A Study on Students' Awareness and Risk-Return Perception towards Investments in the Stock Market

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Abstract—**This study explores students' perceptions of risk and return in stock market investments in India. Using a descriptive design, data were collected from 100 students representing varied academic backgrounds. Analytical tools such as percentage analysis, chi-square tests, correlation and mean scoring were applied. Results indicate that students possess moderate awareness but perceive the stock market as risky even while expecting moderate to high returns. A strong association was found between sources of funds, market familiarity and investment behaviour. Correlation results showed that higher risk tolerance is positively linked to equity preference. The study highlights the need for enhanced financial literacy and targeted investment education to cultivate informed participation among young investors.**

Index Terms—**Risk Perception, Return Perception, Stock Market, Financial Literacy**

I. INTRODUCTION OF THE STUDY

The Indian stock market anchored by the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) has become a central driver of economic growth. It facilitates capital formation, wealth creation and investment diversification. Yet despite these opportunities, student's future investors and contributors to economic development remain hesitant to engage in the market. High perceived risks, limited awareness and inadequate financial literacy serve as major barriers.

As young individuals transition from academic life into financial independence, their investment decisions become pivotal for both personal financial security and the broader economy. However, most existing research focuses on experienced investors, leaving student perspectives underexplored. This study aims to address that gap by examining how students perceive risk and return in stock market investments and the implications of these perceptions for financial literacy initiatives.

II. OBJECTIVES OF THE STUDY

1. To assess the awareness of students toward the stock market.
2. To examine their perceptions of risk and return in stock market investments.

Hypotheses of the Study
The following hypotheses were developed to examine the relationships between students' awareness, funding sources, familiarity with the stock market and their risk–return perceptions regarding stock market investments:

H1: There is a significant association between the primary source of investment funds and the frequency of stock market investment among students.

H2: There is a significant relationship between students' familiarity with the stock market and the factors influencing their investment decisions.

H3: There is a significant difference in students' perceived level of risk across different levels of stock market familiarity.

H4: There is a significant difference in students' expected returns based on their level of risk tolerance.

H5: There is a significant positive correlation between risk-taking attitude and preference for equity investment.

III. REVIEW OF LITERATURE

Barber and Odean (2006) demonstrated that overconfidence and behavioural biases negatively affect investor returns leading to excessive trading. Weber et al. (2007) emphasized that risk perception is inherently subjective influenced by framing and emotions. Kumar and Sharma (2008) studied Indian investors and found demographics, financial literacy and access to information critical in shaping investment behaviour. Lusardi and Mitchell (2009) highlighted the role of financial literacy in improving participation and outcomes.

In the student context, Singh and Kaur (2015) reported that peer influence and risk perception significantly shape decisions. Chen and Volpe (2017) similarly concluded that higher financial literacy correlates with better investment practices among students. Patel and Joshi (2022) specifically explored risk-return perceptions among students, finding literacy a major determinant of rational decision-making. More recently, Menon and Nair (2024) argued that equitable access to information and educational background play defining roles in shaping student investment decisions. Despite these contributions, few studies systematically examine Indian students' simultaneous perceptions of both risk and return in stock markets, hence this study's contribution. Existing research highlights that behavioural and cognitive biases strongly influence investment decisions. These insights underline the need to examine students' concurrent perceptions of risk and return within the Indian context.

IV. RESEARCH METHODOLOGY

This study followed a descriptive research design. A total of 100 student respondents were surveyed using a structured questionnaire. The sample was drawn using convenience sampling, representing undergraduates and postgraduates across business, finance, arts and science backgrounds.

Data Collection
- Primary data: Collected via structured questionnaires covering demographics, awareness, investment behaviour and perceptions.
- Secondary data: Drawn from academic journals, textbooks and credible internet sources.

Analytical Tools
- Percentage analysis
- Aggregate mean scores
- Chi-square tests
- Correlation analysis

Limitations
- Small sample size of 100 students.
- Limited study duration.
- Reliance on self-reported data which may involve biases.

V. ANALYSIS AND RESULTS

Demographic Profile of Respondents

A total of 100 student respondents participated in the study. As shown in Table 1, a majority were male (55%), while 45% were female. Most respondents (80%) belonged to the 18–22 age group. In terms of education, 57% were undergraduates, 42% postgraduates and 1% doctoral students. Academic background was largely concentrated in commerce and finance disciplines (83%), followed by arts/humanities (12%) and science/IT (5%).

Table 1 - *Demographic Profile of Respondents (N = 100)*

| Variable	Category	Frequency	Percentage (%)
Gender	Male	55	55
	Female	45	45
Age	18–22 years	80	80
	23–25 years	18	18
	Above 25 years	2	2
Education	Undergraduate	57	57
	Postgraduate	42	42
	Doctoral	1	1
Discipline	Commerce/Finance	83	83
	Science/IT	5	5
	Arts/Humanities	12	12

Familiarity with the Stock Market

Students reported varying levels of familiarity with stock markets. As shown in table 2, 40% indicated they were "somewhat familiar," 35% had "limited familiarity," 15% reported "not familiar" and only 10% described themselves as "very familiar."

Table 2 - Stock Market Familiarity

Familiarity Level	No. of Respondents	Percentage of Respondents
Not at All Familiar	10	10%
Not Very Familiar	25	25%
Neutral	15	15%
Somewhat Familiar	40	40%
Very Familiar	10	10%
Total	100	100%

Figure 1: Stock Market Familiarity
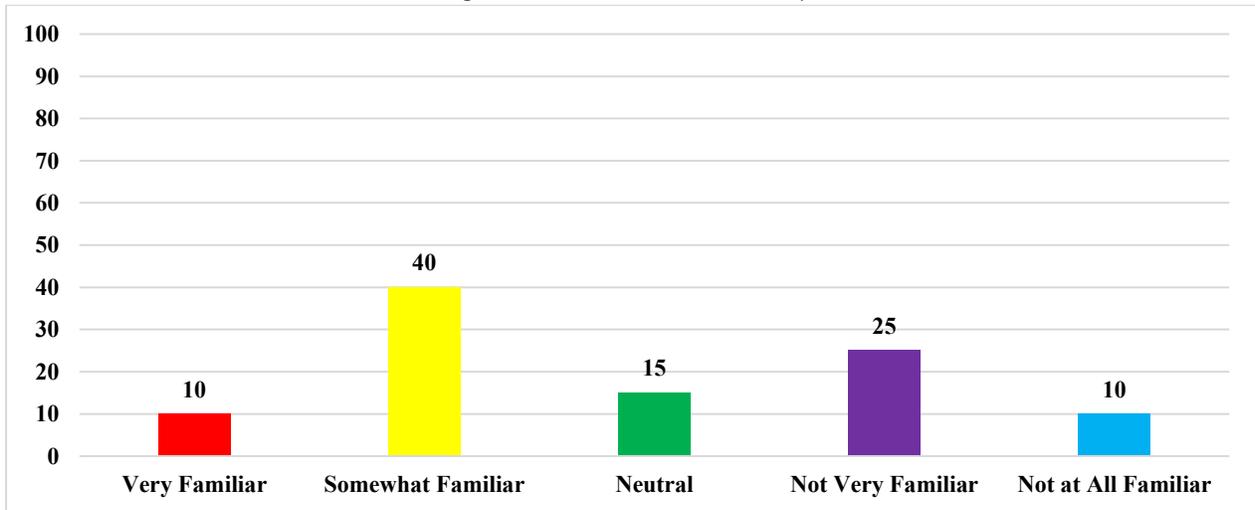
Investment Status and Goals

Just over half (52%) of students reported that they had invested in the stock market, while 48% had not. Among investment goals, wealth creation (53%) was the most common, followed by savings (38%) and education funding (9%).

Table 3 - Investment Goals of Students

Goal	Frequency	Percentage (%)
Wealth creation	53	53
Savings	38	38
Education funding	9	9

Sources of Capital and Information

The primary source of investment capital was parental allowance (52%), followed by part-time job savings (38%) and scholarships (10%). With respect to information sources, social media dominated (55%), followed by websites (16%), publications (16%) and family/friends (13%).

Table 4 - Source of Investment Capital

Source of Investment Capital	No. of Respondents	Percentage of Respondents
Savings from part-time jobs	38	38%
Allowance from parents	52	52%
Scholarship	10	10%
Total	100	100%

Figure 2: Sources of Investment Capital
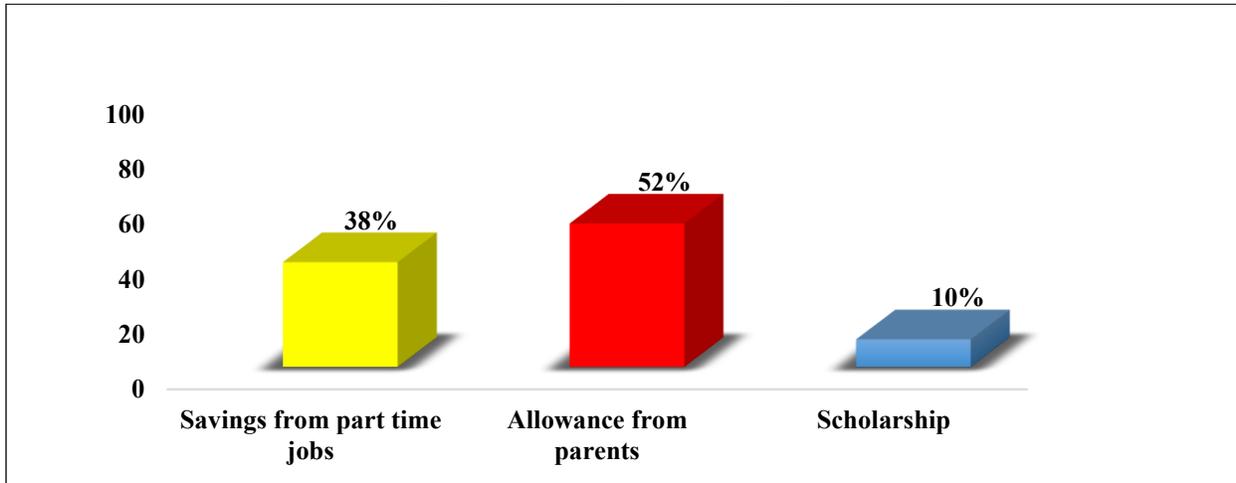
Table 5 - Stock Market Information Sources

Information Source	No. of Respondents	Percentage of Respondents
Social media	55	55%
Online websites	16	16%
Financial publications	16	16%
Friends & Relatives	13	13%
Total	100	100%

Figure 3: Stock Market Information Sources

■ Social media ■ Online websites ■ Financial publications ■ Friends & Relatives
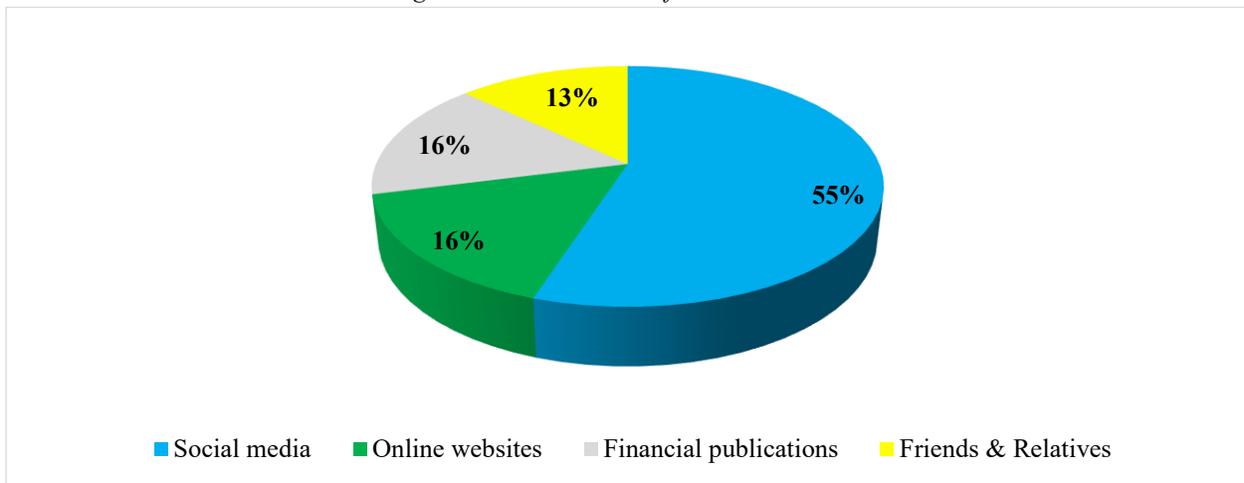
Risk Perceptions

Students demonstrated cautious attitudes toward stock market risk. As shown in Table 3, 55% rated stock market risk as "somewhat high," 22% rated it "very high," while only 3% considered it "very low." The aggregate mean risk score was 2.02 (on a 5-point scale), reflecting an overall perception of high risk.

Table 6 - Perceived Risk Levels of Stock Market Investments

Risk Level	Frequency	Percentage (%)
Very low	3	3
Low	15	15
Moderate	5	5
Somewhat high	55	55
Very high	22	22

Expected Returns

Return expectations varied with 41% of students expecting returns between 5–10%, 23% expecting 11–15%, 21% expecting above 15%, and 15% expecting less than 5%.

Table 7 - Expected Returns from Stock Market Investments

Expected Return	Frequency	Percentage (%)
Less than 5%	15	15
5–10%	41	41
11–15%	23	23
More than 15%	21	21

Chi-Square Analysis

Source of Funds and Investment Frequency

A chi-square test revealed a significant association between source of funds and frequency of stock market investments ($\chi^2 = 26.84$, p < .001). Students who relied on parental allowances invested more frequently than those dependent on part-time earnings.

Table 8 - Observed Frequency Table

Source of Funds	Daily	Weekly	Monthly	Quarterly	Rarely	Row Total
Savings from part-time jobs	2	4	12	26	8	52
Allowance from parents	6	8	18	6	0	38
Scholarship	2	2	4	2	0	10
Column Total	10	14	34	34	8	100

Chi-Square Formula:

- $x^2 = \sum \frac{(0-E)^2}{E}$
- Expected frequency(E) = Row Total *Column Total/Grand Total

Where:

- χ^2 = Chi-Square statistic
- O = Observed frequency in each cell
- E = Expected frequency in each cell
- $\sum$ = Summation across all cells

Table 9 - Expected Frequency Table

Source of Funds	Daily (E)	Weekly (E)	Monthly (E)	Quarterly (E)	Rarely (E)	Row Total
Savings from part-time jobs	5.20	7.28	17.68	17.68	4.16	52
Allowance from parents	3.80	5.32	12.92	12.92	3.04	38
Scholarship	1.00	1.40	3.40	3.40	0.80	10
Column Total	10	14	34	34	8	100

Chi-Square Test Results:

- Chi-Square Statistic: 26.84
- Degrees of Freedom (df): 8
- P-value: 0.00075

Familiarity and Investment Factor Preferences

Chi-square results confirmed that stock market familiarity significantly influenced how students prioritized investment factors such as financial performance, economic conditions, and strategy (p < .05).

Table 10 - Summary of Chi-Square Analysis Interpretations

Investment Factor	P-value	Conclusion
Financial Factors	0.0011	Significant association with stock market familiarity.
Market & Economic Factors	2.59	Highly significant association with stock market familiarity.
Personal Factors	4.11	Highly significant association with stock market familiarity.
Investment Strategy Factors	5.15	Highly significant association with stock market familiarity.

The chi-square analysis consistently demonstrated a significant association between all examined investment factors and varying levels of stock market familiarity. For every factor, the calculated p-value was considerably smaller than the chosen significance level of 0.05, leading to the rejection of the null hypothesis. This compelling evidence suggests that an individual's level of stock market familiarity plays a crucial role in shaping their perceptions regarding the importance of various aspects influencing investment decisions. In essence, as familiarity with the stock market changes, so does the perceived significance of financial, market and economic, personal and investment strategy factors.

VI. CORRELATION ANALYSIS

A correlation analysis was conducted to examine the relationship between risk-taking attitude and investment preferences. Results showed a moderate positive correlation ($r = .42$, $p < .01$) between risk tolerance and equity preference, suggesting that students with higher risk appetite were more inclined toward equity investments.

In summary, the analysis indicates that familiarity with the stock market and financial independence significantly influence students' investment decisions. Social media plays a critical role in shaping perceptions and guiding investment actions.

VII. DISCUSSION

Findings demonstrate that while students recognize the inherent risks of the stock market, they remain optimistic about potential returns. The duality of cautious optimism is evident: students are aware of the volatility yet motivated by the opportunity for wealth creation. The dominance of social media as an information source underscores the need for reliable financial education to prevent misinformation. Financial literacy emerged as a crucial determinant of rational investment decisions, aligning with the findings of Lusardi and Mitchell (2009). Students relying on parental allowances exhibited more frequent but less strategic investment behaviour, whereas those using personal earnings adopted more cautious and planned investment approaches. This suggests that financial autonomy positively correlates with structured investment practices.

VIII. CONCLUSION AND IMPLICATIONS

The study concludes that students are increasingly aware of stock market opportunities but remain hesitant due to perceived risks and limited knowledge. While risk perception remains high, return expectations are generally optimistic indicating a positive outlook toward capital markets. To foster informed investment behaviour, educational institutions should integrate financial literacy programs into academic curricula. Policymakers must focus on structured awareness campaigns to reduce misinformation and financial institutions should design student-oriented investment platforms and guidance workshops. Such initiatives can nurture a generation of confident, informed investors capable of contributing to financial stability and economic development.

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