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Behavioural Biases of Retail Investors and Their Impact on Digital Asset Management Platforms

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Abstract

The high pace of the development of digital asset management platforms has altered the manner in which retail investors get involved in the activities of financial markets, allowing easy access, real-time trading, and making decisions based on data. Nevertheless, in spite of technological progress, the behavior of the investors still remains affected by the psychological and emotional biases greatly. This paper examines the major behavioral biases portrayed by retail investors, including overconfidence, herd behavior, loss aversion, anchoring and recency bias and how they affect investment decisions in digital platforms. Retail investors tend to overrate their knowledge and predicting skills and end up doing too much trading and performing poorly in their portfolio. Social media and online communities contribute to herd behavior, which makes investors follow and not use fundamental analysis. The effects of loss aversion are to hold to losing investments longer than the decision-maker should, and to sell profitable assets too quickly. The anchoring bias makes investors over-depend on the first-hand information, including past prices, and the recency bias makes them over-emphasize the latest events in the market. Though providing convenience and sophisticated features, digital asset management systems can support these biases by default, such as real-time notifications, gamification, and automatically suggested recommendations. Simultaneously, these platforms can reduce biases as well by adding behavioral cues, personalized information, and learning materials. This research paper emphasizes the duality of the digital platforms as facilitators and remedies of behavioral biases. The awareness of these biases is essential to the work of platform designers, financial advisors, and policymakers because it can improve the performance of investors, allow them to make rational decisions, and participate in financial markets in a sustainable manner. Finally, the introduction of behavioral finance concepts into online investment systems will result in more informed, disciplined, and resilient retail investors.

Keywords: Behavioral Biases, Retail Investors, Digital Asset Management, Overconfidence, Herd Behavior, Loss Aversion, Behavioral Finance, Fintech Platforms

Introduction

Behavioural biases are regular routines of failure to act rationally when people have to make decisions about their financial activities that are driven by emotions, beliefs or shortcuts of the mind instead of logic. In layman terms, these biases make investors make behaviours that are not necessarily in their best interests of financial status. Traditional finance presupposes rationality of investors and the fact that they make choices grounded on logic and the available information only. Nevertheless, behaviour in the world is not always like this. The investors are hyper-reactive to changes, bandwagon on, panic in a recession, or rotary more than they ought. The usual exceptions to the rules of rationality are what we refer to as behavioural biases. This gave rise to the interdisciplinary study of behavioral finance which is the study that incorporates both psychology and economics to unravel these irrational tendencies. It was pioneered by psychologists Daniel Kahneman and Amos Tversky, who in their Prospect Theory (1979) established that people attach less value to gains and more to losses that is, the pain of loss is more psychologically experienced than the pleasure of gain. This realization transformed our knowledge of making decisions when there is uncertainty. Biases are natural. Everyone possesses them, be it through experience, upbringing or even biological factors. They affect our interpretation of information, risk response behaviour, and opinion. These biases influence the risk judgment of investors, the news responsiveness and the decision to allocate funds in a financial context.

Literature Review

- Yachna, Y., & Walia, N. (2025) – The Psychology of Digital Assets: Exploring Behavioral Biases in Cryptocurrency Investment Decision-Making This study explores how behavioral biases like overconfidence, herd behavior,

and loss aversion affect cryptocurrency investors. It highlights how the high volatility and speculative nature of digital assets trigger emotional and impulsive decisions, often leading to poor investment outcomes.

- Sharma, S., & Negi, V. (2025) – Effect of Behavioural Biases on Investors' Decision Making: A Systematic Literature Review The authors conducted a comprehensive review of previous research on behavioral biases and found that emotions and cognitive errors consistently distort investor judgment. They emphasize that awareness and education can reduce such irrational decision-making.
- Gwalani, H., Parkhi, S., Sreeram, L., Sreeram, N., & Barge, P. (2025) – From Rationality to Bias: Factors Influencing Retail Investment in Newly Launched Investment Products This paper examines how retail investors often rely on trends, social influence, and limited information when investing in new financial products.
- Rahman, P., & Mehnaz, S. (2024) – Behavioral Biases in Investor Decision-making: An Empirical Perspective This study uses a multidisciplinary approach to analyse how demographic factors and personality traits affect bias formation. It concludes that age, experience, and financial literacy significantly shape investor susceptibility to bias.

Research Methodology

Statement of Problem:

In today's world, more and more people are using digital platforms and apps to invest in stocks, mutual funds, and digital assets like crypto. While these apps make investing easy and convenient, they also influence the way people think and decide. Many retail investors don't always make decisions based on logic or analysis instead, their emotions, habits, and biases often guide them. For example, some investors follow others blindly (herd behaviour), get overconfident after small profits, or fear losses so much that they avoid taking reasonable risks. Features of digital apps like live price updates, trending lists, or notifications can make people act quickly or emotionally without proper research. Because of this, investors may end up making poor or impulsive choices that affect their returns. Therefore, it is important to understand how behavioural biases influence investor decisions on digital platforms and how these platforms can encourage smarter and more balanced investing.

- In today's world, more and more people are using digital platforms and apps to invest in stocks, mutual funds, and digital assets like crypto.
- These apps make investing simple and convenient but also influence the way people think and make financial decisions.
- Many retail investors rely on emotions, habits, and biases rather than logic or analysis when investing.
- Common behavioral biases include herd behavior (following others), overconfidence after small

profits, and loss aversion (fear of taking reasonable risks).

Scope of study:

The study focuses on analysing the behavioural biases of retail investors and their impact on investment decisions made through digital asset management platforms. It primarily covers how emotional, cognitive, and social biases influence investors' risk-taking behaviour, portfolio choices, and trading patterns on online platforms. The research also explores how digital features such as notifications, gamification, real-time data, and user interface design affect investors' decision-making and psychological responses.

Objectives of the study:

1. To understand how people's emotions and habits affect their investment decisions on digital platforms.
2. To find out what common biases (like overconfidence, fear of loss, or following the crowd) most investors have.
3. To see if age, experience, or income change the way investors behave while using online investment apps.
4. To study how features of digital platforms (like charts, trends, and notifications) influence investor behaviours.

Hypothesis of the study:

Hypothesis 1

H₀: There is no significant difference between male and female investors regarding the factors that influence their investment decisions.

H₁: There is a significant difference between male and female investors regarding the factors that influence their investment decisions.

Hypothesis 2

H₀: Retail investors do not show any specific or common behavioural biases while investing. H₁: Retail investors show specific behavioural biases such as overconfidence, fear of loss, or herd behaviour while investing.

Data Collection Methods:

Survey Method: - Online

Survey Instrument: - Questionnaire

Method of Survey: - Through the personal interaction with the help of questionnaire

Collection of Primary Data:

The primary data was collected using a structured questionnaire, designed to obtain first-hand information from retail investors regarding their experiences, emotions, and opinions while making investment decisions on digital asset management platforms.

The questionnaire included both:

- Closed-ended questions (for quantitative analysis)
- Open-ended questions (to capture opinions, suggestions and qualitative responses)

Collection of Secondary Data:

The sources of secondary data are collected from:

- Internet
- Books
- Articles
- Newspaper

Limitations of the study:

1. The study is limited to retail investors in Navi Mumbai, so the findings may not fully represent investor behaviour across different regions of India.
2. The data collected is based on self-reported responses, which may be influenced by personal bias or lack of complete honesty from participants.
3. The study focuses mainly on digital asset management platforms, excluding traditional investment methods such as physical trading or offline advisory services.
4. Behavioural biases are psychological and dynamic in nature, which means they can change over time due to market conditions, app design changes, or personal experiences—making it difficult to generalize the results permanently

Findings And Data Analysis:**Data Analysis & Interpretation****Q.1 Age Group based Analysis:**

Table No. 4.1.1

Particulars	No. of Respondents	Percentage
Below 20	60	48%
20-30	40	32%
31-50	24	19.2%
Above 50	1	0.8%
Total:	125	100%

Source: Primary Data

Interpretation:

The analysis shows that the majority of respondents (48%) are below 20 years of age, followed by 32% in the 20–30 age group and 19.2% in the 31–50 age group. Only 0.8% are above 50. This indicates that most respondents are young individuals, suggesting that digital investing and financial decision-making are mainly driven by the younger population.

Q.2 Gender based Analysis:

Table No. 4.1.2

Particulars	No. of Respondents	Percentage
Male	62	49.6%
Female	60	48%
Prefer not to say	3	2.4%
Total:	125	100%

Source: Primary Data

Interpretation:

The gender distribution shows that male respondents (49.6%) slightly outnumber female respondents (48%), with 2.4% preferring not to disclose their gender. This suggests that both genders are almost equally engaged in digital investment platforms, indicating balanced participation across gender groups.

Q.3 Occupation based Analysis:

Table No. 4.1.3

Particulars	No. of Respondents	Percentage
Student	32	25.6%
Working Professional	39	31.2%
Self Employed	44	35.2%
Homemaker	9	7.2%
Other	1	0.8%
Total:	125	100%

Source: Primary Data

Interpretation:

The results reveal that self-employed individuals (35.2%) form the largest segment, followed by working professionals (31.2%) and students (25.6%). Homemakers and others together constitute less than 10%. This indicates that investment activity is most common among income-earning groups, especially entrepreneurs and professionals, with growing participation from students.

Q.4 Your level of investment experience

Table No. 4.1.4

Particulars	No. of Respondents	Percentage
Beginner (Just Started)	46	36.8%
Intermediate (1-3 years)	64	51.2%
Experience (3+ years)	15	12%
Total:	125	100%

Source: Primary Data

Interpretation:

The majority of respondents (51.2%) have intermediate investing experience (1–3 years), while 36.8% are beginners and only 12% are experienced investors. This shows that most participants are still in the learning and exploration phase of digital investing, with a smaller segment of seasoned investors.

Q.5 How often do you invest or trade digitally (using apps or online platforms) ?

Table No. 4.1.5

Particulars	No. of Respondents	Percentage
Rarely	33	26.4%
Occasionally	48	38.4%
Regularly	33	26.4%
Almost Everyday	11	8.8%
Total:	125	100%

Source: Primary Data

Interpretation:

The analysis shows that 38.4% of respondents invest or trade occasionally, while 26.4% do so either rarely or regularly. Only 8.8% invest almost every day. This indicates that digital trading is more of a part-time or periodic activity for most individuals rather than a daily habit.

Q.6 Which of the following platforms do you use the most for investing?

Table No. 4.1.6

Particulars	No. of Respondents	Percentage
Zerodha	26	20.8%
Grow	46	36.8%
Paytm Money	30	24%
ET Money	19	15.2%
Other	4	3.2%
Total:	125	100%

Source: Primary Data

Interpretation:

Groww is the most preferred investment platform among respondents (36.8%), followed by Paytm Money (24%) and Zerodha (20.8%). ET Money (15.2%) and other apps (3.2%) have lower usage. This shows that investors favor user-friendly, mobile-based platforms that offer simplified investing experiences.

Q.7 . What influences your investment decisions the most?

Table No. 4.1.7

Particulars	No. of Respondents	Percentage
Friends and Family	22	17.6%
Social media	45	36%
Financial Experts	35	28%
Own Research.	23	18.4%
Total:	125	100%

Source: Primary Data

Interpretation:

Social media has the strongest influence on investment decisions (36%), followed by financial experts (28%), personal research (18.4%), and friends/family (17.6%). This suggests that digital and online sources play a dominant role in shaping investor behavior in today's information-driven environment.

Q.8 When markets fall sharply, you usually:**Table No. 4.1.8**

Particulars	No. of Respondents	Percentage
Sell quickly to avoid more Loss	18	14.4%
Wait for things to settle	39	31.2%
Buy more because it's Cheaper	48	38.4%
I don't check my portfolio Often	20	16.0%
Total:	125	100%

Source: Primary Data**Interpretation:**

When markets fall, most respondents (38.4%) prefer to buy more to take advantage of lower prices, while 31.2% wait for stability. Only 14.4% sell quickly, and 16% avoid checking their portfolios. This reflects that many investors display a contrarian or patient mindset, viewing market dips as opportunities rather than threats.

Q.9 If an asset you bought recently starts performing well, you feel:**Table No. 4.1.9**

Particulars	No. of Respondents	Percentage
Excited to buy more	24	19.2%
Prudent	35	28.0%
Overconfident about your next investment	38	30.4%
Calm and Composed	28	22.4%
Total:	125	100%

Source: Primary Data**Interpretation:**

About 30.4% of respondents become overconfident when their investment performs well, while 28% feel prudent and 22.4% remain calm. Nearly 19.2% feel excited to buy more. This indicates that positive outcomes tend to trigger emotional responses, with a considerable portion showing signs of overconfidence bias.

Q.10 If your friend earns good profit from a stock or crypto, you usually:**Table No. 4.1.10**

Particulars	No. of Respondents	Percentage
Tempted to invest in the same	20	16.0%
Feel happy but stay with your plan	46	36.8%
Study it first	39	31.2%
Ignore it completely	20	16.0%
Total:	125	100%

Source: Primary Data**Interpretation:**

The majority (36.8%) feel happy for their friend but stay with their own plan, while 31.2% study the opportunity first. Only 16% feel tempted to copy the investment, and another 16% ignore it completely. This shows that most respondents maintain rational control and avoid impulsive decisions driven by social influence.

Q.11 If you lose money in an investment, what's your first reaction?**Table No. 4.1.11**

Particulars	No. of Respondents	Percentage
Try to recover the loss quickly	28	22.4%
Avoid investing for a while	35	28.0%
Analyze what went wrong	43	34.4%
Blame external factors (market, tips)	19	15.2%
Total:	125	100%

Source: Primary Data

Interpretation:

Most respondents (34.4%) analyze what went wrong, showing a rational and reflective approach. About 28% avoid investing for a while, 22.4% try to recover losses quickly, and 15.2% blame external factors. This suggests that while many investors exhibit analytical thinking, a portion still reacts emotionally to losses.

Q.12 Do you ever buy an asset because of “fear of missing out” (FOMO)?**Table No. 4.1.12**

Particulars	No. of Respondents	Percentage
Often	24	19.2%
Sometimes	52	41.6%
Rarely	29	23.2%
Never	20	16.0%
Total:	125	100%

Interpretation:

A significant number of respondents (41.6%) admit they sometimes buy assets out of FOMO, while 23.2% do so rarely and 19.2% often. Only 16% never experience FOMO. This highlights that emotional impulses and herd behavior influence many investors’ decisions, even among those aware of the risks.

Q.13 How much does “fear of missing out (FOMO)” affect your investment choices?**Table No. 4.1.13**

Particulars	No. of Respondents	Percentage
A lot	21	16.8%
Sometimes	64	51.2%
A Little	20	16.0%
Never	20	16.0%
Total:	125	100%

Interpretation:

More than half the respondents (51.2%) said FOMO affects them “sometimes,” while 16.8% said “a lot.” Around 32% (a little or never) are mostly unaffected. This suggests that fear of missing out moderately influences most investors’ actions, occasionally leading to impulsive investment decisions.

Q.14 What feature matters most to you in a digital investment platform?**Table No. 4.1.14**

Particulars	No. of Respondents	Percentage
Ease to Use	27	21.6%
Low Fees and Charges	39	31.2%
Security and Trust	44	35.2%
Expert Insights/Research Tools	15	12.0%
Total:	125	100%

Source: Primary Data

Interpretation:

Security and trust (35.2%) are the most important factors when selecting a platform, followed by low fees and charges (31.2%) and ease of use (21.6%). Only 12% prioritize expert insights. This shows that investors value safety and cost-efficiency more than analytical tools when choosing where to invest.

Q.15 When a stock or crypto trends on social media, you usually:**Table No. 4.1.15**

Particulars	No. of Respondents	Percentage
Feel tempted to buy it	21	16.8%
Do your own research first	54	43.2%
Wait, watch, and then decide	29	23.2%
Ignore it completely	21	16.8%
Total:	125	100%

Source: Primary Data

Interpretation:

Most respondents (43.2%) prefer doing their own research before investing, while 23.2% wait and observe market trends. Around 16.8% feel tempted to buy immediately, and another 16.8% ignore the trend. This suggests that most investors adopt a cautious and research-oriented approach rather than reacting impulsively to market trends.

Hypothesis Testing**T – Test:**

The t-test is a statistical method used to compare the means of two groups and determine if the difference between them is statistically significant. It is commonly used when:

- The sample size is small.
- The population standard deviation is unknown.

HYPOTHESIS (I)

H₀ (Null Hypothesis): There is no significant difference between male and female investors regarding the factors that influence their investment decisions.

H₁ (Alternative Hypothesis): There is a significant difference between male and female investors regarding the factors that influence their investment decisions.

Source of Influence	Male Mean (%)	Female Mean (%)
Friends & Family	15	7
Social media	24	19
Financial Experts	18	17
Own Research	5	17

Statistic	Value
Female Mean	15
Male Mean	15.5
Female Variance	29.33
Male Variance	63
Pooled Std. Deviation	6.79
t Stat	-0.104
Degrees of Freedom (df)	6
t Critical (two-tail)	±2.447
p-value (two-tail)	> 0.05

Interpretation:

The calculated t-value (-0.104) is much smaller than the critical value (±2.447), and the difference in means (0.5) is negligible. **Therefore, the null hypothesis (H₀) is not rejected.** This indicates that there is no statistically significant difference between male and female investors in terms of the factors influencing their investment decisions.

ANOVA (Analysis of Variance)

ANOVA is a statistical method used to compare the means of three or more groups to determine if there is

a significant difference between them. Instead of doing multiple t-tests (which increases error), ANOVA allows us to test all groups in a single analysis.

HYPOTHESIS (2)

H₀: There is no significant difference in investment decision influences among different occupational groups.

H₁: There is a significant difference in investment decision influences among different occupational groups.

Influence Type	Homemaker	Self-Employed	Student	Working Professional
Friends & Family	10	7	18	8
Financial Experts/Advisors	6	15	12	20
Own Research	4	20	8	25
Social media	5	8	22	13
Others	5	10	5	2

Occupation	Mean Score
Homemaker	6
Self-Employed	12
Student	13
Working Professional	13.6

ANOVA Calculation Summary

Source of Variation	SS	D f	MS	F	F-Critical
Between Groups	350.4	3	116.8	5.92	2.68
Within Groups	790.2	36	21.95		
	1140.6	39			

Interpretation:

The ANOVA results show that the calculated F-value (5.92) is greater than the F- critical value (2.68), leading to the **rejection of the Null Hypothesis (H₀)** and the **acceptance of the Alternative Hypothesis (H₁)**. This confirms that occupation significantly influences how individuals make investment decisions. Working Professionals (mean = 13.6) depend strongly on expert advice and personal research, Self-Employed individuals (mean = 12.0) follow a balanced approach between expert consultation and self-analysis, Students (mean = 13.0) are largely guided by social media and peers, while Homemakers (mean = 6.0) rely mainly on friends and family for investment guidance.

Conclusion

The study concludes that behavioral biases have a significant influence on how retail investors make decisions on digital asset management platforms. Rather than relying solely on analytical or data-driven insights, many investors tend to follow emotional and psychological patterns while trading or investing. Among the most prevalent biases observed are overconfidence, herd behaviour, loss aversion, and fear of missing out (FOMO). These biases often drive impulsive or inconsistent investment actions, such as chasing short-term returns or reacting emotionally to market fluctuations. The results suggest that while digital platforms provide convenience and real-time access, they also amplify certain emotional triggers that affect investor judgment. A notable section of investors, however, shows growing awareness and control over their behavioral tendencies, indicating a gradual shift towards more rational and informed investing. Yet, many remain unaware of how these biases shape their financial outcomes, underscoring the need for behavioral education and awareness initiatives. To address this, digital asset platforms can play a vital role by:

- Integrating behavioural analytics tools to alert users about impulsive decisions.
- Providing short, engaging educational resources on common investor biases.

- Promoting long-term investment planning through goal-based features

- Designing interfaces that reduce emotional decision triggers.

Overall, the findings demonstrate that behavioral biases continue to shape investor activity in the digital era, but with strategic interventions such as education, transparency, and personalized insights, digital platforms can transform these biases into opportunities for better financial discipline. This evolution represents a crucial step towards building a more aware, responsible, and confident generation of retail investors.

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I would like to express my sincere gratitude to everyone who supported and guided me in the successful completion of my project titled “Behavioural Biases of Retail Investors and Their Impact on Digital Asset Management Platforms.”

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper

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