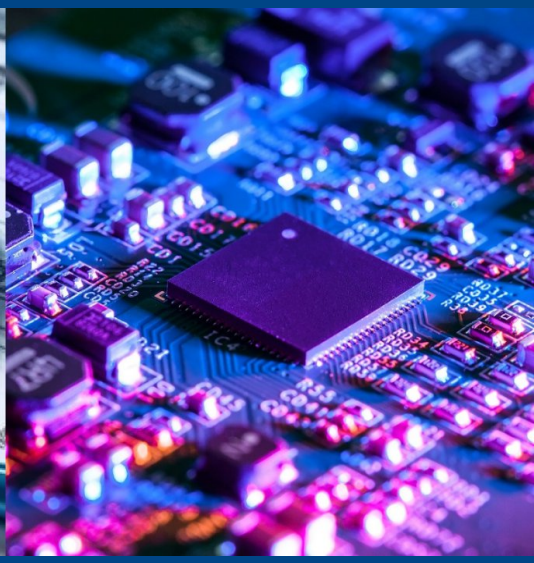
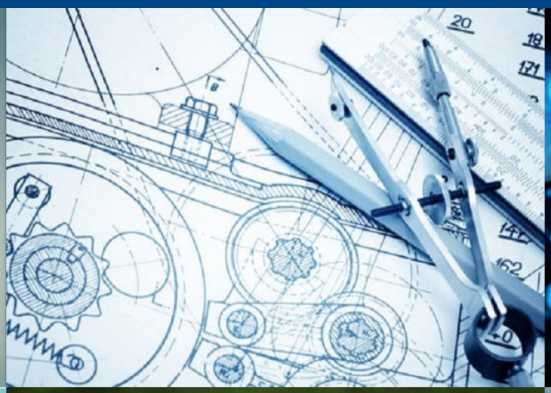
ISSN: 2582-7219

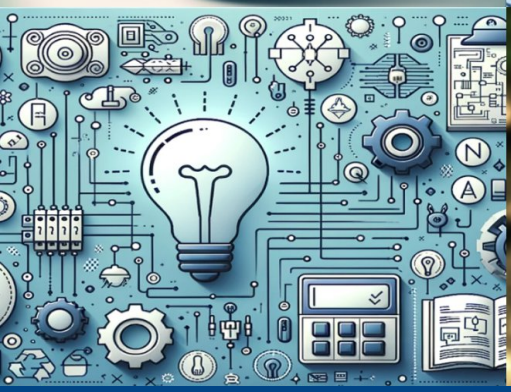




International Journal of Multidisciplinary Research in Science, Engineering and Technology

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)



Impact Factor: 8.206 **Volume 9, Issue 4, April 2026**

© 2026 IJMRSET | Volume 9, Issue 4, April 2026| DOI:10.15680/IJMRSET.2026.0904133

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

A Study on Investment Behaviour in Modern Trading Environments: An Indian Perspective

Harshitha S, Dr. Anoop Jagetia

Master of Business Administration, CMS Business School, JAIN (Deemed-to-be University), Bengaluru, Karnataka, India

Assistant Professor, Faculty of Management Studies, CMS Business School, JAIN (Deemed-to-be University), Bengaluru, Karnataka, India

ABSTRACT: From 2020 to 2025, the number of verified investors on India's main stock market expanded rapidly, from 4 crore to 24 crore. Mobile-driven finance applications played a significant role in this growth by cutting fees and simplifying account creation. However, a substantial "Literacy-Action Gap" remains; while approximately 63% of Indian families recognize that equities can grow wealth, only about 9.5% actually invest. This paper investigates the 53.5% of individuals who possess knowledge but fail to act, arguing that traditional economics struggles to capture the unseen mental blocks and behavioural habits driving this hesitation. Utilizing secondary data from academic papers, stock exchanges, and regulatory bodies, this study examines five common mental shortcuts: loss aversion, overconfidence, herding, anchoring, and representativeness. The findings reveal that digital tools act as a mediating force, bending rather than replacing cognitive processes. Nearly 70% of investors exhibit representativeness bias, while 53.3% are anchored to initial purchase prices. Furthermore, financial literacy and demographics significantly moderate these effects, with financial education acting as a crucial defence against impulsive, technology-driven decision-making.

KEYWORDS: Behavioural biases, Indian retail investors, digital trading platforms, financial literacy, prospect theory.

I. INTRODUCTION

The Indian capital market has undergone profound structural, technological, and behavioural transformations. Between FY2020 and FY2025, the number of registered retail investor accounts on the National Stock Exchange (NSE) surged from 40 million to 240 million. This sixfold increase confirms a fundamental shift in household investment preferences, moving away from traditional assets like gold and deposits toward equity products. This participation is not purely speculative; record monthly net inflows of ₹20,452 crore into Systematic Investment Plans (SIPs) by April 2024 demonstrate a commitment to long-term, rule-based wealth creation.

Despite this explosive growth, a significant hurdle persists. According to the SEBI Household Finance Survey (2024), approximately 63% of Indian families are aware of equities, but only 9.5% invest, creating a 53.5 percentage point "Literacy-Action Gap". Traditional financial models, which assume purely logical action, fail to explain this disconnect. Instead, decisions are heavily influenced by emotional responses and mental shortcuts.

The introduction of mobile trading applications has compounded these challenges. Real-time updates, push notifications, and gamified interfaces encourage continuous market participation, often prompting decisions based on "surface feelings" rather than deep analysis. This study investigates how cognitive habits, shaped by digital trading tools and moderated by financial literacy and demographics, dictate the choices of modern Indian retail investors.

II. RELATED WORK

The foundation of behavioural finance posits that individuals rarely make purely rational financial calculations. According to Kahneman and Tversky's Prospect Theory, people evaluate financial positions based on initial reference points, and the emotional pain of losing money significantly outweighs the pleasure of an equivalent gain. This "loss aversion" often leads investors to hold onto losing investments too long while selling winning investments prematurely.

© 2026 IJMRSET | Volume 9, Issue 4, April 2026| DOI:10.15680/IJMRSET.2026.0904133

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

In addition to loss aversion, investors frequently exhibit an "overconfidence bias," possessing an inflated sense of their predictive abilities. Research by Glaser and Weber (2007) and Barber and Odean (2000) demonstrates that overconfidence correlates with excessive trading and lower overall returns. "Herding behaviour," or the "information cascade" identified by Hirshleifer and Teoh (2003), occurs when individuals abandon personal insights to copy the majority, a phenomenon currently amplified by social media and "finfluencers".Investors also fall victim to "anchoring bias," fixating on initial prices or historical highs despite new data. Similarly, "representativeness bias" causes individuals to assume past patterns guarantee future results, leading to skewed risk assessments.

To combat these biases, financial literacy acts as a crucial mental defence. Adil, Singh, and Ansari (2022) found that a clear understanding of finance weakens the grip of mental shortcuts. Furthermore, the Technology Acceptance Model (TAM) explains that investors adopt digital platforms based on perceived usefulness and simplicity. However, these platforms can simultaneously trigger impulsive behaviours and facilitate stable routines like SIPs. Finally, demographics such as age and education significantly influence risk tolerance and bias susceptibility.

III. METHODOLOGY

A. Scope and Research Design

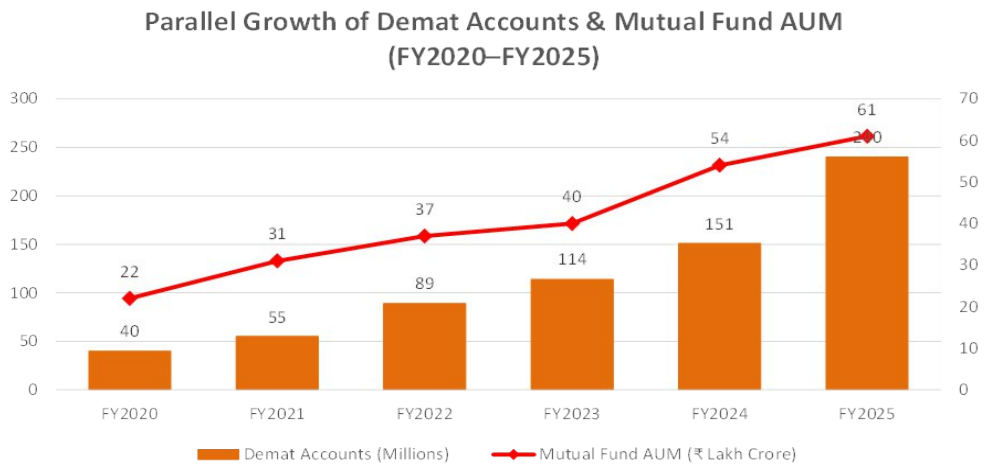
This study employs a systematic, secondary data-driven approach to analyse the decision-making patterns of Indian retail investors. The scope focuses on the impact of cognitive biases, digital application usage, financial literacy, and demographic profiles on trading actions.Data was consolidated from reputable sources, including peer-reviewed academic journals, Securities and Exchange Board of India (SEBI) surveys, National Stock Exchange (NSE) bulletins, and Association of Mutual Funds in India (AMFI) reports spanning FY2019 to FY2025.

B. Variables and Hypotheses

The independent variables comprise five core behavioural biases: Loss Aversion, Overconfidence, Herding, Anchoring, and Representativeness. Financial literacy and demographics (aAge, gender, education) serve as moderating variables, while digital platform adoption acts as a mediating variable.

The study tests the following primary hypotheses:

- **H1a/b:** Loss aversion positively influences conservative strategies and is significantly greater among older investors.
- **H2:** Overconfidence is positively associated with trading frequency.
- **H3:** Herding is amplified in digital trading environments.
- **H4:** Anchoring is more prevalent among younger investors.
- **H5:** Financial literacy significantly moderates the relationship between biases and poor outcomes.
- **H6:** Digital platform adoption mediates decision-making.
- **H7:** Demographics significantly moderate risk appetite.

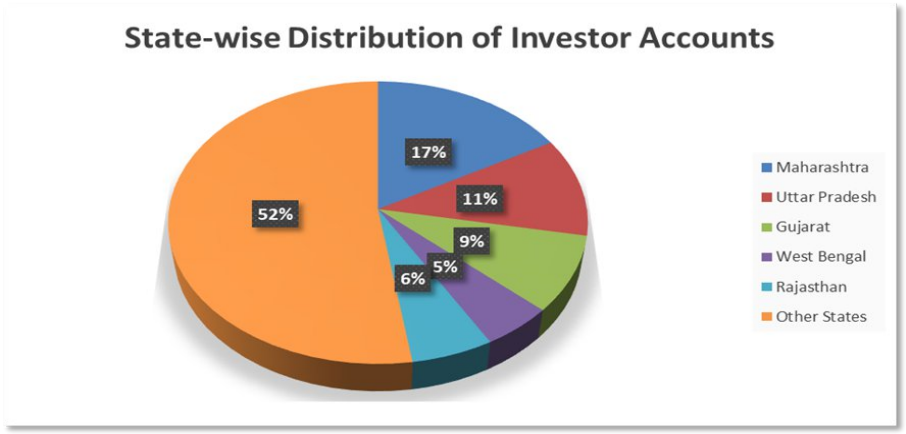


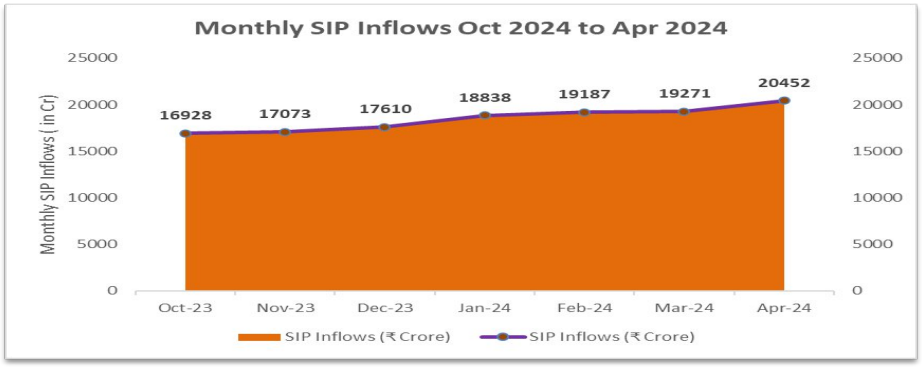
© 2026 IJMRSET | Volume 9, Issue 4, April 2026| DOI:10.15680/IJMRSET.2026.0904133

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)





IV. DATA ANALYSIS AND EXPERIMENTAL RESULTS

A. Behavioural Bias Prevalence

Based on a benchmark analysis of 118 retail investor decisions (Rai, 2024), the data reveals significant distortions in cognitive processing. The most dominant bias is Representativeness, with 69.0% of respondents indicating that past decisions strongly influence present decisions. This is followed closely by Anchoring, where 53.3% of investors hold losing stocks based on the initial purchase price.

Conversely, behaviours traditionally assumed to drive market volatility are less prevalent. Only 27.9% exhibited herding behaviour (investing in popular stocks without fundamentals), and overconfidence affected only 32.4% of the sample.

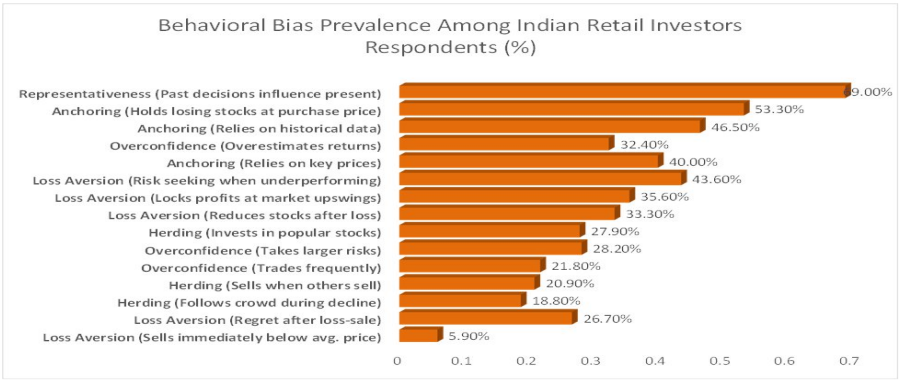


Table 1:Bias of Prevalence Data

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

Bias Category	Survey Statement (abbreviated)	Agree / Present	Disagree / Absent	Interpretation
Loss Aversion	Sells immediately below the acquisition price	5.9%	94.1%	Very low prevalence
Loss Aversion	Regret/second-guess after loss sale	26.7%	73.3%	Low prevalence
Loss Aversion	Risk-seeking when portfolio underperforms	43.6%	56.4%	Moderate — H1a relevant
Loss Aversion	Reduces stocks after significant loss	33.3%	66.7%	Moderate
Loss Aversion	Locks in profits during market upswing	35.6%	64.4%	Moderate
Herding	Follows crowd sell-off during decline	18.8%	81.2%	Low prevalence
Herding	Invests in popular stocks w/o fundamentals	27.9%	72.1%	Low-Moderate — H3 relevant
Herding	Sells when others sell at market loss	20.9%	79.1%	Low prevalence
Overconfidence	Trades frequently — overconfidence driven	21.8%	78.2%	Low prevalence
Overconfidence	Takes larger risks due to overconfidence	28.2%	71.8%	Low-Moderate
Overconfidence	Overestimates potential returns	32.4%	67.6%	Moderate — H2 relevant

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

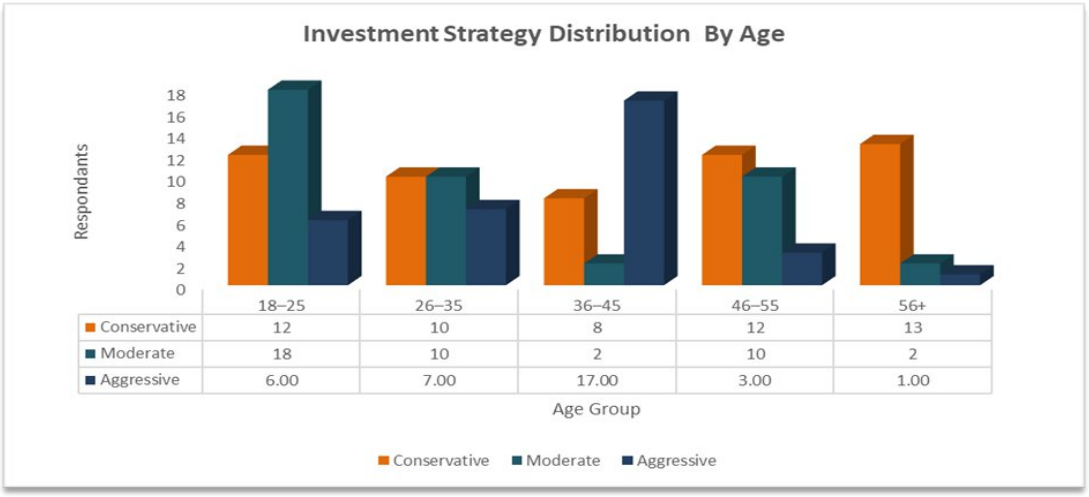
International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

Anchoring	Relies heavily on historical data	46.5%	53.5%	Moderate — H4 relevant
Anchoring	Holds losing stocks at the purchase price	53.3%	46.7%	Moderate-High — most prevalent anchoring
Anchoring	Sells early based on purchase price benchmark	26.1%	73.9%	Low prevalence

B. Demographic Influences: Age and Strategy

The analysis confirms life-cycle theories regarding risk tolerance (H1b). Among young adults (18–25 years), aggressive and moderate strategies dominate, with conservative strategies making up only 33.3% of the cohort. However, risk aversion increases linearly with age; 68.4% of investors aged 56 and above select strictly conservative, low-risk options.



Pearson correlation analysis further elucidates this dynamic. Age shows a positive, statistically significant correlation with Loss Aversion ($r = +0.1621, p < 0.05$), indicating older investors bear greater loss sensitivity. Conversely, Anchoring exhibits a negative correlation with age ($r = -0.1135, p < 0.05$), demonstrating that younger, less experienced investors are significantly more tied to initial price points.

C. Gender Comparisons

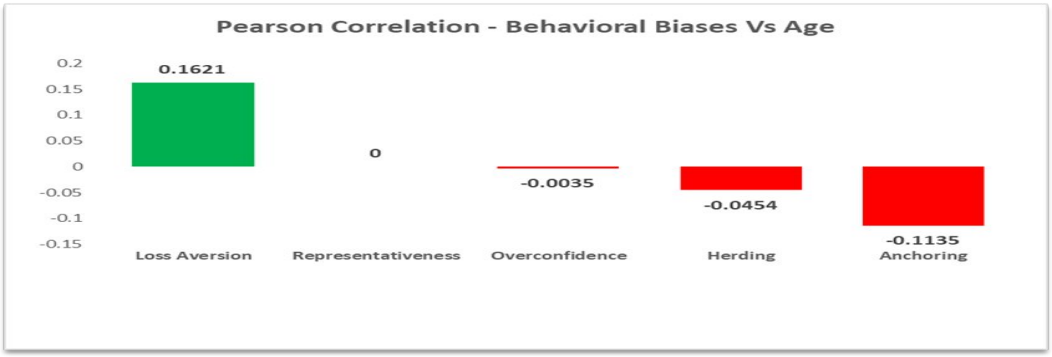
An independent samples t-test was conducted to evaluate gender differences across the five biases. The results highlight a lack of statistical divergence (H7 partially rejected). While minor mean variations existed—females showed slightly higher loss aversion (1.75 vs. 1.65) and herding (2.51 vs. 2.15), and males showed slightly higher overconfidence (2.34 vs. 2.12)—all p-values exceeded 0.05. This indicates that cognitive bias susceptibility is largely independent of gender.

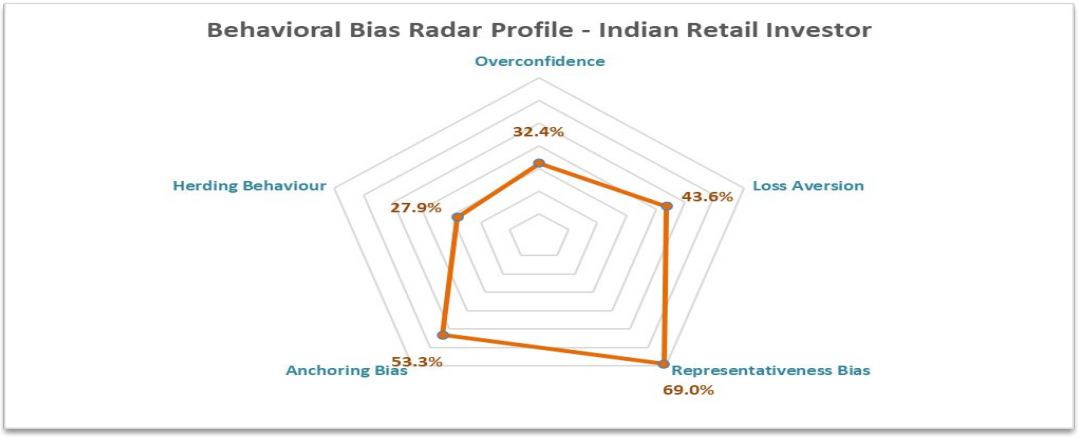
© 2026 IJMRSET | Volume 9, Issue 4, April 2026| DOI:10.15680/IJMRSET.2026.0904133

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)





V. FINDINGS AND DISCUSSION

The findings systematically validate the core hypotheses of this study. The analysis confirms that Indian retail investors heavily utilize mental shortcuts, specifically Representativeness and Anchoring, leading to decisions based on historical patterns rather than current fundamentals.

Age acts as a primary demographic differentiator. Older investors are demonstrably more conservative and loss-averse, while younger cohorts are highly susceptible to price anchoring due to limited market cycles. Interestingly, the data dispels the notion of gender-based cognitive disparities; both males and females experience identical patterns of flawed thinking regarding financial choices.

Crucially, the research highlights the dual nature of digital trading platforms (H6). While real-time data and push notifications exacerbate impulsive, emotionally driven trades, the structural design of these applications also facilitates automated, long-term wealth building through tools like SIPs. The platform's user interface design dictates whether an investor acts fast (emotionally) or slow (rationally).

Finally, the data supports H5: financial literacy significantly mitigates the impact of these cognitive biases. Education provides an "internal checkpoint," allowing investors to override emotional traps and execute consistent, logical strategies.

VI. MANAGERIAL IMPLICATIONS AND LIMITATIONS

A. Managerial Implications

The findings present immediate implications for Fintech platforms. Brokers must recognize that application design influences investment quality. By reducing chaotic alerts and prominentizing long-term goal-tracking interfaces, platforms can guide users away from impulsive trading and toward stable accumulation.

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

For regulators like SEBI, traditional educational programs focused on product mechanics are insufficient. Curriculums must incorporate behavioural finance, teaching investors to recognize their mental shortcuts and emotional triggers. Additionally, Asset Management Companies (AMCs) should alter communication framing—shifting from highlighting historical returns (which triggers representativeness bias) to providing predictive outcomes based on individual goals.

B. Limitations and Future Scope

This study relies on cross-sectional secondary data, which captures a specific point-in-time snapshot of a rapidly evolving digital market. Furthermore, standard reports often over-index metropolitan populations, potentially under-representing the growing cohort of rural and semi-urban retail investors. Future research should deploy longitudinal methodologies tracking cohorts across bull and bear cycles, and utilize machine learning to predict bias manifestations based on specific UI/UX platform designs.

VII. CONCLUSION

The digital transformation of the Indian capital markets has democratized access, swelling active retail accounts to 240 million. However, this study concludes that mere access does not equate to rational participation. Retail investment decisions are profoundly dictated by past experiences (Representativeness) and fixed price points (Anchoring), rather than fundamental analysis or even herd mentality.

Digital applications act as a double-edged sword—capable of triggering panic-induced selling through constant alerts, or fostering disciplined wealth creation through automated SIPs. To bridge the "Literacy-Action Gap," the financial ecosystem must evolve beyond technical product education. By integrating behavioural finance into regulatory curriculums and platform designs, the industry can protect investors from their own cognitive biases, ensuring the rapid growth of the Indian retail market translates into sustained, long-term financial stability.

REFERENCES

[1] Adil, M., Singh, Y., & Ansari, M. S. (2022). How financial literacy moderates the association between behaviour biases and investment decision? *Asian Journal of Accounting Research*, 7(1), 17–30.
[2] Aggarwal, M., Nayak, K. M., & Bhatt, V. (2023). Examining the factors influencing FinTech adoption behaviour of Gen Y in India. *Cogent Economics & Finance*, 11(1).
[3] Barber, B. M., & Odean, T. (2000). Trading is hazardous to your wealth: The common stock investment performance of individual investors. *Journal of Finance*, 55(2), 773–806.
[4] Bushra, B., Srivastav, S., & Kapoor, S. (2024). Impact of gender, age, and education on investors' behavior: An empirical study of Delhi-NCR. *International Journal of Systems Assurance Engineering and Management*.
[5] Davis, F. D. (1989). Perceived usefulness, perceived ease of use, and user acceptance of information technology. *MIS Quarterly*, 13(3), 319–340.
[6] Glaser, M., & Weber, M. (2007). Overconfidence and trading volume. *GENEVA Risk and Insurance Review*, 32(1), 1–36.
[7] Hirshleifer, D., & Teoh, S. H. (2003). Herd behaviour and cascading in capital markets: A review and synthesis. *European Financial Management*, 9(1), 25–66.
[8] Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica*, 47(2), 263–292.
[9] Makwana, C. (2024). Understanding behavioural biases driving equity investors in India: A factor analysis approach. *SAGE Metamorphosis*, 23(1), 117–125.
[10] Rai, R. (2024). Behavioural biases and investment decision-making in India: A study of stock market investors. *International Research Journal of Economics and Management Studies*, 3(11), 11–24.
[11] Saivasan, R., & Lokhande, M. (2022). Influence of risk propensity, behavioural biases and demographic factors on equity investors' risk perception. *Asian Journal of Economics and Banking*, 6(3), 373–403.
[12] Securities and Exchange Board of India. (2024). Household finance and investment survey 2024. SEBI.
[13] Suresh, G. (2024). Impact of financial literacy and behavioural biases on investment decision-making. *FIIB Business Review*, 13(1), 72–86.
[14] Tversky, A., & Kahneman, D. (1974). Judgment under uncertainty: Heuristics and biases. *Science*, 185(4157), 1124–1131.

INTERNATIONAL STANDARD SERIAL NUMBER INDIA

INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH

IN SCIENCE, ENGINEERING AND TECHNOLOGY

| Mobile No: +91-6381907438 | Whatsapp: +91-6381907438 | ijmrset@gmail.com |

www.ijmrset.com