

# The Rise of Digital Trading: Accessibility Versus Risk of Financial Ruin

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**ABSTRACT:** This paper looks into the double-edged impact of digital trading and investing. Currently, apps and websites like Robinhood, Groww, and Zerodha have taken over the market by removing things such as fees and account minimums. In addition, they also make access to the market merely a few clicks away from any user, whether properly educated or not. The research in the paper looks into the causes and effects of the rapid shift into digitized trading. Additionally, terms such as “finfluencer” and “gamify” are reviewed. Reports and studies in the paper inform us about the large negative effects of ill-advised trading and investing. The paper argues that though digitization of the markets is helpful and convenient for numerous investors, it carries with it a darker side. A side in which users with little to no financial knowledge end up losing more than they bargained for; a side that carries numerous hidden dangers.

**KEYWORDS:** Economics, Finance, Digital Trading Platforms, Retail Investors, Financial Risk.

## ■ Introduction

Warren Buffett is the first name that comes up in a household when talking about investing; however, most people do not understand what investing, trading, and the stock market really are. Electronic trading and new investment sites have transformed stock market involvement at an unprecedented rate. Websites and apps like RobinHood, Groww, and Zerodha now offer easy-to-use interfaces, real-time statistics, and low barriers to entry – capabilities that were previously present only in the territory of institutional traders – thereby allowing trading to reach new heights. These websites and apps use automated algorithms and algorithm-driven analysis, which make transactions easier and hassle-free for the modern and wider population.<sup>1</sup> Consequently, large numbers of new retail investors are inclined to come into the market with unprecedented ease. While democratizing investing by enabling anyone with a smartphone to invest, it could also instill impulse-based trades and ill-informed choices.

The simplicity of online market entry on these sites usually hides the high learning curve that is generally required to successfully trade and invest. For example, current FINRA research finds that most investors younger than 35 use social media sites like YouTube, Reddit, and TikTok for investment advice instead of traditional financial institutions or certified professionals.<sup>1</sup> This trend is particularly disturbing because information on social media is not always accurate. There are “finfluencers” or financial influencers, who have brought a whole new generation of market-driven, money-hungry, and emotionally charged people into the scene of investing. According to a report by Barron’s, multiple companies have been or are under investigation for the use of finfluencers to manipulate users by conducting activities against advertising and disclosure laws.<sup>2</sup> All of this makes it abundantly clear to us that financial literacy is an important issue that needs to be addressed. There are millions of people, both young and old,

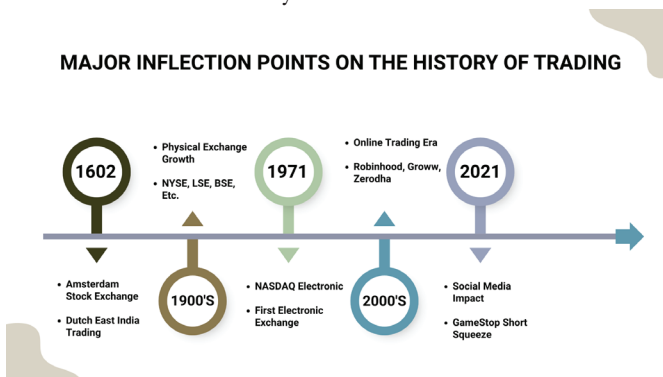
who are falling victim to scams targeted towards the ill-advised; meanwhile, large hedge funds and investment banks rake in billions of dollars every year. Along with this, many companies are attempting to gamify their apps and websites to attract modern audiences. This is not just a marketing gimmick, but could also be a dangerous feature targeted towards financially illiterate users.

The main purpose of this paper is to look into the two-faced effect of online trading platforms: on one side, they expand access and participation in financial markets, while on the other side, they can mislead and put those in danger who do not possess the expertise to invest wisely. By delving into these aspects, the aim is to find out whether the advantages of online trading outweigh the potentially dangerous effects it could introduce into modern-day investing.

The history of the stock market goes back centuries before the introduction of electronic trading. The first official stock exchange happened in 1602 in Amsterdam. This occurred in order for merchants to trade shares in the Dutch East India Company, a very successful business at that time. Since then, stock trading has only boomed further and has now become the core of finance.<sup>3</sup> Stock exchanges such as the New York Stock Exchange (NYSE), the London Stock Exchange (LSE), and the Bombay Stock Exchange (BSE) have popped up around the globe. However, until the end of the 20th century, stocks were traded physically in these exchanges.<sup>4</sup> The process was much harder, wherein brokers had to cry, shout, and scream just to be heard, only sometimes. Due to this, trades were more expensive, time-consuming, and inefficient. During this time period, the stock market was run by wealthy individuals with elite knowledge about the market. All of this began to change at the turn of the century; the internet was booming, and so was online trading. The first stock exchange to shift to an electronic means of trading was NASDAQ in 1971; in the coming decades, other popular exchanges digitized as well.<sup>5</sup>

Due to this, today's stock markets exist in very different contexts. Trading is no longer limited to Wall Street professionals or wealthy, highly intelligent people. Trades can be made faster than ever on a simple smartphone on apps and sites such as the ones mentioned before. These sites allow the user to access and manage their portfolio from the comfort of their home. In return, they rarely ask for anything and are generally free to download and use. Nevertheless, paid portals such as the Bloomberg portal still exist for those who are much more serious about trading and investing.<sup>6</sup> Meanwhile, the social media explosion has added a new and risky factor to investing. Sites such as Reddit, YouTube, and TikTok have become casual spaces of financial conversation and advice, with groups like WallStreetBets on Reddit gaining worldwide recognition for their ability to shape stock prices through group action. A prime example of this is the recent 2021 GameStop short squeeze; an incident so incredible that it barely falls under miraculous.<sup>7</sup> In summary, it brought together millions of young people to buy stocks of a failing business while running Wall Street firms out of business. Through incidents such as this one, the community of investors grows larger and welcomes new investors every day. Nevertheless, this is seen as extremely risky by some, as the advice is often based on hunches or speculation.

As shown in Figure 1, the history of the stock market has been long and vast. For hundreds of years, different means of trade have been used throughout the globe. Figure 1 is key in understanding how, through 1602 - 2021, trading has gone from the simple exchange of goods via in-person merchant trade to online investing, which is greatly impacted by the influence of social media figures. From a time in the 1970s when stock manipulation was common to the highly monitored markets of the modern day.

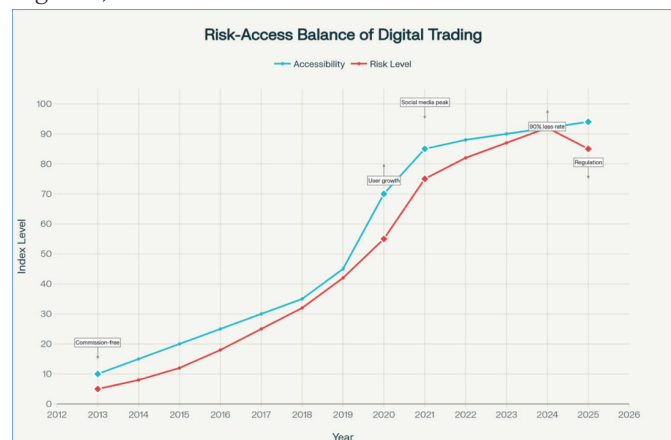


**Figure 1:** Major inflection points in trading history, across 5 key periods between 1602 and 2021.

During this period, the history has been relatively well kept with records dating back centuries. Since then, an increasing number of studies have explored how digitization has changed investor participation and results. Nathani and Dharmani's 2024 study finds that fintech platforms popularize market access by lowering fees, offering novel interfaces, and delivering real-time data, which importantly increases retail investor participation. However, their mixed methods analysis reveals that trading apps also enhance speculation-based trading and information overload for most users.<sup>8</sup> These results are similar

to the findings of a 2022 research study of Chinese families, which revealed that digital financial literacy is important for effective and knowledgeable participation; less financially literate users are more likely to abuse and use digital trading sites, raising their risk exposure.<sup>9</sup> Another research conducted in 2025, among Italian robo-advisor users, confirms this. They state that more financially and digitally literate investors use platforms responsibly, and others tend to excessively depend on automated advice at the expense of personal judgment.<sup>10</sup> Once again, in a 2023 OECD global report, it was mentioned that while usage of fintech has increased a lot, investor readiness has not caught up, particularly among users under 30 who tend to be overconfident in their financial decision-making capabilities.<sup>11</sup> Overall, the literature presents a balanced picture: digital access enhances market inclusion but does not automatically ensure safe or well-informed decision-making.

Furthermore, historical evidence reinforces the balanced nature of digital access to markets. Before digitization, stock market participation by retailers was disrupted by high fees and commissions. However, due to digitization, zero-commission trading was initiated by Robinhood in 2013 and was soon picked up by existing players.<sup>12</sup> In accordance with this time period, retail trading activity picked up exponentially: Robinhood now has close to 26 million subscribers and \$255 billion in assets under management in mid-2025.<sup>13</sup> In India, the growth of demat accounts has gone from 40 million in 2020 to more than 150 million in 2024. This is representative of the global phenomenon, but SEBI indicates that 90% of retail traders in derivatives are losing money, with 93% of F&O trading newcomers posting net losses between 2021-24 (view Figure 2).<sup>14</sup>



**Figure 2:** Risk-access balance of digital trading, showing that increased accessibility is associated with higher risk levels.

Looking at Figure 2 offers a key insight into how much progress has been made over 2013 - 2025. Looking at 2013 - 2019, the rise of accessibility vs risk remained relatively similar, however the year COVID-19 hit, everything began booming. During this period, risk levels were extremely high, and so was the accessibility. Thankfully, as seen in the graph, risk levels have decreased over the past year.

Other markets like the UK and South Korea follow the same pattern, in which post-pandemic trading app downloads boomed but failed to become long-term investment winners.

The research also examines the role of social platforms on trading behavior: platforms such as StockTwits, eToro, and Reddit tend to result in increased risk-taking through “mirror trading,” a strategy in which an inexperienced user copies trades of successful users.<sup>15</sup> Lastly, a 2023 survey conducted by the CFA Institute also substantiates that even though social media makes individuals feel more informed about financial trends, it also strongly enhances emotional investing and short-term success.<sup>16</sup> These studies, surrounded by historical data, reinforce the overarching thesis that although digitization and social media have undoubtedly enhanced access, they simultaneously spread susceptibilities associated with a lack of financial literacy and emotional patterns of trading.

## ■ Methods

This research uses a qualitative research methodology involving largely secondary data analysis. The materials used include scholarly research papers, industry reports, government and regulatory documents, case studies, market data, and news reports on digital trading platforms, fintech innovation, and investor attitudes. Some of the most important sources are research studies by the OECD, FINRA, CFA Institute, Amundi Research Center, and financial news reporters like Barron's, Bloomberg, and MarketWatch. The approach entailed a systematic literature review to collect pertinent information concerning the impacts of mobile trading applications such as Robinhood, Groww, and Zerodha on retail investors. The review entailed examination of trends and evidence concerning investor access, behavioral biases, gamified interfaces, financial literacy, social media influence, and corporate practices. Besides, real-life case studies like the 2021 GameStop short squeeze and the Sky Capital scam were studied to emphasize how digital investing habits can cause both market disruptions as well as personal financial losses. Synthesis of data was conducted by grouping findings into dominant themes: accessibility vs. risk, behavioral effects, financial competence, and regulatory issues. This facilitated a holistic perspective of how online trading platforms influence market participation and decision-making without conducting original data collection or experimentation. This technique aims to provide an enlightened analysis given current knowledge and actual events, as well as gaps that must be addressed through further research.

## ■ Results and Discussion

The historical record and review of the literature highlight a two-faced story: electronic trading platforms reduce barriers to access and make access to markets available to all, but they also expose users to greater financial risk. On the one hand, Fintech tools like robo-advisors and zero-commission trades have widened retail access.<sup>11</sup> On the other hand, many young investors lack financial literacy, leading to impulsive and risky trading.

Digital platforms have eliminated things like brokerage commissions and minimum account balances; this enables investors to trade equities, derivatives, futures, options, and stocks without any hassle.<sup>17</sup> However, a lack of foundational financial literacy can lead some users to trade speculatively, without a full understanding of risk management, or even a

little understanding of risk management, diversification, or the basics of the stock market. Although general awareness of financial issues is pretty high, young adults rarely compare investment products or consult with advisors; this pattern is especially troubling as more people invest. The outcome is not just individual ignorance but also the spreading of false information. Misinformed investors then contribute to market volatility in events such as meme stocks, echo chambers, and sentiment-driven results.<sup>18</sup> These events, fueled by group behavior enhanced through social media, can cause unstable market movements and inflict large amounts of financial damage on the users.

A key observation is that behavioral biases are heightened in fintech platforms that gamify trading. Impulsive trades and momentum chasing are created by website and app UI's (User Interfaces). For example, product recommendation features on investment sites really increase low/low-medium income investor participation, but such investors obtain bad returns, do little to no research, and hold stocks for too long or too short, depending on the bad advice. More commonly than ever, sites tend to implement “confirmation bias” designs by implementing and pushing forward user-chosen alerts, trending stocks, and cherry-picked social feeds, prompting further trades without gaining further understanding.<sup>19</sup> Such a design can be compared to the mannerisms of social network algorithms in which they push emotionally appealing material, subsequently driving “mirror trading” behavior as new users mirror peer activity during market frenzies.

One pattern that can be found throughout the course of history, literature, and evidence is that the role and position of financial literacy ends up being one of the most crucial factors in deciding whether access to digital investing mediums increases positive or negative results. Research on fintech development across more than 100 nations indicates that there is a strong correlation that exists, that being: increased literacy ensures sustainable digital finance use, while decreased literacy is generally and more often than not associated with suboptimal decision making and higher financial vulnerability. Studies have further established that when users do not possess basic financial education, fintech products usually tend to escalate the exact risk they attempt to minimize. Digitally well-educated investors, however, can more effectively analyze products, practice trades, and be careful about available information. These findings reiterate that financial literacy is not an afterthought; it is essential to trade and invest properly.<sup>20</sup>

Digital accessibility has allowed for actual innovation, but it has also invited destructive abuse. For instance, the concept of micro trading and derivative speculation among retail users, much driven by online brokers and influencers, has led to large amounts of losses. In some areas, the vast majority of retail traders have lost a lot of money, particularly newer users who joined markets during volatile post-pandemic circumstances.<sup>14</sup> A classic historical case is the Sky Capital scam, which involved deceptive electronic advertising and the distribution of unregistered securities and stocks. While occurring before the widespread use of trading apps, the case illustrates how fraud works in online spaces when regulations are weak

and improper action is taken to prevent it.<sup>21</sup> A more recent example is the GameStop short of early 2021, coordinated by users on a Reddit discussion board. This incident, fueled by the ordinary crowd instead of conventional financial brokers, generated extreme amounts of market turbulence. Some users made money, but numerous others got in late and suffered losses when the bubble burst. It featured both the potential and danger of digital investing.<sup>22</sup>

Big financial and technology corporations have taken advantage of the increasing pool of new and inexperienced investors by employing convincing marketing strategies, game-like interfaces, and behavioral data gathering. These companies frequently bundle “recommended” products into platforms and subtly nudge users toward particular funds or stocks that better suit the companies’ best interests or fee arrangements than investor requirements. Instead of replacing traditional finance, most fintech companies now help big financial institutions sell their products. They maintain product ownership, expand reach, and gather large amounts of behavioral insights. As investment products like ESG baskets or clean energy portfolios become more popular, most of which are not properly tested by companies or heavily sponsored influencers, retail investors get attracted by compelling stories but remain clueless about the underlying risks or expenses. While this goes on, international payment giants keep on adding fintech layers on their platforms, earning more from the systems even before registered users officially start investing. This business model, coupled with low patience among new users, can prioritize corporate profitability at the expense of optimal user outcomes.

When looking at all the research, there is one question that stands out: can digital platforms have the benefits of access while providing safeguards for economically disadvantaged users? Several possible answers can be found in different areas. Financial readiness and education programs should be introduced by schools and financial regulators, starting in high school and continuing through university. These programs should focus on helping students compare financial options, understand risks, and think carefully about financial decisions. Ethical app designs should also be nudged into fintech businesses; these designs include: risk analysis, loss simulation, and delayed execution of trades for large-value transactions. Platforms should be able to mitigate dangerous conduct by making sure users are competent in terms of financial knowledge before they can access advanced trading capabilities.

Transparency and accountability should also be implemented by regulators, wherein they should require companies to clearly explain how their recommendations work, reveal any conflicts of interest, and show a clear breakdown of all investment costs. Companies can also do with standard Know Your Client (KYC), which is a small background check, procedures for ensuring responsibility in the industry. Enhanced supervision of social media influence should also be taken seriously. Since the influence of online communities on investor choice is strong, regulators need to keep coordinated behavior under control and surveillance, ban manipulative campaigns, and make fintech platforms give warnings whenever social media trends are advertised.

There are some strong trends, yet there remain some limitations. The majority of research works examine developed markets only, which underrepresent emerging economies with high trading rates and volume. It is also hard to make a case against the bad effects of gaining financial literacy from social media trends. In addition, fintech change is fast and continuous. New products like BPNL, AI-driven portfolios, and crypto combinations move very fast in pace. This presents an ongoing challenge: keeping up to date in an environment where the environment shifts more quickly than quicksand. Future research should focus on long-term data, testing behavior-based solutions, and comparing results across different populations to see how education and design affect investor success.

The creation of digital trading platforms has revolutionized the way ordinary people access financial markets. Simple mobile apps have made it easier than ever to invest in markets that were formerly the domain of high-net-worth professionals. But this accessibility has been accompanied by very serious and generally overlooked threats. Numerous new investors, especially young ones, join the market with little capital and knowledge. In addition, nowadays markets are known to sway a lot, frequently depending on what is happening in the news or on social media sites. This setting encourages impulsive action, speculative trading, and emotional choice, all of which can cause substantial financial losses. Instances such as the GameStop short squeeze and mass losses in retail derivatives trading are a case in point where technology has gotten ahead of education. In addition, businesses operating these platforms have, on occasion, taken advantage of the innocence of the users. Gamified user interfaces, manipulative “recommended” investment instruments, and the increasing power of influencers make a market ecosystem that focuses more on interaction rather than learning. This imbalance exposes users, particularly those who lack a good background in financial literacy.

## ■ Conclusion

To conclude, the results of this study were not quantitative but rather suggestive. Through research and deduction, I found that companies and corporations take advantage of ill-advised investors using gamified investing platforms and modern technology. Nevertheless, the technology of investing is not necessarily bad when used wisely. When it is combined with education, regulation, and ethical design, it has the potential to be one of the largest accessible economic tools on Earth. It eliminates the old norms, such as location, money, and complexity, and allows everyone with a smartphone to enter the world of building wealth and contributing to the world economy. The goal is not to exclude or cancel digital finance but to evolve with it. With the right safeguards, the digital investing landscape can become not only a great tool but also a way for people to create wealth. It can do so, as long as people can make informed decisions, build sustainable portfolios, and contribute meaningfully to a healthier financial future for themselves.

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