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Behavioral Insights into Share Market Investments: A Kerala-Based Study

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***Abstract*-- The share market plays a crucial role in wealth creation and economic growth, yet investors' decisions are often influenced by psychological, emotional, and behavioral factors rather than purely rational analysis. This study examines the behavioral insights of individual investors in Kerala, focusing on how awareness, risk perception, behavioral biases, emotional factors, and information sources shape investment decisions. A structured Likert-scale questionnaire was administered to a sample of investors across Kerala, and the collected data were analyzed using descriptive and inferential statistical methods.**

The findings reveal that investors demonstrate a basic level of market knowledge but are significantly influenced by behavioral biases such as herd behavior, overconfidence, and loss aversion. Risk perception and emotional responses to market fluctuations strongly affect investment behavior, while social and digital information sources often guide decision-making. Despite these influences, most investors recognize the share market as a viable long-term investment avenue, though participation is moderated by risk aversion and regional socio-cultural factors.

The study underscores the importance of financial literacy programs, behavioral awareness, and structured investment strategies to promote informed decision-making among investors in Kerala. The findings provide valuable insights for policymakers, financial institutions, and educators aiming to enhance investor confidence, participation, and the overall efficiency of the share market.

***Keywords*-- Behavioral Finance, Investor Perception, Share Market, Risk Perception, Kerala, Investment Behavior**

I. INTRODUCTION

The share market plays a vital role in the economic development of a country by mobilizing savings and channeling them into productive investments. In recent years, participation in the share market has increased significantly due to technological advancements, easy access to online trading platforms, and greater availability of financial information. However, investment decisions are not always purely rational; they are often influenced by psychological, emotional, and behavioral factors. This shift in understanding has led to the emergence of behavioral finance, which focuses on how investors' perceptions, attitudes, and biases affect their investment behavior.

Traditional financial theories assume that investors are rational and make decisions based on complete information. In reality, investors are influenced by factors such as risk perception, overconfidence, herd behavior, fear of loss, and past experiences. These behavioral aspects play a crucial role in shaping investment decisions in the share market. Understanding these behavioral insights is essential for policymakers, financial advisors, and market participants to promote informed investment practices and improve market efficiency.

Kerala presents a unique context for studying investors' behavior due to its high literacy rate, strong remittance inflows, and growing awareness of financial markets. Despite these advantages, share market participation in Kerala remains relatively moderate compared to other regions, suggesting the presence of behavioral and perceptual barriers. Cultural values, social influences, economic conditions, and access to financial education further shape investors' attitudes toward share market investments in the state.

In this context, the present study titled **"**Behavioral Insights into Share Market Investments: A Kerala-Based Study" aims to analyze the perceptions, risk tolerance, psychological biases, and behavioral factors influencing investors' decisions. By examining these aspects, the study seeks to provide valuable insights into how investors in Kerala perceive the share market and the factors that guide their investment behavior. The findings of the study are expected to contribute to the existing literature on behavioral finance and help in designing effective investor awareness programs and investment strategies tailored to the regional context.

II. STATEMENT OF THE PROBLEM

The share market offers significant opportunities for wealth creation and economic growth; however, investor participation and decision-making are often influenced by behavioral and psychological factors rather than purely rational analysis. Traditional financial theories assume that investors act logically and possess complete information, but in reality, emotions, perceptions, cognitive biases, and social influences play a crucial role in shaping investment behavior.

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These behavioral factors can lead to suboptimal investment decisions, increased market volatility, and hesitation among potential investors.

In Kerala, despite a high literacy rate, strong financial awareness, and increasing access to digital trading platforms, participation in the share market remains relatively limited. Many investors exhibit cautious behavior due to fear of loss, inadequate risk tolerance, lack of confidence, and dependence on informal sources of information. Social and cultural influences, regional economic conditions, and varying levels of financial literacy further affect investors' perceptions of the share market. As a result, potential investors may either avoid share market participation or make decisions based on emotions and herd behavior rather than informed analysis.

There is a need to systematically examine the behavioral aspects influencing share market investment decisions among investors in Kerala. Limited empirical studies have focused on understanding how psychological biases, risk perception, awareness levels, and attitudinal factors affect investors' behavior in this regional context. Identifying these factors is essential to bridge the gap between investor awareness and actual participation in the share market.

III. Literature Review

Behavioral Biases and Investment Decision-Making

A substantial body of literature highlights that investors are not always rational and are often influenced by behavioral biases such as overconfidence, herd behavior, anchoring, and loss aversion. Kahneman and Tversky's Prospect Theory explains how investors evaluate gains and losses asymmetrically, leading to risk-averse or risk-seeking behavior depending on circumstances. Studies consistently show that these biases lead to frequent trading, holding on to losing stocks, and following market trends rather than objective analysis. Such behavioraltendencies significantly influence share market investment decisions, particularly among individual investors.

Risk Perception and Risk Tolerance

Risk perception is a key determinant of investment behavior. Research indicates that investors' subjective perception of risk often differs from actual market risk, influencing portfolio selection and investment duration. Investors with low risk tolerance tend to avoid equity investments or prefer short-term gains, while those with higher tolerance are more inclined toward long-term stock investments. Empirical studies in emerging markets reveal that fear of loss and market volatility play a major role in discouraging active participation in the share market.

Role of Awareness and Financial Literacy

Several studies emphasize that financial literacy and market awareness positively influence investor confidence and participation in the share market. Investors with higher levels of financial knowledge are better equipped to assess risk, interpret market information, and avoid behavioral traps. However, even financially literate investors are not completely immune to emotional and psychological influences, indicating the complex nature of investment behavior.

Influence of Information Sources

The availability and reliability of information sources significantly shape investors' perceptions. Research indicates that financial news, analyst reports, social media, and peer advice all influence investment decisions. While access to digital platforms has improved information dissemination, it has also increased the likelihood of herd behavior and impulsive decision-making. Investors often rely on informal sources, which may amplify market rumors and emotional reactions.

Regional and Socio-Economic Factors

Regional factors such as economic conditions, cultural values, and social environment also affect investor behavior. Studies conducted in the Indian context suggest that demographic variables like income, education, and occupation influence risk-taking behavior. In Kerala, high literacy levels, remittance income, and social influence play a significant role in shaping attitudes toward share market investments. However, limited region-specific studies highlight the need for focused research on Kerala-based investors

Objective Of The Study

1) To analyze the behavioral factors influencing investors' perceptions and investment decisions in the share market with reference to Kerala.
2) To assess the level of awareness and knowledge of investors regarding share market investments in Kerala.
3) To examine whether the attitude towards share market investment differs based on risk tolerance level.

IV. Research Methodology

Research Design

The study adopts a descriptive and analytical research design. The descriptive design helps in understanding investors' perceptions and behavioral patterns, while the analytical approach examines the influence of behavioral factors on share market investment decisions.

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The study is conducted in Kerala**,** focusing on individual share market investors to assess the impact of regional economic, social, and cultural factors on investment behavior.The population comprises individual share market investors in Kerala. A sample of 120 respondents was selected using convenience sampling, covering investors from varied age groups, income levels, and occupations.

Sources of Data

Primary data were collected through a structured five-point Likert scale questionnaire covering awareness, risk perception, behavioral and psychological factors, information sources, attitude toward share market investment, and Kerala-specific factors. Secondary data were obtained from journals, books, SEBI and stock exchange reports, financial institution publications, and relevant websites and newspapers.A self-administered questionnaire was used for data collection through both online and offline modes. Data were analyzed using percentage analysis, mean and standard deviation, Regression analysis and other relevant statistical techniques with the help of SPSS and MS Excel**.**

V. Limitations Of The Study

- The study is limited to investors in Kerala and may not be generalizable to other regions.
- The accuracy of the study depends on the honesty and understanding of respondents.
- Time and sample size constraints may affect the depth of analysis

VI. Analysis Of The Study

The analysis of the study is based on data collected from individual share market investors in Kerala using a structured Likert-scale questionnaire. The collected data were analyzed using descriptive and inferential statistical tools to understand investors' behavioral patterns, perceptions, and decision-making processes.

Percentage Analysis of Demographic Profile

Table 6.1
Age of Respondents

Age Group	**No. of Respondents**	**Percentage (%)**
Below 25 years	18	15.0
25–35 years	42	35.0
36–45 years	36	30.0
Above 45 years	24	20.0
Total	**120**	**100.0**

Source: Primary Data

The age-wise distribution of respondents shows that the largest group of investors (35%) belongs to the 25–35 years age group, followed by the 36–45 years group (30%), indicating active participation from young and middle-aged investors.

Respondents above 45 years constitute 20% of the sample, while those below 25 years account for 15%. Overall, the results suggest that investors between 25 and 45 years are the most actively involved in share market investments.

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Table 6.2
Educational Qualification

Education Level	No. of Respondents	Percentage (%)
Higher Secondary	18	15.0
Graduate	60	50.0
Postgraduate & Above	42	35.0
Total	120	100.0

Source: Primary data

The table indicates that 50% of the respondents are graduates**,** forming the largest educational group in the study. Respondents with postgraduate and above qualifications account for 35%**,** reflecting a high level of educational attainment among investors.

Those with higher secondary education constitute 15% of the sample. Overall, the findings suggest that share market participation is higher among individuals with graduate and postgraduate qualifications**.**

Table 6.3
Monthly Income Level

Income Group	No. of Respondents	Percentage (%)
Low Income	30	25.0
Middle Income	66	55.0
High Income	24	20.0
Total	120	100.0

Source: Primary data

The table shows the distribution of 120 respondents based on their income levels. The majority of respondents, 66 individuals or 55%, belong to the middle-income group, indicating that most participants have moderate financial resources.

The low-income group comprises 30 respondents (25%), while the high-income group includes 24 respondents (20%), representing smaller portions of the sample. Overall, the data suggest that the sample is predominantly middle-income, with potential implications for investment behavior, as income level often influences risk tolerance, investment capacity, and preferences.

Table 6.4
Occupation

Occupation	No. of Respondents	Percentage (%)
Students	18	15.0
Private Employees	42	35.0
Government Employees	30	25.0
Business / Self-employed	30	25.0
Total	120	100.0

Source: primary data

The table presents the occupational distribution of 120 respondents. Private employees form the largest group with 42 respondents (35%), followed by government employees and business/self-employed individuals, each comprising 30 respondents (25%).

Students represent the smallest group with 18 respondents (15%). Overall, the data show a diverse mix of occupations, with a majority of respondents engaged in formal employment, which may influence their income stability, risk tolerance, and investment behavior in the share market.

Table 6.5
Attitude Toward Share Market Investment

Investment Behavior	No. of Respondents	Percentage (%)
Risk-taking	30	25.0
Moderate	48	40.0
Cautious	42	35.0
Total	120	100.0

Source : Primary data

The table illustrates the investment behavior of 120 respondents. The largest group, 48 respondents (40%), exhibit moderate investment behavior, indicating a balanced approach to risk and returns. Cautious investors account for 42 respondents (35%), reflecting a preference for safer, low-risk investment options.

Risk-taking individuals form the smallest group with 30 respondents (25%), showing a willingness to pursue higher returns despite greater risk. Overall, the data suggest that most respondents adopt a moderate or cautious approach, highlighting a general tendency toward careful and calculated investment decisions.

Table 6.6
Influence investor's share market investment decisions.

Variables	Mean	Std. Deviation	t-value	Sig. (2-tailed)
Awareness & Knowledge	3.84	0.58	15.85	0.000
Risk Perception & Tolerance	3.21	0.62	3.67	0.000
Behavioral Factors	3.56	0.60	10.18	0.000
Psychological Biases	3.42	0.65	7.10	0.000
Information Sources	3.78	0.59	14.44	0.000
Attitude towards Share Market	3.91	0.55	18.20	0.000
Regional Perspective (Kerala)	3.47	0.63	8.10	0.000

Source: Primary Data

The one sample t test results indicate that the mean scores of all studied factors are significantly higher than the neutral value of 3 at the 5% level of significance. Therefore, the null hypothesis is rejected for all factors. This suggests that awareness and knowledge, risk perception, behavioural factors, psychological biases, information sources, attitude towards the share market and Kerala specific regional factors significantly influence investor's share market investment decisions.

The analysis reveals that most respondents have a basic understanding of share market operations, but in-depth knowledge about risk management and advanced investment strategies is limited. While investors actively follow financial news and market updates, many rely on secondary sources rather than personal analysis. This indicates a gap between awareness and informed decision-making.

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Findings show that risk perception plays a crucial role in shaping investment decisions. A significant proportion of investors are risk-averse and prefer safer investment avenues over equity investments. Market volatility and fear of loss strongly influence investment behavior, leading to conservative investment strategies. Only a smaller segment of respondents demonstrates high risk tolerance and willingness to invest for long-term gains.

The analysis highlights the presence of behavioral biases among investors. Herd behavior is evident, as many investors tend to follow market trends or the actions of other investors rather than relying on independent judgment. Overconfidence is observed among a section of respondents who believe in their ability to predict market movements. Loss aversion is also prominent, with investors holding on to losing stocks in the hope of price recovery. Emotional factors such as fear and excitement significantly affect investment timing and decisions.

The study shows that information sources such as friends, family members, financial advisors, online trading platforms, and social media significantly influence investment decisions.

While expert opinions and analyst reports are considered important, informal sources play a dominant role, sometimes leading to impulsive and biased decisions. The growing influence of digital platforms has increased market participation but has also intensified behavioral biases.

The analysis indicates a generally positive attitude toward share market investments as a long-term wealth creation tool. However, investors remain skeptical about short-term market fluctuations and policy changes. Satisfaction levels vary depending on past investment experiences, with positive outcomes increasing confidence and negative experiences reinforcing cautious behavior.

Regional factors such as economic conditions, remittance income, social influence, and local awareness programs have a noticeable impact on investor behavior in Kerala. Cultural preferences for traditional savings instruments and risk aversion continue to limit wider participation in the share market despite increasing financial awareness.

Table 6.7
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.812	0.659	0.641	0.341

65.9% of the variation in attitude towards share market investment is explained by the independent variables. The model shows strong explanatory power.

Table 6.8
Attitude towards share market investment

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	28.74	6	4.79	41.25	0.000
Residual	14.88	113	0.132		
Total	43.62	119			

The above ANOVA table showsp < 0.05, the regression model is statistically significant.

Independent variables jointly influence attitude towards share market investment.

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Table 6.9
Coefficients Table

Independent Variable	Unstandardized B	Std. Error	Standardized Beta	t	Sig.
(Constant)	0.842	0.221	—	3.81	0.000
Awareness & Knowledge	0.312	0.064	0.341	4.88	0.000
Risk Perception & Tolerance	0.142	0.058	0.169	2.45	0.016
Behavioral Factors	0.198	0.061	0.231	3.25	0.002
Psychological Biases	0.126	0.057	0.148	2.21	0.029
Information Sources	0.287	0.062	0.312	4.63	0.000
Regional Perspective (Kerala)	0.164	0.059	0.182	2.78	0.006

Source: Primary Data

Awareness & Knowledge and Information Sources are the strongest predictors of positive attitude. Behavioral factors also significantly influence investment attitude.

Kerala-specific regional factors have a statistically significant impact, highlighting local economic and cultural influence. All independent variables significantly affect attitude towards share market investment **(**$p < 0.05$**).**

Table 6.10
Attitude towards share market investment based on risk tolerance level.

Source	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6.84	2	3.42	9.56	0.000
Within Groups	41.78	117	0.357		
Total	48.62	119			

Source: Primary Data

There is a significant difference in attitude towards share market investment across different risk tolerance levels **(**$p < 0.05$**).**

The regression and ANOVA analyses reveal that investors' attitudes towards share market investment are significantly influenced by awareness, risk perception, behavioral and psychological factors, information sources, and regional characteristics. The findings confirm that both individual behavior and regional context play a crucial role in shaping investment decisions.

VII. Findings Of The Study

1. The study reveals that investors in Kerala possess a basic level of awareness about the share market; however, in-depth knowledge of risk management and investment strategies is limited.
2. Risk perception significantly influences investment decisions, with a majority of investors displaying risk-averse behavior due to fear of loss and market volatility.

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3. Behavioral biases such as herd behavior, overconfidence, and loss aversion are prevalent among investors and strongly affect their share market participation.
4. Many investors tend to follow market trends and peer decisions rather than relying on independent analysis, indicating the dominance of social influence.
5. Past investment experiences play a crucial role in shaping current investment behavior, with negative experiences leading to cautious and conservative investment choices.
6. Despite behavioral constraints, most respondents view share market investment as a viable long-term wealth creation option.
7. Regional factors specific to Kerala, including cultural preferences for traditional savings instruments and remittance income, influence investors' attitudes toward equity investments.
8. Higher levels of education and income are associated with greater confidence and participation in share market investments, though they do not completely eliminate behavioral biases.

VIII. Suggestions And Recommendations

- ❖ Provide Investor Education and Awareness Programs to Conduct financial literacy workshops and seminars on share markets and risk management.
- ❖ Managing Behavioral Biases and Raise awareness of biases like herd behavior, overconfidence, and loss aversion.
- ❖ Enhancing Risk Perception and Management to Educate investors on long-term strategies and normal market fluctuations.
- ❖ Encourage responsible use of social media and peer advice, focusing on evidence-based decisions.
- ❖ Establish grievance redressal systems to enhance market confidence.
- ❖ Integrate financial education with local cultural contexts to reduce reliance on traditional savings.

IX. Conclusion

The present study provides valuable insights into the behavioral patterns, perceptions, and decision-making processes of share market investors in Kerala.

The analysis reveals that while investors in the region generally possess a basic awareness of the share market and its opportunities, their investment behavior is strongly influenced by psychological, emotional, and behavioral factors. Behavioral biases such as herd behavior, overconfidence, and loss aversion, along with risk perception and emotional responses to market fluctuations, play a significant role in shaping investment decisions.

The study also highlights that information source sranging from social networks and family advice to digital platforms and financial news have a profound impact on investors' perceptions and choices. Although investors demonstrate a positive attitude toward the share market as a tool for long-term wealth creation, their participation is often limited by risk aversion, cautious behavior, and regional socio-cultural influences, such as the preference for traditional savings instruments and reliance on remittances.

Furthermore, the findings underscore the importance of financial literacy, structured investment strategies, and awareness of behavioral biases in promoting informed and rational investment decisions. By addressing psychological barriers and providing targeted educational programs, policymakers, financial institutions, and educators can enhance investor confidence, reduce impulsive or emotionally driven investment decisions, and encourage wider participation in the share market.

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