



Stock Market as a Primary Investment Avenue for Young Investors A Case Study of College Students in Tier II City

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Abstract : Investment in financial assets has started gaining importance in the recent years. Awareness of the different avenues, technological advancement, digitalisation of the investment process are some of the factors contributing to this trend. The introduction of reforms to streamline the function of stock market has made it more attractive for investment. These reforms mainly the creation of Demat Accounts has helped in easing the investment process. Adoption of technology has helped in creating awareness of the benefits of investment in stock market. The players of stock market have also adopted the technology to create awareness of investments, sustain them and overall safe guarded the investment of the investors. The investors can monitor their investment and take informed decisions of their investment. There is a growth of investment apps along with advisors who really do a deep analysis of the stock market and guide the investors in creating a balanced portfolio. The explosion of information and easy access to solutions have made Stock Market Investment an attractive option of investment to the younger generation. They are better informed about investment, its growth and accessibility and hence are able to reap the benefit of better profits. This paper tries to understand the investment requirements of the younger generation, what are the sources of income and what are their investment pattern. It also tries to find out whether they are active players in the stock market and why the stock market has become an attractive form of investment. It also tries to understand why stock market has become an attractive investment avenue and whether they take the help of financial advisors during investment. The findings suggest that there is awareness about the stock market trading among the younger generation and are willing to invest in the stocks mainly for long term benefit. Also, there is a need for increased involvement of the financial advisors mainly to prevent bad investments.

Key words: Investment, Stock Market, Digitalisation, Technology, Portfolio, Financial Advisors

1.1 Introduction

The growth of any economy is primarily due to increase in investment which in turn will lead to increase in production. Greater production will lead to greater sales as people have more disposable income and will demand goods and services. In a vibrant economy all activities related to commerce and trade will function at the optimal level. Manufacturers and service providers will have a market to sell their goods and services. A growing economy will have job opportunities and this in turn will result in disposable income. Hence the demand for goods and services.

All these activities will function only when there is movement of money in the economy. This means that there must be saving and investment. Financial institutions must attract the savings of the people. To save, people must be attracted towards the returns offered by the financial institutions. Moreover, the financial

institutions must make sure that their offers are known to the public. That is the people must be aware of the different schemes offered by the institutions.

Stock market is one of the primary investment avenues for all sectors of the economy. People can invest in companies' shares or debentures through brokers. In India the functions of the stock market are monitored by SEBI an independent body. Over the years many reforms have been introduced in the functioning of the stock market. Certain conditions have been established which must be followed for a company to be listed in the stock market.

1.2 Objectives

- To understand the impact of transparency of the functioning of stock market after digitalisation
- To understand the preferences of younger generation while investing
- To understand how the ease of investing is helping the younger generation to invest

1.3 Methodology

Simple survey among college students have been collected. The data has been collected through a questionnaire and simple statistical analysis has been done to understand the preferences of the younger generation.

1.4 Literature Review

Mubarok, F., Maelina, N., & Mulyatno, R. (2024)¹. The results show that financial education attainment is positively associated with not only the likelihood of investors' stock profitability, but also their profit level.

Sulasmiyati, S., & Nurhayati, R. A. P. (2024)² The results of this study showed that perceived ease of use, perceived compatibility, investment knowledge, and trust had a positive and statistically significant effect on investment intention using financial technology. The effect of perceived usefulness on investment intention using financial technology was positive but statistically not significant. It could happen because the data needs to need to provide sufficient evidence (due to the limited number of respondents) to confidently conclude that the observed positive effect is a reliable and meaningful pattern in the population being studied.

Zhang, Y., Lu, X., & Xiao, J. J. (2023)³ The results show that financial education attainment is positively associated with not only the likelihood of investors' stock profitability, but also their profit level.

Siti, N., Tri, G., & Ralina, T. (202)⁴ *The results of this study indicate that (1) investment knowledge influences investment interest, (2) investment motivation influences investment interest, and (3) technological advancements influence investment interest among Generation Z.*

Hutasoit, A. H. (2021)⁵ The results of this study showed that perceived ease of use, perceived compatibility, investment knowledge, and trust had a positive and statistically significant effect on investment intention using financial technology. The effect of perceived usefulness on investment intention using financial technology was positive but statistically not significant. It could happen because the data needs to need to provide sufficient evidence (due to the limited number of respondents) to confidently conclude that the observed positive effect is a reliable and meaningful pattern in the population being studied.

Kulanjiammal, K., & Revathi, R. (2019)⁶ Majority of the respondents have not preferred to invest their savings in UTI and Mutual funds which are the latest investment schemes and hence the government should take appropriate steps to persuade the investors to invest in the above schemes.

Baig, A., & El Zoubi, J. R. (2017)⁷ The results indicate that the better the investment knowledge, the higher investment motivation. The easier the technology will give more interest in the stock investment capital market for the younger generation. These suggest that the way to improve young investors' involvement in the capital market, among other things, are improvement in investment knowledge, investment motivation improvement, and increase the ease of technology.

Jaiyeoba, H. B., & Haron, R. (2016)⁸ The findings indicate that retail investors in Malaysia are patriotic in nature, and their investment decisions are based on feeling of comfort or convention rather than quantitative analysis. They rely so much on their findings rather than third party's views for making investment decisions.

Sowmya, K., & Reddy, J. M. (2016)⁹ The Capital market facilitates mobilization of savings of individuals and pools them into reservoir of capital which can be used for the economic development of a country. An efficient capital market is essential for raising capital by the corporate sector of the economy and for the protection of the interest of investors in corporate securities.

Palanivelu, V. R., & Chandrakumar, K (2013)¹⁰ This underscores the importance of financial socialization of younger generations at school and home. In an economic downturn that demands individual responsibility and self-sufficiency, wealth management is an essential component of a successful adult life. Given the importance of financial well-being, understanding these influences and contributing factors in investing behaviors in mutual funds may pay off significantly for younger generations' financial future

Wang, A. (2011)¹¹ The results of this study indicate that the more advanced the development of technology, the millennial generation increasingly understands financial literacy, and the millennial generation has investment knowledge, the more it will increase their interest in investing in the capital market.

Ravichandran, K. (2008)¹² In the current scenario, investing in stock markets is a major challenge ever for professionals. Derivatives acts as a major tool for reducing the risk involved in investing in stock markets for getting the best results out of it

1.5 Conceptual Analysis

The present study has been undertaken to understand the mindset of the younger generation about their income, savings, and investment. India is a developing economy with a young vibrant population. The concept of nuclear families has developed and this in turn has made the family members talk about the family income and savings. People who are now in the age of group of 70 and 80s are the pillars of the concept of savings. That generation of people started the concept of saving for the future expenses like marriage, building a house and education in that order. They tried to earn and save a lot and be independent in their later years. But their savings were in the form of bank deposits, post office deposits and insurance. They did not venture out into shares and stocks mainly because they were not aware of the mechanism of its functioning.

Lack of transparency in the functioning of the stock market did not make it a viable investment option because of the following reasons:

1. Some major scams of stock markets discouraged the small investors.
2. The companies also were not able to educate the investors.
3. Small investors could not enter the market as there was a minimum number of stocks or shares that needed to be purchased.
4. Time taken for the transactions to take place was also a limiting factor.
5. The number of documents to be filled like transfer of shares, physical movement of documents, recording it in the company's register and finally coming to the buyer were all a discouraging factor and hence most of the investment went into bank.
6. Bank deposits were easier option as one had to visit the bank, fill the form and the transactions were finished.

Later after liberalisation and privatisation the area of investments got broader. Brokers and middlemen started playing actively in the field and many institutions started the brokering activity. Many reforms were introduced to strengthen the trading activities.

1. Physical shareholdings were removed by creating Dematerialised Accounts (De-Mat A/c). These accounts were created by brokers for shareholders to hold their share investments in electronic form. All trading is to be done through this account only.
2. There is no compulsion to purchase a minimum number of shares. Even one share can be purchased.
3. All De-Mat A/cs must updated with KYC details.

4. All bank accounts must be linked with Aadhar, PAN and Mobile Number.
5. Many professionals are allowed to guide the investors to invest in the stock market.

Due to the above reforms and the explosion of internet, the stock market has become an attractive investment avenue to the investors. After the covid pandemic of 2020, adoption of digital methods of banking has been adopted by the public. Banks have ensured that secure transactions take place through banking apps. Such measures include OTPs and changing password regularly. Similarly broking companies have also encouraged investment in the form of Systematic Investment Plan (SIP) which can be done through banking apps itself.

Now coming to the younger generation, we must try to understand their mindset and their way of life. The present youth have been brought up in a relatively comfortable lifestyle. They have been living in a nuclear family and hence are aware of the family income, expenses, savings, and investments. They are also involved in the family decisions and hence have a fair knowledge about the investment avenues. Moreover, they also have access to the various internet sources about the different investment avenues available in the market. They are willing to take the risk and earn better income. They are also willing to take bolder investment decisions and book profit. Many YouTube influencers have also contributed to the increasing interest in investing in stock markets. These investors have a good knowledge about the working of the stock markets across the world, their impact on other markets, the status of economy and its impact on investment, and conduct an in-depth analysis of the market and the behaviour of stocks. They can guide the new investors about the different forms of investment, their use, their purpose, and their growth. Moreover, many financial institutions have created different schemes to tap the individual interest. Investors can now invest in different sectors of the economy and create a unique portfolio.

Digitalization of banking activities has also helped in the investment process. The banks are using the internet to ensure that people are able to access the banking facilities at the comfort of their time and home. Due to these facilities, more people are able to make use of the banking investment avenues. Similar is the case of the financial companies. These companies have their own apps which can be used by people to invest in either shares, bonds or mutual funds. Also, many payment apps like GPay, Phonepe etc have provisions for investing in mutual funds.

1.6 Data Analysis and Interpretation

A simple survey was conducted among the college graduates to know about their awareness about the stock market, their need for investment and whether they are taking the help of financial advisors before investing. Around 120 respondents' data revealed the following:

Fig 1: Investment Avenues: Nearly 50% of their investments are in stock market and around 35% is in banks and other financial institutions.

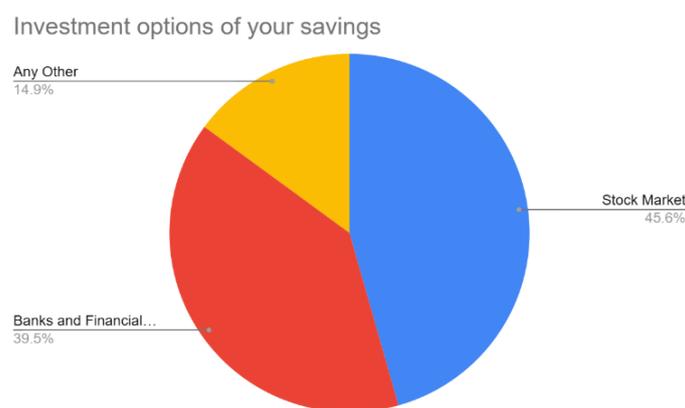


Fig 2: Awareness Of Stock Market Trading: Around 72% are aware of trading in stock market.



Fig 3: Trading in Stocks: More than 60% are trading in stocks.

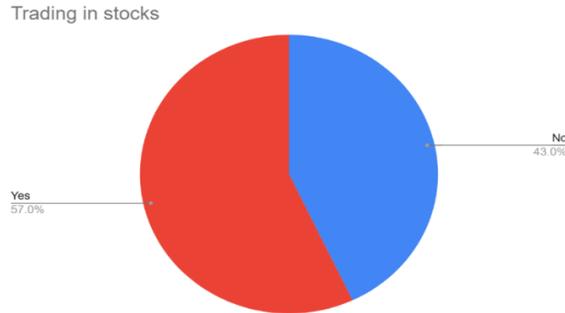


Fig 4: Reasons for Trading in Stocks: The primary reason for trading in stocks is for long term investments.

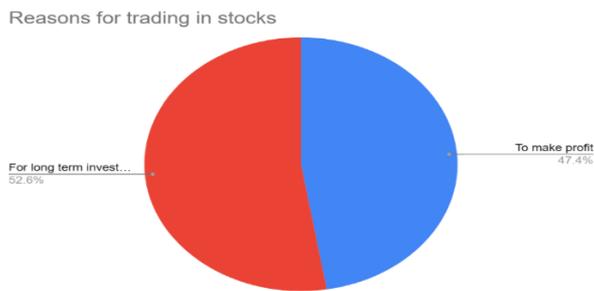


Fig 5: Ease of Trading: 50% of the respondents agree that investing in stock market is easy.

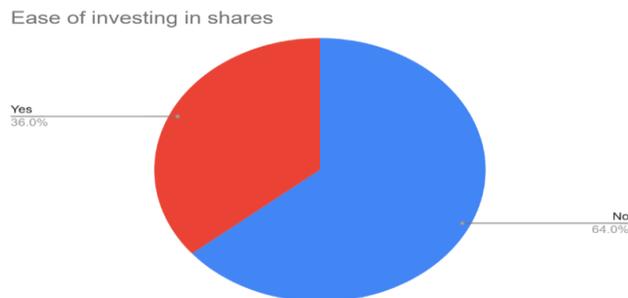
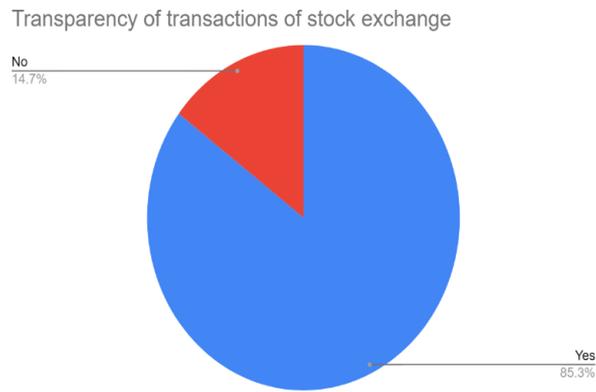
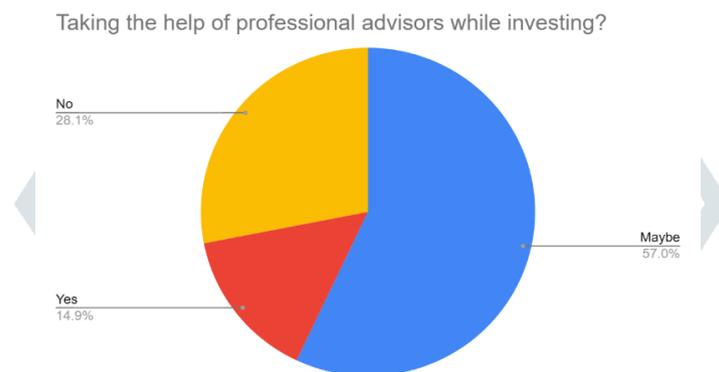


Fig 6: Benefits of Digitalisation of Trading: Around 50% of the respondents feel that digitalisation has helped them to increase their investment and created a better portfolio.



Fig 7: Transparency of Trading: Most of them feel that there is transparency in trading options.**Fig 8: Taking the help of Financial Advisors:** Only 15% take the help of financial advisors while investing and around 60% follow others (peers, YouTube influencers etc).

1.7 Findings

From the above data the following inferences may be drawn.

1. The younger generation is aware of the stock market operations
2. They are investing in shares and bonds
3. Digitalisation has made trading easier
4. Stock market transactions are transparent
5. Younger generation invest for long term benefit
6. The role of financial advisors is minimum

1.8 Conclusion

We can conclude that the younger generation is aware of the transparency of stock market trading and are investing in stocks for long term benefits and creating a better portfolio. Further, digitalisation of financial transactions has helped in better trading but the role of financial advisors must be improved to help in better investments. More healthy discussions in open platforms of education centres and work places should occur to avoid bad investments and losses. Financial literacy must also be encouraged at the graduation level itself so that the younger generation is aware of the various investment options and the methods of investing before he is employed.

Scope of further study

The study is limited to Tier II city and this can be further extended to bigger cities where the financial literacy may be better and investment pattern may change.

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