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"A STUDY ON HERDING IN THE STOCK MARKET AMONG RETAIL INDIVIDUAL INVESTORS WITH SPECIAL REFERENCE TO BANGALORE"

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ABSTRACT

This study aims to investigate the phenomenon of herding behaviour among retail individual investors in the stock market, with a specific focus on the city of Bangalore. Herding refers to the tendency of individuals to follow the actions of the majority, rather than making independent decisions. The study will examine the factors that contribute to herding behaviour, such as social influence, fear of missing out, and information cascades. Data will be collected through surveys and interviews with retail investors in Bangalore, and statistical analysis will be used to identify patterns of herding behaviour. The findings of this study will contribute to a better understanding of the dynamics of the stock market and may have implications for investor decision-making and market regulation.

KEY WORDS: Herding behaviour, Retail investors, Decision

INTRODUCTION

Herding behaviour in the stock market refers to the tendency of investors to follow the actions and decisions of the larger crowd, rather than independently analysing and making their own investment choices based on available information. It is a behavioural phenomenon where investors imitate or mimic the actions of others, leading to the formation of trends and momentum in stock prices. This study aims to provide a brief introduction to herding behaviour in the stock market. It will explore the concept, causes, and implications of this behaviour, while highlighting its potential impact on market efficiency, volatility, and investor decision-making. By reviewing relevant research studies and real-life examples, this study will offer insights into the patterns, motivations, and consequences of herding behaviour in the stock market. Understanding the dynamics of herding behaviour is crucial for both individual investors and market regulators. Individual investors need to be aware of the potential biases associated with following the crowd, as it can lead to suboptimal investment decisions and increased exposure to market risks. Market regulators, on the other hand, can benefit from understanding the factors that drive herding behaviour, as it can help them identify and address potential market systemic risks.

REVIEW OF LITERATURE

Dr. B. Shekhar (2021) To estimate Herding behavior on Indian retail and professional investors and its impact on stock market price volatility in financial capital Market.

Kaleem Ullah (2021) The rationality of conventional finance has long been questioned by behavioral finance.

Vijay Kumar Shrotryia (2018) The investor's tendency to exhibit herding bias while making an investment decision in the capital markets across the globe.

Dr. Ashish Kumar1, Ms. Bharti2 (2014) The measure herd behavior in stock markets focus on the developed economies of Country, herding if the investment decisions change in congruence with others.

OBJECTIVES OF THE STUDY

- ❖ How investors influenced different platforms.
- ❖ To understanding the level of herding behaviour among Retail individuals' investors.
- ❖ To analyse the herding impact on stock market movements.

RESEARCH METHODOLOGY:

The research design of the study is descriptive in nature. The following methodology has been used in this study.

Convenience Sampling This sampling used for data collection under this study.

SAMPLE PLAN: 106 samples are selected for this study who are individual assess from various classes of occupation, age group and income group based on convenience.

SAMPLE METHOD: The present study is based on used is non probability sampling method, under convenience sampling methodology used. The population for this study consists of the assesses in the Bengaluru Urban

SAMPLE SIZE: The size of sample is 106.

TOOLS FOR DATA COLLECTION: Google form questionnaire survey.

LIMITATIONS OF THE STUDY:

❖ The study is limited to present retail investors.
❖ The study is limited to Bangalore urban; it can't be generalized to Bangalore rural.

ANALYSIS AND INTERPRETATION

❖ By analysing the 106 respondents, 36% respondents are sometime influenced by news, media, or social media platforms when making investment decisions. 34% respondents are often,23% respondents are always, and 7% respondents are really influenced respectively.
❖ It was analysed 34% of them was given Yes, 28% of them was given No, and 38% of them will give maybe, the understanding level of herding investment among the retail investors, hence many of the 38% respondents may be understanding the herding investment among retail investors.

❖ herding behaviour can impact stock market movements among 106 respondents 23% of respondent are strongly agree, 51% of respondents are agree, 26% of respondents are Neutral, 0% of respondents are Disagree, and 0% of respondents are strongly disagreed. Hence it says majority of respondents are says agree the herding behaviour can impact stock market movements.

FINDINGS

❖ From the study of report, we can know that importance is investment decisions.

❖ The study report findings the investors discuss their market investments with family

❖ colleagues and retail investors influenced sometimes by news, media platforms.

❖ The retail investors maybe know the level of understanding the herding behaviour.

❖ The study finds that herding behaviour investment can impact in stock market.

❖ The retail investors follow the investment consider individually

CONCLUSIONS

The study on herding in the stock market among retail individual investors with special references to Bangalore. it was found that herding behaviour does exist among retail investors, wherein individuals tend to mimic the investment decisions of others rather than making independent choices. This behaviour can be attributed to information cascades, social influence, and the desire to avoid regret. The research highlights that herding behaviour is more prevalent during periods of increased market uncertainty or volatility. When faced with ambiguous situations, retail investors tend to rely on the actions of others as a form of social proof to guide their own decisions. This herding behaviour often leads to increased market inefficiencies and may contribute to the formation of speculative bubbles or market crashes. Overall, the study provides valuable insights into the prevalence and drivers of herding behaviour in the stock market among retail individual investors.

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