



## COMM 1150 2A - Assessment 2A

Global Business Environments (University of New South Wales)

## Company: Robinhood (US)

Robinhood (US) is an institutional brokerage company which provides online and mobile based discount stock brokerage solutions, allowing users to invest in publicly traded companies and exchange traded funds (ETFs).

### **Socio cultural:**

In the United States, there is a strong investing and wealth culture, as many of the largest global institutions are based there, as well as being home to the world's largest stock exchange, the New York Stock Exchange. The US scores 46 on the dimension of uncertainty avoidance, meaning that there is a high acceptance for new ideas and innovative products (Woolpert 2012). However the ease of access and high acceptance for new ideas can present costly challenges for many, including young Americans and inexperienced investors. Much of the youth culture involves higher risk activities, as the average user age on Robinhood is 31, with nearly half of its users having never traded before (Popper 2020). This presents significant risk to the youth in America, with high risk investing/trading activities giving potential for individual financial harm. Occurs at a national level, specifically among the gen X / gen Z groups.

### **Political/Legal:**

New government and industry regulation from the Securities and Exchange Commission (SEC) has the power to impact all investing and trading apps including Robinhood. Robinhood innovated through its zero trading fees feature, however many inexperienced traders may be unaware that they are not buying or selling the stock for its true price (Doherty, Beyoud 2022). The chair of the SEC, Gary Gensler has stated his intentions to improve transparency in the stock market, especially with the rise of inexperienced investors (Doherty, Beyoud 2022). New reforms may have flow on effects as trading fees may return to trading platforms, or incentivise these companies to increase their commission through other routes such as increasing the gamification of investing. This will target young and inexperienced investors, potentially causing more harm than is being solved. Occurs at a national (nation state) level.

### **Economic:**

The fiscal policy of the US is centred around ensuring that the economy is maintaining relative consumption levels ensuring a healthy supply/demand balance. This was highlighted during the covid-19 pandemic where the IRS issued economic impact payments, increasing consumers spending habits dispute the pandemic. Analysts from Deutsche Bank conducted a survey finding that retail traders planned to put on average 40% of any stimulus payment received into the stock market (New York Times 2021). This not only stimulated the economy, but also the stock market, however, for many inexperienced traders, they were unaware of how the hyperinflation would crash the markets during 2022. Occurs at a national level, as well as global.

### **Sustainability:**

The income and wealth inequality is rising in the US, and is higher than in almost every other developed country. These inequalities stem from income gaps between different racial groups. There is a heavily weighted income distribution towards the top 10% richest in the US, and this has the potential to create the foundations for other social issues to arise (Siripurapu 2022). This external environment of social inequality in the US presents the opportunity for trading apps such as Robinhood to expand their Environmental, Social and Governance (ESG) goals by bringing equitable access to free financial education and market access. Occurs at a local level with different racial and low socio economic groups within the US.

### **Reference List:**

Woolpert, Jessica 2012, *Uncertainty Avoidance*, accessed 14 October 2022, <<http://hopeinterculturalcomm.weebly.com/uncertainty-avoidance-tolerance.html>>

Popper, Nathaniel 2020, *The New York Times*, accessed 14 October 2022, <<https://www.nytimes.com/2020/07/08/technology/robinhood-risky-trading.html>>

Doherty, Katherine and Beyoud, Lydia 2022, *Bloomberg*, accessed 14 October 2022, <<https://www.bloomberg.com/news/articles/2022-06-23/robinhood-hood-stock-trading-could-lead-to-new-sec-rules>>

New York Times 2021, accessed 14 October 2022, <<https://www.nytimes.com/2021/03/21/business/stimulus-check-stock-market.html>>

Siripurapu, Anshu 2022, *The Council on Foreign Relations*, accessed 14 October 2022, <<https://www.cfr.org/backgrounders/us-inequality-debate>>