

Behavioural Biases, Market Conditions, And Investment Decisions: An Integrated Study of Retail Investors in India

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Abstract

This study investigates the influence of behavioural biases and market conditions on the investment decisions of retail investors in India. Focusing on key behavioural factors such as herding and overconfidence, the research examines how these biases interact with fintech adoption, market volatility, liquidity, and macroeconomic conditions to shape trading behaviour. Primary data were collected from 250 retail investors using a structured questionnaire, and the analysis was conducted using exploratory factor analysis, multiple regression, moderation analysis, and GARCH modelling. The findings reveal that herding and overconfidence significantly increase trading frequency and portfolio turnover, while negatively impacting risk-adjusted returns. The results further indicate that fintech platforms amplify behavioural biases by enabling rapid information access and frequent trading. Market volatility and liquidity were found to strengthen behavioural responses, while macroeconomic conditions indirectly influenced investor behaviour by intensifying sentiment-driven decision-making. The study highlights the importance of behavioural awareness, responsible fintech design, and regulatory intervention in promoting rational investment behaviour in India's evolving digital financial environment.

Keywords

Behavioural Bias, Fintech, Investor Behaviour, Market conditions, Macro-economic conditions.