Indian Journal of Economics and Finance (IJEF)
ISSN: 2582-9378 (Online), Volume-2 Issue-2, November 2022

Entry of Indian Millennials into Stock Market Post Pandemic: A Boon or Bane

Rajat Rana

Abstract: ***Since the pandemic pushed the economy to its knees, India's youth population has been fueling a boom in the country's investing environment, with millions of people switching to stock trading. Millennials in the country have been slowly buying equities, mirroring trends found in the United States and other major economies, as salary cuts, job losses, economic troubles, and increasing time at home have prompted the search for new sources of income. CDSL (Central Depositories Services I Ltd), one of India's main securities depositories, reported a near 20% increase in new accounts in the six months after India imposed its first wave of coronavirus lockdowns, totaling more than 2.5 crores.***

Keywords: Stock market, Millennial Investors, Retail Traders.

I. INTRODUCTION

According to data from India's securities regulator, the Securities and Exchange Board of India, the vast majority of them were opened by millennials aged 24 to 39[1]. Asset growth and prudent saving are no longer considered healthy financial habits among millennials. Instead, they see asset diversification, asset allocation, and living within their means as stepping stones toward financial independence. Self-taught retail dealers are becoming more common[2]. This indicates that they are prepared to go above and beyond to gain access to fresh information, evaluate investment opportunities based on facts, and analyse real-time data rather than mindlessly investing in traditional investment options. As more people gain access to the stock market, it may change the way young Indians think about investing. But with that being said there is still the dark side of the stock market which the millennials are unaware of i.e. the manipulation of market by big operators, leaking of insider information etc. As a result of this, an ordinary sit at home trader is always at a disadvantage while trading and chances of him blowing his trading account within a month remains high. Millennials often forget that stock market is not printing of money rather it is money changing hands, so if there is a winner then there will always be a loser(mostly small players). And in the fight between bulls and bears, millennials are usually the bait which get eaten up by these big players who can swing the market with their vast amount of money.

Manuscript received on 12 October 2022 | Revised Manuscript received on 25 October 2022 | Manuscript Accepted on 15 November 2022 | Manuscript published on 30 November 2022.

* Correspondence Author

Rajat Rana*, UG Student, Amity Law School, Amity University, Noida (U.P), India.

Stock market is a magical place which can make you both a millionaire and a beggar in a matter of minutes.

II. REVIEW OF LITERATURE

A review of the literature has allowed researchers to better grasp the many elements of millennials' stock market participation, as well as the ramifications of their participation. As a result, it will be easier to formulate numerous research objectives and create a thorough research design to carry out the current study. Kajal Gandhi (2015)[3], the research findings were based on a survey that was conducted in five cities: Mumbai, Delhi, Kolkata, Chennai, and Ahmedabad.

The respondents from metro cities are more likely to invest in the stock market because they see it as a financial instrument, but they lack experience or prefer not to engage a professional to manage their portfolio, resulting in losses. People in Tier-II cities like Ahmedabad, on the other hand, still prefer traditional investments like gold, property, gold, and bank deposits. This is owing to a lack of broad thinking, as well as a lack of understanding of investment alternatives. Joshi (2013)[4] found before investing, investors should be aware of some of the most essential and important aspects that influence the stock market. Flows of foreign institutional investors, political stability, GDP growth, inflation, liquidity, and other interest rate and world level factors are among these determinants. Kaur (2015)[5]found that, the major reason of people not investing in the stock market is lack of knowledge and second most important reason is risk of loss. Mishra (2015)[6] found investors believe the economy's health to be very vital, Rubani (2017)[7][11] found that investors consider the changes in the exchange rate and financial risks of the corporate world. Favourable changes motivate and investor to invest and adverse changes lead him to stay away from the market.

B. Research Gap

One of the biggest limitation faced in conducting the research is lack of people, the survey conducted was of only 100 people in the age of 18-24. Another big limitation was that the data provided by public for survey may be biased and may lack 100% accuracy due to lack of knowledge. Very limited research was done as a result of which the data may not be robust enough to explain complex issues.

III. RESEARCH OBJECTIVES

The objective of this research paper is to understand whether entry of millennials into the stock market a good thing or a bad thing for the economy. Another objective is to look into people's attitude about stock market as earlier it was considered as gambling but now is it a much more sustainable career option or not.

Also to look into the success rate of this career, as this career doesn't require any qualification and with the coming of start-up's like Upstox, Groww barriers to investing or trading have been reduced by a lot. Another objective is to analyse the reasons for the influx of so many retail trader and investors into the stock market. Also to find out the reasons behind the sudden rise in retail participation in the stock market.

IV. SURVEY QUESTIONS

Q1. Do you think participation of Millennials in stock market good for the economy?
Q2. Do you consider investing or trading in stock market as gambling?
Q3. Do you think Millennials who lack proper access to resources can survive in the stock market?
Q4. Do you think trading can become a more attractive career option?
Q5. Do you invest or trade in stock market?

V. RESEARCH METHODOLOGY

The methodology adopted in this research paper is Descriptive and Analytical. The first i.e. Descriptive method comprises of enquiries, findings and surveys. The second i.e. Analytical method is a method, where the researcher uses facts or information or data already accessible and analyse them to create an essential evaluation of the information. This paper contains research questions which are solved through surveys taken from people and enquiries conducted. These findings and public views are analysed and represented in the form of pie charts. Also both primary and secondary data has been used for the purpose of research and better understanding.
The citation style used in this research is ILI Citation.

A. Limitations

Very limited research and data is available about the topic in India and the survey conducted was of only 100 people as a result of which the research may not be robust enough to answer complex issues with good accuracy. Majority of the conclusions are based on the survey and may not applicable to the entire society.

B. Contribution

This research paper will contribute by providing a better understanding into trading in stock market as an attractive emerging career and whether such retail participation of traders in stock market is good for the economy or bad. It will also help in understanding the role of discount brokers to bring these millennials into the world of stock market. Also it provides an insight into whether parents should encourage stock trading as a career now that it is easily accessible and cheap.

VI. REASONS FOR ENTRY OF RETAIL TRADERS AFTER COVID-19

According to financial experts, investing your money in stock market is one of the best decisions that you can make. After the Coronavirus crippled the world economy, billions of people were forced to work from their home and millions of them lost their jobs. As a result of which they had a lot of time and what better way to utilise this time then to invest in the crashed stock market, where you can buy high value stocks at up to 50% discount. The discount broking companies made use of this opportunity and heavily advertised their low cost stock trading apps, they ran ads in the IPL one of the richest sports league in the world etc. and attracted the attention of millennials.
As a result of this heavy marketing campaigns by various stock trading start-ups, the number of new investors and opening of new demat accounts skyrocketed [8].We can see the explosive growth of new demat accounts in the figure below. The reasons for this meteoric rise can be summarized as follows:

1. Low interest rates on savings, consistent and promising returns by Sensex and nifty.
2. With repo rate hovering around 4% and FD rates between 3-5%, the traditional methods of growing money with time were just not offering enough returns.
3. Post Covid-19, liquidity in Indian stock market increased significantly as foreign investors were rushing to invest in the Indian companies, which provided confidence to domestic players.
4. The Indian stock market also outperformed several other global markets, bagging the 2nd place in terms of the returns provided to investors, lagging only behind the U.S.A in 2020.
5. Access to stock market became easier, now one can buy and sell stocks at the click of a button.
6. Access to stock market education also increased with several broking companies providing access to free educational content on how to invest.
7. Heavy marketing campaigns targeted at the young population inspiring them to become financially independent at the comfort of their home.

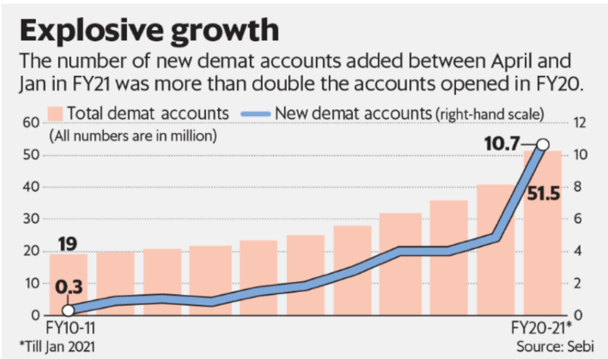


Fig. 1 Explosive growth in number of Demat account

VII. IS STOCK MARKET GAMBLING?

You might have heard from various people that the stock market is the place to gamble and it is equivalent to gambling. Let's see the difference. There are two types of trading in the stock market, first, is trading based on technical analysis, and the second is based on fundamental analysis. Technical analysis is finding patterns in price chart usually over a shorter period of time and buying and selling based on patterns, so if you are doing this kind of trading you are betting on patterns which are based on price fluctuations which are based on people's buying and selling of stocks.

Retrieval Number:100.1/ijef.D2519111422
DOI:10.54105/ijef.D2519.111422
Journal Website: www.ijef.latticescipub.com

Published By:
Lattice Science Publication (LSP)

So is it gambling? When you play cards with money, you bet on the number and combination of cards that come on a random basis, and in technical analysis, you bet on people's understanding and their buying and selling which is also random. It does sound like it's gambling but in reality we are betting on patterns which seems consistent, so though it may sound like gambling it is not, as there is a proper reasoning backing it. Now let's see fundamental analysis or long term trading or investment. Fundamental analysis is betting on a company that is it will do well in the market and its growth is based on the work of the company and the competition to the company and doesn't change on a daily or monthly basis and is rarely random. Only a few companies go out of there trajectory without giving any signals of downfall. So it not gambling although some may argue that we are still betting on something else but the else part is not random. To conclude stock trading is a business activity. One need to gain knowledge about it before trading and learn about money management. If money management is missing, you are skating on thin ice, and that is dangerous. Unfortunately, in our society, Risk and Gamble have become synonymous. People talk about the Stock Markets being risky or akin to gambling in the same vein. Whereas with proper research and strategy, stock market can turn people's fortune overnight.

Fig. 2 Stock market as Gambling

VIII. SUCCESS RATE IN STOCK MARKET AS A CARRER

The success rate as a trader in stock market is really low some estimates put it below 5% and the rest 95% end up blowing all their money. This is mainly because a lot of these millennials traders, enter the market without much information and instead of executing a strategy, they gamble their money just because of FOMO (fear of missing out).

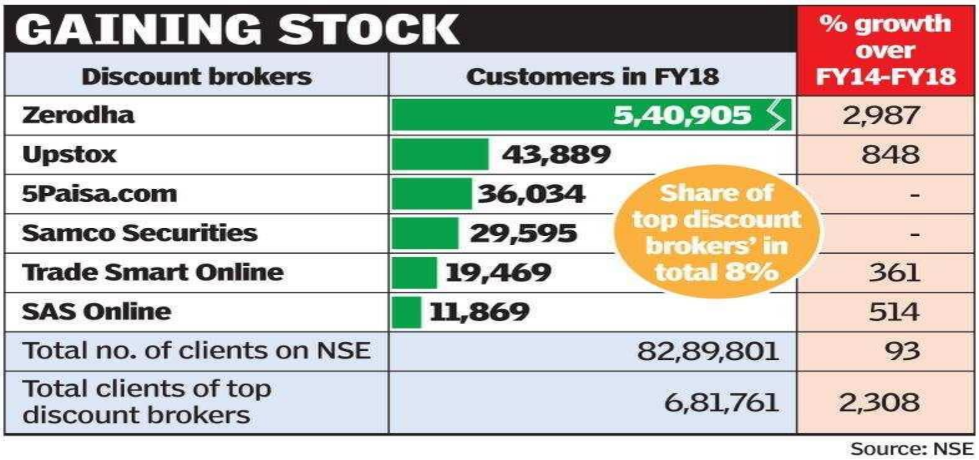
Another reason for lack of success rate is the rise of stock market tips providers, they are people who are not licensed by SEBI and they share on their telegram channels which stocks to buy and sell. A young enthusiast who knows nothing about the market ends up using their tips without utilising his own knowledge and lose all their money. SEBI has been cracking down on these tips provider and launching campaigns to make people aware of relying on these untrained professionals. But all hopes are not lost just because success rate in trading is 5%. Because if the people focus on long term instead of short term gains, the success rate jumps exponentially to 95%. As the Big Bull said, if traders focus on investing rather than trading then the survival rate in stock market can jump to 95%, as in the long term fundamentals of a company prevails over its technical swings. So, all the millennials who wish to embark on their journey as stock trader should focus on long term trends so that they can successfully pioneer their trading journey and become a profitable full time trader.

Fig. 3 Odds of losing money in long term

IX. ROLE OF DISCOUNT BROKERS IN INCREASED MILLENNIAL PARTICIPATION

The discount brokers have managed to broaden the market base in comparison to traditional brokers and banks, by tapping into people who previously either didn't invest at all or did so automatically through pension schemes. Thelow or no brokerage rate has attracted many smaller, less connected cities and towns, backed by the government's desire to digitalise the economy. Advantages of discount brokers over traditional brokers are[9]:

- Zero/Low Commissions: Discount brokers charge very low commissions on orders. In fact, may of them levies zero commissions for delivery trades!
- Time and efficiency: Discount brokers need to keep costs low, and are therefore incentivised to offer efficient, new age, zippy platforms that help you place trades with no lag.
- Powerful Analysis Tools: Discount brokers give you the tools you need to analyse and study markets on your own.
- Better Tech: Discount brokers are more likely to be offering more convenient and updated services - such as an online demat account that eliminates paperwork and further reduces costs not only for the client but also reduce overhead costs that works in the favour of the broker's business model.



GAINING STOCK

Discount brokers	Customers in FY18	% growth over FY14-FY18
Zerodha	5,40,905	2,987
Upstox	43,889	848
5Paisa.com	36,034	-
Samco Securities	29,595	-
Trade Smart Online	19,469	361
SAS Online	11,869	514
Total no. of clients on NSE	82,89,801	93
Total clients of top discount brokers	6,81,761	2,308

Fig. 4 Growth of Discount Brokers in India

X. RETAIL PARTICIPATION IN STOCK MARKET: BOON OR BANE

The stock market is an excellent economic indicator for an economy. It reflects how well all listed companies are doing. If investors are confident, they will buy stocks, stock mutual funds, or stock options and vice versa. There are several reasons on why increased participation of millennials a boon for the economy they are[10]:

1. Guard Against Inflation: Historically, over the long term stocks have yielded a generous annualized return. For example, as of January 31, 2022, the 10-year annualized return for the S&P 500 was 15.43%. That's better than the average annualized inflation rate. Similar trend is also visible in India, where in the long term the stock market returns have beat thee annual inflation rates by a good margin. This means young investors in future will have more money which will eventually be spent in acquiring assets like car, homes etc. which in turn will increase consumer spending and provide boost to the economic growth of the country.
2. Takes advantage of growing economy: As the economy grows, so do corporate earnings. That's because economic growth creates jobs, which creates income, which creates sales. The fatter the pay check, the greater the boost to consumer demand, which drives ore revenues into companies pockets. By starting early, young investors can take advantage of this cycle and with the help of compounding the money will keep on growing which again be utilised for consumer spending, boosting the economy.
3. Gains: The most important aspect of investing directly in the markets is the potential of the market to deliver the kind of gains it does. Historical data suggests that the stock market have always passed the test of time, they have risen in value over a period of time, even though individual stock prices fluctuate on a daily basis. Investing in companies that showcase a stable graph of growth and tend to clock higher profits every quarter or investing in sectors that add to the economic growth of the country will result in steadily building your wealth and increasing value of investment over time. Increased participation of millennials by investing in companies that drives the economic growth of the country like infrastructure will add to the growth of the country.
4. Provide financing to the companies: Stock market help in mobilisation of funds from savings of households to companies pockets, which helps them in financing their growth ventures and expansions. Companies raise money from public usually via Initial Public offerings. As the investors count increase more people apply for these IPO's providing funds to these companies. Moreover, young and tech savvy people are more likely to invest in start-ups going public who though do not have good financials but have a good long term prospect. Contrary to what traditional investors do by relying only on balance sheets of a company. Funding these start- ups who are now a household name like Zomato help them fund their growth, hire more delivery drivers etc. and contribute to the economy.

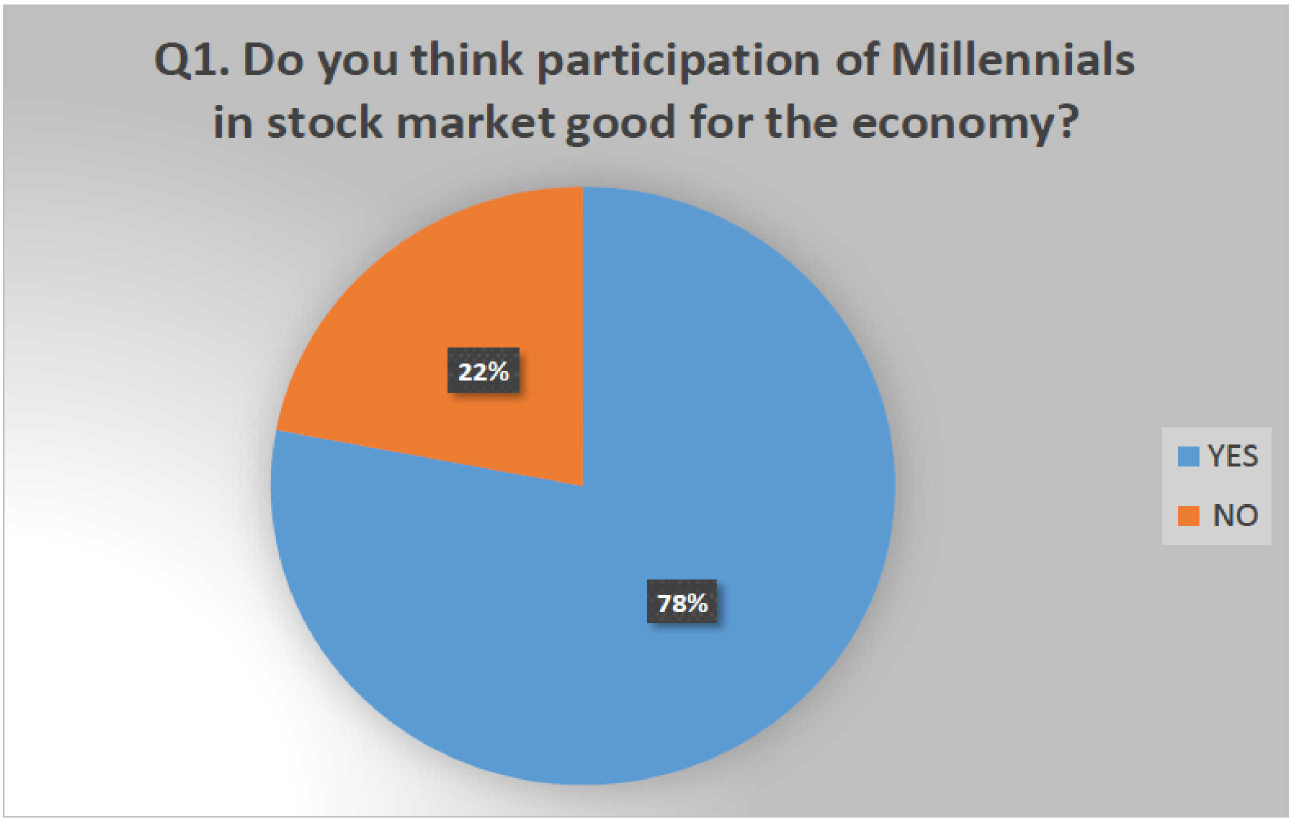
5. Stabilise the market from withdrawals by Foreign Investors: Earlier, when foreign investors used to withdraw money from Indian stock market, the market used to fall drastically sometimes by 5% in a day. But with more domestic investors entering the market, they are able to counteract the withdrawal by foreign investors via fresh buying at lower costs, thus keeping the market stable. In fact as per recent data domestic purchase of stocks have reached 3 times that of foreign investors. Thus impact of outside events in Indian stock market is still way less compared to stock market of other countries, who are flooded with foreign funds.
6. Generate Passive Income: By investing low risk and high dividend stocks like ITC, people can become financially independent by the time of their retirement as they will yearly receive good dividend from these stocks and will also benefit from long term growth of the stock. Financially independent elderly citizens reduce burden on their children to support them, as a result of which their young adults will have more disposable income, which can be mobilised in the economy.

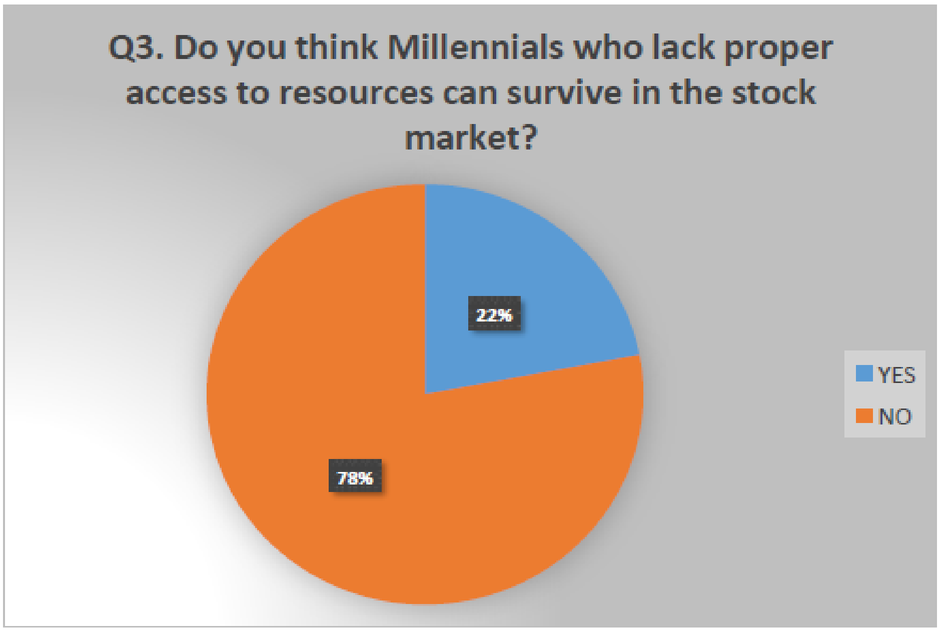
Keeping in mind all the benefits of increased participation of millennials in stock market there are still some very big disadvantages of such huge influx of retail traders they are:

1. Risk: You could lose your entire investment. If a company does poorly, investors will sell, sending the stock price plummeting. Millennials investors usually have less amount of capital to begin with, so there is a risk that they lose their entire investment and exhaust all their savings. As a result of which they might end up on the streets and become a burden on the state.
2. Professional competition: Institutional investors and professional traders have more time and knowledge to invest. They also have sophisticated trading tools, financial models, and computer systems at their disposal. Millennials traders who barely have any knowledge or tools can't compete with them and will get crushed by these professionals. And if we talk about a scenario where millions of such traders have to compete with these professionals, stock market wealth will get concentrated in the hands of these professionals, it will increase the income inequality.
3. Leveraging: Due to limited capital available with retail traders, they take on leverage. Leverage is a double edged sword, which can either be good or bad. But if leveraging goes wrong, the amount of loss suffered can be unlimited. While trading in options of stocks, if any uncertain event happens and market crashes, the person can go bankrupt and will have to sell all his assets just to pay off the leverage. It happened during the 2008 crash where people trading in options ended up on streets because of the market crash. Then the government's had to spend millions just to look after them.

A. Survey

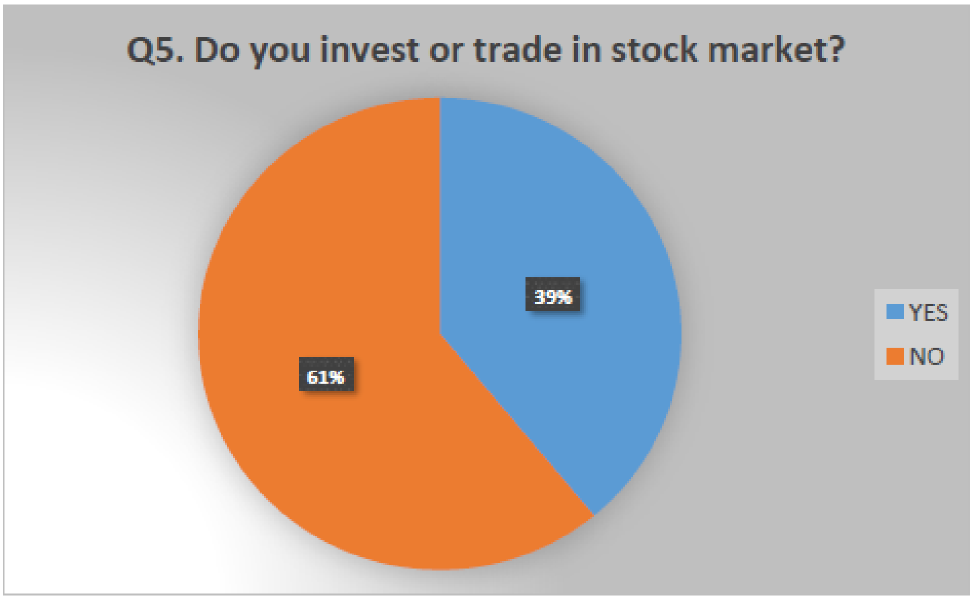
The following are the summarized result of the survey conducted:





Retrieval Number:100.1/ijef.D2519111422
DOI:10.54105/ijef.D2519.111422
Journal Website: www.ijef.latticescipub.com

Published By:
Lattice Science Publication (LSP)



B. Survey Conclusion

Majority of the participants think that participation of millennials in stock market is good for the country. A good chunk of people still consider it as gambling. But the ratio is far better in today's world, two decades back almost 90% of people considered stock market as gambling and never invested in it. This means the modern generation attitude towards stock market is improving. Even the participants agree that it is difficult to compete with professionals as at home traders lack proper access to resources. People are optimistic about stock market as an emerging career. A lot of participants themselves also trade or invest in the stock market. Thereby, the future of trading as a full time career seems promising.

XI. RESEARCH CONCLUSION

From this research we can conclude that attitude towards stock market is slowly changing as millennials are taking charge and are viewing trading as a good full time career. The image of trading being considered as gambling is changing. Moreover, the rise of general public participation in stock market is good for the economy as it helps in mobilisation of funds to businesses who use it expand their business and generate jobs and at the same time the returns received by investors by investing their money helps them in beating inflation and increase their spending. All these implications of increased retail participation supports the economic growth of the country. But with that being said the success rate of surviving in stock market as a retail trader is only 5% as per the estimates. It is mainly because of lack of experience, lack of resources, lack of knowledge etc. But that number changes to over 95% if instead of trading people look into investing in long term future. The main reason behind such huge inflow of household traders is the elimination of entry barriers made possible by various discount brokers as well as the nominal fees they charge. Moreover, a lot of free time, job losses or retrenchment etc. forced people to look for alternate sources of income. Also, stock market crash of 2020 provided opportunity to people stocks of well-known companies at a huge discount. With the millennials investing heavily in the stock market, the future of the country looks promising. Thereby, if the millennials focus on investing long term in the stock market with proper research, they can almost completely eliminate their risk of losing their money. And can in fact grow their money exponentially via compounding and with the help of SIP's, which can help them make expensive purchases in future, provide a passive income for their retirement. All of these will also support the economic growth of the country and will help India steer towards its goal of becoming a $5 trillion economy.

REFERENCES

1. https://www.cnbc.com/2020/10/02/indias-millennials-are-driving-a-surge-in-stock-trading-during-covid.html (Published Thu, Oct 1 2020 9:06 PM EDT, Updated Sun, Oct 4 20208:52 PM EDT)
2. https://www.forbes.com/advisor/in/investing/indian-millennials-are-taking-stock-market-investing-seriously- what-should-you-do/ (Updated: Dec 18, 2020, 8:03am)
3. https://www.businessinsider.in/policy/economy/news/indian-millennials-are-taking-to-the-stock-market-as-the- bored-and-young-start-driving-markets-worldwide/articleshow/81676154.cms (Last updated: MAR 24, 2021, 23:58 IST)
4. https://www.icicidirect.com/investonomics/articles/stock-market-millennials-investing-during-pandemic- icicidirect
5. Supratik Sarkar, COVID-19 Impact On Stock Market and Economy of India (International Journal of Research in Engineering, Science and Management, Volume-3, issue-11, , ISSN: 2581-5792 Pg. 55- 64, November 2020) [CrossRef]
6. https://www.business-standard.com/article/markets/cdsl-becomes-1st-depository-with-60-million-active-demat- accounts-122030100551_1.html (Last Updated at March 25, 2021 01:24 IST)
7. Kajal Gandhi, Retail Investors Participation in Indian Stock Market- A Survey, (GJRA - Global Journal For Research Analysis, Vol.4, Issue-02, 2015).
8. Mrunal Chetanbhai Joshi, Factors Affecting Investment Decisions in Stock market, (B.R.C.M. College of Business Administration, January 2017).
9. Singh, J., & Kaur, N., Investigation of the Determinants to Augment Investment in the Indian Stock Market, (International Journal of Scientific and Research Publications, 5 (3), Pg. no. 1-9, 2015).
10. Mishra, V., K., Globalization and the Indian Capital Market, (PARIPEX - Indian Journal of Research, Pg. no. 4, 2015).
11. Rubani M., A study of Structure and Functions of Capital Markets in India, (International Journal of Business Administration and Management, Pg. no. 1-12, 2017).

Retrieval Number:100.1/ijef.D2519111422
DOI:10.54105/ijef.D2519.111422
Journal Website: www.ijef.latticescipub.com

Published By:
Lattice Science Publication (LSP)

AUTHOR PROFILE

Rajat Rana UG Student, B.Com.LL.B.(Hons.) from Amity Law School, Noida is a hardworking and diligent student who is keenly interested in becoming a good corporate lawyer. He is a member of Student Bar Forum at Amity Law School, Noida. He has also interned under advocate of Supreme Court of India. He has also previously published various research papers on multidisciplinary issues. He is an on merit scholar at Amity Law School, Noida. He is extremely dynamic in nature and has a strong grasping power which makes him a good learner. His current focus is to gain invaluable experiences and expertise which will enable him to become a successful corporate lawyer.

Retrieval Number:100.1/ijef.D2519111422
DOI:[10.54105/ijef.D2519.111422](https://doi.org/10.54105/ijef.D2519.111422)
Journal Website: www.ijef.latticescipub.com

Published By:
Lattice Science Publication (LSP)