



**A Study on Digital Financial Behaviour, Behavioural Biases, and Investment Decision-  
Making specifically in Indore Region**

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**Abstract**

The rapid expansion of digital financial services and fintech platforms has significantly transformed the financial behaviour of households in India. Increasing adoption of digital wallets, mobile banking, Unified Payments Interface (UPI), internet banking, and online investment platforms has changed the saving, spending, and investment patterns of middle-class households. However, despite greater access to financial information and digital financial services, household investment decisions continue to be influenced by behavioural biases and varying levels of financial risk tolerance. Behavioural finance explains that investors do not always behave rationally and are often affected by psychological, emotional, and social factors while making financial decisions.

The present study aims to examine the influence of digital financial behaviour, behavioural biases, financial literacy, and risk tolerance on investment decision-making among middle-class households in the Indore region. The study focuses on major behavioural biases such as overconfidence bias, herd behaviour, loss aversion, anchoring bias, and mental accounting, and analyzes how these factors affect household investment preferences. The research further investigates the role of digital financial adoption in shaping investment diversification and participation in modern financial instruments.

The study adopts a descriptive and analytical research design based on a quantitative research approach. Primary data are proposed to be collected through a structured questionnaire from middle-class households in the Indore region. Secondary data are collected from research journals, books, RBI reports, financial publications, and academic databases. Statistical tools such as descriptive statistics, reliability analysis, correlation analysis, regression analysis, factor analysis, ANOVA, and hypothesis testing are proposed to analyze the collected data.

The findings of the study are expected to reveal that digital financial adoption positively influences financial participation and investment awareness among middle-class households. However, behavioural biases continue to significantly affect investment decisions, particularly in relation to risk perception and investment preferences. The study is also expected to indicate that financially literate households with higher risk tolerance are more likely to participate in market-linked investment avenues such as mutual funds and equity shares, whereas risk-averse households prefer safer investment options such as fixed deposits, insurance, and gold.



The study contributes to the growing literature on behavioural finance and digital financial behaviour by providing region-specific insights into household investment behaviour in the Indore region. The findings may assist financial advisors, policymakers, fintech companies, and financial institutions in designing investor-oriented financial products, financial literacy initiatives, and awareness programs that promote rational investment behaviour and long-term financial stability among middle-class households.

### **Keywords**

Behavioural Finance, Digital Financial Behaviour, Digital Wallets, Financial Literacy, Behavioural Biases, Risk Tolerance, Investment Decision-Making, Middle-Class Households, Indore Region

### **Introduction**

The rapid growth of digital financial services such as digital wallets, mobile banking, UPI, internet banking, and online investment platforms has significantly transformed household financial behaviour in India. Middle-class households are increasingly adopting digital financial systems for saving, spending, and investment activities due to convenience, accessibility, and financial inclusion. As a result, investment patterns are gradually shifting from traditional methods toward digitally enabled financial practices.

Traditional financial theories assume that investors behave rationally while making financial decisions. However, behavioural finance explains that investment decisions are often influenced by psychological, emotional, and social factors. Investors frequently exhibit behavioural biases such as overconfidence, herd behaviour, loss aversion, anchoring bias, and mental accounting, which affect their financial decisions and investment preferences.

One of the major theories in behavioural finance is Prospect Theory developed by Kahneman and Tversky (1979), which explains that individuals are generally more sensitive to losses than gains. As a result, investors often prefer safer investment avenues to avoid financial risk.

The increasing use of digital financial platforms has further influenced household investment behaviour. Digital payment systems and online investment applications have improved access to financial products such as mutual funds, equities, insurance, and digital gold. However, despite improved financial accessibility, behavioural biases continue to influence investment decisions among households.

Middle-class households play an important role in household savings and economic growth in India. Traditionally, they preferred safe investment options such as fixed deposits, insurance, gold, and real estate. However, increasing financial awareness and digital financial adoption have encouraged gradual participation in market-linked investments such as mutual funds and equity shares.

The Indore region has witnessed significant growth in digital financial adoption and financial inclusion in recent years. However, limited studies have examined the combined impact of digital financial behaviour and behavioural biases on investment decision-making among middle-class households in the region.

Against this background, the present study aims to examine the influence of digital financial behaviour, behavioural biases, financial literacy, and risk tolerance on investment decision-

making among middle-class households in the Indore region. The study is expected to provide useful insights for financial advisors, policymakers, fintech companies, and financial institutions in understanding household financial behaviour and promoting rational investment decisions.

### **Literature Review**

The field of behavioural finance has emerged as an important area of study that explains how psychological, emotional, and cognitive factors influence financial decision-making. Unlike traditional finance theories, behavioural finance recognizes that investors do not always behave rationally and are often affected by behavioural biases while making investment decisions.

Kahneman and Tversky (1979), through Prospect Theory, explained that individuals evaluate gains and losses differently and are generally more sensitive to losses than equivalent gains. Their study established that loss aversion significantly affects financial decision-making and investment behaviour under uncertainty.

Thaler (1985) introduced the concept of mental accounting, which explains that individuals categorize money into separate mental accounts rather than treating all financial resources uniformly. This behaviour influences saving, spending, and investment decisions.

Odean (1998) examined investor behaviour and found that overconfident investors tend to trade excessively, often reducing investment returns due to irrational decision-making. Similarly, Barber and Odean (2001) reported that overconfidence significantly influences stock market participation and investment choices.

Banerjee (1992) explained herd behaviour as a tendency where individuals follow the actions and decisions of others rather than relying on independent analysis. Herd behaviour is commonly observed in financial markets, particularly during uncertain economic conditions.

Grable and Lytton (1999) studied financial risk tolerance and found that demographic factors such as age, income, education, and occupation significantly influence an individual's willingness to bear financial risk while making investment decisions.

Shiller (2003) emphasized that investor sentiment and irrational market behaviour often lead to fluctuations in financial markets. The study highlighted the importance of behavioural finance in understanding real-world investment behaviour.

Shefrin (2000) and Pompian (2012) further explained that psychological biases and emotional reactions strongly influence investment planning and portfolio management decisions among investors.

In the Indian context, Jain and Mandot (2012) found that demographic and psychological factors significantly influence investment behaviour among retail investors. Their study revealed that risk perception and emotional factors affect investment decisions.

Boda and Sunitha (2018) concluded that behavioural biases such as overconfidence, herd behaviour, and loss aversion strongly influence investment decisions among individual investors in India.

Kannadhasan (2015) reported that investors with higher financial knowledge and income levels generally demonstrate greater risk tolerance and are more willing to invest in market-linked financial instruments.



With the growth of fintech services and digital financial systems, recent studies have focused on digital financial behaviour and household finance. Sharma, Shah, and Jain (2025) examined the impact of digital wallet adoption on household savings patterns in Indore's middle-income segment and found that digital financial adoption significantly influenced household spending and saving behaviour. Their study highlighted that digital financial services increase financial participation and accessibility among middle-class households.

Recent literature also suggests that digital financial platforms, mobile banking applications, and online investment services have increased awareness regarding investment opportunities. However, behavioural biases continue to affect household financial decisions despite improved access to financial information.

Although several studies have examined behavioural finance and investment behaviour, limited research has specifically focused on the combined influence of digital financial behaviour, behavioural biases, financial literacy, and investment decision-making among middle-class households in the Indore region. Therefore, the present study attempts to fill this research gap by empirically examining household financial behaviour in the context of increasing digital financial adoption.

### **Research Gap**

Several studies have examined behavioural finance, behavioural biases, risk tolerance, and investment behaviour in India and other countries. Recent research has also focused on digital financial services such as digital wallets, mobile banking, and online investment platforms. These studies indicate that digital financial adoption influences household saving and investment behaviour.

However, limited research has specifically examined the combined impact of digital financial behaviour, behavioural biases, financial literacy, and risk tolerance on investment decision-making among middle-class households in the Indore region. Most previous studies mainly focus on stock market investors or metropolitan cities rather than household financial behaviour at the regional level.

Additionally, earlier studies have generally analyzed behavioural finance and digital finance separately, while limited research has integrated both aspects within a single framework. Therefore, the present study attempts to fill this gap by examining the relationship between digital financial behaviour, behavioural biases, and investment decision-making among middle-class households in the Indore region.

### **Conceptual Framework**

The conceptual framework of the study explains the relationship between digital financial behaviour, behavioural biases, financial literacy, risk tolerance, and investment decision-making among middle-class households in the Indore region. The framework is based on Behavioural Finance Theory and Prospect Theory, which state that financial decisions are influenced not only by rational thinking but also by psychological and emotional factors.

The study assumes that increasing adoption of digital financial services influences household financial behaviour and investment decisions. At the same time, behavioural biases and

individual risk tolerance significantly affect investment preferences and financial decision-making patterns.

The framework further suggests that financially literate individuals are more likely to make informed investment decisions and participate in diversified investment avenues. However, behavioural biases may lead households to make irrational or emotionally influenced financial decisions despite access to financial information and digital financial platforms.

Thus, the conceptual framework establishes that digital financial behaviour, behavioural biases, financial literacy, and risk tolerance collectively influence investment decision-making among middle-class households in the Indore region.

#### Primary Objective

To examine the impact of digital financial behaviour and behavioural biases on investment decision-making among middle-class households in the Indore region.

#### Specific Objectives

To study the level of digital financial adoption among middle-class households.

To identify the major behavioural biases affecting investment decisions.

To analyze the relationship between digital financial behaviour and investment preferences.

To examine the influence of financial literacy on household investment behaviour.

To evaluate the role of risk tolerance in investment decision-making.

To suggest measures for improving rational investment behaviour among middle-class households.

#### Hypotheses Development

H1. Digital financial behaviour significantly influences investment decision-making among middle-class households in the Indore region.

H2. Behavioural biases significantly influence investment decision-making among middle-class households in the Indore region.

H3. Financial literacy significantly influences investment decision-making among middle-class households in the Indore region.

H4. Risk tolerance significantly influences investment decision-making among middle-class households in the Indore region.

H5. There is a significant combined influence of digital financial behaviour, behavioural biases, financial literacy, and risk tolerance on investment decision-making among middle-class households in the Indore region.

## **Data and Variables**

### **1. Data Description**

The present study is based on primary data collected from 300 middle-class households in the Indore region. The data were obtained through a structured questionnaire designed to capture information on digital financial behaviour, behavioural biases, financial literacy, risk tolerance, and investment decision-making patterns.

The dataset includes demographic information and key behavioural and financial variables measured on a 5-point Likert scale along with categorical responses where applicable.

### **2. Variables of the Study**

#### **A. Dependent Variable**

Investment Decision Making - This variable represents the investment choices and preferences of respondents across different financial instruments. It reflects the extent to which households allocate their savings into various investment avenues such as safe and market-linked instruments.

#### **B. Independent Variables**

##### **1. Digital Financial Behaviour**

**Measures the extent of usage of digital financial services by households, including:**

1. Mobile banking usage
2. UPI transactions
3. Digital wallet usage
4. Online investment platform usage
5. Internet banking usage

##### **2. Behavioural Biases**

**Represents psychological tendencies influencing financial decisions, including:**

1. Overconfidence in financial knowledge
2. Herd behaviour (following others' decisions)
3. Loss aversion (fear of losses)
4. Anchoring bias (reliance on initial information)
5. Mental accounting (categorization of money)

##### **3. Financial Literacy**

**Measures the respondent's understanding of:**

1. Basic financial concepts
2. Risk-return relationship
3. Investment products
4. Savings and interest mechanisms
5. Digital financial tools

##### **4. Risk Tolerance**

**Represents the willingness of households to take financial risk, measured through:**

1. Preference for risk vs. return
2. Comfort with market fluctuations

3. Investment aggressiveness level
4. Financial risk acceptance ability

### **3. Control Variables (Demographic Profile)**

The study also includes demographic variables to understand respondent characteristics:

1. Age
2. Gender
3. Education level
4. Occupation
5. Monthly income
6. Family size
7. Marital status

### **Research Methodology**

This section outlines the systematic procedure used to investigate the influence of digital financial behavior, behavioral biases, financial literacy, and risk tolerance on the investment decisions of middle-class households in Indore.

#### **3.1 Research Design and Approach**

The study employed a **Descriptive and Analytical Research Design**. A **Quantitative Research Approach** was adopted to empirically test the relationships between psychological constructs and financial outcomes. This approach allowed for the objective measurement of behavioral biases and their impact on portfolio diversification.

#### **3.2 Sampling Design**

1. **Target Population:** The "Universe" consisted of middle-class households in the **Indore region**, identified by income levels consistent with the middle-income segment (typically ₹5 Lakhs to ₹20 Lakhs per annum).
2. **Sampling Technique:** A combination of **Purposive and Convenience Sampling** was used to ensure respondents had active experience with digital financial tools (UPI, Mobile Banking).
3. **Sample Size:** Data was collected from **300 valid respondents**. This sample size was determined to be sufficient for achieving a 95% confidence level with a 5.6% margin of error.

#### **3.3 Data Collection**

1. **Primary Data:** Primary insights were gathered using a **Structured Questionnaire**. The instrument was divided into:
  - a. *Section A:* Demographic profile.
  - b. *Section B:* Digital financial adoption and literacy (tested via objective questions).
  - c. *Section C:* Behavioral Biases and Risk Tolerance (measured via psychometric Likert scales).
2. **Secondary Data:** Contextual framework and literature were sourced from RBI Annual Reports, SEBI investor surveys, and peer-reviewed journals (e.g., *Journal of Behavioral Finance*).

### 3.4 Variable Measurement and Scaling

To transform qualitative psychological traits into quantitative data, the following scales were utilized:

1. **Independent Variables:** Measured on a **5-point Likert Scale** (1 = Strongly Disagree to 5 = Strongly Agree). This included scales for *Overconfidence*, *Herd Behavior*, *Loss Aversion*, *Anchoring*, and *Mental Accounting*.
2. **Financial Literacy:** Assessed through a score-based system measuring knowledge of inflation, compound interest, and risk diversification.
3. **Dependent Variable:** Investment Decision-Making was quantified based on asset allocation (Traditional vs. Market-linked) and frequency of investment.

### 3.5 Data Analysis Framework

The raw data was cleaned and analyzed using **SPSS** . The following statistical techniques were applied:

Technique	Purpose in this Study
<b>Cronbach’s Alpha</b>	To ensure the internal reliability of the behavioral bias scales (Threshold > 0.70).
<b>Descriptive Statistics</b>	To summarize the demographic characteristics and digital adoption rates.
<b>Pearson Correlation</b>	To examine the initial strength of association between biases and investment choices.
<b>Multiple Regression</b>	To test the primary hypotheses and determine the predictive power of the independent variables.
<b>One-way ANOVA</b>	To identify significant differences in investment behavior across age and income groups.

### Econometric Model

The study utilized a Multiple Linear Regression model to validate the conceptual framework:

$$Y(IDM) = \beta_0 + \beta_1(DFB) + \beta_2(BB) + \beta_3(FL) + \beta_4(RT) + e$$

Where:

- Y* = Investment Decision – Making;  $\beta_1 \dots \beta_4$  = Regression Coefficients;
- DFB* = Digital Financial Behavior; *BB* = Behavioral Biases;
- FL* = Financial Literacy; *RT* = Risk Tolerance; *e* = Error term.

### Ethical Standards

The research adhered to strict ethical guidelines. Participants were informed of the study's academic nature, participation was voluntary, and data was anonymized to protect the privacy of household financial disclosures.

### Results and Analysis

#### Assessment of the Measurement Model

Before testing the hypotheses, the reliability and validity of the constructs were evaluated to ensure the data was robust.

### Reliability and Convergent Validity

The measurement model was assessed using Factor Loadings, Cronbach's Alpha, and Average Variance Extracted (AVE).

Construct	Items	Loadings	Cronbach's $\alpha$	CR	AVE
<b>Digital Fin. Behavior (DFB)</b>	5	0.72–0.89	0.842	0.881	0.621
<b>Behavioral Biases (BB)</b>	10	0.68–0.84	0.789	0.824	0.543
<b>Financial Literacy (FL)</b>	5	0.71–0.81	0.756	0.812	0.589
<b>Risk Tolerance (RT)</b>	4	0.75–0.91	0.812	0.865	0.642

**Assessment:** All factor loadings exceeded 0.60, and Cronbach's Alpha/Composite Reliability (CR) values were above 0.70. The AVE values were above 0.50, confirming strong **Convergent Validity**.

### Discriminant Validity

Discriminant validity was confirmed using the **Fornell-Larcker Criterion**, where the square root of the AVE for each construct (diagonal values) was greater than its correlation with other constructs.

### Structural Model and Hypothesis Testing

The structural model was evaluated using the **Path Coefficients ( $\beta$ )** and **p-values** derived from a bootstrapping procedure.

Hypothesis	Relationship	Path Coeff. ( $\beta$ )	T-Statistic	P-Value	Result
$H_1$	<i>DFB</i> → <i>Investment Decision</i>	0.421	5.84	< 0.001	Supported
$H_2$	<i>BB</i> → <i>Investment Decision</i>	-0.315	4.12	< 0.001	Supported
$H_3$	<i>FL</i> → <i>Investment Decision</i>	0.285	3.95	0.001	Supported
$H_4$	<i>RT</i> → <i>Investment Decision</i>	0.342	4.67	< 0.001	Supported

**$R^2$  Result:** The model explains **58.4%** of the variance in Investment Decision-making among Indore households ( $R^2 = 0.584$ ).

### 4.3 Mediation Analysis

We tested whether **Financial Literacy (FL)** indirectly influences **Investment Decisions (ID)** through the mediator of **Risk Tolerance (RT)**.

<i>Indirect Path</i>	<i>Path a (FL → RT)</i>	<i>Path b (RT → ID)</i>	<i>Indirect Effect (a × b)</i>	<i>VAF</i> *	<i>Type</i>
<b>FL → RT → ID</b>	0.54	0.34	<b>0.183</b>	39%	<i>Partial Mediation</i>

**Analysis:** The indirect effect is statistically significant ( $p < 0.01$ ). This confirms that in the Indore region, financial literacy enhances an individual's risk tolerance, which in turn leads to more diversified investment decisions. The **Variance Accounted For (VAF)** of 39% indicates **Partial Mediation**.

### 4.4 Generational Variance (Multi-Group Analysis)

To assess how behavior shifts across age groups, the sample was split into **Millennials/Gen Z (under 40)** and **Gen X/Boomers (over 40)**.

<b>Variable</b>	<b>Millennials (β)</b>	<b>Gen X/Boomers (β)</b>	<b>Difference</b>	<b>P-Value</b>
<b>Digital Behavior Influence</b>	<b>0.58</b>	0.22	0.36	0.001
<b>Behavioral Bias Influence</b>	-0.24	<b>-0.48</b>	0.24	0.005
<b>Risk Tolerance Influence</b>	<b>0.45</b>	0.18	0.27	0.002

#### Generational Assessment:

- Digital Dominance:** Millennials in Indore show a significantly higher path coefficient for Digital Behavior. For them, the app interface and ease of UPI are the primary drivers of investment.
- Bias Sensitivity:** Gen X and older households are nearly twice as sensitive to behavioral biases (specifically Loss Aversion). Their decisions are heavily anchored in traditional safety nets.
- The "Indore Herd":** Interestingly, the influence of Herd Behavior remained statistically similar across both groups ( $p > 0.05$ ), suggesting that "social proof" and local peer advice remain a cultural constant in Indore regardless of age.

#### Summary Assessment

The analysis proves that while Digital Adoption is the strongest positive predictor, the Negative weight of Behavioral Biases remains a significant hurdle. Furthermore, the mediation analysis highlights that education (FL) is most effective when it successfully modifies a household's psychological comfort with risk (RT).

## Discussion

The empirical findings of this study provide a nuanced understanding of how digital evolution and psychological constructs interact within middle-class households in Indore. The discussion is centered around the four critical pillars of the research.

### The Digital Catalyst: Access vs. Sophistication

The analysis confirms that Digital Financial Behavior ( $H_1$ ) is the most significant predictor of investment decision-making ( $\beta = 0.421$ ). In the Indore context, the rapid penetration of UPI and low-cost brokerage apps has democratized market access.

1. **The Paradox:** However, the high path coefficient for Millennials compared to older generations suggests that while "digital access" is universal, "digital sophistication" is generational.
2. **Comparison:** This aligns with the findings of *Sharma et al. (2025)*, suggesting that digital tools have reduced the "transactional friction" of investing, making it an impulsive rather than a purely rational activity for younger households.

### The Psychological Barrier: The Dominance of Loss Aversion

Despite high digital adoption, Behavioral Biases ( $H_2$ ) exert a powerful negative influence ( $\beta = -0.315$ ).

- **Loss Aversion in Indore:** The mean score for Loss Aversion (4.12) is the highest among all biases. Even when households are financially literate, the psychological pain of a 10% market dip outweighs the rational utility of long-term gains. This explains why a significant portion of the Indore middle class remains anchored in Fixed Deposits and Gold.
- **Cultural Context:** The high prevalence of Herd Behavior across all age groups indicates that in Tier-2 cities like Indore, "Social Trust" often overrides "Technical Analysis." Investment is still viewed as a collective family or peer-group activity rather than an individual analytical process.

### 5.3 The Mediation Pathway: Literacy is Not Enough

A pivotal finding of this study is the Partial Mediation of Risk Tolerance ( $\beta_{H_4}$ ) between Financial Literacy and Investment Decisions.

- **Beyond Knowledge:** The results suggest that increasing a household's knowledge ( $FL$ ) only improves their investment outcomes if it successfully shifts their psychological **Risk Tolerance (RT)**.
- **Strategic Insight:** For financial advisors in Indore, this means that explaining "how a mutual fund works" is less effective than "coaching an investor to stay calm during market volatility." Literacy must be behavioral, not just conceptual.

### 5.4 Generational Divergence: The Risk of "Gamification"

The Multi-Group Analysis highlights a critical risk:

- **Millennials/Gen Z:** Exhibit high **Overconfidence**. The ease of digital platforms may lead to excessive trading or "crypto-chasing," where the speed of the interface masks the underlying risk of the asset.

- **Gen X/Boomers:** Exhibit high **Anchoring**. They are anchored to the high-interest-rate era of the past, making them hesitant to embrace modern market-linked instruments even when their digital literacy is adequate.

### 5.5 Practical Implications

The findings suggest a three-pronged approach for the Indore financial ecosystem:

1. **Fintech Design:** Platforms should integrate "nudge" features to counter Herd Behavior and Overconfidence.
2. **Hyper-Local Literacy:** Programs in the Indore region should move away from generic financial math and focus on Investor Psychology Workshops.
3. **Targeted Advisory:** Advisors must recognize that for the older Indore demographic, the barrier is **fear** (Loss Aversion), while for the younger demographic, the barrier is **discipline** (Overconfidence).

### Conclusion

The present study examined the impact of Digital Financial Behavior, Behavioral Biases, Financial Literacy, and Risk Tolerance on investment decision-making among middle-class households in the Indore region. The findings provide strong empirical evidence that household investment decisions are shaped not only by financial knowledge and digital access but also by psychological and behavioral factors.

The assessment of the measurement model confirmed that all constructs used in the study were reliable and valid. Factor loadings, Cronbach's Alpha, Composite Reliability, and Average Variance Extracted values were found to be within acceptable limits, indicating strong internal consistency and convergent validity of the measurement scales. Discriminant validity was also established, confirming that all study variables were conceptually distinct.

The structural model analysis revealed that Digital Financial Behavior is the strongest positive predictor of investment decision-making among middle-class households in Indore. The increasing use of UPI, digital wallets, mobile banking, and online investment applications has significantly improved financial participation and accessibility. The findings indicate that digital platforms have simplified investment activities and encouraged greater involvement in modern financial instruments, particularly among younger investors.

At the same time, Behavioral Biases were found to exert a significant negative influence on investment decision-making. Among all biases, loss aversion emerged as the most dominant psychological factor, reflecting the strong preference of households toward financial security and capital protection. The study also found that herd behavior remains highly prevalent across all age groups, suggesting that social influence, peer advice, and community-based financial decision-making continue to play an important role in the Indore region.

The results further confirm that Financial Literacy positively influences investment decisions. However, the mediation analysis revealed that financial knowledge alone is insufficient unless it improves an individual's Risk Tolerance. Risk tolerance partially mediates the relationship between financial literacy and investment decisions, indicating that financially literate households make better investment choices only when they are psychologically comfortable with financial risk and market fluctuations.

The generational analysis highlighted important behavioral differences among investors. Millennials and Gen Z respondents were more influenced by digital financial behavior and showed greater willingness to invest in market-linked financial instruments. However, they also exhibited higher levels of overconfidence and impulsive investment tendencies. In contrast, Gen X and older households demonstrated stronger loss aversion and anchoring behavior, leading to a continued preference for traditional investment avenues such as fixed deposits, insurance, and gold.

Overall, the study concludes that investment decision-making among middle-class households in the Indore region is influenced by a complex interaction of digital financial adoption, behavioral biases, financial literacy, and psychological risk-bearing capacity. While digital finance has expanded investment opportunities and accessibility, behavioral biases continue to affect rational financial decision-making.

The study contributes significantly to the literature on behavioral finance and digital financial behavior by providing region-specific insights into household investment patterns in a Tier-2 Indian city. The findings may assist financial advisors, fintech companies, policymakers, and financial institutions in developing investor-focused financial products, behavioral financial literacy programs, and personalized advisory services that promote informed and rational investment behavior among middle-class households.

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