The Impact of Investor's Behavioural Factors on Investment Decisions in Financial Markets in Ireland

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Declaration

I, Anup Singh, hereby declare that this dissertation titled "**The Impact of Investor's Behavioural Factors on Investment Decisions in Financial Markets in Ireland** " is my own original creation and it is the result of my own writing. This work has not been submitted to any other institution or university for the award of any degree, diploma, or other qualifications. All the sources used and cited have been mentioned and acknowledged correctly with the prescribed academic standards and hence, the author has given a human touch to the paper.

Signature: Anup Singh

Date: 27th Aug 2024

This statement really makes me feel that my work is the result of my own hard work and research, proving that it is an academic honesty and a proof of my achievement.

Acknowledgment

I would prefer to express my absolute gratitude towards my professor, for the valuable advice, supervision and guidance from early phase of this research. I am extremely grateful for attainment of the constant support throughout the research. I am additionally thankful to all the participants those contributed in several ways towards this research, also humbly acknowledge all contribution.

Abstract

This research investigates the impact of investor behavioral characteristics such as fear, stock market volatility, and herd behavior on decision-making in Irish financial markets. Furthermore, the study proposes to look at the function of risk perception as a mediating component in the connection. This study collected data from investors in Ireland's financial markets using a quantitative questionnaire. The convenience sampling approach was used to choose participants. The findings revealed that their fear, stock market volatility, and herding behavior significantly affected investors' investing decisions. Furthermore, risk tendencies were shown as a critical mediator in this association. This study adds to the existing body of information and provides investors with valuable insights about behavioral biases that may impact their investment decisions. Furthermore, it is crucial to recognize that other factors may affect investors' decision-making processes. The findings will be precious to stakeholders, including government officials, lawmakers, financial advisers, and investors.

Keywords: Investors’fear, stock market volatility, herding behavior, risk tendencies, investors’ investment decision

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Chapter No. 1

1. Introduction

In recent years, behavioral finance has emerged as a popular research topic. It is dedicated to studying the intricate relationship between financial markets and human behavior. The premise of traditional financial theories is that market participants always act rationally (López-Cabarcos*et al.*, 2020). In contrast, behavioral finance recognizes the influence of psychological factors, cognitive biases, and emotions on market results and financial decision-making. Understanding human behavior in the stock market requires identifying the reasons for unexpected price movements, speculative peaks, and extreme volatility. Behavioral finance provides insight into investors' psychological qualities, such as anxiety, stock market volatility, and herding behavior. Market participants can make more educated and resilient investing decisions by learning more about the underlying forces that cause stock market movements(Paule-Vianez et al., 2020).

In today's world, financial decisions are made commonly. Young people must have the ability to make sensible judgments. Regardless of their relevance, these decisions carry some risk. The simultaneous decision should reduce risk while generating a positive return for the investment(Ballis and Verousis, 2022). Every investor understands that taking on more risk will result in a higher return, as there is a trade-off between the two. An investor must weigh the many investment options before making a firm selection. Behavioral finance is a topic that studies how cognitive and psychological variables influence individuals' decision-making, leading to irrational choices (Königstorfer and Thalmann, 2020; Valcanover et al., 2020; Wong, 2020; Kleine et al., 2022; Bennett et al., 2023).

The stock market is an essential part of every nation's economy because it allows for the transfer of resources between entities with surplus cash and those with deficits. Hudson and Muradoglu(2020) research found that the stock market is a reliable indicator of financial stability and economic development. Individual and institutional investors substantially influence the trading stocks of corporations listed on the Irish Stock Exchange. These organizations commonly use signals to attract investors for equity financing. Nguyen *et al.*(2022) say that there is a link between financial markets and economic growth. As a result, the economy is dependent on the market's growth.

Investment is the process of increasing revenue by devoting funding to a specific project. As a result, deciding where to invest one's money is critical. Conventional finance thought that financial markets and their participants were rational and made decisions based on profit maximization. Other elements, such as emotions and experience, can sometimes impact investment decisions. As a result, investors behave irrationally and impulsively in such situations. Previous studies have looked into a range of characteristics that investors consider when evaluating market performance to achieve the maximum return with the least risk, according to Fischer and Lehner(2021). Furthermore, they have identified several psychological and affective elements that influence investment decision-making and can help investors make more informed judgments (Asbaruna et al., 2023).

Behavioral finance study focuses on investment behavior, which includes a variety of decision-making processes such as information gathering and developing conclusions. This research helps forecast investor behavior by investigating characteristics such as investor exploration, judgments, and evaluations in investment decision-making (Risman *et al.*, 2023; Agudelo et al., 2024).

Investors frequently make decisions based on rational judgment and thorough research. Nonetheless, behavioral finance suggests that investors' reasoning limits, biases, and emotions may play a role (Sharma and Sharma, 2022). A fundamental point of contention between behavioral finance theory and modern finance theory is the extent to which variables other than financial ones affect stock prices. According to current theories in finance, stock prices accurately reflect all essential information and the market is highly efficient. Nevertheless, according to behavioral finance theory, stock values could be impacted by factors related to emotions and psychology (Sajid, 2021). The scientific community has thoroughly investigated the influence of behavioral finance factors on investment decisions.

Byun et al.,(2022) have identified several behavior finance aspects that can effect investment decisions, such as emotional biases, social effects, risk perception, and personality traits. Numerous research studies have investigated these traits' impact on investment decisions and originate that they can result in sub-optimal decisions (Dimarzio et al., 2021; Hon et al., 2021; Fang *et al.*, 2022).

When investing, investors prefer to be cautious and avoid taking risks. Their risk propensity (Nkukpornu et al., 2020; Ogunlusi and Obademi, 2021), risk perception (Lestary *et al.*, 2022), and risk tendency (Lam, Hasell and Tipping, 2024) all indicate that they prefer a more steady and constant degree of risk. Generally, an investor's risk attitude is consistent; nevertheless, their risk discernment is flexible and may modification based on the circumstances. Elevated risk perception primes to more transactions and less investment in the stock market (Okumura *et al.*, 2023). Market participants frequently occupy in driving behavior in their investing decisions due to a perception of low risk, which negatively impacts them. Kanimozhi(2020) showed that herding behavior significantly impactsinvestors' cognitive processeswhen making decisions.

In his book on stock market psychology, Hesniati(2020) claims that the psychological mindset of the investing and trading community considerably impacts stock price fluctuations on exchanges. Siratan and Setiawan(2021) identified an inverse association between perceived peril and benefits, which they attribute to the affect heuristic. According to Edeh(2020), individuals' thoughts and feelings influence their decision-making process, leading them onto a path congruent with the long-term costs and rewards of opposing behaviors. According to Lorenza and Wargenegara(2022), an investor's emotional decision-making is primarily concerned with avoiding the hidden costs of making the best choices. Individual investors' perceptions are sometimes created based on a poor understanding of market movements, which can lead to emotions that impair their judgment and decision-making (Hasibuan and Sadalia, 2023). Obeng(2020) found that negative emotions, such as foreboding, significantly impact an investor's risk assessment during the decision-making process. Investors are more likely to follow predictable occurrences and avoid those that are unknown or dangerous due to fear. Anxious investors typically prioritize predictable events when making decisions.

1.1. Research Problem

Extensive research has shown that systematic behaviorals exist in human thinking. These deficiencies include overconfidence and a dependence on recent experiences. This preference can potentially cause distortion(Ogunlusi and Obademi, 2021). Behavioral finance explores the behavioral factors that influence institutional and individual investors' decision-making processes(Asbaruna et al., 2023).

Valcanover et al. (2020) and Fu. (2022) identified a significant split in opinion regarding behavioral finance theory's veracity among academics specializing in the field of financial study. It appears that financial behavior is still up for debate, given the lack of consensus. A large

number of studies repeatedly show that investor behavioral characteristics have a significant impact on investment decisions (Kiruba and Vasantha, 2021). The extant literature has yielded conflicting conclusions about the direction, strength, and statistical significance of the link between variables (Abideen *et al.*, 2023; Fu, 2022). The current study does not adequately account for investor behavioral aspects in investment decisions. Specialists are divided on the association between these qualities, with contradicting results from numerous studies (Xia and Madni, 2024; Liu *et al.*, 2020). The results indicate that extensive research has been undertaken to investigate the correlations between these variables. However, more research is needed to identify how investor behavioral traits considerably influence the interconnectedness of investing decisions and risk perception. The Irish financial industry has not been thoroughly investigated into the combined influence of these issues. Consequently, the existing findings are inconclusive.

1.2. Research Gap

Numerous studies have been conducted in various countries worldwide to investigate the impact of behavioral factors on investment decision-making and performance. Much research has been conducted on secondary markets, as noted by Almansour et al.(2023)andSendilvelu and Shah(2021). However, there is a lack of information regarding studies investigating the impact of individual financial behavior factors on investment decisions, particularly in the Irish financial market. In local studies, behavioral factors have not been extensively investigated regarding individuals' investment decisions, to the best of the researchers' knowledge. This research endeavor aims to address this deficit by examining the impact of behavioral financial elements on the investment decisions made by individual investors.

According to the researcher, no studies have been conducted on the impact of risk perception as a mediator between behavioral finance determinants and investment decisions made by investors

in the Irish financial market. Given the impact that investors' decisions have on market behavior and the phenomenal growth of the Irish financial market in recent years, the paucity of research on this subject is noteworthy (Xia and Madni, 2024; Valcanover et al., 2020). However, the relationship between these traits and risk perception in the Irish financial industry remains uncertain. Consequently, additional research is necessary to investigate the role of risk perception as a mediator between the influence of behavioral finance components and individual investment decisions in the Irish financial market. This will facilitate a more comprehensive comprehension of the market's behavior.

As an outcome of the research findings, individual investors will develop a greater awareness of the behavioral biases they should consider when making financial decisions. The study's findings should assist investment managers in comprehending the impact of behavioral factors on their investments.

1.3. Research Aim

The primary aim of this study is to examine how investor behavioral characteristics influence the decisions they make in the Irish financial markets, with risk perception as a mediating factor.

1.4. Research Objectives

- To look at how fear, stock market volatility, and herd behavior influence investors' investment decisions.
- To investigate how investor fear, herd behavior, and investment decisions are mediated by risk perception.
- To examine the relationship between fear, stock market volatility, herd behavior, risk perception, and investing decisions.

1.5. Research Questions

- Do fear, stock market volatility, and herd behavior influence the decisions made by investors in Ireland's financial markets?
- How do the way investors perceive risk mediate the relationship between their fear, stock market volatility, herding behavior, and investment decisions in Ireland's financial markets?
- What is the relationship between investors' fear, stock market volatility, herd behavior, perception of risk, and investment decisions in Ireland's financial markets?

1.6. Significance of the Study

This work is significant from both a scholarly and practical standpoint. This study adds to the academic community's current knowledge, particularly about Ireland. To the researcher's knowledge, no large-scale research has been undertaken in this setting on the impact of behavioral determinants on investment decision-making behavior. The study also recommends further research in this and other relevant fields. This research has the potential to increase investors' ability to make well-informed investment decisions and provide regulators with critical insights into developing policies that foster a stable and sustainable equities market.

1.7. Structure of the Dissertation

This dissertation has been organised up in the following manner. The questions and research topics that will be investigated are outlined in the first chapter of the study, A review of the literature, the development of theoretical foundations, and the formulation of hypotheses are all covered in Chapter 2. An overview of the data and methodology utilised in this study is given in Chapter 3. The results are presented in Chapter 4 along with a discussion of their implications.

Chapter 5 includes concluding observations, study limitations, and suggestions for more research.

Chapter No. 2

2. Literature Review

2.1. Prospect Theory

Kahneman and Tversky developed prospect theory, a crucial idea in behavioral finance. It offers an alternate explanation for how people perceive and assess uncertain decisions. According to this argument, utility is determined not by the quantity of wealth, as in classical theory, but by fluctuations in wealth relative to its current state(Wakker, 2023). Economists describe utility as the level of efficacy an individual obtains from a specific object or service. According to conventional financial theories, the overall benefit is the sum of the individual's earnings and losses from all investments made over a long period. Nonetheless, Kahneman and Tversky(1979) show that people are rarely rational. According to the prospect hypothesis, individuals process possible gains and losses differently, preferring potential gains over potential losses even when the total outcome is the same. Choices offered regarding prospective benefits are regularly preferred over those presented regarding possible losses. Several biases influence this behavior(Tee and Taylor, 2021; Mardiah and Piantari, 2022; Ch'ng et al., 2023).

According to this theory, investors must go through two stages before determining the best answer when confronted with risky situations. Before this, they verify the gains and losses. In the following step, decision-makers are given two options: a difficult option or a simple one. This choice is made after evaluating many variables and assigning suitable weights to each value. Tversky and Kahneman(1992) define prospect theory as a subjective element of decision-making, whereas expected utility theory represents the irrational decision-making perspective, notably among investors. According to Lin et al.(2024), loss aversion is the tendency of

individuals to prioritize loss prevention over the acquisition of comparable profits. Finger *et al.*(2024) also underlined that when people lose money on their investments, they tend to feel worse than when they make the same amount.

2.2. Behavioural Finance and Behavioural Biases

Behavioral finance studies the various components of an investor's behavior, such as their decision-making process, emotions, social effects, intellectual features, and limited cognitive capacities. According to Samal and Mohapatra(2021), these characteristics substantially influence the stock market.

Behavioral finance is a branch of finance that studies the impact of psychological characteristics on individual financial market behavior. It also looks at how these variables influence their decisions to buy or sell assets, which affects market pricing. This analysis aims to look at the root reasons for market inefficiencies. Nkukpornu et al.(2020) define behavioral finance as the study of how psychology influences the actions of financial professionals and the consequences for markets. The field of study is concerned with the repercussions of investors making decisions based on intuition or emotions and the ideas and studies that support the. According to A Samal and Mohapatra(2021), behavioral finance is a fast-emerging science that studies psychology's influence on financial professionals' activities.

Figure 1: Concept of Behavioral finance

Source:(Hon et al., 2021)

Behavioral finance uses experimental research from cognitive psychology to investigate investor decision-making and irrationality(Hon et al., 2021). It focuses on the prejudices that develop when people establish ideas and preferences and judge based on those opinions and preferences. This undermines the second fundamental principle (ii) of psychology (Schulz, 2023), as research in this field has revealed that individuals consistently exhibit distinct biases while formulating their beliefs and preferences, influencing their decision-making. (iii) Sociology highlights the importance of social interaction in influencing financial decisions rather than making them independently. The fundamental idea that people make decisions without any external input is challenged(Fischer and Lehner, 2021).

Wiagustini et al.(2023) defines behavioral biases as the possibility of making illogical financial decisions driven by emotional variables and misconceptions about finance and economics. In any circumstance involving humans and financial transactions, behavioral biases are important

aspects that influence practical decision-making. Individuals must have enough information and a deep understanding of themselves to make the right decision (Bennett et al., 2023). Investors are prone to bias. Their findings imply that learning suitable and sufficient knowledge might effectively reduce the hazards associated with irrational behavior. Behavioral biases are the applications of psychological and sociological principles in finance.

Simply put, it is a break from the logical decision-making process. Investors have recently been observed engaging in irrational behavior. It implies that the decisions made by investors on the stock exchange are illogical. Consequently, emotions and behavioral biases influenced most stock exchange investing decisions (Leković, 2020; Jain *et al.*, 2022). The literature contains a variety of behavioral biases. Nonetheless, the primary focus of this study will be on three independent variables: investor stress, stock market volatility, and herding behavior.

In the eyes of Ogunlusi and Obademi(2021), two main characteristics motivate investors: "fear and greed." Their decision-making is driven by a combination of fear of losing money and self-interest, in other words. All parts of human motivation are part of psychology, says Almansour et al.(2023), and that's why people repeat the same mistakes repeatedly in the actual world. By fusing psychology and finance, behavioral finance seeks to explain market anomalies and the reasoning behind investors' choices (Asbaruna et al., 2023). The traditional view of the investor's role is being challenged. According to Sapkota (2022), Millennial investors put a lot of faith on gut feelings and market trends rather than research. Hence, the biases are explained and presented. According to Atif Sattar et al., (2020), investors have three main goals when they put their money into the market: practical, expressive, and emotional. The pursuit of monetary gain as an investment is known as a utilitarian interest. Investments that other investors see as valuable and significant are a big part of showing interest. A person's emotional investment in

their assets is what we mean when we talk about emotional interest. Investor psychology has benefited greatly from the work of a number of scholars and psychologists. Their work is still relevant and useful in many case studies, including this researcher's own. The four main behavioural finance ideas discussed in this part are heuristics, emotions, framing, and market influence (including the herding bias). A thorough understanding of investor psychology can be achieved by breaking down the subjects mentioned above into their components.

2.3. Market factors

Behavioral determinants usually do not incorporate market factors, which are outside forces that affect investors' actions. Through the prism of behavioral finance, Rashata(2022) argued that investor behavior might considerably affect financial markets. Investors are likely to exhibit the following behaviors, if the viewpoints are correct and precise: they respond to price changes and news, project past trends into the future, pay attention to popular stocks, disregard the fundamental aspects of stocks, and take seasonal price cycles into account. Several market elements influence the decisions made by stock market investors. In addition, price fluctuations, inflated responses to price changes, availability of market information, consumer preferences, basic stock characteristics, and past stock market trends were all listed by Akhtar and Malik(2023) as market factors that impact investor decision making. movements in stock price, market information, and underlying stock fundamentals are the main elements that usually cause overreactions or underreactions to price movements. Experimental results show that the changes have a far more noticeable effect on investors' disposition toward making decisions. Researchers have tried to prove that investors might react too strongly to news of price fluctuations (Patras et al., 2023). Investor behavior can be significantly influenced by news of price changes, even if the reaction is inadequate, as shown by Tauseef(2020). A growing number

of investors are thinking about using various trading strategies to increase their investment returns. In the end, Sheikh et al.(2023) shown that investors' decisions are heavily impacted by accurate market strategy knowledge, which causes them to seek out popular and successful stocks and other profitable endeavors. According to Shah et al.(2022), investors should have a genuine and thorough knowledge of what it takes to be successful in the stock market. They pointed out that investors frequently change their emphasis without understanding if these investments will produce reliable results and good performance down the road. According to research by Ahmad et al., (2021), many investors overtrade due to their inflated sense of self-confidence. Market data, stock quality, and these investors' own past investing judgments are their mainstays. equities with more price volatility over the last two years are more attractive to investors, according to Shah *et al.*(2024), than equities with little or no volatility. Afzal et al., (2024)states that stock price variations significantly influence the actions of investors over a period of time.

It is common for market data, underlying stock fundamentals, and stock price swings to cause either an overreaction or underreaction to price changes. Evidence suggests that these changes majorly affect how investors make decisions. According to researchers, investors' trading strategies and investment decisions could be influenced by whether they react too strongly(Naseer Haidari, 2023)or not enough (Mathew and Kumar, 2022) to news. Investors' decisions are heavily impacted by market knowledge, as stated by Khawaja and Alharbi(2021). So, based on stock market data, investors often prioritise popular stocks and interesting occurrences. Another point made by Pratiwi *et al.*(2020) is that investors are swayed by interesting stock market events, even when they don't know the future for their assets. Overconfidence leads investors to trade too much, a problem that Awais *et al.*(2023)

investigates. When making investment decisions, these people put a lot of faith in the reliability of stock or market data.

Anshu(2024)states that changes might influence investors' actions in stock prices. According to Wattanasan et al.(2020), investors would rather buy stocks that have shown more price volatility over the past two years than sell them. Investors may find stock price changes fascinating because they seem like a dramatic market event. Also, investors are susceptible to the herding effect, according to Faramarzi and Raju(2020), which causes them to go in the same direction as other investors whenever prices shift. In addition, investors' investment decisions are impacted by price swings because they may revise their expectations of stock returns (Cao et al., 2021).

Market popularity and trends are frequently the deciding factors for investors (Rajeshwaran, 2020). According to Almansour et al.(2023), investors often choose stocks that pique their interest. On top of that, investors' preferences have a role in selecting stocks. In general, rational investors sell shares in companies that have underperformed in the past, while momentum investors choose stocks that have done well recently. Since it permits them to postpone paying taxes, this tactic can be useful for reasonable investors. But behavioral investors want to put off the unpleasant feelings that come with the possibility of losing money in the stock market, so they sell their successful investments (Mohmed Al-Sabaawi and Alyouzbaky, 2022). Furthermore, the impact of prior stock price changes on investors' decision-making behavior is somewhat explored by (Xia and Madni, 2024). Investors often use technical analysis techniques to look at past stock patterns before making investments in this field.

2.4. Herding Behaviour

Herding behavior is the extent to which investors follow and implement their peers' investment strategies and procedures (Ghorbel et al., 2023). Herding is a phrase used to describe the behavior of investors who follow the recommendations of others and current trends (Ng *et al.*, 2022). Hii et al.(2023) identified the herding effect as a phenomenon in which investors seek to mimic the acts of others, lessening any remorse they may have about their own decisions. Leiwakabessy et al.(2021) discovered a significant correlation between individual Chinese investors' investment decisions and their tendency to conform to the herd. In addition, Kyriazis(2020)and Kartini and Nahda(2021) found a link between individual investors and herd behavior.

In their research, Ballis and Verousis(2022) defined herding as investors' tendency to mimic the market actions of their peers. They explained that investors who rely on public information rather than private and verified information are the most concerned, according to experts. Some investors may engage in herding behavior only if it allows them to obtain relevant and reliable information that can be used to assess the performance of financial institutions compared to their peers. Furthermore, smaller businesses may try to replicate high-growth organizations. Akin and Akin(2024) define herding as the phenomenon in which rational investors behave irrationally when acting together.

Figure 2: Consequences of Herding Behavior

Source:(Ghorbel et al., 2023)

According to Gong et al.(2022), imitation and replicating the actions of others is a fundamental human behavior. They argue that this behavior is impacted by the information we learn from observing other investors' previous decisions. We aim to create sensible choices by emulating these actions while ignoring our knowledge. Abdeldayem and Aldulaimi(2024) explored this conduct by using the market as a "discipline tool" to diminish herding behavior in their study. They hypothesized that market pressures would promote the retention of private information while discouraging herding. This conduct is attributed to erroneous information and its association with stock market crashes and bubbles. Furthermore, they observed that herding behavior can occur in a well-organized and structured market. Moreover, investors with sensitive information may have an impact on the market.

When investors mimic the strategies of their peers, this is known as herding behavior, according to Landazuri-Tveteraas *et al.*(2023). In their 2021 study, Saleem *et al.*(2021) examined how herd mentality affects the stock market. In their 2023 study, Gutsche et al.(2023)looked at how herd

mentality affected the 2008 financial crisis and how investors made judgments. Indian stock investors exhibit herding behavior, as shown by Saleem *et al.*(2021).

2.5. Stock Market Volatility

The stock or share market's volatility influences investor behavior. Investors should take a logical approach and adjust their expectations considering the significant price changes, dividend payout ratio, high stock return volatility, and risk premium (Peng *et al.*, 2023).

Financial markets are volatile. It is strongly tied to market uncertainty and influences the investing behavior of both individuals and organizations. Contemporary financial research focuseson studying financial asset return volatility(Akin and Akin, 2024). Typically, this instability is defined and measured by fluctuations in the rate of return. Forecasting accurate market volatility is a challenging task, and while many models and approaches are available, not all of them work equally well for different stock markets. This explanation offers a substantial problem for financial analysts and researchers when anticipating market returns and volatility(Gao et al., 2023).

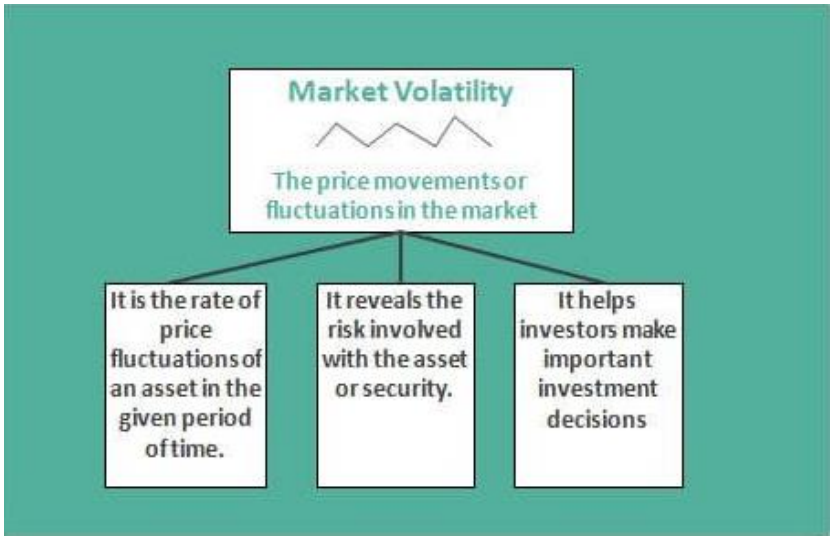


Figure 3: Stock market's volatility

Source: (Peng *et al.*, 2023)

Volatility in stock prices is a typical phenomenon across all stock markets. Each of these elements can potentially cause volatility and changes in stock prices. Both internal and external forces typically impact stock prices. The stock price trend is a statistical analysis of price changes over time(Hu et al., 2021). Guo(2023) strongly cautions against buying a stock with a negative price trend instead of one with an upward price trend.

2.6. Investor Fear

Investor fear influences the extent to which companies are accurately valued and the magnitude of stock market fluctuations. The concept is based on the idea that when there is a lot of dread, the value of shares falls. It demonstrates how investors' attitudes influence their propensity to invest in companies, providing insight into the acceptable valuation of equities at a given point (Martínez et al., 2022; Armansyah et al., 2023b, 2023a; Sood et al., 2024).

Investing in the stock market can appear riskyand have serious consequences for those new to the finance industry. The constant flow of information about conflicts, political instability, rising prices, and government debt can exacerbate fears of financial loss, creating the impression that investment is extremely risky. It is critical to recognize that the concepts of dread and risk are not always synonymous in the context of the stock market(Ani and Özarı, 2020; Gurdgiev and O'Loughlin, 2020; Wattanasan et al., 2020; de Oliveira Cardoso et al., 2022; Nyakurukwa and Seetharam, 2022).

2.7. Investors' Investment Decisions

Park and Oh(2022)contends that investors' psychological attitudes influence their decision-making. Wang and Nuangjamnong(2022) discovered that investing based on a particular faith

and convictions, rather than just economic viability, can significantly improve financial outcomes. Sitorus and Purwanto(2020) argued that market conditions are not the only factor driving investor conduct. Hii et al.(2023)researched and discovered that investor behavior regarding the stock market can also be influenced by factors such as persistently following others and utilizing too optimistic thinking to boost business equity and activity. Furthermore, it has been shown that the stock market impacts investors' actions; nonetheless, they demonstrate courage in making individual decisions without fear, taking on potential risks to earn attractive returns (Park and Jang, 2021).

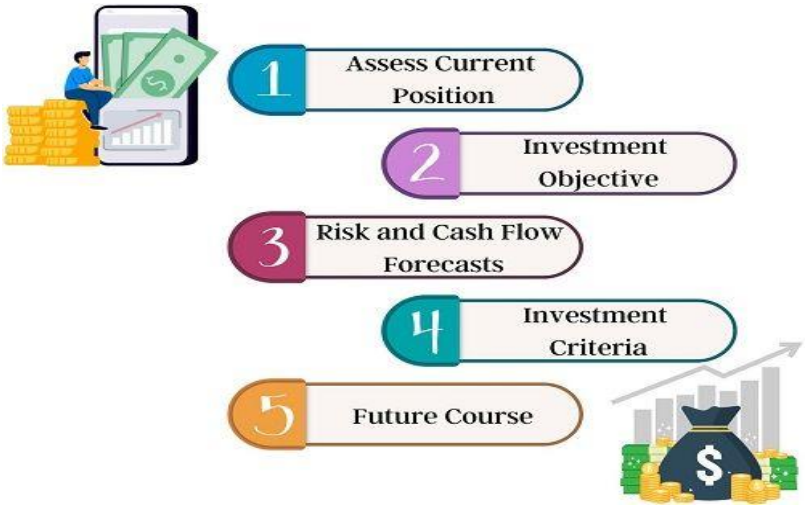


Figure 4: Investment Decision

Source:(Park and Jang, 2021)

Investment is the practice of allocating money to generate long-term gains. Investors can increase their financial returns by conducting thorough research, gathering relevant background information, and making prudent personal investment decisions. Sharpe proposed in 1964 that the maximum risk level and anticipated return can be used to compare two investment options using a reference portfolio. Cao et al.(2021) did a recent study that found a positive relationship

between the chance of making rational decisions and improved access to financial information. The researchers addressed the psychological element of investors by looking at behavioral occurrences through the lens of "cognitive unconsciousness." This refers to the interaction of memories, thoughts, and senses without consciousness or knowledge. These researchers found this factor leading to certain individuals' investment blunders (Subandi and Basana, 2021). Furthermore, investors may select the most basic strategy in their decision-making process, even if they know it may result in short-term gains with no long-term benefits (Karmacharya *et al.*, 2022).

2.8. Risk Perception

When it comes to investing, the investor is risk-averse, preferring a steady and continuous level of risk inclination (Loris and Jayanto, 2021), risk perception (Weber et al., 2008), and risk propensity (Almansour et al., 2023). An investor's perception of risk can shift in reaction to various conditions, although their risk attitude is more likely to remain consistent over time. According to Paul et al.(2023), the perception of higher risk reduces stock market investment while increasing transaction frequency. Perceptions of risk have a negative impact on investors' stock market investment decisions. Individuals' interests are expressed by each investor's particular behaviors and distinctive perspectives, which are equally important. These investors exhibit behavioral biases, resulting in investment patterns that cause both overreactions and underreactions in the market (Jain *et al.*, 2023).

Arie Wibowo et al.(2023) propose that investment risk is divergent from the expected return on investment. Concurrently, Ayudiastuti(2021) argue that risk is a major issue for many, including investors. Investors have various risk tolerance levels; some prefer low-risk options, while others are willing to engage in high-risk activities. Mulyani et al.(2021) describe perception as an

individual's interpretation or perspective of a circumstance. In contrast, risk is a prospective negative event due to uncertainty.

2.9. Investors' strategy

Everyone involved is trying to lessen the blow that the financial crisis has dealt them monetarily Ritika et al.(2023). Many people have adapted to the financial crisis to lessen its effects (Kappal and Rastogi, 2020). As a portfolio adjustment, investors can lower their equity allocation (Baig *et al.*, 2021). According to the researchers (Azizah and Mulyono, 2020; Chawla et al., 2022; Bozkurt and Akgül, 2023; Li *et al.*, 2023), the crisis caused a change in the portfolio due to risk aversion, regret avoidance, and projection bias.

Particularly in times of economic uncertainty, investor mood greatly affects market volatility and returns. D'Exelle et al.r(2024) found that increased volatility is a result of investors' pessimism. According to Lien et al. (2022), the global financial markets have been greatly impacted by the COVID-19 pandemic, resulting in heightened volatility and uncertainty. Nicolescu and Tudorache(2021) found that investors' confidence has taken a hit due to unfavorable GDP, uncertainty, and instability. As a result, they are now shifting their risk preferences.

2.10. Herding Behaviour and Investors' Investment Decisions

According to Wang and Nuangjamnong(2022), investment managers collaboratively analyze different techniques to decrease the potential of causing loss to the organization's reputation. Rahayu et al.(2021)researched to establish a model of information. The study discovered that investors participate in herding behavior in their trading operations due to uncertainty about the availability of credible information in the market. Adielyani and Mawardi(2020) discovered that German investors who only invest in German equities engage in herd behavior. Their findings

indicate that these investors usually rely on herd behavior when selecting securities. Kalimasada and Rohim(2023) found that institutional investors, like individual investors, are affected by herd behavior. This conduct is present in all types of investors, regardless of location; nevertheless, it is most common among international investors. Rahyuda and Candradewi(2023) found that the flow of information into the market accelerates the price change process. The study explicitly examined institutional investors' collective activity and determined that their daily herding actions contribute to short-term market destabilization.

Recent research has provided additional insights into the various elements that drive herd behavior. For example, Fauziah and Rusmita(2020) explored the relationship between herd behavior and global risk variables in the Turkish market. They emphasized herd behavior at periods of high and acute instability. They also observed that several elements in the US marketplaces influenced these administrations. Subsequently, there is significant evidence of herd behavior in all industries except the industrial one. Hii et al.(2023) examined the impact of return clustering on the volatility of equities market liquidity before and after the crisis. Theressa and Armansyah(2022) discovered that investors behave in a protective manner when there is uncertainty. They prioritize their information over market information and do not consider herd behavior while making financial decisions. The existing literature on herd behavior focuses mostly on risk factors and stock returns, with little research on other issues.

Leiwakabessy et al.(2021) examined the impact of herding behavior on investor decision-making during the 2008 financial crisis. Herding behavior is the tendency to copy the actions of others rather than independently observing and considering private information. This might lead to incorrect choices based on inaccurate information and a lack of full comprehension. As a result, their decision-making process is compromised (Fathmaningrum and Utami, 2022).During the

COVID-19 pandemic, the researcher discovered that herding behavior in the Chinese stock market was less widespread than usual. As a result, the study's findings indicate that the Chinese market was more productive and stable than other markets during the pandemic (Almeida and Gonçalves, 2023).

The study examined how the Covid-19 epidemic affects the overall conduct of stock market participants. This was accomplished by juxtaposing the disease's prevalence in the global economy with newspaper-reported stock market index variations. The investigation covered roughly 50 financial stock markets worldwide (Valentina and Pamungkas, 2022). The research study focused on investors' herding behavior in the Chinese stock market during COVID-19. It was discovered that the flocking tendency is more prominent in the presence of occasional volatility in trade and pricing caused by COVID-19. These findings are critical for regulatory inspection teams and investors to gain a more comprehensive understanding of the global stock market and its impact on them, allowing them to make more informed decisions (Cao et al., 2021). The following hypothesis can be formulated in light of the preceding discussion.

H1: Herding behavior has a significant impact on investment decisions.

2.11. Stock Market Volatility and Investors' Investment Decisions

The term "volatility" refers to the tendency of prices to experience sudden shifts (P H and Rishad, 2020). However, not all types of volatility are negative. Financial market volatility has a direct impact on both financial and macroeconomic stability. Governments around the world prioritize significant economic risk factors. As a result, financial economists and practitioners have continually prioritized the study of financial market volatility(Chen and Haga, 2021).

Numerous research, like those conducted by Calavia et al.(2023), have shown that market volatility has a negative link with stock market performance. This correlation suggests that as

market volatility rises, investors are likelier to exhibit a greater aversion to risk. Market anomalies may be worsened by excessive risk aversion, resulting in unexpected market activity. Investors may exhibit extreme caution, resulting in an underestimation or overestimation of asset prices, depending on the level of volatility. This finding emphasizes the importance of swings in investor mood caused by heightened volatility in the emergence of market anomalies(Kuranchie-Pong and Forson, 2022).

Jiang *et al.*(2021) demonstrate that individuals commonly underestimate the volatility of stock returns in financial markets. Finance professionals exude confidence in both their professional and personal life. The following hypothesis can be developed in light of the preceding debate.

H2: Stock market volatility has a significant impact on investment decisions.

2.12. Investor Fear and Investors' Investment Decisions

Several recent research studies have found that investors may make decisions based on intuition when they experience unpleasant emotions. Armansyah, Ardianto and Rithmaya(2023b)investigated the effects of anxiety on investing decision-making. Their findings indicated that investors' domestic biases are influenced by their fear of unforeseen events, and investors who are afraid are more likely to engage in less diverse investments. Additional research has looked into how fury and sadness influence decision-making. Laboratory investigations have shown that people who are outraged are more prone to make intuitive decisions, whereas people who are depressed are more likely to make reasoned decisions (Kiruba and Vasantha, 2021). Furthermore, it was discovered that investors were more inclined to make financial judgments based on intuition rather than rationality due to anger and pleasure. In contrast, worry and melancholy drove investors to make careful financial selections. Compared

to Nguyen et al.(2020), it has been proposed that fear serves as a warning signal, allowing individuals to assess potential threats and make reasonable decisions.

Nizar and Daljono(2024) discovered a negative link between the severity of COVID-19 cases and fear of the stock market. Rivo and Ratnasari(2020) investigated investors' apprehensions regarding their response to fear, such as concerns about insufficient government steps to mitigate the impact of COVID-19.The financial market has been greatly impacted by the COVID-19 epidemic, causing global market hardship. The stock market has been extremely volatile, as shown by a significant fall in stock returns and trading volume (Ji *et al.*, 2024). According to Johnson et al.(2021), many believe that the outbreak results from behavioral characteristics such as fairness and unfamiliarity influenced by COVID-19.

According to the researcher's findings, the COVID-19 epidemic had a substantial impact on the financial stock markets of South Asian member countries. The study found that all sectors, particularly the health, medical, and services industries, faced significant disruptions, which had a negative impact on investor confidence. International travel restrictions also harmed other sectors, such as technology and utilities. The study measured the effect by evaluating percentage changes ranging from 5% to 10%, with weekly and monthly swings. The preceding experiment indicated that anxiety had a negative impact on the stock market and investing decisions. Other studies claim that the media has fostered excessive fear in investors' minds(Armansyah et al., 2023b; Iasa Nur Firdausi and Lia Nirawati, 2023; Jeremiah, 2023).According to Argan et al.(2023), the hypothesis can be constructed based on the preceding discourse.

H3: Investor fear has a significant impact on investment decisions.

2.13. The Mediating Effect of Risk Perception

Numerous research, like those conducted by Qian *et al.*(2022) and Li *et al.*(2021), have shown that market volatility negatively links stock market performance. This correlation suggests that as market volatility rises, investors are likelier to exhibit a greater aversion to risk. High-risk aversion may worsen market abnormalities, resulting in unpredictable market conduct. Investors may be overly cautious, resulting in asset mispricing, either undervaluing or overvaluing them, depending on the direction of volatility. This observation emphasizes the importance of shifts in investor mood caused by heightened volatility in creating market oddities(Yue *et al.*, 2021; M. Zhang *et al.*, 2022; Viet and Thanh, 2023).

Viet and Thanh(2023)discovered that risk perception strongly determines the association between investment performance and behavioral traits. Furthermore, Ahmad and Shah(2022) demonstrate that the correlation between overconfidence and investment choices can be better understood by accounting for individual variances in risk perception. Following this, research by Zhou *et al.*(2021). Peng *et al.*(2021) found that the relationship between investing decisions and herding behavior is not mediated by risk perception. Several studies have discovered a negative correlation between risk perception and the behavioral biases of individual investors (Kwak and Kim, 2021; Wangzhou *et al.*, 2021; W. Zhang *et al.*, 2022; Xu and Yan, 2023; Wu, 2024). This implies that the likelihood of investors experiencing behavioral fallacies diminishes as risk perception increases.

Li *et al.*(2020) did a study to evaluate the impact of fear and anger on perceptions of danger. The findings revealed that scared investors view risk pessimistically, leading to risk-averse investing decisions. Furious investors, on the other hand, produced opposite results, as they tended to assess risk favorably and, as a result, made bold investment selections. Liu *et al.*(2023) explored

the effect of anxiety on diversity in their study. Their findings revealed that investors are more likely to ponder negative implications when concerned about unforeseen events. As a result, they choose to invest in familiar assets rather than diversify their portfolios.

Fear can help investors make better decisions despite being a bad feeling. Anxiety pushes people to be cautious and take precautions when making judgments. Individual investors are frequently unable to make favorable selections owing to fear, resulting in ineffective efforts as they pursue chances that are unlikely to be successful(Zhu and Deng, 2020; Cao *et al.*, 2021; Karadas *et al.*, 2022; Zhong *et al.*, 2022). The following hypothesis can be developed in light of the preceding debate.

H4: Risk perception mediates the relationship between investors' fear, herding behavior, stock market volatility, and investment decisions.

H5:A significant relationship exists between stock market volatility and risk perception.

2.14. Herding Behaviour and Risk Perception

Natahadi et al.(2024) proposed that herding behavior results from how people perceive the effect of risk on stock returns. When making financial decisions, many investors display herd mentality or overconfidence biases. Investors' herding behavior can be ascribed to their low-risk propensity or risk aversion, which is motivated by a desire to limit the chance of financial losses (Rahyuda and Candradewi, 2023). Regardless of their sanity under other situations, individuals participate in an irrational activity during herding by depending on the judgments of others. This behavior could be explained by a absence of investing information or a tendency to track the sentiments and commands of others (Rosdiana, 2020).

Lee et al.(2021) found a strong link between the connection between risk and return and herding behavior. The scientists discovered that herding tendency inclines to increase during times of

significant market volatility and uncertainty. The latent risks connected with reserves are compounded by increasing herding behavior since investors are more inclined to make decisions based on market mood rather than objective risk assessment. Gustiarum and Kusumawardhani(2023) investigate the occurrence of herding behavior in the US stock market, focusing on risk and uncertainty.

The level of risk perception linked with stock returns is the root cause of herding behavior Sukma Ardini et al.(2023). When making financial decisions, many investors suffer from overconfidence biases or follow the crowd (Halim and Pamungkas, 2023). The cause for this herding tendency is the investors' propensity to avoid risk or to take low-risk investments. They aim to reduce the likelihood of sustaining losses (Trisno and Vidayana, 2023). Typically, reasonable individuals tend to exhibit aberrant conduct in herding by discarding their judgment and instead following the investment decisions of others (Kairiza et al., 2023). They are either unwilling to risk investing or lack the requisite information, leaving them reliant on the opinions and advice of others (Dinarjito, 2023). Gradinda Maryama Mayora and Wiwik Lestari(2024) discovered a high relationship between herding behavior, risk, and return among institutional investors.

Kiruba and Vasantha(2021) explore herding behavior in the presence of risk and uncertainty. The study concluded that the US stock market is predominantly impacted by herd behavior. These findings indicate that herding behavior was not substantial before the uncertainty/risk crisis but became significantly more common after the financial crisis. Herding is also an important aspect of risk minimization for Pakistani microfinance organizations. Microfinance in economically challenged areas is defined by limited investment alternatives and increased perceived risk, encouraging herding behavior (Mansoor et al., 2023). As a result, herd behavior influences how

investors perceive risk and make decisions. The study establishes a link between risk perception and herding activity. The following hypothesis can be developed in light of the preceding debate.

H6: There is a significant relationship between Herding behaviour and investors' risk perception.

2.15. Investor Fear and Risk Perception

Investor fear refers to an investor's overall attitude towards financial risk, which indicates risk tolerance, and their current assessment of the stock market's risk, which means risk perception. According to Kiruba and Vasantha(2021), negative risk experiences can limit investors' risk tolerance (i.e., the preference channel), reducing their willingness to accept risks. Cognitive errors, known as heuristics, are likely to influence human risk perception Paule-Vianez et al., 2022).

Rubbaniy *et al.*(2023) explored how anxiety and rage affect risk perception. The findings revealed that investors experiencing dread are more likely to view risk negatively, resulting in cautious investing decisions. On the other hand, angry investors exhibited opposing conduct, seeing risk positively, and then made risky investment selections to obtain significant profits. Angry investors believe that events are predictable, understandable, and manageable (Pallathadka *et al.*, 2022). Furthermore, furious investors exhibit optimism and a sense of invincibility Johnson et al.(2021), causing them to perceive lower levels of risk when making investing decisions (Wattanasan et al., 2020). Reis(2022) discovered in their research that investors who are afraid are more likely to engage in risk-averse behaviors. In contrast, those who are upset are more likely to engage in risk-taking when making investment decisions and assessments. The following hypothesis can be developed in light of the preceding debate.

H7: There is a significantrelationship between investor fear and risk perception.

2.16. Risk Perception and Investors' Investment Decisions

Numerous research studies have explored the relationship between investment decisions and risk perception. Loris and Jayanto(2021) study how people's perceptions of environmental hazards influence their investment decisions. The study found a negative association between the number of investment decisions made and the sense of increased ecological risk. Arie Wibowo et al.(2023) conducted a off-road study spanning several European countries to investigate the relationship between investment risk perception, financial literacy, and investing activity. Individuals' degrees of financial literacy were found to have an effect on the correlation between their understanding of investment risk and their prudence while making investments. Jain *et al.*(2023) examine how past data on risk perception might be useful for making investing decisions. They found that investment return projections were more accurate when they included data on past risk perception, suggesting that risk perception is a key factor in investing decisions.

Motivation and risk perception are considered significant characteristics in the investment business. Risk is typically associated with departures from expected results (Ayudiastuti, 2021). Mulyani et al.(2021) identified risk perception and motivation as essential to investment decisions. Variations from predicted outcomes are typically associated with risk. According to Ademola et al.(2019), investors' sense of risk and prior profit history substantially influence the frequency of commercial actions and their decisions. Anggraini and Mulyani(2022) show that investors' risk perceptions positively influence their financing decisions. This indicates that investors are more likely to reassess their investment selections when they perceive a high level of risk.

The level of risk is important in financial decisions, especially when buying or selling investments (Bairagi, 2021). Significant profits are often connected with high-risk investments

(Rahyuda and Candradewi, 2023). When investors perceive a high level of risk, they tend to reduce their equity investments (Suaputra et al., 2021). Nonetheless, Justyanita and Agustin(2022) discovered that risk perception significantly and positively impacted investment decisions. Dinarjito(2023) found that risk perception considerably influences individual investors' decision-making processes. An important cognitive feature that drives investments influences financial behavior (Herliana et al., 2023).

Investors occasionally succumb to cognitive mistakes and behavioral biases, resulting in poor investing decisions (M. Zhang *et al.*, 2022). Risk perception and loss aversion behavior are the key influences on decision-making in risky settings (Deka *et al.*, 2023). According to Saivasan and Lokhande(2022), risk aversion behavior substantially influences decision-making. According to Bee et al.(2022), investors view stocks as risk-averse, affecting their decision-making process. Paul et al.(2023) discovered that an investor's risk aversion behavior has a negative impact on their investment decisions. Perceived risk influences stock market participants' investing decisions (Chen *et al.*, 2022). The following hypothesis can be developed in light of the preceding debate.

H8: There is a significant relationship between risk perception and investment decision-making.

Chapter No. 3

3. Research Methodology

The researcher laid down the theoretical groundwork for the study in the previous chapter. The research method is thoroughly examined in this chapter. The goals, design, and conceptual framework will all be covered in the upcoming debate, along with the methods for data collection, analysis, and ethical issues. Building on the literature review done in the previous chapters, this chapter focusses on explaining the study technique. Research methodology is defined as the set of guiding theoretical and philosophical concepts that underpin and direct the research process by Saunders Mark et al.(2019). Thinking about how a study's technique choices impact it is also a part of research methodology. This chapter includes the study's aims, research design, sampling techniques, questionnaire design, data collection, reliability, validity, and ethical considerations.

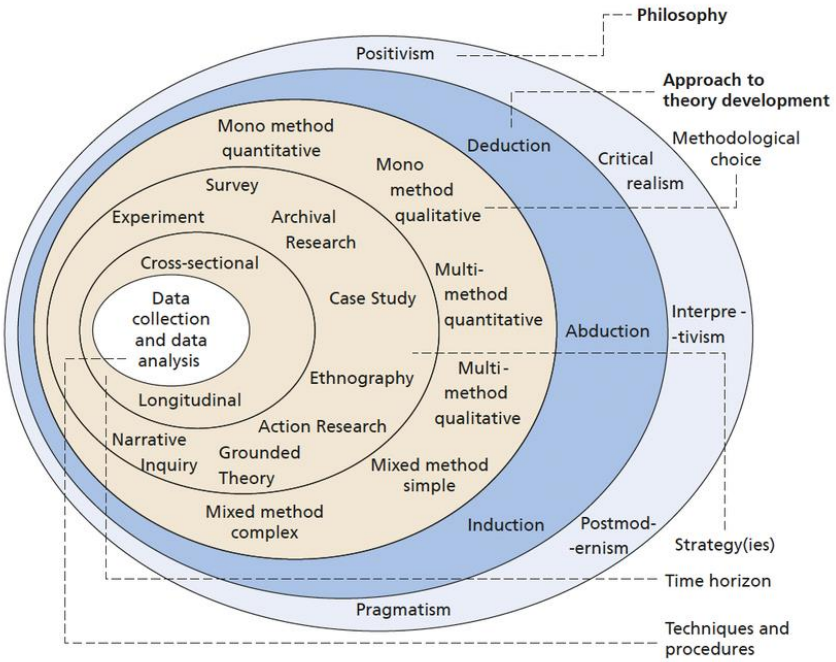


Figure 1: Research Onion

Source:(Saunders Mark et al., 2019)

3.1. Research Philosophies

The research philosophies that influence the study design, research techniques, and tactics for obtaining and producing knowledge about a given subject are defined by Saunders Mark et al.(2019)as underlying beliefs and notions. According to Chege and Otieno(2020), research philosophy is a way of thinking that researchers use to gain new and trustworthy information about their research topic. Formulating the problem, choosing a research approach, and collecting, processing, and analysing data all make up this foundational stage of the research. Research philosophy can be broadly divided into ontology, epistemology, and axiology. The philosophy of epistemology will be utilised in this investigation.

Researchers' assumptions shape the way they add to existing knowledge, which is a key area of study in epistemology (the study of how we know). According to the authors, the concept is based on the researcher's idea of what he wants to know, what counts as genuine, true, and acceptable knowledge, and how he might share this information with others. There are three main schools of thought within epistemology philosophy: interpretivism, positivism, and realist inquiry.

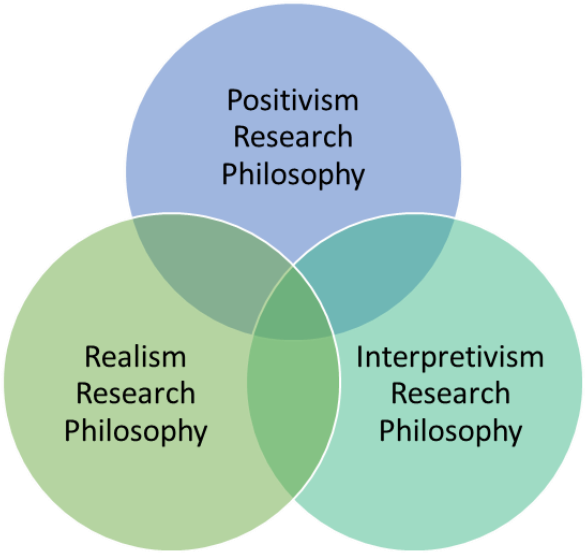


Figure 2: Types of research philosophies

Source:(Chege and Otieno, 2020)

3.1.1. Positivism

In the field of philosophy known as epistemology, positivism is a way of looking at things that don't consider the people taking part in the investigation (Dudovskiy, 2021). Using a naturalistic approach, positivism attempts to generalise observed social phenomena in order to establish claims that can be used as laws (Saunders Mark et al., 2019). According to positivists, there is a way to objectively understand the social reality. When compared to the positivist perspective, interpretivism is in stark opposition.

3.1.2. Intepretivism

According to Mkansi and Mkalipi(2023), interpretivism is defined by the fact that it is subjective. According to Saunders Mark et al.(2019), this school of thought in philosophy is concerned with how people act in business settings. It states that people, in contrast to physical things, may make sense of things according to their own unique set of experiences and cultural

artefacts. Become intimately familiar with the phenomena being studied by questioning those who participate in it, or is somehow associated with the study (BRM, 2022).

3.1.3. Realistic research

A pragmatic philosophy of research is the pinnacle of epistemology. The concepts of positivist and interpretivist research philosophies form the basis of realistic philosophy, according to Mason et al.(2022). Assumptions that are crucial for comprehending the subjective nature of humans are the foundation of a realistic research philosophy, according to Chege and Otieno(2020).

3.1.4. Philosophy adopted for this research

Positivism epistemologyphilosophy will be utilised in this investigation. The researcher has settled on positivism as the method of choice for delving deeply into the study's structures linked to investment habits. A quantitative survey is considered the gold standard for evaluating hypotheses and confirming ideas in positivism. As stated by Dudovskiy(2021), positive philosophy is primarily concerned with aligning claims on observable events through the use of theory. Consequently, in order to understand the relationship between the research's critical factors, the study uses a survey approach. The research criteria and objectives of the study can be best met by using this technique, which takes a neutral stance when studying the phenomena under inquiry, leading to reliable results and a holistic view of reality.

3.2. Research Methods

Research methodology focusses on the procedures and tools used in a study and their selection, according to Lê and Schmid(2022). According to Matta(2022) and Cui *et al.*(2023), researchers can examine research methodologies using either quantitative or mixed-method approaches,

which combine the best features of both. The choice of research methodology, and more especially the dispute between quantitative and qualitative approaches, is a continuing and unsolved topic in the field of research. Qualitative and quantitative analysis differed in their underlying assumptions, which may have influenced the disagreement (Hendren *et al.*, 2023). Explanations of these differences are given in the following paragraphs.

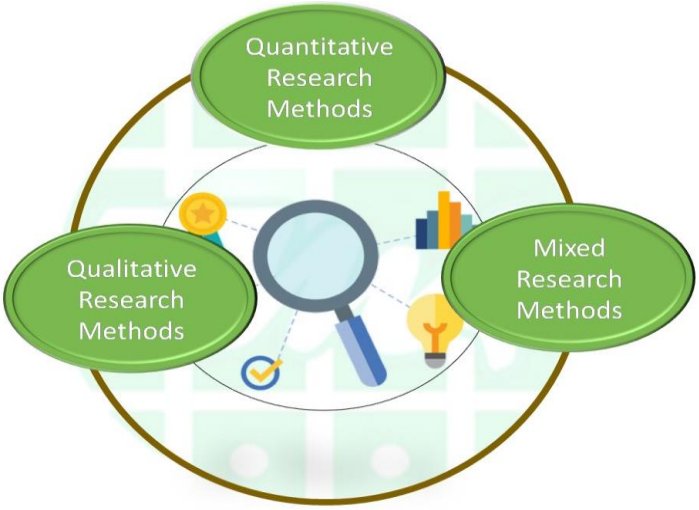


Figure 3: Types of research methods

Source:(Hendren *et al.*, 2023)

3.2.1. Quantitative approach

According to Taherdoost(2022), quantitative research methods are organised and systematic procedures to gathering data and evaluating concepts through quantification. The link between numerically recorded variables was investigated in quantitative studies by statistical and graphical methods (Saunders Mark et al., 2019). The quantitative method uses a survey technique that uses measuring scales to evaluate investment habits. Hence, when looking to evaluate the effect of behavioural factors on investing choices, the quantitative approach might be the way to go. The fact that quantitative methods often make use of graphical representations

of data and statistical analysis to shed light on their findings lend credence to this idea (Takona, 2024). Saunders Mark et al.(2019)states that quantitative surveys allow for comparing gathered data and produce straightforward conclusions to explain and comprehend. Remember that generalisations based on samples are possible with quantitative research. As a result, this strategy will work best for conducting the inquiry.

3.2.2. Qualitative approach

Interviews, focus groups, and careful observation are the main tools of qualitative research. According to Weyant(2022), researchers conducting qualitative research must be physically present with respondents at all times to collect accurate information. According to the researcher, this study does not lend itself to qualitative research. Because research questions posed using qualitative methods tend to be more generic and open-ended, and because it's possible that not all respondents may be asked the same questions, this is the case (Mihas, 2022). For this reason, we reject the qualitative method as inappropriate for our inquiry.

3.2.3. Method adopted for this research

The majority of quantitative research questions are closed-ended, in contrast to the open-ended nature of qualitative research questions. Questionnaires are the most frequent tool for collecting quantitative data in qualitative research (Taherdoost, 2022). Transcribing verbal interviews is a typical method for collecting qualitative research data (Takona, 2024). According to Weyant (2022), quantitative methods allow us to use statistics to quantify events and find correlations between several variables. Quantitative research is where it's at when looking to find actual connections. This approach is considered less efficient, but it does explain the components of a statistical connection or the underlying causal process (Gorter and Cenoz, 2023). In a similar vein, the researcher decides to choose a quantitative approach because a qualitative method is

inadequate for dealing with the stated hypotheses and empirical study objectives. Reason being, the proposed conceptual model relies on the study's variables to assess their cause-and-effect relationships.

3.3. Research Approach

There is a significant difference between quantitative and qualitative research, with the former using an inductive technique and the latter a deductive one (Mulisa, 2022). Induction is the process of developing ideas and hypotheses from concrete observations of an interesting event (Jansen et al., 2021). Since it moves from rational ideas to proof, this strategy is called a bottom-up approach (Lindhult and Axelsson, 2021).

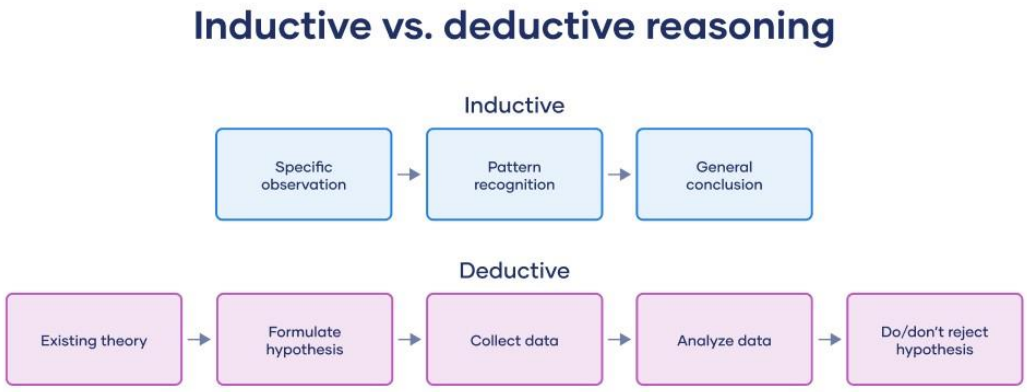


Figure 4: Research Approaches

Source:(Lindhult and Axelsson, 2021).

The quantitative character of the research necessitates the use of a deductive methodology. Going from broad strokes to finer details is a hallmark of the logical method. It starts with a theory, then uses it to generate hypotheses, which are tested. The theory is then revised based on the results of the tests. According to Szarucki *et al.*(2022), this method is called deduction.

A theory is the starting point for deductive reasoning (Tribaldos et al., 2020). The theory lays out testable components, such as the interactions between variables that require investigation, the concepts that may be quantified, and the key variables that must be tracked (Derakhshan *et al.*, 2023). In addition, the inquiry is based on new hypotheses that are generated using these verifiable components (Kankam, 2020).

3.4. Research Design

A comprehensive and directing blueprint for conducting the research is what the research design serves as, according to Takona(2024). The methods used to collect and analyse data for a study are based on the framework given by Farrall(2021). The research design establishes the organised and methodical plan for conducting the inquiry in order to achieve the study's goals (Slattery et al., 2020). The research problem plays a significant role in determining the research design (Zielhuis *et al.*, 2022).

Research designs can be broadly classified into exploratory, descriptive, and causal. Descriptive research gives a detailed account of the study's subjects, giving a clear picture of the population from which data will be collected. The purpose of conducting exploratory research is to improve the overall research design by methodically outlining the steps to collect data and assigning relative importance to each. By analysing correlations, causal research seeks to discover the exact relationship between particular variables. Causal research aims to identify the underlying patterns and correlations in a given problem or situation (Saunder et al., 2019). To find the correlations, this study will use a descriptive research strategy. Additionally, researchers can apply descriptive research to a larger population (Cash *et al.*, 2022).

3.5. Sampling Methods, Target Population and Sample Size

Choosing a smaller group of people from a bigger one and then extrapolating their characteristics to the whole population is called sampling (Berndt, 2020). In it, the researcher use a small sample of the population to draw broader generalisations about the whole. An authentic portrayal of a given population is what we're aiming for here. One way to think about a population is as a subset, or sample. Due to the high potential for errors caused by the massive volume of data collected during a census, sampling often yields more accurate results than the latter. Rather to overseeing a large group working on the whole population, it is more manageable to oversee a smaller group focussing on a sample. One hundred and fifty five Irish financial market investors with experience were included in the study's accessible population. Choosing a subset of a larger population to study is known as sampling. Probability sampling and non-probability sampling are the two main categories of sampling methods. As examples of non-probability sampling procedures, Tang *et al.*(2020) provide snowball, quota, and convenience sampling. A convenience sample will be used as part of the participant recruiting or selection process to guarantee that the sample is representative of the total population of potential participants. When there is little time to gather primary data, convenience sampling is the way to go. It guarantees that there will be enough data to test hypotheses.

3.6. Questionnaire Design and Data Collection

It is crucial to have an appropriate questionnaire. In order to accomplish the goals of the study, an efficient questionnaire is necessary (Feng *et al.*, 2021). When it comes to gathering information, questionnaires are a lifesaver. However, caution should be exercised in the planning, execution, and analysis of survey data. Ganesha and Aithal(2022) stresses that questionnaires only reflect respondents' impressions and warns against using them as scientific

tools or reflections of respondents' personal traits. Most questions on structured questionnaires are closed-ended or use Likert scales, requiring respondents to provide precise answers (Jansen *et al.*, 2024). Unstructured questionnaires, on the other hand, include questions with a range of formulations and are usually administered during interviews for qualitative studies. Using a numerical continuum from 1 (strongly agree) to 5 (strongly disagree), the Likert scale assesses the sentiments of participants. According to Saunders Mark et al.(2019), this metric is used to evaluate how people answer a set of predetermined, closed-ended questions in a survey.

It is important for questionnaires to be customised according to the needs of each individual study. For this reason, a well-designed questionnaire must follow the steps laid out by Kirner-Ludwig(2022). Planning the variables to be measured, developing research questions, deciding how to phrase and order the questions, organising the layout of the questionnaire, doing a pilot test, and making any necessary adjustments are the five main steps in creating a questionnaire. Even if these procedures weren't strictly followed in this research, they were nevertheless helpful in guiding the researcher towards constructing an appropriate questionnaire for the study. Information relevant to this investigation will be gathered through the questionnaire. According to Dewi(2022), researchers need to cite literature so that ideas can be more easily conceptualised. The questions can be sent out via email or handed out to participants in person. The participants can self-administer them or the researcher can administer them (particularly for telephone questions). In this study, investors will have questionnaires sent to their email and social media accounts. Questions for the survey will be based on those in the previous articles.

3.7. Data Analysis

The researcher will use SPSS, a statistical program developed for the social sciences to analyze the data. Linear regression equations and arrow-based path diagrams will be used to establish the link (Chazal and Michel, 2021). Both descriptive and inferential statistics exist. In order to analyse and present the data, this study will use both statistical approaches. Descriptive statistics will be used to summarise and present the demographic aspects in the study. Köster *et al.*(2021) state that frequency distribution tables can be used to illustrate the overall count of instances, which is how this will be done. Additionally, pie charts and bar graphs will be used to present the descriptive data. In order to generalise the results from a small sample to the whole population, this study will make use of inferential statistics. Additionally, it will determine if the descriptive results are due to chance or indicate a real connection. When testing hypotheses, inferential statistics will employ both parametric and non-parametric tests to find statistical significance (Saunders Mark et al., 2019).

3.8. Reliability and Validity

The reliability of a concept's measurement is defined by Bryman *et al.*(2021) as its degree of consistency. According to Andrade-González *et al.*(2021), this metric measures how coherent a system or concept is. According to Savaş *et al.*(2020), a reliable measuring instrument is one that yields the same results time and time again. Hu *et al.*(2023)defines internal consistency as the degree to which a measure is homogeneous. This points to a certain concept's measurement convergence towards a common understanding.

According to Saunders Mark et al.(2019), comparing study data with data from other studies is the best way to get reliability. In addition, three methods for determining reliability are presented

by Saunders Mark et al.(2019). Internal consistency reliability, alternate form reliability, and test-retest reliability are the three kinds of reliability measurements.

One of the most popular ways to determine internal consistency is by using Cronbach's alpha (Saunders Mark et al., 2019). To evaluate the questionnaire's internal reliability, Cronbach's alpha (α) will be used in this study.

However, validity is just a measure of how thorough and rigorous a person's investigation is. The technique and design of the study are strongly related to the concept of validity. Results must faithfully represent the variables hypothesised to be measured in the study (Shi *et al.*, 2023). Many people mistakenly believe that reliability and validity mean the same thing. In terms of measuring performance, however, they are not interchangeable (Bryman *et al.*, 2021). Making sure a measure is reliable is important, but it doesn't mean it's valid. A term that goes beyond reliability is validity. Reliability in a measurement depends on its accuracy and precision. Here, validity denotes the extent to which a measure appropriately evaluates what it sets out to evaluate, while reliability denotes the consistency and dependability of a measure.

3.9. Ethical Considerations

According to Bhandari.(2021), research ethics are a branch of philosophy that centers on the logical examination of right and wrong conduct in research. Ethical considerations are central to all research endeavors because of their influence on customers, respondents, and the entire research industry. To put it plainly, researchers should act in an ethical manner. The study of right and wrong conduct as outlined in a system of laws and principles is known as ethics. Usually, it has an effect on people's actions (Pritha Bhandari, 2021). Researchers should keep seven ethical considerations in mind while doing research, according to Saunders Mark et

al.(2019). Confidentiality, data management, data collection techniques, researcher conduct and objectivity, privacy, consent and deceit, and voluntary involvement are all aspects of research ethics to think about.

Informed consent is defined by Horton and Lucassen(2023) as a way to ensure the person understands what the researcher is asking of them and is willing to participate in the study. The informed consent form provided a summary of the research's goals and aims, asked for participants' voluntary participation, promised respondents' anonymity and confidentiality, and made it clear that they could stop participating in the study at any time without penalty. It went on to say that there might be direct or financial benefits to taking part in the study. Adherence to the research protocol necessitates obtaining an approval letter from the University to conduct the research, which in turn requires the institution's ethics committee to grant ethical clearance. All individuals involved in this study will be informed of its aim. Each participant will get an introductory letter outlining the study and its details. In addition, no other parties will have access to the private information collected for this study. The participants' identities will also not be linked to the results of the study in any way. The researcher can protect the privacy and identity of the participants by following the advice of Saunders Mark et al.(2019). A file will be used to safely store data records. Exclusive distribution of these is possible upon request to the study's supervisor, statistician, co-coders, and Ethics Committee.

Figure 5: Research ethics principles

Source: (Pritha Bhandari, 2021)

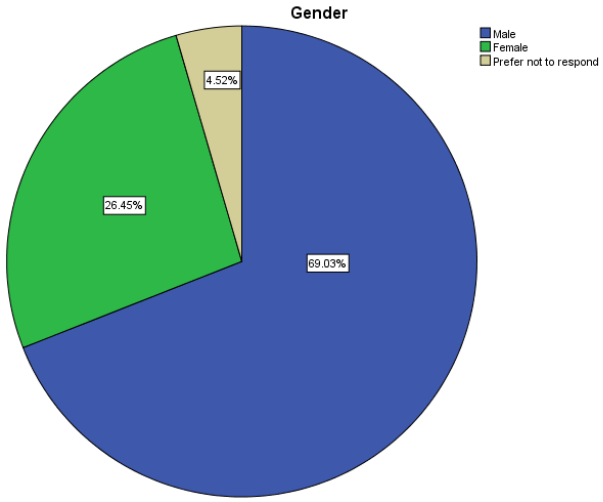
Chapter No. 4

4. Data Analysis

4.1. Demographic Data

Table 1: Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	107	69.0	69.0	69.0
	Female	41	26.5	26.5	95.5
	Prefer not to respond	7	4.5	4.5	100.0
	Total	155	100.0	100.0	

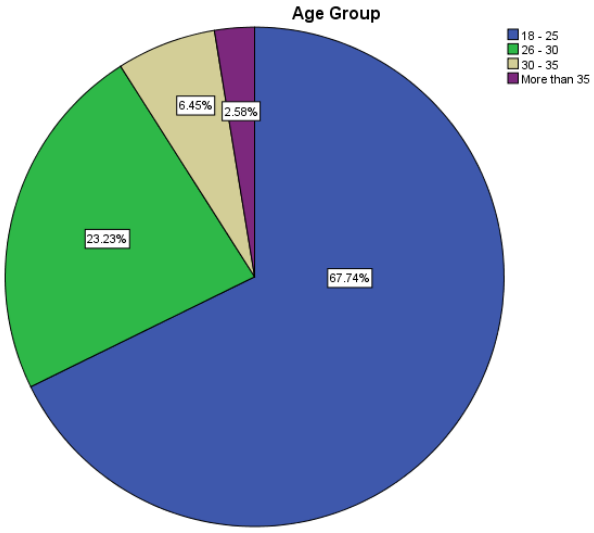


The respondents' gender distribution was as follows: 4.5% did not prefer to respond, 26.5% were women, and 69% were males who participated in the survey.

Table 2: Age Group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 - 25	105	67.7	67.7	67.7
	26 - 30	36	23.2	23.2	91.0
	30 - 35	10	6.5	6.5	97.4

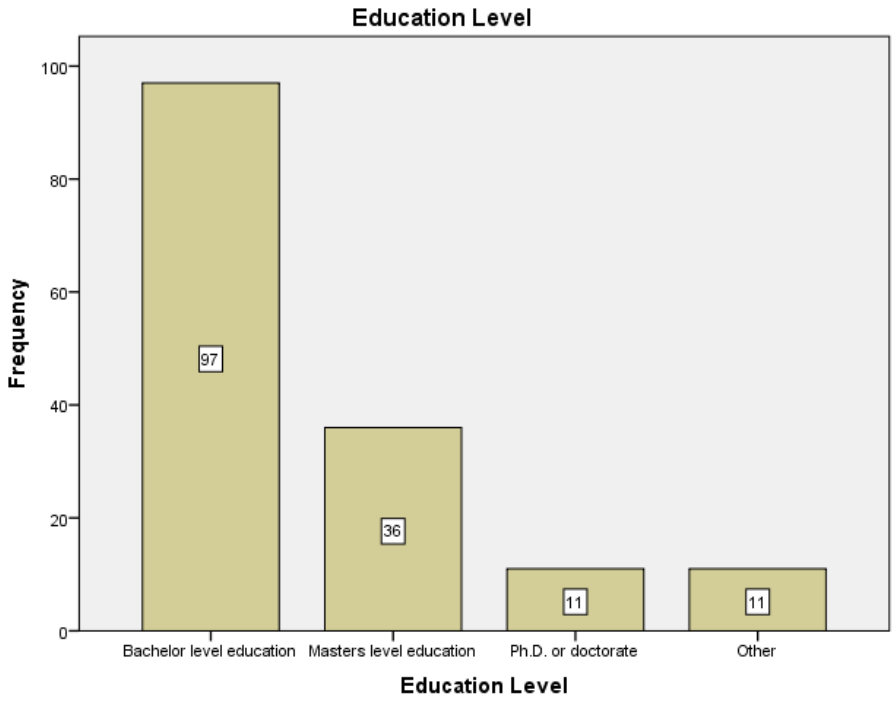
More than 35	4	2.6	2.6	100.0
Total	155	100.0	100.0	



Most of the respondents, 67.5%, fell between the ages of 18 and 25, 23.2% fell between the ages of 26 and 30. While 6.5% of the population fell between 30 and 35 years old, 2.6% of people were 35 years of age or above.

Table 3: Education Level

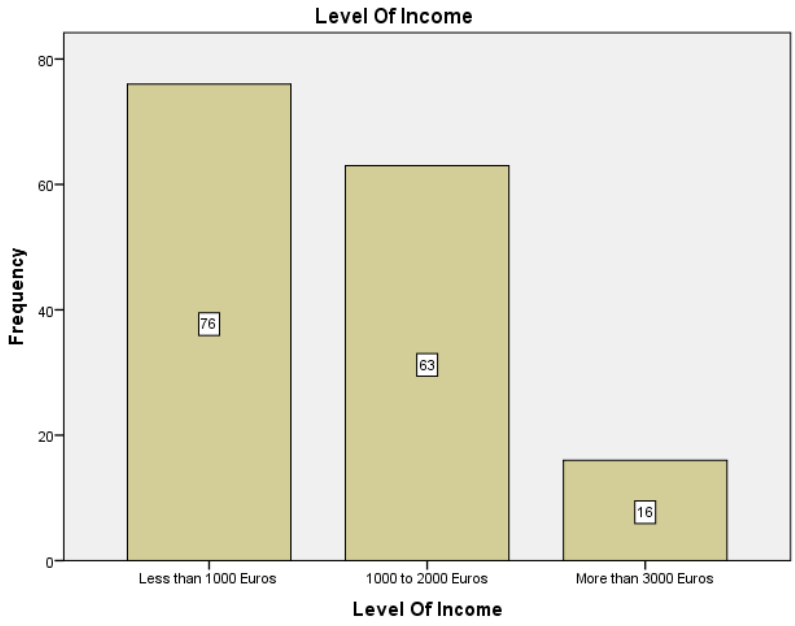
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bachelor level education	97	62.6	62.6	62.6
	Masters level education	36	23.2	23.2	85.8
	Ph.D. or doctorate	11	7.1	7.1	92.9
	Other	11	7.1	7.1	100.0
	Total	155	100.0	100.0	



The respondents' educational backgrounds came as follows: Of those having degrees, 62.6% had a bachelor's degree, 23.2% had a master's degree, 7.1% had a doctorate, and the remaining 7.1% had other degrees.

Table 4: Level Of Income

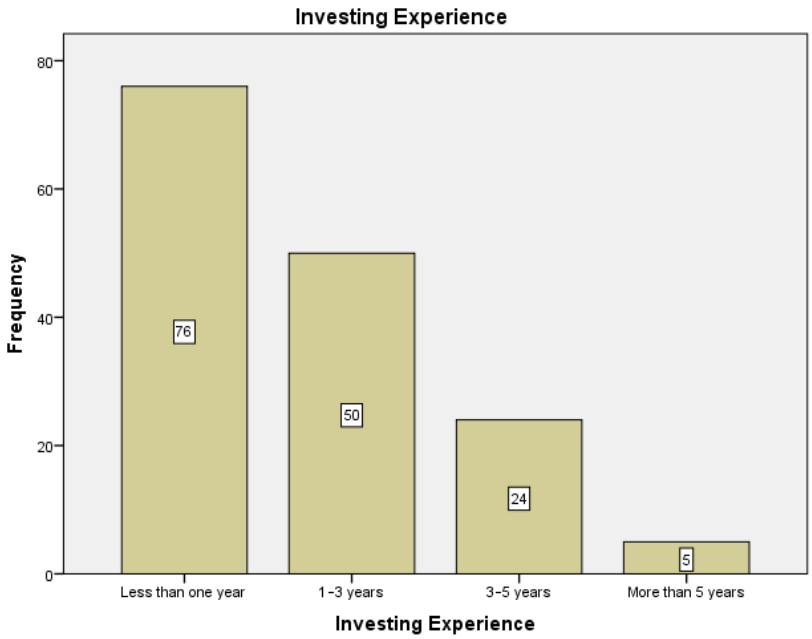
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1000 Euros	76	49.0	49.0	49.0
	1000 to 2000 Euros	63	40.6	40.6	89.7
	More than 3000 Euros	16	10.3	10.3	100.0
	Total	155	100.0	100.0	



From the respondents, 49% said they made less than 1000 euros monthly, 40.6% said they made between 1000 and 2000 euros, and 10.3% stated they made more than 3000 euros.

Table 5: Investing Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than one year	76	49.0	49.0	49.0
	1–3 years	50	32.3	32.3	81.3
	3–5 years	24	15.5	15.5	96.8
	More than 5 years	5	3.2	3.2	100.0
	Total	155	100.0	100.0	



The results of the survey show that 49% of respondents had less than a year's experience investing, followed by 32.3% with 1-3 years experience, 15.5% with 3-5 years experience, and 3.2% with more than five years experience.

4.2. Reliability Analysis

Table 6: Reliability Analysis

Variables	Cronbach's Alpha
Investors Investing Decisions	.787
Investors Fear	.732
Stock Market Volatility	.715
Herding Behavior	.709
Risk Tendencies	.765

Essential research indicates the constancy of the queries' dependability test. Using Cronbach's alpha value, internal consistency is assessed; SPSS may get this value by means of a reliability test. The results showed herding behavior was 709, stock market volatility was 715, investor

fear was 732, and risk tendencies were 765. With regard to the reliability of investors' investment choices, the Cronbach's Alpha value was 787. It was approved as this result is above the 0.7 value threshold required for data to be considered reliable.

4.3. Descriptive Statistics

Table 7: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Investors Investing Decisions	155	4.20	21.00	14.1897	2.96646
Investors Fear	155	3.25	16.25	10.5726	2.77058
Stock Market Volatility	155	4.20	21.00	14.0090	2.60213
Herding Behavior	155	3.25	16.25	10.8113	2.15592
Risk Tendencies	155	4.20	21.00	13.7110	2.70633
Valid N (listwise)	155				

Coming after the variable names, the second column shows the sample size of the research. Respectively, the third and fourth columns indicate how the lowest and maximum values helped to ascertain the mean of the acquired data. A Likert scale covering 1 to 5 was used to evaluate the four qualities. Herding behavior has a mean value of 10.8113 with a standard deviation of 2.15592; investor fear has a mean value of 10.5726 with a standard deviation of 2.60213; stock market volatility has a mean value of 14.0090 with a standard deviation of 2.60213. For the dependent variable—investment decisions—the mean value was 14.1897, and the standard deviation was 2.96646. With a mean value of 13.7110 and a standard deviation of 2.70633, the mediating variables of the research displayed risk tendencies.

4.4. Correlation

Table 8: Correlations

	Investors Investing Decisions	Investors Fear	Stock Market Volatility	Herding Behavior	Risk Tendencies

Investors Investing Decisions	Pearson Correlation	1	.345**	.579**	.580**	.380**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	155	155	155	155	155
Investors Fear	Pearson Correlation	.345**	1	.557**	.379**	.400**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	155	155	155	155	155
Stock Market Volatility	Pearson Correlation	.579**	.557**	1	.545**	.491**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	155	155	155	155	155
Herding Behavior	Pearson Correlation	.580**	.379**	.545**	1	.447**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	155	155	155	155	155
Risk Tendencies	Pearson Correlation	.380**	.400**	.491**	.447**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	155	155	155	155	155

**. Correlation is significant at the 0.01 level (2-tailed).

The correlation test helps one to determine the relationship between the independent and dependent variables. A more considerable correlation denotes a more significant link between the variables under analysis. The SPPS's correlation test consists of two measures: the Pearson correlation with a two-tailed significant range of -1 to 1. A Pearson correlation is said to be strong when it is more important than 0.5, moderate when it falls between 0.3 and 0.5, weak when it falls between 0.3 and 0.1, and non-significant when it falls less than one or zero. Conversely, negative values suggest that the variables have an inverse relationship among

themselves. Using the Pearson correlation coefficient (r), all variables were linked; this was shown to be significant at a significance level less than 0.05. This suggests that every single variable has a substantial and favorable association with every other.

4.5. Regression

4.5.1. Investors' fear and investors' investment decisions

Table 9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.345[a]	.119	.113	2.79307

a. Predictors: (Constant), Investors Fear

A simple correlation is shown by the R-value of 0.345 (the "R" column). This indicates a weak association. How much of the variance in investors' investing decisions may be attributable to anxiety is indicated by the "R Square" column (R 2 value). In this instance, only 11% can be explained, which is a very low percentage.

Table 10: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	161.597	1	161.597	20.714	.000[b]
	Residual	1193.587	153	7.801		
	Total	1355.183	154			

a. Dependent Variable: Investors Investing Decisions

b. Predictors: (Constant), Investors Fear

While statistically significant, the P-value of.000 is less than the planned standardised alpha value of 0.05. The researcher can decide whether to accept or reject the hypothesis as a consequence. At such a level of significance, the proposed hypothesis is very significant, as indicated by the F value of 20.714 and the P value of 0.000. Thus, the researcher will accept the

hypothesis pertaining to these variables, which proposes that there exists a substantial relationship between investors' fear and their investing selections.

Table 11: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.281	.888		11.581	.000
	Investors Fear	.370	.081	.345	4.551	.000

a. Dependent Variable: Investors Investing Decisions

The statistical significance of the regression model is displayed in the table's Sig. Column. Given that the p-value is less than 0.05, the hypothesis is accepted. One may potentially contend that investor fear and investing choices are closely related.

4.5.2. Stock market volatility and investors' investment decisions

Table 12:Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.579[a]	.335	.331	2.42644

a. Predictors: (Constant), Stock Market Volatility

The correlation coefficient of 0.579 between stock market volatility and investor investment choices is shown by the (R) in the regression table above. Additionally, the R square shows the degree of correlation (in this case,.335) between the two variables. This data is noteworthy because it shows an established and favourable correlation between investor investment decisions and stock market volatility. 3.31 is the adjusted R-squared.

Table 13: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	454.381	1	454.381	77.176	.000[b]
	Residual	900.803	153	5.888		
	Total	1355.183	154			

a. Dependent Variable: Investors Investing Decisions

b. Predictors: (Constant), Stock Market Volatility

Compared to the acceptable standardised alpha value of less than 0.05, the P-value of.000 is significant. The researcher can decide whether to accept or reject the hypothesis as a consequence. P = 0.000 shows that the suggested hypothesis is very substantial at F = 77.176. The significance level is less than anticipated, according to the statistical findings. Thus, it can be said that there is a significant and positive correlation between stock market volatility and investors' investment choices. The researcher will, therefore, accept the hypothesis pertaining to these variables.

Table 14: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.942	1.071		4.616	.000
	Stock Market Volatility	.660	.075	.579	8.785	.000

a. Dependent Variable: Investors Investing Decisions

A p-value of 0.000 (less than 0.05) and a β1 value of 0.660 indicate a strong positive association between stock market volatility and investment decisions in the table. Investor investment decisions would, therefore, rise in response to a one-unit increase in stock market volatility.

4.5.3. Herd behavior and investors' investment decisions

Table 15: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.580[a]	.336	.332	2.42537

a. Predictors: (Constant), Herding Behavior

A simple correlation is shown by the R-value of 0.580 (the "R" column). This indicates a strong association. How much of the variance in investors' investing decisions may be attributable to Investors' Herding Behavior is indicated by the "R Square" column (R 2 value). In this instance, only 33% can be explained.

Table 16: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	455.174	1	455.174	77.379	.000[b]
	Residual	900.009	153	5.882		
	Total	1355.183	154			

a. Dependent Variable: Investors Investing Decisions
b. Predictors: (Constant), Herding Behavior

While statistically significant, the P-value of.000 is less than the planned standardised alpha value of 0.05. The researcher can decide whether to accept or reject the hypothesis as a consequence. At such a level of significance, the proposed hypothesis is very significant, as indicated by the F value of 77.379 and the P value of 0.000. Thus, the researcher will accept the hypothesis pertaining to these variables, which proposes that there exists a substantial relationship between investors' Herding Behavior and their investing selections.

Table 17: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.568	.999		5.573	.000
	Herding Behavior	.797	.091	.580	8.797	.000

a. Dependent Variable: Investors Investing Decisions

The statistical significance of the regression model is displayed in the table's Sig. Column. Given that the p-value is less than 0.05, the hypothesis is accepted. One may potentially contend that Herding Behavior and investing choices are closely related.

4.5.4. Mediating effect of risk perception/tendencies

Table 18: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.660[a]	.436	.421	2.25813

a. Predictors: (Constant), Risk Tendencies, Investors Fear, Herding Behavior, Stock Market Volatility

The correlation coefficient of 0.660 between stock market volatility, Investors Fear, Herding Behavior, Risk Tendencies and investor investment choices is shown by the (R) in the regression table above. Additionally, the R square shows the degree of correlation in this case is .436 between the variables. This data is noteworthy because it shows an established and favourable correlation between investor investment decisions and other variables and . 3.31 is the adjusted R-squared.

Table 19: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	590.308	4	147.577	28.941	.000[b]
	Residual	764.875	150	5.099		
	Total	1355.183	154			

a. Dependent Variable: Investors Investing Decisions

b. Predictors: (Constant), Risk Tendencies, Investors Fear, Herding Behavior, Stock Market Volatility

Compared to the acceptable standardised alpha value of less than 0.05, the P-value of.000 is significant. The researcher can decide whether to accept or reject the hypothesis as a consequence. P = 0.000 shows that the suggested hypothesis is very substantial at F = 28.941. The significance level is less than anticipated, according to the statistical findings. Thus, it can be said that there is a significant and positive correlation between Risk Tendencies, Investors Fear, Herding Behavior, Stock Market Volatility and investors' investment choices. The researcher will, therefore, accept the hypothesis pertaining to these variables.

Table 20: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.416	1.169		2.066	.041
	Investors Fear	-.016	.081	-.015	-.197	.004
	Stock Market Volatility	.418	.096	.367	4.343	.000
	Herding Behavior	.504	.104	.366	4.841	.000

Risk Tendencies	.046	.081	.042	.574	.005

a. Dependent Variable: Investors Investing Decisions

A p-value of 0.000 of all variables which is less than 0.05 indicate a strong positive association between, Investors Fear, Herding Behavior, Stock Market Volatility and investment decisions in the table and Risk Tendencies is a significant mediator between them.

Chapter No. 5

5. Discussion, Conclusion and Recommendations

5.1. Discussion

This research aimed to examine how investor characteristics including herd mentality, fear of losing money, and stock market volatility affected financial market decisions in Ireland. Furthermore, the study sought to investigate the function of risk perception as a moderating factor. According to the research, stock market volatility and herd behavior are major concerns for investors. These factors have a significant impact on their investment decisions. Furthermore, risk preferences are critical mediators of the aforementioned relationship.

This study tests the concept that fear greatly influences investors when making financial decisions. The results show that the p-value is less than 0.05, which supports the hypothesis. Furthermore, the investing fear questions are statistically reliable, with a Cronbach's alpha value for fear greater than 7%. There is a strong correlation between investor anxiety and investment decision-making, suggesting that when investor fear rises, investment decisions fall. Previous research by Landazuri-Tveteraas *et al.*(2023) found that investors benefit from fear since it makes them more thoughtful and cautious when making judgments and taking actions, even if they aren't very reasonable. According to prior studies, investors' anxiety, along with cultural factors, significantly affects stock market performance (Kiruba and Vasantha, 2021). Previous studies have reached similar conclusions(Hechmi, 2020; Saleem *et al.*, 2021; Amin *et al.*, 2023; Juisin *et al.*, 2023; Manocha et al., 2023).

The present investigation tests the premise that herd mentality influences investment choices. The analysis indicates A significant link, which shows that the p-value is below 0.05. Furthermore, the questionnaire has strong reliability, as indicated by the Cronbach's alpha score, which exceeds 7%. There is a positive and statistically significant influence based on the correlations of investment herding behavior. This suggests that investors make more investment decisions when participating in herding behavior. Recent research by Gutsche et al.(2023) indicates that investing herding behavior significantly impacts investment decisions. This research looked at how the COVID-19 epidemic affected the stock market in Australia and whether or not herding occurred there. The growing healthcare challenges created by COVID-19 have reportedly discouraged investors from making investments.The citation for this work was published in 2020 by Azizah and Mulyono (2020). The results are in agreement with previous studies, as this shows.

The findings provide credence to the claims made by other studies (Tauseef, 2020; Rashata, 2022; Shah et al., 2022; Akhtar and Malik, 2023; Patras et al., 2023; Sheikh et al., 2023) that herding theory significantly and positively affects stock market performance in Vietnam. Ahmad et al.(2021) argued that the ten years of operation and formation of the Vietnam stock market have led to significant herding. Before making investment decisions, investors have gathered a wealth of information and experience from various sources. Due to the respondents' lack of formal education and training, the results also showed that most variables in the Market dimension had a moderate effect on investors' actions. For this reason, knowing how technical analysis is vital for trend prediction and how important data on market price changes is is of the utmost importance.

I will be testing a hypothesis on investing risk tendencies in this study. Investment risk is a major factor that investors evaluate when making decisions. The p-value is less than 0.05 and Cronbach's alpha is greater than 7%, which provide credence to the idea that the scale in question is reliable from a statistical standpoint. According to the results, risk tendencies are an important intermediary between the variables. According to prior research, one of the most important factors influencing investing decisions is the level of perceived risk.In the year 2024, Shah *et al.*(2024) wrote the publication. The expert says that the stock market has taken a hit because people are more worried about getting sick during the COVID-19 epidemic. This is mostly because stock prices and market value have fallen as a consequence of decreased productivity and the closing of office workspaces.

This investigation's working hypothesis is an association between investment and stock market volatility. It has been found that investment decision-making is significantly affected by the volatility of the investment share market. The result is statistically significant (p-value < 0.05), which lends credence to this. Investment decisions are positively correlated with the volatility of the investment share market. The decision-making process for investing becomes more involved as the stock market's volatility increases. It is also possible that the questions utilized are credible if Cronbach's alpha is higher than 7%. The study's authors, Afzal et al.(2024), conducted the research in 2024 and found that investment share market volatility significantly impacts investment decisions. An increase in COVID-19 cases and fatalities has a negative effect on stock market volatility, which influences investing decisions. Previous studies have reached similar conclusions(Khalid, 2020; Bokhari *et al.*, 2023; Hasnain and Subhan, 2024).

According to the study's findings, lawmakers need to be alert to a number of threats that might change the way financial industry investors see things. According to a study, certain financial

market participants have a high general risk tolerance. By analyzing this overall risk, financial advisors hope to maximize profits by reducing or ignoring market risk (Wang *et al.*, 2022). Market circumstances often cause financial investors and their risk strategy evaluations to diverge. People from different cultures typically assume that individuals are more likely to take risks than organizations when it comes to money. According to Ramadani *et al.*(2023), those who have a high tolerance for risk believe that their tastes and the way they invest are influenced by their level of happiness and the relationship between risk and return.
It has also been observed that the decision-making process is very volatile due to the widespread uncertainty around the financial market's perceived risk. As a result of the COVID-19 pandemic's negative impact on economic indices, financial market disruptions have occurred due to the presence of uncertain causes. Yang *et al.*(2021) note that many interrelated microeconomic and macroeconomic indicators exist. The way the financial market operates is where they mostly have an effect. Government and financial institutions are taking steps to lower financial risk, including lowering wealth and the number of investors (Shi and He, 2022). Aristei and Gallo(2021) assert that despite the continuing COVID-19 pandemic, investors and financial planners have used various tactics to generate profits.

5.2. Conclusion

Using risk perception as a mediator, this study set out to examine how investor behavioral traits affected their decision-making in the Irish financial markets. According to the study, a significant finding was detected throughout the multiple regression analysis. According to the research, stock market volatility and herd behavior are major concerns for investors. These factors have a significant impact on their investment decisions. Furthermore, risk preferences are critical mediators of the aforementioned relationship. The research shows that people's attitudes

on financial risk are a determining element in their financial decision-making. Evaluating financial risk and how changes in profitability impact risk tolerance largely influence the rate of profitability. When choosing stocks and other financial commodities with high return potential, one must consider risk tolerance. According to the research(Che Hassan *et al.*, 2023), the worldwide financial market was severely affected by the epidemic in previous years, which had a negative effect on business decision-making. The results show that individual Irish stock market investors are self-assured enough to make good use of their expertise even when faced with adversity, leading to better financial returns. Excessive confidence could provide investors with a substantial advantage during periods of uncertainty. Due to a lack of knowledge, individual investors must rely on the advice of qualified professionals if they want to reduce investment risk and increase the likelihood of a positive return. According to the researcher, investment managers, private investors, and legislators will benefit practically from this study. In order to make their predictions more accurate, researchers need to learn how individual investors react during a pandemic and come up with strategies to boost the Irish stock market. Further research studies using a wider variety of respondents (including institutional investors) and larger samples are necessary to confirm the findings of this study.

5.3. Implications

They can update their financial policies in reaction to crises, and the study can give them useful insights. The study focuses on the optimal management of financial market activity, which takes into account all existing knowledge. Therefore, the research is useful for determining how to steady the Irish financial market. Economists and regulators of financial markets might use the study's findings to inform policymaking regarding the mitigation of financial uncertainty. Market and financial planning can benefit from both accurate forecasting and preparation.

This research contributes to what is already known about how herd mentality, stock market volatility, and investor anxiety affect investment decisions. This study will be an invaluable resource for better understanding investors' viewpoints, psychophysiological health impacts, and investment strategies. The study's findings will be highly useful for policymakers and the government as they work to mitigate the effects of financial crises on the economy, financial markets, and investors. Insight into the causes and potential effects of the pandemic's effect on investing behavior would be provided to them. Financial advisors might use the data to help their clients make more rational financial decisions by reducing the impact of investors' emotions. Financial decision-making from a psychological perspective is the focus of behavioural finance. The influence of emotions on financial decision-making is well-known. Industry insiders talk about how anxiety affects stock prices. Behavioral finance takes this a step further by studying how biases impact decision-making, which includes applying simple concepts to complex financial choices. Applying the results of psychological studies to the process of making financial decisions is the focus of behavioural finance. The standard models cannot explain the anomalies in the majority of financial markets. Predicting the kind of future decisions is difficult, but behavioural finance does a good job of explaining why people do certain things.

5.4. Limitations, Future Research and Recommendations

Some limitations exist in this research. The research strategy used in the quantitative study was descriptive research. Individual investors were chosen for the study using a straightforward sampling procedure, resulting in a modest sample size. While the statistical results were acceptable and broadly applicable, it should be mentioned that a more substantial sample will probably produce more precise and practical outcomes.

The possible next step for this study is to investigate how behavioral factors impact decision-making by examining industry-specific accounting data and applying financial ratio analysis to metrics like ROE, EPS, and strength and weaknesses. Since no data was collected outside of Ireland, these findings indicate the characteristics Irish individual investors exhibited. It would be wise for researchers to collect data from more cities and nations to validate the research model and increase its generalizability. So, researchers can use this research approach and replicate it in other countries to see any differences.

The examination and results show that the research findings align with how investors make decisions. The study cautions against taking unnecessary risks in the industry at the present time due to the rising probability of losses. Nevertheless, you shouldn't put all your eggs in the herd mentality basket; our research shows that investors act in lockstep due to a lack of knowledge and experience in financial analysis. Delaying a decision can sometimes be good, so investors shouldn't stress too much about losing money while making smart investments. The report recommends that investors, considering the current state of the economy, should not sell their items at a loss or at a steep discount from the market price. Investors should instead use reasonable methods to formulate plans and strategies that account for the present financial climate. To top it all off, the government should take aggressive preemptive measures to fix the problem.

Reference:

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Appendices

Research Questionnaire

Dear respondent,

My name is Anup, and I am a student of Masters at the **Dublin Business School**. This study is for the partial fulfillment of my thesis study. This survey aims to study "The Impact of Investor's Behavioural Factors on Investment Decision in Financial Markets in Ireland."This questionnaire's analysis will only be utilized to complete my thesis. All data for this study will be collected anonymously, treated as confidential, and not associated with the applicant who answered the questionnaire. This survey's completion is optional, and participants will have the right to withdraw at any point in time and contact on email address. Every response will be kept private and anonymous and maintained in a safe, password-protected file. A few closed-ended questions would make up this questionnaire, which would only take 5 to 10 minutes to complete.

Thank you in advance for completing this questionnaire.

Section 1

In this section, the researcher is interested in you and your background and asked some demographic questions to better inform on a study on "The Impact of Investor's Behavioral Factors on Investment Decision in Financial Markets in Ireland."

1. What is your gender?

A. Male

B. Female

2. Age …….

A. 18 - 25

B. 26 - 30

C. 30 – 35

D. More than 35

3. What is your education Level?

A. Bachelor level education

B. Masters level education

C. Ph.D. or doctorate

D. Other (please specify)

4. Level Of Income

A. Less than 1000 Euros

B. 1000 to 2000 Euros

C. 2000 to 3000 Euros

D. More than 3000 Euros

5. Investing Experience

A. Less than 1 years

B. 1 to 3 Year

C. 3 to 5 Years

D. More than 5 Years

Section 2

In this section, the researcher is interested in you and your background to understand better the study "The Impact of Investor's Behavioural Factors on Investment Decision in Financial Markets in Ireland."

Please indicate the extent to which you agree with the following. Please tick your answer.

Questions	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
Investors' Fear					
I am worried that the value of my invested money is reduced.					
Our financial system is not able to keep the invested money safe.					
I am worried that the government announced economic packages are not enough to keep me safe.					
The fear and ambiguity rising from the covid-19 had major damages on the global financial market and economies higher than of the financial crisis of 2008.					
Risk Tendencies					
I am ready to take more risks, than I do on my average investment					
I am not willing to make low-risk investments since they offer low returns.					

I am not ready to take chances with higher risk investments even though this increases the amount I am saving.					
I am not prepared to opt for the possibility of initial losses to earn greater future returns.					
Following a previous loss, I tend to become more cautious and risk-averse in your approach.					
Stock Market Volatility					
I am worried about the high volatility of the market.					
I am worried that the Stock indices will drop further.					
On a daily basis, I check share values due to high volatility.					
I am ready to sell my shares when they reach a minimum loss.					
I am worried that the amount invested went beyond the expected loss.					
Herding Behavior					

The investment choices made by other investors influence my own decisions regarding the types of stocks to choose.					
The choices of other investors concerning the capacity of stocks they choose to invest in affect my own investment decisions.					
The investment choices of other investors, both purchasing and marketing stocks, influence my own decisions regarding investments.					
I tend to respond promptly to shifts in the decisions of other investors and align my actions with their response in stock market.					
Investors' Investing Decisions					
I have invested most of my savings in the stock market.					
My investment decision depends on the proactive activities taken by the companies.					
I prefer to depend on low-risk					

alternatives to ensure financial security.					
I am satisfied with my investment decision during the last year, which included selling, purchasing, stock selection, and stock quantity determination.					
My investment returns are on par with or better than the average market performance.					