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SOCIO-CULTURAL INFLUENCES AND BEHAVIOURAL BIASES TO SHAPE INDIVIDUAL'S INVESTMENT DECISIONS: INSIGHTS FROM WEST BENGAL'S EMERGING INVESTOR CLASS

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ABSTRACT
This present study explored the way socio-cultural influences and behavioural biases have jointly shaped the investment decision-making among the emerging investors in West Bengal, India. A quantitative research design was employed by using survey data from 100 retail investors across four chosen districts of West Bengal namely, Kolkata, Howrah, North 24 PGS and South 24 PGS. Data had been analysed through Structural Equation Modelling using SmartPLS 4 to evaluate reliability, validity and the strength of the relationship among the socio-cultural factors, behavioural biases and investment decisions. Results of this study revealed that socio-cultural factors significantly influence the behavioural biases, which in turn strongly influence the investment decisions of the individuals. The present conceptual model demonstrated the substantial explanatory power, which confirmed that investment behaviour within West Bengal is largely influenced by collective norms, family expectations and psychological biases, like herding or overconfidence. The findings highlight the requirement for the financial literacy programs which is culturally sensitive along with advisory services. This present study integrates the areas of behavioural finance and socio-cultural perspectives within the emerging market context. Furthermore, this study offers policy-oriented implications for the financial institutions and regulators to design some inclusive investment frameworks. In this way, bias-driven risks can be mitigated, while informed participation can be enhanced among the retail investors.
KEYWORDS: *Socio-Cultural Factors; Behavioural Biases; Behavioural Finance; Investment Decision-Making*

INTRODUCTION

Research Background

Nowadays, the area of behavioural finance has gained significant importance, especially in the emerging economies, like, India, where financial markets and economy is rapidly growing and retail investors have become more active participants (Prasad, Kiran & Sharma, 2021). In the emerging economy in India, different factors, like, family networks, social structures as well as cultural norms are strongly ingrained, creating direct impact on the financial decisions of the individuals. Throughout the past decade, the growth of the retail investors in India has become remarkable, which has been further driven by the increasing use of digital trading platforms, financial inclusion initiatives as well as improved awareness of investment opportunities (Panakaje *et al.* 2023). Within this national trend of India, West Bengal particularly has been emerged as the state of this particular interest. It can be seen that, this region has rich culture and intellectual heritage, which defines the strong tradition of saving and collective financial practices and a diverse mix of urban and semi-urban investors (Mishra et al. 2024). These factors have often influenced to interact with the behavioural biases, like, overconfidence, herding behaviour and more.

Research Purpose

The primary Purpose of this research study is to examine the way, socio-cultural factors influence and behavioural biases can shape the investment decisions of the emerging investors in West Bengal.

While behavioural finance has supported the sustainability, a notable research gap can be identified, which further focuses on socio-cultural influences and behavioural biases, shaping the investment decisions of the individuals across different regions within India (Gurbaxani & Gupte, 2021). This present study therefore has identified this gap by establishing an integrated conceptual framework, which combines both behavioural as well as socio-cultural perspectives (Ghosh & Aithal, 2022).

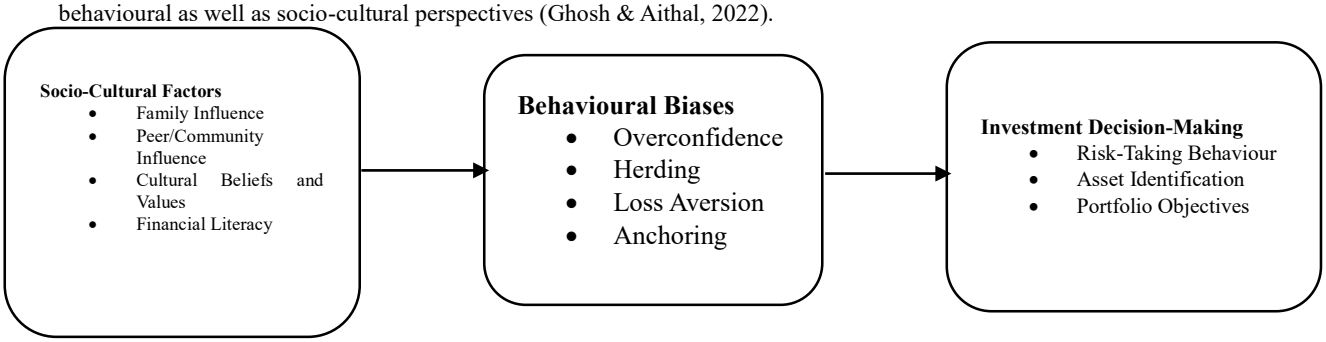

Figure A: Conceptual Framework

From figure A, conceptual framework, the hypotheses have been developed. By exploring the interactions between these variables while developing hypotheses and attaining the purpose, this present study contributes to the growing demand of the contextual behavioural finance.

- **H1:** Socio-cultural factors significantly influence the investment decision-making of individuals
- **H2:** Socio-cultural factors significantly influence the behavioural biases of investors
- **H3:** Behavioural biases significantly affected investment decision-making among investors in West Bengal

METHODOLOGY

Research Design . This present research study has adopted a quantitative and descriptive research design for investigating the way, socio-cultural influences and behavioural biases could shape the individual's investment decisions in West Bengal (Ghanad, 2023). This design is appropriate as in this way, the relationships among the variables can be measured. This study further has adopted explanatory approach to identify the casual relationships between the independent, mediating and dependent variables, which is consistent with the behavioural finance frameworks.

Data Collection Methods. This study primarily has considered the primary data collection methods, where data has been collected through a structured questionnaire survey. This survey questionnaire has been distributed among the chosen individual retail investors across four chosen districts of West Bengal, namely, Kolkata, Howrah, North 24 PGS and South 24 PGS (Chatterjee & Dwivedi, 2025). These regions have been chosen as these districts present an increasing segment of the emerging investor population of West Bengal. This study has taken 3 months to complete including data collection.

Sampling Methodology/Nature. This study has employed a non-probability purposive sampling technique, where the respondents, who are active retail investors, have been only chosen. The sample size for this research is 100 respondents, which has ensured the statistical validity

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as well as robustness for the mediation and regression analysis. These respondents have been approached through local brokerage offices and online investor communities as well as other social media platforms focusing on West Bengal. Data collection mostly has done through online via Google Forms, followed by offline, via printed questionnaire. In this way, inclusivity across both urban and semi-urban investors has been ensured (Hossan, Dato'Mansor & Jaharuddin, 2023). Furthermore, to conduct this research, ethical consideration has been strictly maintained and all the responses have been used anonymously and it is used solely for the academic purposes.

Analytical Techniques. For this research study analysis, SmartPLS4 has been used, which is broadly accepted software for conducting the "Partial Least Squares Structural Equation Modelling" (PLS-SEM). This software is specifically appropriate for the behavioural finance and the social science research because it could handle the complex models effectively with multiple constructs, smaller sample sizes as well as mediating variables, which can further align with the objectives of this research study (Sakaria, Maat & Mohd Matore, 2023).

RESULTS

Table 1 shows the variables, the attributes under each variable along with codes.

Table 1: Source of variables

Variables	Attributes	Codes	Source (s)
Socio-Cultural Factors	Family Influence	SCF1	(Singh, 2025)
	Peer/Community Influence	SCF2	(Bihari *et al.* 2022)
	Cultural Beliefs and Values	SCF3	(Muralidhar *et al.* 2024)
	Financial Literacy	SCF4	(Suresh, 2024)
Behavioural Biases	Overconfidence	BB1	(Yasmin & Ferdaous, 2023)
	Herding	BB2	(Gavrilakis & Floros, 2022)
	Loss Aversion	BB3	(Tian, 2024)
	Anchoring	BB4	(Wang, 2023)
Investment Decision-Making	Risk-Taking Behaviour	IDM1	(Hemrajani, Rajni & Dhiman, 2024)
	Asset Identification	IDM2	(Defau & De Moor, 2021)
	Portfolio Objectives	IDM3	(Oehler & Horn, 2021)

Table 2: Indicators with outer loadings

Indicators	Outer Loadings
BB1	0.832
BB2	0.821
BB3	0.795
BB4	0.840
IDM1	0.867
IDM2	0.706
IDM3	0.734
SCF1	0.556
SCF2	0.638
SCF3	0.901
SCF4	0.861

Table 2 shows that, for the variable, behavioural biases (BB) have four indicators and all of these indicators have outer loadings above 0.70. this confirms that each item under this variable, effectively represent the psychological tendencies of the investors. On the other side, for another variable, investment decision-making (IDM), all the three items have outer loadings more than 0.70, which signifies the acceptable validity and these remain within the acceptable range. Lastly, for the variable, socio-cultural factors (SCF) among their four items, two are under threshold, which indicates constructs have been adequately measured by their observed variables, but slightly weak. Among these items, all the items have been retained except SCF1 (0.556) and SCF2 (0.638), as these are with the value of below 0.70.

Table 3: Cronbach's alpha and composite reliability

Variables	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)	AVE
BB	0.841	0.848	0.893	0.676
IDM	0.690	0.803	0.815	0.596
SCF	0.742	0.812	0.835	0.568

Table 3 shows that, both variables, BB and SCF has value above threshold 0.70, which confirm the high reliability. However, for the variable, IDM, though the value of composite reliability has attained, but the value of Cronbach's alpha is less than 0.690, which has shown the moderate internal consistency and it is acceptable for exploratory studies. For each variable, AVE is more than 0.50, hence, prove the convergent validity.

Table 4: HTMT ratio

Variables	HTMT Ratio
IDM <-> BB	0.874
SCF <-> BB	0.596
SCF <-> IDM	0.698

Table 4 shows that, for all variables, the HTMT value is less than threshold 0.90, which has further confirmed the adequate discriminant validity. This indicates that each construct is conceptually different, while maintaining the moderate correlations.

Table 5: Fornell-Larcker criterion

Constructs	BB	IDM	SCF
BB	0.822		
IDM	0.751	0.772	
SCF	0.495	0.479	0.753

Table 5 has shown Fornell-Larcker criterion, which further support the discriminant validity. Here, the square root of AVE for each construct should be higher than their inter-construct correlation. The above result also has demonstrated the higher diagonal values compared to their correlation. Hence, this particular model has met both discriminatory validity criteria, which further ensures that these constructs are able to capture the unique dimensions of the investor behaviour without any conceptual overlap.

Table 6: Hypotheses test

Hypotheses	Variables	Original Sample (O)	T Statistics	P Values	Decision
H1	SCF → IDM	0.372	6.548	0.000	Significant
H2	SCF → BB	0.495	7.343	0.000	Significant
H3	BB → IDM	0.751	23.906	0.000	Significant

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The result from table 6 has demonstrated that SCF exert a statistically direct and significant impact on IDM, which supports H1, where p-value is less than 0.05. This finding confirms that socio-cultural factors strongly influence the individual perception to manage the investment risks within West Bengal.

Furthermore, H2 is also supported as the p-value is 0.05, which indicates that SCF have significantly shaped the BB of the investors.

Lastly, H3 is supported, which has shown that BB significantly affect the IDM. The behavioural biases therefore are emerged as the most influential biases, which often lead the individuals to the suboptimal portfolio diversification and excessive trading.

DISCUSSION

These results therefore collectively affirm the validity of the conceptual framework, where SCF directly and indirectly affect investment decisions through behavioural biases. This has reinforced the behavioural finance theories, defining that investment behaviour is the context-dependent instead of universally rational. The findings of this research study reinforce and extended the existing discussion on the behavioural finance literature by demonstrating the influence of socio-cultural factors and the behavioural biases jointly on the investment decision-making of the individuals among the emerging investors across West Bengal. Consistent with the discussion of (Shaik *et al.* 2022), the result of this research study confirms that investor behaviour within the emerging market is shaped not only by the individual cognition, but also, by the collective social and cultural dynamics. These patterns therefore reveal a culturally rooted behavioural pattern, where investors from the West Bengal are guided by the cultural norms of the family, friends and community. It further leads to the collective tendencies, like, loss aversion or herding. The result also supports the context of behavioural finance, where investor's investor decisions deviate from the rational expectations due to the social and emotional factors (Saivasan & Lokhande, 2022). Theoretically this study therefore contributes to the area of the behavioural finance within the regional socio-cultural framework.

CONCLUSION, RECOMMENDATIONS AND IMPLICATIONS

This study has focused on the influence of socio-cultural factors on the investment decision-making, and the way behavioural biases shape their investment decisions, by using the emerging investor class within West Bengal. The findings of this research have further contributed to the behavioural finance theory by integrating different socio-cultural dimensions with the behavioural biases, which further has reinforced the idea that investment behaviour is not universally rational, but also it is context-dependent. This extends the existing models by aligning the concept of behavioural finance within a regional socio-economic and cultural framework, hence, it advances the understanding of the decision-making of the investors within the emerging markets, like, India. This present study has both managerial and policy implications. It can be seen that, for financial institutions, understanding these patterns guides the design of tailor-made advisory services which address emotional and cultural biases of the investors. On the other side, regulators, policymakers and educators of the country should incorporate the behavioural insights into the frameworks of the investor protection, which further ensures the ethical financial communication. The limitations of this research study consist of modest sample size and regional focus, which may restrict the generalisation beyond West Bengal. The future research therefore could adopt comparative study across different states of India, hence, employ the longitudinal data to track the behavioural shifts.

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