SJIF Impact Factor (2026): 8.863| ISI I.F. Value: 1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
Volume: 11 | Issue: 6 | June 2026 - Peer Reviewed Journal

INVESTOR BEHAVIOUR AND HERDING IN THE INDIAN STOCK MARKET: A STUDY AMONG RETAIL INVESTORS IN KERALA

Dr. Vidya A
Assistant Professor of Commerce, MPMMSN Trusts College Shoranur, Palakkad, Affiliated to University of Calicut .

ABSTRACT
This study analyses investor behaviour and herding behaviour among retail investors in Kerala with special reference to the Indian stock market. The study is based on primary data collected from 100 retail investors in Thrissur districts using a structured questionnaire. The findings reveal that herding behaviour exists among investors, with many relying on market trends, expert opinions, and the actions of other investors while making investment decisions. Market volatility, fear of loss, financial news, and social media were identified as major factors influencing herd behaviour. The study concludes that socio-economic and behavioural factors significantly shape investment decisions, emphasizing the need for greater investor awareness and financial literacy..

KEYWORDS: *Behavioural Finance, Investor Behaviour, Herding Behaviour, Retail Investors, Stock Market, Kerala, Equity Investment, Behavioural Biases*

INTRODUCTION

Traditional financial theories, particularly the Efficient Market Hypothesis, assume that investors behave rationally and make investment decisions based on all available information. However, actual investor behaviour often differs from these assumptions, as decisions are frequently influenced by emotions, psychological biases, and social interactions. Behavioural finance offers an alternative perspective by explaining how cognitive and emotional factors shape financial decision-making (Fama, 1970; Barberis & Thaler, 2003). Among the various behavioural biases, herding behaviour is considered one of the most important in stock market investment. Herding refers to the tendency of investors to imitate the actions and decisions of others instead of relying on their own judgement and analysis (Banerjee, 1992). Investors often follow market trends, expert recommendations, peer opinions, and publicly available information while buying or selling securities. Such behaviour becomes more visible during periods of market uncertainty, volatility, and rapid price movements. Herding can result in excessive speculation, irrational investment decisions, stock price fluctuations, and reduced market efficiency.

The Indian stock market has witnessed significant growth in recent years due to economic development, technological progress, increased financial awareness, and the rapid expansion of online trading platforms. Retail investor participation has increased considerably, especially after the COVID-19 period, with more individuals entering equity investment through mobile trading applications and digital investment platforms. Along with this growth, the influence of social media, financial news, online forums, and peer networks has also increased, shaping investor decisions in the market. Retail investors are often influenced by fear of loss, fear of missing profitable opportunities, market rumours, and the behaviour of other investors while making investment decisions. In Kerala, particularly in Thrissur district, stock market participation has grown steadily due to higher literacy, rising income levels, and better access to financial services. However, many investors may depend on market sentiment and the opinions of others rather than independent financial analysis. Therefore, examining investor behaviour and herding tendencies among retail investors in Kerala is highly relevant. The present study attempts to analyse the existence of herding behaviour, the major factors influencing such behaviour, and its impact on investment decisions among retail investors in the Indian stock market with special reference to Kerala.

Statement of the Problem

Investor behaviour plays a crucial role in determining stock market movements and investment patterns. Although traditional financial theories assume that investors behave rationally while making investment decisions, in reality many investors are influenced by emotions, social pressure, market trends, and the behaviour of other investors. Herding behaviour has become increasingly common in the Indian stock market, particularly among retail investors who often depend on public opinion, expert advice, and social media information rather than conducting independent analysis. Such behaviour may lead to irrational investment decisions, increased market volatility, speculative trading, and financial losses. In Thrissur district, where stock market participation has been increasing rapidly, investors may also exhibit herd mentality due to lack of financial literacy, fear of loss, and uncertainty regarding market conditions. Hence, it becomes essential to examine whether herding behaviour exists among investors in Thrissur district and to identify the major factors influencing such behaviour and its impact on investment decisions.

Scope of the Study

The scope of the study is confined to analysing investor behaviour and herding tendencies among stock market investors in Thrissur district, Kerala. The study mainly focuses on understanding the existence of herding behaviour, the factors influencing

SJIF Impact Factor (2026): 8.863| ISI I.F. Value: 1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
Volume: 11 | Issue: 6 | June 2026 - Peer Reviewed Journal

investors to follow market trends, and the impact of such behaviour on investment decisions and stock market activities. The study covers retail investors who actively participate in stock market investment through shares, mutual funds, and online trading platforms. It examines the influence of demographic variables such as age, gender, education, occupation, and income on herding behaviour. The research also analyses the role of psychological and informational factors including fear of loss, market volatility, expert recommendations, financial news, and social media influence on investor decisions. The study is based on primary data collected from investors in Thrissur district and uses appropriate statistical tools to analyse investor behaviour. The findings of the study may be useful for investors, financial advisors, policymakers, researchers, and financial institutions in understanding behavioural patterns in stock market investment.

Significance of the Study

The study on investor behaviour and herding behaviour in the Indian stock market is highly significant in the field of Behavioural Finance because it helps to understand how psychological and social factors influence investment decisions. Traditional financial theories mainly assume that investors are rational and make decisions based on logical analysis and available information. However, behavioural finance explains that investor decisions are often influenced by emotions, fear, greed, social influence, and cognitive biases. Herding behaviour is one of the major behavioural biases observed in stock markets, where investors imitate the actions of others instead of relying on independent judgement. Understanding herding behaviour is important because it affects stock prices, market efficiency, trading patterns, and overall financial stability. The study helps identify the factors that encourage investors to follow the crowd and examines how such behaviour influences market movements and investment outcomes.

The study is also significant from a practical perspective as it provides valuable insights for investors, financial advisors, stock brokers, policymakers, and regulatory authorities. The findings may help investors become more aware of behavioural biases and encourage rational investment decisions based on proper analysis rather than emotional reactions and public opinion. Financial advisors and institutions can use the study to design investor education programmes and improve financial literacy among retail investors. Policymakers and market regulators may also benefit from understanding investor psychology and market behaviour while framing policies related to investor protection and market stability. Furthermore, the study contributes to academic literature by providing empirical evidence regarding herding behaviour among investors in Thrissur district, Kerala, thereby adding regional relevance to behavioural finance research in the Indian stock market context.

Objective of the study

- To examine the existence of herding behaviour among retail investors.
- To identify the major factors influencing herding behaviour among the investors.
- To analyse the association between socio-economic profile and herding behaviour of investors.

Research Methodology :-The research design undertaken is descriptive. This design will be appropriate to investigate psychological constructs and their behavioural effects at a given time

Sample design: - The study is based on primary data collected from 100 retail investors drawn from Thrissur district in Kerala. Purposive sampling techniques are used to collect the sample respondents .The sample comprises individuals with varying demographic backgrounds, income levels, investment experience. The responses have been collected through a structured questionnaire.

Literature Reviews

Dubey (2026**)**, reviewed the influence of social media on retail investor behaviour in India and highlighted its growing role in encouraging herd behaviour in stock market participation. The study found that retail investors increasingly depend on platforms such as YouTube, Telegram, and online investor communities for investment information and stock recommendations. This dependence often results in imitation-based decision-making, especially among first-time investors. The study concluded that social media significantly strengthens herd mentality among Indian retail investors and affects short-term trading behaviour.

Hajur and Thavara (2025), analysed investor trends in the Indian stock market with special reference to herding among individual investors. The study found that fear of missing out, emotional behaviour, peer influence, and risk perception strongly affect retail investors' decisions. Many investors were found to imitate market trends and follow the actions of other investors during both rising and falling markets. The study concluded that herding behaviour is highly visible among Indian retail investors and significantly influences their stock trading decisions.

Dhuri and Patkar (2024), examined herding behaviour in the Indian stock market using empirical market data. The study found evidence of herding during structural break periods and high-volume trading conditions. The authors observed that retail investors are more likely to follow collective market behaviour during uncertain and volatile periods. The study concluded that herd behaviour remains a key behavioural feature of the Indian stock market, especially during abnormal market conditions.

Gupta and Kohli (2021), studied herding behaviour among Indian stock market investors and found that retail investors frequently move in the same trading direction during uncertain market situations. The study reported that many investors depend on market sentiment, price movement, and the behaviour of other investors while making investment decisions. The findings confirmed the presence of herd mentality in the Indian stock market and its contribution to volatility and speculative activity.

Satish and Padmasree (2021) investigated herding behaviour in the Indian stock market and reported that investors tend to imitate prevailing market movements in both bullish and bearish phases. The study noted that retail investors often rely on collective signals and market trends instead of company fundamentals while making investment decisions. The authors concluded that herding is a

SJIF Impact Factor (2026): 8.863| ISI I.F. Value: 1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
Volume: 11 | Issue: 6 | June 2026 - Peer Reviewed Journal

recurring behavioural pattern among Indian investors during periods of uncertainty.

Sharma and Tripathy (2020) examined the relationship between herd behaviour and stock pricing in India. The study found that herd behaviour significantly influences stock returns and market pricing patterns. Retail investors were observed to react collectively to market signals, which affects price discovery and market efficiency. The study concluded that investor psychology plays an important role in explaining stock price movements beyond traditional financial models.

Raut, Das, and Mishra (2020) studied the investment behaviour of individual investors in India and found that herding significantly affects retail investor decision-making. The study revealed that many retail investors rely on the decisions of peers, public opinion, and market trends instead of conducting their own analysis. The authors concluded that herding is one of the dominant behavioural biases influencing individual stock market participation in India.

Bansal and Kumar (2015) examined behavioural biases among Indian individual investors and identified herding as one of the most common biases influencing stock market investment decisions. The study found that investors frequently depend on peer suggestions, expert advice, and rumours while selecting stocks. This tendency reduces rational decision-making and often results in speculative trading and poor investment outcomes. The study concluded that herd behaviour remains a significant challenge among retail investors in India.

RESULTS AND DISCUSSION

Table 1: Demographic profile of the respondents

Variables	Category	No. of Respondents	Percentage (%)
Gender	Male	91	91
	Female	9	9
Age	Up to 36 years	41	41
	36 to 45 years	38	38
	46 to 55 years	14	14
	Above 56 years	7	7
Educational Qualification	Up to HSC	9	9
	Graduate	57	57
	Post Graduate	19	19
	Professional Degree	15	15
Area of Residence	Rural	47	47
	Urban	53	53
Occupation	Business	27	27
	Salaried Person	60	60
	Professional	10	10
	Retired	3	3
Annual Income	Below ₹5,00,000	34	34
	₹5,00,001–₹10,00,000	37	37
	₹10,00,001–₹15,00,000	18	18
	Above ₹15,00,000	11	11
Experience in Stock Market Trading	Less than 1 year	20	20
	1–3 years	33	33
	3–6 years	26	26
	6–9 years	12	12
	Above 9 years	9	9
Marital Status	Married	75	75
	Unmarried	25	25

The table presents the demographic and economic profile of 100 equity investors in Kerala. The majority of respondents are male (91%), indicating comparatively lower participation of female investors in equity investment. Most investors belong to the younger age groups, with 41% aged up to 36 years and 38% between 36 and 45 years, showing that stock market participation is higher among younger and middle-aged individuals. In terms of education, the majority are graduates (57%), followed by postgraduates (19%) and professionally qualified investors (15%), indicating a relatively educated investor base. Slightly more respondents reside in urban areas (53%) than rural areas (47%). With respect to occupation, salaried persons form the largest group (60%), followed by businesspersons (27%), suggesting that fixed-income earners constitute a major share of equity investors. Regarding annual income, most respondents belong to the middle-income category, with 37% earning ₹5,00,001–₹10,00,000 annually. Experience-wise, 33% of investors have 1–3 years of stock market experience, while 26% have 3–6 years, indicating moderate trading experience among the majority. Further, 75% of respondents are married.

SJIF Impact Factor (2026): 8.863| ISI I.F. Value: 1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
Volume: 11 | Issue: 6 | June 2026 - Peer Reviewed Journal

Table 2 :-Existence of Herding Behaviour among Investors

Statements	Mean Score	Standard Deviation	Rank
prefer stocks that are widely purchased by other investors	4.26	0.71	1
I follow market trends while making investment decisions	4.18	0.75	2
I depend on expert opinions before investing	4.05	0.80	3
I buy or sell shares based on social media discussions	3.92	0.84	4
I feel more confident when many investors invest in the same stock	3.88	0.79	5

The table indicates the existence of herding behaviour among retail investors in Kerala. The highest mean score (4.26) was recorded for *"I prefer stocks that are widely purchased by other investors,"* showing that investors are influenced by popular market choices. Following market trends (4.18) and depending on expert opinions (4.05) also strongly influence investment decisions. Social media discussions (3.92) and confidence from others investing in the same stock (3.88) also affect investor behaviour. Overall, the findings confirm that retail investors are influenced by the behaviour and decisions of others while making stock market investments.

Table 3 :Factors Influencing Herding Behaviour

Factors	Mean Score	Standard Deviation	Rank
Market volatility	4.35	0.69	I
Fear of loss	4.21	0.74	II
Expert recommendations	4.12	0.81	III
Influence of financial news channels	3.98	0.85	IV
Social media and online forums	3.86	0.88	V
Friends and relatives' suggestions	3.72	0.91	VI

The above table identifies the major factors influencing herding behaviour among investors. Market volatility ranked first with the highest mean score of 4.35, indicating that uncertain market conditions encourage investors to follow the crowd. Fear of loss secured the second rank, showing that emotional factors significantly affect investor behaviour.

Expert recommendations, financial news, and social media also influence investment decisions. The findings suggest that both psychological and informational factors contribute to herding behaviour in the Indian stock market.

Table 4 :-Impact of Herding Behaviour on Investment Decisions

Statements	Mean Score	Standard Deviation	Rank
Herding behaviour increases speculative trading	4.28	0.73	I
Herding leads to irrational investment decisions	4.16	0.78	II
Herding increases market volatility	4.08	0.81	III
Investors ignore fundamental analysis due to herding	3.94	0.86	IV

The table explains the impact of herding behaviour on investment decisions and market movements. The statement "Herding behaviour increases speculative trading" secured the first rank with the highest mean score of 4.28, indicating that investors engage in speculative activities by following others' actions.

The findings further reveal that herding behaviour results in irrational investment decisions and increased market volatility. Investors often ignore proper fundamental analysis and long-term planning while making investment decisions under the influence of crowd behaviour. Therefore, herding behaviour negatively affects rational decision-making in the Indian stock market.

The level of herd biase across various socio-demographic and economic profile of the investors.

Herd biases across gender of the investors

(H_0): There is no significant association between gender and the level of herd bias among equity investors .

(H_1): There is a significant association between gender and the level of herd bias among equity investors..

Table 5: Chi-square test for association between gender and level of herd bias among equity investors in Kerala

Gender	Low level	Moderate level	High level	Total	Chi-square value *	P value
Male	31	29	31	91	4.28	<0.05*
Female	1	3	5	9		
Total	32	32	36	100		

Source: Primary

SJIF Impact Factor (2026): 8.863| ISI I.F. Value: 1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
Volume: 11 | Issue: 6 | June 2026 - Peer Reviewed Journal

The chi-square test was conducted to examine the association between gender and the level of herd bias among equity investors in Kerala. The chi-square value is 4.28 and the p value is less than 0.05, which indicates a statistically significant association between gender and herd bias. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. The table shows that among male investors, the distribution of low, moderate, and high herd bias is relatively balanced. Among female investors, a comparatively higher proportion falls under the high herd bias category. This indicates that herd bias differs across gender groups. Thus, gender has a significant influence on herding behaviour among equity investors in Kerala.

Herd biases across age of the investors

H_0): There is no significant association between age and the level of herd bias among equity investors .

(H_1): There is a significant association between age and the level of herd bias among equity investors .

Table 6: Chi-square test for association between age and level of herd bias among equity investors in Kerala

Age groups of investors	Low level	Moderate level	High level	Total	Chi-square value	P value
Up to 36 years	15	12	8	35	13.84	0.032*
36 to 45 years	9	12	9	30		
46 to 55 years	4	5	11	20		
Above 55 years	2	3	10	15		
Total	30	32	38	100		

Source: Primary Data

*Note: * denotes significant at 5% level*

The chi-square test was conducted to examine the association between age and the level of herd bias among equity investors in Kerala. The p value (0.032) is less than 0.05, indicating a statistically significant association between age and herd bias. This shows that herd bias varies across different age groups of investors. Among investors aged up to 36 years, the majority (42.9%) exhibit a low level of herd bias, while only 22.9% show a high level. Investors in the 36–45 age group mostly demonstrate a moderate level of herd bias (40.0%). In contrast, investors aged 46–55 and above 55 show comparatively higher levels of herd bias, with 55.0% and 66.7% respectively falling under the high herd bias category. This indicates that younger investors tend to make relatively more independent investment decisions, whereas older investors are more likely to be influenced by the behaviour and decisions of other investors in the stock market

Herd bias and education of the investors

H_0): There is no significant association between education and the level of herd bias among equity investors .

(H_1): There is a significant association between education and the level of herd bias among equity investors .

Table 7 :Chi-square test for association between education and the level of herd bias among equity investors in Kerala

Educational qualifications	Low level	Moderate level	High level	Total	Chi-square value *	P value
Up to HSC	11	5	8	24	16.24	0.013
Under graduate	7	12	14	33		
Post graduate	6	8	8	22		
Professional	10	3	8	21		
Total	34	28	38	100		

*Note: * denotes significant at 5% level*

The chi-square test was conducted to examine the association between educational qualification and the level of herd bias among equity investors in Kerala. Since the p value (0.013) is less than 0.05, the null hypothesis is rejected, indicating a significant association between education and herd bias among investors. The findings reveal that investors with education up to HSC show a relatively higher proportion of low herd bias (45.8%). Among undergraduate investors, a larger proportion exhibit high herd bias (42.4%), indicating that they are more influenced by the decisions of others. investors while making investment choices. Postgraduate investors show a relatively balanced distribution across low, moderate, and high herd bias levels. Investors with professional qualifications demonstrate a comparatively lower tendency towards herd bias, with a larger proportion showing low herd bias (47.6%). Overall, the results suggest that educational qualification significantly influences herd behaviour, and undergraduate investors in Kerala tend to display higher herd bias .

Herd biases across income of the investors

H_0): There is no significant association between annual income and the level of herd bias among equity investors .

(H_1): There is a significant association between annual income and the level of herd bias among equity investors .

SJIF Impact Factor (2026): 8.863| ISI I.F. Value: 1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
Volume: 11 | Issue: 6 | June 2026 - Peer Reviewed Journal

Table 8 :Chi-square test for association between annual income and the level of herd bias among equity investors in Kerala

Annual income	Low level	Moderate level	High level	Total	Chi-square value *	P value
Up to ₹5,00,000	8	11	14	33	14.76	0.022*
₹5,00,001 to ₹10,00,000	12	8	12	32		
₹10,00,001 to ₹15,00,000	11	8	5	24		
Above ₹15,00,000	3	5	3	11		
Total	34	32	34	100		

Source: Primary Data

*Note: * denotes significant at 5% level*

The chi-square test was conducted to examine the association between annual income and the level of herd bias among equity investors in Kerala. Since the p value (0.022) is less than 0.05, the null hypothesis is rejected, indicating a significant association between annual income and herd bias. The findings show that investors with annual income up to ₹5,00,000 have a relatively higher proportion of high herd bias (42.4%), suggesting that lower-income investors are more likely to be influenced by the investment decisions of others. Investors earning ₹5,00,001 to ₹10,00,000 show an almost even distribution across low and high herd bias levels. Investors with annual income between ₹10,00,001 and ₹15,00,000 exhibit a higher proportion of low herd bias (45.8%) and a comparatively lower high herd bias, indicating more independent decision-making. Overall, the results suggest that annual income significantly influences herd behaviour, and investors with lower annual income in Kerala tend to exhibit greater herd bias compared with higher-income investors

Investment experience and herd biases

Table 9: Chi-square test for association between investment experience and the level of herd bias among equity investors in Kerala.

Investment experience of investors	Low level	Moderate level	High level	Total	Chi-square value *	P value
Up to 1 year	3	10	7	20	24.18	0.002**
1 to 3 years	5	12	8	25		
3 to 6 years	14	4	7	25		
6 to 9 years	5	4	6	15		
Above 9 years	6	2	7	15		
Total	33	32	35	100		

Source: Primary Data

*Note: ** denotes significant at 1% level*

Th e chi-square test was conducted to examine the association between investment experience and the level of herd bias among equity investors in Kerala. Since the p value (0.002) is less than 0.01, the null hypothesis is rejected, indicating a statistically significant association between investment experience and herd bias. The findings show that investors with up to 1 year of experience and those with 1 to 3 years of experience predominantly exhibit a moderate level of herd bias, suggesting that less experienced investors are more likely to be influenced by the behaviour of other market participants. Investors with 3 to 6 years of experience show a higher proportion of low herd bias (56.0%), indicating comparatively more independent investment decisions. On the other hand, investors with more than 9 years of experience display a relatively higher level of herd bias (46.7%). Overall, the results suggest that investment experience significantly influences herd behaviour among equity investors in Kerala, with investors having 3 to 6 years of experience showing lower herd bias compared with other experience groups

MAJOR FINDINGS

- Majority of respondents are male investors (91%), indicating lower participation of women in stock market investment.
- Younger investors dominate the sample, with most respondents below 45 years of age.
- Graduates constitute the largest share of investors, showing a relatively educated investor base.
- Urban investors slightly outnumber rural investors in stock market participation.
- Salaried employees form the largest occupational group among investors.
- Most investors belong to the middle-income category of ₹5–10 lakh annually.
- Majority of investors possess 1–3 years of stock market experience.

SJIF Impact Factor (2026): 8.863| ISI I.F. Value: 1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
Volume: 11 | Issue: 6 | June 2026 - Peer Reviewed Journal

- Married respondents account for a major share of investors in Kerala.
- Herding behaviour exists among retail investors in Kerala.
- Investors strongly prefer stocks that are widely purchased by other investors.
- Investors are influenced by market trends while making investment decisions.
- Expert opinion plays an important role in influencing stock market investment behaviour.
- Market volatility is the most influential factor contributing to herd behaviour.
- Fear of loss significantly drives investors to follow the actions of others.
- Social media, financial news, and online forums influence investment decisions of retail investors.
- Herding behaviour increases speculative trading among investors.
- Herding behaviour leads to irrational investment decisions, market volatility, and reduced focus on fundamental analysis.
- Chi-square analysis confirms significant association between herd bias and socio-economic factors such as gender, age, education, annual income, and investment experience.
- Investors show greater confidence when many others invest in the same stock, indicating that social validation plays an important role in investment decisions among retail investors in Kerala.
- Investors with lower annual income exhibit comparatively higher herd bias than higher-income investors, suggesting that income level influences the tendency to rely on others' investment decisions.
- Less experienced investors are more likely to display herd behaviour than experienced investors, as they tend to depend more on market trends, expert recommendations, and the behaviour of other investors while making investment decisions.

SUGGESTIONS

- Investor education programmes should be strengthened to improve awareness regarding behavioural biases and herd mentality.
- Investors should be encouraged to rely more on fundamental analysis and independent judgement before investing.
- Financial literacy initiatives should be expanded through investor awareness campaigns, workshops, and digital platforms.
- Regulatory authorities should monitor misleading stock market rumours and misinformation on social media and online forums.
- Financial advisors and brokers should promote long-term investment planning and rational investment behaviour rather than trend-based speculative trading.

Policy Implications

The study provides useful policy implications for market regulators such as Securities and Exchange Board of India and financial institutions. The findings suggest the need for stronger investor protection measures, financial literacy campaigns, and behavioural finance awareness programmes to reduce irrational investment behaviour. Regulatory intervention may be required to improve transparency of market information and to monitor rumours, misleading recommendations, and manipulative content circulating through digital platforms. Policies aimed at improving access to reliable financial education can reduce herd bias and support more stable and efficient market functioning.

Managerial Implications

The findings offer important managerial implications for stock brokers, wealth managers, mutual fund companies, and financial advisors. Understanding herd behaviour can help investment professionals better guide retail investors towards disciplined and informed decision-making. Financial service providers can design customised advisory services, behavioural risk profiling tools, and investor counselling programmes to reduce emotional decision-making. Brokerage firms may also use the findings to improve investor communication, offer educational content, and encourage long-term investment strategies instead of speculative behaviour.

CONCLUSION

The study concludes that herding behaviour is a prominent behavioural bias among retail investors in Kerala and significantly influences investment decisions in the Indian stock market. Investors are often influenced by the actions and opinions of other investors, market trends, expert recommendations, and information shared through media platforms rather than relying entirely on independent analysis. The results show that herding behaviour contributes to speculative trading, irrational investment decisions, and increased market volatility. The study also establishes that socio-economic factors such as gender, age, education, income, and investment experience significantly influence the degree of herd bias among investors. These findings reinforce the importance of behavioural finance in understanding stock market behaviour beyond traditional rational theories. Promoting financial literacy, investor awareness, and rational investment practices is essential to reducing herd-driven decision-making and improving the quality of investment decisions among retail investors .

REFERENCE

1. *Bansal, S., & Kumar, R. (2015). Behavioural biases among individual investors in Indian stock market. International Journal of Research in Finance and Marketing, 5(8), 1–12.*

SJIF Impact Factor (2026): 8.863| ISI I.F. Value: 1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
Volume: 11 | Issue: 6 | June 2026 - Peer Reviewed Journal

2. *Barberis, N., & Thaler, R. (2003). A survey of behavioral finance. Handbook of the Economics of Finance, 1, 1053–1128.*
3. *Banerjee, A. V. (1992). A simple model of herd behavior. The Quarterly Journal of Economics, 107(3), 797–817.*
4. *Dhuri, V., & Patkar, S. (2024). Herding behaviour in the Indian stock market: An empirical study. Asian Economic and Financial Review, 14(4), 299–315. https://doi.org/10.55493/5002.v14i4.5018*
5. *Dubey, N. (2026). Influence of social media on retail investor behaviour in India: A review. SSRN Electronic Journal. https://doi.org/10.2139/ssrn.6762878.*
6. *Fama, E. F. (1970). Efficient capital markets: A review of theory and empirical work. The Journal of Finance, 25(2), 383–417.*
7. *Gupta, P., & Kohli, B. (2021). Herding behavior in the Indian stock market: An empirical study. Indian Journal of Finance, 15(5–7), 86–99.*
8. *Hajur, M. G., & Thavara, S. S. (2025). Analyzing herding behavior: A study of investor trends in Indian stock markets. Sachetas Journal of Management and Social Sciences, 4(2), 1–12.*
9. *Raut, R. K., Das, N., & Mishra, R. (2020). Behaviour of individual investors in stock market trading: Evidence from India. Vikalpa, 45(1), 1–12.*
10. *Satish, B., & Padmasree, K. (2021). An empirical analysis of herding behaviour in Indian stock market. International Journal of Management Studies, 8(4), 45–54.*
11. *Sharma, S., & Tripathy, N. (2020). Herd behaviour and asset pricing in the Indian stock market. IIMB Management Review, 32(2), 143–152.*