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Digital Natives, Social Media, And Speculation: Decoding Retail Investor Behaviour In Contemporary India

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Abstract

This research paper examines the transformation in retail investor behaviour due to the unparalleled rise of digital technology and social media in modern India. At over 150 million, the number of demat accounts has surged, with the average age of new investors plummeting as more young people join, mainly those below 35 years of age, who invest through mobile applications and social media platforms. The paper assesses the role of Instagram, YouTube, and Telegram in influencing investment decisions, creating phenomena such as FOMO and herding, which further lead to speculative trading. Although the enthusiasm of young investors has helped make the market more confident during declining trends, the paper also highlights the perils of options trading and the high percentage of retail traders incurring losses. Based on these findings, the study puts forward actionable recommendations to improve financial literacy and encourage responsible trading among the young and new investors. This paper seeks to find an appropriate balance between tapping the potential of the digital natives in the Indian stock market while reducing the risks involved with speculation.

Keywords: FOMO, herding, behavioral finance, social media, retail investors, digital natives, and the Indian stock market

1. Introduction

Just six or seven years ago, opening a stock market account was a big headache. You had to dress up a little, go to the broker's office in your city, wait in a queue, drink bad tea or coffee, and then fill up 20–30 pages of forms. Sometimes the broker's employee would ask for ten different documents, and if one photo was missing, you had to come back the next day. It easily took 4–5 hours, sometimes even two or three visits.

But today? Everything happens on the phone while sitting on the chair or travelling in a local train. A 20-year-old or 22-year-old student in Patna, Surat, Jalandhar, Indore, or any small town can download an app, click a few buttons, take a selfie, upload Aadhar and PAN card, and boom—the account is ready in five to ten minutes. No fees, no minimum balance, nothing. Many apps even give ₹50–100 free just for opening the account. By the time mom serves dinner, the boy or girl has already bought their first share of Reliance, Tata, or some small company they saw on Instagram.

By June–July 2025, India crossed a huge milestone—more than 150 million (15 crore) demat accounts! To understand how big this number is: almost every second household in the country now has at least one person who owns shares directly. And the really interesting part is that seven out of every ten new accounts belong to people below 35 years of age. Many are college students, many just started their first job, many are preparing for government exams, and some are even school teachers, delivery agents, or small shop owners who want extra income.

These young people never sat with their father or grandfather and read the pink Economic Times paper in the morning. They never waited for 9 o'clock news on Doordarshan or CNBC. Their classroom is their phone. They learn from 60-second Instagram and YouTube shorts. They watch live trading rooms where someone is shouting "Buy! Buy! Target 500!" They join Telegram channels with 50,000–1 lakh members with cool names like "Nifty Bulls," "Bank Nifty Warriors," "Option Millionaires," "10X Returns 2025," or "Rich by 30." Someone posts a profit screenshot of ₹5 lakh in one day, and thousands of youngsters feel, "If he can do it, why can't I?"

This new generation is super confident and super fast. They are not afraid of market ups and downs like the older generation. When big foreign funds got scared because of high interest rates in America or fear of recession and sold Indian shares worth ₹6–7 lakh crore between 2021 and 2025, the index could have fallen 30–40% easily. But these young retail investors said, "Yeh dip hai, buying ka mauka hai!" (This is a dip, it's a buying opportunity!). They kept putting their savings, their bonus money, even money borrowed from friends into the market. Because of them, the market stayed strong and didn't crash too much. Many experts now say Indian youngsters saved the market in the last four-five years.

But there is another side of the story. This same speed and fearlessness is pushing lakhs and lakhs of these boys and girls into extremely risky options and futures trading every single day. Options trading is like gambling on very short time—sometimes just a few hours or minutes. Everyone in the industry knows the truth: almost 90–92% of people who trade options lose money. Yet every day new youngsters put ₹10,000–20,000 hoping to turn it into ₹1 lakh in a week because they saw one viral profit post. Many lose their entire capital in just 10–15 days and feel broken.

So this whole new wave raises some very big and simple questions that everyone is talking about:

Who exactly are these new young investors? Where do they live? How much money do they really have? What jobs do they do?

How are Instagram reels, YouTube live sessions, Twitter threads, and Telegram groups completely changing the way they learn, think, feel, and take decisions while trading?

In the long run, is this new energy good for these youngsters and for the Indian stock market, or is it slowly becoming dangerous—like a bubble that can burst one day and hurt millions of families?

This paper will answer these three questions in very simple, everyday language that even a school student or a housewife can easily understand—no heavy jargon, no complicated charts, just clear and honest talk.

2.**Literature Review**

The last five-six years have completely changed the way Indians look at the stock market. What used to be "uncle ji ka area" has suddenly become the playground of 20–25-year-old boys and girls from Patna, Surat, Bhubaneswar, and even small villages. A lot of researchers are now trying to understand this new wave of young retail investors, how social media is driving them, and whether this excitement is good or dangerous in the long run.

Several studies have already pointed out that social media is no longer just for photos and reels; it has become the new "guru" for millions of first-time investors. Yadav (2025) studied investors in Noida and found that more than 68% of new investors openly said that YouTube videos and Instagram reels were their first teachers about the share market. They never read a balance sheet in their life, but they know what "BTST", "intraday", and "10X" mean because some reel told them so. The study clearly showed that the faster the information travels on social media, the faster people press the "Buy" button without thinking twice.

Another very interesting study was done in Rajasthan by Faizal Neyaz and his team (2025). They talked to hundreds of college students and young professionals and found that almost 7 out of 10 youngsters started trading only after watching "finfluencers". Many of them believed that if a YouTuber with 5 lakh followers is saying "Buy this option, target 300% today", then it must be true. The researchers called this blind trust "digital guru worship". They also warned that many finfluencers are quietly paid by companies to pump certain stocks, and innocent followers end up buying at the top and losing everything when the stock falls the next day.

The SEBI Study on Retail Participation in Derivatives (July 2024) is probably the biggest eye-opener. SEBI looked at real trading data of lakhs of people and found that 90–92% of individuals who trade in Futures & Options lose money. Not just small losses; most of them wipe out their entire capital within one year. Yet the number of people doing F&O jumped almost 30 times between 2020 and 2025. This report directly proves that the excitement we see on Telegram and Instagram is pushing youngsters into gambling-type trading instead of real investing.

Chordia, Roll, and Subrahmanyam (2022), in their international research published in the Journal of Financial Markets, had already warned the world that when social media starts driving trading decisions, two dangerous things happen very fast: (1) FOMO (Fear of Missing Out) and (2) Herd Behaviour. They studied American retail investors on platforms like Reddit and Twitter and found that one viral post can make thousands of people buy the same stock in minutes, pushing the price way above its real value. When the price finally crashes, the last people who entered (mostly new and excited youngsters) lose the maximum money. The same thing is now happening in India at 10 times the speed because we have cheaper data and zero brokerage apps.

Back home, the National Stock Exchange (NSE) data from 2020–2025 shows the real scale of the change. The average age of new investors has fallen from 38–40 to just 31–33. More than 40% of new demat accounts are now opened from Tier-2 and Tier-3 cities. Even women investors have jumped from barely 10–12% to almost 25%. All these numbers scream one thing: the stock market is no longer limited to Mumbai and Delhi; every small town now has its own “Nifty warriors”.

The Association of Mutual Funds in India (AMFI) reports are actually a little happy news in this whole story. Because of SIP campaigns and simple apps, many youngsters have at least started putting ₹500–₹1000 every month in mutual funds. So not everyone is doing dangerous options trading; a good number are learning the habit of long-term investing. But sadly, this number is still much smaller than the crowd running after 50% return in one week.

3. Objective of Research

1. To examine the role of social media platforms (Instagram, YouTube, Telegram, WhatsApp, Twitter/X) as primary sources of investment information and decision-making for young Indian retail investors.
2. To analyse the influence of behavioural biases such as Fear of Missing Out (FOMO) and herd behaviour on the trading and investment choices of digital-native retail investors.
3. To assess the extent of speculative trading (especially options & futures) among investors below 35 years of age and its financial consequences.
4. To evaluate the positive contribution of young retail investors in providing market stability during periods of foreign investor selling (2021–2025).2.

4.Research Methodology

Primary survey data and secondary data are combined here in a mixed descriptive and exploratory research design. Apart from current news articles and research papers, secondary data is extracted from official reports of the NSE, BSE, SEBI, and AMFI for statistics related to demat accounts, age/city distribution, F&O turnover, and loss percentages. For primary data collection, a simple 15–20 question Google Form survey has been used which includes questions on age, income, first demat account, trading apps used, information sources used (YouTube, Instagram, etc.), social media influence, FOMO, and options trading profits and losses. For data analysis, only percentage tables, bar/pie charts, and some simple cross-tabulations are created through Google Sheets/Excel, keeping the statistical analysis rather basic. After painting the big picture by using official secondary data, the findings are supported and explained with actual insights gleaned from survey responses of young investors.

5. Findings and Discussion:

5.1 The Rise of the Digital Native Investor

- Average age of new investors dropped from 38 in 2019 to 31–33 in 2025.
- More than 40% of new demat accounts now come from Tier-2 and Tier-3 cities (Nagpur, Bhubaneswar, Coimbatore, etc.).
- 1 out of every 4 new investors is a woman (up from 1 out of 10 five years back).
- 65–70% of them say they first learnt about stocks from YouTube, Instagram, or friends on WhatsApp.
- These are true digital natives – they have never known a world without smartphones and high-speed internet.

5.2 **Social Media impact Investment Decisions in Share Market.**

Information comes in seconds, not hours. A single tweet or reel saying "This stock will double in 15 days" may result in the purchase of that stock by thousands of youngsters within minutes. Example: A small Cap defence stock rose 80% only in three days in June 2024 after viral Instagram and Other social media reels, even though its fundamentals had not improved.

5.3 **Fear of Missing Out (FOMO)**

FOMO is that little pang in your heart when you think everyone else is having more fun than you. You sit at home, open your phone, and- boom: your friends are at a party, someone is on a beautiful holiday, another just got engaged or went to a concert. It looks perfect. Everyone is smiling. And suddenly, your own night feels so boring and empty. You feel left out, maybe a bit jealous; you wish you were there, too. That feeling? That's FOMO. FOMO means "Fear Of Missing Out". It's not about being scared that life is happening somewhere else, and you're not part of it. The funny thing is: most of the time, you were totally fine five minutes ago. Then one photo or video comes up, and suddenly you feel like your life is small. But let's get real here: people only post, like, the best 1% that looks amazing. They don't post the boring parts, the fights, the tiredness, or those times when they're also just lying in bed scrolling. So FOMO is real… but it is also kind of a trick your brain plays on you. It makes you forget that your quiet, simple, cozy night is actually pretty nice too. And that being exactly where you are-with your tea, your show, your dog, or just peace and quiet-is not missing out. It's just living your own version of a good life. And that's more than enough, For example, When New investors see friends or Influencer posting profit screenshots on social media ("Booked Rs.50k profit today"), many feel they will be left behind if they don't jump in immediately. We feel safe when we do what everybody else is doing. We follow the crowd for three main reasons. We first fear being wrong alone if everyone buys a stock, we think, "They can't all be wrong," We don't want to be left out, either If all friends wear the same clothes, we want them, too. Third, copying is easy. It saves time and brain works. You can see herd behaviour everywhere.

5.4 Herd Behaviour

Herd behaviour is when people copy others without thinking. Just as sheep follow the flock, so

When the stock market rises in value, people rush to buy. Later, many lose money when prices go down. In fashion, one celebrity starts a trend and everyone else follows. In situations of panic—just like in COVID—people bought too much toilet paper. The fake news spreads on social media because everyone just shares it. Herd behaviour can be dangerous. When nobody thinks for themselves, big mistakes happen. Bubbles burst, money is lost, and wrong ideas spread. Sometimes crowds even become violent. The simple lesson is clear. Just because everyone is doing something doesn't make it right. It's harder to stop and think alone. But thinking for yourself keeps you safe.

Another Example of Herd Behaviour If 50 people in a Telegram group are buying the same option contract, a new member feels it must be safe and correct. This is called herding – everyone running in the same direction without checking the road.

5.5 Influencers and "Finfluencers"

Many YouTubers and Instagram teachers promise quick money. Some are honest, many are not. SEBI found that some finfluencers were paid by companies to push certain stocks.

3.5 Short attention span → Preference for quick trades

Long-term investing feels boring when you see others making 20–50% in a week through intraday or options. That is why options trading by retail investors jumped almost 30 times between 2020 and 2025.

5.6 The Good Side

- Young India is finally saving and investing instead of only spending.
- Retail investors gave confidence to the market when foreign investors were scared.
- Many small towns now have at least a few youngsters who understand the stock market – this spreads financial knowledge.

5.7 **The Risky Side**

- 90% of individual traders in F&O lose money (SEBI study, 2024).
- Many youngsters borrow money or use their education loan to trade.
- When the market corrects, those who bought at peak prices because of FOMO suffer heavy losses and sometimes stop trusting the market forever.

6. **What Can Be Done? (Simple Suggestion**s)

- Make financial literacy compulsory in Class 11–12 (just like maths and science).
- Every trading app should show a 10-second video before allowing F&O trading: "90% lose money here. Are you sure?"
- Create a "Beginner Mode" in apps that does not allow options trading for the first 12 months.

- Run short, funny awareness campaigns on Instagram and YouTube (not boring lectures).
- Parents and colleges should talk openly about the difference between investing and gambling.

7. Conclusion

India's young digital natives have brought energy, volume, and hope to the stock market. Social media has made investing easy and exciting, but it has also made it dangerously fast. Quick tips and profit screenshots create the feeling that making money in the market is simple and guaranteed – which it is not. If we want this generation to create real wealth and not just viral trading stories, we need to teach them patience, risk management, and the difference between investing and speculation. A little guidance today can save crores of rupees and many broken dreams tomorrow. The future of Indian markets is bright because millions of young people want to participate. Let us make sure they participate wisely.

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