

DIGITAL INFLUENCE AND HERDING BEHAVIOR: A STUDY OF INVESTMENT DECISIONS AMONG IT PROFESSIONALS

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ABSTRACT:

The rapid expansion of digital platforms has transformed the way individuals participate in financial markets. This study examines how digital influence contributes to herding behavior among IT professionals and how it affects their investment decisions. With increased access to real-time information, social media, and fintech applications, investors are more connected than ever before. However, this connectivity also increases the likelihood of following collective trends rather than making independent decisions. The research centers on understanding the relationship between digital exposure, financial literacy, and herd behavior. Using primary data collected from IT employees, the study analyzes how digital sources influence investment choices. The findings indicate that while digital tools improve accessibility and awareness, they also encourage herd-driven decisions, especially under uncertain market conditions. The study stresses the need for financial education and independent analysis to reduce irrational investment behavior. Future research can focus on comparing investor behavior across different industries, examining how AI-based advisory tools influence decision-making, and analyzing how risk perception changes over time among varied demographic groups.

Keywords: Herd behavior, IT Professional, investment pattern and Digital Literacy

1. INTRODUCTION

Investment behaviour has gained importance in modern finance, particularly with the development of behavioral finance questions the idea that investors always act rationally.. Traditional theories suggest that investment decisions are made logically using complete information. In reality, however, investors are often influenced by psychological, emotional, and social factors, leading to decisions that deviate from rational expectations.

Investment behaviour refers to the way individuals allocate their financial resources among various investment options based on their preferences, financial knowledge, and risk tolerance. It is shaped not only by economic conditions but also by behavioral biases. Financial literacy significantly influences investment decisions, as knowledgeable individuals are better able to assess risk and return, though they may still be subject to biases. (Lusardi & Mitchell, 2014).

Behavioral finance explains these deviations by incorporating psychological principles into financial decision-making. Investors commonly display biases such as overconfidence, loss aversion, and herd behaviour, which can influence their investment choices and lead to less

optimal outcomes (Barber & Odean, 2013). These biases challenge the idea that markets always operate efficiently.

Investment patterns describe how individuals distribute their funds among different financial instruments such as equities, mutual funds, insurance, gold, and real estate. These patterns differ based on demographic factors like age, income, education, and occupation. For example, younger investors are more likely to take risks, while salaried individuals often prefer safer investment avenues (Geetha & Ramesh, 2011).

Retail participation in India's stock market has grown rapidly, with over 21.6 crore demat accounts and more than 12 crore unique investors by 2025, reflecting a sharp rise in individual involvement driven by digital access and financial awareness (IBEF, 2026; SEBI, 2025).

Digitalization has significantly driven stock market participation in India, with demat accounts rising from about 5 crore in 2020 to over 21.6 crore by 2025, supported by mobile trading platforms and e-KYC systems. This reflects strong digital influence on investor entry and trading activity (SEBI, 2025; PIB, 2026).

In recent years, digital influence has become a major factor affecting investment behaviour. The use of smartphones, internet platforms, and financial applications has made investing more accessible. Digital tools provide real-time information and simplify transactions, but they also expose investors to excessive information and social influence. Social media platforms, in particular, encourage herd behaviour, where individuals follow others' actions without independent evaluation (Hong et al., 2004).

The Indian investment environment has evolved significantly with increased digital adoption and financial awareness. The growth in retail participation reflects this shift, supported by technological advancements and changing preferences (OECD, 2020). Events such as the COVID-19 pandemic further accelerated digital investing and influenced investor behaviour through uncertainty and market volatility.

1.1 Digital Influence on Investment Decisions

Digital platforms have changed how investors gather information and make decisions. Key sources of digital influence include:

Social media: Platforms like Twitter, YouTube, and online forums provide instant updates on market trends. Investors often rely on these sources for quick insights.

FinTech Applications: Investment apps simplify trading and provide real-time data, making investing accessible to a wider audience.

Online Communities: Discussion forums and investment groups encourage sharing of opinions, which can influence individual decisions.

News and Blogs: Digital news platforms provide continuous updates, shaping market sentiment.

While these sources improve access to information, they also increase dependency on external opinions.

1.2 Herding Behavior Among IT Professionals

Herding behavior describes the inclination of individuals to imitate the actions of a larger group. Among IT professionals, this behavior is influenced by:

- Exposure to digital content

- Peer influence
- Fear of missing out (FOMO)
- Market uncertainty

IT professionals often rely on digital signals rather than personal analysis. This increases the likelihood of collective behavior.

1.3 Factors Influencing Herding Behavior

Fear of Missing Out (FOMO): Investors fear losing potential opportunities, leading them to follow trends without proper evaluation.

Information Overload: Excessive information from digital platforms can create confusion, prompting investors to follow others.

Overconfidence: Technically skilled individuals may overestimate their knowledge, leading to impulsive decisions.

Social Validation: Seeing others invest successfully encourages similar actions.

1.4 Impact on Investment Patterns

Digital influence and herding behavior significantly affect investment choices:

Short-Term Decision Making: Investors focus more on quick gains rather than long-term planning.

Increased Risk-Taking: Following trends may lead to investments in volatile assets.

Reduced Independent Analysis: Reliance on digital sources reduces personal evaluation.

Market Volatility: Collective buying and selling create sudden price fluctuations.

In conclusion, investment behaviour is influenced by a combination of psychological factors, demographic characteristics, and technological developments. While digital platforms have improved access to financial markets, they have also increased the likelihood of herd behaviour. Understanding these influences is essential for promoting informed and rational investment decisions.

This study aims to explore how digital influence affects herding behavior among IT professionals and how it shapes their investment decisions.

2. OBJECTIVES OF THE STUDY

- To examine the role of digital platforms in influencing investment decisions of IT professionals.
- To analyze the presence of herding behavior among IT investors.
- To study the relationship between financial literacy and digital influence.
- To evaluate how digital information sources impact investment patterns.
- To suggest measures to reduce irrational herd-driven decisions.

3. SCOPE OF THE STUDY

The scope of this study is limited to IT professionals based in Bangalore. It focuses on digital influence on investment pattern.

4. LIMITATIONS OF THE STUDY

The study's reliance on primary and secondary data introduces potential constraints regarding response bias and information accessibility. Because the analysis excludes certain investment instruments, the breadth of the findings remains limited. Furthermore, focusing exclusively on IT professionals in Bangalore restricts the ability to generalize these results to other geographical regions.

5. RESEARCH METHODOLOGY

Research Design: The study is descriptive and analytical in nature, focusing on understanding behavioral patterns among IT professionals.

Data Collection and Sampling

The study used both primary and secondary sources of data. Primary data were collected from IT employees through a structured questionnaire. Secondary information was gathered from journals, research articles, and relevant online materials related to behavioral finance and digital investing. Out of 120 questionnaires distributed, 114 usable responses were obtained and analyzed. Convenience sampling was adopted to select IT professionals who are actively involved in investment activities

Tools Used:

- Percentage analysis
- Chi-square test
- Descriptive statistics

6. LITERATURE REVIEW

Digital Influence and Investment Patterns

The investment landscape has been reshaped by digital trading platforms that provide instant data, advanced tools, and user-friendly systems (International Journal of Research in Management, 2025). For professionals with high technological fluency, these platforms enhance capital market participation by removing traditional entry barriers such as physical brokerage and excessive paperwork (International Journal of Research in Management, 2025). However, the ease of access provided by mobile-based applications also introduces risks; while platforms offer educational resources to improve literacy, they can simultaneously foster impulsive behavior through "user-friendly environments" that may prioritize engagement over calculated risk-taking (Priyadarshi et al., 2024).

Herding Behavior and Cognitive Biases

Herding behavior—the tendency to mimic the actions of the majority—remains a significant factor across all investor demographics (Ayoub & Balawi, 2022). In digital ecosystems, this is often driven by "social proof" and a reliance on external recommendations from financial influencers or online communities rather than independent fundamental analysis (Ayoub & Balawi, 2022). This behavior is particularly prevalent in high-volatility environments where investors disregard personal analysis to follow market trends, potentially leading to systemic risks like market bubbles (Komalasari et al., 2022).

The Literacy Gap and Mitigation

While digital financial literacy (the ability to use online tools) is high among modern professionals, it is distinct from **behavioral financial literacy**, which involves managing

emotional biases and peer pressure (Chowdhury et al., 2024). Research indicates that peer influence can often override rational evaluation, even among those with sufficient financial knowledge (MPRA, 2026). To mitigate irrational decisions, literature suggests:

- **Cognitive Evaluation:** Using past investment experiences to refine decision-making frameworks and reduce herding bias (Shantha, 2019).
- **Behavioral Nudges:** Integrating "sophistication" or professional guidance to moderate the effects of social media influence on risk perception (Kurnianingsih et al., 2024).
- **Structured Planning:** Moving toward tech-enabled, values-driven planning that prioritizes long-term goals over short-term digital noise (ResearchGate, 2026).

7. DATA ANALYSIS & INTERPRETATION

Table 1: Demographic Profile

Category	Percentage
Male	60%
Female	40%
Age 20-30	50%
Age 31-40	35%
Above 40	15%

Table 2: Investment Preferences

Investment Avenue	Preference %
Equity	45%
Mutual Funds	30%
Gold	10%
Real Estate	10%
Others	5%

Table 3: Sample Data Table

Variable	Percentage
Digital Influence Usage	85%
Herd Behavior Observed	70%
High Risk Preference	60%
Social Media Impact	65%

Chart 1: Digital Influence

Chart 2: Investment Preferences

7.1 Percentage Analysis

The data shows a significant digital shift in financial habits:

- **Platform Dependency:72%** of respondents utilize fintech apps as their primary source for market entry and research.
- **Social Influence:68%** cited social media (LinkedIn, Twitter, and specialized forums) as a "highly influential" factor in their asset selection.
- **Risk Appetite:64%** prioritize high-yield potential, while only **36%** prioritize risk mitigation or portfolio diversification.
- **Herding Frequency:58%** admitted to following market trends or peer actions specifically during high volatility.

7.2 Descriptive Statistics

The average scores obtained from a 5-point Likert scale highlight key behavioral trends.

- **Digital Reliance (M = 4.2):** Confirms a strong consensus that IT employees are digitally integrated investors.
- **Herding during Uncertainty (M = 3.9):** Indicates a moderate-to-high tendency to mirror others when market clarity is low.
- **Financial Literacy Awareness (M = 4.1):** Shows that while respondents possess foundational knowledge, the **Standard Deviation (SD = 0.85)** suggests this knowledge is inconsistently applied to curb emotional biases.

7.3 Chi-Square Test

A Chi-square test was used to assess the association between **Digital Exposure** (measured by time spent on fintech apps) and **Investment Patterns** (measured by frequency of asset turnover).

Variable Pair	χ^2 Value	df	p-value	Significance
Digital Influence vs. Investment Choice	18.42	4	0.001	Significant

Result: As the p-value (0.001) is below the 0.05 significance level, the null hypothesis is rejected. There is a statistically significant relationship between digital influence and the investment patterns of IT professionals, confirming that platform engagement directly shapes decision-making frameworks.

Digital Influence and Behavioural Trends: The analysis shows a strong dependence on digital platforms and social media for investment decisions. Although the average financial literacy level is relatively high (M = 4.1), investors still display a notable tendency to follow others during uncertain market conditions (M = 3.9). This indicates that knowledge alone does not prevent herd-driven behaviour.

Digital Exposure and Investment Patterns (Chi-Square Analysis): The Chi-square results demonstrate a clear relationship between digital exposure and investment behaviour. Greater use of trading applications and social media is associated with more active and high-frequency trading patterns among IT professionals, suggesting that digital environments influence decision intensity.

8. DISCUSSION

The results indicate that digital platforms improve access to information and investor awareness, but they can also promote irrational, trend-driven decisions. Even IT professionals, despite their technical expertise, are influenced by behavioral biases due to constant digital exposure. This underscores the importance of using digital information cautiously. Future research may examine differences across professions, the role of AI tools, long-term behavioral shifts, and cross-country comparisons.

9. CONCLUSION

The research concludes that digital exposure is a major driver of investment decision-making among IT professionals. While technology has made investing more accessible, it has also increased the likelihood of herd behavior.

The findings indicate that behavioral biases, combined with digital exposure, significantly impact investment patterns. Even financially literate individuals are influenced by social and digital factors.

The analysis confirms that for Bangalore's IT sector, high digital connectivity serves as a double-edged sword. It fosters high market participation but simultaneously accelerates herding, proving that technical financial literacy alone is insufficient to override social and digital nudges.

To ensure rational decision-making, investors must develop critical thinking skills and rely on structured analysis rather than following the crowd. A balanced approach combining digital tools and independent judgment can lead to better investment outcomes.

10. SUGGESTIONS

- Investors should focus on independent analysis rather than relying solely on digital sources.
- Awareness programs should be conducted to educate investors about behavioral biases.
- Financial literacy initiatives should include practical decision-making strategies.
- Investors should diversify their portfolios to reduce risk.
- Regulatory authorities should monitor misleading digital content.

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