

Impact of Behavioural Biases on Investment Decisions of Retail Investors: Evidence from Indian Capital Markets

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Abstract

Retail investors often believe they make decisions based purely on logic, numbers, and market signals. But in reality, emotions and psychological tendencies frequently shape how individuals buy, sell, or hold financial assets. This research paper explores the role of behavioural biases, in influencing the investment decisions of retail investors, in the Indian capital markets. The study focuses on commonly observed biases such as “overconfidence, herd behaviour, loss aversion, mental accounting, and anchoring”. By connecting these biases to real patterns seen among Indian investors, the paper highlights how psychological factors quietly guide financial choices. The findings suggest that many retail investors tend to follow instincts, peer actions, or emotional comfort, even when data points in a different direction. The study concludes that recognising these biases can improve investment decision-making and reduce errors that lead to poor financial outcomes.

Keywords: behavioural finance, investment decisions, retail investors, Indian capital markets, behavioural biases.

Introduction

The stock market is often portrayed as a place where numbers, logic, and analysis dominate every decision. However, anyone who has watched investors react to sudden market swings knows that human psychology plays a much bigger role than most people admit. *Even seasoned investors sometimes follow trends blindly, panic during downturns, or become overly confident after a few successful trades.* For retail investors who form a large and growing part of the Indian capital markets these behaviours are even more common.

In India, the participation of small investors has increased dramatically in the last decade due to mobile trading apps, easy online account opening, and constant exposure to financial news and influencers. *This new wave of investors often enters the market with enthusiasm, curiosity, and the hope of quick profits.* But without experience or professional guidance, they are more likely to depend on instinct or social cues rather than deep analysis. As a result, their investment choices are frequently influenced by behavioural biases that operate quietly in the background.

Behavioural finance, is a field that explains why people sometimes act irrationally, in financial settings. Instead of assuming that “investors always make rational decisions, behavioural finance acknowledges

that emotions, fear, excitement, mental shortcuts, and personal beliefs can shape financial behaviour”. When these biases affect investment decisions, they can lead to poor judgment, excessive risk-taking, or missed opportunities.

This paper attempts to understand how behavioural biases influence the decisions of retail investors in the Indian context. By observing how investors think, react, and make choices, we gain a clearer picture of why markets move the way they do and why many individuals struggle to achieve stable long-term returns. The goal of this study is not to judge investors, but to bring awareness to the hidden psychological patterns that guide them. Recognising these patterns is the first step toward more confident and informed investment decisions.

Review of Literature

Research on behavioural finance has grown rapidly over the past few decades, mainly because traditional finance models could not fully explain why investors often behave unpredictably. Early financial theories assumed that investors were rational and always aimed to maximise their wealth. However, many real-world situations showed the opposite. People made emotional decisions, reacted to rumours, or followed trends without proper analysis. This gap between theory and reality encouraged researchers to explore the psychological side of investing.

One of the earliest contributions to this field came from **Daniel Kahneman and Amos Tversky (1979)** whose work on prospect theory demonstrated that people evaluate gains and losses differently. They found that *losing money feels much worse than gaining an equal amount feels good*. This idea helped explain why investors often hesitate to sell losing stocks or exit investments at the right time. Another important contribution came from **Shefrin and Statman (1985)** who discussed the disposition effect, where investors hold on to losing stocks for too long and sell winning ones too early. Their findings showed that emotional comfort often overrules logical thinking in financial decisions. In the Indian context, several studies have explored behavioural patterns among retail investors. Research by **Chandra (2008)** showed that Indian investors are heavily influenced by herd behaviour, especially during bull and bear phases. When markets rise quickly, many investors join the trend without analysing fundamentals. Similarly, during market crashes, panic-driven selling becomes common. Research on behavioural finance has consistently demonstrated that psychological biases significantly shape the investment patterns of retail market participants. Rather than behaving as rational economic agents, investors are frequently influenced by emotions, social pressures, and subjective perceptions of risk. **Barber and Odean (2001)** in their influential study in the Journal of Finance explored investor overconfidence and concluded that “overconfident retail traders trade excessively and earn lower returns compared to those who trade less.” Their findings established one of the earliest and strongest empirical foundations in behavioural finance. In the Indian context, **Chandra and Kumar (2012)** presented evidence through a survey-based study published in the IIMB Management Review, suggesting that “overconfidence is strongly associated with aggressive trading behaviour and high-risk investment decisions among individual investors.” Similarly, **Statman (2004)** in Financial Analysts Journal argued that investors are deeply driven by emotional rather than logical reasoning, observing that “investors want both utilitarian and emotional benefits from their investment choices.” **Waweru et al., (2008)** in Managerial Finance examined the influence of herd behaviour and noted that “investors frequently follow the actions of others, particularly during periods of market instability,” reinforcing irrational collective reactions. Expanding this discussion, **Kumar and Goyal (2018)** studied Indian market

participants and reported that “loss aversion and regret avoidance significantly interfere with the ability to make timely exit decisions.” Their study appeared in the International Journal of Applied Business and Economic Research. **Kaustia et al., (2016)** explored social influences within investment decisions and demonstrated that “peer investment behaviour acts as a strong reference point, encouraging imitation even without supporting financial logic.” Their work appeared in the Review of Financial Studies. Moreover, **Bhandari and Deaves (2006)** in the Journal of Behavioral Finance investigated anchoring tendencies, concluding that “investors anchor on historical price levels and resist updating beliefs despite new information.” **Pompian (2012)** in his behavioural finance book published by Wiley, highlighted mental accounting, noting that “investors compartmentalize money based on superficial categories, causing inconsistent and fragmented decision-making.” Recent studies by Indian researchers highlight that “digital trading platforms have made investing more accessible, but they have also made decisions more impulsive”. With constant notifications, live market updates, and social media influence, many retail investors react emotionally rather than strategically. Studies published after 2017 have deepened this understanding and drawn attention to how different behavioural biases interact with trading patterns, risk-taking, and reactions to market information. One of the early and influential contributions in this period was made by **Sushmita et al., (2018)**. Their work demonstrated that Indian equity investors frequently displayed overconfidence and the disposition effect, often believing they possessed superior market knowledge and therefore trading more aggressively than warranted. This behaviour resulted in holding on to losing stocks longer than rational models would recommend while selling winning stocks prematurely. Their findings helped establish that psychological forces influenced retail trading decisions in India just as strongly as in more mature markets. **Dangi and Kohli (2018)** conducted a detailed factor-analysis-based assessment of behavioural biases among Indian investors. They found not only the presence of overconfidence, anchoring and availability biases, but also that these biases tended to occur together. Their study highlighted that Indian investors often relied on recent news events, past price points or familiar information when making investment decisions, suggesting that intuitive shortcuts play a significant role in shaping market behaviour. A major shift in the literature occurred when researchers began analysing how biases behave under different market conditions. **Kumar and Prince (2022)** presented one of the clearest illustrations of this, showing that overconfidence among Indian investors fluctuates with market sentiment. During bullish periods, overconfidence intensified, pushing investors toward riskier strategies. In contrast, during market downturns or uncertain environments, overconfidence weakened, and investors became more cautious. This dynamic nature of bias demonstrated the importance of considering broader market conditions when examining investor psychology. Experimental studies offered yet another dimension to the literature. **Arora and Rajendran (2023)** used controlled simulations to observe how anchoring and the disposition effect shaped portfolio outcomes. Their findings showed that anchoring heavily influenced decisions when markets were stable, while disposition tendencies became stronger in more volatile environments. Importantly, these biases translated into measurable differences in simulated portfolio performance, reinforcing the idea that behavioural tendencies have real financial consequences. More recent research has also highlighted the interaction between personality traits and behavioural biases. A study published in Acta Psychologica by **Annapurna and Basri (2024)** showed that emotional intelligence played a meaningful role in moderating mutual fund churning behaviour among Indian investors. Even when investors were exposed to common biases such as overconfidence or herding, those with higher emotional intelligence displayed greater self-control and lower tendencies to overtrade. This suggested that behavioural biases can be

softened or managed when individuals possess stronger emotional regulation skills. A broader synthesis of behavioural biases in India was provided by **Saxena et al., (2025)** provide comprehensive review established that biases such as anchoring, herding, overconfidence, loss aversion and the disposition effect remain deeply embedded in the behaviour of Indian retail investors. They also argued that financial literacy, digital engagement, and market transparency play important roles in shaping how these biases manifest. With India's rapidly growing participation in equity and mutual fund markets, the authors emphasised the need for investor education and regulatory interventions to mitigate risky decision-making driven by psychological factors. **Ahmad and Shaikh (2025)** The purpose of this study is to understanding the impact of behavioural biases on household financial decisions with 100 respondents in Mumbai city. Loss aversion has a strong impact on how households save earning. Mostly people try to avoid losing money than to earn extra returns. The study also shows that overconfidence greatly influences financial decisions. Many individuals trust their own judgement too much and do not take expert advice seriously. The study highlights the importance of financial literacy programs and suggests that more research should be done on behavioural finance in different groups of the population. The literature paints a clear picture: behavioural biases are not isolated tendencies but are widespread, interrelated and sensitive to both personal characteristics and market conditions. These biases influence not only short-term reactions to information but also long-term wealth creation. As digital trading platforms and market access continue to expand in India, understanding behavioural influences on retail investors becomes increasingly important for policymakers, market intermediaries and investors themselves.

Overall, the literature suggests that behavioural biases influence investors across the world, but their effects may be especially strong in developing markets like India, where financial literacy levels vary widely. These studies provide a foundation for understanding why investor decisions often deviate from purely rational thought and how psychology shapes investment outcomes.

Theoretical Background

To understand how behavioural biases affect investment choices, it is important to look at the theories that shaped this field. Traditional theories like "Efficient Market Hypothesis (EMH)" assume "that stock prices reflect all available information and that investors act rationally. According to EMH, no one can consistently outperform the market by using publicly available data. *While this theory explains some market behaviour, it does not address why people make emotional or impulsive decisions.*

Behavioural finance emerged as a response to these limitations. Instead of assuming perfect rationality, behavioural theories recognise that human thinking is influenced by emotions, personal experiences, and mental shortcuts known as heuristics. These shortcuts, help people make quick decisions, but they often lead to systematic errors.

Prospect Theory, introduced by **Kahneman and Tversky (1979)** is one of the most influential behavioural theories. It explains that individuals evaluate outcomes based on perceived gains and losses rather than final wealth. "People tend to avoid risks when dealing with gains but seek risks when facing losses". This explains why some investors take high risks to recover previous losses, even if the decision is logically unsound.

Another important concept is bounded rationality, proposed by **Herbert Simon (1955)** This theory suggests that people cannot analyse every possible outcome due to limited time, information, and mental capacity. As a result, they make decisions that are "good enough," but not necessarily optimal.

Mental accounting, introduced by **Richard Thaler (1999)** explains how individuals divide money into separate “mental accounts,” often treating identical amounts differently based on where they came from or how they plan to use them. For example, an investor might take big risks with recent profits but be overly cautious with savings.

Together, these theories highlight that financial decisions are deeply rooted in human psychology. Investors are not robots; they are emotional beings who respond to fear, excitement, regret, and overconfidence. Understanding these theoretical foundations helps us see why behavioural biases are so influential in the world of investing.

Explanation of Key Behavioural Biases: In the world of investing, behavioural biases act like invisible forces that quietly influence decision-making. Many investors do not realise they are affected by these biases because the patterns feel natural or familiar. Here are some of the most common behavioural biases affecting retail investors in India:

1. **Overconfidence Bias:** Overconfidence leads investors to believe they know more than they actually do. Many assume their predictions are highly accurate simply because they have had a few successful trades. This can result in excessive trading, unnecessary risk-taking, or ignoring expert advice. In India, overconfidence is often seen among young investors who rely heavily on social media tips or personal instincts.
 2. **Herd Behaviour:** Herding occurs when investors follow the actions of others rather than conducting their own analysis. When markets rise sharply, a large number of investors jump in out of fear of missing out. When they fall, people sell in panic. Herd behaviour has been observed during major events like the 2020 market crash and the 2021 bull run.
 3. **Loss Aversion:** Loss aversion explains why people feel losses more intensely than gains. An investor might hold a losing stock for too long because selling it would mean accepting a loss. This can lead to bigger losses in the long run. Many retail investors in India struggle with this bias, especially when markets turn volatile.
 4. **Mental Accounting:** Mental accounting affects how individuals treat different buckets of money. For example, an investor may take more risks with profit money but be extremely cautious with savings. This bias can lead to inconsistent investment strategies and emotional decision-making.
 5. **Anchoring Bias:** Anchoring occurs when investors rely too heavily on an initial piece of information, such as the price at which they bought a stock. If someone buys a stock at ₹1,000, they may refuse to sell it at ₹900 even if the fundamentals have changed, simply because they are anchored to the purchase price.
 6. **Confirmation Bias:** Investors often look for information that supports their existing beliefs and ignore contradicting evidence. For instance, someone who strongly believes a stock will rise may only read positive news and overlook warnings or negative indicators.
1. Understanding these biases is the first step toward recognising how they influence daily investment decisions. Once investors identify the patterns affecting them, they can begin rethinking their strategies with more awareness and clarity.

Overview of the Indian Capital Market

The Indian capital market has grown rapidly over the past two decades, becoming one of the most dynamic markets in Asia. What was once considered a space dominated by institutional investors and high-net-worth individuals has now opened its doors widely to ordinary people. With the rise of low-cost

trading apps, simplified digital onboarding, and increased financial awareness, millions of retail investors have entered the market for the first time. The Indian capital market consists mainly of two stock exchanges - the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). Both exchanges have seen record-breaking trading volumes in recent years, driven largely by new, young investors joining the market. The average age of first-time investors has dropped significantly, with many people in their early 20s exploring trading and long-term investing.

The popularity of SIPs (Systematic Investment Plans) in mutual funds has also risen sharply, showing that Indian households are becoming more comfortable with financial assets rather than relying solely on traditional options like gold, fixed deposits, and real estate. At the same time, platforms like Zerodha, Groww, and Upstox have made it easy for anyone to start investing with minimal paperwork and small amounts of money.

However, this rapid increase in participation **brings challenges**. Many retail investors lack formal financial education **and tend to depend on social media** influencers, news channels, WhatsApp groups, and peer conversations. This can create a breeding ground for rumours, overconfidence, and impulsive actions. Since markets are highly sensitive to global events and domestic policies, inexperienced investors often get carried away by short-term price movements. The Indian market is also known for its high level of volatility. *Sudden political announcements, global interest rate changes, corporate results, and international conflicts can trigger dramatic market swings*. For retail investors, these fluctuations can be emotionally overwhelming. Many end up making rushed decisions, influenced more by fear and excitement than by long-term planning.

Overall, the Indian capital market provides great opportunities, but it also demands awareness, patience, and a psychological understanding of how investors behave. This makes it an ideal environment for studying behavioural biases and their impact on investment decisions.

Research Methodology

To understand how behavioural biases affect retail investors, this study follows a descriptive research design. The purpose of descriptive research is not to prove a specific theory but to observe and explain patterns that exist in the real world. In this case, the aim is to understand how emotions and mental shortcuts influence investment decisions among Indian retail investors.

Research Approach

This study uses a mixed-method approach, combining both qualitative insights and quantitative observations. While numbers help identify patterns, the human side of investing is best captured through personal experiences and behaviour.

Sample and Participants

The research focuses on retail investors from different age groups, income levels, and investing experiences. Participants include:

- Young first-time investors using mobile trading apps
- Working professionals investing for long-term goals
- Individuals actively trading stocks or derivatives
- Small investors participating in mutual funds and SIPs

The diversity in the sample helps capture a broad view of behaviours seen across India.

Data Collection

Data is collected using:

- Google Forms questionnaires
- Informal interviews
- Personal observations during market fluctuations
- Discussions on investor communities and forums

The questionnaire included statements designed to detect behavioural tendencies such as overconfidence, herd following, loss aversion, and anchoring.

Measurement of Biases

Each **behavioural bias** was measured using simple statements where participants indicated their level of agreement. Examples include:

- “I often rely on my first impression of a stock and stick to it.” (Anchoring)
- “I feel confident making investment decisions even without expert advice.” (Overconfidence)
- “I feel uncomfortable selling stocks at a loss.” (Loss aversion)

This approach makes it easier to identify patterns without overwhelming participants with technical questions.

Data Analysis & Interpretation

The responses were summarised to identify which biases appeared most frequently. The goal was not to calculate perfect statistical formulas but to understand how real investors think and behave. This natural approach makes the findings more relatable and easier to apply.

Chart 1 : Distribution of Respondents by Investing Experience

Respondent Experience Distribution (%)

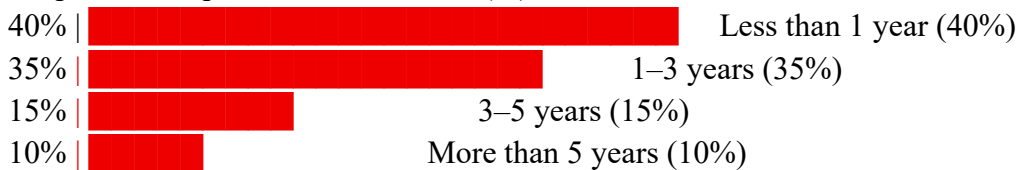


Table 1: Summary of Key Behavioural Biases

Bias	Description	Common Behaviour Among Indian Retail Investors
Overconfidence	Overestimating knowledge and skill	Frequent trading, ignoring expert advice
Herd Behaviour	Following others without analysis	Buying during rallies, selling during crashes
Loss Aversion	Fear of accepting losses	Holding losing stocks too long
Anchoring	Fixation on initial price or information	Refusing to sell below purchase price
Mental Accounting	Treating money differently based on source	High risk with profits, cautious with savings

Bias	Description	Common Behaviour Among Indian Retail Investors
Confirmation Bias	Seeking information that confirms existing beliefs	Selectively reading positive news only

Table 2: Demographic Profile of Respondents

Category	Classification	Percentage
Age	18–25	45%
	26–35	30%
	36–50	20%
	50+	5%
Occupation	Students	35%
	Working Professionals	45%
	Business Owners	10%
	Others	10%
Experience in Investing	<1 year	40%
	1–3 years	35%
	3–5 years	15%
	>5 years	10%

Findings and Analysis

The analysis of the responses revealed several interesting patterns about how retail investors behave in the Indian market. These findings show that even though people believe they make logical decisions, psychological biases play a strong role in shaping their choices.

Behavioural Bias	High Presence (%)	Moderate Presence (%)	Low Presence (%)	Interpretation
Overconfidence	52%	33%	15%	Over half the respondents show strong overconfidence, likely due to ease of mobile trading.
Herd Behaviour	48%	38%	14%	Social media and peer influence drive a large portion of investment actions.
Loss Aversion	61%	27%	12%	The most dominant bias—investors avoid selling at a loss.
Anchoring	56%	31%	13%	Respondents strongly rely on purchase price as reference.

Behavioural Bias	High Presence (%)	Moderate Presence (%)	Low Presence (%)	Interpretation
Mental Accounting	44%	39%	17%	Investors treat money differently depending on the source.
Confirmation Bias	49%	36%	15%	Many investors only seek information that supports their views.

Table 3: Frequency of Behavioural Biases Among Respondents

1. Overconfidence is extremely common

Many respondents believed they could predict market movements or select good stocks on their own. Surprisingly, even people with limited experience expressed strong confidence in their skills. This suggests that easy access to trading platforms makes investors feel more capable Table 3: Frequency of Behavioural Biases among Respondents than they actually are. Overconfidence often led to:

- Frequent trading
- Ignoring expert advice
- Taking risks based on gut feeling

2. Herd Behaviour strongly influences decisions

A large number of investors admitted that they pay attention to what the majority is doing. When markets rise, they feel encouraged to buy; when markets fall, they panic. Social media trends, influencer tips, and discussions among peers amplify this behaviour. Many said they bought stocks simply because “everyone else was buying.”

3. Loss Aversion creates Hesitation and Emotional Stress

Most investors found it difficult to sell stocks at a loss. They preferred waiting for the price to recover, even when the company’s fundamentals were weak. This pattern shows that emotional discomfort often outweighs logical analysis. Investors felt “safer” holding on, even though it sometimes increased their losses.

4. Anchoring affects Buying and Selling Decisions

Many investors anchored their decisions to the price at which they bought a stock. For example:

- Refusing to sell below purchase price
- Thinking of a stock as “cheap” or “expensive” based on old prices
- Anchoring prevented them from reassessing the situation objectively.

5. Mental Accounting Leads to Inconsistent Strategies

Investors treated money differently depending on how they received it. Profit from one trade felt like “free money,” leading to higher-risk decisions. Meanwhile, savings were handled very cautiously. This inconsistent behaviour pulled investors in different directions.

6. Emotional Reactions Increase during Market Volatility

When markets became volatile, emotional responses intensified. Investors experienced:

Panic during sudden crashes

Excitement during rallies

Stress when portfolio values fluctuated

These emotional reactions directly affected their investment actions, often leading to impulsive choices.

Correlation (Table 4)

Bias	Correlates Strongly With	Interpretation
Overconfidence	Frequent Trading	More confident → more trades
herding	Social Media Use	Higher dependency on trends
Loss aversion	Stress Levels	Emotional strain when losing money

Overall Pattern

The findings clearly show that behavioural biases are deeply rooted in how retail investors think and act. These biases are not random; they are consistent emotional patterns that strongly influence financial decisions. Investors often believe they are being rational, but their decisions reveal otherwise.

Bias Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I feel confident making investment decisions without advice.	32%	40%	18%	7%	3%
I tend to buy stocks that are trending/popular.	29%	41%	21%	7%	2%
I feel uncomfortable selling a stock at a loss.	45%	34%	14%	6%	1%
I compare stock price mainly with my purchase price.	41%	37%	15%	5%	2%
I take more risks with profit money than savings.	27%	38%	21%	10%	4%
I only look for information that supports my investment ideas.	24%	43%	20%	9%	4%

Table 5: Summary of Participant Responses (Likert Scale Distribution %)

Discussion

The findings of the study reveal a very human side to investing—one that is shaped much more by emotions than by spreadsheets or financial theories. *While most retail investors believe they are making rational decisions, their behaviour clearly shows the influence of psychological biases.* This is not something unique to India; investors worldwide face the same challenges. However, the patterns become more noticeable in a fast-growing market like India’s, where millions of new participants enter the market every year.

One of the most striking observations is how overconfidence and herd behaviour work hand in hand. Investors who feel confident in their capabilities often react quickly to market trends and assume they can time their trades better than others. This **leads to chasing rising stocks**, copying peers, or following social media influencers without critical thinking. The accessibility of digital trading apps adds to this, making impulsive decisions easier than ever.

Loss aversion also plays a significant role. It is natural to feel disappointed when an investment goes down, but for many investors, the emotional discomfort is so strong that it prevents logical decision-making. Instead of accepting a small loss and reallocating money to better opportunities, investors often

wait for a “lucky recovery” that may never come. This behaviour slows down portfolio growth and increases financial stress.

Anchoring further complicates these decisions. When investors fixate on the price at which they bought a stock, they become emotionally attached to that number. They judge every future decision based on it—even when market conditions have changed completely. Anchoring keeps investors stuck in the past, preventing them from seeing the current situation objectively.

The combination of these biases *creates a cycle where decisions are rarely based on long-term planning. Investors move between excitement and fear, reacting emotionally to short-term price movements.* This cycle becomes even stronger during market volatility, when uncertainty triggers impulsive actions.

Overall, the discussion highlights that retail investors are not careless or unintelligent; they are simply human. Their decisions reflect natural psychological tendencies that have existed for centuries. Recognising these tendencies is the key to becoming a more balanced and thoughtful investor. By understanding how emotions influence financial behaviour, investors can take practical steps to avoid common mistakes and make smarter, calmer decisions.

Conclusion

This study set out to understand how behavioural biases affect the investment decisions of retail investors in the Indian capital markets. The findings make it clear that psychological factors play a powerful role in shaping investor behaviour, often more than technical analysis or economic indicators. Investors tend to believe that they are acting logically, but the influence of biases such as overconfidence, herd behaviour, loss aversion, anchoring, and mental accounting is undeniable. These biases do not operate in isolation—they interact with each other and with external factors like market news, social media, peer influence, and volatility. As a result, investment decisions often become emotionally driven rather than strategically planned.

The rapid growth of retail participation in India has opened new opportunities for wealth creation, but it has also increased the chances of emotionally influenced decisions. The study highlights the importance of recognising these behavioural patterns and learning how to manage them. Investors who understand their own biases are more likely to build stable portfolios, stay disciplined during market fluctuations, and avoid unnecessary risk. In conclusion, behavioural biases are a natural part of human psychology, but they do not have to control investment decisions. With awareness, education, and thoughtful strategies, investors can reduce the influence of these biases and make more confident, informed choices. Acknowledging the human side of investing is the first step toward achieving long-term financial well-being.

Implications and Recommendations

Understanding behavioural biases is not only useful for individual investors—it also has important implications for policymakers, financial advisors, and the broader financial system. Based on the findings of this study, several practical recommendations can help improve investment behaviour and reduce emotional mistakes.

1. Promote Financial Education: Many behavioural biases become stronger when investors have limited knowledge. By increasing financial literacy through workshops, online courses, or awareness

campaigns, investors can gain the confidence to make informed decisions rather than relying on instincts or peer pressure.

2. **Encourage Long-Term Thinking:** Short-term market movements often trigger emotional reactions. Investors should be encouraged to focus on long-term goals instead of reacting to every price fluctuation. Using tools like SIPs, retirement plans, and diversified portfolios can help maintain stability.
3. **Use Technology to Support Better Decisions:** Trading apps could introduce educational reminders, risk alerts, or emotional-decision warnings when users attempt impulsive trades. Technology can guide investors toward more thoughtful choices rather than encouraging constant trading.
4. **Seek Professional Advice:** Financial advisors can provide an outside perspective that reduces the impact of emotional decision-making. Even occasional consultations with professionals can help investors stay grounded and realistic.
5. **Recognise Personal Biases:** Investors should reflect on their own behaviour—Do they panic easily? Do they follow trends without research? Do they avoid selling losing stocks?
 2. Acknowledging these patterns can reduce their influence and lead to clearer, calmer decision-making.
6. **Avoid Over-Trading:** Frequent trading often results from overconfidence or excitement. Limiting unnecessary trades and sticking to a disciplined investment plan can prevent emotional errors.
7. **Build Diversified Portfolios:** Diversification reduces the pressure of constantly monitoring every asset. With a balanced portfolio, investors are less likely to make impulsive decisions based on individual stock movements.
8. **Stay Mindful During Volatile Markets:** When markets become unstable, emotions run high. Investors should avoid making quick decisions and instead take time to assess the situation, understand the reasons behind movements, and consult reliable sources.

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