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The Impact of Digital Financial Platforms on Investment Behaviour: A Behavioural Finance Perspective

Amidala Sunitha
Assistant Professor of Commerce, Badruka College of Commerce and Arts
Research Scholar, Department of Commerce, Satavahana University Karimnagar.
Corresponding Author –Amidala Sunitha
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Abstract:

Global investment behavior has changed dramatically as a result of the quick spread of digital financial platforms. Through the lens of behavioral finance, which incorporates psychological insights into economic and financial theories, this study investigates how these platforms affect investor decision-making. This study investigates how digital platforms affect investor biases, risk perceptions, and portfolio decisions using secondary data from scholarly journals, industry reports, government publications, and reliable financial databases. With its user-friendly interfaces, real-time information, and simplicity of access, digital financial platforms have democratized investment options and made it possible for a wider range of people to engage in the financial markets. However, these platforms also present behavioral issues that might impact investment results, such as impulsive trading, herd mentality, and overconfidence.

The study examines investor behavior patterns made possible by digital tools, such as social trading networks, mobile trading apps, and robo-advisors, emphasizing the advantages and disadvantages of their use. According to research, digital platforms increase financial inclusion and provide investors more information and control, but they also call for better investor education and regulatory oversight to reduce risky behavior. This study advances our knowledge of how technology-driven financial innovation alters investing behavior and provides information to investors, financial service providers, and governments that want to improve decision-making. In order to promote sustainable and knowledgeable investment habits in an increasingly digital economy, the study emphasizes the significance of incorporating behavioral finance ideas into the design and regulation of digital financial platforms.

Keywords: Digital financial Platforms, Investment Behaviour, Behavioural Finance, Investor Psychology, Financial Technology (FinTech) Robo-Advisors

Introduction:

The swift advancement of financial technology has resulted in a substantial shift of financial markets. Smartphones and internet-enabled platforms have made it possible to engage in investment activities that formerly needed in-person interactions with banks, brokers, financial advisors, or mutual fund distributors. Investors can establish systematic investment plans, buy shares and mutual funds, open demat and trading accounts online, monitor portfolios, and obtain financial information virtually quickly.

As a result, the digitalization of finance has altered not just how people invest but also possibly why and how they make such decisions. Conventional financial theories typically make the assumption that investors are logical decision-makers who assess the information at hand and choose options that maximize projected returns in accordance with their risk tolerance. By acknowledging that emotions, cognitive constraints, social interactions, and psychological biases all have an impact on financial decisions, behavioral finance challenges this notion.

These behavioral influences can become more significant in the context of digital financial platforms. Investors' opinions and behaviors can be influenced by real-time price changes, alerts, social media conversations, suggestions, rating systems, and user-friendly interfaces. An investor can now buy or sell an investment in a matter of seconds, whereas in the past they might have had to wait for expert counsel. Participation in digital finance has grown very quickly in India. The Investor Survey 2025 by SEBI looks at how factors including age, income, education, and access to digital platforms affect market participation and investing choices. The research also emphasizes how FinTech platforms are becoming more important in providing smaller towns and semi-urban areas with access to the securities market.

Another sign of this change is the mutual fund sector. As of June 30, 2026, mutual fund assets under administration totaled ₹82.22 lakh crore, while total mutual fund folios came to about 27.86 crore, according to AMFI.Given these changes, it's critical to determine if digitalization is creating more knowledgeable investors or merely accelerating and increasing the frequency of investment activity.

Concept of Digital Financial Platforms:

Digital financial platforms are technologically advanced systems that offer financial services via digital channels such as mobile applications and websites. Without having to deal with financial institutions in person, they enable people to access a variety of financial services, such as online banking, stock trading, investing in mutual funds, digital payments, insurance, lending, and robo-advisory services. These platforms give investors easy access to investment products, transaction facilities, portfolio tracking, and real-time market data. Digital financial platforms have helped to increase financial inclusion and broaden participation in financial markets by lowering transaction, time, and geographic barriers. However, their constant availability and ease of use may also have an impact on investor behavior by promoting frequent trading, rash choices, overconfidence, and herd mentality. As a result, digital financial platforms are both a major technological development in the financial services industry and a major influence on contemporary investment behavior.

Behavioral Finance: Theoretical Foundation:

In order to explain how people actually make financial and investment decisions, behavioral finance is an interdisciplinary approach that integrates concepts from economics, finance, and psychology. Behavioral finance acknowledges that emotions, cognitive limitations, individual experiences, social influences, and psychological biases can have a substantial impact on investment choices, in contrast to traditional financial theories that typically assume that investors are rational and make decisions based on complete information. Daniel Kahneman and Amos Tversky's Prospect Theory, which describes how people weigh profits and losses in situations of risk and uncertainty, is largely responsible for the theoretical underpinnings of behavioral finance. Overconfidence, loss aversion, anchoring, herd behavior, confirmation bias, availability bias, and the disposition effect are some other key ideas. Because investors have access to real-time information, price alerts, social media opinions, personalized recommendations, and user-friendly trading facilities, these behavioral aspects become more significant in the context of digital financial platforms. As a result, in addition to making investment opportunities more accessible, digital platforms may potentially exacerbate psychological biases and encourage impulsive or excessive trading. Therefore, behavioral finance offers a suitable theoretical framework for comprehending how technological advancements influence contemporary investment behavior.

Review of Literature:

Gokhale and Mittal (2025) examined the behavioural intentions of Generation Z investors and found that perceived risk and cognitive biases

play important mediating roles in the relationship between investor characteristics and behavioural intentions. The findings indicate the importance of investor protection and awareness in the rapidly developing digital investment environment.

Hossain and Siddiqua (2024) found that investment decisions are influenced by investors' emotions and, importantly, their risk perception and risk aversion. The study highlighted that risk perception and risk aversion prominently influence investment decisions, demonstrating that investment behaviour cannot be explained solely through traditional financial theories.

Rasool and Nisa (2024) found that financial literacy, perceived risk, and social influence significantly influence the investment intentions of Indian investors. The findings indicate that investment behaviour is shaped not only by financial knowledge but also by investors' perceptions of risk and the influence of their social environment.

Srinivasan and Karthikeyan (2023) emphasised the importance of educating investors about the psychological factors influencing investment decision-making. Such education can empower investors to make more rational and informed decisions by increasing their awareness of psychological influences and behavioural biases.

Pandey, Kiran, and Sharma (2022) examined the drivers of financial inclusion and found that financial literacy acts as a mediator in promoting sustainable growth and digitalisation. The study identified FinTech as a prominent driver of financial inclusion, while digitalisation emerged as an important factor contributing to financial inclusion.

Tomar, Baker, Kumar, and Hoffmann (2021) observed that investment opportunities, investment decisions, financial planning, and savings are difficult to manage because they require the interaction of investors' attitudes, financial knowledge, cognitive decision-making abilities, and personality traits at both psychological and social levels. The authors suggested that direct measures should be undertaken to improve financial knowledge while creating an environment in which investors can interact with their social circles.

Research Gap:

According to the reviewed literature, a variety of factors, such as financial literacy, perceived risk, risk tolerance, personality traits, emotions, cognitive biases, social influence, and financial self-efficacy, have an impact on investing decisions.

Digitalization, FinTech, Generation Z, and cognitive biases have all received more attention in recent research. In the context of digital financial platforms and investment behavior, there is still a study gap in the integration of these psychological, behavioral, financial, and social factors. The majority of current research looks at each variable independently. For instance, while some studies look at risk tolerance, personality, herd mentality, or FinTech adoption, others concentrate on financial literacy and investing choices. Comparatively few studies offer a comprehensive framework that explains how these elements interact in the context of digital investing. Additionally, there isn't much regional study that focuses on Telangana in particular. Investors in Hyderabad may exhibit different behavioral traits than those in Telangana's developing cities and towns. In order to comprehend how digital financial platforms affect investors financial knowledge, behavioral biases, risk perception, personality traits, social influence, and financial self-efficacy, as well as how these aspects eventually effect investment behavior, more research is necessary.

Objectives of the Study:

1. To examine the impact of digital financial platforms on investors investment behaviour.
2. To analyse the influence of financial literacy, risk perception and risk tolerance on investment decisions in the digital financial environment.

3. To examine the role of personality traits, emotions, cognitive biases, social influence and financial self-efficacy in shaping investors investment behaviour.
4. To suggest suitable measures for promoting informed, responsible and sustainable investment behaviour through digital financial platforms, with special reference to Telangana.

Methodology:

With particular reference to Telangana the current study uses a descriptive and analytical research design to investigate how digital financial platforms affect investing behavior from a behavioral finance standpoint. The research articles published in peer-reviewed journals, books, reports, and publications of the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), Association of Mutual Funds in India (AMFI), Government of Telangana, and other reputable financial and industry institutions comprise the entirety of the secondary data used in this study. Reliable financial databases and published studies about digital financial platforms, financial literacy, risk perception, risk tolerance, personality traits, emotions, cognitive biases, social influence, financial self-efficacy, and investment behavior have also provided pertinent information. Descriptive analysis, thematic analysis, and conceptual interpretation are used to analyze the gathered data in order to find significant trends and connections documented in the body of current literature. Regional context is provided thru a selection of Telangana-focused cases, especially those pertaining to Hyderabad and growing metropolitan centers. Neither direct investor engagement nor primary data gathering are part of the study. As a result, the methodology makes it possible to comprehend how investing behaviour in the digital financial environment is influenced by technological, financial, psychological, and social elements.

Digital Financial Platforms and Financial Literacy:

The way people obtain financial information and engage in investment activities has been profoundly altered by digital financial platforms. Investors can easily obtain information on financial products, market prices, risk levels, returns, and portfolio performance thru mobile trading applications, digital mutual fund platforms, online brokerage services, and robo-advisory platforms. By making it possible for people to evaluate goods and learn about other investment options before making selections, this accessibility helps promote financial literacy. Thru internet platforms, investors can also access risk-assessment tools, financial calculators, investing guidelines, and instructional films. However, financial literacy is not always guaranteed by the availability of information. Investors must be able to comprehend, assess, and use financial data correctly. Confusion and poor decision-making can result from overwhelming information, deceptive social media posts, and unreliable investing advice. As a result, digital financial platforms can play a significant role in enhancing financial literacy; nevertheless, their efficacy is contingent upon the user's digital literacy and financial aptitude. Access to financial products can be enhanced in Telangana by extending digital investment services outside of Hyderabad to developing cities and towns; however, this growth should be coupled with investor awareness and financial literacy initiatives. Therefore, financial literacy and digital access should grow together to encourage responsible, sustainable, and informed investing practices.

Digital Platforms and Risk Perception:

Investors perceptions and assessments of investment risk are greatly influenced by digital financial platforms. Investors have constant access to real-time prices, market news, risk indicators, performance charts, and investment suggestions thru mobile applications, online brokerage platforms, mutual fund websites, and robo-advisory services. Investors might become

more aware of market volatility and make better judgments thanks to this instant access to information. Excessive exposure to short-term price swings, however, can also heighten emotional responses, worry, and dread, especially during uncertain market times. However, because to the ease of use and simplicity of digital platforms, investors may mistakenly believe that investing is simple and manageable, which could lead them to underestimate the dangers involved with stocks, derivatives, and other complicated financial-products. By encouraging investors to follow popular investment trends and fostering herd behavior, social media conversations and online investment forums can further affect how risk is perceived. As a result, digital platforms can influence risk perception in both positive and bad ways. While they can increase access to information about risks, they can also accentuate emotional reactions and behavioral biases. In the Telangana context, the need for suitable risk-awareness and investor-education programs is highlighted by investors' growing access to digital investing platforms in Hyderabad and developing cities like Karimnagar, Warangal, and Nizamabad. Accurate risk perception must be developed in order to guaranty that digital accessibility results in responsible and knowledgeable investment behavior.

Risk Tolerance and Digital Investment Behavior:

The amount of financial risk that an investor is able and willing to take on while making investing decisions is known as their risk tolerance. Age, income, financial expertise, investment experience, financial objectives, personality attributes, and personal attitudes toward uncertainty are some of the variables that affect it. Investors now have easy access to a variety of investment products, such as stocks, mutual funds, exchange-traded funds, and derivatives, thanks to digital financial platforms. By making it simpler for people to choose items based on their perceived risk preferences, this convenience may have an impact on investment behavior. While investors with lower risk tolerance might favor more stable and cautious investing options, individuals with higher risk tolerance might be more inclined to invest in equity-oriented and high-volatility goods. However, because of their easy-to-use interfaces, real-time market information, social media trends, and transactional features, digital platforms may occasionally push investors to take risks beyond their actual tolerance. Investors may sometimes underestimate possible losses due to herd mentality and overconfidence. In order to achieve proper asset allocation and portfolio diversification, it is crucial to evaluate risk tolerance prior to investing. Increasing digital investment involvement in Telangana necessitates a better understanding of risk profile so that investors choose financial products based on their goals, financial capacity, and capacity to tolerate losses rather than just following market trends.

Personality Traits and Investment Behavior:

Investors financial views, risk preferences, and decision-making styles are influenced by their personalities. Investment decisions can be influenced by characteristics like extraversion, conscientiousness, openness, and emotional stability. While highly open people might be more inclined to investigate new digital financial goods, conscientious investors might favor meticulous planning and diversification. Thru social media interactions, real-time information, and tailored recommendations, digital platforms can further impact these characteristics. In order to explain variances in digital investing behavior, it is crucial to comprehend personality distinctions.

Emotions and Investment Decisions:

Investors' risk preferences, financial attitudes, and decision-making styles are influenced by their personalities. Investment decisions can be influenced by characteristics including conscientiousness, openness, extraversion, and emotional stability. While highly open people can be more open to

investigating new digital financial goods, conscientious investors might favor meticulous planning and diversification. Thru social media interactions, real-time information, and tailored recommendations, digital platforms can further affect these characteristics. Therefore, it is crucial to comprehend personality distinctions in order to explain disparities in digital investment behavior.

Cognitive Biases in Digital Investment:

On digital financial platforms, investment decisions can be greatly influenced by cognitive biases. Investors may stray from logical decision-making due to overconfidence, herd mentality, loss aversion, anchoring, confirmation bias, and availability bias. These biases can be reinforced by social media material, easy access to real-time information, and streamlined trade. For instance, due to loss aversion, investors may maintain losing assets or follow trendy equities without doing sufficient research. Therefore, encouraging logical and disciplined digital investment behavior requires an awareness of behavioral biases.

Social Influence and Digital Investment:

In the context of digital investment, social influence has grown in significance. Friends, relatives, peers, financial influencers, social media sites, and online investment forums can all have an impact on investors. Positive perceptions of a specific stock or investment product may lead to herd mentality among investors. Investors may make choices based more on popularity than on fundamental research, even if digital forums can offer helpful information and educational possibilities. As a result, before making an investment, investors should carefully consider financial information found online.

Financial Self-Efficacy and Investment Behavior:

A person's confidence in their capacity to handle money and make investing decisions is known as financial self-efficacy. Higher financial self-efficacy may encourage investors to diversify their portfolios, plan their investments, and assess risks. By making financial information and investment tools easily accessible, digital platforms can boost financial confidence. Excessive confidence, however, can turn into overconfidence and result in needless risk-taking. Therefore, a realistic risk assessment and sufficient financial knowledge should encourage financial self-efficacy.

Generation Z and Digital Investment Behaviour:

Due to their experience with smartphones, social media, online financial services, and FinTech applications, Generation Z is a significant developing cohort of digital investors. This generation has easy access to equities, mutual funds, and other financial products thanks to digital channels. However, FOMO, short-term market fluctuations, financial influencers, and social media trends may also have an impact on their investment choices. In order to promote ethical and long-term investing behavior, it is crucial to improve Generation Z's digital financial literacy, risk awareness, and behavioral finance education.

Telangana Case Studies:

1.Case Study: The Digital Investment Ecosystem in Hyderabad: Cyderabad has become a major hub for financial services and technology in Telangana, fostering an environment that is conducive to investment thru digital means. Salaried workers, professionals, entrepreneurs, and younger investors now find investing more easy because to the increasing usage of mobile trading apps, online mutual fund platforms, digital banking services, and robo-advisory tools. Without relying solely on physical financial intermediaries, investors can acquire market data, evaluate financial products, keep an eye on their portfolios, and complete transactions. From the standpoint of behavioral finance, this simple accessibility can increase financial engagement

and knowledge, but because of real-time price information and social media influence, it may also promote overconfidence, herd mentality, FOMO, and frequent trading. Thus, the Hyderabad case illustrates how digitalization can raise both investment potential and behavioral concerns at the same time. To guaranty that technology supports wise and sustainable investment behavior, it is crucial to improve financial literacy, risk awareness, and responsible digital investment practices.

2. Case Study: Emerging Telangana Cities: In Telangana's developing cities, including Karimnagar, Warangal, Nizamabad, Khammam, and Nalgonda, digital financial platforms have opened up new investment prospects. In the past, banks, regional financial intermediaries, and physical investment services were frequently more important to investors in smaller cities. By making stocks, mutual funds, SIPs, and other financial products accessible thru mobile applications, digital platforms have lessened these geographical restrictions. This has the potential to increase financial inclusion and motivate new investors to engage in official financial markets. However, a lack of financial literacy and reliance on social media suggestions may make herd mentality, overconfidence, and unwise risk-taking more likely. Therefore, financial literacy and investor awareness initiatives should assist the rise of digital investment in developing Telangana cities.

3. Case Study: Digital Mutual Fund Participation: By allowing investors to create SIPs, compare schemes, track returns, and manage portfolios thru mobile applications, digital platforms have increased the accessibility of mutual fund investing. This ease of use can promote consistent and disciplined investing, especially for young and inexperienced investors. However, rather than long-term goals and risk profiles, digital access may also persuade investors to choose funds based on popularity, recent performance, or online recommendations. Such actions could be indicative of overconfidence, recency bias, and herd mentality. Therefore, if investors have sufficient financial literacy and are aware of risk, diversification, and investment horizons, digital mutual-fund platforms can encourage financial inclusion and methodical investing. Increasing access to digital mutual funds can encourage more investors in Telangana to participate in formal investing markets, but it will also necessitate more investor education.

Findings:

According to the survey, by giving investors quick access to financial goods and up-to-date information, digital financial platforms have greatly increased investment accessibility, convenience, and participation. However, a number of financial, psychological, and social factors—such as financial literacy, risk perception, risk tolerance, personality traits, emotions, cognitive biases, social influence, and financial self-efficacy—have an impact on investment behavior. Digital platforms can increase financial knowledge, but because of constant information, social media impact, and streamlined transactions, they may also promote overconfidence, herd mentality, loss aversion, FOMO, and hasty trading. The report also emphasizes the growing significance of Generation Z as digital investors and the growing applicability of digital investment services in Hyderabad and Telangana's emerging cities. Overall, digital platforms have a dual impact by promoting financial inclusion while potentially increasing behavioural risks.

Recommendations:

According to the survey, digital financial platforms have greatly increased investment accessibility, convenience, and involvement by giving investors quick access to real-time information and financial goods. However, a number of financial, psychological, and social factors—such as financial literacy, risk perception, risk tolerance, personality traits, emotions, cognitive biases, social influence, and financial self-efficacy—have an impact on investing behavior. Because of constant information, social media impact, and

streamlined transactions, digital platforms might increase financial awareness, but they may also promote overconfidence, herd mentality, loss aversion, FOMO, and hasty trading. The report also emphasizes the expanding significance of digital investment services in Hyderabad and Telangana's emerging cities, as well as the growing importance of Generation Z as digital investors. Overall, digital platforms have a dual impact by promoting financial inclusion while potentially increasing behavioural risks.

Conclusion:

According to the survey, by giving investors simple access to financial goods and real-time information, digital financial platforms have greatly increased investment accessibility, convenience, and engagement. However, a number of financial, psychological, and social elements, such as financial literacy, risk perception, risk tolerance, personality traits, emotions, cognitive biases, social influence, and financial self-efficacy, have an impact on investment behavior. Due to constant information, social media impact, and streamlined transactions, digital platforms can increase financial awareness but also promote overconfidence, herd mentality, loss aversion, FOMO, and hasty trading. The report also emphasizes the growing significance of Generation Z as digital investors and the growing applicability of digital investment services in Hyderabad and Telangana's developing cities. Overall, digital platforms have a dual impact by promoting financial inclusion while potentially increasing behavioural risks.

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