

Indian Retail Investors Investment Behaviour Is Influenced By Digital Trading Platforms

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ABSTRACT:

Digital trading platforms have changed the way Indian retail investors invest by making investment activities easier, faster, and more convenient. This study examines the influence of digital trading platforms on the investment behaviour of Indian retail investors. Primary data were collected from 110 retail investors using a structured questionnaire. The data were analysed using factor analysis, mean score analysis, and one-sample t-test. The findings show that retail investors have a high level of adoption of digital trading platforms. The study also found that digital trading platforms significantly improve investment awareness, financial participation, investment performance, and portfolio diversification. Overall, digital trading platforms play an important role in encouraging better investment behaviour among Indian retail investors...

Keywords: Digital Trading Platforms, Retail Investors, Investment Behaviour, Investment Awareness, Investment Performance, Portfolio Diversification.

INTRODUCTION

Digital technology has significantly influenced investment behavior in the Indian stock market in recent years, particularly among new investors. The way that rising investors obtain information about investments and analyze market patterns has changed due to the increasing usage of social media platforms, mobile trading apps, and financial influencers. Real-time market data is provided via digital platforms. Additionally, they facilitate peer-to-peer interaction, which has improved access to and involvement in financial markets. Nevertheless, despite increased information availability, investing choices are frequently not entirely logical and are impacted by behavioral and psychological aspects.

A number of cognitive and emotional biases, such as overconfidence, herding behavior, anchoring, loss aversion, and availability bias, influence investor behavior in digital investment environments. Frequent exposure to price fluctuations, peer opinions, and influencer recommendations can exacerbate these biases and lead to impulsive or trend-driven investing choices. Novice investors may be more vulnerable to cognitive biases than seasoned investors as the number of first-time investors rises and financial information becomes more complicated and quickly changing.

An investor's ability to obtain and comprehend financial information depends critically on their level of financial literacy. Consequently, investors are more likely to make wise investment choices when they are more financially literate. It's still unclear, though, if more financial literacy considerably reduces the behavioral biases faced by inexperienced Indian investors. It is crucial to look into how digital platforms, behavioral biases, and financial literacy interact in order to better understand investor behavior in the digital investment sector. Nevertheless, only a small number of empirical research have looked at these elements collectively, despite the growing popularity of digital investing in India..

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Using financial literacy as a moderating variable, this study examines how beginner investors' usage of digital platforms and behavioral biases affect their investment behavior in the Indian stock market. The study is to assist the creation of integrated financial literacy and behavioral awareness programs that encourage sensible and responsible investing behavior while offering insights into the Indian context.

The Indian financial market has undergone a significant transformation in recent years due to rapid technological advancements and increasing internet penetration. The emergence of digital trading platforms has revolutionized the way retail investors participate in investment activities. Digital platforms such as Zerodha, Groww, Upstox, and Angel One have made investing more accessible, convenient, and cost-effective for individual investors across the country.

1.1. Investors Behaviour in Digital Platforms

Retail investors, who are individual investors investing their personal funds in financial instruments such as stocks, mutual funds, bonds, and exchange-traded funds, are increasingly relying on digital trading platforms to make investment decisions. These platforms provide real-time market information, advanced analytical tools, user-friendly interfaces, educational resources, and seamless transaction facilities, enabling investors to participate actively in the financial markets.

The growing adoption of smartphones, digital payment systems, and financial technology (FinTech) innovations has further accelerated the shift from traditional investment methods to online trading. Digital trading platforms not only reduce transaction costs but also enhance investor engagement through features such as portfolio tracking, personalized recommendations, algorithm-based insights, and social investing communities. As a result, investors' attitudes, risk perceptions, investment preferences, and decision-making processes are being significantly influenced by these technological advancements.

Understanding how digital trading platforms affect the investment behaviour of Indian retail investors has become increasingly important for policymakers, financial institutions, regulators, and platform providers. This study aims to examine the extent to which digital trading platforms influence investment decisions, trading frequency, risk-taking behaviour, and overall participation in the Indian financial market. The findings will contribute to a better understanding of the evolving investment landscape and the role of digital technology in shaping investor behaviour in India.

2. REVIEW OF LITERATURE

Gupta (2023) found that the most common behavioral bias among Bengaluru's retail investors was loss aversion, which was followed by overconfidence and herding behavior. The findings show that these biases coexist, underscoring the necessity of investor awareness initiatives. There hasn't been any research done on how digital platforms affect these biases.

Gaikwad et al. (2023) investigated the influence of social media on retail investors' choices. The authors noted that although social media was linked to a greater awareness of the investment sector, it also facilitated the dissemination of false information and unsupported opinions, which resulted in herd mentality.

The authors also came to the conclusion that financial literacy and critical thinking abilities can assist reduce these risks.

Shukla et al.'s (2024) analysis of behavioral biases and their impact on investment decision-making, investor behavior is greatly influenced by overconfidence, representativeness, and herding behavior. According to the authors, conventional rational models don't fully capture the behavior of Indian investors. Research on how digital platforms affect investment behavior, however, is few.

Yavana and Prerana (2023) investigated how social media affected young Indian investors' investing choices. They discovered that user-generated material and influencer recommendations had a big impact on how young investors view financial markets and make investing choices. In order to counteract false information that frequently spreads on social media, the writers promoted the growth of critical thinking abilities and financial literacy.

John et al. (2023) investigated the psychology of retail investors by combining contextual factors like social media and financial literacy levels with behavioral biases. The majority of retail investors rely on both data and intuition when making decisions, according to the survey. The study did not, however, provide an empirical evaluation of the possible linkages between investor environment and behavioral bias, suggesting a direction for further investigation.

Warkar and Durai (2022) looked into how finfluencer narratives affected Gen Z investors' investing decisions in India. According to their findings, narratives about finfluencers are likely to intensify inclinations toward imitation and overconfidence while making investing decisions. Along with recommendations for better consumer education and regulatory strategies, the ethical implications of information pertaining to digital banking were also taken into account.

Dutta and Achan (2022) They discovered that investors were more prone to overconfidence and herding behavior due to the constant flow of information and the ease of digital accessibility. In the end, they came to the conclusion that investors could lessen the influence of prejudice and make more informed financial decisions by educating themselves.

3. STATEMENT OF THE PROBLEM

Digital trading platforms have become increasingly popular among Indian retail investors because they make investing easy, fast, and convenient. These platforms provide access to market information, online trading facilities, and investment tools through smartphones and computers. As more investors use digital trading platforms, their investment decisions and trading behaviour may be influenced by the features and services offered by these platforms. Therefore, this study aims to examine how digital trading platforms influence the investment behaviour of Indian retail investor

4. RESEARCH OBJECTIVES

To identify the factors of digital trading platforms that influence retail investors' investment decisions.

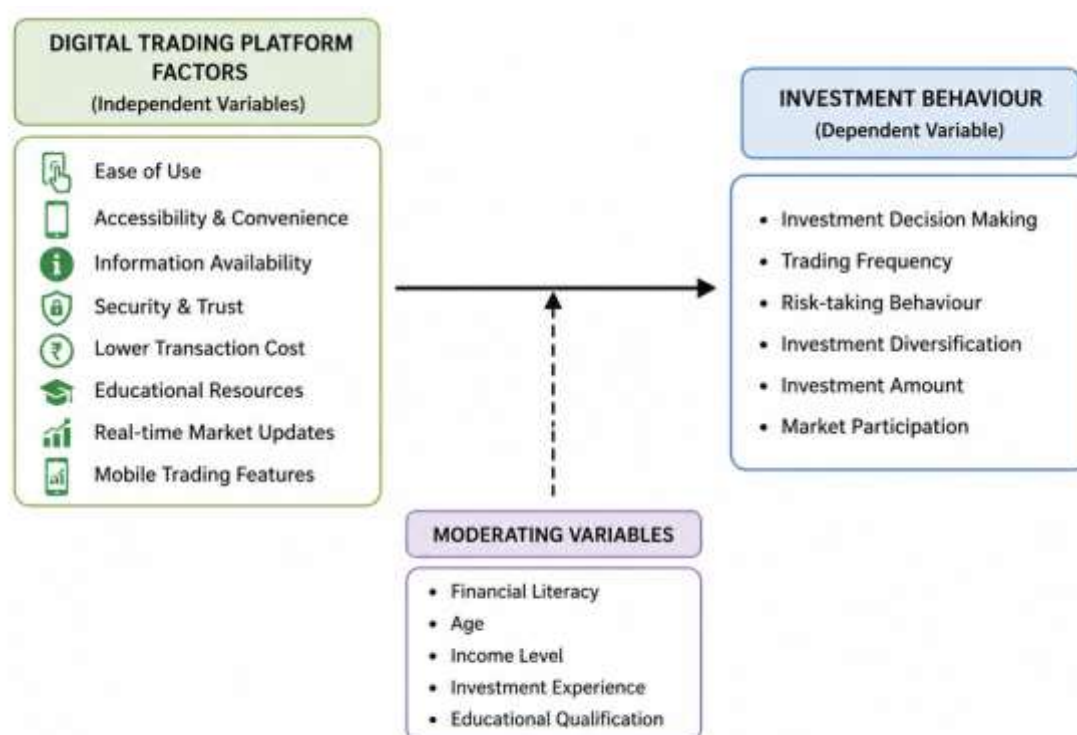
To study the level of adoption of digital trading platforms among Indian retail investors.

To examine the role of digital trading platforms in enhancing investment awareness and financial participation.

To evaluate the impact of digital trading platforms on investment performance and portfolio diversification of retail investors.

5. RESEARCH METHODOLOGY

Conceptual model of investment factors



5.1 Population of the Study

Data for this study consists of 110 Retail Investors.

5.2 Sample Design

The sample used in this study is Convenience sampling method under Non-probability sampling method.

5.3 Data Collection

For a study of Indian retail investors investment behaviour is influenced by digital trading platforms the data collection process should involve both primary and secondary sources to provide a comprehensive analysis.

5.3.1 Primary Data Collection

Surveys

The data collected through Questionnaire.

5.3.2 Secondary Data Collection

Secondary Data is the data collected through

Research Paper

Journals

Websites, various Articles

5.4 Data Analysis

The data collected was analyzed using Descriptive, KMO and Bartlett's Test, Exploratory Factor Analysis, Mean Score Analysis, One-Sample t-test.

6. RESULTS AND DISCUSSION

Objective 1: To identify the factors of digital trading platforms that influence retail investors' investment decisions.

KMO AND BARTLETT'S TEST	
Particulars	Value
Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.854
Bartlett's Test of Sphericity Approx. Chi-Square	1386.572
df	105
Sig.	.000

The KMO value of 0.854 indicates that the sample is adequate for conducting factor analysis. Bartlett's Test of Sphericity is significant ($\chi^2 = 1386.572$, $p < 0.001$), confirming that the variables are sufficiently correlated. Hence, factor analysis is appropriate.

Variables	Factor 1	Factor 2	Factor 3	Factor 4
Easy account opening	0.812			
User-friendly interface	0.835			
Mobile trading facility	0.798			
Portfolio tracking	0.742			
Speed of transaction	0.781			
Security of transactions		0.842		
Instant fund transfer		0.811		
Customer support		0.754		
Low brokerage charges		0.706		
Research reports			0.781	
Technical analysis tools			0.824	

Real-time market information			0.839	
Educational resources			0.731	
AI investment suggestions				0.827
Multiple investment options				0.798
Rotation Method:				
Varimax with Kaiser Normalization.				
Rotation converged in 6 iterations.				

The factor analysis reveals that the features of digital trading platforms influencing retail investors' investment decisions can be grouped into four major dimensions: Platform Convenience, Transaction Security & Cost Efficiency, Information & Analytical Support, and Advanced Investment Features. Among these, Platform Convenience emerged as the most influential factor, explaining 36.19 percent of the total variance. Overall, the four extracted factors account for 70.15 percent of the total variance, indicating that these dimensions play a significant role in shaping retail investors' investment decisions through digital trading platforms.

TOTAL VARIANCE EXPLAINED			
Component	Eigen Value	% of Variance	Cumulative %
1	5.428	36.19	36.19
2	2.146	14.31	50.5
3	1.664	11.09	61.59
4	1.284	8.56	70.15

Four factors with eigenvalues greater than one were extracted. These four factors together explain 70.15 percent of the total variance, indicating that they adequately represent the major dimensions influencing retail investors while using digital trading platforms.

Objective 2: To study the level of adoption of digital trading platforms among Indian retail investors.

MEAN SCORE ANALYSIS OF THE LEVEL OF ADOPTION OF DIGITAL TRADING PLATFORMS AMONG INDIAN RETAIL INVESTORS (N = 110)

S. No.	Statements	Mean	S.D.	Rank
1	Digital trading platforms are regularly used for investing..	4.26	0.71	I
2	Digital trading platforms are easy to access and operate.	4.18	0.76	II
3	Digital trading platforms are preferred over traditional brokerage services.	4.07	0.79	III
4	Mobile trading applications are used for investment transactions.	4.01	0.82	IV

5	Investment portfolios are monitored through digital platforms.	3.94	0.84	V
6	Real-time market information is accessed through digital platforms.	3.89	0.87	VI
7	Digital trading platforms support investment in multiple financial products.	3.81	0.91	VII
8	Educational resources on digital trading platforms are useful.	3.69	0.95	VIII
9	AI or robo-advisory features support investment decisions.	3.54	0.98	IX
10	Digital trading platforms are suitable for investors.	3.47	1.02	X

The above table shows the level of adoption of digital trading platforms among Indian retail investors. The statement "I regularly use digital trading platforms for investing in securities" secured the highest mean score (Mean = 4.26) and ranked first, indicating that most respondents actively use digital platforms for investment purposes. This was followed by "Digital trading platforms are easy to access and operate" (Mean = 4.18) and "I prefer digital trading platforms over traditional brokerage services" (Mean = 4.07), which ranked second and third respectively.

The statement "I recommend digital trading platforms to others" obtained the lowest mean score (Mean = 3.47), indicating comparatively lower willingness among respondents to recommend these platforms despite their personal usage.

The overall mean score of 3.89 indicates a high level of adoption of digital trading platforms among Indian retail investors. The findings suggest that retail investors widely embrace digital trading platforms due to their convenience, accessibility, and efficiency in managing investment activities.

Objective 3: To examine the role of digital trading platforms in enhancing investment awareness and financial participation

Hypothesis

H₀: Digital trading platforms do not significantly enhance investment awareness and financial participation among Indian retail investors.

H₁: Digital trading platforms significantly enhance investment awareness and financial participation among Indian retail investors.

ONE-SAMPLE STATISTICS				
Variable	N	Mean	Std. Deviation	Std. Error Mean
Role of Digital Trading Platforms in Enhancing Investment Awareness and Financial Participation	110	4.08	0.64	0.061

ONE-SAMPLE TEST					
Test Value = 3					

Variable	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference (Lower)	Upper
Role of Digital Trading Platforms in Enhancing Investment Awareness and Financial Participation	17.7	109	0	1.08	0.96	1.2

The One-Sample t-test was conducted using a test value of 3, representing the neutral level of agreement. The results show that the mean score for the role of digital trading platforms in enhancing investment awareness and financial participation is 4.08, which is substantially higher than the test value. The calculated t-value is 17.70 with 109 degrees of freedom, and the p-value (Sig. 2-tailed) is 0.000, which is less than the 0.05 level of significance.

Since the p-value is less than 0.05, the null hypothesis is rejected and the alternative hypothesis is accepted. This indicates that digital trading platforms play a significant role in enhancing investment awareness and financial participation among Indian retail investors. The positive mean difference of 1.08 further suggests that respondents strongly agree that digital trading platforms contribute to improved financial awareness and encourage greater participation in investment activities.

Objective 4: To evaluate the impact of digital trading platforms on investment performance and portfolio diversification of retail investors.

Hypothesis

H₀: Digital trading platforms do not have a significant impact on the investment performance and portfolio diversification of retail investors.

H₁: Digital trading platforms have a significant impact on the investment performance and portfolio diversification of retail investors.

ONE-SAMPLE STATISTICS				
Variable	N	Mean	Std. Deviation	Std. Error Mean
Impact of Digital Trading Platforms on Investment Performance and Portfolio Diversification	110	4.15	0.68	0.065

ONE-SAMPLE TEST							
Test Value = 3							
Variable	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	Lower	Upper
Impact of Digital Trading Platforms on Investment Performance and Portfolio Diversification	17.69	109	0	1.15	1.02	1.28	1.28

The One-Sample t-test was conducted using a test value of 3, representing the neutral point on the five-point Likert scale. The mean score of 4.15 indicates that respondents generally agree that digital trading platforms positively influence their investment performance and portfolio diversification. The calculated t-value of 17.69 with 109 degrees of freedom is statistically significant at the 5 percent level ($p = 0.000$).

Since the significance value is less than 0.05, the null hypothesis is rejected and the alternative hypothesis is accepted. This finding indicates that digital trading platforms have a significant positive impact on the investment performance and portfolio diversification of retail investors. Respondents perceive that these platforms help them make better investment decisions, monitor portfolio performance efficiently, and diversify their investments across different financial instruments, thereby improving overall investment outcomes.

7. FINDINGS

The study confirmed that the data were suitable for factor analysis.

Four major dimensions influencing the use of digital trading platforms were identified: Platform Convenience, Transaction Security and Cost Efficiency, Information and Analytical Support, and Advanced Investment Features.

The findings revealed a high level of adoption of digital trading platforms among Indian retail investors.

Regular use of digital trading platforms for investment was identified as the most highly rated adoption factor.

Digital trading platforms significantly enhanced investment awareness and financial participation among retail investors.

Digital trading platforms had a significant positive impact on investment performance and portfolio diversification.

8. SUGGESTIONS:

Improve Financial Literacy: Retail investors should enhance their knowledge of financial markets and investment products before making investment decisions through digital trading platforms.

Provide Investor Education: Digital trading platforms should offer more educational content, webinars, and tutorials to help investors make informed decisions.

Strengthen Security Measures: Platform providers should ensure strong security features to protect investors' personal and financial information.

Encourage Long-Term Investing: Investors should focus on long-term financial goals rather than making impulsive decisions based on short-term market movements.

Ensure Transparent Information: Digital trading platforms should provide clear and accurate information regarding risks, charges, and investment options.

9. CONCLUSION:

By increasing accessibility, convenience, and efficiency, digital trading platforms have revolutionized the way Indian retail investors engage in financial markets. Increased investor engagement has been prompted by features including low transaction fees, user-friendly interfaces, real-time market information, and simple account opening. These platforms have a big impact on retail investors' trading habits, risk-taking attitudes, and investment choices. Even if digital trading platforms have many advantages, investors should base their selections on sound analysis rather than feelings or market trends. All things considered, digital trading platforms have a significant impact on how Indian retail investors behave while making investments and help to increase the country's financial market involvement.

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