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Mannoj Agarwalaa
Research Scholar, University of Science and Technology Meghalaya (USTM), Meghalaya, India

Dr. Sujit Sikidar
Research Supervisor, University of Science and Technology Meghalaya (USTM), Meghalaya, India

Corresponding Author:
Mannoj Agarwalaa
Research Scholar, University of Science and Technology Meghalaya (USTM), Meghalaya, India

Information processing and decision-making patterns of Indian retail investors: A behavioral and technological perspective

Mannoj Agarwalaa and Sujit Sikidar

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Abstract
This paper examines how Indian retail investors perceive, evaluate, and utilize financial information while making investment decisions. Drawing from secondary data sourced from peer-reviewed journals, industry reports, regulatory publications, and market surveys, the study evaluates the rapidly evolving investor landscape shaped by economic growth, digital transformation, and financial innovation. Although investors claim to rely on rational analysis, findings indicate strong influence of behavioral biases, socio-cultural norms, and unverified online information. Emerging fintech platforms have expanded access to investment tools but have simultaneously created challenges related to information overload and data misinterpretation. The study further highlights gaps in financial literacy, particularly among semi-urban and rural investors, due to disparities in education, accessibility, and trust in information sources. The paper concludes by recommending multifaceted strategies integrating behavioral insights, fintech-based interventions, and customized investor education to strengthen informed decision-making and enhance investor resilience in India's dynamic financial ecosystem.

Keywords: Indian retail investors, investment decision-making behaviour, behavioral finance biases, financial literacy and awareness, socio-cultural influences on investment

Introduction

India's financial landscape has undergone a major transformation over the past two decades, driven by economic expansion, regulatory reforms, and widespread digital adoption. Earlier, financial markets were dominated by institutional investors and high-net-worth individuals. Increasing awareness, democratization of technology, and easier market access have led to a surge in retail participation. As per the Ministry of Finance, India now has over 11 crore demat accounts (SEBI, 2021), indicating significant retail entry into equities, mutual funds, and alternative investments.

With growing participation comes a shift in how investors search for and interpret financial information. Real-time updates, analytical tools, expert commentary, and social media discussions heavily influence investor sentiment and decision-making. However, easy availability does not guarantee improved decisions. The reliability, credibility, and relevance of information critically dictate investment outcomes.

Owing to these development, there has been quite a noticeable difference in how prospective investors are seeking information before making major financial investment decisions. The access of real time data, research reports, predictive information and social media discussion on finance and investment is key for increase in the investors and shift in the investment buying behavior of retail investors. However, the accessibility of information from many different sources may not result in better decision making. The quality, reliability and source of the information plays a critical role in determining the actual outcome of the investment based on the information

Problem Statement

Despite the abundance of financial information and technological advancements, many Indian investors continue to make suboptimal investment decisions. Behavioral finance research shows that Indian investors frequently exhibit cognitive biases such as herd behavior, mental accounting, overconfidence, and loss aversion.

Social recommendations-especially from family, friends, and brokers-often outweigh independent research, leading to reactive and emotionally driven choices.
Furthermore, investor diversity across India-ranging from salaried urban millennials to semi-rural first-time investors-creates uneven patterns of information access and financial literacy. Sociocultural norms and trusted informal networks strongly influence decision-making, often more than verified financial data.
In this context, understanding how Indian retail investors collect, assess, and act upon financial information becomes essential.

Objectives of the Study
This study uses secondary data to understand how Indian retail investors process information and make financial decisions. The objectives are to:
1. Identify major information sources used by Indian investors.
2. Examine behavioral biases affecting investment choices.
3. Analyze the role of fintech applications and digital platforms in shaping investor behavior.
4. Evaluate the impact of financial literacy on decision quality.
5. Propose policy and industry-level recommendations for improving decision-making outcomes.

Significance of the Study
The study will be useful for academics as it will provide broad literature review on behavioral finance theories with empirical evidence prevailing in Indian context. The study will be useful for policymakers as well as regulators for understanding insight on decision making process and factors that influence the process by Indian investors. This will help the regulators and policymakers to consider while creating the regulations and designing the policy. Understanding how investors process information will help financial advisors to deliver more personalized, useful, and relevant information. This study will help the retail investor by highlighting common biases and information traps that the investors are likely to fall for.

Conceptual Framework
The conceptual substance of this study is drawn from both rational choice theory and behavioral finance. While traditional finance assumes that investors are rational agents who maximize utility based on full information, behavioral finance suggests that investors are boundedly rational and influenced by psychological, emotional, and cognitive factors.
This article also draws on the dual-process theory of decision-making, which shows that individuals rely on both:
System 1 (intuitive) - fast, automatic, emotional
System 2 (analytical) - slow, effortful, logical
In a high-stakes environment like investing, where decisions often need to be made under time pressure and uncertainty, System 1 often dominates, leading to biases and errors. Indian investors, like others globally, are not immune to these forces-although the specific cultural and economic context adds layers of complexity.

Research Questions
The following are the broad research questions:
1. What are the main sources of financial information for Indian investors?
2. How do investors interpret and evaluate this information?
3. Which behavioral biases influence financial decisions in India?
4. What role do socio-cultural norms and peer influence play?
5. How do fintech platforms and financial literacy programs shape investment decisions?

Scope and Limitations
The study focuses on Indian retail investors and excludes institutional and foreign investors. Limitations include:
1. Reliance on secondary data, which may overrepresent educated, urban investors.
2. Inconsistency across research methodologies used in different studies.
3. Underrepresentation of rural behavioral patterns due to language and access barriers.

Research Methodology
Research Design
The study follows a qualitative research design using secondary data. Literature from academic journals, regulatory reports, fintech publications, and large-scale investor surveys is synthesized to identify common behavioral and informational patterns.

Data Sources
The secondary data for this research is collected from the following sources:
Sources include:
- Peer-reviewed journals in finance, psychology, and behavioral economics
- Reports from SEBI, RBI, AMFI, NCFE
- Market studies by Morningstar, Zerodha, Deloitte, KPMG

All sources used were published between 2015 and 2025, with a focus on more recent material for assessing the impact of digital transformation.

Search Strategy and Selection Criteria
The secondary data was collected through a structured search across academic databases including Google Scholar, JSTOR and ResearchGate. The following key words were used for searching the relevant data:
Keywords included: "Indian retail investors," "behavioral finance India," "investment decision-making," etc.

Inclusion criteria
- Studies focusing on Indian retail investors
- Behavioral, economic, or informational aspects of investing
- English-language publications

Exclusion criteria
- Studies on institutional or global investors
- Opinion-based articles without empirical grounding

Twenty-nine documents met the criteria.

Data Analysis: For analyzing the data collected for this study, thematic content analysis strategy is used. Thematic content analysis helped in identifying the exact theme from the dataset for systematic interpretation of complex qualitative data from academic literature, reports form regulatory bodies and industry reports. For the data analysis, both deductive and inductive data analysis strategies are used. Deductive coding helped in identifying existing behavior finance theories including prospect theory, bounded rationality, dual-process theory in the selected literature. While inductive coding helped in identifying the themes that emerged from the data in terms of role of digital platforms and influencers, investment patterns and advisory channels while taking investment decisions.

Results

Economic and Rational Factors

Significant number of Indian investors consider economic parameters while taking investment decisions. Many reports and studies concluded that primary information that the Indian investors seek before buying investment is return on the investment, appreciation in capital invested and liquidity. For instance, Kumar and Painoli (2023) [8] in their research on Investment decision-making of Indian millennials concluded that more than 70% of respondents mentioned "profitability" and "market performance" as their key criteria for evaluating a stock or mutual fund investment. Additionally, during the survey on Survey on Indian retail investors: Participation, behaviour and awareness Security and Exchange Board of India (SEBI, 2020) found that history of dividend distributed by the company, past financial performance of the company and market reputation of the company are significantly important for the investors while buying the investment. Furthermore, risk tolerance and risk appetite are also considered as critical variable while making investment decisions. Many investors who claim to be risk takers are more inclined towards buying the safer investments and prefer protection of their capital.

Additionally, Gupta and Aggarwal (2021) [5] studied the role of information in investment decision-making and found that investors from higher incomes segments with stable occupation and prior investment experience highlight more analytical and data driven investment buying decision pattern. The study showed that the buyers from the higher income segment are more analytical and prefer to compare the investment options on the metrics of price to earnings and debt-equity ratio.

The key insight from the studies is that urban and experienced investment buyers mostly use the economic factors. Additionally, the risk preferences and selection of the investment are not highly aligned. The rationale used by the investors while making investment decisions is often influenced by the context in which the market is operating, especially during the volatile conditions.

Behavioral and Psychological Biases

Even with the availability of large sources of information and fintech tools, Indian investors still highlight the behavioral biases. For example Rastogi & Kumar (2018) [12] in their study on disposition effect among the Indian equity investors published in the International Journal of Economics and Financial Issues concluded that many Indian investors are holding onto the loss making stocks hoping to recover for their losses which is in sync with the disposition effect.

Patel & Patel (2022) [11] added that the disposition effect is more significant amongst new digital savvy investors who are mostly overconfidence. The study addressed that the new investors possess inflated expectations of return dealing to the behavior of loss aversion and holding onto the loss-making stock for the recovery of loss. The study also added that investors are sometime more focused upon the past price points that the stock has achieved which create bias leading to the loss-making investment decision.

Studies on the Indian financial investor's behavior also highlight the prevalence of herding behavior. Investors are more inclined towards following the market trends and social cues instead of making investment decisions based on fundamentals. For example, Singh and Bansal (2020) [15] found that 62% of the new investors acknowledged to investing in trending stocks on their basis of peer referrals and social media engagement and dialogue about the stocks. The study also mentioned that the high dependency on the recent news and market movements also results in impulsive investment behavior.

These behavioral biases are not exceptional to India investors but are exaggerated in the Indian context due to limited knowledge and organized training in behavioral economics along with the culture which is highly influenced by intuition over analysis (AMFI, 2022).

From the studies analyzed for the behavioral biases prevailing, it can be concluded that behavioral biases are universal and mostly overvalued in comparison to rational and analysis. Additionally, the intensity of these biases varies depending upon the experience level, age, and exposure to financial education amongst the investors. One significant conclusion in the context of psychological bias is impulse response to the market fluctuations.

Socio-Cultural Influences

The social culture of the country is more inclined towards working together as a family and social group hence the financial investment decisions are also heavily influenced by peer groups, family influence, cultural norms, and community trust. For example, Deloitte India (2022) conducted a survey for understanding behavior of Indian retail investors via survey. The survey concluded that more than 50% of respondents are relying more on family recommendations before making major financial decisions. The study also noted that this behavior is most prevalent amongst first-time and female investors. The study also addressed that even with the high access of information via digital platforms, the investors from tier 2 and 3 cities are still more dependent upon the broker and financial advisor due to trust and familiarity for financial decision making. The survey also captured a critical cultural norm of investing in gold, real estate, and fixed deposit for long term investment.

The key insight from the socio-cultural oriented studies is that community trust is a key feature while making important investment decisions. Due to the cultural norms and social structure, the role of informal recommendations from the peer groups is higher in comparison to the institutional research and findings in rural regions. Additionally, the traditional non risky investment options are still more popular in comparison to the risky portfolios.

Technology and Digital Platforms: With the adoption of digital advancements, the financial landscape in the Indian economy has witnessed the revolution in terms of access of information and decision making of investors. According to the KPMG report (2023), the fintech applications such as Zerodha, Groww, and Upstox have helped in establishing the low-cost platforms for investing in equity and mutual funds. The report mentioned that more than 60% of the Indian retail investors initiated the use of fintech applications via their mobile devices. The study also mentioned that the recent trending sources of information for financial plans are Moneycontrol, Economic Times, and social media platforms including YouTube, Twitter, Telegram groups for market insights. The study also noted that with the access to large sources for the information, the information from unverified sources will lead to poor decision making. High ended investors are more prone to use the high end fintech tools including predictive analytics and sentiment analysis tools while the average retail investors in India are still quite unfamiliar to application of such tools.

It is certain that the fintech has enhanced the overall access of information and increased the speed of the transaction. However, the accessibility of large information has not necessarily improved the quality of investment decisions. There is a significant scope for fintech platforms to reach rural and semi-rural investors for increasing their accessibility of information.

Financial Literacy and Education

Security and Exchange Board of India is actively working towards improving the financial literacy of the retail investors in India. Additionally, private organizations are also putting efforts in the same direction by organizing workshops, investor awareness programs, YouTube tutorials, and school-level modules. However, their impact is still not very significant. A survey conducted by National Centre of Finance and Education (2022) concluded that less than 25% of Indian adults can be identified as the financially literate. The literacy level in the country is low especially amongst women, elders, and semi-rural and rural dwellers. The role of financial literacy is very high on improving the financial decision quality and efficiency. The financial literate adults are more likely to diversify their investment portfolio in Systematic Investment Plans (SIP) to reduce impulsive trades for reducing the chances of high-risk investments. It is also important to note that many of these financial literacy programmes and workshops are mostly targeted towards the urban residents and are delivered in the English language which limits the penetration in the country where the vernacular language is key to share the information.

Financial literacy is a key contributor to rational decision-making. However, the prevailing awareness and literacy programmes are lacking in scalability and targeted towards the limited target audience.

Theme	Observation
Economic	Return On Investment Dividend in past years Market sentiment Misguided risk perception
Behavioural	Loss aversion Herd behaviour Overconfidence
Socio-cultural	Peer/family advice Community norms shape behaviour
Digitalization	Increased access but not matched by analytical ability or data literacy
Financial literacy	Literacy improves outcomes but programs are urban and product-focused

Discussion

From the analysis of secondary data on Indian investors' information processing and decision-making it was found that the behavioral system is shaped by economic rationale, cognitive biases, socio-cultural norms, technological advancement, and financial literacy. This discussion builds upon these themes and explores their implications for Indian investor behavior, industry stakeholders, and policymaking. The section also aims to put Indian investors' behavior in the global behavioral finance frameworks to draw useful insights.

Coexistence of rationality and behavioral biases

One of the most critical findings from the literature is the striking findings from the literature is the coexistence of rational economic analysis and irrational behavioral biases amongst Indian retail investors (Singh and Bansal, 2020) [15]. Investors are focusing on the economic aspects of the investments including performance indicators, profitability of the company and market conditions which are coordinated with traditional finance theory. However, while taking the actual decision for the investments, the prevalence of the inconsistent behavior is very high. The investors may use all the parameters for assessing the stocks in which they would want to invest based on economic logic however, when it comes to the actual decision, their behavior is inclined towards the sub optimal decisions based on the bias, herding and overconfidence (Rastogi and Kumar, 2018) [12]. This behavioral pattern of Indian retail investors is aligned with prospect theory by Kahneman & Tversky (1979) [7]. As per prospective theory individuals assess outcomes in relation to reference points and are more sensitive to losses than to equivalent gains.

Due to the highly volatile market, cultural preferences, and plethora of sources of misinformation, the biases amongst the Indian retail investors are enhanced. For instance, the propensity to hold on to loss-making stocks (disposition effect) or invest heavily in real estate and gold, despite better returns in equity markets increases the gap between behavior driven by the logic and rationale and emotionally influenced behavior (Morningstar India. 2023).

Implication: Investor education programs and advisory services require design not only the technical awareness but also confront and reduce the behavioral biases using nudges, simulations, and behavioral prompts.

Influence of socio-cultural norms

It is not possible to study the financial behavior of Indian retail investor in isolation like other Western countries. Since the social structure and family norms are significantly penetrated in the country, the study of Indian retail investment behavior is more towards the social behavior and cannot be completed without realizing the importance of family influence and norms. Family, friends, local brokers, and social communities are some of the key contributors to shaping risk perception. This is more prevalent in semi-urban and rural settings.

The phenomena of taking decisions based on social norms and influences is aligned with the social learning theory, which suggests that individuals learn from witnessing the actions and outcomes of others, especially the ones whom they trust. In Indian context herd behavior is not just irrational way of taking financial decisions but it is also inclusive of taking risks while opting information from the trusted sources.

Cultural norms also strengthen conservative behavior leading to the loss of aversion and more inclination towards the traditional investments like fixed deposits or gold over equities or other emerging sources of investment. Female investors especially are encounter with systemic barriers that are rooted in the cultural norms and perception towards the gender. Additionally, the access of information to the female investors is also limited.

Implication: Financial service providers and regulators requires to integrate cultural understanding and strategies for targeting local individuals by using vernacular languages for their workshops and community-based learning.

Information abundance and lack of analysis

The evolution of fintech platforms resulted in access to market data, financial updates and news and access to financial tools for analysis. The revolutionary advancement in fintech has helped in reducing the entry barriers for my first time investors, it has also resulted in information overload especially with limited literacy and analytical ability.

Due to the lack of financial literacy, many Indian retail investors are still relying primarily on automatically generated synopses from mobile applications, information from the social media influencers, or community forums, instead of their independently analysis. This dependency on digital and social media sources may lead to biases and taking decisions based on unverified information.

Though tools like robo-advisors offer significant data driven information for retail investors, their usage is quite limited in the country. Limited use is due to the lack of awareness, mistrust in the source of automation and preference for human advice. According to the KPMG 2023 survey, less than 15% of Indian retail investors uses algorithmic filters or automated tools.

Implication: Fintech platforms require them to focus more upon serviceability, data interpretation and mitigating the investors' biases. Forcing more upon the visually appealing user interface, interactive learning modules and behavioral nudges will help investors understand the complex information.

Financial Literacy: All India financial inclusion and literacy survey undertaken by National Centre for Financial Education (2022) concluded that there is a positive relation between financial literacy and long-term investment behavior. The study showed that financial literate investors are more likely to prefer SIPs investments rather than investing in risky portfolios based on herd behavior and emotional biases. However, significantly small segment of Indian retail investor is financially literate. The studies have noted that the financial literacy is more prevailing in the English-speaking urban male rather than the general investors from rural and semi-rural areas.

Another significant challenge addressed by the studies is that the initiatives for improving financial literacy are more focused on product knowledge rather than mitigating the psychological barrier for better decision making. Additionally, the delivery methods are also often generic and more inclined towards the mode of delivery more conversant for urban citizens.

Implication: there is a scope of improving the prevailing awareness generating workshop and making them more directed towards the behavior-centric rather than product oriented. The training methods need to be adopted to be reachable to the rural and semi urban areas as well by promoting vernacular language workshops and mode of delivery of workshop required to be adopted to be in persona in semi urban and rural areas.

Demographic and Psychographic Diversity

The vast diversity in the Indian retail investors in terms of age, gender, location, income, language, access of technology, investment goals and return expectations, contributes significantly to adopting various decision-making approaches by the investors. Young tech-savvy investors from the urban cities may be more inclined towards investing in the high risk and high return portfolio and will be relying on the fintech applications for the information. Rural investors may be using the less risky investment options including real estate, gold, and fixed deposits.

Moreover, psychological traits such as risk appetite, waiting time, trust, and future orientation also differ based on the profile of the investors. For example, millennials are often more risk averse than other generations due to the lack of financial planning and prevalence of discipline. Individuals with stable income and middle age would be more inclined in investing in the traditional sources of investments while women tend to be less risk averse and more consistent with their investment plans.

Implication: Financial services need to focus upon targeting their target group by offering customized services to their selected audience. This will help in customizing the portfolio that the company offers depending upon the risk-profiling of the investors.

Conclusion

This study intended to analyze the secondary research on how Indian retail investors perceive, interpret, and act upon financial information while making financial decision-making. Illustrations from peer-reviewed articles, white papers, industry surveys, and behavioral finance literature, the findings disclose a complex interaction between rational analysis, psychological biases, socio-cultural factors, digital tools, and financial literacy.

Indian retail investors are primarily demonstrating high dependency upon traditional economic factors including return on investment, market performance, and company fundamentals when evaluating investment opportunities. These rational approach align with classical financial theory and are especially widespread among experienced or high-income investors. However, these rational behaviors are frequently interrupted by behavioral biases such as loss aversion, herding, overconfidence, and anchoring leading to impulsive or unpredictable choices.

The study also reflects upon the significant role of socio-cultural influences. Indian investors are more likely to trust the information from family, friends, or local brokers. The prevalence of communal decision-making environment is more prone in the semi-urban and rural areas. Additionally, these investors are also not financially literate and possess lesser sources of information to base their decision on logic and rationale.

Technological infrastructure has faced revolutionary development in India leading to the easy information access and market participation. Mobile apps, fintech platforms, and social media have contributed immensely to simplifying transactions and increasing awareness. However, the excess of information and lack of analytical tools tailored to new users have created new challenges. Many investors still make decisions based on uneven or unverified information, and the trust gap with robo-advisory systems remains a barrier to more objective portfolio management.

Financial literacy can be considered as the vital enabler of better decisions. Investors with greater financial literacy are more likely to invest in diversified portfolio and are more long-term oriented in terms of their return expectations. However, most training programs and workshops for increasing the financial literacy are urban-centric, product-oriented, and inaccessible to large segments of the population such as women, retirees, and in Tier 2 and Tier 3 regions' residents. Additionally, these programmes are also accessible in English language only.

Recommendations

To enhance decision-making of Indian investors multi folded strategy is essential. The following are a few recommendations proposed to the stakeholder:

1. Financial literacy programs need to be changed from product oriented to the behaviorally informed. The programmes need to address the need to mitigate cognitive biases and emotional triggers.
2. To increase financial awareness and literacy amongst the tier 2 and 3 investors, it is crucial for the awareness programs to be in the vernacular language. The availability of content in the regional language will increase the receipt of the program and help in mitigating the gap in terms of financial literacy in urban and rural areas.
3. Integration of Fintech platforms with social nudges, default options, and alerts will help in reducing impulse decision making.
4. To increase the reliability and usage of the regulatory document, SEBI and other regulatory bodies require to produce the content in a more simplified manner. This will help the investors to motivate them to read the regulation and use it while making financial decisions.

As India embarks the journey of globally significant capital market, empowering its investors is essential. Investor empowerment is not just with access of information, but with insights as well. Financial literacy consists of the improvement in the quality of decisions that investors are taking. Bridging the gap between information access and informed action will define the next frontier in investor development in India.

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