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Investment Patterns of Youth: A Systematic Review of Trends, Influencing Factors, and Challenges

Rakshanda Dhanda[1], Prof. (Dr.) Harsh Purohit[2]

[1]Research Scholar, Banasthali Vidyapith, Niwai (Rajasthan) Pin Code- 304022
[2]Professor, Dean FMS- WISDOM, Banasthali Vidyapith, Niwai (Rajasthan) Pin Code- 304022
Email id- dhandarakshanda@gmail.com

ABSTRACT

Young people's investment choices have changed dramatically as a result of socioeconomic conditions, financial literacy, and technology improvements. This study looks at the body of research on youth investing patterns, emphasizing important trends, determinants, and obstacles. The study examines how risk perception, digital investment platforms, and financial literacy influence the choices made by young investors. Major issues including market instability, a lack of disposable income, and a lack of financial literacy are also highlighted in the survey. Research gaps are identified and future initiatives are suggested via a thematic assessment of studies conducted over the last ten years. The results show that peer pressure, digital accessibility, and financial stability are the main factors influencing young investing. Recommendations for legislators and financial educators to increase young people's involvement in wealth accumulation are included in the review's conclusion.

Keywords: Investment Behavior, Financial literacy, Risk Preferences, Youth investment trends

1. INTRODUCTION

Youth investment behavior has undergone a paradigm shift, especially in the years following the epidemic. Today's youth are more interested in equities, mutual funds, and digital assets than in more conventional investment options like gold and fixed deposits, which were preferred by older generations. Social media influence and the increasing availability of online trading platforms have sped up financial engagement. However, fear of danger, economic uncertainty, and a lack of financial expertise still prevent active investing. The objective of this review is to identify trends, obstacles, and influencing factors by synthesizing the body of research on youth investment patterns. Through an analysis of research conducted over the past ten years, the article offers a thorough grasp of how young people interact with financial markets. The results will also help shape suggestions for raising young people's knowledge of investments and financial literacy.

A number of economic and behavioral theories impact investment choices. The behavioral finance theory describes how psychological biases such as herd mentality and overconfidence affect financial decisions. According to the risk-return trade-off theory, younger investors who are more willing to take on risk choose stocks and cryptocurrencies over safer alternatives. According to the Theory of Planned Behavior, attitudes, social influences, and perceived control all play a role in investment decisions. Prospect Theory also explains why young people may be reluctant to take financial risks since they are more loss-averse. It is easier to analyze why younger investors behave differently from older generations when one is aware of these notions. Inconsistent investment methods are frequently the result of the interaction between emotional biases and logical decision-making. A conceptual basis for comprehending youth investment patterns is given in this section.

2. ANALYSIS OF LITERATURE

2.1 TRENDS IN YOUTH INVESTMENT BEHAVIOR

Youth investment choices have clearly changed during the past ten years. Research shows that Gen Z and millennials are more interested in bitcoin, mutual funds, and stock markets than are older generations. The emergence of social media financial influencers has increased accessibility to investment knowledge. Because digital investment platforms like Groww, Robinhood, and Zerodha have made trading easier, more young investors are participating. Long-term investing has increased after COVID because the need to build wealth has been brought to light by economic uncertainty. Research indicates that although young people are keen to invest, they frequently lack in-depth knowledge of the market. Programs for financial education and awareness need to be developed in light of this tendency.

2.2 FACTORS INFLUENCING INVESTMENT DECISIONS

Youth investment behavior is influenced by economic, societal, and personal factors. Risk tolerance, financial literacy, and income stability are examples of personal characteristics. Investment preferences are greatly influenced by social variables, including media exposure, family history, and peer pressure. The kind of assets that young people desire are determined by economic factors such as market developments, inflation, and interest rates. Numerous studies demonstrate that investors with greater financial literacy are more confident, whereas those with less information are reluctant to enter high-risk markets. Additionally, investing has become more accessible due to the advent of user-friendly mobile investment apps. Financial institutions and educators can better customize investment products and programs for young investors by having a better understanding of these impacts.

2.3 BARRIERS TO YOUTH INVESTMENT

Even though financial markets are becoming more popular, a number of obstacles restrict young people from making active investments. Because many young people receive little to no formal instruction on investment methods, the biggest obstacle continues to be a lack of financial awareness. Risk-averse people avoid investing in the stock market because they are afraid of market volatility and possible losses. Further limiting investing choices are financial limitations such student loan debt and a lack of spare income. Another factor contributing to low participation rates is psychological hurdles, such as mistrust of financial institutions and fear of frauds. Simplified financial literacy initiatives and increased regulatory openness may be able to assist in overcoming these obstacles, according to research. Reducing these obstacles is essential to encouraging young people to be financially conscious.

2.4 ROLE OF FINTECH & DIGITAL INVESTMENT PLATFORM

Young people's investment behavior has been completely transformed by the emergence of financial technology, or FinTech. Stock investments are now more reasonable thanks to commission-free trading provided by digital platforms like Zerodha, Upstox, Groww, and Robinhood. The incorporation of robo-advisors and AI-driven insights has also made investing easier. According to studies, people between the ages of 18 and 35 are now much more involved in investing solutions that prioritize mobile devices. New investors, however, face difficulties due to legal gaps, false financial advice, and worries about data security. Research shows that competent financial education is necessary to avoid making rash or ignorant trading decisions, even while digital platforms are convenient.

3. RESEARCH GAPS & FUTURE DIRECTIONS

Even with a wealth of data on teenage investment habits, several topics are still not well understood. The long-term financial effects of young people's early investing behaviors are not well documented. Given that research indicates women are generally more risk averse than males, more research is necessary to fully understand how gender influences investing behavior. Furthermore, nothing is known about how cryptocurrencies and decentralized finance (DeFi) platforms affect young investors. Future research ought to concentrate on the emotional and psychological aspects that influence investment choices. Policymakers and educators may create more successful financial education initiatives by having a better understanding of these gaps.

4. CONCLUSION

In this review, important trends, determinants, and obstacles affecting youth investing patterns are highlighted. Due to technological improvements and increased financial literacy, research indicates that young investors are increasingly using equities, mutual funds, and digital assets. However, obstacles such a lack of financial literacy, apprehension about market dangers, and budgetary limitations prevent broad involvement. FinTech platforms' role has been revolutionary, but they need more stringent regulation. Improving policy frameworks and implementing focused financial education initiatives can empower young investors. To determine how early financial practices affect long-term wealth building, future research should concentrate on longitudinal studies.

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