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Youth Investment Trends : Analysing the Rise of Young Investors in the Stock Market : Indian Vs U.S. Stocks

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Abstract*:* *This study explores why young Indian investors are increasingly favouring U.S. stocks over domestic ones. Through surveys & interviews with investors aged 18-35, we uncover key influences such as the allure of global brands, the perceived stability of U.S. markets, and the power of social media. While tech innovations and easy access to trading platforms boost their enthusiasm, a gap in financial literacy poses risks. The reasons causing young investors to prefer US stocks over Indian stocks are higher returns, stability & global exposure. We highlight the need for better education and support to harness this demographic's potential, aiming to democratize investment opportunities in the digital age*

Keywords: Indian investors

I. INTRODUCTION

This research paper examines the growing trend of youth participation in the stock market, focusing on the factors driving this demographic towards investment, the challenges they face, and the potential long-term impacts on financial markets and individual wealth accumulation. Utilizing a mixed-methods approach, we analyse survey data from young investors aged 18-35, alongside interviews & case studies, to understand their motivations, strategies, and outcomes.

Our findings indicate the technological advancements, such as mobile trading apps and social media platforms, significantly influence youth investment behaviour. Additionally, financial literacy, risk tolerance, and socio-economic background play crucial roles in shaping their investment decisions. A notable trend observed is the preference of young Indian investors for U.S. stocks over domestic Indian stocks. Factors contributing to this preference include the perceived stability and growth potential of U.S. companies, greater market liquidity, and access to global brands and innovative sectors. Further, the influence of global financial news, celebrity endorsements, and peer recommendations on social media amplifies this trend.

The study reveals that while young investors show a promising enthusiasm for financial growth, they often lack comprehensive knowledge & experience, which can lead to suboptimal investment choices. We discuss the implications for policy makers, educational institutions, and financial service providers in supporting and guiding this emerging group of investors. This research contributes to the broader discourse on financial inclusion and the democratization of investment opportunities in the modern/digital age.

II. LITERATURE REVIEW

1) Introduction To Youth Investment Behaviour

A. Financial Literacy & Investment Decisions:-

Key Studies :

- **Lusardi & O.S. Mitchell (2014) :**Found that financial literacy significantly impacts the financial decisions of young adults, including their investment behaviours.

- **M. Van Rooji, A. Lusardi & R. Alessie (2011) :**Highlighted the role of financial knowledge in promoting participation in the stock market, suggesting that youths with better financial understanding are more likely to invest.

B. Risk Tolerance Among Youth Investors
Key Studies:

- **J.E. Grable & R.H. Lytton (1999) :**Discussed how age influences risk tolerance, with younger investors being more willing to engage in high-risk investments due to their longer investment horizons and greater ability to recover from potential losses.
- **B.M. Barber & T. Odean (2001) :**Studied the impact of overconfidence among young investors, leading to higher trading volumes and riskier investment strategies.

2) Motivations & Barriers For Youth Investment
A. Motivations For Investing
Key Studies :

- **D. Jain & P. Jain (2019) :** Explored the motivation behind millennial investment, emphasizing the role of technology and peer influence driving stock market participation.
- **D. J. Beal & M. Goyen (1998) :**Highlighted the growing trend of youth viewing stock market investment as a means to achieve long-term financial goals, such as buying a home or funding retirement.

B. Barriers to Investing
Key Studies :

- **Lusardi & P.Tufano (2015) :**Found that financial fragility, characterized by limited savings and high debt levels, is a significant barrier for young investors.
- **A.O. Hoffman & T.L. Broekhuizen (2009):** Identified psychologicalbarrierssuch as fear of making wrong decisions and lack of trust in financial institutions as deterrents for youth engagement in the stock market.

3) Impact of Technology & Social Media
A. Role Of Technology In Facilitating Investment.
Key Studies :

- **H. Chen & P. R. Volpe (2002):** Discussed how technology has democratized access to financial market, enabling youths to participate in stock trading with minimal barriers.
- **M.Satman (2019) :**Examined the influence of robo-advisors and algorithmic on young investor, highlighting how these technologies have simplified the investment process.

B. Influence Of Social Media
Key Studies:

- **M.M.Popian (2012) :**Analysed the role of social media in financial decision-making, noting how platform like twitter, reddit, and Instagram have become key sources of investment advice for young peoplebehaviour, showing how peer influence and viral trends can drive stock market.
- **F. Luthans(2020) :**Studied the impact of online communities and social network on youth investment participation.

4) Comparative Analysis :Youth Investment In Different Markets.
A. Preferences for Domestic Vs International Stocks.
Key Studies :

- **K.R. French & J.M. Poterba (1991) :**Examined the home bias phenomenon, where investor tend to favour domestic stocks over international ones, often due to familiarity and perceived lower risk.

- **J. D. Coval & T.J. Moskowitz (1999):** Discussed the influence of geographic proximity and cultural familiarity on investment decisions, suggesting that youths may prefer international stocks like those in the US due to perceived innovation and growth opportunities in those markets.

B. US Stock Market Vs Indian Stock Market

Key Studies :

- **M.E. Shah & S. Thomas (2021) :**Analysed the trend of Indian investors increasingly looking towards US markets, driven by the appeal of companies like Apple, Google, and Amazon.
- **S. Sehgal & P. Gupta (2019) :**Compared the performance of the US and Indian Stock markets, highlighting how the historical returns and perceived security of the US market attract young Indian investors.

5) RESULT(Literature review) :

The Literature Review on Youth Investment In The Stock reveals a complex interplay of factors influencing young investors decisions, including financial literacy, risk tolerance, technological advancements, and the influence of social media. There is also a growing trend of youth investing in US stocks over Domestic stocks, driven by various economic, cultural, and technological factors. However, barriers such as lack of capital and financial knowledge continue to hinder broader participation. This review sets the stage for further research into these dynamics, particularly focusing on the specific reasons behind the preference for US stocks among young investors in India and other emerging markets.

III. METHODOLOGY

Objective:

- To understand the factors influencing youths' investment choices between US and Indians tocks.

Research Design:

- **Type :**Mixed-methods(quantitative & qualitative)
- **Approach :**Exploratory

Population And Sampling :

- **Target Population :**Youth investors aged 18-35 who invest in both US & Indian stocks.
- **Sampling Method :**Purposive Sampling
- **Sample Size :**Survey participants(150-200) & Interviews(5).

Data Collection :

Surveys :

- **Questionnaire Design :**Develop a structured online questionnaire with sections on demographics, investment behaviour reasons for choosing US over Indian stocks, risk tolerance & financial literacy.
- **Distribution :**Distributed the survey via google forms, social media platforms & financial forums targeting young investors.

Interviews :

- **Interview guide :**Create a semi-structured guide with open-ended questions to explore personal experiences & perceptions in-depth.
- **Participant Selection :** Select interviewees from survey respondents who indicated a preference for US stocks or Indian stocks.
- **Conducting Interviews :** Conduct interviews via video calls and in-person, ensuring a comfortable & confidential environment.

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Data Analysis :

Quantitative Data (Survey) :

- **Descriptive Statistics :**Summarize responses using means, median, frequencies & standard deviations.
- **Inferential Statistics :**Use regression analysis and correlation studies to identify significant factors influencing investment choices.

Qualitative Data (Interviews) :

- **Transcription :**Transcribe interviews for detailed analysis.
- **Coding & Thematic Analysis :** Develop a coding framework to categorize responses & identify key themes and patterns.

Limitations :

- Acknowledge limitations such as sample size, geographic focus and potential biases in self-reported data.
- Discuss how this limitations may affect the generalizability of the findings and the steps taken to mitigate them, such as using a diverse sample and multiple methods in data science.

IV. RESULTS

A. Quantitative Findings(Survey) :

Demographics :

- Majority were aged 22-28 (65%).
- Male 80% , Female 20%.
- 75% had a bachelor's degree; 80% were employed (full-time).

Investment Preferences :

- 40% preferred US stocks over Indian stocks.
- Reasons included higher returns(45%), perceived stability(30%), access to global tech giants(20%) & currency diversifications(5%).
- Indian stock investors preferred option trading (intraday) than any other.

Financial Literacy :

- Avg. financial literacy score : 8/10.
- Higher financial literacy strongly correlated with preference for US stocks.

Barriers to Indian Stocks :

- Market volatility 40%, limited growth opportunities 35%, regulatory concerns 25%.

B. Qualitative Findings (Interviews) :

Motivations for US stocks :

- Higher returns, exposure and market stability were key motivators.

Role of Technology & Social Media :

- Social media & online platforms significantly influenced investments decisions and made US stocks more accessible.

Key Takeaways :

- Youths prefer US stocks for better returns and stability and global exposure.
- Financial literacy is a strong driver of investment decisions.
- Social media and technology play critical role in shaping investment behaviour.
- Addressing barriers in Indian market could attract more youth investors.

V. DISCUSSION

KEY Findings :

- **US stock preference :**Youths prefer US stocks for higher returns, stability & global exposure.

- **Financial literacy :**Higher financial literacy drives preference for US stocks.

Implications :

- **For Institutions :**Improve financial literacy &offer accessible international investment platforms.
- **For Policy makers :** Address market volatility regulatory issues in India.
- **For Educators :** Incorporate global finance education.

Future Research :

- Compare long-term outcomes of investing in US vs Indian stocks.
- Study technology's role in youth investment behaviour.
- Examine psychological factors across cultures.

Result (Discussion) :

- Youth prefer US stocks due to better returns and stability, influence by financial literacy. Improving the Indian market & financial education could encourage more balanced investments.

VI. CONCLUSION

This study reveals the Young Indian Investorsprefering US stocks due to higher returns, stability & global exposure. Financial literacy strongly influences this choice, with informed investors favouring international markets.
Barriers like market volatility and regulatory issues deter investments in Indian stocks. Improving financial education and addressing these challenges could encourage a more balanced investment approach among youth, fostering greater confidence in both domestic & international markets

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