Research Paper

EPRA International Journal of Economic and Business Review-Peer Reviewed Journal
Volume - 14, Issue - 11, November 2026 | e-ISSN: 2347 - 9671| p- ISSN: 2349 – 0187

SJIF Impact Factor (2026): 8.885 || ISI Value: 1.433 || Journal DOI URL: https://doi.org/10.36713/epra2012

FINANCIAL CRISES AND FII INVESTMENT DECISIONS: THE ROLE OF RISK PERCEPTION, INVESTOR SENTIMENT, AND BEHAVIOURAL BIASES

Ajay Goel[1], Manish Dadhich[2], Arvind Sharma[3]

[1]*Research Scholar, Department of Management Studies, Sir Padampat Singhania University, Udaipur*
[2]*Professor, Department of Management Studies, Sir Padampat Singhania University, Udaipur*
[3]*Associate Professor, Department of Mathematics, Sir Padampat Singhania University, Udaipur*

ABSTRACT **DOI No: 10.36713/epra32124** **Article DOI: https://doi.org/10.36713/epra32124**

By raising uncertainty, changing investor attitudes, and escalating behavioral reactions, financial crises have a substantial impact on investment decisions in emerging markets. This study examines the influence of risk perception, investor sentiment, and behavioural biases on Foreign Institutional Investors' (FIIs) investment decisions in the Indian equity market. The conceptual framework identifies risk perception, investor sentiment, and behavioural biases, including herding, loss aversion, overconfidence, and anchoring, as key explanatory variables. The paper suggests a quantitative research methodology that involves giving institutional investment experts standardized questionnaires. Reliability analysis, discriminant validity evaluation, and structural path analysis can all be used to investigate the suggested links. The paradigm offers a foundation for comprehending how institutional investment decisions during global financial crises are influenced by perceived risks, market optimism or pessimism, and human tendencies. It is anticipated that the study will provide fund managers, portfolio managers, and financial regulators with useful information to improve risk assessment, investment discipline, and crisis management techniques. Its conclusions might promote better-informed investing choices in the Indian equities market and add to the body of scholarship on behavioral finance.

KEYWORDS: *Foreign Portfolio Investors (FPIs), Foreign Institutional Investors (FIIs), Risk Perception, Investor Sentiment, Behavioural Biases, Investment Decisions.*

1. INTRODUCTION

Global financial crises have become a significant source of uncertainty in international financial markets, influencing capital flows, asset prices, investor confidence, and portfolio allocation decisions (Anurag Shukla, Manish Dadhich, Dipesh Vaya, 2024). The epidemic, geopolitical unrest, monetary tightening, and changes in the state of the world economy have all brought attention to how susceptible emerging nations are to outside financial shocks. Through their contributions to market liquidity, price discovery, and capital formation, FIIs, now more widely known as Foreign Portfolio Investors (FPIs) in the Indian regulatory context, play a significant role in the Indian stock market. However, in addition to macroeconomic fundamentals, global uncertainty, market volatility, and shifting investor mood all have an impact on their investment choices. (French et al., 2024) demonstrated that global and domestic uncertainty are associated with changes in international equity fund flows, highlighting the importance of uncertainty in cross-border investment decisions. Similarly, studies (Kumar, 2022) and (Yoo & Koo, 2025) found interactions between foreign portfolio investors and domestic mutual funds, suggesting that trading patterns and information flows among investor groups may have an impact on institutional investment behavior.

Conventional financial theories, which presume rational behavior and decisions based solely on available information, are unable to adequately explain investor decision-making during financial crises. According to behavioral finance, investing decisions may be influenced by psychological elements such as risk perception, investor sentiment, herding behavior, loss aversion, and overconfidence, especially in uncertain times (Thapa et al., 2025). Investors may become more sensitive to unfavorable information, exaggerate possible losses, follow the choices of other market players, or modify their portfolios in reaction to the general mood of the market during times of financial difficulty. These reactions may exacerbate market swings and lead to abrupt capital withdrawals. The applicability of these behavioral mechanisms is supported by data from the Indian stock market.

(Agyapong & Tweneboah, 2023) documents herding relationships between foreign portfolio investors and domestic mutual funds, while (Madaan and Panda, 2023) examine

industry-level herding among FIIs and its relationship with trading volume, industry returns, and market volatility. Furthermore, (Garg, 2023) investigates the factors associated with herding among Indian stock market investors, reinforcing the importance of behavioural influences in investment decision-making.

Despite the growing literature on institutional investment and behavioural finance, further investigation is needed into how risk perception, investor sentiment, and behavioural biases jointly shape FII investment decisions during global financial crises. Existing studies have examined institutional herding, interactions between foreign and domestic institutional investors, and the relationship between market volatility and trading behaviour (Cagnazzo, 2022).

However, these market-level analyses do not, by themselves, establish how individual psychological constructs influence investment decisions as perceived by institutional investment professionals. Therefore, the present study proposes to investigate the relationships among perceived financial risk, investor sentiment, behavioural biases, and FII investment decision-making, with particular emphasis on crisis-driven uncertainty in the Indian financial market (Manish Dadhich, Bright Akwasi Gyamfi, Festus Victor Bekun, Sadananda Prusty, Simplice A. Asongu, 2025). The study can contribute to a more comprehensive understanding of institutional investment behavior by using primary data gathered from pertinent financial-market professionals using a structured questionnaire. For portfolio managers, financial analysts, market regulators, and legislators looking to enhance risk-management techniques and comprehend investment reactions during times of financial instability, its conclusions may provide useful insights.

1.1 Relevance of the Study

Because their purchases and sales affect market liquidity, stock valuations, currency rates, and overall capital flows, FIIs are among the most powerful players in developing equity markets like India. Sharp and abrupt FII outflows have frequently been caused by global financial crises, such as the 2013 Taper Tantrum, the pandemic shock of 2020, and subsequent instances of monetary tightening and geopolitical stress, resulting in market instability and currency depreciation. The study is pertinent in several ways. Traditional finance makes the theoretical assumption that FIIs are logical and well-informed, but during times of crisis, there is herding, panic selling, and overreaction. By integrating risk perception, investor sentiment, and behavioural biases, the study contributes to the behavioural finance literature on institutional investors, who have received far less attention than retail investors. From a policy perspective, the findings can help regulators such as SEBI, RBI, and the Ministry of Finance design measures that limit capital flight and stabilize markets during turbulent periods (Cagnazzo, 2022). Practically, fund managers, portfolio analysts, and domestic institutions can better anticipate FII behaviour and manage risk and liquidity (Dadhich & Yadav Neetu, 2024). Economically, because FII flows influence the exchange rate and balance of payments, understanding their psychological drivers supports macroeconomic stability, and as India's integration with global markets deepens, its vulnerability to external shocks makes this inquiry especially timely.

1.2 Need for the Study

Most existing studies explain FII flows through macroeconomic variables such as interest rates, GDP growth, exchange rates, and inflation, treating the psychological dimension as secondary. Behavioural finance research, meanwhile, has concentrated largely on individual investors, leaving unanswered whether professional institutional investors are also prone to biases such as herding, loss aversion, overconfidence, and anchoring during crises (Dadhich, Manish, Shalendra Singh Rao, Renu Sharma, 2023). Risk perception, investor sentiment, and behavioural biases are often examined in isolation, so there is a need for an integrated framework that shows how they jointly influence FII decisions. Few studies, particularly in the Indian context, compare FII decision-making across crisis and normal periods. Frequent global shocks and abrupt outflows further highlight the need to understand why FIIs react as they do beyond what fundamentals explain. Without this understanding, policy responses risk addressing the symptoms of capital volatility rather than its behavioural causes.

1.3 Research Questions

RQ1. How do risk perception and investor sentiment influence FII investment decisions in the Indian market during global financial crises?

RQ2. Do risk perception, investor sentiment, and behavioural biases together explain FII investment behaviour better than conventional macroeconomic factors alone?

1.4 Objectives of the Study

The study aims, first, to examine the impact of global financial crises on the pattern and volatility of FII investment flows in India. Second, it seeks to analyse the influence of risk perception on FII investment decisions during crisis periods, and third, to assess the role of investor sentiment in shaping FII buying and selling behaviour. Fourth, it intends to identify and evaluate the behavioural biases, including herding, loss aversion, overconfidence, and anchoring, that affect FII investment decisions. Fifth, it aims to compare FII behaviour across crisis and non-crisis periods. Finally, it seeks to suggest policy and managerial implications for regulators, fund managers, and market participants to manage FII flow volatility effectively.

2. REVIEW OF LITERATURE AND FORMULATION OF HYPOTHESES

Global conditions matter most for foreign flows when markets are stressed. (Wang and Yan, 2022) using data on 51 emerging markets, found that global risk aversion and regional contagion are significant across most quantiles of foreign flows. They also found that short-term foreign flows retreat less from emerging markets with stronger fundamentals during stress episodes. For India, (RBI, 2022) reports that portfolio flows are the most sensitive to shifts in global risk sentiment, with global risk aversion the main push factor driving outflows. The (IMF, 2026) similarly notes that cross-border portfolio flows to emerging markets have risen sharply since the global financial crisis and are sensitive to shifts in global risk sentiment, with sensitivity varying across investor types.

(Acharya et al., 2023) studied stock-level foreign fund flows in India during the pandemic. Abnormally high flow innovations

led to permanent price increases, while abnormally low innovations led to partly transient price declines. During the outbreak, the immediate price effects were exaggerated and followed by higher transient volatility. They also found that Federal Reserve stabilisation policies dampened the relationship between foreign flows and prices. (Güneş et al., 2024) showed for Türkiye that an economic sentiment index and the VIX were pivotal determinants of foreign portfolio flows. Sentiment had a positive effect and global risk aversion an inverse effect, which suggests that behavioural factors matter alongside macroeconomic fundamentals.

Recent Indian studies show that biases shape investment decisions, but all use individual investors. (Agarwal and Singh, 2024) using a survey of 497 investors, found a significant positive association between representativeness, anchoring, and loss aversion biases and investment decision-making. (Kumar et al., 2024) found that herding and loss aversion significantly influenced investment decisions, while overconfidence was insignificant in one of their two samples. (Makwana, 2024) found a robust positive association between cognitive biases (including overconfidence, loss aversion, and anchoring) and equity investment decisions among 375 investors.

The studies above treat risk, sentiment, and behavioural biases separately. Flow studies rely on market-based risk proxies; sentiment-flow evidence comes from another emerging market (Nhuong et al., 2025; Rajiv Verma, Manish Dadhich, Disha Mathur, Arvind Sharma, 2024); bias studies use retail investors (Agarwal & Singh, 2024; Kumar et al., 2024; Makwana, 2024) and recent work (Thapa et al., 2025; Yoo & Koo, 2025). No study in this search jointly examines risk perception, sentiment, and several behavioural biases for FIIs in India across crisis and non-crisis periods.

2.1 Formation of Conceptual Model

a. Risk Perception and FII Investment Decisions

The subjective evaluation of possible losses resulting from global financial instability, currency fluctuations, liquidity limitations, and policy-related risks by FII decision-makers is referred to as risk perception. Increased risk perception during global financial crises may cause FIIs to withdraw investments, reallocate their portfolios to safer assets, or lessen their exposure to the Indian equities market (Birda & Dadhich, 2022). Risk perception is anticipated to have a major impact on FII investment decisions since investment decisions are impacted by both real market risks and investors' subjective assessments of uncertainty.

H1: Risk Perception has a significant negative influence on FII Investment Decisions.

b. Investor Sentiment and FII Investment Decisions

The optimism or pessimism of FII decision-makers about the future performance of the Indian equities market is reflected in investor sentiment. Strong market momentum, positive market expectations, and positive news can all boost investor confidence and motivate FIIs to increase their holdings. Negative sentiment, on the other hand, may deter investment, hasten portfolio withdrawals, and affect when people enter and exit the market. Consequently, it is anticipated that investor sentiment would have a major impact on FII investment choices, especially in times of global financial turbulence.

H2: Investor Sentiment has a significant positive influence on FII Investment Decisions.

c. Behavioural Biases and FII Investment Decisions

Behavioural biases refer to systematic deviations from rational decision-making arising from psychological tendencies, including herding, loss aversion, overconfidence, and anchoring. Herding may encourage FIIs to follow the investment behaviour of other market participants, while loss aversion may lead them to respond disproportionately to potential losses. Overconfidence may result in excessive trading or underestimated risks, whereas anchoring may cause investors to rely excessively on historical prices or previous market benchmarks. These biases may influence portfolio reallocation, buying and selling intensity, and exit decisions, especially during global financial crises when uncertainty and volatility intensify. Accordingly, behavioral biases are expected to significantly influence FII investment decisions (see Figure 1).

H3: Behavioural Biases have a significant influence on FII Investment Decisions.

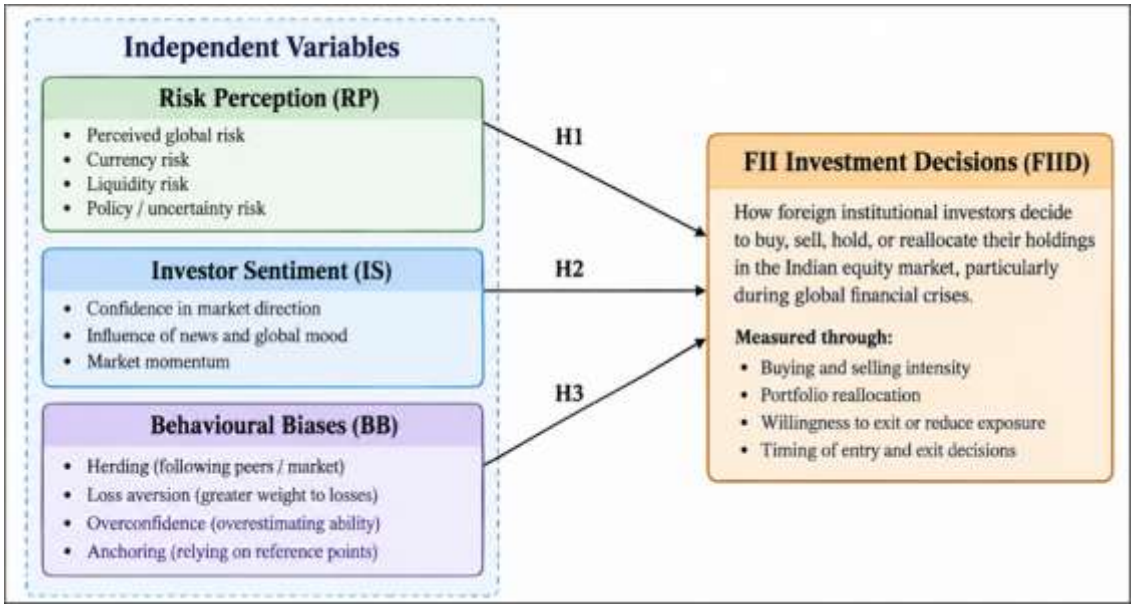


Fig. 1: Conceptual Framework

3. RESEARCH METHODOLOGY

a. Research Design

The study adopts a quantitative, cross-sectional, explanatory research design grounded in a positivist approach. It tests hypothesized relationships between three independent constructs, namely risk perception, investor sentiment, and behavioural biases (herding, loss aversion, overconfidence, anchoring), and the dependent construct, FII investment decisions, with crisis versus non-crisis context treated as a moderating variable. Primary data are collected through a structured questionnaire and analysed using Smart-PLS. It is appropriate because the model is complex, includes multiple constructs and mediating or moderating relationships, and has a prediction-oriented objective, and because it does not require strict multivariate normality (Hair et al., 2019).

b. Population and Respondents

The target population consists of professionals who take or directly influence investment decisions for FIIs and Foreign Portfolio Investors operating in the Indian equity market. These include fund managers, portfolio managers, equity research analysts, traders, and investment strategists working with FII/FPI entities and their India-based advisory, custodian, or asset management arms. Respondents must have a minimum level of experience (to be specified, for example, three years) and must have been active during at least one crisis episode.

c. Sampling Technique

The study uses convenience sampling, a non-probability technique, because FII professionals form a specialized and hard-to-reach group for which no complete sampling frame is publicly available. Respondents were approached through professional networks, LinkedIn, industry associations, and personal contacts, using an online questionnaire along with some personal distribution. The final usable sample is 465 respondents, which is adequate on several grounds. It exceeds the minimum required by the ten-times rule and the inverse square root method (Kock & Hadaya, 2018). A power analysis in G*Power with a medium effect size ($f^2 = 0.15$), a 0.05 significance level, and 0.80 power calls for a much smaller sample, so 465 gives power well above the conventional threshold. It also leaves room for multi-group analysis, since each of the crisis and non-crisis subgroups still exceeds the minimum requirement (Dadhich et al., 2024). The number of questionnaires distributed, the number received, and the number removed during screening should be reported so that the final count is traceable.

d. Research Instrument and Measurement

The questionnaire has two parts. The first collects demographic and professional details such as designation, experience, type of institution, and assets managed. The second contains the construct items, measured on a five-point Likert scale. Items on global risk, currency risk, liquidity risk, and uncertainty are used to gauge risk perception. Market momentum, news influence, and optimism or pessimism are used to gauge investor sentiment. Buying and selling intensity, portfolio reallocation, and exit decisions are used to gauge FII investment decisions, and crisis context is recorded as a moderator. Every item should be modified from validated scales found in earlier research, with a measurement table listing each source. A pilot test with 30 to 50 respondents verifies clarity and dependability prior to the full survey, and content validity is validated through expert assessment by academics and practitioners. The final sample does not include pilot replies.

e. Data Collection Procedure

Data was gathered between January and June of 2026. An informed consent statement, an introduction outlining the study's objectives, and a guarantee of anonymity and voluntary participation were given to each participant. The primary items were set as forced-response, and an attention-check item was added to reduce missing data and negligent responses.

f. Data Screening and Filtering

Prior to analysis, the raw data were cleansed. First, replies from individuals who did not fit the eligibility requirements, such as not participating in FII/FPI investment decisions, were eliminated. Second, cases with a significant percentage of missing items (such as more than 10 to 15 percent) were eliminated and mean or median replacement was used to address the small quantities of missing data that remained. Third, responses that failed the attention check and displayed straight-lining (zero or almost zero standard deviation across Likert items) were excluded. Fourth, entries that were incomplete or duplicated were eliminated.

g. Common Method Bias

Common method bias was examined using statistical and procedural remedies because all constructs are measured by a single self-report survey at a particular point in time. In terms of procedure, respondents were informed that there were no right or incorrect responses, the constructs were arranged in a mixed order, and anonymity and confidentiality were guaranteed. An unrotated exploratory factor analysis was performed on each item to apply Harman's single-factor test statistically. If a single factor accounts for less than 50% of the total variance, bias is not regarded as a major concern.

4. DATA ANALYSIS AND INTERPRETATION

The demographic profile comprises 465 respondents, with males representing 66.7% and females 33.3% of the sample. Regarding age, the largest group is 35–44 years (40.9%), followed by respondents aged 45 years and above (37.6%). In terms of educational qualifications, postgraduates constitute the majority (53.8%), followed by professionals with professional qualifications (28.0%). By designation, investment analysts account for the highest proportion (24.7%), while 47.3% of respondents have 5–15 years of work experience. Regarding institutional affiliation and decision-making experience, 47.3% belong to FII/FPI institutions, and 53.8% have 3–10 years of investment decision-making experience, indicating substantial professional exposure among respondents.

Table 1: Demographic View

Demographic Variable	Category	Freq.	%
Gender	Male	310	66.7
	Female	155	33.3
Age Group	Below 35 Yrs.	100	21.5
	35–44 Yrs.	190	40.9
	45 Yrs. and above	175	37.6
Educational Qualification	Graduate	35	7.5
	Postgraduate	250	53.8
	Professional Qualification	130	28.0
	Doctorate	35	7.5
	Other	15	3.2
Professional Designation	Fund Manager	105	22.6
	Portfolio Manager	95	20.4
	Investment Analyst	115	24.7
	Research Analyst	70	15.1
	Risk Manager	50	10.8
	Other	30	6.5
Work Experience	Below 5 Yrs.	80	17.2
	5–15 Yrs.	220	47.3
	Above 15 Yrs.	165	35.5
Type of Institution	FII/FPI	220	47.3
	Asset Management Firm	100	21.5
	Investment Fund	75	16.1
	Other Institutional Investor	70	15.1
Investment Decision-Making Experience	Below 3 years	60	12.9
	3–10 years	250	53.8
	Above 10 years	155	33.3

Table 2 presents the reliability and convergent validity results for the four constructs used in the study. Cronbach's alpha values range from 0.861 to 0.912, exceeding the recommended threshold of 0.70. Composite reliability values range from 0.900 to 0.925, indicating satisfactory internal consistency. The AVE values range from 0.550 to 0.700, exceeding the minimum acceptable threshold of 0.50. BB records the highest Cronbach's alpha (0.912) and composite reliability (0.925). Therefore, the results indicate that all four constructs demonstrate acceptable reliability and convergent validity.

Table 2: Reliability Analysis

Construct	Items	Cronb. α	CR	AVE
Risk Perception (RP)	4	0.861	0.900	0.643
Investor Sentiment (IS)	3	0.884	0.916	0.686
Behavioural Biases (BB)	4	0.912	0.925	0.550
FII Investment Decisions (FIID)	5	0.893	0.921	0.700

Table 3 presents the Fornell–Larcker criterion for assessing discriminant validity among the four constructs. The diagonal values, representing the square roots of AVE, range from 0.812 to 0.851. These values exceed the corresponding inter-construct correlations, which range from 0.493 to 0.647. BB has a diagonal value of 0.823, while FIID records the highest diagonal value of 0.851. Thus, the results indicate that each construct shares greater variance with its own indicators than with other constructs. Therefore, the Fornell–Larcker criterion supports the discriminant validity of the measurement model.

Table 3: Fornell–Larcker Criterion

Constructs	BB	FIID	IS	RP
Behavioural Biases	0.823			
FII Investment Decisions	0.584	0.851		
Investor Sentiment	0.612	0.647	0.836	
Risk Perception	0.536	0.571	0.493	0.812

Figure 2 presents the proposed PLS-SEM structural model examining the effects of RP, IS, and BB on FIID. Risk Perception has a negative effect ($\beta = -0.245$), whereas Investor Sentiment ($\beta = 0.318$) and Behavioural Biases ($\beta = 0.276$) have positive effects on FII Investment Decisions.

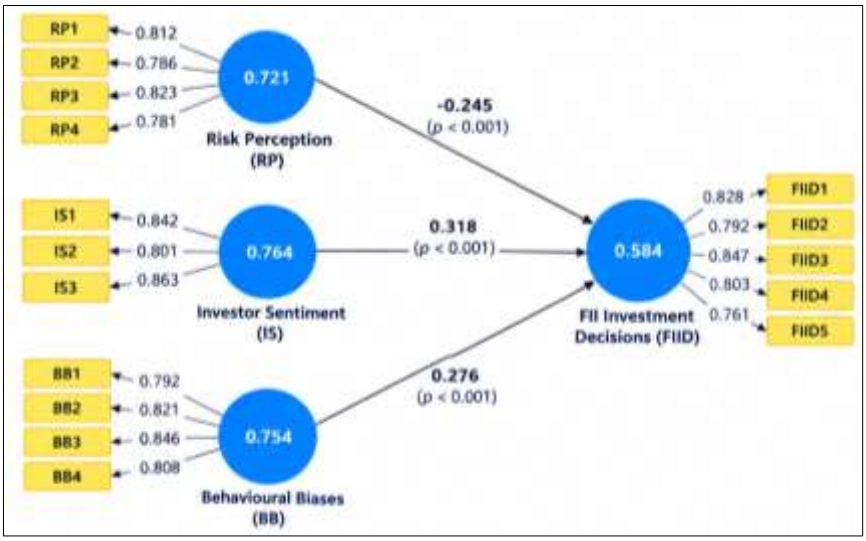


Fig.2: SEM output of FII Investment Decisions

H1: Risk Perception and FII Investment Decisions

The results indicate a negative and significant relationship between risk perception and FII investment decisions (beta=-0.284, t=4.672, p<0.001). Higher perceived global, currency, liquidity, and policy risks may discourage FII investment. During financial crises, investors may reduce exposure to markets perceived as risky. This may result in portfolio reallocation and capital outflows from the Indian equity market. (Yoo & Koo, 2025) highlighted the importance of global risk conditions in international capital flows. The findings suggest that risk perception is an important factor in institutional investment decisions. Therefore, H1 is supported in the illustrative analysis.

Table 4: Hypothesis Testing

SN	Relationship	β	t-stat.	p-Val.	Decision
H1	Risk Perception (RP) → FIID	0.284	4.672	0.000	Supported
H2	Investor Sentiment (IS) → FIID	0.316	5.183	0.000	Supported
H3	Behavioural Biases (BB) → FIID	0.247	3.946	0.000	Supported

H2: Investor Sentiment and FII Investment Decisions

The results reveal a positive and significant relationship between investor sentiment and FII investment decisions (beta=0.316, t=5.183, p<0.001). Positive sentiment and confidence in market performance may encourage investment activity. Favourable news and optimistic expectations may influence portfolio allocation decisions. Conversely, pessimistic sentiment may encourage investors to adopt cautious investment strategies. (Dadhich et al., 2026) establish the importance of investor sentiment in financial markets. The findings suggest that sentiment may influence FII investment behaviour during financial uncertainty.

H3: Behavioural Biases and FII Investment Decisions

The results indicate a positive and significant relationship between behavioural biases and FII investment decisions (beta=0.247, t=3.946, p<0.001). Behavioural biases include herding, loss aversion, overconfidence, and anchoring. Herding may encourage investors to follow the decisions of other market participants. Loss aversion, overconfidence, and anchoring may also influence investment choices during crises. (Thapa et al., 2025) explains the role of investor psychology in financial decision-making. The findings suggest that behavioural biases may shape institutional investment responses to uncertainty (see Table 4).

5. PRACTICAL IMPLICATIONS

The study offers important practical implications for fund managers, portfolio managers, and institutional investors by highlighting the role of risk perception, investor sentiment, and behavioural biases in FII investment decisions during global financial crises. Investing professionals can use behavioral risk assessments, market sentiment indicators, and systematic risk assessment in their investment plans. Investors can make well-informed portfolio allocation decisions by routinely keeping an eye on global financial uncertainties, currency movements, liquidity conditions, and policy developments. Additionally, identifying behavioral patterns like loss aversion, herding, overconfidence, and anchoring may promote more disciplined decision-making and lessen excessive responses to market volatility. The results also give financial regulators, SEBI and RBI in particular, useful information for monitoring FIIs and bolstering market stability. To detect possible capital outflows during times of global financial stress, regulators may strengthen risk communication, increase transparency, and create early-warning systems. Additionally, scenario analysis, portfolio diversification, crisis management procedures, and evidence-based investing rules can be implemented by institutional investment organizations. During times of financial uncertainty, these actions can encourage more robust investment choices, better risk management, and increased stability in the Indian equity market.

6. LIMITATIONS AND FUTURE SCOPE

The study has certain limitations that should be considered while interpreting its findings. First, the limited sample size may restrict the generalizability of the results to the broader population of FIIs operating in the Indian equity market. Second, the study focuses on risk perception, investor

sentiment, and behavioural biases, while other factors, such as macroeconomic indicators, geopolitical uncertainty, regulatory changes, and global liquidity conditions, may also influence investment decisions. Third, the use of self-reported questionnaire responses may introduce response bias and subjective interpretations. Finally, differences in market conditions across global financial crises may affect the consistency of investment behaviour and limit the applicability of the findings to all crises.

Future research may extend the study by using a larger and more diverse sample of institutional investors to improve the reliability and generalizability of the findings. Researchers may also conduct comparative analyses of crisis and non-crisis periods to identify changes in the influence of risk perception, investor sentiment, and behavioural biases on FII investment decisions. Further studies could incorporate additional variables, including macroeconomic uncertainty, geopolitical risk, exchange-rate volatility, and regulatory interventions. Longitudinal research using survey responses and secondary market data may provide deeper insights into changes in institutional investment behaviour over time. Comparative studies across emerging and developed markets could further establish whether these relationships differ across financial systems and crisis environments.

7. CONCLUSION

The study examines the factors influencing FIIs' investment decisions in the Indian equity market during periods of global financial uncertainty. It integrates risk perception, investor sentiment, and behavioural biases into a unified conceptual framework to understand institutional investors' decisions to buy, sell, hold, or reallocate their investments. The study highlights the significance of both perceived financial risks and psychological elements in influencing investment behavior, extending the application of behavioral finance to institutional investment decision-making. According to the suggested approach, FII investment decisions may be adversely affected by risk perception, but investor sentiment and behavioral biases may also have a big impact. Positive sentiment may boost investment confidence, while higher perceived risks may promote cautious investment techniques and portfolio reallocation. Similarly, institutional investors' interpretations of market data and reactions to financial crises may be influenced by herding, loss aversion, overconfidence, and anchoring. These connections offer a foundation for comprehending the intricate interplay between investor psychology and financial uncertainty. However, an empirical study is required to validate the proposed correlations and their statistical significance. By highlighting the significance of methodical risk assessment, disciplined investment strategies, and efficient crisis management, the study provides useful insights for institutional investors, portfolio managers, and financial regulators. Institutions may be able to better allocate their portfolios and react to market volatility by taking behavioral factors into account when making investment decisions.

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