



**Investigating the Effect of Financial Literacy on the Intention to Invest in the Stock Market, Taking into Account the Tendency and Behavioral Controls of Investors and Emphasizing Moral and Mental Norms<sup>1</sup>**

**Mehdi Madani<sup>2</sup>, Ahmad Nabizadeh<sup>3</sup>**

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**INTRODUCTION**

The stock market plays a significant role in capital decisions and improves the efficiency and effectiveness of participatory governance. In the stock market, there are many benefits, such as long-term capital growth, income sharing, and inflation control. The liquidity of the stock market is very attractive for investment purposes and is considered an important criterion. In general, financial literacy is the ability to understand and effectively apply various financial skills, including budgeting for money management and investment, which leads to self-sufficiency in financial principles and ultimately improves financial life. Based on this, the present research investigates the effect of financial literacy on the intention to invest in the Tehran Stock Market.

**RESEARCH METHOD**

This research is applied research. The research philosophy is realism with an inductive approach. This research is based on the method of collecting field data. Additionally, the research is quantitative. Based on the research method, this study is realist in terms of research philosophy and inductive in terms of approach. From the perspective of research strategy, it is a descriptive-survey type, and in terms of data collection, it is field research using a questionnaire tool. The statistical population of

1. 10.22051/JFM.2024.43689.2837

2. M.Sc. Department of Business Managemtn, Financial Orientation, Kharazmi University, Tehran, Iran.  
Corresponding Author. Email: Msetad92@yahoo.com

3. Assistant Professor, Department of Business Managemtn, Financial Orientation, Kharazmi University, Tehran, Iran. Email: Ahmadnabizade@khu.ac.ir

the current research includes all investors and newcomers to the Tehran Stock Exchange market. The sampling method in this research is non-random sampling, and the sample size is calculated according to structural equation sampling. Considering that the questionnaire of this research contains 25 questions, the sample size is between 125 and 375, but it is emphasized that the minimum sample should not be less than 200 people in a single period of time exclusively in 2020. The measurement of variables is designed based on a five-point Likert scale. The questions related to the variables of the present questionnaire were analyzed by quoting the research articles of Root (2020), Sivaramakrishanan et al. (2017), and Weng et al. Respondents choose from among the five options, and scores from 1 to 5 are assigned to the questions, with the total score measured by the sum of the obtained scores.

## RESULTS AND DISCUSSION

The results showed that financial literacy has a significant effect on investors' tendencies in the stock market. Therefore, the government should actively educate people to acquire more financial knowledge to reduce decision-making discrepancies. Additionally, the results showed that people with more financial literacy have better control over their behavior in the stock market and a greater tendency to enter the capital market. In general, financial literacy encourages people to use their financial knowledge and mentalities in deciding to enter the stock market for financial investments instead of relying on others' suggestions.

## CONCLUSION

Not only are the level of financial literacy but also characteristics such as ethical norms key factors affecting financial decisions. The conclusion of this research is useful for the government, shareholders, and the general public. If people equip themselves with financial literacy, they can reduce their decision-making disorders in the stock market. Although in traditional financial theory, the emotional tendencies of the investor have no role in the stock price, realized return, and expected return, in this research, the investor's subjective norms did not show a positive effect on the intention to invest in the stock market.

**Keywords:** Investment Intention, Financial Literacy, Past Behavior of Investors, Mental Norms.

**JEL Classification:** G41, G40, G53, G11.

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