

Herding Behaviour: A Study on How Investors Follow the Crowd

Submitted in partial fulfilment of the requirements for the award of

MASTER OF BUSINESS ADMINISTRATION

by

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**DEPARTMENT OF BUSINESS ADMINISTRATION
SCHOOL OF MANAGEMENT STUDIES**

SATHYABAMA

**INSTITUTE OF SCIENCE AND TECHNOLOGY
(DEEMED TO BE UNIVERSITY)**

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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the Bonafede work of **RISHAP- 42410044** who carried out the Project Training “**Herdin
Behaviour: A Study on How Investors Follow the Crowd**” under my supervision from September 2023 to December 2023

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DECLARATION

I **RISHAP (42410044)** hereby declare that the Project Report entitled '**Herdling Behaviour: A Study on How Investors Follow the Crowd**' done by me under the guidance of **DR. PRINCY. A. S** is submitted in partial fulfilment of the requirements for the award of Master of Business Administration degree.

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ABSTRACT

In the dynamic landscape of financial markets, the phenomenon of Herding Behaviour has captivated researchers, economists, and investors alike. This mini project conducts a comprehensive case study to unravel the intricacies of Herding Behaviour among investors, delving into the motivations, consequences, and potential mitigations of this psychological phenomenon. The study focuses on understanding how investors, pivotal actors in financial markets, exhibit Herding Behaviour and explores the diverse dynamics of investor categories, asset classes, and decision-making processes. The objective is to shed light on the sources of investment information, prevalence of Herding Behaviour, factors driving it, and its impact on investment outcomes and satisfaction. Employing a descriptive research design, the study reveals compelling results, including demographic insights into the age, gender, and education levels of respondents. Noteworthy findings highlight the significant influence of Fear of Missing Out (FOMO) on investors' decisions to follow the crowd, as well as the prevalence of herding in specific investment strategies. The majority of respondents, despite their educational background, tend to make investment decisions without conducting thorough research, relying heavily on friends and family for information. Additionally, a considerable percentage expressed regret over investment decisions made under the influence of Herding Behaviour. This study contributes valuable insights for investors, financial professionals, and policymakers, offering practical recommendations to navigate the complexities of Herding Behaviour in financial markets.

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

The fascinating phenomena known as "Herding Behaviour" in the complex world of financial markets has attracted the interest of economists, investors, and scholars alike. This behavioural tendency represents people's propensity to imitate the acts of others when making financial decisions rather than basing them on independent analysis. Market bubbles and crashes as well as less-than-ideal investment results for individual investors can result from herding Behaviour, which occurs when investors collectively gravitate toward particular assets or methods, frequently without conducting extensive due-diligence.

What does an Investor mean?

Any individual or organization that invests cash with the hope of earning financial returns is an investor. Examples of this include businesses and mutual funds. Different financial instruments are used by investors to generate a rate of return and achieve significant financial goals, such as supporting a college education, saving for retirement, or just creating wealth over time.

To achieve objectives, there are many different investment vehicles available, such as stocks, bonds, commodities, mutual funds, exchange-traded funds (ETFs), options, futures, foreign currency, gold, silver, retirement plans, and real estate. Diverse perspectives are available to investors for opportunity analysis, and they typically aim to balance risk and return maximization.

Investing funds as debt or equity investments is how most investors make money.

Investments in equity involve ownership shares in the form of business stock, which

can result in capital gains as well as dividend payments. Investments in debt can take company-issued bonds that come with coupon interest payments.

Key Takeaways

1. To achieve their financial goals and objectives, investors employ a variety of financial instruments in an effort to generate a rate of return.
2. Real estate, derivatives, stocks, bonds, mutual funds, and commodities are examples of investment securities.
3. Traders and investors are different in that investors make long-term strategic investments in businesses or initiatives.
4. Investors construct their portfolios using a passive approach that aims to follow an index or an active attitude that seeks to outperform the benchmark index.

Styles and Risk Tolerance:

The group of investors is not homogeneous. Their capital, tastes, preferences, time horizons, and risk tolerances differ. For example, certain investors could favour extremely low-risk assets like certificates of deposit and specific bond instruments that yield conservative gains.

On the other hand, some investors are more likely to take on greater risk in an effort to increase their profits. These investors may cope with a daily roller coaster of many elements when making investments in equities, currencies, or developing markets.

Large portfolios of stocks and other financial instruments are accumulated by institutions, such as mutual funds or financial businesses. In order to make bigger investments, they frequently manage to gather and combine funds from a number of smaller investors. Because of this, institutional investors often have far greater market power and influence over the markets than individual retail investors.

Passive Investors vs. Active Investors

Diverse market tactics are also available to investors. The components of different market indexes are typically purchased and held by passive investors, who may also optimize their allocation weights to certain asset classes using techniques like Modern Portfolio Theory's (MPT) mean-variance optimization. Some investors may be active stock pickers who base their decisions on a fundamental examination of financial ratios and business financial statements.

The "value" investor, who looks to buy stocks at a discount to book value, is an example of an active strategy in action. Some others could try to make long-term investments in "growth" stocks, which might be losing money right now but are expanding quickly and have potential in the future.

Passive (indexed) investing is becoming increasingly popular, where it is overtaking active investment strategies as the dominant stock market logic. The growth of low-cost target-date mutual funds, exchange-traded funds, and robo-advisors are partly responsible for this surge in popularity.

Types of Investors

Angel Investors:

A high-net-worth private individual who invests money in startups or entrepreneurs is known as an angel investor. Frequently, the funding is given in return for an ownership share in the business. Angel investors have the option of making one time or continuous financial contributions. An angel investor usually contributes money while a company is just getting started and there is a lot of risk involved. They frequently devote extra income they have on hand to riskier assets.

Venture Capitalists:

Venture capitalists are private equity investors that look to invest in startups and other small enterprises. Typically, these investors take the form of companies. They look at companies that are already in the early stages with potential for development, as opposed to angel investors who try to support startups to help them get off the ground. These are businesses that frequently want to grow but lack the resources to do so. In exchange for their investment, venture capitalists look for an equity stake. They support the company's expansion and eventually sell their stake for a profit.

P2P Lending:

Peer-to-peer lending, or P2P lending, is a type of lending in which loans are received directly from other people, bypassing the conventional middleman—such as a bank. P2P lending examples include crowdsourcing, in which companies try to raise money online from a large number of investors in return for goods or other advantages.

Personal Investors

A personal investor might be any individual making independent investments. A personal investor puts their own money into exchange-traded funds (ETFs), mutual funds, equities, and bonds. Instead of being professionals, personal investors are individuals looking for returns greater than those found in more straightforward investing instruments like savings accounts or certificates of deposit.

Institutional Investors:

Organizations that invest other people's money are known as institutional investors. Mutual funds, exchange-traded funds, hedge funds, and pension funds are a few types of institutional investors. Institutional investors are able to buy enormous quantities of assets, often large blocks of stocks, since they are able to raise substantial sums of money from several people. Institutional investors have a lot of power over asset prices. Large and knowledgeable investors make up institutional wealth.

What do Investors Invest in?

The fundamental idea behind investing is straightforward: money is put towards an asset with the hope that it will increase in value when it comes time to sell or otherwise liquidate the asset. Because of this, an investor can put money into anything that they think will increase in value. The profitable transactions that investors witness while purchasing and selling little cardboard rectangles—basketball cards, for example—make this clear. Below is a longer, more detailed list of conventional or typical investments that people make:

Stocks: Ownership in a publicly listed firm and a portion of its revenues are represented by the shares that investors can purchase. Nowadays, a lot of brokers permit investors to possess a portion of a company's shares, so it's not always necessary for them to buy the entire share.

Bonds: Investors can purchase fixed-income instruments, such as corporate or government bonds, which mature with the principle amount repaid together with interest. Bond investments have a risk in that their value will change depending on the current interest rate environment.

Real estate: Through real estate investment trusts (REITs) or directly, investors can purchase properties that yield rental income and have the potential to increase in value over time. Landlords may also get cash flow from their rental properties' activities.

Mutual funds: A professionally managed portfolio of stocks, bonds, and other assets is available to investors. Investing in mutual funds offers investors a lower risk and more diversified option than buying individual, niche assets.

Exchange-traded funds (ETFs): Like mutual funds, investors can purchase a variety of stocks, bonds, and other assets. The fact that ETFs are exchanged on stock markets like individual equities is an additional benefit, though.

Commodities: Investing in tangible commodities like gold, silver, oil, or agricultural goods might help ward off inflation and other financial hazards. Derivative contracts or tangible goods can be exchanged for this. These assets often have value because they are used as tangible objects in the actual world.

Alternative investments: Investors can invest in alternative assets such as private equity, venture capital, hedge funds, cryptocurrency, art, or collectibles. Though potentially riskier investments, the end goal is always the same: to own something increases in value over time.

1.2 INDUSTRY PROFILE

What Is Herd Behaviour?

The phenomenon known as "Herd Behaviour " occurs when people join organizations and adopt others' behaviours because they believe that other people have already done their research. In the financial industry, too, investors tend to follow what they think other investors are doing instead of performing their own research. Herd instincts are prevalent in many facets of life.

To put it another way, a herd instinctive investor tends to choose the same or comparable investments as other investors. When herd instinct runs rampant, it can lead to panicked buying and selling that burst asset bubbles or cause market collapses.

KEY TAKEAWAYS

1. A herd instinct is a Behaviour wherein people join groups and follow the actions of others.
2. Herding occurs in finance when investors follow the crowd instead of their own analysis.
3. It has a history of starting large, unfounded market rallies and sell-offs that are often based on a lack of fundamental support to justify either.
4. The dotcom bubble of the late 1990s and early 2000s is a prime example of the effects of herd instinct.
5. People can avoid herding by doing their own research, making their own decisions, and taking risks.

Understanding Herd Behaviour

People with a herd instinct have a tendency to react to other people's behaviours and follow their example. This is comparable to how herd animals respond when they herd together to flee perceived or real danger. Herd instinct, often known as herd Behaviour, is characterized by a lack of personal reflection or decision-making, leading people who engage in it to think and act like everyone else in the group.

People often have a tendency to follow the actions and opinions of others, which can be seen in anything from our purchasing habits to our investing decisions. Herd instinct is frequently motivated by the fear of losing out on a lucrative investment opportunity, particularly in the wake of good news or after an analyst releases a research note. But this can be a mistake.

Large-scale, irrational market rallies and sell-offs have a history of being sparked by herd instinct, often referred to as herding, and are frequently motivated by a lack of fundamental support. Financial asset bubbles are mostly caused by herd mentality. One of the best examples of the effects of herd mentality on the expansion and eventual fall of an industrial bubble is the dotcom bubble of the late 1990s and early 2000s.

Those who resist giving in to this innate inclination might frequently experience anxiety or anguish. If the majority of the crowd is moving in one direction, someone may believe that by moving in the other direction, they are being incorrect. Alternatively, they could worry about being singled out for not following the trend.

How to Avoid Herd Instinct

if it's instinctive, there are strategies to resist following the herd, particularly if you believe you'll be making a mistake if you do. It calls for some self-control and careful thought.

1. Take the initiative to investigate the information for yourself and cease relying on others to do it for you.
2. After doing your research, form your own conclusions and make your selection.

3. Make your own conclusions and inquire as to the methods and motivations behind the conduct of others.
4. If you are distracted—whether from stress or something else entirely—delay making judgments.
5. Be bold, take the lead, and don't be scared to stand out from the crowd.

1.3 PROBLEM STATEMENT

This study aims to investigate and analyze the factors influencing herding Behaviour, its consequences, and the sources of information contributing to this trend. Understanding the dynamics of herding Behaviour is crucial for improving investment decisions, enhancing investor education, and safeguarding the interests of individuals participating in financial markets. Despite its potential benefits, herding Behaviour poses challenges that need to be addressed to promote informed and rational investment practices.

1.4 NEED FOR STUDY

1. This study is needed for improving investment decisions of Investors.
2. To minimize the Herding Behaviour among investors so they do not follow the crowd.
3. This study is needed to enhance the Investor's education, so they make better investments.
4. This study can help in protecting the interests of the investor.

1.5 OBJECTIVE OF THE STUDY

The primary objective of this mini project is to examine and analyze the phenomenon of herding Behaviour among investors in financial markets. Specifically, this study aims to:

1. To explore the sources of investment information of investors.
2. To measure the prevalence and frequency of herding Behaviour.
3. To identify factors driving herding Behaviour in investment decisions.
4. To assess the impact of herding Behaviour on investment outcomes and satisfaction.

1.6 SCOPE OF THE STUDY

1. Analyze factors impacting herding Behaviour in investment decisions.
2. Explore influences, consequences, and regret linked to herding Behaviour.
3. Investigate information sources and their credibility in investment decisions.
4. Assess losses, satisfaction, and risk tolerance concerning herding Behaviour in investments.

1.7 LIMITATION OF THE STUDY

1. The findings of this study may be limited in terms of generalizability, as the research focuses on a specific context and may not fully capture the diverse range of factors influencing herding Behaviour in various financial markets globally.
2. The study relies on self-reported data from investors, and there may be limitations in the accuracy and reliability of the information provided.
3. The study's static approach may not capture the dynamic nature of financial markets, subject to constant changes in economic conditions, regulations, and investor sentiment.
4. Assessing satisfaction and risk tolerance related to herding Behaviour is inherently subjective. Different investors may perceive outcomes and risks differently, making it challenging to draw universally applicable conclusions.

CHAPTER 2

REVIEW OF LITERATURE

2.1 REVIEW OF LITERATURE

- 1. Factors influencing herding Behaviour among Indian stock investors by M. Ankitha Nair & Lakshmi Yerma (2017):** Behavioural finance proposes that cognitive traits of investors impact their investment decisions which are not always rational, in contradiction to traditional finance. These cognitive traits of stock investors are influenced by their demographical profile and the financial information that they receive from various sources which in turn influences their stock investment decisions. Investors with similar demographic profile tend to follow a similar pattern with regard to their investment Behaviour biases. The main objective of this study is to analyze the impact of Indian stock investors' demographics and various sources of financial information on their cognitive biases. A questionnaire was floated by using quota sampling. Stata software was used for analysis, by using ordered logistic regression on the conceived model. Gender, age, marital status, and word of mouth are found to have significant impact on the herding Behaviour of stock investors.
- 2. Investors' Fear and Herding Behaviour: Evidence from the Taiwan Stock Market by Teng and Kuei Wang (2017):** This article analyses the influence of investors' fear on their investment Behaviour in the Taiwan stock market. This study used the volatility index (VIX) as a barometer of investors' fear. Our results show that herding Behaviour increases with the VIX; that is, herding Behaviour is encouraged by an increase in investors' fear. Moreover, our results demonstrate that investors react more quickly to bad news than to good news when their fear increases, supporting the hypothesis of the presence of an asymmetric reaction to news. However, investors react more quickly to good news when their fear decreases, indicating an inverse asymmetric reaction. In

addition, our empirical results reveal that herding Behaviour tends to exist on days with a large trading volume.

- 3. Further evidence on the herd Behaviour in Vietnam stock market by Xuan Vo & Dang Bao (2017):** This paper examines the presence of herd Behaviour in Vietnam stock market using a sample of 299 companies listed on the Ho Chi Minh City Stock Exchange covering the time period 2005–2015. The study employs the herding measures proposed by Christie and Huang (1995) and Chang et al. (2000). We provide a comprehensive analysis using daily, weekly and monthly frequency. The results indicate the evidence of herding over the whole period studied. Moreover, the results are robust when we split the data into three sub-periods including pre-crisis, during crisis and post-crisis. Asymmetric effect is also evidenced under various market conditions and trading volume.
- 4. Herding in frontier markets: Evidence from African stock exchanges by Yilmaz Guney & Gabriel Komba (2017):** This study is on herding in eight African frontier stock markets between January 2002 and July 2015, given the limited evidence on herding in frontier markets. Herding appears significant throughout the 2002–2015 period for all markets, with smaller stocks found to enhance its magnitude. Herding entails no clear asymmetries conditional on market performance; conversely, it appears notably asymmetric when conditioned on market volatility, as it is significant (or stronger) mainly during low volatility days, without this pattern, however, surviving when accounting for the 2007–2009 crisis. The US and South African markets motivate herding on a small number of occasions only, while the return dynamics of a regional economic initiative's member-markets are found to induce herding in each other very rarely, thus demonstrating that investors' behaviour in markets with low integration in the international financial system is not significantly affected by non-domestic factors.

- 5. Monetary policy, exchange rate fluctuation, and herding Behaviour in the stock market by Pu Gong & Jun Dai (2017):** Interest rate and exchange rate are two important macroeconomic variables that exert considerable effects on the stock market. In this study, we investigate whether variations in interest and exchange rates induce herding Behaviour in the Chinese stock market. Empirical results indicate that interest rate increase and Chinese currency (CNY) depreciation will induce herding and this phenomenon is mainly manifested in down markets. Moreover, the herding level of the highest idiosyncratic volatility quintile portfolio is twice that of the lowest quintile portfolio which we consider evidence of intentional herding. This result is consistent with those of previous studies, which report that retail investors prefer and overweigh lottery-type stocks. Finally, we investigate the effects of monetary policy announcements and extreme exchange rate volatility on herding because these events elicit considerable public attention and may trigger collective Behaviour in the aggregate market.
- 6. Herding Behaviour in the Pakistan stock exchange by Attaullah Shah & Safi Ullah Khan (2017):** This study attempts to examine the presence of herding Behaviour in the Pakistan Stock Exchange (PSX). The novel contribution of this paper is that it investigates the herding phenomenon from a large number of facets such as herding of firms towards market, herding of firms towards industry portfolios, herding of industry portfolios towards market, herding in mostly traded stocks and in large and small stocks, and herding in the crisis period. For this purpose, we use the herding Behaviour model of Christie and Huang (1995) on the daily closing prices data of 609 firms listed on the PSX from January 2004 to December 2013. Results show that individual firms do not herd towards market index, except when the market experiences a negative return of 5%. However, when we sort firms into small and large groups based on median market capitalization, results indicate that large firms show herding Behaviour in extreme market movements. Further, we find that firms in several industries herd towards their industry portfolios. However, we find weak evidence of industry

portfolios herding towards the market. These findings support results of our baseline estimation.

7. Differences in herding: Individual vs. institutional investors by Wei Li &

Ghon Rhee (2017): Using a trading volume-based measure, we study the differences between institutional and individual investors in herding. First, better-informed institutional investors trade more selectively, whereas less-informed individuals allocate their investments evenly across stocks. Second, individual investors rely more on public information for their trades as they are influenced by market sentiment and attention-grabbing events. Third, institutional investors react asymmetrically to up- and down-market movements, whereas individual investors do not. Finally, despite these differences in herding both individual and institutional investors pay close attention to one another's trades in forming a consensus.

8. The importance of fear: investor sentiment and stock market returns by

L.A. Smales (2017): The presence of investor sentiment pushes asset prices away from the equilibrium level justified by underlying fundamentals. While sentiment is not directly observable, identifying appropriate proxies and, quantifying the impact of sentiment on asset prices is an important topic. Asset prices that do not appropriately reflect fundamental values may result in inefficient allocation of capital – impacting portfolio allocation decisions and the cost of capital. Utilizing a number of sentiment proxies, over the period 1990–2015, we demonstrate a strong relationship between investor sentiment and stock returns that is consistent with theoretical explanations of sentiment. illustrating that firms that are more subjective to value, or face limits to arbitrage, such as small-cap stocks, or those in the business equipment (technology) or telecoms industry, are most responsive to changes investor sentiment. Finally, we demonstrate that sentiment has a greater influence on market returns during recession, when sentiment is at its lowest ebb, and this is particularly true for those stocks most susceptible to speculative demand.

9. What Explains Herd Behaviour in the Chinese Stock Market by Chen-qi Zhu

(2017): This article examines the causes of herd Behaviour in the Chinese stock market. Using the nonlinear model of Chang, Cheng, and Khorana. The authors of this article find robust evidence of herding in both the up and down markets. They contribute to the existing literature by exploring the underlying reasons for herding in China. It is shown that analyst recommendation, short-term investor horizon, and risk are the principal causes of herding. However, the authors cannot find evidence that relates herding to firm size, nor can they detect significant differences in herding between state-owned enterprises and non-state-owned enterprises.

10. Herding, Faith-Based Investments, and the Global Financial Crisis by

Stavros Stavroyiannis & Vassilios Babalos (2017): The purpose for this article is to explore the existence of herding Behaviour in the context of Shariah-based ethical investments. To this end the authors have employed the highly liquid constituent stocks of the U.S. Dow Jones Islamic Index for the period January 2007 to December 2014. The methodology encompasses both static and dynamic models that capture potential time-varying patterns or asymmetric Behaviour of herding. Summarizing the results, the authors document significant anti herding Behaviour that is robust across different formulations and testing procedures. Most interestingly, they observe an asymmetric Behaviour of the anti herding phenomenon. Results from the dynamic analysis reveal that anti herding tends to be more intense during turbulent periods. The findings may entail useful implications for investors who wish to diversify their portfolios using faith-based investments.

11. Herding Behaviour among wine investors by Guillaume Coqueret & Cyrille

Mandou (2018): We propose a detailed and comprehensive examination of the two main regression-based techniques used to detect herding among investors. We also introduce a novel approach based on the autocorrelation of returns. We test all models on a unique dataset of wine prices. For the first two models, our conclusions highlight the importance of macroeconomic variables (US equities)

on the dispersion of wine returns. Thus, if wine investors herd, it is essentially because of external contingencies, and they are not driven by the state of the wine market itself. The third (new) model seems to indicate that there is at most weak evidence of herding and the conclusions are robust when controlling for the state of the US equity market.

12. Investors' fear and herding in the stock market by Christis Hassapis &

Nikolaos Philippas (2018): In this article, we examine herding in three developed stock markets testing for the impact of investors' 'fear' on herding estimations. To this end, we employ daily data of all listed stocks from USA, UK, and Germany from January 2004 to July 2014. We examine herd behaviour applying the cross-sectional dispersion approach. Moreover, we investigate the asymmetric herding behaviour under different market states and sub-periods. The stock markets under examination provide comparable implied volatility indices which are used as a proxy for fear. As a result, apart from the standard herding estimations within and across markets, we also augment the benchmark model with the fear indicator. Our empirical results document the statistically significant impact of fear on herding estimations. Moreover, there is evidence of cross market herding as well as evidence of herding in the UK during specific sub-periods.

13. Effects of Transparency on Herding Behaviour: Evidence from the Taiwanese Stock Market by Kuei-Yuan Wang & Yu-Sin Huang (2018):

This study combines the concepts of information asymmetry from classical finance theory and herding Behaviour from modern behavioural finance theory to investigate whether herding Behaviour exists in the Taiwan stock market. Scores from the Information Disclosure and Transparency Ranking System (IDTRs) are incorporated into the nonlinear model proposed by Chang, Cheng, and Khorana (2000). The empirical results reveal that herding Behaviour is prevalent in the Taiwan stock market and the implementation of the IDTRs has effectively discouraged such Behaviour. In addition, the empirical results of this study reveal that the lower level of transparency, the more prevalent of herding

Behaviour in the Taiwan stock market. The empirical results confirm the government's efforts to increase the transparency of listed firms in order to reduce information asymmetry and prevent investors from engaging in herding behaviours.

14. Investor Platform Choice: Herding, Platform Attributes, and Regulations

by Yong Tan (2018): In this study, we attempt to fill this gap by examining whether subsequent investors follow their predecessors' actions when choosing which platform to invest, and if so, how various platform attributes and regulations moderate herding Behaviour. We collected a novel data set from leading platforms in a large P2P lending market. Our baseline analysis reveals that herding exists at the platform level. Using a multilevel model, we further identify several interesting moderators: the investor's herding Behaviour is accentuated by platforms' market share and the cumulative amount funded but attenuated by their time in operation. Finally, we find that government regulatory events dampen the magnitude of the herding effect, suggesting that more information disclosure and stricter operation standards reduce the value of observational learning. The results from our analysis provide implications for P2P lending investors, platform designers, and policymakers.

15. Herding Behaviour in Indonesian Investors by Sumani, Willy & Stevanus

Pangestu (2018) : This research attempts to investigate the herding Behaviour of the companies that invested in IDX LQ45 Index during 2014 through 2016. Herd Behaviour is the tendency of investors to follow other investors' actions in the market. LQ45 was chosen as it comprises the most heavily traded stocks of the Indonesian Stock Exchange. This research used Vector Autoregressive model to determine the effects of size and market return on the herding Behaviour. The Granger causality test suggests that there are dynamic interactions: (i) between size and herding Behaviour; and (ii) between market return and herding Behaviour. In addition, Variance Decomposition and Impulse Response reveal that market capitalization (size) has variable of the greater role in defining herding Behaviour, compared to that of market return.

16. Regime-dependent herding Behaviour in Asian and Latin American stock markets by Humayun Kabir & Shamim Shakur (2018):

By using the smooth transition regression (STR) approach, which captures nonlinearity with regime switches, this paper examines investors' herding Behaviour in Asian and Latin American markets across market states and volatility regimes considering them as the transition variables. While some markets tend to herd with market consensus in high market regime, China, India, Malaysia, Singapore, Argentina, and Brazil, in contrast to previous findings, do not show any nonlinearity across market regimes. Investors in most of the markets except Argentina and Brazil herd in high volatility regime. The driving force in investors' herding is the high level of volatility rather than the low returns during the period of market stress. Some of the markets show the presence of adverse herding with both market and volatility regimes. Herding is also prevalent in high volatility regime of VIX. The findings suggest the important role of U.S. market sentiment affecting the herding Behaviour of investors.

17. On the effect of herding Behaviour on dependence structure between stock markets by Mouna Youssef & Khaled Mokni (2018):

This paper aims to test whether herding Behaviour affects the dependence structure between stock markets in the Gulf Cooperation Council (GCC) countries, by taking account of different market conditions. Based on the cross sectional absolute deviation (CSAD) approach, herding Behaviour is tested in both static and regime switching framework. The dependence between GCC stock markets is assessed by the DCC-GARCH model. By using weekly data covering the period 2003–2017, empirical results show the presence of herding Behaviour in all GCC markets except of Bahraini and Kuwaiti markets. Furthermore, the effect of this Behaviour on the dependence structure is statistically significant and positive. In addition, based on the switching regime framework, results suggest the evidence of a negative effect in low herding regimes and a positive effect in

high herding periods. Our findings are of interest and allow for formulating a reliable portfolios design framework for investors and risk managers.

18. Impact of herding Behaviour and overconfidence bias on investors' decision-making in Pakistan by Intkhab Mehboob and Muhammad Arshad

(2019): Investors' decision-making are influenced by certain biases as reported in literature. Fundamental analysis is based on the assumption that investors think rationally, but in practice, things may be different. This study captures the impact of herding Behaviour and overconfidence biases on the investors' decision-making in Pakistan. The proposed study collects the necessary data through questionnaires distributed among 150 respondents who were active in stock market and manage to process 100 completed ones. The relationships between investors' decision-making and herding Behaviour as well as overconfidence biases were empirically tested using Ordinary Least Square (OLS) method. The results show that Pakistani investors' decisions were significantly influenced by both herding Behaviour and overconfidence biases.

19. Following the Pied Piper: Do Individual Returns Herd around the Market by William & Roger (2019):

Do equity returns indicate the presence of herd Behaviour on the part of investors during periods of market stress? To test this proposition, the cross-sectional standard deviation of returns, or dispersion, is used to capture herd Behaviour. When individual returns herd around the market consensus, dispersions are predicted to be relatively low. In contrast, rational asset pricing models predict an increase in dispersion because individual returns are repelled away from the market return when stocks differ in their sensitivity to market movements. The results for both daily and monthly returns are inconsistent with the presence of herding during periods of large price movements. For example, during extreme down markets, when herding is expected to be most prevalent, the magnitude of the increase in the dispersion of actual returns is mirrored by the increase in the dispersion of predicted returns that are estimated from a rational asset pricing model.

20. Herd Behaviour and idiosyncratic volatility in a frontier market by Xuan

Vinh Vo & Dang Bao Anh Phan (2019): This study investigates the impact of idiosyncratic volatility on the herd Behaviour of individual investors in Vietnam stock market covering the period from 2005 to 2016. We employ the herding methods of Christie and Huang (1995) and Chang et al. (2000) and single factor model by Bali and Cakici (2008) to estimate the idiosyncratic volatility. Empirical results indicate that herding exists in this equity market. However, herding Behaviour displays distinct patterns under different stock portfolios depending on the levels of idiosyncratic volatility. The results are robust under various timeframes including pre-crisis, during crisis and post-crisis. The finding also reveals the existence of herding under particular industry

21. Does herding Behaviour exist in cryptocurrency market by Wafa Alwafi &

David McMillan (2019): This paper investigates the existence of herding Behaviour in cryptocurrencies market. Using data of the 20 large cryptocurrencies and MV Index Solution Crypto Compare Digital Assets for large cap index, we found no evidence of herding Behaviour using cross-sectional absolute standard deviation estimation. However, by applying a rolling window analysis, the results show significant herding Behaviour, which varies over time. Finally, we find an inverse relationship between herding Behaviour and the Bloomberg consumer comfort index which means that when traders are less comfortable they prefer to ignore their expectations and follow the market performance.

22. Does Asymmetric Information Drive Herding? An Empirical Analysis by Xi

Rao (2019): The authors explore the relative significance of information and its role in herding formation among investors. They investigate this relationship at 3 scales: the market, investor, and individual stock levels. At the aggregate market level, empirical evidence obtained suggests that a more transparent environment is likely to mitigate the extent of herding intensity, mainly as a result of a decay in non-information-based “intentional” herding. At the investor level, the authors find strong evidence of asymmetric herding between investors with

heterogenous information (arbitraders and noise traders). Finally, at the stock individual level, the present results show a positive and statistically significant relationship between herding intensity and 5 firm-specific measures of information asymmetry.

23. Individual Investors' Learning Behaviour and Its Impact on Their Herd Bias: An Integrated Analysis in the Context of Stock Trading by Kalugala

Vidanalage Aruna Shantha (2019): The efficient functioning of capital markets ensures that information on companies' sustainable development endeavours is fully and instantly incorporated into stock prices, which facilitates them in raising capital requirements at a lower cost. It, however, is impaired when market participants are inclined to behavioural biases. The data was collected by distributing a web-based self-administrated questionnaire to a sample of 1000 individual investors of the Colombo Stock Exchange, who were randomly selected during a period from March to August 2018. A total of 189 responses were received, which were analysed using the structural equation modelling technique to test the hypotheses of the theoretical model. The results show that learning takes place when investors cognitively evaluate past trading experiences, which is induced by their desire for learning, and, consequently, reduces their herd bias.

24. What Drives Herding Behaviour in the Cryptocurrency Market by Mouna

Youssef (2020): This paper uses the cross-sectional absolute deviation (CSAD) in static and time-varying versions to examine herding in the cryptocurrency market from April 2013 to November 2019. Results from the static model confirm the evidence of an anti-herding Behaviour over the considered period. However, the time-varying analysis suggests the presence of herding Behaviour around the end of 2013 and persists until the end of the sample period. Furthermore, by examining the factors relating to market microstructure and general economic conditions that can drive herding, we find that the level of herding in the cryptocurrency market rises as volatility, the S&P500, and the dollar index

increase. However, the rise in the trading volume, gold price, and the economic policy uncertainty index (EPU) reduce the herding in the cryptocurrency market.

25. Herding Behaviour Model in Investment Decision on Emerging Markets:

Experimental in Indonesia by Sir Rahayu and Puji Harto (2020) : This research aims to examine the model of investor herding Behaviour in making investment decisions in the Indonesian capital market, which is influenced by social and information impacting on the value of the Book Value Per Share (BVPS). The latest stock market conditions show that most investors make the same error pattern in making investment decisions that result in losses. The experiment involves two independent variables, namely, information about BVPS and social influence. This study used a 2x2 factorial design laboratory experimental method. Data collection was carried out through treatment of a sample of 100 individual investors listed in Indonesia. These findings suggest that investors know their psychological factors, thereby increasing self-control and investment analysis skills. Further research can use psychological bias and other indicators of accounting relevant information such as Earning Per Share (EPS) to test herding Behaviour in investment decision making in the capital market.

26. Herding Behaviour in Australian stock market: Evidence on COVID-19

effect by Christian Espinosa-Mendez & Jose Arias (2020): This is the first article in investigating how COVID-19 affects Oceania's financial markets. Specifically, we investigate if COVID-19 pandemic has an effect on herding behaviour in the Australian stock market. Using a sample of all firms listed over the period from 10 June 2008 to 19 June 2020, we find evidence that COVID-19 pandemic increases herding behaviour. The results report that herding behaviour manifests during crisis and extreme periods.

27. Do investors follow the herd in option markets by Alejandro Bernales &

Thanos Verousis (2020): We investigate the previously unexplored herding behaviour of investors in option markets, by examining equity option contracts

traded in the US between 1996 and 2012. We document strong herding effects in option trading activity that are conditional on a set of systematic factors related to periods of market stress. More specifically, we find that option investors tend to herd during periods of high market volatility risk, on dates of macroeconomic announcements, during the financial crisis of 2008, when a large number of market option positions is either opened or closed, and during periods of a large average dispersion of analysts' forecasts.

28. Herding Behaviour in Chinese Stock Markets during COVID-19 by Boxian

Yang & Ningru Zhao (2020): This paper investigates herding Behaviour in the Chinese stock markets during the COVID-19 pandemic. We find that herding Behaviour is significantly lower than usual in Chinese stock markets during the COVID-19 period. Furthermore, we explore herding Behaviour under extreme market conditions induced by COVID-19. We find that herding Behaviour is more pronounced for upside market movement, lower market trading volume, and lower market volatility caused by COVID-19. These results are important for investors and regulators to enhance their understanding of stock markets and the financial effects of the COVID-19 pandemic.

29. Analysis of Investors Herding Behaviour: An Empirical Study from

Istanbul Stock Exchange by Ali & Serra Eren (2020): This study investigates the existence of herding Behaviour in Istanbul Stock Exchange using a narrow index for the period between January 1, 2000, and December 31, 2018. Besides, the study tests herding Behaviour of investors during high and low volatility periods. The data is collected from Finnet, and it contains daily, weekly, and monthly return data. The study uses both CSSD and CSAD models. The finding of the study shows that herding is more prevalent when the market falls and from the three data type it is more prevalent in the daily data. This shows that investors behave rationally when the market rises, and they become irrational when the market falls. On the other hand, the level of herding is considerably significant during high market volatility periods. Therefore, we conclude that there is asymmetrical investor Behaviour in Istanbul Stock Exchange.

30. Is herding spurious or intentional? Evidence from analyst recommendation revisions and sentiment by Phil Holmes & Ali Altanlar

(2020): Using institutional holdings data for 1993–2015, we investigate whether institutional herding is spurious or intentional by analysing the impact on herding of analyst recommendation revisions and sentiment. In addition to examining their effect separately, we consider the impact of their interaction. Utilising the Sias method, we develop competing hypotheses concerning spurious and intentional herding, an issue of direct interest to fund investors, given the principal-agent relationship inherent in fund management. Results strongly suggest herding is spurious. Analysis of the relationship between herding and subsequent returns, and findings from robustness tests add further support.

31. Uncertainty, Fear and Herding Behaviour: Evidence from Size-Ranked Portfolios by David Y. Aharon (2020):

This study is aimed at testing the relationship between investors' uncertainty reflected by market sentiment and herding Behaviour phenomenon. Using data for 1990–2019 for size-ranked portfolios, the evidence documented here indicates that herding is strongly related to market sentiment as captured by the CBOE's Volatility Index, the VIX. The results indicate that the VIX, which is also recognized as the fear index, has a substantial impact on herding across all groups and subgroups of size-ranked portfolios. Overall, the effect of VIX exists in most of the quantiles of the cross-sectional absolute deviation distribution. In this context, the scale and magnitude of the fear index impact rises toward the highest parts of the herding distribution. They also provide academic insights for researchers dealing with market efficiency and investors' Behaviour.

32. Investor Sentiment and Herding Behaviour in the Korean Stock Market by Ki-Hong Choi & Seong-Min Yoon (2020):

This paper investigates herding Behaviour and the connection between herding Behaviour and investor sentiment. analysis results are outlined as follows. First, we find that herding Behaviour is exhibited during down-market periods in the KOSPI and KOSDAQ stock markets. However, we show that adverse herding Behaviour occurs in low-

trading volume and low-volatility periods. Second, according to the results of the quantile regression, herding Behaviour is found in the low and high quantiles of the KOSPI and KOSDAQ stock markets. However, adverse herding Behaviour is also found, which means that investors herd in extreme market conditions. Third, the relationship between investor sentiment and herding Behaviour is analysed through regression and quantile regression, and investor sentiment is confirmed to be one of the important factors that can cause herding Behaviour in the Korean stock market.

33. The Impact of Behavioural Biases on Herding Behaviour of Investors in Islamic Financial Products by Israr & Ahmad (2020): The study aimed to investigate the impact of behavioural biases on herding for Islamic financial products with the mediation of shariah literacy. An adopted questionnaire from several published studies was used to collect data. The data were collected from 410 respondents and were analysed with SmartPLS. The results for the direct impact showed that self-attribution, illusion of control, and information availability have a positive and significant impact on herding for Islamic financial products while shariah literacy showed an insignificant impact on herding. The results for mediation showed that previously significant and positive impact turned to insignificant when shariah literacy was introduced as mediating variable between the illusion of control, self-attribution, information availability, and herding. From a theoretical perspective, this study would contribute to the existing body of knowledge of financial decision making from shariah literacy point-out. On the other hand, the findings of this study may be useful for investors to avoid herding in the Islamic financial markets.

34. Retail investor attention and herding Behaviour by Shu-Fan & Ming-Chun Wang (2020): In this paper, we argue that when individual investors can obtain information from public resources such as Google search, the degree of investor attention to a particular underlying company is positively linked with herding Behaviour for retail investors. Empirical results confirm that Google Search Volume Index can be a proxy for the information demand of uninformed

individual investors. Empirical evidence also shows that reaching the price limit generates an attention-grabbing effect. Further, in general, small cap firms generate more intensive individual investor herding. In addition, we explore the asymmetric impact of abnormal search volume index on individual investor herding Behaviour for bull and bear markets and confirm that the individual investor buy herding phenomenon is stronger in bull markets, especially for small capitalization firms. In bear markets, with greater price deterioration for large cap firms, we detect herding Behaviour on the sell side.

35. Market Stress and Herding: A New Approach to the Cryptocurrency

Ricardo Tavares & Marcelo Klotzle (2020): Herding is a feature of investor Behaviour in financial markets, particularly in market stress. We apply an approach based on the cross-sectional dispersion of individual stocks' betas, which allows us to extract herding patterns, using two dynamic methodologies to measure the herding phenomenon over time with a state-space model for the Cryptocurrency Market. The results reveal that herding toward the market shows significant movement, and persistence regardless of the market condition, expressed through the market index, market volatility, and the volatility index. When analyzing path herding is possible to observe that herding was intense during the investigated period. We also identify a positive relationship between herding and market stress.

36. The Influence of Overconfidence, Herding Behaviour, and Risk Tolerance on Stock Investment Decisions: The Empirical Study of Millennial Investors in Semarang City by Dea Adielyani, Wisnu Mawardi (2020):

The objective of this research is to examine the effect of overconfidence, herding Behaviour, and risk tolerance to the stock investment decisions. The hypotheses are overconfidence, herding Behaviour, and risk tolerance have a positive and significant effect on investment decisions. This study is quantitative research, with the population is millennial investors in Semarang City, Central Java, Indonesia. The research used 98 respondents was taken using purposive sampling. The data collected through questionnaires with Google form. The

method of data analyze used multiple linier regressions with the application of Statistical Package for the Social Sciences (SPSS) version 22. The results showed that the overconfidence, herding Behaviour, and risk tolerance provided a positive and significant effect on stock investment decisions of millennial investors in Semarang City.

37. Do Oil Prices and Financial Indicators Drive the Herding Behaviour in Commodity Markets by Mouna Youssef (2020): This study tests the presence of herding Behaviour in commodity markets from a constant and time-varying perspective. Additionally, we investigate whether oil prices and major financial indicators drive herding in these markets. Using daily data over the period 2003–2017, the constant model based on the cross-sectional absolute deviation model suggests no herding in any of the commodity sectors. However, using a time-varying approach, results reveal the existence of herding in almost all sectors, mainly during and after the global financial crisis. Furthermore, the oil price contributes significantly to herding among investors in the energy sector. We also find that the major exchange rate contributes to herding only for industrial metals sectors during a very limited period. Moreover, the US stock market also has a limited contribution to herding in the energy and the industrial metals sectors.

38. Investor Sentiment and (Anti) Herding in the Currency Market: Evidence from Twitter Feed Data by Rangan Gupta & Ellie Bouri (2021): This paper establishes a direct link between (anti) herding Behaviour in currency markets and investor sentiment, proxied by a social media based investor happiness index built on Twitter feed data. Our analysis of daily data for nine developed market currencies suggests that the foreign exchange market is generally characterized by strong anti-herding Behaviour. Utilizing the quantile-on-quantile (QQ) approach, developed by Sim and Zhou (Citation2015), we show that the relationship between investor sentiment and anti-herding is in fact regime specific, with anti-herding Behaviour particularly prominent during states of extreme investor sentiment. The effect of sentiment on anti-herding is generally

stronger in extreme bullish sentiment states, while average sentiment is associated with less severe anti-herding. The findings lend support to the behavioural factors for asset pricing models and suggest that real time investor sentiment signals can be utilized to monitor potential speculative activities in the currency market.

39. Herding Behaviour in Hong Kong stock market during the COVID-19 period

by Zixi Yang & Rui Jiang (2021): The study intends to conduct a systematic mechanism for herding detection in the Hong Kong stock market. We take stocks from three market sectors as samples and investigate the existence of herding in the two periods: before and during the outbreak of COVID-19 in Hong Kong, from August 2019 to July 2020. We adopt CCK model-based OLS and quantile regression to examine herding in each observed period and employ HS model to measure the magnitude of herding during the time. The empirical results indicate the emergence of mild herding from August 2019 to January 2020, and the herding phenomenon is generally weakened between February and July 2020. Our study confirms the implication of the systematic herding detection mechanism that can improve the sensitivity of detection and capture the magnitude and variation of herding.

40. Herding behaviour in cryptocurrency and emerging financial markets by

Maurice & George (2021): The letter examines herding in the most liquid cryptocurrency markets relative to traditional financial markets of 10 emerging economies within the G20. Our results reference significant symmetric crowd and imitation trading, which are dependent on time. Additionally, we report asymmetric herd behaviour in the cryptocurrency and stock markets, indicative that traders of these markets react collectively to extreme return movement with implied high risk and consequences for market informational efficiency.

41. Herding Behaviour and stock market conditions by Ruzita & Tamat Sarmidi

(2021): This paper investigates the impact of market conditions on investors' herding Behaviour in an emerging economy's stock market, focusing on Islamic

and conventional stocks. Using daily data from 1995-2016 and the herding Behaviour model of Chang et al. (2000), the study reveals distinct patterns. Shariah-compliant stocks exhibit herding Behaviour during both up and down markets, with a non-linear relationship to market returns. In contrast, conventional stocks show no herding Behaviour in either market direction. Overall market herding is observed only during up markets, albeit insignificantly. The findings offer valuable insights for investors, aiding in identifying conditions linked to rational and irrational investor Behaviour. This research contributes to the limited literature on herding Behaviour in Islamic financial markets, especially in emerging economies like Malaysia.

42.To Herd or Not to Herd: Do Intangible Assets Affect the Behaviour of Financial Analyst Recommendations by Ruben Segara & Juan (2021): The extent to which financial analysts provide “herd” rather than “bold” (or anti-herd) earnings forecasts has important implications for market efficiency. Identifying any contributing factor(s) for financial analyst herding Behaviour can lead to policies to help reduce such harmful conduct. Our 2 proxies for intangible asset intensity are found to have a differential impact on analyst herding Behaviour. More specifically, increases in firm-specific reported balance sheet intangible assets (level of patents granted) are associated with heightened (reduced) herding Behaviour. Our findings highlight the need for regulatory reforms such as more transparent disclosure, and standardized accounting treatment to better capture a firm’s investment in intangible assets in their financial statements.

43.The Effects of Herding on Betas and Idiosyncratic Risk by Petros Messis & Achilleas Zapranis (2021): This paper investigates the consequences of herding on systematic and idiosyncratic risk for stocks traded on S&P 500. Herding Behaviour is measured through a state-space model. Using monthly data from 1999 to 2017, different periods of herding and adverse herding are present. Evidence shows that the state space model identifies the significant herding effects on both risk measures for specific portfolios. Our findings validate the expected implications of herding on betas but not of adverse herding. In

addition, the low-beta anomaly is not confirmed on our beta-based portfolios. On the other hand, we confirm the risk-return relationship. We attribute this evidence to overpriced values of high beta assets as well as to the effects of adverse herding on the systematic and idiosyncratic risk. Finally, we also show that the herding level could serve as a systematic driver of returns improving the portfolio performance of traditional 'anomaly' based strategies.

44. Herding behaviour in Korea's cryptocurrency market by Sang Hoon Kang

& Seong-Min Yoon (2021): Herding behaviour is an interesting phenomenon that has a serious impact on the market, leading to inefficient asset prices and high volatility in periods of market turmoil. We analysed the existence of herding behaviour in the cryptocurrency market using hourly price data of eight major cryptocurrencies and the cross-sectional standard absolute deviation (CSAD) approach. Our findings showed anti-herding behaviour at shorter time intervals and herding behaviour during longer periods. The trading decisions of cryptocurrency investors mimic the behaviour of other traders over time. We further found that herding behaviour is stronger over longer time intervals in a down market. When a market is declining, it suggests that fear increases and investors are forced to act quickly in response to market movements rather than using their information. Thus, investors need to fix the situation as quickly as possible to avoid making losses, hence they need to make rational choices based on knowledge rather than emotion or fear.

45. Momentum, Information, and Herding by Zhilu Lin & Haoran Zhang (2021):

This study investigates the potential explanations to the momentum effect on the equity market. We primarily discuss the underreaction hypothesis, the overreaction hypothesis, and the impact of herding Behaviour. We find that the momentum effect disappeared after decimalization in all size deciles, which does not support the underreaction hypothesis. We also find that momentum profits do not exist in any intangible assets or R&D expenses deciles, which is not consistent with the continuous overreaction hypothesis. We further investigate the impact of herding Behaviour on the momentum effect. Using a

new firm-level herding measurement, we find that investors require higher returns in high herding stocks, and they require even higher returns in high herding stocks among previous losers, indicating that investors herd against the previous losers while they herd toward the winners.

46. Does herding Behaviour matter in investment management and perceived market efficiency by Qiang Wu & Maqsood Ahmad (2022): This article investigates the impact of herding Behaviour on the Pakistan Stock Exchange (PSX), focusing on its influence on perceived market efficiency, investment decisions, and individual investor performance. Employing a deductive approach and a sample of 309 PSX investors, the study uses a questionnaire and cross-sectional design, with data analysed using SPSS and AMOS. Results indicate that herding Behaviour negatively affects perceived market efficiency and investment performance, while positively influencing individual investor decision-making. This research contributes to the emerging field of behavioural finance, providing valuable insights into the role of herding Behaviour in investment management, especially in developing markets like Pakistan where such studies are scarce.

47. Chinese stock market volatility and herding Behaviour asymmetry during the COVID-19 pandemic by Jianing Zhang (2022): The primary purpose of this paper is to explore the herding Behaviour in the Chinese stock market during COVID-19 and the asymmetry of that Behaviour using the daily returns of A- and B-shares from 2 January 2019 to 15 October 2021. The study uses the cross-sectional absolute deviation model to analyze stock market herding Behaviour by non-linear polynomial regression. We show that the herding Behaviour in the Chinese stock market is more prominent during the COVID-19 pandemic. Herding Behaviour has a negative effect on stock market volatility. Moreover, such a suppressing effect weakened during the COVID-19 pandemic. The empirical results of the present study contribute to the literature about herding asymmetry by showing the herding Behaviour during the health crisis and bull and bear markets. It also helps reconcile the debate about the impact of herding

on market stability and provides insightful guidance for investors wishing to invest in the Chinese stock market.

48. Unintentional herd Behaviour via the Google search volume index in international equity markets by Chaoyuth & Phasin Wanidwaranan (2022):

We find that retail investor attention measured by the Google Search Volume Index helps promote herd Behaviour in 21 international equity markets. The proposed methodology with only one dummy variable in the herd detection model is more appropriate than prior models which include multiple dummy variables, yielding better interpretation, reliability, and validation. As the Google searches are informative and free, investors utilize the information and unknowingly make similar trading patterns, supporting unintentional herd Behaviour. Interestingly, the effect of retail investor attention seems to disappear in downward markets. We attribute this finding to the ostrich effect, in which investors are less attentive during downward markets because of their psychological discomfort. The robustness of our results is consistent with the main findings.

49. Exploring herding Behaviour in an innovative-oriented stock market by Zhehan Zhuang (2023):

The primary purpose of this paper is to explore the herding Behaviour in the Chinese stock market during COVID-19 and the asymmetry of that Behaviour using the daily returns of A- and B-shares from 2 January 2019 to 15 October 2021. The study uses the cross-sectional absolute deviation model to analyze stock market herding Behaviour by non-linear polynomial regression. We show that the herding Behaviour in the Chinese stock market is more prominent during the COVID-19 pandemic. Herding Behaviour has a negative effect on stock market volatility. Moreover, such a suppressing effect weakened during the COVID-19 pandemic. There is an asymmetry in herding Behaviour during the bull and bear markets, which is helpful in our investigation of the market's volatility during the COVID-19 pandemic. The pronounced asymmetry in the herding Behaviour of the Chinese stock market during COVID-19 is assessed using the E-GARCH (p, q) model. The empirical

results of the present study contribute to the literature about herding asymmetry by showing the herding Behaviour during the health crisis and bull and bear markets. It also helps reconcile the debate about the impact of herding on market stability and provides insightful guidance for investors wishing to invest in the Chinese stock market.

50. Chinese stock market volatility and herding Behaviour asymmetry during the COVID-19 pandemic by Fan Fei & Jianing Zhang (2023): The primary purpose of this paper is to explore the herding Behaviour in the Chinese stock market during COVID-19 and the asymmetry of that Behaviour using the daily returns of A- and B-shares from 2019- 2021. The study uses the cross-sectional absolute deviation model to analyze stock market herding Behaviour by non-linear polynomial regression. We show that the herding Behaviour in the Chinese stock market is more prominent during the COVID-19 pandemic. Herding Behaviour has a negative effect on stock market volatility The empirical results of the present study contribute to the literature about herding asymmetry by showing the herding Behaviour during the health crisis and bull and bear markets. It also helps reconcile the debate about the impact of herding on market stability and provides insightful guidance for investors wishing to invest in the Chinese stock market.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 METHODOLOGY

The research methodology serves as the blueprint outlines the specific designs and tools utilized to delve into the dynamics of investor Behaviour and the phenomenon of herd mentality. The methodology is meticulously tailored to unravel the intricacies of herding Behaviour, employing a mix of quantitative and qualitative research techniques. The focus is on collecting data through a thoughtfully constructed structured questionnaire, aiming to understand the motivations and consequences of investors following the crowd. This approach ensures a comprehensive exploration of the subject, shedding light on the complexities inherent in the realm of investment and the dynamics of collective decision-making among investors.

3.2 RESEARCH DESIGN

3.2.1 Descriptive research

Descriptive research observes and presents detailed information about a subject without manipulating variables. It provides a snapshot of the existing state through systematic data collection, useful for understanding the fundamental nature of a topic and identifying patterns.

3.3 SMAPLING TECHNIQUE

3.3.1 Purposive Sampling

Purposive sampling is employed in this study, categorized as a non-probability sampling approach. This method involves deliberately selecting individuals based on specific criteria relevant to the research objectives. While purposive sampling allows for targeted and strategic participant selection, it may introduce bias and limit the generalizability of results to the broader population.

3.4 SOURCE OF DATA

This strategic use of multiple datasets amplifies the depth of analysis, enabling a comprehensive understanding of the subject matter. The synthesis and interpretation of these distinct data types will serve as the cornerstone for deriving nuanced insights and formulating well-founded conclusions that enrich the overall scope of this study.

Primary Data

Primary data refers to information collected directly from original sources or firsthand experiences. This data is newly gathered for a specific research purpose and has not been previously published or documented. It is obtained through methods such as surveys, interviews, observations, experiments, or direct interactions, allowing researchers to tailor data collection to their specific needs and research objectives.

Secondary Data

Secondary Data refers to the information that is collected from standard books, internal sources, magazines, journals, and newspapers.

3.5 STRUCTURE OF QUESTIONNAIRE

The questionnaire consists of several sections designed to collect information on the respondents' demographic details, investment experience, decision-making processes, and perceptions of herd Behaviour in the investment realm. The structure is as follows:

- Basic Introduction
- Personal Details
- Research related Questions
- Preference /Experience Questions
- Likert Scaling Questions
- Drop-Down Questions

3.6 SAMPLE DESIGN

It involves creating a specific and detailed plan before gathering data from the population. The research process entails choosing a distinct sample. Sampling methods are divided into two categories: probability sampling and non-probability sampling. For this research, solely non-probability sampling is employed. This is further consisting of,

- **Sampling design:** Non-probability sampling
- **Sampling technique:** Purposive sampling
- **Sample unit:** Group of Investors (Students, Working Professionals, etc.)
- **Sample size:** 100 respondents

3.7 PERIOD OF STUDY

The study's duration spans of three months, indicating that the research process will be conducted over this period.

3.8 AREA OF THE STUDY

The targeted people are a specific group of people that are investors which reside in the city of Chennai.

3.9 HYPOTHESIS

3.9.1 Hypothesis – 1

H0: Investors' decisions are not influenced by social factors, leading to a tendency to follow the crowd.

H1: Investors' decisions are not influenced by social factors, leading to a tendency to follow the crowd.

3.9.2 Hypothesis – 2

H0: Risk tolerance & investment strategy do not influence herding Behaviour.

H1: Risk tolerance & investment strategy do influence herding Behaviour.

3.10 TOOLS FOR ANALYSIS

The questionnaire was devised to gather essential responses from the sample, aiming to fulfill the research objective. The tools used for the analysis are,

3.10.1 Percentage Analysis

Research questions are typically addressed using descriptive statistics, commonly represented by either percentages or means. Percentages are particularly suitable when understanding the distribution of specific responses among participants is crucial. This statistical measure is often utilized when responses are categorized discretely.

3.10.2 Data Analysis and Interpretation Tools

1. **Pie-Chart:** A pie chart visually displays the frequencies or percentages of a variable characterized by a limited number of categories. It's depicted as a circular graph divided into slices, with each slice's size directly proportional to the number or percentage of cases within each category.
2. **Chi-Square Test:** The Chi-Square test serves as a statistical method to ascertain disparities between observed and anticipated data. Additionally, it aids in evaluating the association between categorical variables within our dataset. Its primary function lies in discerning whether distinctions between two categorical variables result from chance or indicate an underlying relationship between them.
3. **ANOVA TEST:** One-Way ANOVA ("analysis of variance") compares the means of two or more independent groups in order to determine whether there is statistical

evidence that the associated population means are significantly different. One-Way ANOVA is a parametric test. This test is also known as: One-Factor ANOVA

CHAPTER 4

DATA ANALYSIS AND DATA INTERPRETATION

4.1 PRECENTAGE ANALYSIS

Within this chapter, the data collected through the questionnaire will be listed and analysed to gain insights into public perceptions regarding online and traditional markets. This analysis aims to decipher public opinions, shedding light on anticipated trends in shopping Behaviour. This data serves as the fundamental basis for our analysis, propelling us closer to drawing conclusions regarding the subject matter.

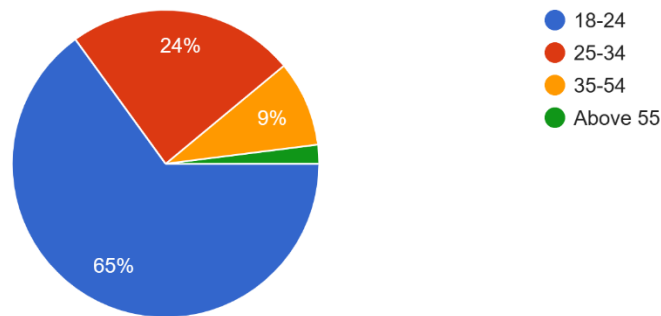
4.1.1 Age of the Respondents

S.No	Age	No. Of. Respondents	Percentage Analysis
1	18-24	65	65%
2	25-34	24	24%
3	35-54	9	9%
4	Above 55	2	2%
Total		100	100%

Table 4.1.1 Table Indicating Respondents age

2. Age

100 responses



Interpretation

From the above table, it can be deduced that 65% of the respondents fall within the 18-24 age group, making it the largest segment. The second-largest group comprises individuals aged 25-34, representing 24%. The 35-54 age group accounts for 9%, and those above 55 contribute 2%. In summary, the majority of respondents are in the 18-24 age range, followed by 25-34, with the remaining percentages distributed across the older age groups.

Inference:

- The majority of the respondents are between the age 18-24 and young people.

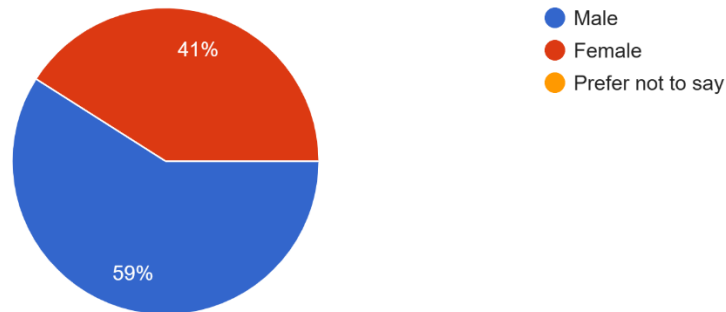
4.1.2 Gender of the respondents

S.No	Gender	No. Of Respondents	Percentage Analysis
1	Male	59	59%
2	Female	41	41%

3	Prefer not to say	0	0%
Total		100	100%

Table 4.1.2 Table Indicating Respondents Gender

3. Gender
100 responses



Interpretation

From the above pie chart, it is interpreted that the number male respondents is 59% and female respondents are 41% while prefer not to say is 0%

Inference

- The majority of the respondents are male with 59% of responses.

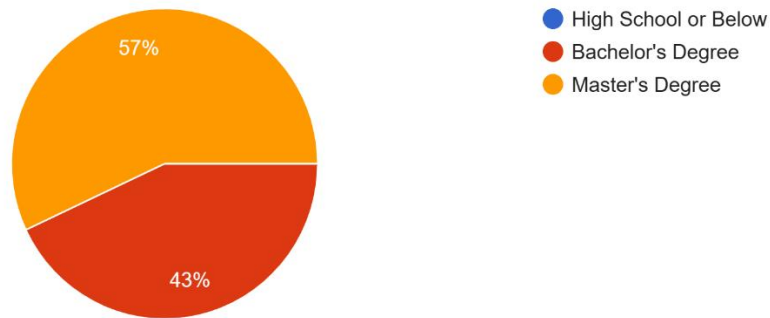
4.1.3 Education Level

S. No	Education Level	No. Of. Respondents	Percentage Analysis
1	High School or Below	0	0%
2	Bachelor's Degree	57	57 %
3	Master's Degree	43	43 %
Total		100	100%

Table 4.1.3 Table Indicating Respondents Education Level

4. Education Level

100 responses



Interpretation

According to the preceding pie chart, 57% of the respondents have a master's degree and 43% bachelor's degree

Inference

- From the Table we can understand that the majority of the respondents have a master's degree.

4.1.4 How long have you been actively investing?

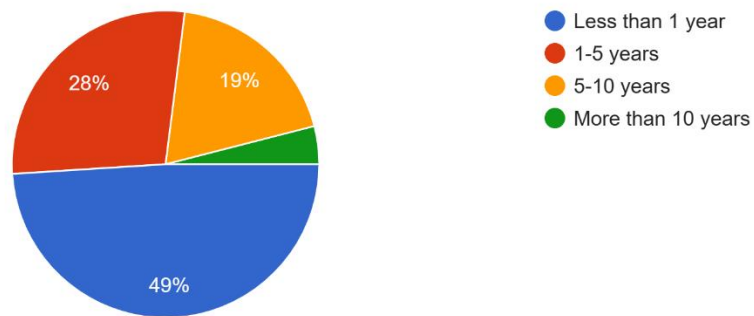
S. No	Frequency	No. Of. Respondents	Percentage Analysis
1	Less than 1 year	49	49%
2	1-5 years	28	28 %
3	5-10 years	19	19 %
4	More than 10 years	4	4 %

Total		100	100%
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Table 4.1.4 Table Indicating Active Investing

5. How long have you been actively investing?

100 responses



Interpretation

From the above table 49% have been investing less than 1 year followed by 28% for 1-5 years and 19% for 5-10 years with 4% investing more than 10 years.

Inference

- From the above data we can understand that majority of the respondent have been investing less than 1 year.

4.1.5 Type of investments

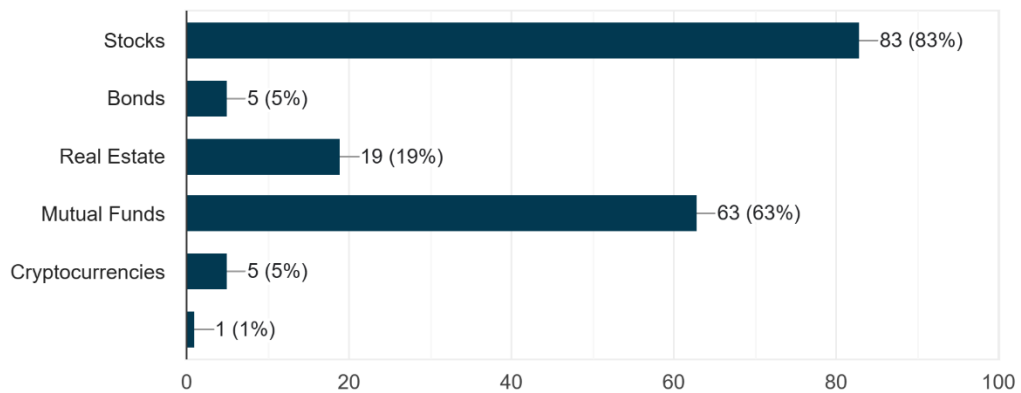
S. No	Type	No. Of. Respondents	Percentage Analysis
1	Stocks	83	83%
2	Bonds	5	5%
3	Real Estate	19	19%

4	Mutual Funds	63	63%
5	Cryptocurrencies	5	5%

Table 4.1.5 Table Indicating Types of Investments

6. What type of investments do you primarily focus on? (Select all that apply)

100 responses



Interpretation

The provided table presents an analysis of respondents based on their types of investments. Notably, the majority of respondents, constituting 83%, have invested in stocks. Mutual funds also have a significant representation, with 63% of the respondents choosing this investment option. Real estate follows as the third most popular choice, with 19%. Bonds and cryptocurrencies have the lowest representation, each accounting for 5% of the respondents.

Inference

- The majority of the respondents chose to invest in stocks.

4.1.6 The respondents investment knowledge

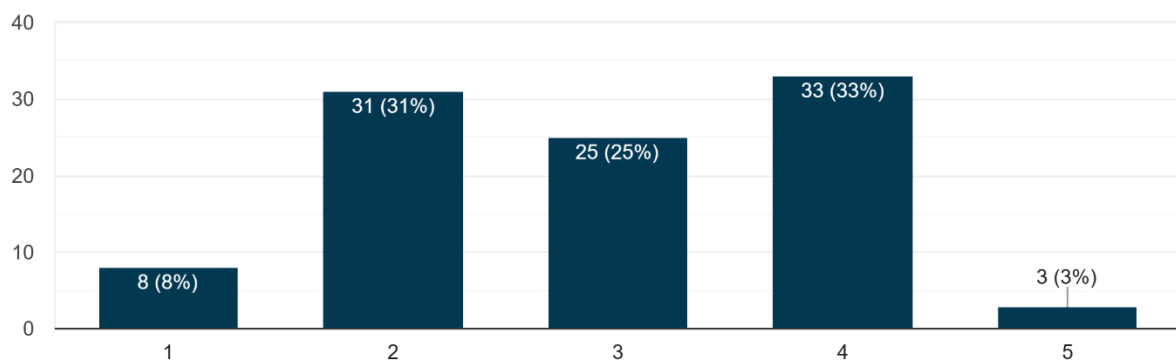
S. No	Level	No. Of. Respondents	Percentage Analysis

1	Very Low	8	8%
2	Low	31	31%
3	Moderate	25	25%
4	High	33	33%
5	Very High	3	3%
Total		100	100%

Table 4.1.6 Table displaying the level of investment knowledge

7. How would you rate your level of investment knowledge?

100 responses



Interpretation

The table illustrates the distribution of respondents based on their investment knowledge levels. The majority, comprising 33%, fall into the "High" category, followed by 31% with "Low" knowledge. "Moderate" knowledge is represented by 25%, while "Very Low" and "Very High" categories account for 8% and 3%, respectively.

Inference

- The Majority of respondents have high knowledge of investing.

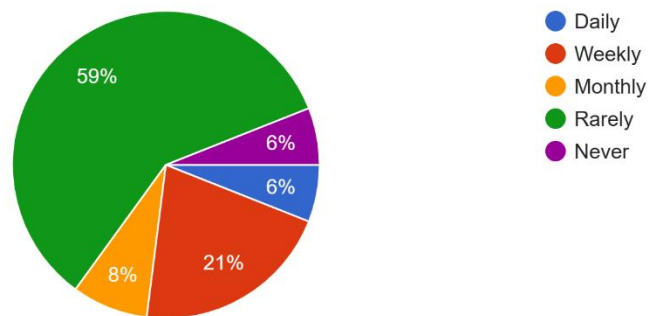
4.1.7 Respondents seeking advice or information investment

S. No	Frequency	No. Of. Respondents	Percentage Analysis
1	Daily	6	59%
2	Weekly	21	21%
3	Monthly	8	8%
4	Rarely	59	59%
5	Never	6	6%
Total		100	100%

Table 4.1.7 Table Containing frequency of advice seeking

8. How often do you seek advice or information about investments?

100 responses



Interpretation

From the above chart, it is evident that 59% of the respondents engage in the activity rarely, while 21% do it weekly. Only 8% participate on a monthly basis, and 6% do it daily or never engage in the activity. The data seems to represent the frequency distribution of respondents' engagement in a particular activity.

Inference

- The majority of respondents rarely seek any advice on investments.

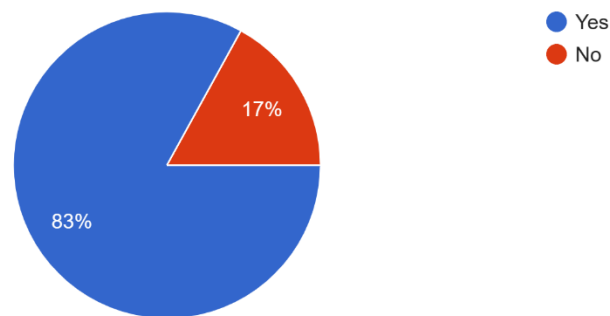
4.1.8 Investment decision without conduction own research

S. No	Result	No. Of. Respondents	Percentage Analysis
1	Yes	83	83%
2	No	17	17%
Total		100	100%

Table 4.1.8 Table Indicating Investment decision without conduction own research

9. Have you ever made an investment decision based on information you heard from others or saw in the media without conducting your own research?

100 responses



Interpretation

From the above table, it is evident that 83% of the respondents answered 'Yes' to the investment decision without conducting their own research, while 17% responded with 'No.'

Inference

The majority of respondents, constituting 83%, seem to be inclined towards making investment decisions without conducting their own research.

4.1.9 Frequency of having followed the crowd

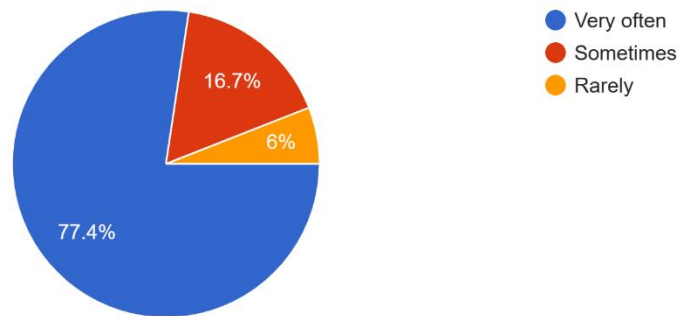
S. No	Frequency	No. Of. Respondents	Percentage Analysis
1	Very Often	77.4	77.4%
2	Sometimes	16.7	16.7%
3	Rarely	6	6%

Total		100	100%
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Table 4.1.9 Table Containing respondents having followed the crowd

10. If yes, how often have you followed the crowd without conducting your own research?

84 responses



Interpretation

1. The above pie chart shows a majority of 77.4% of respondents have followed the crowd without conducting their own research followed by 16.7% of respondents doing it sometimes and 6% rarely.

Inference

The majority 77.4% of respondents have followed the crowd without conducting their own research

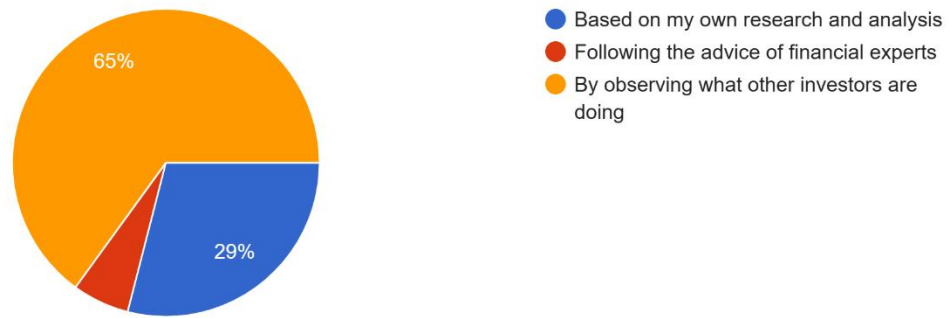
4.1.10 Way of investment decisions

S. No	Way of decision	No. Of Respondents	Percentage Analysis
1	Based on my own research and analysis	65	65%
2	Following the advice of financial experts	6	6%
3	By observing what other investors are doing	29	29%
Total		100	100%

Table 4.1.10 Table Indicating way of investment decision making

11. How do you typically make investment decisions?

100 responses



Interpretation

65% of the respondents said they typically make investment decisions by observing what other investors are doing followed by 29% claiming to doing their own research & 6% Following financial expert advice.

Inference

- According to this chart, a majority of the respondents typically make investment decisions by observing what other investors

4.1.11 Factors influence their decision to follow crowd

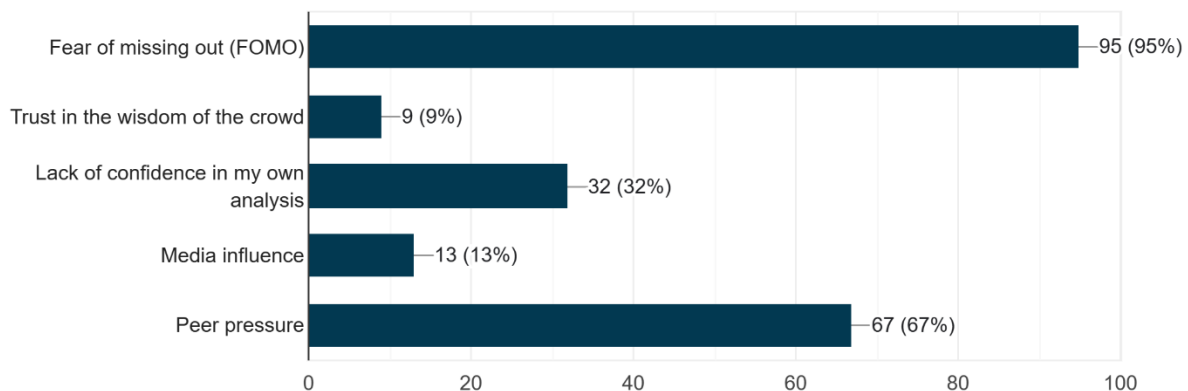
S. No	Factors	No. Of. Respondents	Percentage Analysis
1	Fear of missing out (FOMO)	95	95%
2	Trust in the wisdom of the crowd	9	9%
3	Lack of confidence in my own analysis	32	32%

4	Media influence	13	13%
5	Peer Pressure	67	67%

Table 4.1.11 Indicating factors that influence to follow crowds

12. Which of the following factors influence your decision to follow the crowd in your investments
(Select all that apply)

100 responses



Interpretation

The graph shows that the "Fear of Missing Out (FOMO)," with 95% of respondents citing it as a significant influence. Following closely is "Peer Pressure," identified by 67% of respondents. Other noteworthy factors include "Lack of confidence in my own analysis" at 32%, "Media influence" at 13%, and "Trust in the wisdom of the crowd" at 9%.

Inference

The majority of the respondents influence their decision to follow crowd because of Fear of Missing Out.

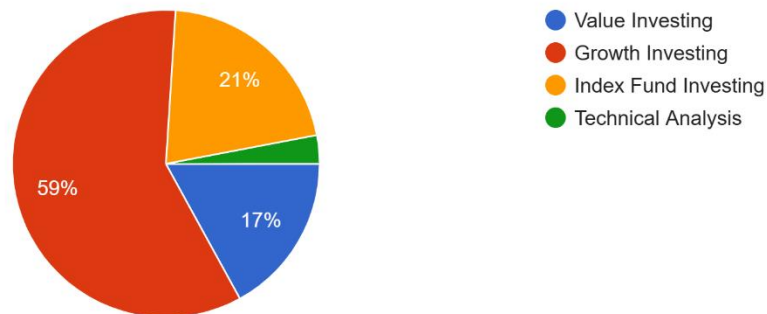
4.1.12 Investment Strategy

S.No	Strategy	No. Of. Respondents	Percentage Analysis
1	Value Investing	17	17%
2	Growth Investing	59	59%
3	Index Fund Investing	21	21%
4	Technical Analysis	3	3%
Total		100	100%

Table 4.1.12 Table indicating Investment Strategy

13. Which investment strategy do you primarily follow?

100 responses



Interpretation

The pie chart shows that 59% of the respondents follow a growth investing strategy followed by 21% in Index Fund Investing, 17% in Value investing and 3% Technical Analysis.

Inference

- This data show majority of respondents follow Growth Investing.

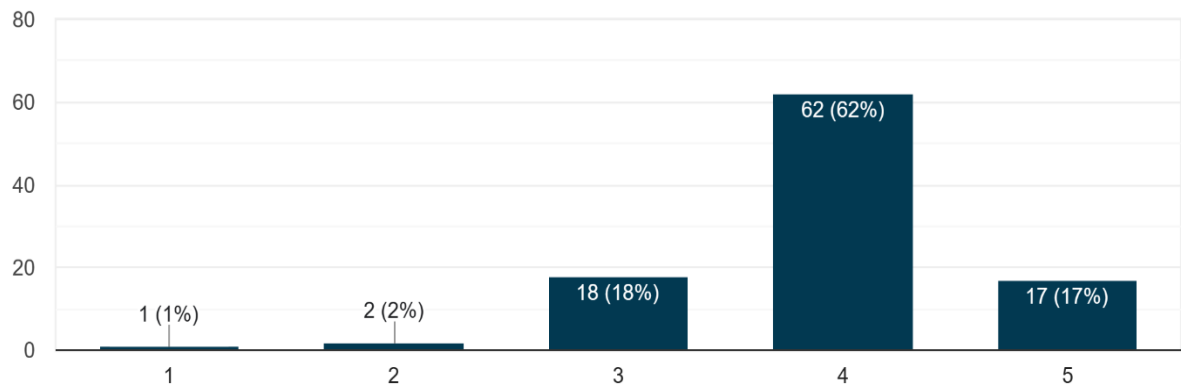
4.1.13 Comfort with taking risks

S.No	Level	No. Of. Respondents	Percentage Analysis
1	Very Uncomfortable	1	1%
2	Uncomfortable	2	2%
3	Neutral	18	18%
4	Comfortable	62	62%
5	Very Comfortable	17	17%
Total		100	100%

Table 4.1.13 Table Indicating the comfort with risk-taking

14. On a scale of 1 to 5, how comfortable are you with taking risks in your investments?

100 responses



Interpretation

The data illustrates the respondents' comfort levels with taking risks. The majority, comprising 62%, express being "Comfortable," followed by 17% who feel "Very Comfortable." A notable 18% fall under the "Neutral" category, while a smaller percentage of 2% and 1% find themselves "Uncomfortable" and "Very Uncomfortable," respectively. This indicates a generally positive disposition towards risk-taking among the respondents.

Interference

- The data shows a majority of respondents are comfortable with taking risks in their investments

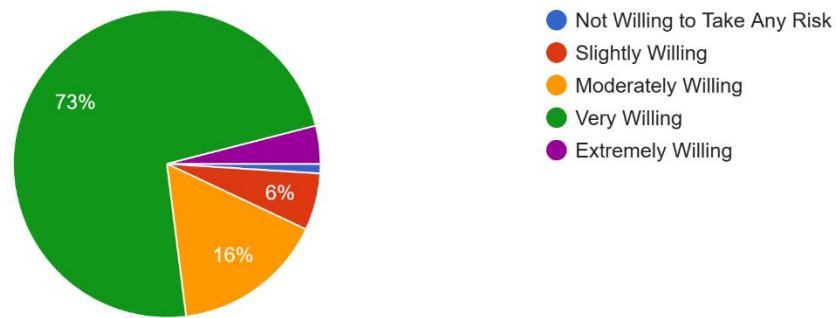
4.1.14 Willingness to take risks

S.No	Willingness	No. Of. Respondents	Percentage Analysis
1	Not Willing to Take Any Risk	1	1%
2	Slightly Willing	4	4%
3	Moderately Willing	16	16%
4	Very Willing	73	73%
5	Extremely Willing	4	4%
Total		100	100%

Table 4.1.14 Indicating willingness to take risks

15. How would you rate your willingness to take risks when investing?

100 responses



Interpretation

From the above chart we able to see that 73% of the respondents express a very high willingness to take risks, while 16% fall under the category of moderately willing. Slightly willing and extremely willing respondents each constitute 4% of the total, and a negligible 1% indicate that they are not willing to take any risks.

Inference

The majority of respondents are very willing to take risks.

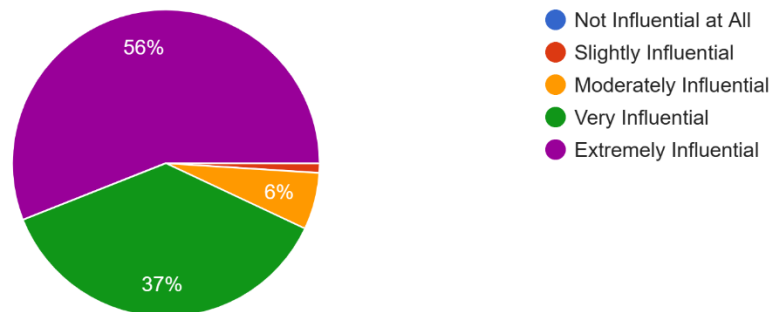
4.1.15 Influence of Herd Behaviour

S. No	Influential level	No. Of. Respondents	Percentage Analysis
1	Not Influential at All	0	0%
2	Slightly Influential	1	1%
3	Moderately Influential	6	6%
4	Very Influential	37	37%

5	Extremely Influential	56	56%
Total		100	100%

Table 4.1.15 Table Indicating influence of herding behaviour

16. In your opinion, how influential is herd behavior in the stock market?
100 responses



Interpretation

The pie chart shows the perceived level of influence among respondents. A significant portion, 56%, find the subject extremely influential, followed by 37% who consider it very influential. Moderately influential accounts for 6%, and only 1% perceive it as slightly influential, with none indicating it as not influential at all.

Inference

- This shows that majority of the respondents consider herding behaviour to be extremely influential in the stock market.

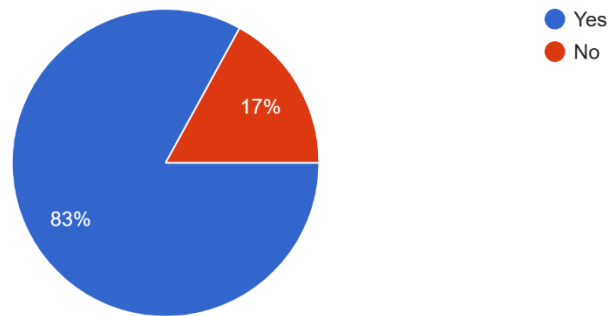
4.1.16 Regrets due to following crowd

S. No	Result	No. Of. Respondents	Percentage Analysis
1	Yes	83	83%
2	No	17	17%
Total		100	100%

Table 4.1.16 Table Indicating regrets due to following the crowd

17. Have you ever regretted an investment decision made due to following the crowd?

100 responses



Interpretation

The pie chart shows that 83 % of people have regretted an investment decision made due to following the crowd while 17% have not.

Inference

- The data show that majority of the respondents have regretted an investment decision made due to following the crowd.

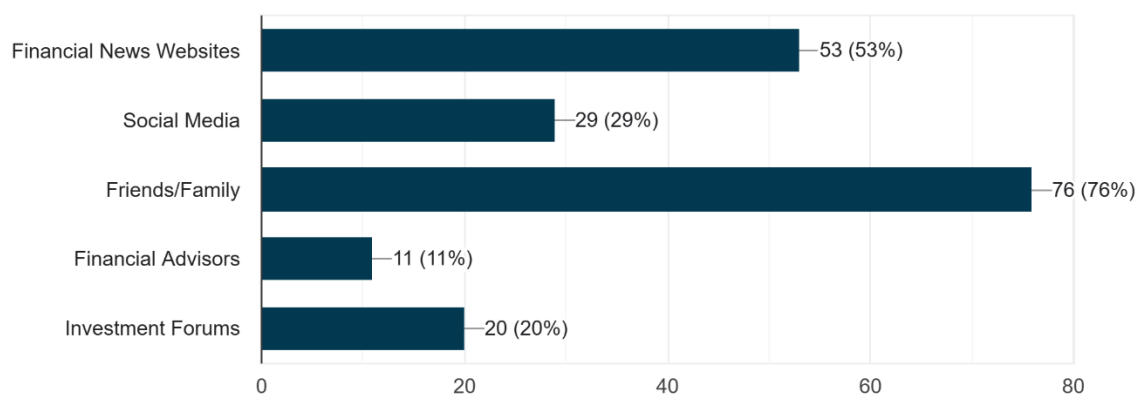
4.1.17 Sources of information on investment

S. No	Sources	No. Of. Respondents	Percentage Analysis
1	Financial News Websites	53	53%
2	Social Media	29	29%
3	Friends/Family	76	76%
4	Financial Advisors	11	11%
5	Investment Forum	20	20%

Table 4.1.17 Indicating sources of information on investment

18. Where do you primarily get information about investments?

100 responses



Interpretation

Financial news websites seem to be the most popular, with 53% of respondents relying on them. Social media follows closely behind at 29%, while friends and family constitute a significant source at 76%. Financial advisors and investment forums also play a role, though to a lesser extent, with 11% and 20%, respectively.

Inference

- A majority of the respondents sources their information of investment from Friends & Families

4.1.18 Credibility

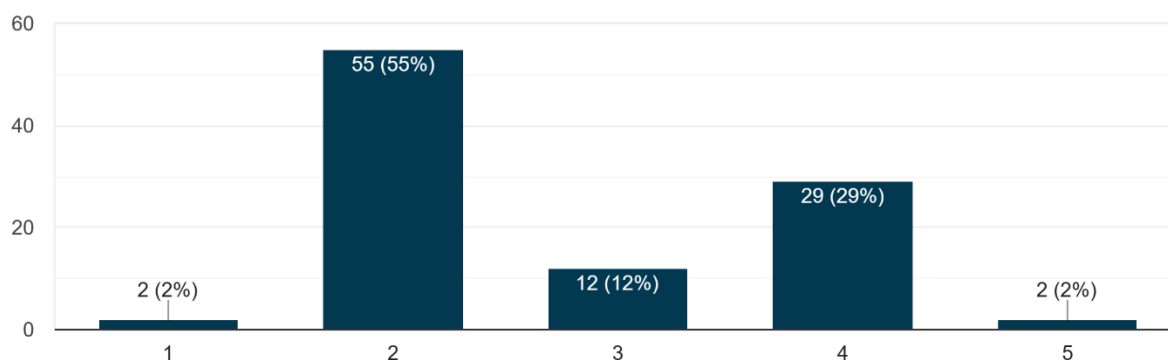
S. No	Credibility	No. Of. Respondents	Percentage Analysis
1	Not Credible at All	2	2%
2	Not Credible	55	55%
3	Neutral	12	12%
4	Credible	29	29%

5	Very Credible	2	2%
Total		100	100%

Table 4.1.18 Table Indicating credibility of investment sources

19. How do you assess the credibility of investment information sources?

100 responses



Interpretation

The data presented in the table reflects respondents' perceptions of the credibility of sources of information on investment. The largest proportion of respondents, constituting 55%, perceive such sources as "Not Credible," followed by 29% who consider them "Credible." A notable portion, 12%, maintains a neutral stance, while a smaller percentage, 2%, deems these sources "Not Credible at All." Additionally, 2% of respondents view the sources as "Very Credible."

Inference

- From the above we can understand that majority of the respondents consider the sources of information on investment to be credible,

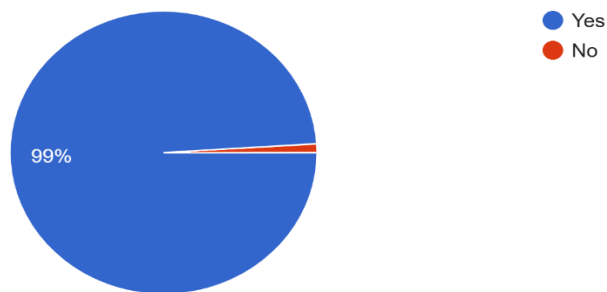
4.1.19 Experience on losses

S. No	Result	No. Of. Respondents	Percentage Analysis
1	Yes	99	99%
2	No	1	1%
Total		100	100%

Table 4.1.19 Table Indicating experience on losses over following crowd.

20. Have you personally experienced losses as a result of following the crowd in investment decisions?

100 responses



Interpretation

The pie chart shows 99% of respondents have experienced on losses over following crowd with only 1% not experiencing them.

Inference

- From this we can understand that majority of respondents have experienced on losses over following crowd

4.1.20 Overall Satisfaction

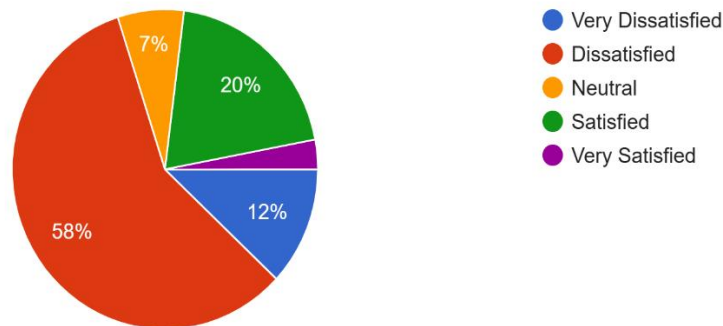
S. No	Satisfaction Level	No. Of. Respondents	Percentage Analysis
1	Very Dissatisfied	12	12%
2	Dissatisfied	58	58%
3	Neutral	7	7%

4	Satisfied	20	20%
5	Very Satisfied	3	3%
Total		100	100%

Table 4.1.20 Table Indicating Overall Satisfaction.

21. How would you rate your overall satisfaction with your investment decisions?

100 responses



Interpretation

From the above chart, we understand that 70% of the respondents fall into the "Dissatisfied" or "Very Dissatisfied" categories, indicating a notable dissatisfaction level. The "Neutral" responses make up a small portion at 7%, while the combined "Satisfied" and "Very Satisfied" responses account for 23%.

Inference

- From this we can understand that most respondents are dissatisfied with their investment decisions.

Hypothesis – 1

H0: Investors' decisions are not influenced by social factors, leading to a tendency to follow the crowd.

H1: Investors' decisions are not influenced by social factors, leading to a tendency to follow the crowd.

4.2 CHI-SQUARE TEST :

→ **Crosstabs**

[DataSet0]

Case Processing Summary

	Valid		Cases Missing		Total	
	N	Percent	N	Percent	N	Percent
Regret due to crowd * Investment Strategy	100	100.0%	0	0.0%	100	100.0%

Regret due to crowd * Investment Strategy Crosstabulation

Count

		Investment Strategy				Total
		value investing	growth investing	index fund investing	technical analysis	
Regret due to crowd	yes	17	59	7	0	83
	no	0	0	14	3	17
Total		17	59	21	3	100

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	66.927 ^a	3	<.001
Likelihood Ratio	64.444	3	<.001
Linear-by-Linear Association	47.953	1	<.001
N of Valid Cases	100		

a. 4 cells (50.0%) have expected count less than 5. The minimum expected count is .51.

Interpretation: The p-values for all three test statistics (Pearson Chi-Square, Likelihood Ratio, and Linear by Linear Association) are less than <0.001, which is below the commonly used significance level of 0.05. We would reject the null hypothesis in favour of the alternative hypothesis (H1).

Inference: This means that there is evidence to suggest that investors' decisions are influenced by social factors, leading to a tendency to follow the crowd.

Hypothesis – 2

H0: Risk tolerance & investment strategy do not influence herding Behaviour.

H1: Risk tolerance & investment strategy do influence herding Behaviour.

4.3 ANOVA

➔ Oneway

Descriptives

Regret due to crowd									
	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum	Between-Component Variance
value investing	17	1.00	.000	.000	1.00	1.00	1	1	
growth investing	59	1.00	.000	.000	1.00	1.00	1	1	
index fund investing	21	1.67	.483	.105	1.45	1.89	1	2	
technical analysis	3	2.00	.000	.000	2.00	2.00	2	2	
Total	100	1.17	.378	.038	1.10	1.24	1	2	
Model	Fixed Effects		.220	.022	1.13	1.21			
	Random Effects			.261	.34	2.00			.161

ANOVA

Regret due to crowd					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	9.443	3	3.148	64.754	<.001
Within Groups	4.667	96	.049		
Total	14.110	99			

Interpretation: The p-value is <.001, which is less than 0.05. Therefore, we would reject the null hypothesis (H0).

Inference: This means that there is evidence to suggest that risk tolerance and investment strategy do influence herding Behaviour based on the results of your ANOVA test.

CHAPTER 5

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1. FINDINGS

1. The majority 65% of the respondents are between the age 18-24 and young people.
2. The majority 59% of the respondents are male.
3. The majority 57% of the respondents have a master's degree.
4. The majority 49% of the respondent have been investing less than 1 year.
5. The majority 83% of the respondents chose to invest in stocks.
6. The Majority 33% of respondents have high knowledge of investing.
7. The majority 59% of respondents rarely seek any advice on investments.
8. The majority 83% of respondents make investment decisions without conducting their own research
9. The majority 77.4% of respondents have followed the crowd without conducting their own research
10. The majority 65% of the respondents said typically make investment decisions by observing what other investors.
11. The majority 95% of the respondents influence their decision to follow crowd because of FOMO
12. The majority 59% of respondents follow Growth Investing
13. The majority 62% of respondents are comfortable with taking risks in their investments
14. The majority 73% of respondents are very willing to take risks when investing
15. The majority 56% of the respondents consider herding behaviour to be extremely influential in the stock market.
16. The majority 83% of the respondents have regretted an investment decision made due to following the crowd.
17. The majority 76% of the respondents sources their information of investment from Friends & Families

18. The majority 55% of the respondents consider the sources of information on investment to be credible
19. The majority 99% of respondents have experienced on losses over following crowd
20. The majority 53% are dissatisfied with their investment decisions.

5.2 SUGGESTIONS:

1. With 49% of respondents having invested for less than a year, focus on educational campaigns that address the needs and concerns of novice investors. This could include guidance on conducting research, understanding risk, and making informed decisions.
2. Despite 83% investing in stocks, consider promoting awareness about the benefits of diversification. Encourage investors to explore other asset classes to reduce risk and optimize their portfolios.
3. Since a significant portion (83%) makes investment decisions without conducting their own research, emphasize the importance of thorough analysis before making investment choices. Promote resources and tools that aid investors in conducting informed research.
4. Recognizing that 95% of respondents are influenced by FOMO, develop strategies to mitigate the fear of missing out. This could include educational content on long-term investment strategies and the importance of staying true to one's financial goals.
5. Despite 59% rarely seeking advice on investments, encourage investors to seek professional advice for more informed decision-making. Highlight the value of diverse perspectives and expertise.

5.3 CONCLUSION:

This study unravelled critical insights into investor Behaviour, emphasizing key findings that bear significance for financial education and market dynamics. Notably, a youthful demographic dominates the investor landscape, necessitating targeted educational efforts. Gender disparities persist, underscoring the importance of tailored outreach strategies for enhanced inclusivity. Novice investors, constituting almost half of the sample, exhibit a surprising willingness to take risks, pointing to the need for educational campaigns on risk management. Despite the prevalence of stock investments, there's an opportunity to promote awareness about diversification. The pervasive influence of Fear of Missing Out (FOMO) suggests a need for strategies mitigating impulsive decisions. The underutilization of research and professional advice, coupled with high dissatisfaction rates, signals a crucial gap in investor education. Efforts to enhance the credibility of information sources and address the consequences of herd Behaviour are essential for fostering informed, independent, and satisfied investors in the financial landscape.

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ANNEXURE – Questionnaire

1. Age:

- 18-25
- 26-35
- 36-45
- 46-55
- 55 or older

2. Gender:

- Male
- Female
- Prefer not to say
- Other

3. Education Level:

- High School or Below
- Bachelor's Degree
- Master's Degree
- Other

4. How long have you been actively investing?

- Less than 1 year
- 1-5 years
- 5-10 years
- More than 10 years

5. What type of investments do you primarily focus on? (Select all that apply)

- Stocks
- Bonds
- Real Estate
- Mutual Funds
- Cryptocurrencies
- Other (please specify)

6. How would you rate your level of investment knowledge?

- Very Low
- Low
- Neutral
- High
- Very High

7. How often do you seek advice or information about investments?

- Daily
- Weekly
- Monthly
- Rarely
- Never

8. Have you ever made an investment decision based on information you heard from others or saw in the media without conducting your own research?

- Yes
- No

9. If yes, how often have you followed the crowd without conducting your own research?

- Often
- Sometimes
- Rarely
- Never

10. How do you typically make investment decisions?

- Based on my own research and analysis
- Following the advice of financial experts
- By observing what other investors are doing

11. Which of the following factors influence your decision to follow the crowd in investment?

- Fear of missing out (FOMO)
- Trust in the wisdom of the crowd
- Lack of confidence in my own analysis
- Media influence
- Peer pressure
- Other (please specify)

12. Which investment strategy do you primarily follow?

- Value Investing
- Growth Investing
- Index Fund Investing
- Technical Analysis
- Other (please specify)

13. On a scale of 1 to 10, how comfortable are you with taking risks in your investments, with 1 being not comfortable at all and 10 being extremely comfortable?

14. How would you rate your willingness to take risks when investing?

- Not Willing to Take Any Risk
- Slightly Willing
- Moderately Willing
- Very Willing
- Extremely Willing

15. In your opinion, how influential is herd Behaviour in the stock market?

Likert Scale:

- Not Influential at All
- Slightly Influential
- Moderately Influential
- Very Influential
- Extremely Influential

16. Have you ever regretted an investment decision made due to following the crowd?

- Yes
- No

**17. Where do you primarily get information about investments?
(Select all that apply)**

- Financial News Websites
- Social Media
- Friends/Family
- Financial Advisors
- Investment Forums
- Other (please specify)

18. How do you assess the credibility of investment information sources?

- Very Credible
- Somewhat Credible
- Neutral
- Somewhat Not Credible
- Not Credible at All

19. Have you personally experienced losses as a result of following the crowd in investment decisions?

- Yes
- No
- Not sure

20. How would you rate your overall satisfaction with your investment decisions?

- Very Dissatisfied
- Dissatisfied
- Neutral
- Satisfied
- Very Satisfied

21. On a scale of 0 to 10, how satisfied are you with investment decisions overall?