

HERDING BEHAVIOR AMONG INDIVIDUAL STUDENTS AS INVESTORS: EVIDENCE FROM THE UNIVERSITY OF HARIPUR

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ABSTRACT

The growing interest in investment activities among students has increased the importance of understanding the behavioral factors that influence investment decision-making. This study examines the impact of risk perception, financial literacy, investment experience, and social influence on herding behavior among student investors at the University of Haripur. A quantitative research design was adopted, with data collected from 300 students using a structured questionnaire. Statistical analysis through SPSS confirmed that social influence significantly drives herding behavior, while financial literacy and investment experience promote rational and independent decision-making. Risk perception also plays a role in cautious investment choices. The findings highlight that student investors are largely influenced by psychological and social factors rather than purely rational analysis. Recommendations include integrating behavioral finance education into curricula and encouraging independent financial analysis among young investors.

KEYWORDS: Behavioral Finance, Herding Behavior, Student Investors, Risk Perception, Financial Literacy, Social Influence.

INTRODUCTION

Behavioral finance, a burgeoning field that merges psychology with financial decision-making, has significantly expanded our understanding of market anomalies and investor behavior. Traditional finance often assumes that individuals are rational actors, yet behavioral finance demonstrates that cognitive biases, emotions, and social influences shape investment decisions. Among these social influences, herding behavior has been identified as a pervasive phenomenon. Herding refers to the tendency of individuals to mimic the actions of a larger group, often disregarding their own private information or independent analyses. Notably, herding behavior can be amplified in digital spaces, where social media, forums, and trading apps create an echo chamber effect, particularly among younger investors. In recent years, there has been growing interest in understanding how students—particularly university students—act as investors. Students are a unique demographic: often tech-savvy, with access to abundant information, but still susceptible to cognitive biases. Research suggests that student investors, especially those with limited financial literacy, often rely on peer influence and trends rather than fundamental analysis. For instance, a recent survey by the CFA Institute (2023) found that over 60% of student investors reported feeling pressured to invest by observing their peers. Herding behavior among students can lead to speculative bubbles or sudden market reversals, particularly in environments such as online trading platforms. Studies indicate that herding is not just a phenomenon driven by professional investors or social media influencers; even students in academic settings display pronounced herding tendencies. For instance, research by Bikhchandani, Hirsh Leifer, and Welch (1992) shows that people often overreact to others' decisions, leading to a domino effect. Similarly, Banerjee (1992) highlights how cascades emerge when individuals rely too heavily on the observed actions

of others. As a result, students, without extensive financial knowledge, can fall prey to herd mentality, amplifying volatility in financial markets.

Moreover, technological advancements have lowered the barriers to entry for student investors. Trading apps like Robinhood and E*TRADE have democratized access to financial markets, allowing students to invest with minimal capital. However, this democratization is a double-edged sword: while it fosters financial inclusion, it also exposes novice investors to herd risks. As shown by Chen, Kim, and Nofsinger (2021), students frequently engage in trend-following behaviors, which, when paired with low financial knowledge, can lead to amplified market movements.

Finally, the role of educational institutions in shaping investment behavior among students cannot be overlooked. Many universities have integrated financial literacy courses into their curricula, yet the effectiveness of these programs remains mixed. According to Kumar and Goyal (2015), well-structured educational interventions can mitigate herd influence by equipping students with critical analytical tools. Thus, this research not only aims to understand herding dynamics but also to inform potential educational and policy measures that could curb irrational group behavior. In addition, it is essential to recognize how macroeconomic factors intersect with student herding behavior. During periods of economic uncertainty, students may gravitate toward popular investments as a perceived safe haven, even when underlying fundamentals do not justify such moves. For example, in the wake of global financial crises or market corrections, students often follow herd patterns, amplifying sudden price movements and contributing to asset bubbles. Another dimension to consider is the psychological impact of digital platforms. Online communities and trading forums create a sense of belonging and collective action. As students share success stories or market tips, they experience a psychological reinforcement, further reducing their inclination to question group decisions. This interplay between digital environments and psychological drivers intensifies herding, making it a potent force in shaping student investment behavior.

Research Objectives

- To examine the extent to which herding behavior influences investment decisions among student investors.
- To identify the psychological and social factors that drive students toward herd-like investment behaviors.
- To analyze how perceived risk and reward influence herd behavior among student investors.

Research Questions

- How does herding behavior impact the investment choices of student investors in financial markets?
- What psychological factors, such as overconfidence or fear of missing out, contribute most to herding among student investors?
- How do demographic variables, like gender or academic background, influence the tendency of students to follow herd behavior in investment decisions?

LITERATURE REVIEW

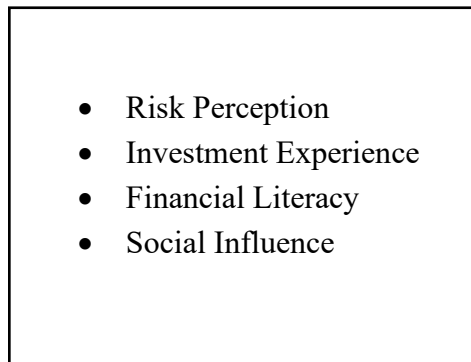
Banerjee (1992) provides a foundational analysis of herding behavior within financial markets, demonstrating how individuals, even when they possess private, accurate information, often choose to follow the actions of others. Through a theoretical model, Banerjee illustrates that small initial signals can trigger cascades, where subsequent participants rely on the crowd's actions rather than their own private signals. This effect can lead to rapid convergence in behavior, which in financial markets may create bubbles or excessive volatility. In particular, in the context of student investors—who are often younger, less experienced, and more susceptible to social influence—herding can be particularly pronounced. This study is crucial because it explains why seemingly rational student investors might make irrational choices by anchoring their behavior to what others do. Thus, Banerjee's work provides a critical theoretical framework for exploring the vulnerability of student investors to collective behavior, which is central to understanding market dynamics in educational settings. Winata et al. (2025) investigated the impact of psychological characteristics on cryptocurrency investment decisions among Generation Z in Yogyakarta. Using a survey of 100 investors, they employed multiple linear regression to analyze how factors such as overconfidence, risk tolerance, loss aversion, and mental accounting influenced investment choices. The results indicated that overconfidence, risk tolerance, and loss aversion all had a significant positive impact on investment decisions, while mental accounting was not significant. This research highlights that young investors are often driven by psychological biases rather than purely rational analysis. The implications are critical for financial educators, as they underscore the need to address cognitive biases in order to guide student investors toward more informed and rational financial decisions. Shahani and Ahmed (2022) investigate how cognitive biases, specifically herding, overconfidence, representativeness, and self-serving biases, affect university students' investment decisions in cryptocurrency markets. Their study focuses on 313 university students in Pakistan, using a snowball sampling method. They utilize Partial Least Square Structural

Equation Modeling (PLSSEM) to analyze the mediating role of these biases between socio-psychological factors—such as money anxiety, social interactions, stress, and internal locus of control—and investment decisions. The findings reveal that herding bias, overconfidence, and representativeness bias partially mediate the relationship between these socio-psychological factors and students' investment decisions. Notably, money anxiety drives herding bias, which in turn pushes students toward riskier crypto investments; similarly, stress leads to representativeness bias, undermining sound financial decisions. Thus, this study contributes vital insights to behavioral finance by highlighting how university students' investment decisions can be significantly swayed by subconscious biases. Mallik et al. (2017) examine how behavioral biases, specifically overconfidence and loss aversion, shape individual equity investors' decision-making, using risk perception as a mediator. The study surveys 160 investors from Islamabad stock exchange participants, brokerage houses, and bankers. Using convenient sampling, they distributed 250 questionnaires and achieved a 64% response rate. Through structural equation modeling, they find that overconfidence pushes investors toward excessive risk-taking, as they overestimate their own knowledge, while loss aversion drives investors to hold onto losing stocks, fearing realized losses. Notably, risk perception moderates these biases, amplifying the impact on equity decisions. This research is significant for behavioral finance, as it provides a roadmap for policy makers and financial advisors to identify and address these biases in student investors. Kaur et al. (2024) investigates the effect of herding, loss aversion, overconfidence, and fear of missing out (FOMO) biases on cryptocurrency investors' decisions. They also examine how FOMO mediates the relationships between these biases and investment behavior. Conducting a survey of 473 crypto retail investors, the researchers used a questionnaire and analyzed the data with Smart PLS, employing factor analysis and partial least squares structural equation modeling. The findings reveal that all four biases—herding, loss aversion, overconfidence, and FOMO—have a substantial effect on investment decisions. Notably, FOMO plays a complementary mediating role, amplifying how herding and overconfidence influence investment choices. Thus, the study underscores that emotional triggers, like FOMO, magnify the impact of cognitive biases, pushing student investors toward herd-like, often irrational, crypto investment behavior. The findings contribute significantly to behavioral finance by offering a nuanced understanding of how emotional and cognitive dynamics jointly drive investment decisions in young, tech-savvy populations. Juwita et al. (2022) explores the exponential growth of cryptocurrencies over the past decade and analyze the influence of behavioral finance factors—specifically herding, heuristics, and prospect theory—on investment decisions by Millennials and Gen Z in Indonesia. Using a sample of 140 respondents, they apply multiple regression techniques, including reliability and validity tests, descriptive analysis, and hypothesis testing. Their results highlight that herding and heuristic factors have a significant influence on cryptocurrency investment choices, while prospect theory does not. The study concludes that non-fundamental, social, and cognitive factors play a dominant role in these young investors' decisions, indicating that many investment choices are not yet grounded in sound financial analysis. This research underscores the need for improved financial literacy and critical thinking programs tailored to students in rapidly evolving markets. Hassan et al. (2025) into the complex nature of investment decision-making, emphasizing that investors do not rely solely on objective financial analysis but are significantly influenced by psychological factors and behavioral biases. Through a mixed-method approach, combining literature review, survey data, and behavioral experiments, they analyze how biases such as overconfidence, loss aversion, and anchoring distort rational choices. Overconfidence leads investors to overestimate their knowledge, resulting in excessive trading and risk exposure. Loss aversion causes them to irrationally cling to losing investments, while anchoring biases make them rely too heavily on initial information, such as an asset's purchase price. The study is particularly valuable for novice investors and financial advisors, as it offers insights into the subconscious forces that derail rational investment. By identifying these biases, the study provides practical guidance for mitigating irrational errors, ultimately fostering more disciplined investment practices. Shiller (2000) examines how social contagion and collective narratives drive herd behavior in financial markets, particularly among retail investors. Shiller argues that asset prices can be driven by psychological factors, such as narratives and herd imitation, rather than fundamental value. Using historical market data, Shiller documents the 1990s bubble and shows how collective optimism and news amplification led investors to chase rising prices. His work is crucial for understanding herd dynamics among young investors, who, empowered by social media and digital trading platforms, may fall prey to irrational exuberance. By linking narratives with investor psychology, Shiller's study offers a vital framework for understanding how herd behavior emerges, particularly in student investors who are navigating volatile, narrative-driven markets.

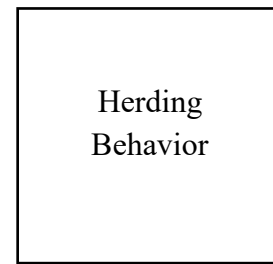
Theoretical Model

In this study Herding Behavior is taken as the dependent variable, which is explained through several independent variables. These independent variables include Risk Perception, Investment Experience, Financial Literacy, and Social Influence.

Independent Variables



Dependent Variables



Each of these factors contributes to shaping the tendency of investors , particularly university students, to follow collective market trends rather than relying solely on individual judgement.

By examining these independent variables, the framework highlights how psychological, experiential, and social dimension interact to influence herding behavior in investment decision.

Hypothesis

H₁: Risk Perception has positive impact on Herding Behavior .

H₂: Investment Experience has positive impact on Herding Behavior .

H₃: Financial Literacy has positive impact on Herding Behavior .

H₄: Social Influence has positive impact on Herding Behavior .

RESEARCH METHODOLOGY

This study adopts quantitative research approach to examine the impact of behavioral factors on herding behavior among student investors at the University Of Haripur. Quantitative methods were chosen because they allow for precise measurement of variables and statistical testing of hypotheses. By employing structured questionnaire and statistical analysis the study ensures the reliability , objectivity , validity in capturing the relationship between psychological and social factors and investment decisions and other variables the Yamani formula is employed.

$$n = \frac{4000}{1 + 4000(0.05)^2}$$

$$n = 300 \quad n \approx 300$$

For this study, data were collected using an online questionnaire created on Google Forms. The survey was distributed electronically to students at the University of Haripur. A link to the questionnaire was shared via university email and student online platforms to reach a broad audience. By distributing the survey online, we ensured ease of access and a diverse participation from students in different academic departments, ensuring a representative sample.

Table 1: Description of Variables

S.NO.	Variables	Abbreviation	Variable Type	Scale Type
1	Herding Behavior	HB	Dependent Variable	Likert Scale
2	Risk Perception	RP	Independent Variable	Likert Scale
3	Investment Experience	IE	Independent Variable	Likert Scale

4	Financial Literacy	FL	Independent Variable	Likert Scale
5	Social Influence	SI	Independent Variable	Likert Scale

This study employed SPSS software for analysis, incorporating linear regression and correlation techniques. Regression analysis is a common way to look at questionnaire data. It shows how one or more predictor variables affect the dependent variable, giving you a lot of information about how the data are related. Unstandardized coefficients (B) show how much the dependent variable is expected to change when the predictor changes by one unit, while controlling for other variables. Standardized coefficients (β) let you compare predictors that are measured on different scales. The correlation matrix shows the strength of the relationship between the dependent variable and its independent variable. In other words, a correlation matrix is used to determine whether there is a positive or negative relationship between herding behavior.

RESULT AND DISCUSSION

This section explains the results obtained from responses, their interpretation and discussion. Table 2 explained the descriptive statistic for all variables in this study which is obtained from reconcondenses of 364 participants. It is use to describe and summarize different features of data set like number of responses, minimum value, maximum value, mean and Standard deviation of variables. The mean values range from 2.226 to 2.836, indicating moderate levels of herding behavior, risk perception, investment experience, financial literacy, and social influence among student investors. Risk perception has the highest mean value ($M = 2.836$), which shows that most students consider investment decisions to involve risk. Investment experience also shows a moderate mean value of 2.727, indicating that respondents have some level of experience in investing activities. On the other hand, social influence has the lowest mean value ($M = 2.226$), suggesting that students are moderately influenced by others while making investment decisions.

Table 2: Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
HB	300	1	4.0	2.561	0.69
RP	300	1	4.6	2.836	1.09
IE	300	1	4.6	2.727	0.96
FL	300	1	5.0	2.504	1.06
SI	300	0.25	4.5	2.226	1.28

The standard deviation values indicate a moderate variation in responses. Social influence shows the highest standard deviation ($SD = 1.28$), meaning participants had different opinions regarding the influence of others on their investment decisions. In contrast, herding behavior has the lowest standard deviation ($SD = 0.69$), which indicates more consistent responses among participants. Overall, the descriptive statistics show that the data is stable and suitable for further analysis in the study.

Table 3 presents the correlation analysis between herding behavior (HB) and the independent variables including risk perception (RP), investment experience (IE), social influence (SI), and financial literacy (FL). The results show the strength and direction of the relationship between these variables among student investors.

Herding behavior has a strong positive relationship with investment experience ($r = 0.876$), which indicates that students with more investment experience are more likely to follow market trends and the decisions of other investors. Social influence also shows a moderate positive relationship with herding behavior ($r = 0.587$), suggesting that friends, family, and social networks play an important role in influencing students' investment decisions. Financial literacy has a moderate positive correlation with herding behavior ($r = 0.500$), which means that students with better financial knowledge are somewhat more active in following investment trends.

On the other hand, risk perception shows a weak positive relationship with herding behavior ($r = 0.217$), indicating that risk awareness has a smaller effect on students' tendency to follow others while investing. Overall, the correlation

results suggest that investment experience is the most influential factor related to herding behavior, followed by social influence and financial literacy, while risk perception has the weakest relationship.

Table 3: Correlation

Variables	HB	RP	IE	SI	FL
HB	1	—	—	—	—
RP	0.217	1	—	—	—
IE	0.876	0.319	1	—	—
SI	0.587	0.292	0.614	1	—
FL	0.500	0.242	0.508	0.485	1

Table 4 presents the reliability analysis of all variables used in the study. The Cronbach's Alpha value for herding behavior is 0.65, which shows acceptable reliability. Risk perception has a reliability value of 0.74, indicating good internal consistency among the items. Investment experience also shows a reliable result with a Cronbach's Alpha value of 0.78.

Financial literacy has the highest reliability value ($\alpha = 0.85$), which indicates excellent consistency in the responses of participants. Similarly, social influence shows a strong reliability value of 0.79, reflecting good consistency among its items. Overall, all variables have Cronbach's Alpha values above the acceptable level, which means that the questionnaire items are reliable and suitable for further analysis in this study.

Table 4: Reliability Test

Variables	No. of Items	Cronbach's Alpha
Herding Behavior	7	0.65
Risk Perception	3	0.74
Investment Experience	5	0.78
Financial Literacy	3	0.85
Social Influence	4	0.79

The R Square value of 0.779 shows that 77.9% of the variation in herding behavior among student investors is explained by the independent variables, including risk perception, investment experience, financial literacy, and social influence. The Adjusted R Square value of 0.776 further confirms the strength and reliability of the model after adjusting the number of variables used in the study.

The small difference between the R Square and Adjusted R Square values indicates that all independent variables contribute effectively to the model. Overall, the model is well fitted and reliable for explaining herding behavior among individual students as investors.

Table 5: R Square and Adjusted R Square

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.883 ^a	.779	.776	.32772

a. Predictors: (Constant), SIMean, RPMean, FLMean, IEMean

The ANOVA table shows that the F-value is 260.604 and the significance value (Prob) is 0.000, which is lower than the standard significance level of 0.05. This indicates that the regression model is statistically significant and reliable for the study. The results show that risk perception, investment experience, financial literacy, and social influence have a significant relationship with herding behavior among individual students as investors. Therefore, the overall model is suitable for explaining herding behavior in investment decision-making among students.

Table 6: ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	111.957	4	27.989	260.604	.000 ^b

	Residual	31.683	295	.107		
	Total	143.641	299			
a. Dependent Variable: HBMean						
b. Predictors: (Constant), SIMeans, RPMeant, FLMeant, IEMeant						

The regression analysis shows that risk perception, investment experience, financial literacy, and social influence have a significant effect on herding behavior among individual students as investors. Risk perception has a negative and statistically significant relationship with herding behavior ($B = -0.054$, $p = 0.004$). This indicates that students who are more aware of investment risks are less likely to follow the decisions of others while investing. Increased understanding of risk makes students more careful and independent in their investment choices.

Investment experience has a positive and highly significant effect on herding behavior ($B = 0.591$, $p = 0.000$). This shows that students with greater investment experience are more likely to engage in herding behavior and follow market trends or the actions of other investors. Among all variables, investment experience has the strongest influence on herding behavior.

Financial literacy also has a positive and significant relationship with herding behavior ($B = 0.045$, $p = 0.044$). This suggests that students with better financial knowledge are more active in investment activities and may follow popular market trends while making investment decisions.

Similarly, social influence has a positive and statistically significant impact on herding behavior ($B = 0.049$, $p = 0.039$). This means that friends, family, peers, and social media influence students' investment decisions and increase the likelihood of following others in the market.

Table 7: Regression Analysis

Variables	Coefficients	Std. Error	t stat.	Prob.
(Constant)	0.839	.072	11.599	.000
RP	-0.054	.019	-2.868	.004
IE	0.591	.026	22.348	.000
FL	0.045	.022	2.023	.044
SI	0.049	.024	2.069	.039

Overall, the regression results indicate that investment experience is the most influential factor affecting herding behavior, while financial literacy and social influence also contribute positively. In contrast, risk perception negatively affects herding behavior among student investors.

CONCLUSION AND RECOMMENDATIONS

This study examines the impact of behavioral factors on herding behavior among student investors. The research focused on students at the University of Haripur in Khyber Pakhtunkhwa, Pakistan, aiming to understand how psychological and social influences shape their tendency to follow others in investment decisions. Using a structured survey, we gathered data and employed a range of statistical methods—including reliability analysis, descriptive statistics, regression analysis, and ANOVA—to explore how elements such as perceived risk, prior investment experience, financial literacy, and social influence drive herd-like investment behavior. All analyses were conducted with SPSS, ensuring systematic and precise evaluation of the data.

The reliability analysis confirmed that all measurement tools used in the study were stable and consistent. Each scale designed to measure different behavioral constructs demonstrated strong internal consistency, meaning that the items within each scale consistently captured the same underlying concept. In particular, the scale measuring herding behavior showed high reliability, indicating that students responded in a uniform manner when evaluating their tendency to imitate others. Similarly, the scales for financial literacy, risk perception, investment experience, and social influence all achieved satisfactory reliability levels. These findings assured us that the instruments used were appropriate and that the results can be confidently interpreted.

The regression analysis revealed that social influence was a significant predictor of herding behavior, showing that students are highly affected by the opinions, actions, and investment choices of their peers and social circles. This demonstrates that when surrounded by others engaging in certain financial behaviors, students often feel a stronger

inclination to follow suit. Moreover, risk perception was also a key factor; students who had a clearer understanding of investment risks were more deliberate in their decision-making, balancing personal caution with the external influence of others. Financial literacy had a positive impact, meaning that students with greater financial knowledge were better able to make informed, independent decisions, thus reducing their reliance on herd behavior. Investment experience, too, played a critical role—those with prior investment exposure showed higher confidence and tended to make decisions based on their own judgment, rather than simply replicating what others did.

The ANOVA results further validated the overall model by showing that the combination of predictors significantly explained variations in herding behavior. Importantly, these relationships held steady across different demographic groups, including age, gender, and prior investment experience. This suggests that the behavioral and social factors influencing investment imitation operate broadly, regardless of the student's background. The consistency of the model across demographic segments strengthens the credibility and applicability of the findings, allowing for generalization across the student population.

In conclusion, this study offers valuable insights into how psychological biases and social influences shape investment decisions among young individuals. It demonstrates that financial choices are not solely based on knowledge or rational calculations but are significantly driven by perceptions of risk, prior experiences, and the opinions of peers and social networks. These findings have important practical implications: they encourage students to reflect on the subtle pressures that may push them toward herd behavior, suggest that educators incorporate behavioral finance insights into curricula, and provide policymakers with evidence to design interventions that promote independent financial thinking. By integrating both rational financial knowledge and awareness of behavioral tendencies, this research advances the understanding of how young investors navigate complex financial environments and highlights the need for a holistic approach to financial education and decision-making.

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Behavioural Finance : Hearing Behaviour Among Individual Students As An Investor

We are conducting a research study on “Behavioral Finance : Herding Behavior among individual students as an investor”. The purpose of this questionnaire is to collect data for academic research. Your responses will remain purposes. Please answer all questions honestly and accurately .Thank you for your participation.

SECTION A:

DEMOGRAPHIC INFORMATION

Gender: Male ___ Female ___
Age : 17-22 ___ 23-27 ___ 27-30 ___

SECTION B:

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Herding Behavior:					
Have you ever invested in stocks & shares ?					
When I see others investing in shares, I feel more confident in my own decision.					
I believe that following the investment choices of others reduces my risk.					
I feel uncertain if I make investment decisions without first seeing what others do.					
When others panic sell, I feel pressured to do the same.					
I often feel unsure about my investments until I see what others are doing.					
I often hesitate to invest if I have not observed others making the same choice.					
I feel safer investing when many people are making the same decision.					
I usually pay attention to market trends before making an investment choice.					
Risk Perception					
I tend to follow popular investment decisions rather than making independent choices.					
I avoid investments that seem highly uncertain to me.					
I feel a strong urge to invest when I see a rise in market prices.					
Investment Experience					
I believe that maintaining a calm mindset helps me make better investment choices.					
I feel more confident in my investment choices when I rely on positive past experiences.					

I am confident in my investment choices even when they go against the majority.					
My previous investment experiences influence my current decisions.					
I feel more confident investing after gaining personal experience.					
Financial Literacy					
I trust my own research more than the advice I receive from others.					
I understand the basic concepts related to investment and finance.					
I can evaluate investment information before making a decision.					
Social Influence					
I often seek confirmation from others before I finalize a financial investment decision.					
Opinions shared on social media affect my investment decisions					
I discuss investment opportunities with others before making decisions.					
Public discussions about investments influence my level of interest.					