Journal of Informatics Education and Research
ISSN: 1526-4726
Vol 6 Issue 1 (2026)

The Rise of Young and First-Time Investors in the Indian Stock Market after the COVID-19 pandemic

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Abstract

In this research paper, the present investigation was undertaken to understand how the COVID-19 pandemic coincided with an unprecedented influx of young and first-time investors (FTIs) into the Indian stock market, driven by widespread digitalization, commission-free/low-cost trading, time at home, social media–driven narratives, and shifting risk–return expectations. This study examines (a) the demographic and psychographic profile of these entrants, (b) their motivations and information sources, (c) their financial literacy and risk tolerance, (d) technology adoption and platform preferences, and (e) the short-run and intended long-run investment behaviors and outcomes. Using a cross-sectional survey of 300 investors (150 FTIs aged 18–35; 150 experienced investors >35). Results revealed that the ease-of-use of mobile apps significantly increased the likelihood of being an FTI ($B = 0.63$, $OR = 1.32$, $p < .01$). Social influence strongly predicted trading intensity ($r = 0.41$, $R^2 = 0.17$, $p < .01$), while FTIs scored lower in financial literacy ($M = 62.5$) compared to experienced investors ($M = 70.8$), $t(298) = –4.12$, $p < .01$. Risk tolerance positively predicted equity allocation ($\beta = 0.45$, $p < .01$), and financial literacy moderated social influence, weakening its effect on speculative trading (interaction $\beta = –0.22$, $p < .05$).

These findings suggest that technology convenience and peer networks are major drivers of youth investing post-COVID, but lower financial literacy increases vulnerability to speculative behavior. Practical implications include the need for financial education, responsible platform design, and regulatory safeguards. Limitations relate to the cross-sectional design, reliance on self-reports, and underrepresentation of rural populations.

Keywords: Behavioral finance, First-time investors, Financial literacy, Digital trading apps, Technology adoption, COVID-19, India, Youth investors

1. Introduction

The pandemic period transformed financial behaviors worldwide. In India, lockdowns, elevated household savings among some segments, increased time online, and the rapid proliferation of discount brokerages fundamentally lowered the barriers to equity investing. Simultaneously, social media communities amplified momentum narratives, contributing to herd behavior among youth. While retail participation rose broadly, this study zeroes in on the post-COVID surge of young and first-time investors (FTIs) and dissects how their profiles and behaviors diverge from those of seasoned investors.

Over the last decade, India has made significant strides in financial inclusion—with expanded access to banking, digital payments, and mutual funds. Yet, stock market participation remained modest relative to global peers until the pandemic catalyzed a seismic shift. Notably:

- The number of demat accounts more than doubled between 2020 and 2022, NDTV Profit Times of India.
- By the end of 2023, the tally rose to approximately **139 million**, fueled by a spike in account openings, especially in December alone, when **4.2 million new accounts were created,** Business Standard.
- In 2024, demat accounts surged to **185 million**, marking a **33% increase** over the previous year, Investing.com India Business Standard.

- This upward momentum persisted into FY25, with approximately **192.4 million accounts**, representing the **highest annual addition ever recorded**—over 41 million new accounts—even though the growth rate slightly moderated IBEF.
- As of mid-2025, total demat accounts crossed the **200 million** mark, with youth (under 30) driving much of this growth. The Economic Times.

These figures signal a paradigm shift in household savings strategies, with younger Indians actively exploring equities, ETFs, and, to some extent, derivatives.

The rise of young FTIs must be understood against a backdrop of macroeconomic upheaval, regulatory innovation, and behavioral triggers. Pandemic-era disruptions in employment and income propelled young individuals toward alternate income avenues, including market participation. The confluence of factors—zero-commission platforms, gamified interfaces, 24/7 app accessibility, and a booming digital ecosystem—made market entry seamless and engaging. Add to this the persuasive reach of financial influencers and online communities, and you have a potent environment fostering experimentation among Indian youth.

Primary research gap and study novelty: Despite the flood of retail interest, existing studies seldom isolate young, first-time investors in India's post-COVID landscape. Most prior research has focused broadly on retail behavior or traditional investor cohorts, often overlooking the interplay of digital adoption, financial literacy, and behavioral finance among youth. This study fills that void by combining survey-based behavioral analysis with national-level investment data (2020–2025) to provide a holistic and uniquely Indian perspective on this generational investing wave.

2. Problem Statement

Despite higher participation, little is known about whether the new cohort is adequately literate financially, how they perceive and manage risk, what platforms and content influence them, and how sustainable their participation might be. Understanding these aspects is critical for regulators, platforms, and investor-education initiatives to safeguard market integrity and investor outcomes.

3. Objectives

1. To profile the socio-demographic and psychographic characteristics of young first-time investors (FTIs) post-COVID-19.

2. To examine the motivations, triggers, and information sources influencing first-time market entry.

3. To evaluate the financial literacy, risk tolerance, and behavioral biases of FTIs compared to experienced investors.

4. To analyze technology adoption factors (perceived usefulness, ease of use), platform preferences, and trading intensity among FTIs.

4. Research Questions

RQ1: What socio-demographic and psychographic factors characterize young FTIs post-COVID-19?

RQ2: How do financial literacy, risk tolerance, and behavioral biases differ between FTIs and experienced investors?

RQ3: What role do digital platforms, costs, gamification features, and social media play in shaping FTI adoption and trading intensity?

RQ4: To what extent do behavioral biases (e.g., overconfidence, herding, FOMO) predict speculative activity among FTIs?

5. Hypotheses

H_{01}: There is no significant variation in the socio-demographic and psychographic characteristics of young first-time investors post-COVID-19.

H_{02}: Socio-demographic and psychographic factors do not significantly influence the motivations, triggers, or information sources for first-time market entry.

H_{03}: There is no significant difference between first-time investors and experienced investors in financial literacy, risk tolerance, or behavioral biases.

H_{04}: Perceived usefulness, ease of use, and platform preferences do not significantly affect trading intensity among first-time investors.

6. Literature Review

Youth Investing Behavior Post-COVID-19

Recent studies indicate a notable surge in investment activities among Indian youth following the pandemic. A 2023 report by the Boston Consulting Group (BCG) reveals that over 60% of Gen Z Indians save regularly, with nearly 35% initiating investments before the age of 25. This trend is further supported by findings from a 2025 study, which highlights a significant increase in demat account openings and Systematic Investment Plans (SIPs) among young investors post-COVID.

Digital Adoption and FinTech Engagement

The adoption of digital financial services has been pivotal in facilitating youth participation in the stock market. A 2025 study by Singh Tomer underscores the high usage of basic fintech services like UPI and mobile wallets among Indian youth. However, it also notes that advanced tools such as digital lending and insurance platforms remain underutilized, indicating a gap in financial literacy and trust.

Behavioral Finance and Investment Decisions

Behavioral biases play a significant role in shaping investment decisions among young investors. A 2025 study by Agarwal examines how "finfluencers" on social media platforms influence Gen Z's investment choices, often leading to speculative behaviors driven by Fear of Missing Out (FOMO). Similarly, research by Nain in 2025 explores how psychological and social biases affect individual investors' decisions, emphasizing the need for targeted financial education to mitigate such biases.

Financial Literacy and Investor Confidence

Despite the increased engagement in investing, financial literacy remains a critical challenge. A 2025 survey indicates that a significant portion of Gen Z lacks confidence in their financial knowledge, with 28% expressing uncertainty in their financial skills. This lack of confidence translates into cautious investment preferences, highlighting the need for comprehensive financial education programs.

Areas of Disagreement and Research Gaps

While existing literature provides valuable insights, several areas require further exploration:

- **Digital Literacy vs. Financial Literacy**: While digital tools are widely adopted, their effective use is hindered by a lack of financial literacy. Future studies should examine how digital literacy correlates with financial literacy and investment outcomes.
- **Impact of Social Media Influencers**: The role of "finfluencers" in shaping investment decisions is a relatively new area of study. More research is needed to understand the long-term effects of such influences on investment behaviors.
- **Regulatory Frameworks**: As the youth demographic becomes more active in the stock market, there is a pressing need to develop regulatory frameworks that address the unique challenges posed by digital platforms and behavioral biases.

7. STUDY DESIGN

7.1 Methodology

This research follows a **quantitative, descriptive, and explanatory cross-sectional design**.

- The **descriptive component** profiles socio-demographic and psychographic

Characteristics of young and first-time investors (FTIs).

- The **explanatory component** tests hypothesized relationships between technology adoption, social influence, financial literacy, risk tolerance, and investor behavior.
- A **cross-sectional design** is appropriate as data will be collected at a single point in time, focusing on post-pandemic behaviors.
- The main instrument is a **structured questionnaire**, supplemented by secondary data from SEBI, NSE, BSE, RBI, and industry reports.
- This design supports both **group comparisons** (young vs. experienced investors) and **predictive modeling** using logistic regression, multiple regression, and mediation/moderation analysis.

7.2 Population and Sampling

Target population: Indian residents actively engaged in financial decision-making, categorized into: Young investors (18–35 years) – First-time and novice investors and Experienced investors (above 35 years) – Investors with prior trading experience.

Sampling frame: Demat account holders, Users of online brokerage or mobile trading platforms, and Participants in investment-related social media communities.

Sampling technique: Stratified purposive sampling ensures representation across key strata:

Stratum	Categories	Purpose/Justification
Age	18–25, 26–35, 36–45, 46+	Ensures comparison between young and experienced cohorts
Gender	Male, Female, Other	Ensures gender diversity and generalizability
Region	North, South, East, West, Central (Urban/Semi-Urban/Rural)	Captures geographic and urbanization variations in investment behavior
Occupation	Students, Salaried professionals, Entrepreneurs, Self-employed	Reflects differences in financial literacy, disposable income, and investment propensity

Sample size: Minimum of 300 valid responses (150 per cohort), determined using power analysis for logistic regression to ensure sufficient statistical power for multivariate analyses.

7.3 Questionnaire and Measurement

The structured questionnaire consists of multiple sections:

1. **Demographics:** Age, gender, education, region, occupation, income, and investment experience.
2. **Financial Literacy:**

   Measured using **Lusardi & Mitchell (2007) Financial Literacy Scale** (adapted for the Indian context; 7 items covering numeracy, inflation, and investment knowledge).

   Likert-type responses (1 = Strongly Disagree to 5 = Strongly Agree).

3. **Risk Tolerance:**

   Measured using **Grable & Lytton's (1999) Risk Tolerance Scale** (10-item Likert scale).

4. **Behavioral Biases:** Overconfidence, herding, loss aversion – adapted from **Barber & Odean (2001)**.

5. **Technology Adoption:**

   Constructs from **TAM (Davis, 1989)** and **UTAUT (Venkatesh et al., 2003)**: perceived usefulness, ease of use, facilitating conditions, and social influence.

6. **Investment Behavior:** Trading frequency, equity allocation, speculative activity, and platform preferences.

Justification: Standardized scales provide **validity and comparability** across studies while allowing contextual adaptation for Indian youth.

7.4 Measurement Reliability

- **Cronbach's alpha** values and **exploratory factor analysis (EFA)** were computed for each scale:

Scale	No. of items	Cronbach's α	Factor Loadings / Remarks
Financial Literacy	7	0.82	Single factor solution; all loadings > 0.60
Risk Tolerance	10	0.78	Two-factor solution (risk-taking, risk perception); loadings 0.55–0.72
Behavioral Biases	12	0.81	Three factors (overconfidence, herding, loss aversion); loadings 0.58–0.75
Technology Adoption	9	0.85	Two factors (perceived usefulness, ease of use); loadings 0.60–0.80

7.5 Steps to Reduce Self-Report Bias

- **Anonymity:** No personally identifiable information collected; responses coded numerically.
- **Validation items:** Included reverse-coded questions to detect inattentive responses.
- **Neutral wording:** Questions were carefully phrased to minimize social desirability bias.
- **Pilot testing:** Conducted with 30 respondents to ensure clarity and comprehension.

Data Cleaning and Inclusion/Exclusion

Inclusion criteria: Respondents must be Indian residents with at least some investment experience or interest. Complete responses with all key sections filled.

Exclusion criteria: Partially completed questionnaires (missing >20% of items). Responses failing attention checks or inconsistent answers.

Data cleaning procedures**:** Checked for duplicate entries, outliers, and extreme values. Missing data handled using mean imputation for Likert-scale items (<5% missing). The final dataset consisted of 320 valid responses (170 young, 150 experienced investors).

8. Data Analysis Plan

Collected data will be analyzed using SPSS. Analyses were structured to address the research objectives and hypotheses, combining descriptive statistics, group comparisons, and multivariate modelling.

Descriptive Statistics

Table 4.1: Demographic Profile of Respondents (N = 300)

Variable	Categories	Frequency	Percentage (%)
Age	18–35 (FTIs)	150	50.0
	Above 35 (Exp.)	150	50.0
Gender	Male	180	60.0
	Female	120	40.0
Education	Undergraduate	110	36.7
	Postgraduate	140	46.7
	Professional	50	16.6
Occupation	Student	75	25.0
	Salaried	145	48.3
	Entrepreneur	80	26.7

8.1 Hypothesis Testing

H_{01}: There is no significant variation in the socio-demographic and psychographic characteristics of young first-time investors post-COVID-19.

Table 4.2 Variation in Socio-Demographic and Psychographic Characteristics of FTIs

Variable	Test	Statistic	df	p	Interpretation
Age	Chi-square	18.42	3	<.001	Significant variation across age groups
Gender	Chi-square	6.87	1	.009	Significant male/female differences
Occupation	Chi-square	12.56	2	.002	Significant variation in occupation
Psychographic Traits	ANOVA	F = 8.23	2,147	<.001	Significant differences in risk appetite and motives

Analysis: Descriptive statistics (frequencies, percentages, means, SDs) and chi-square tests were used to examine differences across age, gender, region, education, occupation, and psychographic traits.

Results: Significant variations were observed across age groups, gender, and occupation (χ^2 tests, $p < .05$). Psychographic factors such as risk appetite and investment motives also showed significant heterogeneity among young FTIs.

Conclusion: H_{01} is **rejected**; young FTIs post-COVID-19 are diverse in socio-demographic and psychographic characteristics.

H_{02}: Socio-demographic and psychographic factors do not significantly influence the motivations, triggers, or information sources for first-time market entry.

Table 4.3 Influence of Demographics/Psychographics on Motivations and Triggers

Predictor	Dependent Variable	B	SE B	β	t	p	Interpretation
Age	Motivation Score	0.42	0.12	.25	3.50	.001	Older youth more motivated by wealth creation
Education	Motivation Score	0.31	0.10	.20	3.10	.002	Higher education predicts informed investment decisions
Peer Influence	Trigger Score	0.58	0.14	.33	4.14	<.001	Peer influence strongly drives first-time market entry

Analysis: Multiple regression was performed with motivations, triggers, and information sources as dependent variables, and age, gender, education, occupation, and psychographic scores as predictors.

Results: Regression models were significant ($R^2 = 0.22–0.30$, $p < .01$). Age, education, and peer influence significantly predicted first-time market entry triggers.

Conclusion: H_{02} is **rejected**; socio-demographic and psychographic factors significantly influence motivations and information sources.

H_{03}: There is no significant difference between first-time investors and experienced investors in financial literacy, risk tolerance, or behavioral biases.

Table 4.4 Difference in Financial Literacy, Risk Tolerance, Behavioral Biases

Variable	Group	N	M	SD	t	p	Interpretation
Financial Literacy	FTIs	150	62.5	10.3	–4.12	.001	Experienced investors have higher literacy
Risk Tolerance	FTIs	150	48.2	11.4	–3.78	.001	Experienced investors have higher tolerance
Behavioral Bias Score	FTIs	150	3.42	0.64	4.01	.001	FTIs show higher susceptibility to biases

Analysis: Independent samples t-tests and Mann–Whitney U tests compared FTIs (N = 150) and experienced investors (N = 150).

Conclusion: H_{03} is **rejected**; FTIs differ significantly from experienced investors in financial literacy, risk tolerance, and behavioral biases.

H_{04}: Perceived usefulness, ease of use, and platform preferences do not significantly affect trading intensity among first-time investors.

Table 4.5 Technology Adoption Effects on Trading Intensity

Predictor	B	SE B	β	t	R^2	p	Interpretation
Perceived Usefulness	0.29	0.09	.22	3.22	0.28	.002	Positively predicts trading frequency
Ease-of-Use	0.31	0.08	.24	3.88	0.28	<.001	Increases trading intensity
Platform Preference	0.27	0.09	.19	3.00	0.28	.003	Choice of platform influences activity

Analysis: Multiple regression with trading intensity as the dependent variable; perceived usefulness, ease-of-use, and platform preference scores as predictors.

Results: Model explained 28% variance ($R^2 = 0.28$, $F(3,146) = 18.9$, $p < .001$). Perceived ease-of-use ($\beta = 0.31$, $p < .01$) and platform preference ($\beta = 0.27$, $p < .01$) significantly predicted trading intensity.

Conclusion: H_{04} is **rejected**; technology adoption factors significantly influence trading intensity among FTIs.

9. Summary of Findings

- Logistic regression indicated that perceived ease-of-use of trading apps significantly predicted the likelihood of being a first-time investor ($B = 0.63$, $SE = 0.18$, Wald $\chi^2 = 12.45$, $OR = 1.32$, $p < .01$). This means that for every one-unit increase in perceived ease-of-use, the odds of becoming an FTI increased by 32%. User-friendly interfaces thus play a decisive role in encouraging market entry.
- Correlation analysis showed that social influence was positively associated with trading intensity ($r = 0.41$, $p < .01$). Regression analysis further revealed that social influence explained 17% of the variance in trading frequency ($R^2 = 0.17$, $F(1,148) = 25.30$, $p < .01$). In practical terms, stronger exposure to peers and financial influencers significantly increased trading activity among young FTIs.
- An independent samples t-test revealed a significant difference in financial literacy between FTIs ($M = 62.5$, $SD = 10.3$) and experienced investors ($M = 70.8$, $SD = 9.6$), $t(298) = –4.12$, $p < .01$. Experienced investors scored on average 8.3 points higher, indicating that young FTIs generally lack the literacy needed for informed investing.
- Multiple regression analysis confirmed that risk tolerance significantly predicted equity allocation ($B = 0.47$, $\beta = 0.45$, $t = 5.22$, $p < .001$). Risk tolerance explained 21% of the variance in equity exposure, showing that investors with higher risk appetite allocated substantially larger portions of their portfolios to equities.

10. Discussion

The findings highlight how technology, social influence, and literacy interact to shape the behavior of young FTIs in post-COVID India.

Technology Adoption: The strong effect of app usability supports the Technology Acceptance Model (Davis, 1989) and confirms Rajesh and Sinha (2021), who found that ease-of-use drives youth participation in mobile trading.

Social Influence: Results align with behavioral finance literature on herding (Barberis & Thaler, 2003; Statman, 2019), showing that peers and influencers can significantly amplify speculative behavior.

Financial Literacy: The literacy gap between FTIs and experienced investors contradicts global findings (e.g., Lusardi & Mitchell, 2014), where younger generations often show improvements due to digital access. In India, lower literacy among FTIs may explain their greater vulnerability to overtrading.

Risk Tolerance: The positive association between risk tolerance and equity allocation is consistent with Grable and Lytton (1999), reinforcing that willingness to take risk translates into higher equity exposure.

Moderation by Literacy: The buffering effect of literacy on peer pressure suggests that education can reduce herd-driven speculation, echoing calls by SEBI and World Bank (2021) for stronger investor education initiatives.

Generalization Limits: These findings should be interpreted with caution. The sample is skewed toward urban, digitally connected youth and may not fully capture rural or state-level variations. The cross-sectional design prevents causal inference, limiting our ability to determine whether these patterns persist over time.

Actionable Recommendations:

- **Educators:** Integrate financial literacy modules into college curricula and workplace training, focusing on risk management and diversification.
- **App Developers:** Incorporate "literacy nudges" such as diversification alerts, risk warnings for derivative trades, and gamified tutorials to build informed participation.
- **Policymakers:** Strengthen SEBI's investor awareness campaigns, mandate clearer disclosure dashboards in trading apps, and explore regulatory safeguards against excessive gamification.

11. Limitations

- This study has several limitations. First, the sample, while diverse, was concentrated in urban and semi-urban regions, with limited representation from rural areas and certain Indian states. This constrains the generalizability of the results to the broader population of Indian investors.
- Second, the reliance on **self-reported data** introduces the risk of bias. Respondents may have overestimated their financial literacy or underreported speculative behavior due to social desirability, potentially distorting some findings.
- Finally, the cross-sectional design captures behavior at a single point in time, preventing conclusions about long-term investment sustainability or causal relationships. Longitudinal research would be needed to assess whether FTIs continue investing or exit the market after initial enthusiasm fades.

12. Conclusion

This study shows that the COVID-19 pandemic acted as a catalyst for a sharp rise in young and first-time investors (FTIs) in India. Their participation has been shaped by the convenience of mobile trading apps, the influence of peers and financial influencers, and their individual levels of risk tolerance and financial literacy.

The results confirm that technology adoption (ease-of-use) and social influence strongly predict entry and trading intensity, while financial literacy and risk tolerance shape portfolio decisions. Importantly, financial literacy moderates speculative behavior, highlighting its protective role against herd-driven overtrading. Compared to experienced investors, FTIs remain less financially literate and more susceptible to social influence, raising concerns about their long-term wealth outcomes.

These findings reinforce existing theories in behavioral finance and technology adoption, while also identifying gaps specific to the Indian context. They suggest that digital access alone is insufficient; without adequate literacy, young investors risk speculative losses rather than sustainable wealth creation.

In practical terms, this research calls for **collaborative action**:

- **Educators** should embed financial education in formal curricula to better prepare youth for market participation.
- **App developers** must integrate responsible design features—such as diversification prompts and risk alerts—to guide novices.
- **Policymakers and regulators** should expand awareness campaigns, enforce transparency standards for apps, and discourage excessive gamification that may mislead inexperienced investors.

While the study highlights important behavioral patterns, its generalizability is limited by sample composition and reliance on self-reported data. Future research should adopt longitudinal designs and include more diverse samples to

capture regional and rural investor dynamics. Overall, this research contributes to behavioral finance and digital adoption literature by providing an evidence-based picture of India's new generation of investors. If supported by targeted education, ethical platform design, and proactive policy, the rise of FTIs can evolve from a short-term speculative surge into a foundation for **long-**term financial inclusion and sustainable wealth creation.

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