

Investment Behavior of Young Investors in the Stock Market

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Abstract

The participation of young investors in the stock market has increased significantly in recent years due to rising financial awareness, technological advancements, and easy access to digital investment platforms. Young individuals are increasingly exploring stock market investments as a means of wealth creation, financial independence, and long-term financial security. However, their investment decisions are often influenced by psychological, social, and technological factors.

This study examines the investment behavior of young investors aged 18-35 years and identifies the key factors influencing their investment decisions. The research is based on primary data collected from 57 respondents through a structured questionnaire and supported by secondary data from books, journals, research articles, and financial reports. The findings reveal that financial literacy, market trends, social media influence, risk perception, and technological accessibility significantly shape investment behavior. Stocks and mutual funds emerged as the most preferred investment avenues, while most respondents demonstrated moderate risk tolerance and a preference for long-term investment.

The study concludes that young investors are increasingly becoming active participants in financial markets. However, there remains a need for improved financial education and awareness to help them make informed and rational investment decisions. Future research should utilize larger and more diverse samples to enhance generalizability of findings.

Keywords: *Young Investors, Stock Market, Financial Literacy, Investment Behavior, Risk Perception, Social Media, Behavioral Finance, Digital Investment Platforms.*

1. Introduction

Investment plays a vital role in wealth creation and financial planning. Traditionally, individuals focused primarily on saving money; however, modern investors increasingly recognize the importance of investing to combat inflation and achieve long-term financial goals. Young investors, particularly those between the ages of 18 and 35 years, have emerged as a significant segment of stock market participants. This shift has been largely driven by technological innovations, mobile trading applications, and the increasing availability of investment-related information through digital platforms.

The rise of social media, online financial communities, and investment influencers has further contributed to increased participation among young individuals. Investment platforms have simplified account opening procedures and enabled investors to buy and sell securities using smartphones. While these developments have improved accessibility, they have also exposed investors to misinformation, speculation, and emotionally driven decision-making.

Young investors often exhibit characteristics such as willingness to take risks, curiosity about financial markets, and a desire for financial independence. However, behavioral biases such as overconfidence, herd mentality, fear of loss, and peer influence may adversely affect their investment decisions. Understanding these factors is therefore important for financial institutions, policymakers, and educators seeking to promote responsible and informed investing.

Despite the growing body of literature on investor behavior, limited studies have investigated the combined effect of financial literacy, social media influence, behavioral biases, and technological accessibility on young investors specifically within the Indian stock market context. This study aims to address this research gap.

1.1 Research Objectives

1. To understand the investment behavior of young investors.
2. To identify the key factors influencing investment decisions.
3. To assess the risk-bearing capacity of young investors.
4. To examine the influence of social media and technology on investment decisions.
5. To analyze investment preferences among young investors.

1.2 Research Hypotheses

H1: Financial literacy has a significant positive influence on investment decision-making among young investors.

H2: Social media platforms significantly influence investment behavior among young investors.

H3: Risk perception significantly affects the investment preferences of young investors.

2. Literature Review

Financial literacy has consistently been identified as one of the most important determinants of investment behavior. Previous studies suggest that financially literate investors are more likely to participate in stock markets, diversify their portfolios, and make rational investment decisions. Chaturvedi and Singh (2020) found that financial knowledge improves investor confidence and encourages participation in equity-oriented investments. Similarly, Sharma (2025) reported that financially aware youth investors tend to adopt long-term investment strategies and demonstrate greater understanding of risk management.

Risk perception is another significant factor affecting investment decisions. Tiwari and Puniyani (2024) revealed that expected returns and perceived risk strongly influence investment choices among young investors. Their findings suggest that financially aware investors are generally more comfortable accepting investment risk in pursuit of higher returns, supporting the notion that financial education reduces excessive risk aversion.

Behavioral finance literature highlights the pervasive influence of psychological biases on investment decisions. Raut, Das, and Mishra (2018) identified overconfidence, herding behavior, anchoring, and representativeness as major influences on investor behavior in India. Similarly, Kahneman and Tversky's (1979) seminal Prospect Theory demonstrated how investors often react disproportionately to losses compared to equivalent gains, contributing to irrational decisions during market volatility.

Barber and Odean (2000) provided strong empirical evidence that individual investors trade too frequently, often to their own detriment. Their research found that overconfident investors tend to trade more actively and earn lower risk-adjusted returns — a finding particularly relevant for young investors who may exhibit higher confidence levels due to limited experience.

Technology and social media have transformed the investment environment by democratizing access to financial information. Housel (2020) emphasized that behavioral patterns, particularly emotional reactions to gains and losses, are deeply embedded and can override rational investment strategies. Platforms such as YouTube, Instagram, and financial Telegram channels significantly influence investment behavior among young investors, increasing awareness while also contributing to speculative behavior and misinformation.

Chandra (2020) emphasized that rational portfolio management requires a clear understanding of risk-return tradeoffs and that behavioral factors can significantly deviate investors from optimal decision-making. The review of existing literature reveals that investment behavior among young investors is shaped by a complex interplay of financial literacy, risk perception, behavioral biases, and technological influences. The limited focus on young Indian investors in prior studies creates a clear rationale for the present research.

3. Research Methodology

The present study adopts a descriptive and analytical research design. Both primary and secondary sources of data were utilized to achieve the stated objectives. Primary data were collected through a structured questionnaire distributed among young investors aged 18-35 years. Secondary data were gathered from books, peer-reviewed journals, research papers, government financial reports, and reputed financial websites.

The questionnaire comprised 15 structured questions organized into three sections: (a) demographic profile, (b) investment awareness and behavior, and (c) risk profile and decision-making methodology. Nominal and ordinal (Likert-type) scales were employed. The instrument was pilot-tested with 10 respondents prior to full deployment to assess clarity, reliability, and face validity.

3.1 Sample Design

Parameter	Details
Sample Size	57 respondents
Sampling Technique	Convenience Sampling
Target Population	Young investors aged 18-35 years actively interested in stock market investments
Data Collection Method	Structured questionnaire (online Google Form and offline distribution)
Study Period	January 2025 - March 2025
Geographic Scope	India (urban areas)

Table 1: Research Design Parameters

3.2 Data Analysis Tools

- Percentage Analysis and Frequency Distribution
- Graphical Representation using bar charts and pie charts
- Cross-tabulation and Descriptive Statistical Interpretation

3.3 Limitations of the Study

The following limitations are acknowledged and should be considered when interpreting findings:

- The sample size of 57 respondents is relatively small and may limit generalizability to the broader population of young investors across India.
- Convenience sampling introduces selection bias, as respondents were not randomly drawn from the target population.
- Self-reported data are subject to response bias, social desirability effects, and recall inaccuracies.
- The study relies on descriptive analysis and does not apply inferential statistical techniques (e.g., regression analysis), limiting causal inferences.
- The geographic scope is restricted to urban areas, which may not reflect the behavior of semi-urban or rural young investors.

4. Results and Findings

This section presents the findings from primary data collected from 57 respondents. Results are organized by demographic profile and key investment behavior variables.

4.1 Demographic Profile of Respondents

The majority of respondents (43.86%) belonged to the 23-27 age group, indicating strong participation of young adults in investment activities. Male respondents constituted 56.14% of the sample, with females comprising the remaining 43.86%. Postgraduate students formed the largest educational group (50.88%), and students represented the dominant occupational category (63.16%). Most respondents (66.67%) reported a monthly income below Rs. 20,000, reflecting the predominantly student and early-career composition of the sample.

4.2 Summary of Key Findings — Table 2

Q.	Variable	Top Response	Frequency (n=57)	Percentage
1	Age Group	23-27 years	25	43.86%
2	Gender	Male	32	56.14%
3	Education Level	Postgraduate	29	50.88%
4	Occupation	Student	36	63.16%
5	Monthly Income	Below Rs. 20,000	38	66.67%
6	Awareness of Stock Market	Yes	45	78.95%
7	Actively Invests in Stock Market	No	30	52.63%
8	Investment Experience	Less than 1 year	40	70.18%
9	Primary Source of Knowledge	Friends/Family	22	38.60%
10	Preferred Investment Option	Stocks	21	36.84%
11	Primary Purpose of Investment	Savings	34	59.65%
12	Investment Frequency	Rarely	21	36.84%
13	Income Percentage Invested	Less than 10%	36	63.16%
14	Investor Risk Type	Moderate	26	45.61%
15	Stock Selection Method	Self-Analysis	43	75.44%

Table 2: Summary of Key Variables and Dominant Responses (n = 57)

4.3 Notable Findings

Awareness-Participation Gap: While 78.95% of respondents were aware of stock market investments, only 47.37% were actively investing. This gap suggests that awareness alone is insufficient to drive market participation, and that capital constraints, risk aversion, or lack of confidence act as barriers.

Investment Instruments: Stocks (36.84%) were the most preferred investment option, followed by mutual funds and fixed deposits, indicating a mix of return-seeking and security-seeking behavior.

Investment Purpose and Frequency: Savings was cited as the primary investment purpose (59.65%). Investment frequency was predominantly rare (36.84%), and most respondents (63.16%) invested less than 10% of their income, indicating conservative capital deployment.

Risk Profile: Most respondents (45.61%) identified as moderate investors. Conservative investors were the second largest group, suggesting that despite interest in equity markets, young investors maintain cautious risk orientations.

Stock Selection Confidence: A notable 75.44% of respondents preferred self-analysis when selecting stocks, which is a positive indicator of financial confidence. However, 38.60% still relied primarily on friends and family as their primary knowledge source, indicating continued informal information dependence.

5. Discussion

The findings indicate that young investors are becoming increasingly active participants in the stock market, driven by improved digital access and growing financial awareness. The widespread use of digital investment platforms has encouraged greater participation among students and young professionals.

Financial literacy emerged as a critical determinant of investment behavior, supporting hypothesis H1. Investors with higher knowledge levels demonstrated greater confidence and were more likely to rely on self-analysis, consistent with the findings of Chaturvedi and Singh (2020) and Sharma (2025). The high proportion relying on self-analysis (75.44%) is a positive indicator of financial independence.

The influence of social media and peer networks was evident, partially supporting hypothesis H2. The reliance on friends and family (38.60%) as a primary knowledge source suggests that personal networks remain influential, which may introduce informal and unreliable information into investment decision-making. This finding aligns with herding behavior documented by Raut, Das, and Mishra (2018).

The preference for conservative and moderate investment approaches is consistent with hypothesis H3 on risk perception. Young investors are not purely speculative; many seek a balance between growth and financial security. Their preference for savings as the primary purpose and long-term investment orientation aligns with Prospect Theory (Kahneman & Tversky, 1979), which predicts loss aversion even in individuals with higher stated risk tolerance.

The awareness-participation gap (78.95% awareness vs. 47.37% active investing) is a key finding with policy implications. This gap may be attributed to income constraints (66.67% earn below Rs. 20,000 per month), limited market trust, or behavioral inertia. Targeted financial education programs and simplified market-entry mechanisms could help bridge this gap.

6. Conclusion

This study examined the investment behavior of young investors aged 18-35 years in India, focusing on the factors influencing their investment decisions. The findings confirm that investment behavior is shaped by a combination of financial literacy, risk perception, social media influence, behavioral biases, and technological accessibility.

Young investors are increasingly participating in stock market activities due to improved awareness and easier access to digital investment platforms. While they demonstrate growing confidence — evidenced by the high proportion relying on self-analysis — many remain susceptible to behavioral biases and informal information channels, which can lead to suboptimal investment decisions.

The awareness-participation gap identified in this study underscores that awareness alone is insufficient. Structural interventions — including strengthened financial literacy programs in educational institutions, simplified brokerage account processes, and responsible financial media regulation — are needed to convert awareness into active, informed participation.

Future research should employ larger, randomly sampled datasets covering a broader geographic range, and apply inferential statistical methods such as logistic regression or structural equation modeling to establish causal

relationships and improve generalizability. Longitudinal studies tracking the same cohort of young investors over time could also yield valuable insights into the evolution of investment behavior.

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All references are formatted in accordance with APA 7th Edition guidelines.

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Appendix A: Research Instrument Overview

The primary data collection instrument comprised 15 structured questions organized into three sections:

Section A - Demographic Profile (Q1-Q5): Age group, gender, educational qualification, occupation, and monthly income.

Section B - Investment Awareness and Behavior (Q6-Q13): Awareness of stock market, active investment status, investment experience, sources of investment knowledge, preferred investment instruments, investment purpose, investment frequency, and proportion of income invested.

Section C - Risk Profile and Decision-Making (Q14-Q15): Self-assessed investor risk type (conservative, moderate, aggressive) and preferred stock selection method (self-analysis, advisor, social media, tips).

Nominal and ordinal scales were used throughout. The questionnaire was distributed via Google Forms online and in physical printed format offline. Data were collected during January-March 2025. The instrument was pilot-tested with 10 respondents before full deployment to ensure content validity and clarity.