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# IMPACT OF BEHAVIORAL FACTORS ON INVESTORS' FINANCIAL DECISIONS: A STUDY ON THE INDIAN STOCK MARKET

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**Abstract**
Behavioral biases systemically distort investors' financial decisions in the Indian stock market, implying that high-frequency movement and fast retail participation are witnessed. The study tries to investigate: (1) The relationship between management quality (good company gauge) and long-term investment value (good stock gauge); and (2) the behavioral triggers in investor decisions and the policy directions in investor education and regulation of markets. The research utilizes an explanatory sequential mixed-method design, which starts with a quantitative phase consisting of a 180-active-investor questionnaire in the Delhi–NCR region, applying calibrated Likert five-point scales, Pearson correlation, and OLS regression for statistical inferences and followed by qualitative supplements with a selected number of cases to place the quantitative patterns into some perspective. Results from the quantitative analysis show that there exists a slight yet statistically significant negative association between perceived management quality and long-term investment value ($r = -0.179$; $p = .016$), while behavioral biases, as a group, do contribute significantly and positively to investor decisions ($\beta = 0.202$; $R = 0.187$; $R^2 = 0.035$; $F = 6.474$; $p = .012$), which illustrates that psychological biases contribute only a small but significant portion of variance; whereas, on select occasions, the qualitative evidence provides insight into perception–reality dissonances and moderates effects across some biases such as herding, overconfidence, anchoring, and mental accountments. Findings of this article endorse the behavioral-finance hypothesis and propose the need for a holistic company-level study combining governance with investor psychology, to provide opportunities for selected market interventions, in Investor Literacy, strengthened disclosure, and governance transparency, to reduce bias-driven mispricing and maximize long-run investment returns; limitations posed by this study (small sample size, perceptual measures, cross-sectional methodology) call for large, long-term replications.

**Keywords:** Behavioral Factors, Investors, Decision-Making Process, Management quality, Long term investment value, Indian stock market.

## 1. Introduction

The efficacy of the Market Hypothesis is the bedrock of classical finance. This theory shows buyers and sellers know current market conditions and asset pricing. Despite the steady development of contemporary finance, it is challenging to provide a scientific explanation for why individuals often engage in irrational behavior while handling money. Behavior finance combines the fundamentals of conventional finance with the realities of how individuals make investment decisions, whereas classic finance expects that people would reason and improve upon their own choices (Mitroi & Stancu 2014). Within the realm of Behavioral Finance, the disciplines of Psychology and Sociology are seen as Crucial Accelerators (Shiller 1997). Many studies have shown evidence of investor biases that run counter to the efficient market theory (Musciotto et al. 2018). By arguing that people are affected by their own behavioral biases, the behavioral finance approach substitutes the standard rationality

theory. As a field of research, Behavioral Finance examines the impact of human psychology on the financial markets and the choices we make with our money (Shefrin 2001). Because of the problems inherent in conventional finance, a new field of study known as behavioral finance has arisen. It's a financial event characterized by less-than-rational behavior on the part of the agents (Barberis & Thaler 2003).

This Indian capital markets are experiencing fast-track democratization: new distinct investor registrations count at the NSE crossed 11 crore in January 2025, and cumulative investor accounts across the exchange crossed 22 crore in a matter of months, showing the proliferation of new players, often retail. Empirically, FY 2024-25 saw record IPO issuance and mutual-fund mania with retail inflows never before witnessed, and penetration of small-ticket SIPs to tier-III cities almost equalizes mass-level equities penetration (NSE 2025). But with such rapid expansion come the vulnerabilities: 2025 saw significant net outflows by foreign portfolio investors and promoter selling hit multi-year highs, looking at exposing the markets to very fast switches in liquidity. Other than that, retail speculative fear-mongering over option trading in high-risk derivatives, most reported option traders being losers, points to behavioral biases (overoptimism, herding, anchoring, mental accounting) which tend to magnify losers' losses and instability among new entrants. Individually, these trends pose an immediate research-interest challenge: given the prevalence of retail penetration and concomitant stresses, it is paramount to identify the behavioral determinants of financial decisions and long-run investment values in the Indian stock market because the insights are critical for investor education, disclosure reforms, and policy interventions (Podishetti, 2025).

The field of behavioral finance can mostly be traced back to Nobel Prize-winning economist Daniel Kahneman, who made significant contributions to the field via his work on prospect theory. Many thanks are due to Daniel Kahneman, Amos Tversky, and Richard Thaler, the three forefathers of behavioral finance. Over time, they developed biases in their thinking that are now standard fare in the field of behavioral finance. Conventional finance and behavioral finance often disagree, and this may be attributed in part to inherent psychological differences between the two schools of thought. Numerous investigations into the limits of reason led to the development of Behavioral Finance (Tversky & Kahneman 1971). Humans' decision-making processes are more skewed toward making choices that result in benefits than those that result in losses, and this discrepancy may be attributed to ingrained behavioral (Tversky & Kahneman 1973). The same person who shuns chance in the pursuit of profit will actively seek it out in the hopes of avoiding loss (Tversky & Kahneman 1973). A few of the many biases that are considered foundational to behavioral finance, and which substantially impact individual investor decision-making include herding, overconfidence, anchoring, representative bias, mental accounting, self-attribution, framing, availability bias, and cognitive dissonance (Shefrin & Thaler 1988; Singh 2016).

Investors make choices depending on the facts they have at hand. Females are more likely to experience anchoring than males (Fernandes et al. 2014). Moreover, an investor's character and background have a significant role in shaping their investment choices (Kahneman & Tversky 1972). Investors are susceptible to a wide range of cognitive biases that might influence their decision-making (Hirshleifer 2001). Investors are more willing to take risks when they are in a positive frame of mind, and the opposite is true when they are feeling pessimistic (Grable & Roszkowski 2008). According to (Ngoc's 2013) research, investors' decisions at Securities Companies in Ho Chi Minh City, Vietnam, are influenced by Behavioral bias. (Lewellen 2006) studied the effects of volatility and debt cost estimates on financial decisions in a sample of US enterprises. Results show that both price and volatility had an impact on economic choice. The focus of this research is on how investors' emotions and other psychological aspects affect their stock market investments in India.

In the perspective of China, it is well known that China is the world's fastest-growing economy as well as managing a cordial relationship between management quality and long-term investment value in the context of globalization. Consequences of the nexus of management quality and long-term investment value are paving the way for the decision-making process of the investors regarding investment in the stock market because the aspect of the management gives a broader way to developing an understanding about the phenomena about economic and non-economic phenomena concerning around the creation of a better environment for investment (Cao et al., 2023). In the context of India, investment of foreign direct investment (FDI) is important core the perspective of development, in these contexts, it is realized that there is a technical problem occurring concerning around the investment of FDI in the Indian stock market because of an imbalance in management quality is pushing to investors as well as adversely influencing the behavior of investors for investments in Indian stock market (Bewtra, 2023). From these perspectives, it is realized that there is a need to conduct a depth analysis about the phenomena of process, determinants, and consequences decision-making process about financial decisions about the investment in the Indian stock market. Therefore, there is a need to create a better environment for foreign investors from the perspective of management of emerging issues of economic and non-economic phenomena concerning the Indian stock market (Maji et al., 2023).

Present study is justified by persistent theoretical and empirical tensions between the Efficient Market Hypothesis and observed investor irrationality, which standard finance cannot fully explain (Mitroi & Stancu, 2014; Barberis & Thaler, 2003). Behavioral finance establishes that psychological and social factors, anchoring, herding, overconfidence, mental accounting, and emotion, systematically distort financial choices (Tversky & Kahneman, 1971, 1973; Shefrin & Thaler, 1988; Shiller, 1997). Empirical evidence from India documents strong effects of sentiment and biases on stock prices and volatility (Nain et al., 2024; H & Rishad, 2020), yet existing studies largely examine biases in isolation and offer limited linkage to firm-level attributes such as management quality and long-term investment value (Talwar et al., 2021; Patil & Bagodi, 2021). Cross-context and longitudinal analyses remain scarce despite market-cycle dependence on behavioral effects (Kumar, 2021; Hu et al., 2021). Moreover, mental accounting receives insufficient targeted study in the Indian equity setting (Dadashi et al., 2023). The present study fills these gaps by jointly examining behavioral biases and management quality, testing their combined influence on long-term investment value, and offering policy-relevant recommendations to improve investor behaviors, market efficiency, and FDI prospects (Cao et al., 2023; Bewtra, 2023; Maji et al., 2023).

## 2. Review of Related Literature

There are assorted studies done on the decision-making process, and to understand them better and more efficiently, the literature review has been divided into five parts of behavioral factors. These five factors are emotions, herding behavior, overconfidence, Behavioral bias, and mental accounting. These are the partition of literature reviews:

a) Emotions in decision-making.
b) Herding behavior in decision-making.
c) Overconfidence in decision-making.
d) Behavior bias in decision-making.
e) Mental accounting in decision-making.

Below, the different previous literature was studied as per the partitioned variables to understand the linkage of the variable with decision-making and to construct the hypothesis.

### 2.1. Emotions in decision making.

The Indian stock market study reflected that feelings and psychological biases significantly impacted investors' decision-making. Information seeking, anchoring, herd behavior, representativeness, and overconfidence significantly determined the way Indian retail investors formulated investment decisions, frequently culminating in irrational choices and market inefficiency (Nain et al., 2024). Sentiment of investors, being the consensus attitude or feeling of investors, significantly impacted stock prices, which then moved away from their fundamental values and intensified market volatility (Nain et al., 2024; H & Rishad, 2020). Research established that excess Indian stock market volatility was significantly driven by irrational investors' sentiment, while emotional effects were particularly notable in emerging markets like India (H & Rishad, 2020). Sentiment's influence was far from being consistent across markets; the influence was more pronounced in rising (bullish) markets and relatively weak in downturn (bearish) markets (Hu et al., 2021). Overall, emotional bias management along with its understanding was critical both at the level of individual investors as well as portfolio managers who wished to arrive at the best possible Indian investment choices (Nain et al., 2024; H & Rishad, 2020; Hu et al., 2021).

### 2.2. Herding behavior in decision-making

Herding behavior, in that investors followed others rather than available information or analysis, was observed in the Indian stock market, particularly in the scenario of high uncertainty such as the COVID-19 pandemic. Research vindicated that strong herding occurred in the Indian equity market during the pandemic, and market volatility strengthened the same, although policy intervention and control measures contained the same (Kumar, 2021). At the industry level, the absence of strong high herding was observed before the pandemic but gained prominence in the post-COVID-19 period, particularly during the occurrence of bull and bear markets (Dhall & Singh, 2020). Sector-wise findings vindicated the occurrence of herding in public sector banks and financial services during bull run periods, indicating that the same would lead to mispricing of assets and market inefficiencies (Mishra & Mishra, 2021). Psychological and social biases such as the occurrence of herding contributed significantly to the investment choices of individuals in India, often leading to irrationality and divergence from fundamental stock prices (Nain et al., 2024). Emotional intelligence affected the occurrence of herd bias such that high self-motivation was linked with high susceptibility, and the same had an effect on portfolio management as well as trading frequency among mutual fund investors (Annapurna & Basri, 2024). The research work undertaken through (Hussain et al. 2022) vindicated that investors' logicalness was significantly affected through the act of herd behavior. Overall, the findings established the importance of information transparency, investor awareness, and policy measures that controlled the occurrence of herding and produced more logical Indian stock market choices (Bharti & Kumar, 2021; Dhall & Singh, 2020; Mishra & Mishra, 2021; Nain et al., 2024; Annapurna & Basri, 2024).

### 2.3. Overconfidence in decision-making

Overconfidence was among the chief behavioral biases that affected investors' choices in the Indian stock market. Research using structural equation modeling vindicated that overconfidence, among other biases like anchoring and herding, significantly affected investment decisions and tended to contribute to irrationality in the market as well as marketplace inefficiencies (Nain et al., 2024). Overconfident investors overestimated their information and abilities, with the latter causing overtrading and more portfolio churns, especially in mutual funds (Annapurna & Basri, 2024). Overconfident bias was linked with investors overestimating past achievements more than was the case, with the latter worsening overconfidence as well as more intense trading (Walters & Fernbach, 2021). Overconfidence effects were mediated through emotional intelligence, with more self-knowledge and self-

drive aid in countering the negative effect of overconfidence (Annapurna & Basri, 2024). Overconfidence among Indian investors worsened market volatility as well as displaced stock prices from their fundamental values based on the imperative of correcting such biases in seeking better investment outcomes (Nain et al., 2024; H & Rishad, 2020).

### 2.4. Mental accounting in decision making

Indian stock market investor decision-making was remarkable in asserting the role of psychological biases, including mental accounting, in investing. Mental accounting was the act of treating and categorizing money differently due to the source or destination of the money, and this was the origin of flawed financial decisions. While some confirmed the influence of biases like overconfidence, herd behavior, anchoring, and representativeness on Indian investors, direct evidence that associated mental accounting specifically with Indian investors' investment decisions was scarce in the previous scholarship (Nain et al., 2024; Patil & Bagodi, 2021). More general texts on behavioral finance, including pieces from other exchanges, suggested that mental accounting had an influence on investors in how they evaluated losses and profits and that this could result in suboptimal selection of portfolios and risk perception (Talwar et al., 2021). Irrational emotional responses and psychology's role in the Indian market were the causes of market inefficiencies and excess volatility, so biases like mental accounting certainly participated in the latter (Nain et al., 2024; H & Rishad, 2020). Specific mental accounting was based on the positive influence of the economy and non-economic events in relation to the psychological mindset of investors (Dadashi et al., 2023). Overall, mental accounting was determined as a behavioral bias that applied in practice, but more focused scholarship was needed in order to determine the latter's specific influence on Indian investors in the stock market.

### 2.5. Research Gap

Despite overwhelming evidence that emotions, herding, and overconfidence lead investment choices astray and induce excess market movements in India (Nain et al., 2024; H & Rishad, 2020; Hu et al., 2021), there exist lacunae. Most of the work in the prior views behavioral biases in vacuum rather than investigating interplays among emotions, herding, overconfidence and mental account and their joint impact on long-term value of investment and management quality of firms (Nain et al., 2024; Talwar et al., 2021). Inter-contextual comparisons are scarce with insufficient long-tudinal or multiple-market tests of biases' durability across market cycles and crises (Kumar, 2021; Dhall & Singh, 2020). Empirical observations on mental account in Indian equity context remain underdeveloped and predominantly inferential based on global scholarship (Patil & Bagodi, 2021; Dadashi et al., 2023). These lacunae validate current study aims to examine management quality–long-term value relationship, behavioral effects on decision making estimate, and produce evidence-based policy prescriptions on investor instruction and market efficiency.

The following goals will be pursued in light of the foregoing summary of the research issue:

i. “To analyze the relationship between management quality (i.e., good company measure) and the long-term investment value (i.e., good stock measure).”

ii. “To identify the impact of behavioral factors on investors’ decision-making process.”

iii. “To give recommended policies about better enhancement of the policy-oriented research in the area of impact of behavioral factors on investors’ financial decisions in the context of Indian stock market.”

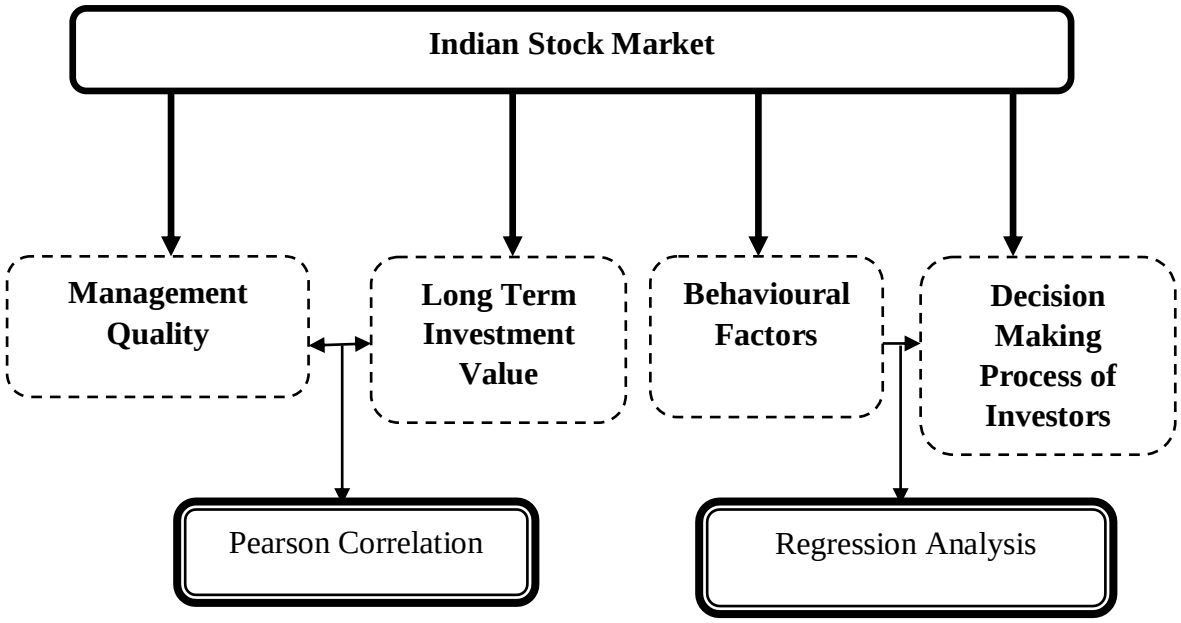


**Figure 1: Analytical Framework of Research Objectives**

Figure 1 shows the analytical framework of the research work according to the objectives.

## 3. Methodology

### 3.1 Research Design:

The study entails an explanatory research design in order to investigate causal relations among behavioral factors, management quality, and long-term value of investments in addition to explaining underlying processes. A cross-cultural comparison framework involves data collection among Indian investors with the principle of instrument equivalence using translation, back-translation, and a test of measurement invariance. An explanatory sequential mixed-method design employs the qualitative by using previous literature & quantitative phase using structured questionnaires and validated Likert scales, stratified sampling, and statistical techniques such as correlation, regression, and multi-group SEM in order to investigate causal relations and cultural differences.

### 3.2 Data Collection:

Behavioral finance represents a paradigm change compared to conventional finance. It takes psychology, emotions, and cognitive mistakes into account while making decisions. It indicates that it varies from one individual to. This is precisely why the present research employs both primary and secondary data-gathering methods. The primary data was acquired using a five-point Likert scale questionnaire with closed-ended questions. It suggests that the questions' answers were placed beforehand. These "five points (5 points for strong agreement, 4 points for agreement, 3 points for neutral (neither agree nor disagree), 2 points for disagreement, and 1 point for extreme disagreement)" also serve as scores for choosing the correct response. The questionnaire was sent to 180 individuals who frequently participate in the stock market, whether they are small/part-time investors or full-time investors from Delhi NCR. The study uses random sampling as a data collection technique.

### 3.3 Data Analysis:

The investor's data were then evaluated using a variety of statistical methods and approaches. Excel from Microsoft and SPSS (Statistical Package for Social Science) from IBM were used. These tools also used a few statistical tests, such as Mean, Standard Deviation, Correlation, and Regression, to examine the results.

#### *3.3.1 Pearson Correlation Method*

Correlation is a method of measurement of association between two factors. From the perspective of the Pearson correlation method, data should be measured on a ratio scale to estimate the Pearson correlation method. The Pearson correlation method gives a better understanding of the nature, process, and consequences of the relationship between variables. In this research work, the Pearson correlation is used on the basis of the correlation between management quality and long-term investment value according to the nature of the objective and justification of the objective.

#### *3.3.2 Regression Model*

The regression model is the most used statistical technique for research work in the study of economics and social science. It's a tool in the statistical method of "modeling" the interplay between several factors. Independent variables are those whose values may be predicted mathematically based on the values of other variables; this is the purpose of regression analysis. The effects of investors' psychology on their choices are investigated in this study. There is the following formula for the regression model:

$$Y = \beta 0 + \beta 1X1 + e$$

In this case, the worth of the dependent variable exists as a linear relationship between X and Y. The point where the linear function meets the Y axis is where the intercept 0 is found. A slope of 1 indicates a one-to-one relationship between X and Y.

## 4 Result and Discussion

### 4.1 Demographic Profile of the Respondents

**Table 1: Demographic Profile of the Respondents**

| S No. | Demographic Characteristics | Category | N | % |
|---|---|---|---|---|
| 1. | Gender | Female | 74 | 41.1% |
| | | Male | 106 | 58.9% |
| 2. | Age | 18-25 years | 35 | 19.4% |
| | | 26-32 years | 62 | 34.4% |
| | | 33-40 years | 54 | 30.0% |
| | | 40 years and above | 29 | 16.1% |
| 3. | Education | High school and lower | 11 | 6.1% |
| | | Intermediate | 26 | 14.4% |
| | | Bachelors | 73 | 40.6% |
| | | Master | 53 | 29.4% |
| | | PhD | 17 | 9.4% |
| 4 | Monthly Income | Less than 20,000 | 21 | 11.7% |
| | | 20,000-40,000 | 58 | 32.2% |
| | | 40,001-60,000 | 64 | 35.6% |
| | | More than 60,000 | 37 | 20.6% |
| 5. | Type of investor | Part-time Investors | 85 | 47.2% |
| | | Full-time Investors | 95 | 52.8% |

| | | | | |
|---|---|---|---|---|
| **6.** | **Investment Experience** | Under 3 years | 38 | 21.1% |
| | | 3-5 years | 72 | 40.0% |
| | | 6-10 years | 54 | 30.0% |
| | | Over 10 years | 16 | 8.9% |

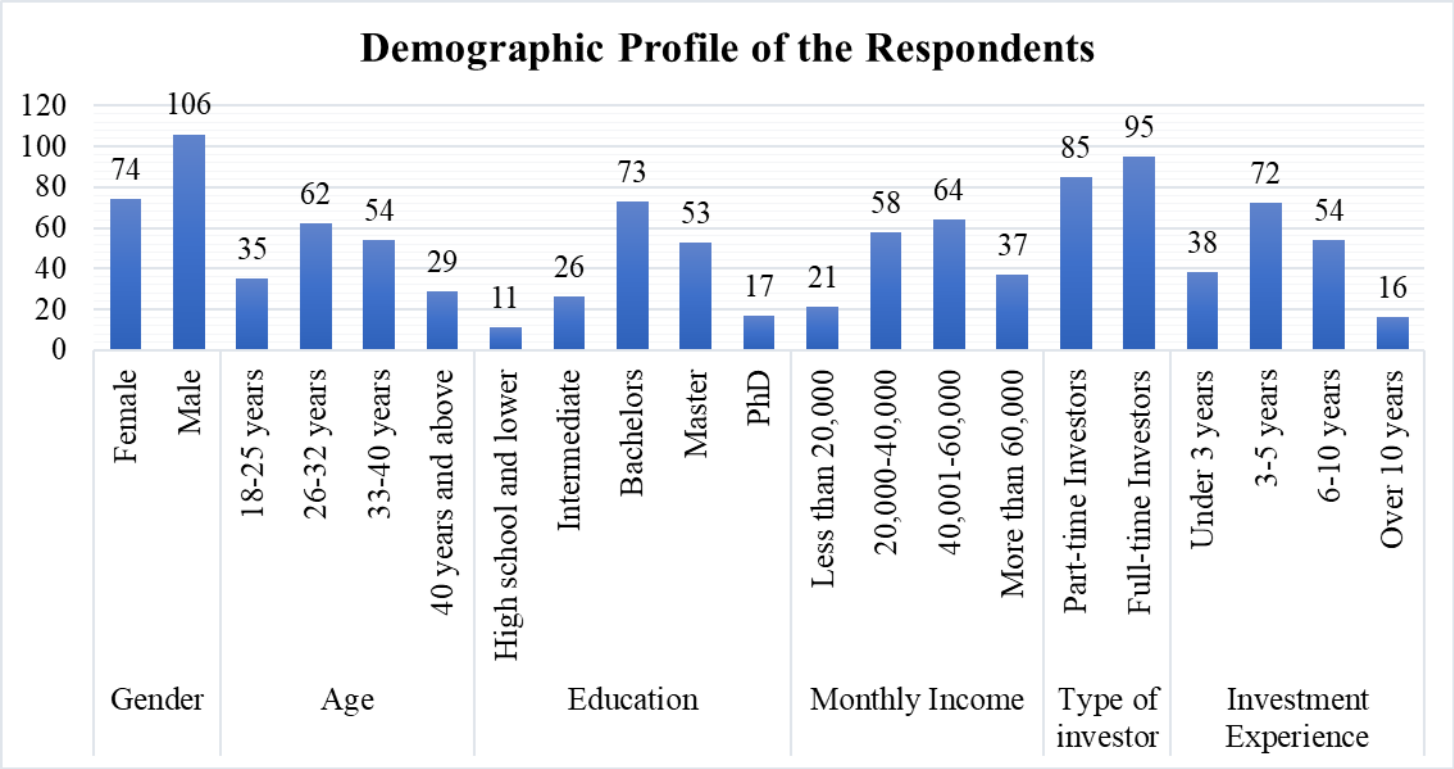


**Figure 2: Demographic Profile of the Respondents**

"Table 1 and Figure 2 show the Demographic Characteristics of the respondents in the context of their Gender, Age, Education, Monthly Income, Type of Investor, and Investment Experience. According to Table 1, out of 180 respondents, 58.9% are male, and 41.1% are females, out of which 19.4% of the respondents are aged between 18-25 years, 34.4% of the respondents are aged between 26-32 years, 30.0% of the respondents are aged between 33-40 years, and 16.1% of the respondents are aged 40 years and above."

### 4.2 Result Based on Objectives

**Objective 1: To analyze the relationship between management quality (i.e., good company measure) and the long-term investment value (i.e., good stock measure).**

**Table 2: Descriptive Statistics**

| Descriptive Statistics | | | |
|---|---|---|---|
| | Mean | Std. Deviation | N |
| Management Quality | 13.4444 | 3.13428 | 180 |
| Long-Term Investment Value | 9.6278 | 2.62781 | 180 |

"Table 2 shows the Descriptive Statistics. Descriptive statistics represent the mean and standard deviation values of the variables. According to Table 2, the Mean value and Standard deviation value of Management Qualityare13.4444and 3.13428, and the Mean value and Standard deviation value of Long-Term Investment Valueare9.6278and 2.62781."

**Table 3: Correlations**

| Correlations | | | |
|---|---|---|---|
| | | Management Quality | Long-Term Investment Value |
| Management Quality | Pearson Correlation | 1 | -.179* |
| | Sig. (2-tailed) | | .016 |
| | N | 180 | 180 |
| Long-Term Investment Value | Pearson Correlation | -.179* | 1 |
| | Sig. (2-tailed) | .016 | |
| | N | 180 | 180 |
| *. Correlation is significant at the 0.05 level (2-tailed). | | | |

"Table 3 is the Correlations table which shows the correlation between the variables. Table 3 shows a significant relationship between Management quality and Long-Term Investment Value, as the significant value is 0.016, which is smaller than 0.05."

**Objective 2: To identify the impact of behavioral factors on investors' decision-making process.**

**Table 4: Model Summary**

| Model Summary | | | | |
|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .187[a] | .035 | .030 | 3.24703 |
| a. Predictors: (Constant), Behavioral Factors | | | | |

"Table 4 defines the model summary, indicating a significant degree of connection. The R-value for the simple correlation is 0.187, which reflects how much of the overall variance in the dependent variable and the influence of Behavioral factors in the Investors' Decision-Making process."

**Table 5: ANOVA**

| ANOVA[a] | | | | | | |
|---|---|---|---|---|---|---|
| | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 68.258 | 1 | 68.258 | 6.474 | .012[b] |
| | Residual | 1876.692 | 178 | 10.543 | | |
| | Total | 1944.950 | 179 | | | |
| a. Dependent Variable: Investors' Decision-Making Process | | | | | | |
| b. Predictors: (Constant), Behavioral Factors | | | | | | |

"Table 5 is an ANOVA table that shows how well the data fits by the regression equation (i.e., predicts the dependent variable). This table shows that the regression model accurately predicts the dependent variable. The above table shows a significant impact of Behavioral Factors on Investors' Decision-Making Processes, as the significance value is 0.012, which is smaller than 0.05."

**Table 6: Coefficients**

| Coefficients[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 12.438 | 1.093 | | 11.381 | .000 |
| | behavioral factors | .202 | .079 | .187 | 2.544 | .012 |
| a. Dependent Variable: Investors' Decision-Making Process | | | | | | |

"The above table is the coefficient table. Table 6 of the Coefficients in the model demonstrates how effectively the Behavioral Factors impacted the Investors' Decision-Making process. The table showcases that the regression model shows a significant value (the significance value is less than 0.05)."

Based on the above concise result part, it can be discussed that there is a significant correlation between management quality and long-term investment value because it is well known that aspect of management quality is based on the following above indicators:

i. Target
ii. Resources
iii. Time
iv. Proposed Program

The above four indicators work as the core for the establishment of the quality of the management in the sense of long-term investment value regarding the decision-making process of the investors. From these perspectives, it is also realized that concept of the long-term investment value process is based on the wishes, abilities, and judgmental process of the investors regarding the positive role of the investors in the process of management quality. The result of the "Pearson correlation method" shows that a significant correlation between management quality and long-term investment value is based on both economic and non-economic phenomenon, whereby economic phenomena include cost and benefit analysis, and non-economic phenomena is based on the wishes, abilities, and cognitive behavior of the investors.

In the context of the second objective, it is realized that the second objective is examined by regression analysis for a better interpretation of finding out the "impact of the behavioral factors on investors' decision-making process" in the context of the Indian stock market. From these perspectives, it is also realized that phenomena of the "behavioral factors and investors' decision-making process" because both variables are associated with the aspect of psychological phenomena. From these perspectives, it can be discussed that there is a significant "impact of the behavioral factor on investors' decision-making process" because there is the significant role of the wishes and abilities in the formation of the cultural and economic behavior of the investors and its "impact on the decision-making process" on the basis of cost and benefit analysis of the aspect of the process of investment.

Therefore, the "impact of the behavioral factors on the decision-making process" of investors in the Indian stock market underpins the whole procedure of the nexus of management quality and long-term financial value. From these vantage points, it is clear that this research paper's whole discussion and argument hinge on an examination of the study design's connections between the past, the present, and the forecast for the future. In these contexts, it is realized that the entire discussion part gives linear sequences about the process, determinants, and consequences of the correlation between management quality and long-term investment value with the "impact of the behavioral factor on investors' decision-making process." Since personal economics play a significant part in the investing decisions

of individual Indian stock market investors, the subject is best explored in the framework of microeconomics. Therefore, it is realized that the entire debate gives in-depth information about unfolding facts about the aspect of the microeconomics theory according to the nature of the objective.

## 5 Discussion

Present study produced two principal empirical findings. First, perceived management quality exhibits a small but statistically significant negative association with long-term investment value (Pearson $r = -0.179$, $p = .016$), suggesting that retail investors in the sample sometimes view firm management characteristics as inversely related to expected long-horizon stock value. Second, behavioral factors collectively exert a positive and significant influence on investors' decision-making ($\beta = 0.202$, $R = 0.187$, $R^2 = 0.035$, $F = 6.474$, $p = .012$), indicating that psychological biases account for a modest but meaningful share of variation in choices even after controlling for basic demographics and controls. The sample ($n = 180$), five-point Likert instrument, and statistical approach (Pearson correlation, regression using SPSS/Excel) are reported in the methodology section and frame these quantitative outcomes.

The behavioral result aligns closely with recent Indian studies that document the pervasive role of sentiment, herding and overconfidence in shaping trading behaviour and market volatility (Nain et al., 2024; H & Rishad, 2020; Hu et al., 2021). Present study's finding that biases significantly predict decision variance echoes Talwar et al. (2021) and Annapurna & Basri (2024), who show that multiple biases—especially during market stress—drive retail trading intensity and mutual-fund churn. Herding dynamics observed in the present sample parallel pandemic-era evidence that social and market shocks amplify imitation (Dhall & Singh, 2020; Mishra & Mishra, 2021). At the same time, the low $R^2$ reported here is consistent with prior work that finds behavioral predictors are important but rarely fully determinative, leaving room for firm fundamentals and institutional factors to matter as well.

The negative correlation between perceived management quality and long-term investment value departs from the expectation that stronger governance and farsighted management increase long-horizon value (Cao et al., 2023). Several plausible explanations arise from comparing present results with the literature. First, retail investor perceptions may conflate short-term managerial decisions (for example, cost-cutting or signaling) with longer-term value creation, producing a heuristic that downgrades managers who pursue visible long-term investments (Kahneman & Tversky; managerial myopia literature). Second, measurement differences—relying on perceived rather than objective management indices—could invert the apparent relationship, as earlier authors have warned about perception versus reality mismatches (Patil & Bagodi, 2021; Dadashi et al., 2023). Third, interaction effects between behavioral biases (mental accounting, overconfidence, herding) and management cues may produce net negative associations in retail samples; the literature calls for interactional and cross-context study designs to address exactly this complexity (Talwar et al., 2021; Kumar, 2021).

Implications, limitations and directions follow logically. Theoretically, present study corroborates behavioral finance claims that psychological forces shape market behaviour, while empirically demonstrating the need to integrate firm-level governance variables with investor psychology rather than treating each in isolation. Practically, findings support investor-education, enhanced disclosure, and governance transparency as policy levers to mitigate biased trading and improve long-term investment outcomes—a recommendation echoed in the paper's policy section. Limitations include modest sample size, reliance on self-reported perceptions, and cross-sectional design; the uploaded manuscript explicitly recommends prospective, mixed-method, and cross-context research to test persistence across

cycles and to unpack causal mechanisms (present study echoes those calls). Future work should expand samples, use objective management and performance metrics, test measurement invariance across investor cohorts, and employ longitudinal or experimental designs to validate causal pathways.

## 6 Conclusion

The foregoing abridged results and discussion sections suggest that the paper's central argument is grounded in both economic and non-economic phenomena, whereby economic phenomena better advocate the aspect of management quality and long-term investment value as economic phenomena while the "impact of the behavioral factor on decision-making process" is justified by non-economic phenomena because objective part of this research paper shows that wishes, abilities, perception, ideology work as invisible factors in the determination of "impact of the behavioral factor on decision-making process."

In the context of management quality, it is well known that aspect of the quality is based on the descriptive description of the value of investors about the process of investment in the Indian stock market by process, determinants, and consequences. It is also a fact that there is cordial nexus between management quality and long-term investment value. In these consequences, it is realized that the entire process of long-term investment value is based on the psychological and perceptional behavior of investors. Therefore, it is important to discuss phenomena of meaning, concept, aspect, prospects, issues, and challenges of human behavior because the human behavioral approach is an important part of the aspect of the behavioral economy. Regarding this, it can be important to discuss that there is a need to conduct an in-depth study exploring unfolding facts about the nexus of management quality and long-term investment value.

Now, it is important to discuss in the conclusion part of this paper the behavioral approach of investors in the context of the decision-making process about process, determinants, and consequences of the "impact of the behavioral factors" because behavioral factors are based on the phenomena of cognitive behavior of investors in the context of "Indian stock market." The feature of the "Indian stock market" is based on the cultural values of India in the context of economic phenomena because the term Indian is based on the philosophical values of Indian culture in the sense of the stock market in the era of globalization. Therefore, it is important to discuss that the consequences of globalization give a broad aspect in the sense of the behavioral study of investors with an aspect of what, how, why, and when in the context of management quality and its role in the long-term investment value. The consequences of the nexus of management quality and long-term investment value are positively associated with behavioral factors and their "impact on the decision-making process" of investors.

Finally, it can be concluded that the above concise conclusion part gives a platform for the researcher to conduct a debate about the phenomena of the critical study of the process of investment in the "Indian stock market" in the context of the behavioral study. From these perspectives, it can be realized that the entire debate of this research work compiled to scatter material about processes, determinants, and consequences of the "Indian stock market" in the context of the behavioral approach because the aspect of the behavioral approach gives an important way to understand the nexus between management quality and long term investment value in the perspective of "impact of behavioral factors on the decision-making process" of investors.

Based on the above concise conclusion part, it can be recommended following policies:

i. There is a need for more policy-based research to be conducted at the ground level in the domain of behavioral approach in the context of the Indian stock market using a study design that shifts from a retrospective to a prospective perspective.

ii. It also needs to re-evaluate the nexus of management quality and long-term investment value in the context of the "impact of the behavioral factor on the decision-making process" under the model of *Harbert Simon Decision Making Process* Model.

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