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# Impact of Herding Behavior on Investment Decisions of Retail Investors in India

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## ABSTRACT

*This research is focused on the investor Herding Behavior on Investment Decisions of Retail Investors in India. The last ten years have seen an increase in scholarly interest in retail investors in India as well as their ability to affect market performance. Market participants expectations of future cash flows (returns) and investment risk are referred to as investor sentiment. The Indian financial landscape has seen significant change recently, particularly in terms of its fundamental makeup. For instance, the country's economy has shifted from being savings- to investment-oriented So, notwithstanding the market environment, we are going to analyses how people in India behave while making investing decisions. The various analysis and methods used for conducting this analysis include descriptive statistics and multiple regression analysis. The software used for analysis include IMB SPSS - AMOS 26.0 Graphics software and IMB SPSS – Statistics 20. The study's conclusions can be used to analyses investment decisions and behavioral biases in decision-making in financial markets, and the findings demonstrate that herding behavior is present in these markets.*

**KEY WORDS:** Herding behavior, Retail Investors, Behavioral Biases, Investment Decision making, Herd, Financial markets.

## INTRODUCTION:

The stock market is used to assess the financial health of a country. Therefore, a stable stock market outlook indicates that the economy is doing well, and vice versa. Investors in India have argued over herd behavior for years. Herd behavior refers to the tendency of investors to make similar investments in the same stock, sector, or market. This behavior is believed to be influenced by investors' expectations of the stock's performance or by the opinions of other investors. Such behavior can lead to mispricing of stock markets and stock market bubbles or crashes. The objective of this research paper is to study the impact of herd behavior on the

investment decisions of retail investors in India. This research paper will examine numerous factors that affect the herd behavior of retail investors in India and how it affects the stock market. Herding behavior refers to an individual's tendency to gather together. The behavior of larger groups, even if it contradicts their better judgment. This behavior occurs in several areas, including financial markets, where investors often mimic the actions of other investors rather than making independent decisions based on their own analysis. Herd behavior can have a significant impact on the investment decisions of retail investors in India. If many investors start buying or selling a certain stock or asset, a domino effect can affect the market price. This phenomenon is due to the tendency of investors to follow the behavior of others, leading to distortions in the market's perception of value. However, some investors have succeeded by actively seeking and exploiting these biases. This can lead to bubbles or crashes when a stock's market price does not reflect its intrinsic value. Additionally, herd behavior creates market inefficiencies that can be exploited by institutional investors or traders. Retail investors who follow the herd without proper analysis and research can suffer significant losses due to market inefficiencies. Despite the pandemic, the number of investors in the local market has increased significantly in recent years. Data shows that in February 2023, all PINs in the country accounted for 99.26%, totaling 113 million demat accounts. This clearly shows that behavioral biases will exist in large populations in terms of realizing monetary benefits. However, while such gregarious events are harmless, they can have a significant impact on the stock market when it comes to investing. Understanding the dynamics of bull and bear markets is essential for investors to make informed decisions. It is also important to consider how investor clustering affects market returns, as this relationship can be complex and non-linear. Therefore, it is necessary to study the factors that affect the behavior of investors in different market conditions. This will help investors better understand the market and make more informed investment decisions. Additionally, investors should also remember that market conditions can change quickly and unexpectedly, so it is important to keep up to date with current events and economic indicators. By combining a deep understanding of market dynamics with ongoing research and analysis, investors can make more informed decisions that better align with their long-term investment goals. Numerous factors influence the herd behavior of retail investors, such as the availability of information, the influence of expert opinion, and the influence of market sentiment. Finally, the research paper will discuss the impact of herd behavior on the investment decisions of Indian retail investors, including the impact of herd behavior on the risk-taking preferences of retail investors, and the impact and the impact of herd behavior on overall liquidity. stock market.

# Literature Review:

**(Mishra, P. K., & Mishra, S. K. (2023), “**Do banking and financial services sectors show herding Behavior in Indian Stock Market amid COVID-19 pandemic? Insights from quantile regression approach”) says that COVID-19 pandemic has dampened stock market investors' spirits, causing sector-level stock return volatility because of investors' low spirits, sense of panic, and pessimism about the market. Using data from the stock market, this study looked at the volatility and herding behavior in India's banking and financial services industries. The first hypothesis, that the pandemic increased stock return volatility at the sectoral level, is supported by the empirical findings. By making sure that all relevant information is disclosed fairly and without charge, it is crucial to lessen the degree of information asymmetry among market participants. Identify the factors that influence the herding effect during a crisis, more research is required. **(Kumar, D., & Jarwal, D. (2022),** “Herding Behavior in Equity Market: A Systematic Literature Review”). Emerging markets experience higher levels of pastoralism than developed markets due to a lack of information and literature demonstrating a reliance on disorganized sources of information, lack of transparency, inefficient institutional infrastructure, immaturity of private investors, and lack of pastoralism research in developing countries. Data used to identify stock market crowds tends to be based on daily closing prices. This paper is limited to a conceptual analysis of empirical data from the existing literature, while statistical analysis can be further confirmed by a meta-analysis. **(Ah Mand, A., Janor, H., Abdul Rahim, R., & Sarmidi, T. (2021),** “Herding behavior and stock market conditions. *PSU Research Review*”) study investigated the relationship of herding behavior of investors with market return during up and down market among Malaysian investors for 1995- 2016. It found that Shariah-compliant investors have a non-linear relationship with market return, while conventional stocks have a linear relationship. Non-linear herding behavior only exists during down market, while up market herding Behavior was a linear relationship with market returns. These findings are robust with consideration of financial crises and market situations. **(Qasim, M., Hussain, R., Mehboob, I., & Arshad, M. (2019),** “Impact of herding behavior and overconfidence bias on investors’ decision-making in Pakistan. *Accounting*”) Research shows that overconfidence has a large and positive impact on investment decisions. As training and experience increases, people become overconfident, and men are more confident than women. When a person is overconfident, their decision is wrong, inappropriate, and they will make a wrong decision. **(Sabir, S. A., Mohammad, H. B., & Shahar, H. B. K. (2019),** “The role of overconfidence and past investment experience in herding Behavior with a moderating effect of financial literacy: evidence from Pakistan stock exchange”) It is pointed out that financial literacy increases overconfidence and herding behavior, and prior investment experience is positively related to herding behavior. Financial literacy plays a negative role in mitigating herd behavior, but there is a need to improve financial literacy. **(Satish, B., & Padmasree, K. (2018),** “An empirical analysis of herding Behavior in Indian stock market.”). The study discovered that herding Behavior has not been observed in the Indian stock market for a long time, validating the presence of rational asset pricing models. Herding Behavior is absent during the pre-financial crisis, during crisis, and post-financial crisis periods, and it is also absent when the market is rising or declining. The study concluded that the Indian stock market's stock prices adhere to the assumptions of standard finance theories such as the EMH and capital market pricing models. The study's findings indicate that Indian stock market investors make rational decisions based on available information and do not engage in herd Behavior. This indicates that the market is efficient, and that prices accurately reflect all available information. **(Bakar, S., & Yi, A. N. C. (2016), “**The impact of psychological factors on investors’ decision making in Malaysian stock market**”)** Overconfidence has a significant positive impact on investor decisions, whereas conservatism and herding have no significant impact. This study discovered that overconfidence, conservatism, and availability bias all have significant effects on investor decision making, whereas herding Behavior has no effect. The results of the study suggest that cognitive biases play a crucial role in investor decision making. It is important for investors to be aware of these biases and take steps to mitigate their impact on their investment decisions. **(Javed, T., Zafar, N., & Hafeez, B. (2015),** “Herding behavior in Karachi stock exchange”) reveals that ‘In Angela-Maria, F., Maria, P. A., & Miruna, P. M. (2015). An empirical study of herding Behavior in Central and Eastern European equity markets during the global financial crisis. 354-361 in Procedia Economics and Finance. With a negative number of 2, bearish market conditions may cause investors to flee. Increasing the sample size or using daily or weekly data could yield more proof. Prevent this, regulatory authorities should control and enforce the prompt delivery of adequate information by listed businesses. **(Angela-Maria, F., Maria, P. A., & Miruna, P. M. (2015),** “An empirical investigation of herding behavior in CEE stock markets under the global financial crisis”) This study examined size-ranked portfolios to see if herding Behavior occurred and how the recent global fiscal crisis affected it. For at least one quintile during the entire analysis period, it found herding evidence in Bulgaria, Slovenia, Latvia, and two other CEE countries. The herding coefficient was substantial in Estonia for the largest stock portfolios, but not in Croatia, Hungary, Latvia, Lithuania, or Slovenia for medium-sized portfolios. **(Singh, T. (2015),** “The influence of investor psychology on regret aversion”) said that Investors tend to avoid regret when making financial decisions, which can be harmful to their portfolio. Scientists have attempted to study the effect of Investor Attitude on Regret Aversion by utilizing General Linear Model. The target of this investigation is to examine affectedly the regret aversion, its impact on investors' behavior and how to manage such psychological biases. **(Chiang, T. C., Li, J., Tan, L., & Nelling, E. (2013),** “Dynamic herding behavior in Pacific-Basin markets: Evidence and implications”) finds evidence of herding in every national market, including the United States, and is strongly correlated with state variables such as current stock returns, conditional stock-return variance, and global stock volatility (VIX). According to the evidence, investors' reactions to extreme market conditions are extremely nonlinear, and herding Behavior responds not only to the occurrence of significant swings in market prices, but also to the state of market return and volatility conditions. **(Chen, T. (2013),** “Do investors herd in global stock markets”) This study examines herding in 69 markets, which are divided into 23 developed markets, 20 emerging markets, and 26 frontier markets. It discovers that the herding effect is more visible in developed markets due to a better environment for processing and disseminating information, and that investors herd in response to sad news rather than good news. The research also indicates that herding is more common in smaller markets with less liquidity, where investors may be more unsure about their investment decisions and therefore follow the actions of others. Overall, the results emphasise the significance of understanding herding Behavior in various market environments. **(Prosad, J. M., Kapoor, S., & Sengupta,**

**J. (2012),** “An examination of herd behavior”) An empirical evidence from Indian equity market”) An empirical proof from the Indian equity market") This study looks into whether herding happened in the Indian stock market between 2006 and 2011. It concludes that Indian investors are better informed and act rationally, and that neither bull nor bear phases show herding Behavior. Technology advancements, better accounting practices, and SEBI reformatory norms have improved information quality and market transparency. As a result, herding is a minor occurrence on the Indian stock market and should not be a top priority for policymakers. It is essential to note, however, that herding Behavior can still occur in certain market circumstances and among certain groups of investors. As a result, regulators and market participants should continue to watch and respond to potential herding Behavior. **(Lin, H. W. (2011),** “Elucidating rational investment decisions and behavioral biases”) claims that younger investors are more susceptible to herding than older investors, but there is no considerable evidence in investor employment or yearly income level. This research makes a major contribution to efforts to link the rational decision process with irrational investor Behavior and confirms that individual investors may have complex rational and irrational thinking logics in their investment Behavior. Investigate the effects of Behavioral biases more thoroughly, future studies should include psychological variables and gather more valid respondents for different investor structures. The study's results can help financial advisors and policymakers create successful investment strategies and regulations that account for the complexities of investors' decision-making processes. Furthermore, future study can investigate the impact. **(Economou, F., Kostakis, A., & Philippas, N. (2010),** “An examination of herd behavior in four Mediterranean stock markets”) From 1998 to 2008, researchers examined herd Behavior in the financial markets of Greece, Italy, Portugal, and Spain. Herding was found to occur only during times of rising markets, not times of declining returns. It also investigated any possible asymmetry in herding's effects on trading volume and market volatility. Finally, during the 2008 global financial crisis, only the Portuguese stock market exhibited signs of herding, while the Spanish and Italian stock markets showed signs of anti-herding. **(Wylie, S. (2005),** “Fund manager herding: A test of the accuracy of empirical results using UK data”) Over time, measured herding increases the number of managers trading a specific stock and is greater for the smallest and largest stocks. The accuracy tests show that the LSV measure is biased when only a few managers trade, but it is appropriate for measuring herding by a group of investors. Overall, the LSV measure is an effective tool for identifying herding Behavior among investors, especially in the case of small and large stocks. However, when interpreting results based on a small number of managers trading a specific stock, caution should be taken. **(Baddeley, M. C., Curtis, A., & Wood, R. (2004)**, “An introduction to prior information derived from probabilistic judgements”) examines the causes of bias and error inherent in prior information derived from probabilistic judgements of people. Parallels are drawn between the evolution of scientific opinion and the limits on rational Behavior. Data paucity and commonly employed heuristics can lead to herding Behavior within groups of experts. Elicitation theory mitigates the effects of such Behavior, but a method to estimate reliable uncertainties on expert judgements remains elusive. **(Prechter Jr, R. R. (2001),** “Unconscious herding behavior as the psychological basis of financial market trends and patterns”) The unconscious mind has the capacity to repeatedly produce aggregate Behavioral patterns that are connected to the development of a super-organic collective pattern. According to Sornette and Johansen (1997), the stock market may display a "emergent" behavior that is unique to none of its constituents. Individuals' pulses to herd must relate to signals from the social environment for such emergent behavior to form, and this process creates the trends and patterns of prices in financial markets. The primary driving force behind the process is the massive interaction of a substantial number of rigid, unachievable basal ganglia and limbic systems, which results in a synthesis of human interpersonal dynamics. **(Bikhchandani, S., & Sharma, S. (2000),** “Herd behavior in financial markets”) found that Investment managers do not significantly herd, but their propensity to pursue momentum investment strategies is highly correlated with their herding propensity. Differentiate between true herd behavior and responses to news announcements or widely available information, statistical measures must be improved. Market transparency is essential for the existence, functionality, and liquidity of markets, but this does not always mean price volatility will decrease. **(Cont, R., & Bouchaud, J. P. (2000)**, “Herd behavior and aggregate fluctuations in financial markets”) explains that the effect of prices on the behavior of market participants can lead to a control mechanism maintaining c in the critical region. Introduce heterogeneity, agents can observe the aggregate excess demand D(t) and change their market position at each time step. This model has been stucked in the context of physical systems by Sethna et of [46] who have shown that for a fairly wide range of values of a(6) our deserves aggregate fluctuations with exponential tails. **(Scharfstein, D. S., & Stein, J. C. (1990),** “Herd behavior and investment”) The logical temptations of claim managers to improve their reputations can lead to herd Behavior in a variety of contexts. The "sharing-the-blame" effect and the executive labor market can also have an impact on herding. Herding is more likely to be a problem when outside possibilities are unappealing, and compensation is decided by absolute rather than relative ability assessment.

## **RESEARCH OBJECTIVES:**

### Primary Objective:

* + - To Examine the influence of herding on financial market decision-making. constructing research using the primary information gathered from the population.

### Secondary Objective:

* + - Analyze the herding behavior exhibited by Indian retail investors.
    - Identify the primary determinants of market participants' herding behavior, such as information availability, market volatility, and social influence.
    - Examine how retail investors think about risk when they invest in the markets and the amount of risk, they are willing to take.
    - Identify measures that can assist investors in reducing the risks associated with herding behavior by using the knowledge gained from the analysis of herding behavior in financial markets**.**

## **RESEARCH METHODOLOGY:**

This study aims to inquire into how Indian retail investors' investment choices are affected by herding behavior. Data from a sample of Indian retail investors will be gathered for the study using Google Forms. This study's research design is quantitative research. It entails using a structured Google Forms questionnaire to gather information from a sample of Indian retail investors. The data collected through descriptive research can be qualitative, quantitative, or a combination of both, depending on the nature of the research question. To analyze the data, statistical methods like frequency analysis, descriptive analysis, and regression analysis will be used. Excel and SPSS will be used to conduct the analysis.

## .**5. LIMITATIONS OF PAPER:**

## Paper focuses exclusively Impact of Herding Behavior on Investment Decisions of Retail Investors in India. Which focus on the gender, age, their income, education, Employment and marital status were considered. The paper is purely based on the primary data which is readily available. The findings of this study can provide valuable insights for policymakers and organizations to develop targeted strategies and programs to address the specific needs of different demographic groups. Future research could also explore other factors that may influence these variables, such as cultural background or geographic location.

# TYPE OF RESEARCH:

# Descriptive Research:

Descriptive research is a type of research methodology that focuses on observing and describing a specific population's or phenomenon's behavior, experiences, and characteristics. It is used to gain an understanding of the current situation and to identify patterns and trends that may exist. Descriptive research involves collecting and analysing data through methods such as surveys, interviews, observations, and case studies. The data gathered is frequently quantitative in nature, but qualitative data can also be used to provide a more in-depth.

understanding of the phenomenon under investigation. Descriptive research is often used in social sciences, psychology, education, and other fields to examine specific populations or groups. Rather than testing, its goal is to provide a comprehensive understanding of a specific phenomenon or group.

## **DATA ANALYSIS AND INTERPRETATION:**

### Sample size and Sampling Technique:

Primary sources are used to collect data for this study. Retail investors in India. The study was as a result, purposive sampling technique was chosen for this study. Google surveys were used to collect information from potential respondents, and they were informed of the purpose of the study before submitting the survey link, and participants were guaranteed the privacy and anonymity of their responses. I have reached 300 members, of which 208 members filled out the form 69.3%

Table 7.1 shows that of the total respondents, 57.70 % were Males, and 39.40% were Females. Maximum respondents, i.e., 55.8 % were student, 26% were Govt Employee, 9.60% were Self- employed and 8.70% were Private employees. Maximum respondents, i.e., 52.90%, belonged to the Annual income bracket of less than Rs 2,00,000 were the Maximum respondents, followed by 15.40% who were from the monthly income bracket of Rs 5.1 – 10 LPA, 14.40% from 10.20 LPA and 2.1-5 LPA and 2.90% were from income bracket of Above 20 LPA. Marital Status (79.80% from Unmarried and 21.20% from Married), While considering the Age Group they were mostly from the 18-25 and least population is from 56& above. After understanding the demographic profile of retail investors, the next step is to investigate major factors that affect the herding Behavior of retail investors because the data shows that most of them were shown Interest to invest.

|  |  |  |  |
| --- | --- | --- | --- |
|  | | **Count** | **Table N%** |
| **Gender** | Male | 120 | 57.70% |
|  | Female | 82 | 39.40% |
| Transgender | 2 | 1% |
| Others | 4 | 15% |
| **Education** | SSLC | 8 | 3.85% |
|  | HSLC | 10 | 4.80% |
| Diploma | 92 | 44.20% |
| Undergraduate | 92 | 44.20% |
| Postgraduate | 6 | 2.90% |
| **Age** | 18-25 | 152 | 73.10% |
|  | 26-35 | 46 | 22.10% |
| 36-45 | 4 | 1.90% |
| 46-55 | 4 | 1.90% |
| 56 & Above | 2 | 1% |
| **Employment** | Govt employee | 116 | 55.80% |
|  | Private | 20 | 9.60% |
| Self-Employed | 18 | 8.70% |
| Student | 54 | 26% |
| **Marital status** | Unmarried | 166 | 79.80% |
|  | Married | 42 | 20.20% |
| **Annual income** | Below 2LPA | 110 | 52.90% |
|  | 2.1-5LPA | 30 | 14.40% |
| 5.1-10 LPA | 32 | 15.40% |
| 10.1-20LPA | 30 | 14.40% |
| Above 20LPA | 6 | 2.90% |
| **Do you Invest** | Yes | 108 | 51.90% |
|  | No | 100 | 48.10% |

*Table 7.1 Socio-Demographic Profile of Respondent*

HYPOTHESES:

* + - Null Hypothesis H0 - Herding behavior among retail investors in India has no significant impact on their investment decisions.
    - Alternative Hypothesis H1 - Herding behavior among retail investors in India has a significant impact on their investment decisions and can lead to increased market volatility and financial instability.

## MULTIPLE REGRESSION MODEL:

### Variables Entered/Removed

|  |  |  |  |
| --- | --- | --- | --- |
| Model | Variables Entered | Variables Removed | Method |
| 1 | RPF4, LA3,  RPF1, OP4, RPF3, UC3, OP1, SP1, LA2, SP2, RPF2, LA1, UC4, UC1, UC2, OP2, OP3, SP3, LA5, LA4b | . | Enter |

*Table 7.2 Multiple Regression Model*

### Dependent Variable: HB

1. **All requested variables entered.**

The results of the multiple linear regression suggest that the dependent variable (HB) can be explained by the independent variables RPF4, LA3, RPF1, OP4, RPF3, UC3, OP1, SP1, LA2, SP2, RPF2, LA1, UC4, UC1, UC2, OP2, OP3, SP3, LA5, LA4. This means that the values of HB are likely to be affected by the values of these variables. The coefficient associated with each independent variable can be used to understand how changes in the independent variables affect the dependent variable. For example, a positive coefficient indicates that an increase in the independent variable is associated with an increase in the dependent variable, while a negative coefficient indicates that an increase in the independent variable is associated with a decrease in the dependent variable.

**Model Summary**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .773a | .598 | .555 | .60610 |

*Table 7.3 Regression Model Summary*

### Dependent Variable: HB

1. **Predictors: (Constant), RPF4, LA3, RPF1, OP4, RPF3, UC3, OP1, SP1, LA2, SP2, RPF2, LA1, UC4, UC1, UC2, OP2, OP3, SP3, LA5, LA4**

Based on the *Table 7.2*, the regression model has an R-squared value of 0.598, indicating that 59.8% of the variance in the dependent variable (Herding Behavior) can be explained by the independent variables included in the model. The adjusted R-squared value is 0.555, which considers the number of independent variables in the model and adjusts for the possibility of overfitting. The independent variables that were entered into the model are UC-UNDER CONFIDENCE, LA-LACK OF AWARENESS, OP- OPTIMISM, SP- SOCIAL PROOF AND

RF- REPUTATIONAL FACTORS are the independent variables that are considered for the Regression.

## ANOVA:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 101.997 | 20 | 5.100 | 13.883 | .000b |
|  | Residual | 68.695 | 187 | .367 |
|  | Total | 170.692 | 207 |  |

*Table 8.1 Anova Model*

### Dependent Variable: HB

1. **Predictors: (Constant), RPF4, LA3, RPF1, OP4, RPF3, UC3, OP1, SP1, LA2, SP2, RPF2, LA1, UC4, UC1, UC2, OP2, OP3, SP3, LA5, LA4**

The method is statistically significant as follows: At the 0.05 level of significance, the F- statistic number of 13.883 shows that the model is statistically significant. (Since the significance level, denoted by "Sig.", is less than 0.05). This implies there is strong proof that at least one of the model's independent variables has a significant impact on the dependent variable (Herding Behavior)

## COEFFICIENTS:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 (Constant) | .808 | .513 |  | 1.577 | .117 |
| UC1 | -.009 | .076 | -.008 | -.115 | .909 |
| UC2 | .023 | .064 | .027 | .366 | .715 |
| UC3 | -.051 | .109 | -.027 | -.471 | .638 |
| UC4 | .170 | .077 | .149 | 2.213 | .028 |
| LA1 | .073 | .059 | .075 | 1.233 | .219 |
| LA2 | -.142 | .080 | -.104 | -1.766 | .079 |
| LA3 | -.060 | .066 | -.052 | -.914 | .362 |
| LA4 | -.145 | .073 | -.188 | -1.970 | .050 |
| LA5 | .080 | .060 | .110 | 1.335 | .183 |
| OP1 | -.081 | .069 | -.065 | -1.178 | .240 |
| OP2 | -.155 | .057 | -.203 | -2.713 | .007 |
| OP3 | .288 | .061 | .347 | 4.707 | .000 |
| OP4 | .090 | .058 | .099 | 1.550 | .123 |
| SP1 | -.161 | .106 | -.084 | -1.525 | .129 |
| SP2 | .192 | .068 | .177 | 2.829 | .005 |
| SP3 | .094 | .057 | .124 | 1.649 | .101 |
| RPF1 | .109 | .054 | .145 | 2.025 | .044 |
| RPF2 | .137 | .065 | .129 | 2.109 | .036 |
| RPF3 | .008 | .064 | .007 | .130 | .897 |
| RPF4 | .154 | .118 | .074 | 1.298 | .196 |

*Table.9.1 Shows Factor loadings of Behavioral Factors Contributing to Herd Behaviou*r

Table 9.1 represent Multiple regression analysis, which is a statistical technique used to examine the relationship between a dependent variable and several independent variables. The table shows several coefficients, standard errors, t-values, and p-values for each independent variable, which are commonly used in regression analysis. The t-value represents the ratio of the estimated coefficient to its standard error, while the p-value indicates the statistical significance of the coefficient.

The results show that, after controlling for the other variables in the model,

Based on the information in the table, the following variables appear to be statistically

significant at the 0.05 level or lower

UC4 (p = 0.028) OP2 (p = 0.007) OP3 (p = 0.000) SP2 (p = 0.005) RPF1 (p = 0.044) RPF2 (p = 0.036)

These variables have t-values greater than 2 in absolute value, which indicates that they are statistically significant predictors of the dependent variable (Herding Behavior) in the model, these are the variables that are not significant at the 0.05 level are UC1, UC2, UC3, LA1, LA3, LA5, OP1, OP4, SP1, SP3, RPF3, and RPF Which shows the there is no relationship between the independent and the dependent Variables.

## **IMPLICATIONS:**

The natural tendency of investors to follow the crowd and invest in risky commodities can lead to increased market volatility. Help investors make informed decisions about risky investments, it is important to provide them with readily available, high-quality information. During times of turbulence, regulatory authorities should require listed companies to fully disclose the qualitative and quantitative risks they face. However, there are still unknown risk factors that can drive investors towards herd behavior, making them more comfortable with their investments. This highlights the need for greater investor education and awareness of the risks associated with financial markets. Additionally, regulators can use these insights to develop more effective regulations to mitigate the risks associated with herding behavior. For example, they can impose stricter disclosure requirements to ensure that investors have access to relevant information about the potential risks and benefits of different investments.

**11. CONCLUSION:**

In conclusion, the study reveals that herding behaviour among retail investors is driven by factors such as under confidence, lack of awareness, optimism, social proof, and reputational concerns, often leading to irrational investment decisions. These findings highlight the need for financial institutions and policymakers to address the negative impacts of herding on market stability. Enhancing financial literacy through targeted education and providing transparent, accurate information can empower investors to make informed choices. Policymakers should consider regulations that promote diversification and discourage excessive risk-taking to mitigate systemic risks. Additionally, incorporating behavioural finance insights can help investors recognize and counteract cognitive biases, fostering more rational decision-making. These measures collectively aim to create a more stable, efficient, and resilient financial market while protecting retail investors.

**12.** **LIMITATIONS & DIRECTION FOR FUTURE STUDIES**

This study on the herding behaviour of retail investors has several limitations. Firstly, it focuses exclusively on Indian retail investors, which restricts the generalizability of the findings to other regions or broader demographics. Secondly, the study primarily relies on self-reported primary data collected via surveys, which may introduce biases such as social desirability or recall errors. Thirdly, the analysis emphasizes demographic factors like gender, age, income, and employment while potentially overlooking other influential variables such as cultural background or geographic location. Additionally, the study does not explore the role of advanced technological factors, like algorithmic trading, in influencing herding behaviour. Lastly, the data is cross-sectional, which limits the ability to assess changes in herding behaviour over time or during different market conditions.

Future research could address these limitations by conducting longitudinal studies to examine how herding behaviour evolves across different market cycles or economic conditions. Expanding the scope to include global markets and diverse cultural contexts can provide a more comprehensive understanding of herding behaviour. Additionally, future studies could incorporate qualitative methods, such as interviews or focus groups, to gain deeper insights into the psychological and emotional drivers of herding. Researchers might also investigate the impact of technological advancements, such as artificial intelligence and social media, on retail investor behaviour. Finally, exploring interventions, such as gamification or personalized financial education, could offer actionable strategies to mitigate the negative effects of herding in financial markets.

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