

“Behavioral Biases Influencing Stock Market Investment Decisions of Young Investors in India: An Empirical Study”

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Abstract

The present study examines the influence of behavioral biases on stock market investment decision-making among young investors in India. With the rapid growth of digital trading platforms and increased accessibility to financial information, young individuals are actively participating in the stock market; however, their decisions are often influenced by psychological and emotional factors rather than purely rational analysis. The study aims to analyze the impact of key behavioral biases, namely overconfidence bias, herd behaviour, loss aversion, and availability bias, on investment decisions. The research adopts a quantitative approach using primary data collected through a structured questionnaire from 400 young investors. The data was analyzed using IBM SPSS Statistics with the application of descriptive statistics, correlation analysis, and multiple regression techniques. The findings reveal that behavioral biases significantly influence investment decision-making. Loss aversion emerged as the most dominant factor, followed by availability bias and overconfidence bias, all of which showed a statistically significant positive impact. In contrast, herd behaviour was found to be statistically insignificant, indicating that young investors rely more on individual judgment rather than following others. The study concludes that emotional and cognitive biases, particularly fear of losses and reliance on readily available information, play a crucial role in shaping investment behavior. These findings highlight the need for greater awareness of behavioral biases to promote more rational and informed investment decisions among young investors.

Keywords: Behavioral Biases, Investment Decision-Making, Young Investors, Loss Aversion, Availability Bias, Overconfidence Biases

How to cite this article: Hussain S, Siddique NB. Behavioral Biases Influencing Stock Market Investment Decisions of Young Investors in India: An Empirical Study. Int J Drug Deliv Technol. 2026;16(76s): 682-689. DOI: 10.25258/ijddt.16.76s.63

3. Introduction

The stock market has witnessed a significant increase in participation from young investors in recent years, particularly in emerging economies like India. With the rapid growth of digital trading platforms, easy access to financial information, and the influence of social media, young individuals are increasingly engaging in stock market investments. Traditional financial theories, such as the Efficient Market Hypothesis (EMH), assume that investors are rational and make decisions based on complete and accurate information. However, real-world observations suggest that investment decisions are often influenced by psychological and emotional factors rather than purely rational analysis.

Behavioral finance emerged as a response to the limitations of traditional finance by incorporating insights from psychology into financial decision-making. The pioneering work of Daniel Kahneman and Amos Tversky introduced the concept of **Prospect Theory**, which explains that individuals evaluate gains and losses differently, often exhibiting loss aversion and other cognitive biases. These biases lead investors

to deviate from rational behavior, resulting in suboptimal investment decisions.

Among the various behavioral biases, overconfidence, herding behavior, loss aversion, and availability bias are particularly relevant in the context of stock market investments. Overconfidence bias causes investors to overestimate their knowledge and abilities, often leading to excessive trading and increased risk exposure. Herd behavior drives individuals to follow the actions of others, especially during periods of uncertainty, thereby contributing to market inefficiencies. Loss aversion reflects the tendency of investors to avoid losses more strongly than they seek gains, which can result in holding losing stocks for extended periods. Availability bias, on the other hand, leads investors to rely on easily accessible information, such as recent news or popular trends, rather than conducting thorough analysis.

The growing presence of fintech platforms and mobile trading applications in India has further intensified the impact of these behavioral biases. Young investors, who are often less experienced but highly active in digital environments, are more susceptible to psychological influences such as social media trends,

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peer recommendations, and information overload. This shift has raised concerns regarding the quality of investment decisions and the potential risks associated with irrational market behavior.

Although behavioral finance has been widely studied across global markets, research focusing specifically on young investors in India remains limited. Existing studies often examine individual biases in isolation rather than analyzing their combined impact on investment decision-making. Moreover, the dynamic nature of modern financial markets, driven by technology and digital access, necessitates a more comprehensive understanding of investor behavior.

Therefore, the present study aims to examine the influence of key behavioral biases—namely overconfidence, herding behavior, loss aversion, and availability bias—on stock market investment decisions of young investors in India. By adopting an empirical approach, this study seeks to provide insights into how psychological factors shape investment behavior and to contribute to the growing body of literature in behavioral finance.

Rationale of the Study

In recent years, the participation of young investors in the Indian stock market has increased significantly due to the growth of digital trading platforms, easy access to financial information, and rising financial awareness. However, despite this increased participation, many young investors lack sufficient experience and are more susceptible to psychological biases that influence their investment decisions.

Traditional financial theories assume rational behavior, but real-world evidence suggests that investors are often influenced by cognitive and emotional factors. Behavioral finance, particularly the work of Daniel Kahneman and Amos Tversky, highlights how biases such as overconfidence, herding behavior, loss aversion, and availability bias affect decision-making under uncertainty.

In the Indian context, young investors are increasingly influenced by social media, peer recommendations, and readily available information, which may lead to irrational investment behavior. Although previous studies have explored behavioral biases, there is limited research focusing on their combined impact on young investors in India.

Therefore, this study aims to examine the influence of key behavioral biases on stock market investment decisions among young investors in India, providing insights for more informed and rational investment practices.

4. Literature Review

Literature Review

Behavioral finance represents a significant shift from traditional financial theories such as the Efficient Market Hypothesis (EMH), which assumes that investors are rational and markets fully reflect available information (Fama, 1970). However, growing empirical evidence suggests that investor decisions are

often influenced by psychological and cognitive biases. The foundation of behavioral finance lies in Prospect Theory developed by Daniel Kahneman and Amos Tversky, which explains that individuals evaluate gains and losses asymmetrically, showing greater sensitivity toward losses than gains (Kahneman & Tversky, 1979). Heuristic theory further explains how individuals rely on mental shortcuts such as representativeness, availability, and anchoring while making investment decisions. Although these heuristics simplify complex decision-making, they often lead to systematic biases (Kengathara & Kengathara, 2014). Investors tend to rely on recent information, past trends, and initial reference points, which may distort rational judgment and result in suboptimal decisions.

Among various behavioral biases, overconfidence bias has been widely documented. Overconfidence leads investors to overestimate their knowledge and predictive abilities, resulting in excessive trading and poor investment performance (Odean, 1998). Studies in the Indian context indicate that overconfident investors engage in frequent trading, often reducing their returns due to transaction costs and poor timing (Mushinada & Veluri, 2018). This tendency is particularly evident among young investors using digital trading platforms, where ease of access creates an illusion of control (Nair et al., 2023).

Herding behavior is another important bias influencing investment decisions, where investors mimic the actions of others rather than relying on independent analysis. Research shows that herding is more prevalent during periods of uncertainty and among inexperienced investors (Saxena et al., 2016; Sachdeva et al., 2023). Social media platforms and online investment communities further amplify this behavior, often leading to speculative bubbles and market inefficiencies (Bharti & Kumar, 2022).

Anchoring bias also plays a significant role in financial decision-making. Investors tend to rely heavily on initial information such as past prices or market trends, which affects their judgment even when new information is available (Jain et al., 2022). This bias often leads to unrealistic expectations and delayed decision-making, particularly in volatile market conditions (Madaan & Singh, 2019).

Another well-documented bias is the disposition effect, which refers to the tendency of investors to sell winning stocks too early and hold losing stocks for too long (Shefrin & Statman, 1985). This behavior is driven by emotional factors such as regret aversion and loss aversion. Empirical studies show that this bias is common among retail investors and negatively impacts portfolio performance (Haritha et al., 2024; Bharandev & Rao, 2020).

In addition to individual biases, market-related factors such as price fluctuations, availability of information, and media influence also significantly affect investment decisions. Investors often react excessively to market news and short-term trends, leading to irrational trading behavior (Akhtaruzzaman et al., 2021). The rapid growth of fintech platforms has

further intensified these behavioral tendencies among young investors.

Despite extensive research in behavioral finance, existing studies remain fragmented, focusing on specific biases or limited geographical contexts. There is a lack of comprehensive research examining the combined effect of behavioral biases on investment decisions among young investors in India. Therefore, the present study aims to fill this gap by empirically analyzing how multiple behavioral biases influence stock market investment decisions among young investors.

5. Research Methodology

5.1 Research Design

The present study adopts a **descriptive and analytical research design** to examine the influence of behavioral biases on stock market investment decisions among young investors in India. A descriptive approach is used to systematically describe the characteristics and behavioral patterns of investors, while the analytical approach is employed to examine the relationships between behavioral biases and investment decision-making.

The study is **quantitative in nature**, as it relies on numerical data collected through a structured questionnaire. Primary data is gathered from young investors using a **survey method**, enabling the measurement of behavioral biases such as overconfidence, herding behavior, loss aversion, and availability bias.

5.2 Data Type (Primary Data)

The study is based on **primary data**, which is collected directly from respondents through a structured questionnaire. The data is **quantitative in nature**, as it consists of numerical responses measured using a 5-point Likert scale to assess behavioral biases and investment decision-making patterns among young investors.

5.3 Sample Size & Sampling Technique

The study is based on a sample of **400 respondents**, consisting of young investors participating in the stock market. This sample size is considered adequate for conducting statistical analysis and ensuring reliable results.

A **non-probability sampling technique**, specifically **convenience sampling**, is used for selecting respondents. This method is adopted due to ease of access and the availability of participants who are actively involved in stock market investments.

5.4 Data Collection Method (Questionnaire)

The data for this study is collected using a **structured questionnaire** designed to measure behavioral biases and investment decision-making among young investors. The questionnaire is based on a **5-point Likert scale** ranging from “Strongly Disagree” to “Strongly Agree.”

The survey is administered through **online platforms**, enabling easy access to a larger number of respondents. The questions are designed based on existing literature in behavioral finance to ensure relevance and clarity.

5.5 Variables

The study examines the relationship between behavioral biases and investment decision-making among young investors. The variables are categorized as follows:

Independent Variables (IV)

- Overconfidence Bias
- Herd Behavior
- Loss Aversion
- Availability Bias

Dependent Variable (DV)

- Investment Decision Making

Control Variable

- Risk Tolerance

5.6 Tools & Techniques

The data collected through the questionnaire is analyzed using **statistical tools** with the help of SPSS and Microsoft Excel.

The following techniques are used for analysis:

- **Descriptive Statistics** (Mean, Standard Deviation) to summarize the data
- **Reliability Analysis (Cronbach’s Alpha)** to test the consistency of the scale
- **Correlation Analysis** to examine relationships between variables
- **Multiple Regression Analysis** to assess the impact of behavioral biases on investment decision making

6. Hypotheses Development

H1: Behavioral biases have a significant influence on stock market investment decisions of young investors in India.

H1a: Overconfidence bias has a significant positive influence on investment decision making.

H1b: Herd behavior has a significant influence on investment decision making.

H1c: Loss aversion has a significant influence on investment decision making.

H1d: Availability bias has a significant influence on investment decision making.

7. Data Analysis & Interpretation

This chapter presents the analysis and interpretation of data collected to examine the impact of behavioral biases on investment decision-making among young investors in India. The data was analyzed using IBM SPSS Statistics. Various statistical tools such as descriptive statistics, correlation, and multiple regression analysis were applied to achieve the objectives of the study.

7.1 Demographic Profile

Variable	Category	Frequency	Percentage (%)
Age	Below 18	12	3.0
	18–25	336	84.0
	26–30	30	7.5
	31–35	16	4.0
	Above 35	6	1.5
Gender	Male	162	40.5
	Female	238	59.5
Education Level	Graduate	130	32.5
	Postgraduate	246	61.5
	Professional Qualification	10	2.5
	Others	14	3.5
Occupation	Student	320	80.0
	Salaried Employee	32	8.0
	Business	28	7.0
	Self-Employed	20	5.0
Annual Income	Below ₹3 LPA	310	77.5
	₹3–6 LPA	46	11.5
	₹6–10 LPA	42	10.5
	Above ₹10 LPA	2	0.5
Stock Market Experience	Less than 1 year	288	72.0
	1–3 years	74	18.5

	3–5 years	32	8.0
	More than 5 years	6	1.5
Monthly Investment	Below ₹5,000	318	79.5
	₹5,000–₹15,000	54	13.5
	₹15,000–₹30,000	26	6.5
	Above ₹30,000	2	0.5

The demographic profile of the respondents reveals that a substantial majority (84%) fall within the 18–25 age group, clearly indicating that the sample is heavily dominated by young investors. This aligns well with the objective of the study, which focuses on understanding the investment behavior of youth in India. The relatively smaller representation from older age groups suggests limited participation from more experienced investors.

In terms of gender distribution, females constitute 59.5% of the sample, while males account for 40.5%, indicating a higher level of participation among female respondents. This reflects a growing trend of financial awareness and market participation among women, particularly in younger demographics.

With respect to educational qualifications, a significant proportion of respondents are postgraduates (61.5%), followed by graduates (32.5%). This suggests that the sample is relatively well-educated, which may positively influence awareness and understanding of

financial markets. The dominance of students (80%) in the occupational category further supports the age distribution and indicates that most respondents are at an early stage of their professional and financial journey.

Income distribution shows that 77.5% of respondents fall below ₹3 LPA, reflecting limited earning capacity and financial independence. This is consistent with the high proportion of students in the sample. Additionally, 72% of respondents have less than one year of stock market experience, indicating that the majority are novice investors who may lack practical exposure and expertise.

Furthermore, 79.5% of respondents invest less than ₹5,000 per month, suggesting a cautious and conservative investment approach, likely influenced by limited income and risk-bearing capacity. Overall, the sample represents young, relatively inexperienced investors with modest financial resources, making them

more susceptible to behavioral biases in investment decision-making.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Overconfidence Score	400	1.00	5.00	3.0850	.93807
Herd behavior Score	400	1.00	5.00	2.8650	1.00339
Loss Aversion Score	400	1.00	5.00	3.0837	.89459
Availability Bias Score	400	1.00	5.00	3.0950	.93376
INVESTMENT DECISION MAKING score	400	1.0	5.0	3.406	1.0598
Valid N (listwise)	400				

Descriptive statistics were used to summarize the data collected from 400 respondents. The mean values of behavioral biases ranged between 2.865 and 3.095, indicating a moderate presence of biases among young investors. Availability bias (Mean = 3.095) and overconfidence bias (Mean = 3.085) were slightly higher compared to loss aversion (Mean = 3.083), while herd behaviour exhibited the lowest mean (2.865), suggesting relatively lesser dependence on others' actions.

The mean score for investment decision-making was 3.406, indicating a moderately high level of investment activity among respondents. The standard deviation values indicate a reasonable level of variation in responses.

7.2 Correlation Test

Correlations

		Overconfiden ce Score	Herd behavior Score	Loss Aversion Score	Availability Bias Score	INVESTMENT DECISION MAKING score
Overconfidence Score	Pearson Correlation	1	.629**	.614**	.619**	.574**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	400	400	400	400	400
Herd behavior Score	Pearson Correlation	.629**	1	.733**	.749**	.608**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	400	400	400	400	400
Loss Aversion Score	Pearson Correlation	.614**	.733**	1	.803**	.757**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	400	400	400	400	400
Availability Bias Score	Pearson Correlation	.619**	.749**	.803**	1	.727**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	400	400	400	400	400
INVESTMENT DECISION MAKING score	Pearson Correlation	.574**	.608**	.757**	.727**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	400	400	400	400	400

To examine the relationship between behavioral biases and investment decision-making, Pearson's correlation analysis was conducted using IBM SPSS Statistics. The results of the analysis are presented in Table 7.2. The findings indicate that all the variables are positively correlated with each other and are statistically significant at the 0.01 level ($p < 0.01$), suggesting strong interrelationships among the behavioral biases and investment decision-making.

Focusing on the relationship between behavioral biases and investment decision-making, overconfidence bias shows a moderate positive correlation ($r = 0.574$, $p < 0.01$), indicating that higher levels of overconfidence among investors are associated with more active or confident investment decisions. Similarly, herd behaviour demonstrates a moderate positive relationship with investment decision-making ($r = 0.608$, $p < 0.01$), suggesting that individuals who are

influenced by others’ actions tend to exhibit corresponding investment behavior.

Loss aversion exhibits a strong positive correlation with investment decision-making ($r = 0.757$, $p < 0.01$), indicating that investors who are more sensitive to potential losses tend to make more cautious and emotionally influenced investment decisions. Availability bias also shows a strong positive relationship ($r = 0.727$, $p < 0.01$), implying that investors rely significantly on readily available or recent information while making investment choices.

In addition to their relationship with the dependent variable, the independent variables themselves also display strong intercorrelations. Notably, loss aversion and availability bias exhibit a very high correlation ($r = 0.803$, $p < 0.01$), followed by herd behaviour and availability bias ($r = 0.749$, $p < 0.01$), and herd behaviour and loss aversion ($r = 0.733$, $p < 0.01$). Overconfidence bias is moderately correlated with herd behaviour ($r = 0.629$, $p < 0.01$), loss aversion ($r =$

0.614 , $p < 0.01$), and availability bias ($r = 0.619$, $p < 0.01$).

These strong interrelationships among independent variables suggest that behavioral biases do not operate in isolation but are interconnected psychological tendencies that jointly influence investor behavior. However, the presence of high correlations also indicates the possibility of multicollinearity, which was further examined using regression diagnostics.

Overall, the correlation analysis confirms that behavioral biases play a significant role in shaping investment decision-making among young investors, with loss aversion and availability bias emerging as the most influential factors based on the strength of their relationships.

The significance of all correlation coefficients at the 1% level enhances the reliability of the findings and supports the theoretical assumption that psychological biases are critical determinants of financial decision-making behavior.

Bias	Correlation with ID	Meaning
Overconfidence	0.574	Moderate positive
Herd Behaviour	0.608	Moderate positive
Loss Aversion	0.757	Strong positive
Availability	0.727	Strong positive

7.3 Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.788 ^a	.621	.617	.6559

a. Predictors: (Constant), Loss Aversion Score, Overconfidence Score, Herd behavior Score, Availability Bias Score

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	278.219	4	69.555	161.683	.000 ^b
Residual	169.926	395	.430		
Total	448.146	399			

a. Dependent Variable: INVESTMENT DECISION MAKING score

b. Predictors: (Constant), Loss Aversion Score, Overconfidence Score, Herd behavior Score, Availability Bias Score

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.322	.129		2.498	.013
Overconfidence Score	.140	.048	.124	2.943	.003

Herd behavior Score	-.042	.054	-.040	-.781	.435
Availability Bias Score	.352	.065	.310	5.413	.000
Loss Aversion Score	.546	.066	.461	8.251	.000

Coefficients		
Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Overconfidence Score	.540	1.852
Herd behavior Score	.364	2.747
Availability Bias Score	.292	3.421
Loss Aversion Score	.308	3.248

a. Dependent Variable: INVESTMENT DECISION MAKING score

Collinearity Diagnostics						
Model	Dimension	Eigenvalue	Condition Index	Variance Proportions		
				(Constant)	Overconfidence Score	Herd behavior Score
1	1	4.861	1.000	.00	.00	.00
	2	.060	8.981	.73	.00	.16
	3	.037	11.501	.10	.97	.01
	4	.026	13.636	.16	.02	.82
	5	.016	17.551	.01	.00	.00

Multiple regression analysis was conducted using IBM SPSS Statistics to examine the impact of behavioral biases—namely overconfidence bias, herd behaviour, availability bias, and loss aversion—on investment decision-making among young investors.

The model summary indicates that the value of the correlation coefficient (R) is 0.788, reflecting a strong positive relationship between the independent variables and the dependent variable. The coefficient of determination (R^2) is 0.621, which implies that approximately 62.1% of the variation in investment decision-making is explained by the combined effect of the selected behavioral biases. The adjusted R^2 value of 0.617 further confirms the robustness and generalizability of the model, indicating minimal shrinkage and a good fit.

The ANOVA results reveal that the overall regression model is statistically significant ($F = 161.683$, $p < 0.01$). This indicates that the independent variables, when considered together, have a significant effect on investment decision-making. Therefore, the model is

suitable for explaining the relationship between behavioral biases and investment behavior, and the main hypothesis (H1), which states that behavioral biases significantly influence investment decisions, is accepted.

The coefficients table provides insight into the individual contribution of each independent variable. Loss aversion emerges as the most influential predictor ($\beta = 0.461$, $t = 8.251$, $p < 0.01$), indicating a strong and statistically significant positive impact on investment decision-making. This suggests that investors who are more sensitive to potential losses tend to make more cautious and psychologically driven investment decisions. Hence, hypothesis H1c is accepted.

Availability bias also shows a significant positive effect ($\beta = 0.310$, $t = 5.413$, $p < 0.01$), indicating that investors rely heavily on readily available or recent information while making investment decisions. This highlights the importance of information accessibility in shaping investor behavior. Therefore, hypothesis H1d is accepted.

Overconfidence bias is found to have a positive and statistically significant impact ($\beta = 0.124$, $t = 2.943$, $p = 0.003$), although its effect is comparatively weaker than loss aversion and availability bias. This implies that overconfident investors tend to make more assertive investment decisions, but its influence is relatively moderate. Accordingly, hypothesis H1a is accepted.

In contrast, herd behaviour does not have a statistically significant impact on investment decision-making ($\beta = -0.040$, $t = -0.781$, $p = 0.435$). This indicates that young

investors in the sample are less influenced by the actions of others and tend to rely more on individual judgment and personal information while making investment decisions. Therefore, hypothesis H1b is rejected.

The regression equation derived from the unstandardized coefficients is as follows:

Investment Decision = $0.322 + 0.140$ (Overconfidence) – 0.042 (Herd Behaviour) + 0.352 (Availability Bias) + 0.546 (Loss Aversion)

This equation indicates that, holding other variables constant, a unit increase in loss aversion leads to the highest increase in investment decision-making score, followed by availability bias and overconfidence bias.

Further, collinearity diagnostics were examined to assess the presence of multicollinearity among independent variables. The Variance Inflation Factor (VIF) values range from 1.852 to 3.421, which are well below the critical threshold of 10. Similarly, tolerance values are above 0.1, indicating that multicollinearity is not a serious concern in the model. The condition index values are also within acceptable limits, further supporting the absence of multicollinearity issues.

Overall, the regression analysis confirms that behavioral biases significantly influence investment decision-making among young investors, with loss aversion and availability bias emerging as the most dominant predictors, followed by overconfidence bias, while herd behaviour does not significantly contribute to investment decisions.

8. Findings & Discussion

The findings of the study reveal that behavioral biases play a significant role in influencing the investment decision-making of young investors in India. The results derived from descriptive statistics, correlation, and regression analysis provide several important insights.

Firstly, the descriptive analysis indicates a moderate presence of behavioral biases among respondents, with availability bias and overconfidence bias showing slightly higher mean values compared to other biases. This suggests that young investors are moderately influenced by psychological tendencies while making investment decisions.

Secondly, the correlation analysis demonstrates that all behavioral biases have a positive and statistically significant relationship with investment decision-making. Among these, loss aversion and availability bias exhibit strong positive correlations, indicating that

these factors are closely associated with how investors make financial decisions. Overconfidence bias and herd behaviour show moderate relationships with investment decision-making.

Further, the regression analysis provides deeper insights into the impact of these biases. The results reveal that loss aversion is the most dominant factor influencing investment decisions, followed by availability bias and overconfidence bias, all of which have a statistically significant positive impact. This indicates that investors are highly influenced by the fear of potential losses and tend to rely on readily available or recent information while making investment choices.

In contrast, herd behaviour was found to be statistically insignificant, suggesting that young investors are less influenced by the actions or decisions of others. This reflects a shift towards more independent and information-driven decision-making behavior among the younger generation of investors.

Overall, the findings reveal that psychological factors, particularly loss aversion and availability bias, play a dominant role in shaping the investment decisions of young investors, while herd behaviour does not significantly influence their decision-making process. The study further suggests that emotional and cognitive biases, especially fear of losses and reliance on easily accessible information, have a greater impact on investment behavior than social influence.

9. Conclusion

The present study was conducted to examine the impact of behavioral biases on the investment decision-making of young investors in India. With the increasing participation of young individuals in financial markets, understanding the psychological factors influencing their decisions has become crucial.

The findings of the study clearly indicate that behavioral biases significantly influence investment decisions. Among the various biases examined, loss aversion emerged as the most dominant factor, highlighting that investors are highly sensitive to potential losses and tend to make cautious and emotionally driven decisions. Availability bias was also found to have a strong influence, suggesting that investors rely heavily on easily accessible and recent information while making investment choices.

Overconfidence bias showed a positive but comparatively weaker impact, indicating that while investors exhibit confidence in their abilities, it does not dominate their decision-making process. In contrast, herd behaviour was found to be statistically insignificant, suggesting that young investors are less influenced by the actions and opinions of others and are more inclined toward independent decision-making.

Overall, the study concludes that emotional and cognitive biases play a more critical role than social influences in shaping investment decisions among young investors. These findings highlight the importance of psychological factors in financial behavior and suggest that investment decisions are not

purely rational but are significantly affected by individual perceptions, emotions, and information processing patterns.

10. Implications

The findings of the study have important implications for investors, financial advisors, and policymakers. Understanding the influence of behavioral biases can help investors make more informed and rational decisions. Awareness of loss aversion can encourage investors to adopt a more balanced risk perspective rather than avoiding investments due to fear of losses. Financial advisors can use these insights to guide clients by addressing their psychological biases and helping them develop disciplined investment strategies. The significant role of availability bias suggests the need for providing accurate, timely, and comprehensive financial information to investors.

Additionally, policymakers and financial institutions can design investor education programs that focus on behavioral finance concepts, thereby improving financial literacy and reducing the impact of irrational decision-making.

11. Limitations of the Study

Despite its contributions, the study has certain limitations. Firstly, the study is based on a sample of young investors, which may limit the generalizability of the findings to other age groups. Secondly, the data collected is based on self-reported responses, which may be subject to bias or inaccuracies. Thirdly, the study focuses only on selected behavioral biases and does not consider other psychological or external factors that may influence investment decisions. Furthermore, the cross-sectional nature of the study restricts the ability to analyze changes in investor behavior over time.

12. Scope for Future Research

Future research can expand the scope of this study by including a larger and more diverse sample across different age groups and geographical regions. Researchers can also explore additional behavioral biases such as anchoring bias, mental accounting, and regret aversion to gain a more comprehensive understanding of investor behavior. Longitudinal studies can be conducted to examine how behavioral biases influence investment decisions over time. Additionally, future studies can incorporate qualitative approaches to gain deeper insights into the psychological factors affecting investor behavior.

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