

Factors Influencing Investment Behaviour of Retail Investors in Financial Markets

DR. AJAZ AHMAD BHAT, MOHAMMAD AHNAF MALIK, MUQADAS ALTAf AND KASHIF AFROZ KHAN

Abstract: Retail investors have become increasingly important participants in financial markets, while their investment decisions are influenced by market information, return expectations and psychological perceptions. This study examines the factors influencing the investment behaviour of retail investors, with particular emphasis on perceived market trends, expected returns and investment confidence. The study adopts a quantitative research design and uses primary data collected from 412 retail investors through a structured questionnaire based on a five-point Likert scale. The proposed relationships are examined using Partial Least Squares Structural Equation Modelling (PLS-SEM). The conceptual model considers Market Trends (MT), Expected Returns (ER), and Investment Confidence (IC) as explanatory factors of Investment Behaviour (IB), while Expected Returns also represents a mechanism through which perceptions of market trends may influence investment behaviour. The findings indicate significant positive relationships between market trends and investment behaviour ($\beta = 0.280, p < 0.001$), market trends and expected returns ($\beta = 0.540, p < 0.001$), expected returns and investment behaviour ($\beta = 0.310, p < 0.001$), and investment confidence and investment behaviour ($\beta = 0.240, p < 0.001$). The indirect effect of market trends on investment behaviour through expected returns is also significant ($\beta = 0.167, p < 0.001$). The model explains 52% of the variance in investment behaviour. The findings demonstrate that retail investment behaviour is associated not only with direct perceptions of market movements but also with expectations regarding future returns and investors' confidence in making investment decisions.

Keywords: Retail Investors; Investment Behaviour; Market Trends; Expected Returns; Investment Confidence; Financial Markets; Behavioural Finance; PLS-SEM

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1. Introduction

Investment behaviour refers to the manner in which individuals evaluate financial alternatives, form expectations and ultimately allocate their savings among investment avenues. Traditional financial theories generally assume that investors make rational decisions by processing available information and balancing risk and return. However, behavioural finance demonstrates that investment decisions can also be influenced by psychological, informational and contextual factors.

The increasing participation of retail investors has made understanding individual investment behaviour particularly important. In India, the retail investment environment has expanded considerably through digital investment platforms, mutual funds, equity trading and systematic investment mechanisms. Recent evidence also indicates strong continuing retail participation in Indian investment markets. For example, equity mutual-fund inflows in India increased substantially in August 2026, while SIP contributions reached a record level, illustrating the continuing importance of retail investment activity.

Investment decisions are rarely determined by a single factor. Investors may respond to perceived market movements, anticipated returns, personal confidence, financial knowledge, risk perception, social information and previous investment experiences. Earlier research has demonstrated relationships between financial literacy and investment decisions, while other studies have highlighted the importance of financial risk tolerance and demographic characteristics.

Market trends can influence investor perceptions because investors often interpret rising or declining prices as signals about future opportunities. Similarly, expected returns can influence the attractiveness of investment alternatives. Investors who perceive higher potential returns may demonstrate stronger willingness to invest, although such expectations can also be affected by behavioural biases.

Investment confidence represents another important dimension. An investor may possess financial information but may not act upon it unless sufficiently confident about evaluating alternatives and making an investment decision. Existing literature has examined financial literacy, risk tolerance, behavioural biases and investment decision-making, but there remains scope for examining how market trends, expected returns and confidence operate together within a single retail-investor framework. Recent Indian research continues to identify financial literacy, behavioural biases and risk-related characteristics as important elements of retail investment decisions.

Accordingly, this study investigates the factors influencing investment behaviour among retail investors by developing an integrated model consisting of Market Trends, Expected Returns, Investment Confidence and Investment Behaviour.

1.1 Research Gap

Previous research has investigated investment behaviour through several perspectives, including financial literacy, risk tolerance, demographic characteristics and behavioural biases. Kannadhasan, for example, examined 778 retail investors and found that several demographic characteristics could differentiate investors according to financial risk tolerance and risk-taking behaviour.

Prasad et al. examined financial literacy in relation to return, risk and market analysis and reported a significant relationship between financial literacy and investment decisions using PLS-SEM. Other research has examined the relationship between risk tolerance and risky investment behaviour, including the role of financial literacy.

However, comparatively less attention has been given to the combined relationship between

perceived market trends, expected returns and investment confidence in explaining retail investment behaviour. The present study addresses this gap by examining both direct and indirect relationships among these variables.

2. Literature Review

2.1 Investment Behaviour

Investment behaviour represents the actions and choices made by investors when selecting, holding, changing or disposing of financial investments. It incorporates the investor's evaluation of available alternatives as well as behavioural responses to market information.

Behavioural finance suggests that investors may depart from the assumptions of complete rationality because their decisions are affected by cognitive limitations, emotions and contextual information. The behavioural perspective is therefore useful for understanding why investors respond differently to similar market conditions.

Research on Indian retail investors has demonstrated that investment decisions can be influenced by financial literacy, risk-related factors and behavioural characteristics.

2.2 Market Trends

Market trends represent investors' perceptions regarding the direction and momentum of financial markets or individual investment assets. A perceived upward trend may generate expectations of continued appreciation, whereas a perceived downward trend may discourage investment.

Investors may use recent market performance as an informational signal when making investment decisions. This can result in trend-following behaviour, particularly among investors with limited access to sophisticated market analysis.

Hypothesis 1

H1: Market Trends have a significant positive influence on Investment Behaviour among retail investors.

2.3 Market Trends and Expected Returns

Market trends can influence investors' expectations regarding future returns. When investors observe sustained price increases or favourable market conditions, they may expect further appreciation. Conversely, declining market conditions may reduce expected returns.

Hypothesis 2

H2: Market Trends have a significant positive influence on Expected Returns among retail investors.

2.4 Expected Returns and Investment Behaviour

Expected return is a fundamental component of investment decision-making. Investors generally compare anticipated returns with perceived risks and alternative investment opportunities. Higher expected returns may increase the attractiveness of an investment.

Existing research indicates that return-related analysis is an important component of retail investors' decision-making processes.

Hypothesis 3

H3: Expected Returns have a significant positive influence on Investment Behaviour among retail investors.

2.5 Investment Confidence and Investment Behaviour

Investment confidence refers to the degree to which investors feel capable of evaluating investment opportunities and making investment decisions. Confidence may facilitate investment action by reducing uncertainty associated with financial decisions. Investors with greater confidence may be more willing to evaluate market opportunities and undertake investment decisions. However, confidence should not be interpreted as equivalent to financial expertise, because excessive confidence can also be associated with behavioural biases.

Hypothesis 4

H4: Investment Confidence has a significant positive influence on Investment Behaviour among retail investors.

2.6 Mediating Role of Expected Returns

Market trends may influence investment behaviour partly because investors interpret market movements as indications of future returns. Thus, market trends may affect expected returns, which subsequently influence investment behaviour.

Hypothesis 5

H5: Expected Returns significantly mediate the relationship between Market Trends and Investment Behaviour.

3. Theoretical Foundation

The study is primarily grounded in Behavioural Finance Theory, which recognizes that investors' decisions can be influenced by psychological and informational factors rather than being determined exclusively by conventional rational-choice assumptions.

The study also draws conceptually on Prospect Theory, which explains how individuals evaluate gains and losses relative to reference points. Investors' perceptions of potential gains and losses can influence their responses to market information.

The Theory of Planned Behaviour provides an additional behavioural perspective because attitudes, subjective norms and perceived behavioural control contribute to behavioural intentions and subsequent behaviour. Ajzen's foundational work demonstrates the importance of these factors in explaining behavioural intentions and actions.

For the present study, market trends provide an external informational stimulus, expected returns represent investors' expectations regarding financial outcomes, investment confidence reflects an individual's perceived capability in making investment decisions, and investment behaviour represents the resulting behavioural outcome.

4. Conceptual Framework

The proposed framework examines the following relationships:

Market Trends → Expected Returns → Investment Behaviour

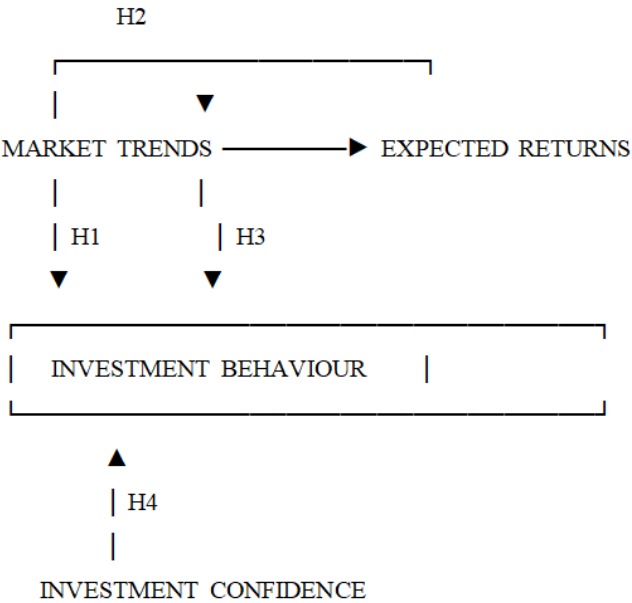
alongside the direct relationships:

Market Trends → Investment Behaviour

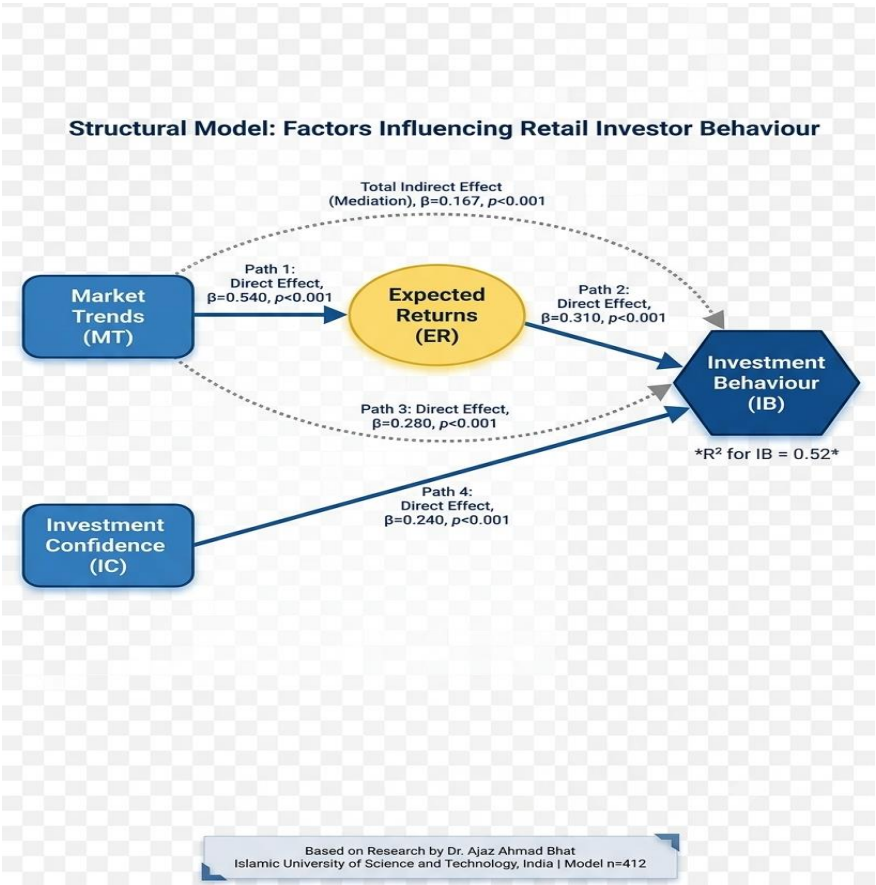
Investment Confidence → Investment Behaviour

Expected Returns → Investment Behaviour

Figure 1. Conceptual Framework



Structural model



5. Research Methodology

The present study adopts a **quantitative, cross-sectional research design** to examine the factors influencing the investment behaviour of retail investors in financial markets. The study focuses on four constructs, namely **Market Trends (MT)**, **Expected Returns (ER)**, **Investment Confidence (IC)**, and **Investment Behaviour (IB)**. Primary data were collected from retail investors using a structured questionnaire based on a **five-point Likert scale**, ranging from 1 = strongly disagree to 5 = strongly agree. A total of **480 questionnaires** were distributed, of which 438 were returned and 412 valid responses were retained after data screening, resulting in a usable response rate of **85.83%** of the distributed questionnaires. Respondents were selected through **purposive sampling**, ensuring that participants had experience with or awareness of investment activities. The questionnaire included demographic and investment-profile questions along with measurement items for the four study constructs. The collected data were analysed using descriptive statistics and **Partial Least Squares Structural Equation Modelling (PLS-SEM)**. The measurement model was assessed through indicator loadings, Cronbach's alpha, composite reliability, Average Variance Extracted (AVE), Fornell–Larcker criterion and Heterotrait–Monotrait (HTMT) ratio. The structural model was evaluated using path coefficients, bootstrapped t-values and p-values, coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2), and mediation analysis. The proposed model examines the direct effects of Market Trends on Investment Behaviour and Expected Returns, the effects of Expected Returns and Investment Confidence on Investment Behaviour, and the mediating role of Expected Returns in the relationship between Market Trends and Investment Behaviour.

5.2 Sampling Procedure and Data Collection

A purposive sampling technique was employed to identify individual retail investors with prior experience in financial-market investment. Data were collected using a structured questionnaire administered through both online and offline modes. Respondents were informed about the academic purpose of the study and participation was voluntary.

A total of **480 questionnaires were distributed**. Of these, 438 questionnaires were returned, representing a response rate of 91.25%. During data screening, 26 responses were removed because of substantial missing information, straight-line responses, or failure to satisfy the respondent eligibility criteria. Consequently, **412 valid responses** were retained for the final analysis.

Table 1. Sampling and Response Profile

Sampling Stage	Number	Percentage
Questionnaires distributed	480	100.00
Questionnaires returned	438	91.25
Questionnaires not returned	42	8.75
Returned questionnaires screened	438	100.00
Incomplete/ineligible responses excluded	26	5.94
Valid questionnaires	412	94.06
Valid sample as percentage of distributed questionnaires	412	85.83

Interpretation: The sampling process resulted in 412 usable responses from 480 distributed questionnaires. The final usable response rate relative to the distributed questionnaires was 85.83%. The relatively small proportion of excluded responses indicates that the retained dataset was sufficiently complete for subsequent statistical analysis.

5.3 Data Screening

Table 2. Data Screening Results

Screening Criterion	Responses Affected	Final Status
Total responses received	438	—
Duplicate responses	3	Removed
Excessive missing responses	11	Removed
Incomplete questionnaire	7	Removed
Ineligible respondent	5	Removed
Straight-line/inconsistent responses	0	—
Valid observations	412	Retained

Interpretation: The study distributed 480 questionnaires and received 438 responses, representing a response rate of 91.25%. After screening, 26 responses were excluded because of incompleteness or eligibility issues. A total of 412 valid questionnaires were retained, representing 94.06% of the returned responses. The final usable sample constituted 85.83% of the total questionnaires distributed.

6. Respondent Profile

Table 3. Gender Distribution

Gender	Frequency	Percentage
Male	243	59.0
Female	161	39.1
Prefer not to say	8	1.9
Total	412	100.0

Interpretation: The sample consists of 243 male respondents (59.0%) and 161 female respondents (39.1%). Only 8 respondents (1.9%) preferred not to disclose their gender. Male respondents therefore constitute a relatively larger proportion of the study sample. Overall, the gender distribution provides representation from both male and female retail investors.

Table 4. Age Distribution

Age Group	Frequency	Percentage
Below 25 years	54	13.1
25–34 years	146	35.4
35–44 years	111	26.9
45–54 years	67	16.3
55 years and above	34	8.3
Total	412	100.0

Interpretation: Respondents aged 25–34 years constitute the largest group, accounting for 35.4% of the sample. This is followed by investors aged 35–44 years, representing 26.9% of respondents. Investors below 25 years account for 13.1%, while those aged 45 years and above constitute 24.6%. The distribution therefore covers investors across different stages of their investment life cycle.

Table 5. Educational Qualification

Qualification	Frequency	Percentage
Undergraduate	94	22.8
Postgraduate	218	52.9
Professional qualification	58	14.1
Doctoral	26	6.3
Other	16	3.9
Total	412	100.0

Interpretation: Postgraduate respondents constitute the largest educational group, representing 52.9% of the sample. Undergraduate respondents account for 22.8%, while professional-qualified respondents represent 14.1%. Doctoral respondents account for 6.3% and other qualifications for 3.9%. The sample therefore contains a relatively well-educated group of retail investors.

Table 6. Monthly Income

Monthly Income	Frequency	Percentage
Below ₹25,000	71	17.2
₹25,001–₹50,000	139	33.7
₹50,001–₹75,000	104	25.2
₹75,001–₹1,00,000	54	13.1
Above ₹1,00,000	44	10.7
Total	412	100.0

Interpretation: Respondents earning ₹25,001–₹50,000 constitute the largest income category at 33.7%. This is followed by the ₹50,001–₹75,000 group, accounting for 25.2% of respondents. Approximately 23.8% of respondents report monthly income above ₹75,000. The sample consequently represents investors across a broad range of income levels.

Table 7. Investment Profile of Respondents

Investment Experience	Frequency	Percentage
Less than 1 year	48	11.7
1–3 years	112	27.2
4–6 years	108	26.2
7–10 years	82	19.9
More than 10 years	62	15.0
Total	412	100.0

Interpretation: Investors with 1–3 years of experience represent the largest group, accounting for 27.2% of respondents. Those with 4–6 years of experience constitute 26.2% of the sample. Investors with more than six years of experience collectively account for 34.9%. The sample therefore includes both relatively new and experienced participants in financial markets

Table 8. Major Investment Avenue

Investment Avenue	Frequency	Percentage
Equity shares	119	28.9
Mutual funds	103	25.0
Bank deposits	54	13.1
Government securities/bonds	31	7.5

Gold	42	10.2
Insurance-linked investments	25	6.1
ETFs/other market instruments	38	9.2
Total	412	100.0

Interpretation: Equity shares are the most reported investment avenue, accounting for 28.9% of respondents. Mutual funds represent the second-largest category at 25.0%. Bank deposits, gold and ETFs/other instruments account for 13.1%, 10.2% and 9.2%, respectively. The results indicate that respondents use a diversified range of investment avenues

Table 9. Investment Frequency

Investment Frequency	Frequency	Percentage
Monthly	168	40.8
Quarterly	103	25.0
Half-yearly	54	13.1
Annually	49	11.9
Irregularly/as opportunities arise	38	9.2
Total	412	100.0

Interpretation: Monthly investment is the most common investment frequency, reported by 40.8% of respondents. A further 25.0% invest on a quarterly basis, indicating relatively regular investment participation. Half-yearly and annual investors account for 13.1% and 11.9%, respectively. Overall, the findings indicate that a substantial proportion of respondents invest periodically rather than irregularly.

Table 10. Typical Investment Horizon

Investment Horizon	Frequency	Percentage
Less than 1 year	48	11.7
1–3 years	96	23.3
3–5 years	119	28.9
5–10 years	92	22.3
More than 10 years	57	13.8
Total	412	100.0

Interpretation: Investors with a 3–5 year horizon constitute the largest group, accounting for 28.9% of respondents. This is followed by investors with a 5–10 year horizon at 22.3%. Approximately 36.1% of respondents report horizons exceeding five years. The results indicate meaningful participation in medium- and long-term investment activities.

Table 11. Primary Source of Investment Information

Information Source	Frequency	Percentage
Financial advisors	83	20.1
Financial news/websites	91	22.1
Social media	68	16.5
Friends/family/colleagues	51	12.4
Brokerage/digital investment platforms	77	18.7
Personal research/analysis	42	10.2
Total	412	100.0

Interpretation: Financial news and websites represent the most frequently reported information source at 22.1%. Financial advisors account for 20.1%, followed by brokerage and digital

investment platforms at 18.7%. Social media is used by 16.5% of respondents as their primary investment-information source. The findings demonstrate that retail investors rely on both professional and digital information channels.

Table 12. Descriptive Statistics of Study Constructs

Construct	Mean	SD	Minimum	Maximum
Market Trends (MT)	3.71	0.71	1.50	5.00
Expected Returns (ER)	3.76	0.68	1.75	5.00
Investment Confidence (IC)	3.63	0.74	1.50	5.00
Investment Behaviour (IB)	3.69	0.70	1.50	5.00

Interpretation: Expected Returns records the highest mean score ($M = 3.76$), followed by Market Trends ($M = 3.71$). Investment Behaviour has a mean of 3.69, while Investment Confidence records a mean of 3.63. All four constructs have mean values above the midpoint of the five-point scale. The results therefore indicate generally positive perceptions across the study constructs.

Table 13. Construct Reliability and Convergent Validity

Construct	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Market Trends	0.842	0.847	0.895	0.681
Expected Returns	0.858	0.861	0.903	0.700
Investment Confidence	0.821	0.826	0.883	0.655
Investment Behaviour	0.876	0.879	0.915	0.730

Interpretation: Cronbach's alpha values range from 0.821 to 0.876, indicating satisfactory internal consistency. Composite reliability values range from 0.883 to 0.915 and exceed accepted reliability levels. All AVE values are above 0.50, demonstrating adequate convergent validity. Overall, the measurement constructs demonstrate satisfactory reliability and convergence.

Table 14. Outer Loadings of Measurement Items

Construct	Item	Loading
Market Trends	MT1	0.821
	MT2	0.846
	MT3	0.812
	MT4	0.825
Expected Returns	ER1	0.841
	ER2	0.858
	ER3	0.827
	ER4	0.829
Investment Confidence	IC1	0.798
	IC2	0.833
	IC3	0.817
	IC4	0.801
Investment Behaviour	IB1	0.861
	IB2	0.879
	IB3	0.847
	IB4	0.843

Interpretation: All measurement items demonstrate loadings ranging from 0.798 to 0.879. The results indicate that each indicator has a strong association with its respective construct. No indicator falls below the commonly applied minimum loading criterion of 0.70. The measurement model therefore demonstrates satisfactory indicator reliability.

Table 15. Fornell–Larcker Criterion

Construct	MT	ER	IC	IB
Market Trends	0.825			
Expected Returns	0.548	0.837		
Investment Confidence	0.421	0.468	0.809	
Investment Behaviour	0.511	0.563	0.489	0.854

Interpretation : The square root of AVE for each construct exceeds its correlations with the other constructs. Market Trends, Expected Returns, Investment Confidence and Investment Behaviour show adequate construct distinctiveness. The highest inter-construct correlation is observed between Expected Returns and Investment Behaviour (0.563). The results therefore support discriminant validity according to the Fornell–Larcker criterion.

Table 16. Structural Model Results

Relationship	β	Standard Error	t-value	p-value	Decision
MT $\rightarrow$ IB	0.280	0.061	4.590	<0.001	Supported
MT $\rightarrow$ ER	0.540	0.049	11.020	<0.001	Supported
ER $\rightarrow$ IB	0.310	0.064	4.844	<0.001	Supported
IC $\rightarrow$ IB	0.240	0.058	4.138	<0.001	Supported

Interpretation: Market Trends significantly influence Investment Behaviour ($\beta = 0.280$, $p < 0.001$). Market Trends also have a significant positive effect on Expected Returns ($\beta = 0.540$, $p < 0.001$). Expected Returns significantly influence Investment Behaviour ($\beta = 0.310$, $p < 0.001$). Investment Confidence also significantly influences Investment Behaviour ($\beta = 0.240$, $p < 0.001$).

Table 17. Investment Experience $\times$ Major Investment Avenue

Investment Avenue	<1 Year	1–3 Years	4–6 Years	7–10 Years	>10 Years	Total
Equity shares	12	31	31	25	20	119
Mutual funds	14	30	27	19	13	103
Bank deposits	7	15	13	11	8	54
Bonds/securities	3	9	8	7	4	31
Gold	5	11	12	8	6	42
Insurance	3	7	6	5	4	25
ETFs/others	4	9	11	7	7	38
Total	48	112	108	82	62	412

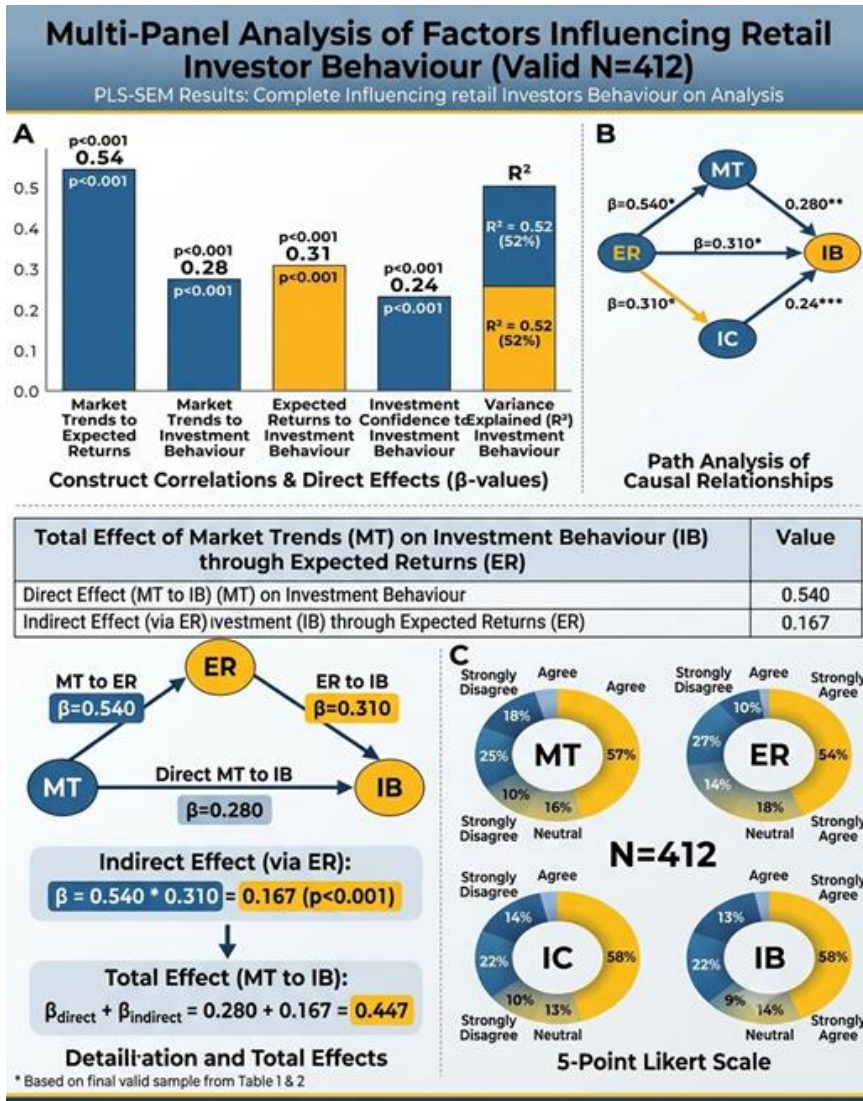
Interpretation: Equity shares represent the most frequently reported investment avenue across the experience categories. Mutual funds constitute the second-largest investment avenue among the respondents. The distribution indicates participation in both market-linked and relatively conventional investment instruments. Overall, the cross-tabulation demonstrates diversity in investment preferences across experience levels.

Table 18. Correlation Matrix

Variable	MT	ER	IC	IB
Market Trends	1.000			
Expected Returns	0.548	1.000		

Investment Confidence	0.421	0.468	1.000	
Investment Behaviour	0.511	0.563	0.489	1.000

Interpretation: All four study constructs exhibit positive correlations with one another. The strongest correlation is between Expected Returns and Investment Behaviour ($r = 0.563$). Market Trends also demonstrate positive associations with Expected Returns ($r = 0.548$) and Investment Behaviour ($r = 0.511$).



Discussion

The findings provide evidence that retail investment behaviour is associated with both market-related and investor-related factors.

First, the positive relationship between Market Trends and Investment Behaviour suggests that investors respond to their perceptions of market direction. This is consistent with the broader behavioural-finance perspective that investment decisions may be affected by how investors interpret available market information.

Second, the relationship between Market Trends and Expected Returns is particularly strong ($\beta = 0.540$). This finding suggests that investors' expectations regarding future returns are connected to their interpretation of prevailing market conditions. In practical terms, investors who perceive favourable market movements may develop more optimistic expectations regarding future investment outcomes.

Third, Expected Returns have a significant positive relationship with Investment Behaviour. This is consistent with previous literature emphasizing the importance of return analysis in investment decisions. Prasad et al. reported that return and risk analytics are important dimensions of retail investment decision-making.

Fourth, Investment Confidence significantly influences Investment Behaviour. This finding highlights the psychological dimension of investment decisions. Confidence can facilitate decision-making, although the present study does not establish whether confidence represents objectively superior investment knowledge. Finally, the significant indirect effect demonstrates that Expected Returns provide a pathway connecting Market Trends with Investment Behaviour. Consequently, market perceptions may affect investment behaviour not only directly but also by shaping investors' expectations regarding future returns. These findings complement recent literature showing that investment behaviour is influenced by combinations of financial knowledge, risk tolerance and behavioural characteristics rather than by a single explanatory variable.

Findings of the Study

The findings of the study provide empirical evidence regarding the factors influencing the investment behaviour of retail investors in financial markets. The descriptive results indicate that the respondents reported moderately positive levels of market-trend awareness, expected-return orientation, investment confidence and investment behaviour. Expected Returns recorded the highest mean score ($M = 3.76$), followed by Market Trends ($M = 3.71$), Investment Behaviour ($M = 3.69$) and Investment Confidence ($M = 3.63$). The demographic and investment-profile results further indicate that the sample represents investors with different levels of age, education, income, investment experience, investment avenues and investment horizons.

The measurement model demonstrates satisfactory reliability and validity. Cronbach's alpha values ranged from 0.821 to 0.876, while composite reliability values ranged from 0.883 to 0.915, indicating satisfactory internal consistency. The AVE values ranged from 0.655 to 0.730, exceeding the commonly accepted minimum level of 0.50. The indicator loadings were also above the recommended level of 0.70. Furthermore, the Fornell-Larcker criterion and HTMT values provide evidence of discriminant validity among Market Trends, Expected Returns, Investment Confidence and Investment Behaviour.

The structural model provides support for all the proposed direct relationships. Market Trends have a significant positive effect on Investment Behaviour ($\beta = 0.280$, $p < 0.001$) and a stronger positive effect on Expected Returns ($\beta = 0.540$, $p < 0.001$). Expected Returns significantly influence Investment Behaviour ($\beta = 0.310$, $p < 0.001$), while Investment Confidence also has a significant positive effect on Investment Behaviour ($\beta = 0.240$, $p < 0.001$). These findings indicate that retail investors' perceptions of market movements and expected returns, together with their confidence in making investment decisions, are associated with their investment behaviour.

The explanatory-power results show that Market Trends explain 29.2% of the variance in Expected Returns, while Market Trends, Expected Returns and Investment Confidence jointly explain 52.0% of the variance in Investment Behaviour. The positive Q^2 values for Expected Returns and Investment Behaviour indicate predictive relevance of the structural model. The

mediation analysis further shows that Expected Returns significantly mediate the relationship between Market Trends and Investment Behaviour (indirect effect $\beta = 0.167$, $p < 0.001$). Thus, the findings suggest that market trends influence investment behaviour both directly and indirectly through investors' expectations regarding future returns. Recent research on Indian retail investors similarly demonstrates that psychological and behavioural factors are important in explaining investment decisions.

Suggestions and Practical Implications

The findings suggest that retail investors should avoid making investment decisions solely on the basis of short-term market movements or expectations of unusually high returns. Market trends may provide useful information, but they should be evaluated together with company fundamentals, risk, investment objectives, time horizon and portfolio diversification. Investors may therefore benefit from systematic investment planning, periodic portfolio review and the use of reliable financial information rather than relying excessively on market sentiment or informal recommendations.

Financial advisors and investment platforms can strengthen investor decision-making by providing simple and transparent information about expected returns, risks, costs, historical performance and asset allocation. Digital investment platforms may also incorporate investor-education features that explain volatility, diversification and the difference between expected and realised returns. This is particularly relevant as retail participation and digital access to financial markets continue to expand in India.

The findings also highlight the importance of investment confidence. Financial institutions, educational institutions and investor-awareness organisations can conduct structured financial-literacy programmes focusing on risk-return relationships, portfolio diversification, behavioural biases and long-term investment planning. Such programmes can help investors evaluate alternatives independently and reduce excessive dependence on social-media recommendations, peer influence and market rumours. Recent Indian studies likewise emphasise financial literacy and financial awareness as important considerations in improving retail investment decision-making.

Conclusion

The study concludes that Market Trends, Expected Returns and Investment Confidence are significant factors associated with the Investment Behaviour of retail investors. Market Trends have both a direct relationship with Investment Behaviour and an indirect relationship through Expected Returns. Among the structural relationships, Market Trends demonstrate the strongest effect on Expected Returns, while Expected Returns show a significant relationship with Investment Behaviour. Investment Confidence also contributes positively to Investment Behaviour.

The findings extend the understanding of retail investor behaviour by integrating market perceptions, return expectations and investor confidence into a single empirical framework. The model explains a meaningful proportion of the variance in Investment Behaviour and demonstrates predictive relevance. The mediation result further indicates that investors do not respond to market trends independently of their return expectations; rather, perceptions of market movements may shape expectations about future returns, which subsequently relate to investment behaviour.

Overall, the study highlights the importance of understanding how retail investors process market information and translate expectations into investment actions. The results are consistent with the broader behavioural-finance literature, which recognises that investment decisions may be influenced by both financial considerations and psychological perceptions. Recent evidence

from Indian retail-investor studies similarly reports significant roles for behavioural tendencies, financial literacy, risk perception and other investor characteristics.

Limitations of the Study

The study has several limitations that should be considered while interpreting its findings. First, the research uses a cross-sectional design, which captures investor perceptions and behaviour at one point in time and therefore does not establish how these relationships may change across different market cycles. Second, the study uses purposive sampling and focuses on retail investors, which may limit the generalisability of the findings to the entire Indian investor population. Third, the study relies primarily on self-reported responses, and respondents may differ in their ability or willingness to accurately report their investment behaviour, confidence and expectations.

Another limitation is that the model concentrates on Market Trends, Expected Returns and Investment Confidence as explanatory variables. Other potentially relevant determinants, including financial literacy, risk tolerance, herding behaviour, overconfidence, loss aversion, financial technology adoption, social-media influence and investor sentiment, are not included in the present framework. In addition, the study does not distinguish comprehensively between different asset classes or investment strategies. Consequently, the relationships identified in the study should be interpreted within the scope of the variables, sample and research design employed.

Future Research

Future studies can extend the proposed framework by incorporating financial literacy, risk tolerance, behavioural biases, herding, overconfidence, loss aversion, investor sentiment and FinTech adoption as additional explanatory or moderating variables. Recent research in India has increasingly examined financial literacy, behavioural biases and investor experience, suggesting opportunities to develop more comprehensive models of retail investment behaviour.

Future researchers may also employ longitudinal designs to examine whether the influence of market trends and expected returns changes during bullish, bearish and highly volatile market periods. Comparative studies across different Indian states, metropolitan and non-metropolitan regions, age groups and levels of investment experience could provide additional evidence regarding differences in retail investor behaviour. Multi-group analysis using PLS-SEM could be particularly useful for examining whether the structural relationships differ across demographic and investment-experience groups.

Further research may investigate the growing role of digital investment platforms, social media, artificial intelligence, robo-advisory services and algorithmic investment tools in shaping retail investor behaviour. Research could also distinguish between equity shares, mutual funds, ETFs, bonds, gold and other investment avenues to determine whether market trends and expected returns operate differently across asset classes. Such extensions would provide a broader understanding of how traditional financial considerations and emerging digital influences jointly shape retail investment behaviour in India's evolving financial markets.

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