

# Picking up the investing habit at an early age

Youngsters take to stock markets at a much earlier age than previous generations, give tips to elders

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While the stock market can at times seem to be the only benchmark that the investment-minded care about, the focus on the gyrations of the benchmark index can obscure the low level of actual involvement with the bourses. Only about 2% of India's 1.2 billion population is estimated to trade in shares. But that could change—one sign is the increasing number of youngsters buying and selling shares, most of them using the full range of information sources at their command, thanks to the Internet.

“Youngsters below the age of 25 account for at least 10% of our new acquisitions. Their numbers were much lower less than five years ago,” said Vineet Arora, senior vice-president, ICICI Securities Ltd, a domestic brokerage.

Take the case of Anand Changani, 15, who studies at a boarding school in Rajkot in Gujarat. He got back to his home in Jamnagar about two weeks ago when the summer holidays began.

That's when his agriculturist father Madhavji Changani said he wanted to buy shares of Infosys Technologies Ltd ahead of its fourth-quarter earnings. Anand advised him against this, having read research reports that said the stock may be headed for a decline.

The stock fell 12% in the next two days after the March quarter earnings were announced. “Any father would be proud of a 15-year-old son who is so knowledgeable about the markets,” Madhavji says.

Vishal Motwani, 18, a first-year MBA student at Ritumbara College in Mumbai, gave up partying to focus on investing in December last year when the Sensex, India's bellwether equity index, dropped to 19,242 from its high of 21,004 in November.

Sensing that this would be the ideal opportunity to enter the market, he invested `10,000, money he'd saved up from his allowance, in stocks. His holdings are worth about `12,000 now, showing a 20% appreciation.

Vishal and Anand are part of an emerging tribe of youngsters who have taken to the stock markets at a much earlier age than previous generations. Not only that, they are even advising their elders on where to invest, handholding them to migrate from the safe haven of fixed deposits—where the value of investment is getting eroded because of high inflation—to the stock market.

Many young investors, similar to the examples above, are saving up their allowance, reading up on reports and trading online.

Some also play market simulation games to hone their trading skills, then start with small amounts to test the waters. In most cases, the interest has been sparked by an elder relative investing in the markets or media reports on the markets.

Amrita Nadkarni, professor of sociology at St Xavier's College, Mumbai, points out two major reasons for the trend.

“Firstly, these days, the youth are exposed directly to the media. They have access to a lot of information that the previous generation didn't have access to. Secondly, everyone wants to make money and youngsters today have very high ambitions.”

This points to an increase in the investing population in the next few years. India has close to 50% of its population below the age of 25 and about 65% below the age of 35. The median age in India is 25, which suggests that over the next few years the average investor is likely to become younger, presenting a challenge as well as an opportunity to market intermediaries.

Market participants have slowly begun to adapt to the changing demographics, with a number of investor awareness programmes and initiatives aimed at youngsters.

While the National Stock Exchange (NSE) has taken the lead in investor awareness initiatives, the Bombay Stock Exchange (BSE), Asia's oldest bourse, has launched a simulation game that allows players to make virtual gains from investments.

NSE has a tie-up with the Central Board of Secondary Education (CBSE) to provide financial education to students of classes XI and XII. So far, 54 schools have participated in these courses.

The NSE has also collaborated with several colleges to launch a course on capital markets. They include St Xavier's College, Kolkata, Lovely Professional University, Punjab, and D.G. Ruparel College, Mumbai.

“The NSE has been reaching out to people in different parts of the country to bring them into the formal financial system. A lot of focus has gone into making students from senior school and colleges financially literate, so that they can plan their future better and are equipped to take the right investing decisions,” said Divya Malik Lahiri, NSE spokesperson.

Even brokers have got into the act. Geojit BNP Paribas Financial Services Ltd, a retail financial services company, has been holding investment classes in Kerala since August in association with the ministry of corporate affairs and NSE.

It has a team of 23 dedicated teachers and has reached out to about 414,000 students, according to Satish Menon, director (operations), Geojit BNP Paribas. There are plans to aggressively expand this to the neighbouring states of Tamil Nadu and Karnataka.

Other brokerages such as Motilal Oswal Financial Services Ltd, Angel Broking Ltd and Asit C. Mehta Investment Intermediates Ltd also organize investor awareness camps periodically, although these are not targeted specifically at the youth.

Bharat Mohan, 22, an engineer at Rural Electrification Corp. Ltd, Bhubaneswar, attended one such investor awareness programme in Jaipur in February. After learning about the basics of equity investments, Mohan built on that knowledge by playing a market simulation game, Stock Market Challenge, launched by BSE in association with *Dalal Street Investment Journal*.

He keeps honing his skills whenever he gets time. "I plan to start trading intra-day after six months. I need to understand the markets better," says Mohan.

Despite several initiatives to woo investors, the broad trends in terms of retail participation have been mixed in India.

The number of demat accounts held at the National Securities Depository Ltd and Central Depository Services (India) Ltd increased by about 10.2% to 19.12 million in fiscal 2010 over the previous year. But the proportion of financial savings of households invested in shares and debentures fell from an average of 7% in the 1990s to 5% in the past decade, according to data from the Reserve Bank of India.

However, early signs of a changing investor profile, with more youth participating in the market, might bring about a significant change in retail participation in the current decade, brokers say.

"Youngsters get drawn into companies such as mine through various communities in social networking sites," said Shalin Ashwin Shah, part owner of Team Stock Researchers and [www.niftyviews.com](http://www.niftyviews.com), a company that gives investment advice and tips.

Shah says that young investors in the age group of 18-24 constitute about 15% of his subscribers.

As technology has improved, the number of avenues for these youngsters to invest in has also increased. Online trading is especially attractive, given their familiarity with computers.

"The online platform comes naturally to this segment," says Nandip Vaidya, president, retail broking, India Infoline Ltd.