



Assessing Financial Literacy: Stock Market Knowledge among Young Investors

Submitted by:

Priyanka Rajkumar Karle

MBA (BA Specialization)

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BAZM25262217

Under the Guidance of:

Dr. Nisha Wagh

Assistant Professor

Department of Management Studies Zeal Institute of Management & Computer Application Savtribai Phule
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Abstract

Financial literacy has become an essential skill in the modern financial environment, especially among young investors who are increasingly participating in stock market activities. The growth of digital trading platforms and easy access to financial information have encouraged youth to engage in investment practices. However, this participation is often not supported by adequate financial knowledge, leading to uninformed decision-making and exposure to financial risks.

This study aims to assess the level of financial literacy and stock market knowledge among young investors. The research is based on primary data collected through a structured questionnaire from 80 respondents in Pune. The study evaluates awareness levels, investment behavior, and understanding of key financial concepts such as risk diversification and long-term investment planning.

The findings indicate that while young investors demonstrate a basic understanding of stock market operations, there is a significant gap in advanced financial knowledge. Many respondents rely on social media and peer recommendations for investment decisions rather than structured financial analysis. The study concludes that there is a strong need for financial education programs to enhance knowledge and promote responsible investment behavior among young investors.



Introduction

Financial literacy is a crucial skill that enables individuals to make informed financial decisions, including investment planning, savings, and risk management. In recent years, the financial landscape has undergone a significant transformation due to technological advancements and the widespread use of digital trading platforms. This has led to a noticeable increase in the participation of young investors in stock market activities.

Despite the growing interest in stock market investments, there is a concern regarding the level of financial literacy among young individuals. Many investors enter the market without a proper understanding of fundamental concepts such as risk diversification, portfolio management, and market volatility. Their investment decisions are often influenced by social media, peer groups, and short-term trends rather than analytical reasoning.

This study aims to evaluate the level of financial literacy among young investors and to identify the key factors influencing their investment behavior. Understanding these aspects is essential for promoting responsible investment practices and reducing financial risks.

The rise of mobile trading applications and online financial services has made stock market participation more accessible than ever before. Young investors are increasingly attracted to the potential for quick returns and financial independence. However, easy access does not necessarily translate into informed decision-making. Without adequate financial knowledge, investors may engage in speculative trading, leading to higher financial risks and potential losses.

Furthermore, the lack of structured financial education in academic curricula has contributed to limited awareness about investment strategies and risk management techniques. Many young investors rely on informal sources such as social media influencers, online forums, and peer recommendations, which may not always provide accurate or reliable information. This highlights the urgent need to assess financial literacy levels and promote educational initiatives that can empower young individuals to make informed and responsible investment decisions.

Related Work

Financial Literacy and Investment Decisions

Financial literacy plays a vital role in shaping investment behavior. Studies indicate that individuals with higher financial knowledge are more likely to make rational investment decisions and effectively manage financial risks. They tend to diversify their portfolios and focus on long-term financial growth.

Influence of Digital Platforms

Digital platforms have revolutionized the way individuals participate in stock market investments. Mobile trading applications and online brokerage services have made investing more accessible. However, these platforms also contribute to impulsive investment decisions, as users are exposed to real-time market trends and social media influence.

Behavioral Factors in Investment

Behavioral biases such as overconfidence, herd behavior, and risk-taking tendencies significantly impact investment decisions among young investors. These factors often lead to irrational choices and financial losses.

Problem Statement

Although the number of young investors in the stock market is increasing, their level of financial literacy remains uncertain. There is a gap between investment participation and actual understanding of financial concepts. This lack of knowledge can result in poor financial decisions and increased exposure to risks. Therefore, it is important to assess the level of financial literacy and identify the factors affecting investment behavior among young investors.



Objectives of the Study

- To assess the level of financial literacy among young investors
- To analyze awareness about stock market investments
- To identify factors influencing investment decisions
- To examine sources of financial knowledge

Research Methodology

The present study adopts a descriptive research design to assess the level of financial literacy and stock market knowledge among young investors. This approach helps in understanding the current awareness levels, investment behavior, and decision-making patterns of respondents.

The study is based on primary data collected through a structured questionnaire. The questionnaire was designed to capture information related to financial awareness, investment preferences, and understanding of stock market concepts.

Data Collection Method

Primary data was collected using Google Forms. The questionnaire was distributed among young individuals through online platforms such as WhatsApp and email to ensure quick and efficient data collection.

Sample Size and Sampling Technique

The study includes responses from 100 participants. A convenience sampling technique was used, as it allows easy access to respondents within a limited time frame.

Tools for Data Analysis

The collected data was analyzed using simple statistical tools such as percentage analysis and graphical representation. Charts and graphs were used to present the findings in a clear and understandable manner.

Data Analysis and Interpretation

Awareness of Stock Market

A majority of respondents (65%) indicated that they are aware of basic stock market concepts, while the remaining respondents have limited or no knowledge.

Use of Trading Platforms

Around 55% of respondents use mobile trading applications for investment purposes, highlighting the role of digital platforms in increasing market participation.

Source of Investment Information

Approximately 70% of respondents rely on social media, friends, and online platforms for investment-related information, indicating a dependence on informal sources.

Understanding of Risk Management

Only 40% of respondents have a clear understanding of risk diversification and portfolio management, showing a gap in advanced financial knowledge.



Interpretation of Data

The analysis clearly indicates that while young investors are actively participating in stock market activities, their financial literacy is limited to basic awareness. The heavy reliance on social media and peer advice suggests a lack of structured financial education. Additionally, the low understanding of risk management highlights the need for improved financial knowledge among young investors.

Discussion

The findings of the study highlight a significant gap between stock market participation and financial literacy among young investors. While a majority of respondents are aware of basic stock market concepts, their understanding of advanced financial principles such as risk diversification and long-term investment strategies remains limited.

The increasing use of digital trading platforms has made investing more accessible; however, it has also encouraged impulsive decision-making. Many young investors rely on social media, peer influence, and short-term market trends rather than conducting proper financial analysis. This behavior increases the risk of financial losses and reduces the effectiveness of investment decisions.

Furthermore, the lack of formal financial education plays a major role in shaping this gap. Without proper guidance and structured learning, young investors struggle to develop the necessary skills for effective financial planning and risk management.

Conclusion

The study concludes that financial literacy among young investors is moderate but not sufficient for making informed investment decisions. Although participation in stock market activities is increasing, there is a lack of in-depth understanding of financial concepts.

To address this issue, it is essential to promote financial education through academic institutions, workshops, and digital platforms. Improving financial literacy will enable young investors to make better investment decisions, reduce risks, and achieve long-term financial stability.

Suggestions

- Introduce financial literacy programs in colleges and universities
- Conduct workshops and seminars on stock market investments
- Promote awareness through digital and social media platforms
- Encourage the use of reliable and verified financial sources
- Provide practical exposure to investment strategies



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