may be right. Did the youth in India start trading amidst or post lockdown? Many young investors, new to the world of investments, are transacting in shares amidst the pandemic. New investors between the ages of 20 and 30 are arming themselves with financial education thanks to technological tools and apps. Another major factor for the millennials to incline towards trading is the lockdown boredom,influence from their friends and families and the attractive profits that the market was offering. In the last five years, the entire stock market ecosystem has transformed itself, making it more attractive to new and young investors. And with the rise of learning platforms and credible financial resources providing genuine research, millennials are equipping themselves with financial awareness and information like never before. With easy accessibility to databases, research tools and trading platforms, millennials have discovered a conducive stock market environment to start investing.

Mirroring trends seen in the U.S. and other major economies, millennials in India have been buying up stocks at a steady clip as pay losses, economic woes and increased time at home have spurred the hunt for new income streams. According to a quarterly survey conducted in early July and released by ETrade Financial, we know that there has been an increase in the number of traders post lockdown. Our research aims to study the trading habits of the “gen z” or the “millennials”. We also aim to study the consequences or effects of these trading habits.

Literature Review

Kartik Athreya et al (2018), studied the role of human capital in the stock market through their paper, “Stock Market Participation: The Role of Human Capital.”

This paper explains the significance of human capital investment for most individuals, while stock market participation is limited, especially early in life. The paper demonstrates that heterogeneity in human capital returns, when empirically disciplined, explains well why many do not invest in stocks, especially when young.

- Alam, Mohammad Noor et al(30 July 2020), have studied about stock markets during lockdown period in their work titled, " Stock Market response during Covid".The study examined the extent of the influence of the lockdown on the Indian stock exchange and whether the market reaction would be identical in pre- and post-lockdown period caused by COVID-19. The results indicated that the market reacted positively with significantly positive Average Abnormal Returns during this lockdown period.
- Nasrin Sultana(Mint, 17 August 2020), Securities and Exchange Board of India (SEBI) data showed that investors opened a record 2.4 million demat accounts within three months to 30 June. Many of these new investors were lured into trading by the sharp plunge in stock values after the lockdown was announced in end-March.
- Sarah Ponczek (Quint, 19 Aug 2020) states that More than half of Gen Z and Millennial investors said they've been trading more often since the Covid-19 pandemic began, compared with just a 30% increase for the general population, in line with a quarterly survey conducted in early July and released by E*Trade Financial Corp. on Wednesday. At a similar time, 46% of younger investors said they've traded derivatives more frequently, double the average rate.
- ICICI Securities website (01 July 2021) states that millennials do not consider asset growth and judicious savings nearly as good financial habits. Instead, they regard diversifying their investments, asset allocation and spending below their means as pathways to financial independence. More and more millennial investors are getting self-taught. This implies they're willing to go the extra mile to access new information, evaluate investment opportunities supported facts, analyse real-time data rather than blindly investing in conventional investment options. As more and more traders access the stock exchange, it could reshape the way young Indians approach investment.

Objectives

- To study about trading habits among youth during and post lockdown.
- To identify and analyse the consequences of these trading habits.

Research Methodology

The primary data required for the study was collected through a structured questionnaire. A total of 151 responses were collected through convenient sampling techniques. Only 102 were relevant for the study. Secondary data was collected from sources like trusted websites, journals and research articles. The data collected is analysed through descriptive statistics and exploratory analysis.

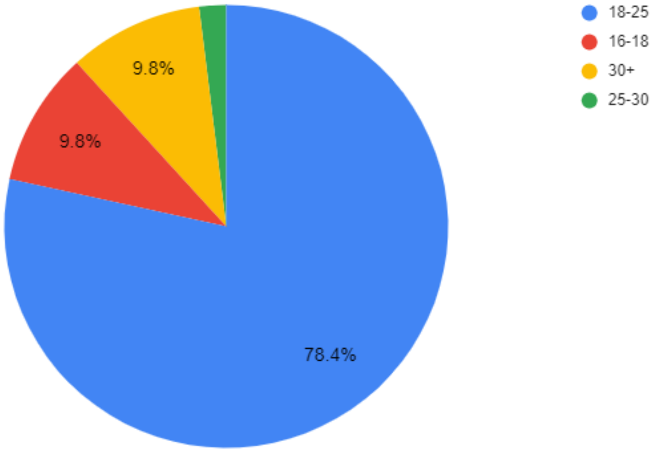
Analysis and Interpretation

The observations from the sample are tabulated as below

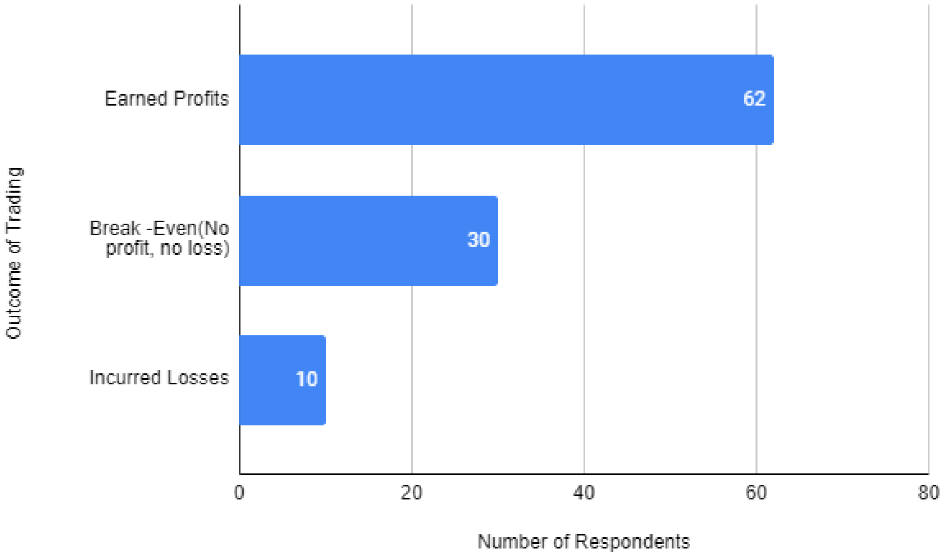
Basis of Analysis	Interpretation
Age	Out of 102 responses collected (78.4%) were from the age group of 18-25
Educational Background	Majority of the people who trade are from commerce background followed by those from engineering background
Employment Status	66.7% of those who took the survey are students
Trading from	About 60% of the respondents started trading post lockdown
Average amount traded per week	Majority(72.5%) trade less than 10000 rs per week
Factors that inspired to start trading	A large number of people started trading because of influence from friends and family(25.5%) and another major chunk of people started trading because of the availability of many trading platforms with minimal brokerage charges(20.6%).
Knowledge about trading	45.09% of the people claim that they have medium knowledge about trading.
Trading tips/advices on social media	40% of the people have a neutral opinion on the trading advice found on social media.
Knowledge from articles on trading	31.68% of the people claim to have moderate knowledge from articles on trading.
Commonly used platform for trading	Majority of the young traders are using Kite(31.4%) to trade and followed by Upstox(22.5%)
What is the risk appetite of the youth?	36.2% claim to have a high risk appetite.
Reasons to continue trading	One- Thirds of the people said they do it for the adventurous feeling that they get
Earnings from trading	60.8% earned profits, 29.4% reached break even and 9.8% incurred losses
Type of shares traded	The youth seem to buy shares of Blue chip(35.4%) companies and have a conservative portfolio, mid cap is the second most invested(27.1) companies

Source: Primary data collected through questionnaires

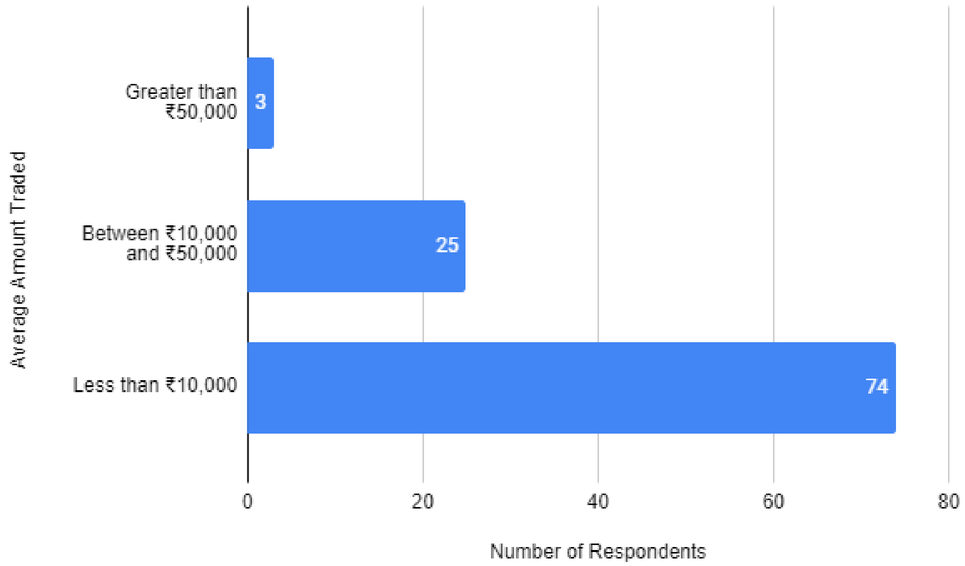
Count of Age of the respondents



Count of the outcome of trading



Count of the average amount traded



Relation between profits earned and various other factors

Factor	Correlation
Knowledge about trading	0.24836
Knowledge from articles on trading	0.18029
Tips on social media	0.01023
Risk Appetite	0.02886

The coefficient of correlation between Knowledge about trading and profits earned is 0.24836 indicating low positive correlation between them. The coefficient of correlation between Knowledge from articles on trading and profits earned is 0.18029 indicating low positive correlation between them. The coefficient of correlation between Tips on social media and profits earned is 0.01023 indicating very low positive correlation between them. The coefficient of correlation between the Risk Appetite of the respondents and profits earned is 0.02886 indicating very low positive correlation between them.

Findings

Among the respondents, the majority were in the age group of 18-25 who started trading during or post lockdown period. These were students either from commerce or engineering. Encouragement from family and friends, availability of trading platforms with minimal brokerage charges are the main reasons for the

youngsters to start trading. Kite and Upstox are the most used trading platforms by majority of the respondents while few traded through Kotak securities, Hdfc securities and traditional brokers.Most of them buy shares of Blue chip companies. There has been an increase in the content produced related to stock market in Movies/TV Shows/Social Media/News Channels, etc, However, they have only inspired a small section of the respondents to trade. The respondents have a neutral opinion on the tips on social media.
From the survey we can also find that Market updates influence the traders while buying the shares of a company.

Limitations

The study was limited to youngsters of twin cities.

Conclusion

The increase in the number of trading platforms with minimum brokerage fee coupled with low internet rates created a positive impact about trading on the Indian youth. Though the number of young traders has spiked post lockdown, the number is expected to rise in the near future. Around three-fourths of the youth who took the survey claim to be either risk averse or moderate risk takers. Hence, they are investing in a lot of blue chip, large cap and mid cap companies. The trading habits of the youth are largely driven by market updates with moderate knowledge about trading rather than financial analysis and evaluation of risk, returns and other factors influencing their portfolio.

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