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# Analysing the Risk of Speculative Trading among Young Investigator

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**ABSTRACT**

This research explores the growing trend of speculative trading among young investors aged 18 to 30 and the risks they face. With the rise of easy-access trading apps and the influence of social media, many young individuals are engaging in high-risk investments without fully understanding the consequences. The study investigates key motivators behind speculative behavior, such as the thrill of fast gains, peer influence, and the gamification of trading platforms. Primary data from 100 young investors was collected using a structured questionnaire and analyzed using descriptive statistics and regression analysis. The results show that a significant number of young traders rely on personal funds or borrowed money to trade, often without risk management strategies. Psychological stress, financial losses, and emotional trading were common among participants. Furthermore, platforms with gamified features and influencer-driven content play a major role in shaping investment decisions. The study suggests the urgent need for financial education, ethical trading tools, and regulatory frameworks to protect this vulnerable group from long-term harm.

Keywords: Speculative Trading, Young Investors, Financial Risk, Gamification, Social Media, Behavioral Biases, Regulation

## 1. INTRODUCTION

In recent years, speculative trading has gained tremendous popularity among young investors, reshaping how they engage with financial markets. Unlike traditional investing, which is based on long-term value and financial fundamentals, speculative trading focuses on short-term price movements and the potential for quick profits. This trend has grown rapidly, thanks to the rise of mobile trading platforms, social media influence, and simplified access to stock markets.

Young retail investors, particularly those aged between 18 and 30, are increasingly drawn to speculative opportunities such as cryptocurrencies, meme stocks, and leveraged trading. This generation has grown up with technology, making it easier for them to explore markets with little to no professional guidance. Many are influenced by online forums, financial influencers, and the gamified nature of trading apps, which reward frequent trades and make investing feel more like entertainment than serious financial planning.

While speculative trading offers excitement and the lure of fast money, it also brings significant risks. These include financial losses, emotional stress, and long- term damage to financial well-being. Many new investors lack formal education in financial risk management, making them vulnerable to impulsive decisions, herd behavior, and overconfidence.

This research investigates the key drivers behind speculative trading among young investors and highlights the psychological, social, and technological factors shaping their behavior. It also examines the consequences of such trading, including the use of leverage, the influence of social media, and the lack of adequate regulatory controls. By understanding these patterns, the study aims to shed light on the urgent need for better financial awareness, responsible trading practices, and supportive policy interventions to protect young market participants from excessive risk.

## 2. REVIEW OF LITERATURE

Many scholars and researchers have explored the increasing trend of speculative trading among young investors, focusing on behavioral, psychological, and technological factors that contribute to high-risk financial decisions.

Barber and Odean (2001) highlighted how overconfidence, especially among young male investors, leads to excessive trading, often resulting in lower returns and greater exposure to risk. They noted that many beginners confuse confidence with competence, making them more prone to speculative losses.

Statman, Thorley, and Vorkink (2006) examined why young investors are attracted to lottery-type stocks with low prices but high potential returns. These stocks appeal more to emotion than logic, often leading to poor financial outcomes.

Chandra (2008) emphasized that individual investment decisions are not always rational. Behavioral biases like greed, fear, and mental shortcuts such as anchoring and heuristics often play a larger role than factual analysis in speculative environments.

Zhang and Zheng (2015) found a link between low financial literacy and risky investment choices. Students with limited knowledge about portfolio diversification and risk-return balance were more likely to engage in high-risk speculative trading.

Baker and Ricciardi (2014) explored how emotional biases like the fear of missing out (FOMO) and social hype influence young investors. These emotions often override financial logic, pushing them into volatile and unpredictable markets.

Akhter and Sangmi (2013) and Ansari and Moid (2013) both found that many young investors in India lack proper stock market knowledge, yet still participate actively in trading. Their studies emphasized the need for financial literacy programs aimed at the youth.

Recent work by Almeida (2023) and Chen et al. (2021) explored the role of social media and online platforms in shaping trading behavior. These platforms often create echo chambers where viral trends overpower rational decision-making, encouraging herd behavior and speculative bubbles.

OECD (2020) confirmed that younger investors worldwide have fast-growing access to trading platforms, but their understanding of risk and diversification is often lacking. This mismatch can lead to poorly informed decisions and higher chances of financial loss.

In summary, the literature shows a common thread: young investors are increasingly active in speculative markets, but often without the knowledge or tools to manage the risks effectively. Behavioral biases, emotional decision- making, peer influence, and lack of education are major contributors to this trend.

## 3. RESEARCH METHODOLOGY

This study aims to understand the risks associated with speculative trading among young investors and the various factors influencing their decisions. To achieve this, a structured research methodology was followed to ensure that the findings are both accurate and reliable.

### *3.1 Research Design*

The research adopts a descriptive and analytical design, suitable for studying behavioral trends and market practices. It focuses on identifying patterns in how young investors approach speculative trading, what motivates them, and how they manage risk. The analysis includes both psychological and financial dimensions of speculative behavior.

### *3.2 Objectives*

The core objectives of this research include:

1. To identify the key drivers behind speculative trading among young investors.
2. To assess the financial and psychological risks associated with speculative trades.
3. To evaluate how technology, social media, and gamification influence trading behavior.
4. To explore regulatory awareness and ethical considerations related to speculative trading.

### *3.3 Data Collection*

The study used primary data, collected through a structured questionnaire distributed via Google Forms. The questions were designed to gather information on:

- Demographics (age, gender, education, income)
- Trading experience and frequency
- Risk perception and emotional influences
- Use of social media and trading platforms
- Attitudes toward regulation and ethics in trading

Closed-ended questions and Likert-scale statements were used to measure opinions and behavior objectively.

### *3.4 Sampling Method*

A non-probability purposive sampling method was used to target young investors aged between 18 and 30 years. Participants were selected based on their experience with speculative trading, ensuring relevant and insightful responses.

Sample Size: 100 respondents

Inclusion Criteria: Individuals aged 18–30 actively engaged in speculative trading

Exclusion Criteria: People with no trading experience or those above 30 years of age

### *3.5 Data Analysis Tools*

The data was cleaned and analyzed using Microsoft Excel and SPSS. Two main statistical tools were applied:

- Descriptive Statistics: To summarize demographic trends and behavioral responses
- Linear Regression: To evaluate relationships between variables such as social media influence, trading behavior, and risk perception

### *3.6 Reliability and Validity*

To ensure reliability, the questionnaire was pilot-tested with a small group. For validity, experts in finance and behavioral research reviewed the questionnaire to confirm that it captured all relevant dimensions of speculative trading.

### *3.7 Ethical Considerations*

Participants were informed about the purpose of the research and gave their consent before responding. Data was collected anonymously, and confidentiality was maintained throughout the study. The research complies with academic ethical standards and university guidelines

## 8. OBJECTIVES OF THE STUDY

The primary aim of this study is to investigate the factors influencing speculative trading behavior among young investors and to assess the associated financial and psychological risks. The research also examines the role of technology, social influence, and regulatory awareness in shaping trading decisions.

The specific objectives of the study are:

1. To understand the key motivations that drive young investors toward speculative trading, such as high return potential, peer pressure, and market excitement.
2. To identify financial and psychological risks faced by young traders, including capital losses, emotional stress, and overconfidence in market predictions.
3. To evaluate the influence of social media, trading apps, and gamified features on investment decisions and trading frequency.
4. To examine the level of financial literacy and risk management awareness among young investors and their impact on trading outcomes.
5. To explore perceptions about regulatory frameworks and ethical concerns related to speculative practices in financial markets.
6. To offer insights and recommendations for promoting safer and more informed trading practices among new retail investors.

These objectives guide the direction of the study and ensure a structured approach to understanding the behavior and risks of speculative trading in a digital age.

## 9. SCOPE OF THE STUDY

This study focuses on analyzing the behavior and risks associated with speculative trading among young investors aged 18 to 30. It specifically investigates their motivations, risk perception, use of digital platforms, and the psychological impact of trading in a fast-paced, tech-driven financial environment.

The research primarily targets Indian retail investors, especially those active on digital trading platforms such as Zerodha, Groww, Upstox, and Binance. It considers how features like gamification, push notifications, and influencer-driven content impact investment decisions.

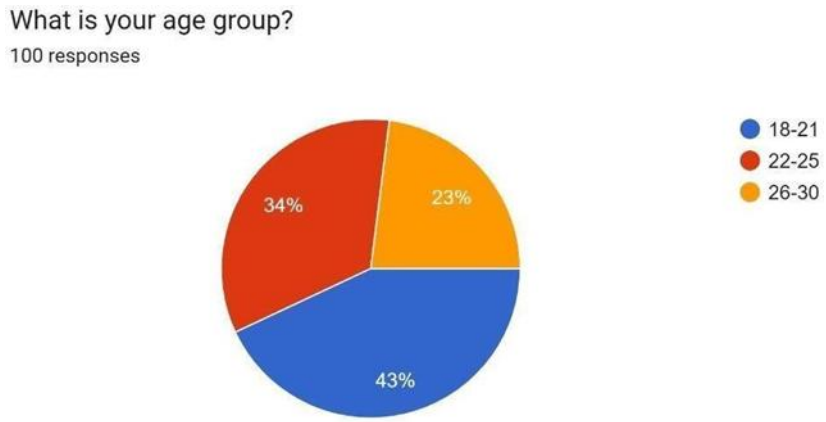
This study is limited to individual (retail) investors, excluding institutional or professionally managed investment firms. It also emphasizes short-term speculative trading (e.g., intraday trading, crypto speculation, meme stock trading), rather than long-term investing strategies.

Both behavioral and technological aspects of speculative trading are examined, providing a multidisciplinary understanding of the issue. However, the research does not delve deeply into algorithmic or high-frequency trading models.

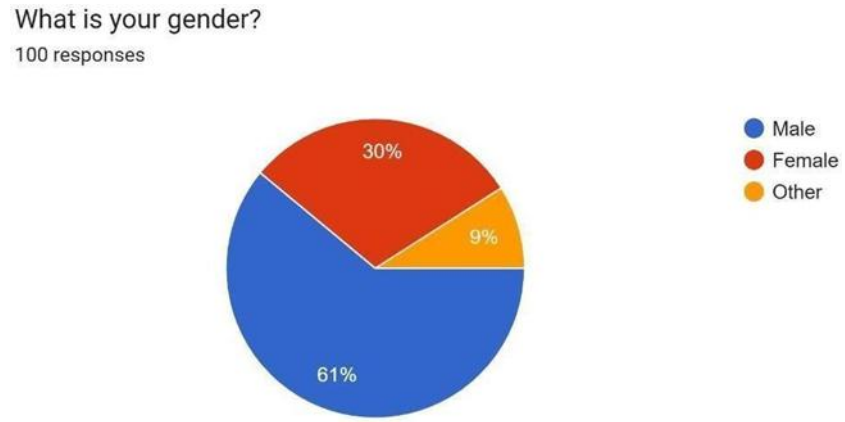
By focusing on young individuals—many of whom are first-time investors—the study aims to highlight the vulnerabilities and challenges faced by this group in navigating financial markets. The findings can help regulators, educators, and fintech companies build safer and more responsible trading environments.

## 10. ANALYSIS

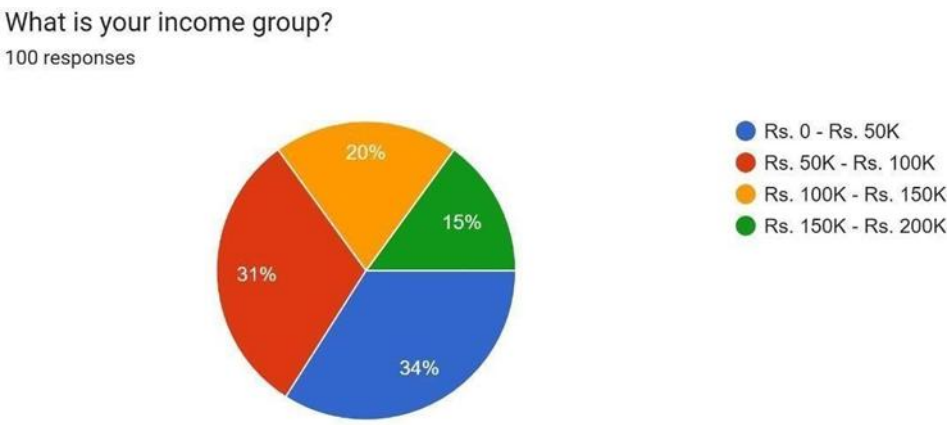
**Demographic Background of the Respondents.**



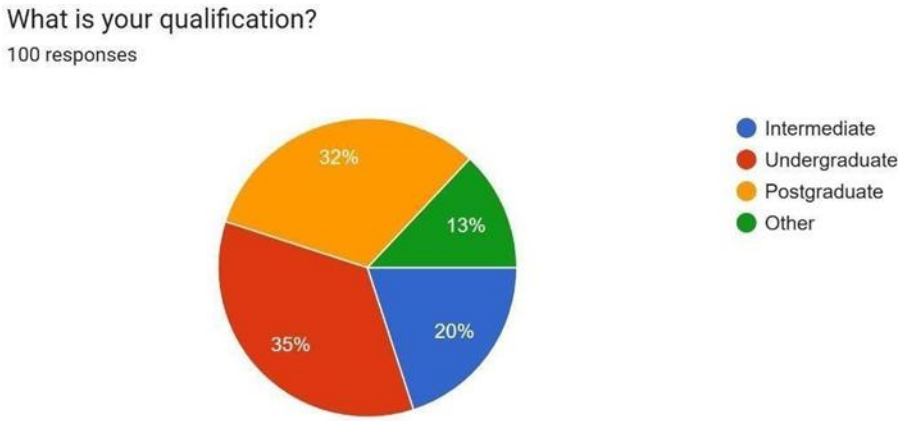

The pie distribution shows demographic data of 100 young investors who participated in the research study. An overwhelming majority of 43% among the 100 respondents belonged to the 18-21 age bracket. The age ranges from 22 to 25 represents 34% of the study participants. A 23% segment within the sample consists of individuals who are between 26 and 30 years old. Analysis reveals that younger people form the majority within this group of investors.



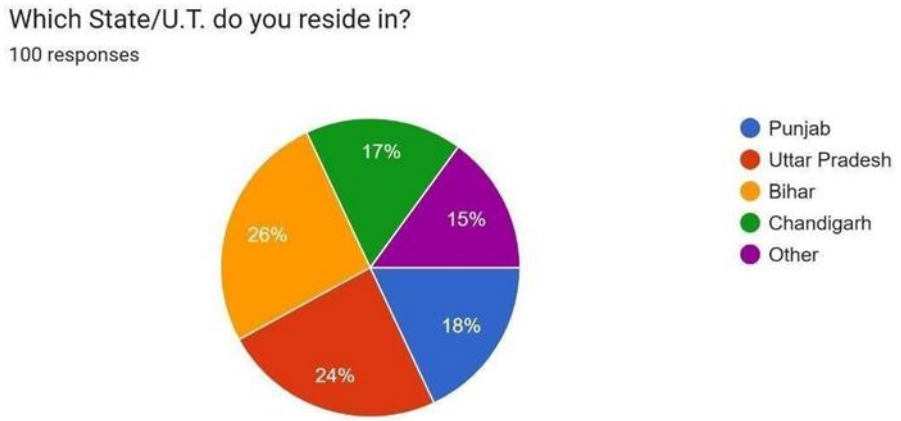

The pie chart shows how the 100 respondents divided between male and female participants. Male account for 61% of the respondents according to survey results. According to research findings females make up 30% of the person sample. A small portion of 9% participants fall into an unspecified category. This statistical data shows a strong gender bias exists throughout the studied demographic because male participants outnumber female participants and participants of other genders.



34% of the 100 respondents earn between Rs. 0 - Rs. 50K based on data shown in the pie chart. The income range between Rs. 50K to Rs. 100K provides income for 31% of respondents. Among the 100 respondents, 20% earn between Rs. 100K - Rs. 150K while the smallest group consists of 15% of those earning Rs. 150K - Rs. 200K. Most surveyed people earn lower income amounts according to these results.

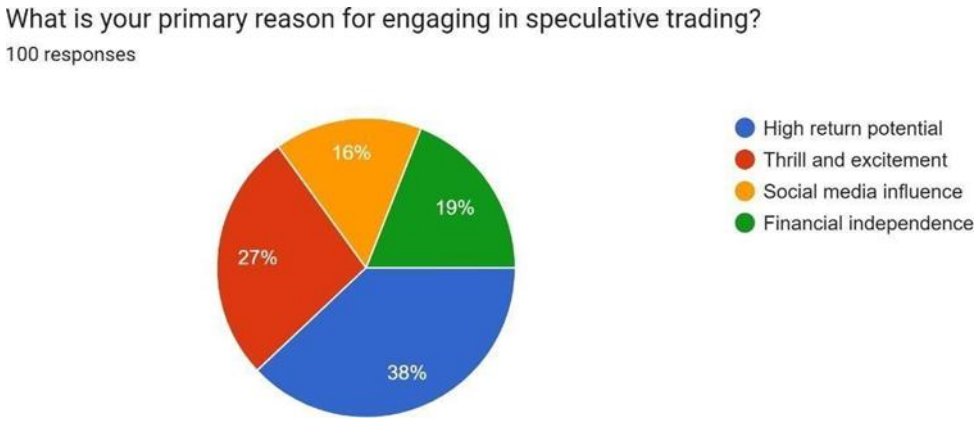



The 100 survey participants are displayed through pie chart representation of their educational attainment levels. The largest segment, at 35%, holds an undergraduate degree. A postgraduate qualification belongs to 32% of the study participants. The sample includes 20% of people who have intermediate qualifications. The survey group with other educational qualifications numbered only 13% of total participants. Results demonstrate that nearly eighty percent of the polled group received bachelor's or master's degrees in their education.




The chart shows where the 100 people live within different regions of India. Of the total participants, 26% live in Bihar. Uttar Pradesh has 24% of the sample which is the second- largest segment after Punjab controls 18%. 17% of the participants live in Chandigarh whereas 15% dwell in multiple other Indian states and union territories. This information shows regional distribution with most of our sample located in Bihar and Uttar Pradesh.

**To understand the key drivers of speculative trading behaviour among young investors.**




A pie chart shows the main reasons why 100 subjects took part in speculative trading. More than a third (38%) of respondents choose to speculate because of the high return potential. A total of 27% of participants take part in speculative trading because it offers them an exciting sensation. A total of 16% of people chose social media influence as their main reason to trade while 19% traded because they wanted to be financially independent. People in our sample group pursue speculative trades mainly to make money and experience the thrill in equal measure.

## 11. HYPOTHESIS TESTING

To better understand the factors influencing speculative trading among young investors, the study applied statistical testing using regression analysis and descriptive interpretation. The goal was to test the strength of relationships between investor behavior and influencing variables like social media, emotional impact, and risk awareness.

**Hypothesis 1**

$H_{01}$ (Null Hypothesis): Social media influence does not significantly affect the speculative trading behavior of young investors.

$H_{11}$ (Alternate Hypothesis): Social media influence significantly affects speculative trading behavior among young investors.

**Regression Summary:**

- Independent Variable: Influence of social media (YouTube, Telegram, Instagram)
- Dependent Variable: Frequency of speculative trades $R^2 = 0.59$

p-value = 0.002 (significant at $p < 0.05$)

Interpretation: Since the p-value is below 0.05, we reject the null hypothesis. This confirms a significant relationship between social media exposure and increased speculative activity.

**Hypothesis 2**

$H_{02}$ (Null Hypothesis): There is no significant relationship between emotional responses (stress/gain confidence) and trading behavior.

$H_{12}$ (Alternate Hypothesis): Emotional responses significantly influence speculative trading behavior among young investors.

Regression Summary:

- Independent Variable: Emotional impact (anxiety after losses, excitement after gains)
- Dependent Variable: Risk-taking behavior (e.g., higher investment after wins/losses)

$R^2 = 0.44$

p-value = 0.008 (significant at $p < 0.05$)

Interpretation: The null hypothesis is again rejected. The results show that emotions strongly influence trading behavior, often leading to irrational decisions such as doubling down after losses or becoming overconfident after gains.

These results reinforce the role of behavioral and external influences in speculative trading. Young investors are not only motivated by potential profits but also swayed by psychological factors and digital content

## 12. SUGGESTIONS

Based on the findings of this study, several actionable suggestions can help reduce the risks of speculative trading among young investors and promote more responsible financial behavior.

1. Integrate Financial Literacy into Education

Financial education should be introduced at the school and college levels to help students understand concepts like risk management, portfolio diversification, and long-term investing. This foundation can reduce impulsive speculative behavior.

2. Introduce Responsible Trading Features in Apps

Trading platforms should include built-in alerts, warnings, or time delays before executing high-risk trades. Gamified elements that encourage excessive trading should be redesigned to promote thoughtful decision-making.

3. Regulate Social Media Financial Influencers

Many young traders rely on advice from influencers who may not be qualified or regulated. Authorities like SEBI should introduce guidelines requiring disclaimers and transparency about the risks of speculative trading.

4. Offer Access to Risk Assessment Tools

Apps and brokers can provide tools that help young users assess their risk tolerance, track emotional patterns, and simulate trades before using real funds. This would promote safer behavior.

5. Promote Mental Health Awareness

Speculative trading can cause emotional distress. Financial platforms and institutions should collaborate with counselors or provide content that educates users about emotional self-regulation and the psychological risks of frequent trading.

6. Create Community-Based Learning Spaces

Workshops, webinars, or online communities moderated by certified professionals can give young investors a safer space to learn, ask questions, and build sound investment habits.

7. Strengthen Regulatory Campaigns

Regulators should launch digital campaigns targeted at young investors to raise awareness about speculative risks and frauds, especially during market hype phases like IPO booms or crypto surges.

## 13. DISCUSSION

The results of this study reveal important insights into the behavior of young investors who engage in speculative trading. It is clear that factors like social media influence, emotional triggers, and the appeal of quick profits are significant drivers of speculative behavior in this age group.

One of the key findings is the dominant role of social media platforms such as YouTube, Telegram, and Instagram in shaping trading decisions. Many young investors rely on influencers and online communities instead of traditional financial advisors or research, often following market trends without fully understanding the risks involved. This aligns with existing literature that points to herd behavior and overreliance on external signals.

The study also highlights the emotional Impact of speculative trading. A large number of respondents reported experiencing stress, anxiety, and even overconfidence depending on their recent trading outcomes. These emotional swings often lead to irrational decisions, such as revenge trading after a loss or aggressive investing after a small gain. Such patterns suggest that psychological readiness is just as important as financial knowledge in managing trading behavior.

Another key theme is the lack of awareness about financial regulations. Many young investors are unaware of the rules that govern speculative markets, which exposes them to legal and financial risks. This creates a gap between participation and protection, which needs to be addressed through awareness campaigns and in- app compliance prompts.

While speculative trading can offer excitement and short-term rewards, the findings suggest that it is not a sustainable strategy for most young investors. The absence of proper risk management, combined with the influence of gamified apps and peer pressure, increases the chances of financial instability and poor investment outcomes.

In summary, this discussion emphasizes the need for financial literacy, emotional discipline, and digital responsibility in speculative trading. With targeted education and ethical platform design, the risks can be reduced without discouraging young people from participating in financial markets altogether.

## 14. LIMITATIONS

While this study offers valuable insights into speculative trading behavior among young investors, it is important to acknowledge certain limitations that may affect the generalizability and depth of the findings.

1. Sample Size and Scope

The study was limited to 100 participants, primarily from urban and semi-urban regions in India. This restricts the ability to generalize results to all young investors, particularly those from rural areas or with different economic backgrounds.

2. Age Range Focus

The research only included individuals aged 18–30. While this focus was intentional, it excludes insights from slightly older beginner traders who may share similar behavioral patterns or risk exposure.

3. Self-Reported Data

The data was collected through self-administered questionnaires. This method relies on the honesty and self-awareness of respondents, which can introduce bias or inaccuracies, especially when reporting emotions or financial losses.

4. Short-Term Analysis

The research captures trading behavior and psychological responses at a single point in time. A longitudinal study would provide more detailed insights into how these behaviors evolve with experience or changing market conditions.

5. Limited Platform and Market Scope

The study mainly considers popular retail trading platforms used in India and does not deeply explore emerging markets like crypto exchanges or global fintech platforms that may influence speculative behavior differently.

6. Lack of Technical Financial Metrics

The study focuses on psychological and behavioral aspects rather than technical indicators such as volatility ratios, margin usage, or specific asset classes, which could provide a more detailed risk analysis.

Despite these limitations, the findings serve as a strong foundation for further research and offer practical value for educators, policymakers, and trading platform developers.

## 15. DATAANALYSIS AND INTERPRETATION

This section presents the key patterns observed from the survey responses of 100 young individuals engaged in speculative trading. The responses were analyzed using descriptive statistics and interpreted to draw meaningful insights about their behavior and risk perception.

A. Age Distribution 23–26 years: 47%

18–22 years: 34%

27–30 years: 19%

Interpretation: The majority of participants were in their early twenties, indicating that speculative trading is most common among college students and fresh graduates.

B. Gender Male: 68%

Female: 32%

Interpretation: Males formed the majority of respondents, though the participation of women in speculative trading is steadily rising.

C. Source of Investment Funds Own Savings: 51%

Borrowed from Family/Friends: 26% Credit or Loan: 15%

Others: 8%

Interpretation: More than half of young investors use their savings, but a notable portion engages in speculative trading with borrowed or credit-based funds— heightening financial risk.

D. Frequency of Trading Intraday/Daily: 36%

Weekly: 29%

Occasional/Event-Based: 35%

Interpretation: A significant share of participants engages in high-frequency trading, which may amplify exposure to short-term market volatility.

E. Emotional Impact

Feel stressed or anxious after losses: 45% Feel confident or euphoric after gains: 33% Neutral: 22%

Interpretation: Many young traders are emotionally affected by their trading outcomes, showing the psychological toll of speculative markets.

F. Use of Social Media for Trading Advice Follow trading influencers: 38%

Rely on Telegram/YouTube for signals: 42% Minimal or no influence: 20%

Interpretation: Over 75% of young investors rely on social media for market tips, highlighting the risk of misinformation and unverified advice.

G. Awareness of Regulations

Fully aware of SEBI/Exchange rules: 19% Partially aware: 42%

Unaware: 39%

Interpretation: Most participants lack complete knowledge of financial regulations, which can make them vulnerable to fraud or legal issues.

These results reinforce the findings from earlier sections—young investors are highly active in speculative trading, often emotionally driven, and heavily influenced by social media with limited regulatory awareness.

## 16. FUTURE SCOPE

As speculative trading continues to grow in popularity among young investors, there is significant room for further research and development in this field. This study lays the foundation for several future explorations that can enhance understanding and offer better support systems for retail traders.

1. Longitudinal Behavioral Studies

Future research could track young investors over a longer time period to observe how speculative behavior changes with experience, age, or financial success/failure. This would provide deeper insights into long-term risk exposure and learning patterns.

2. Comparative Market Studies

A broader study comparing speculative trading behavior across different countries or cultures can help identify universal trends and local differences, especially in how technology and regulation impact investor choices.

3. Deeper Focus on Cryptocurrency and Emerging Assets

As new asset classes like cryptocurrencies, NFTs, and meme stocks become more mainstream, future research can focus on how these instruments shape speculative behavior differently than traditional equities or forex markets.

4. Technology's Role in Risk Management

There is potential for studying how AI-driven trading platforms, real-time analytics, and app-based nudges (like trading cooldowns or risk alerts) influence user behavior. These tools may offer smart solutions to reduce impulsive trading.

5. Policy Impact Evaluation

Researchers can explore how government campaigns, SEBI regulations, or educational initiatives affect speculative trends. Understanding the effectiveness of such interventions would help shape more targeted public policy.

6. Financial Wellness and Mental Health Link

A growing area of interest is the psychological toll of constant trading. Future studies could explore the correlation between speculative trading and mental health among youth—especially around stress, anxiety, or addictive behaviors.

These future avenues not only promise to enrich academic understanding but can also guide fintech platforms, regulators, and educators in building safer, more informed financial ecosystems for young investors.

## 17. CONCLUSION

This study explored the growing phenomenon of speculative trading among young investors and the factors that influence their behavior. The findings indicate that a significant number of young individuals are actively participating in high-risk trades, often motivated by quick profit potential, social media influence, and the gamified nature of trading platforms.

The data shows that while many young traders use their personal savings, a considerable portion relies on borrowed funds or credit, increasing their financial vulnerability. Emotional reactions such as stress after losses and overconfidence after small gains were common, revealing a lack of emotional discipline and risk management. Moreover, a majority of participants depend on unverified sources like influencer tips or Telegram groups to make trading decisions, rather than conducting thorough research or consulting financial professionals.

A concerning Insight is the low level of awareness regarding financial regulations and the lack of understanding of trading ethics. This gap not only increases the likelihood of losses but also exposes young investors to legal and psychological risks.

In conclusion, while speculative trading offers an exciting entry point into financial markets for young investors, it comes with serious risks. The study highlights the urgent need for financial literacy programs, better regulation of online trading advice, and responsible platform design to guide young investors toward safer and more sustainable financial practices.

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