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"Herding Behaviors and Market Dynamics: Evidence from Indian and Emerging Stock Markets"

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Abstract

Herding behavior has emerged as a significant behavioral phenomenon influencing the functioning and stability of stock markets across the world, particularly in emerging economies. It refers to the tendency of investors to imitate the actions and decisions of other market participants rather than relying on their own information and rational analysis. This work investigates the presence and impact of herding behavior on market dynamics in Indian and other emerging stock markets. The work emphasizes how psychological biases, market uncertainty, information asymmetry, and volatility encourages investors to follow collective market trends, thereby affecting asset prices, trading volume, and market efficiency. Herding behavior becomes more pronounced during period of financial crises, extreme market movements, and heightened uncertainty. The study identified factors like market sentiments, trading volume, global economics events, institutional influence, and investor emotions as major drivers of herd behavior in stock markets. It is concluded that understanding herding behavior is essential for investors, policymakers, and regulatory authorities for improving market efficiencies, reducing irrational trading, and maintain financial stability. It recommends strengthening investor education, improving transparency, and enhancing regulatory monitoring to minimize the adverse effects of herd-driven market movements in emerging economies. A sample of 333 was collected to find the result of the study. Factors affecting the Herding Behaviors and Market Dynamics: Evidence from Indian and Emerging Stock Markets are Information Uncertainty, Market Volatility, Market Sentiment and Speculative Trading Behavior. The study concludes that there is significant impact of Herding Behaviors and Market Dynamics on Emerging Stock Market.

Keywords: Herding, behavioral finance, investor sentiments, risk perception, financial market

Introduction

Rapidly expanding Indian stock market in the past decide has motivated extensive research regarding behavior of investors, mainly concentrating on trading and investment strategies. Making investment in Indian stock market has been captivating the attention of investors. However, such investments are highly risky because of many different factors making influence on fluctuations of market. The determined presence of risks drives portfolio managers, researchers and stockbrokers for monitoring and attempting the prediction of how such variables make impact on stock performance. Among such biases, herding is studied widely. Herding is refered to the psychological inclination of people for imitating other's actions that lead to collective behavioral patterns. India,

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being an emerging economy with the rising influence in global financial market is going through constant transformation and adaptation for emerging trends of the market. It is important to have focused analysis for understanding the interplay between price of share, volatility and arbitrage possibilities as a possible result of herding behavior in this dynamic environment. Indian stock market when comparing to mature market shows distinctive return features and behavior of investor. The outcome shows that herding behavior was absent during regular upswing and downswing of the market, which indicates rational behavior of investor and dependence on fundamentals. However, herding behavior is evident during 3rd and 5th structural breakpoints and also during trade volume periods. Such findings suggests that under stress and heightened activities in market, investors are highly prone to mimicry, deviates from independent decision-making. The findings provide practical value for policy-makers, financial institutes and regulators as it highlights the stability of market because of herding is most likely mainly during period of structural changes and intense activities of trading. This knowledge can be used by regulatory bodies for designing timely interventions like circuit breakers or campaigns for awareness if investors, for maintaining efficiency of market and reduction of systematic risk. Moreover, future researches might concentrate on event-specific analysis during breakpoints and exploring sector-wise herding that would improve the understanding of behavioral dynamics within financial markets of India (Krishna et al. 2025). In stock market, the herding behavior is derived from the sentiments of the investors or the market particularly due to predictions and speculations on the basis of group rather than individual decision and are either logical or even illogical. Profit or loss or volatility of the stock market is governed by many different factors like performance of the company, sentiments of investors, economic policy, deflation and inflation. Selecting right stock need deep analysis by evaluating the history of the company, activities in business, market capital, quarter and annual result, present and future expectations, daily, weekly and monthly analysis. Herding behavior, in global stock market either presence or absent is dependent on relevant information and manoeuvre of investors for taking proper decision before making any investment. Herd is a group decision which is rational or irrational for which investor need special skill in volatile market showing ups and downs or bullish or bearish. Prediction of market are not always genuine as they are large as well as uncontrollable. Predictions of bear market are stressful but opt bullish condition is a type of escape. Majority of business enterprises believes that immediate loss in the market also bring extended profits in stocks, but such quote is conditional as it depends on the choice of the stock and duration of investment. Generally, herding does not provide any significant result. Rather than technical research, wise decisions and special skills give satisfied result and considered safer for investors (Gupta & Gupta, 2019). In financial market, herding behavior shows the process where different market participants trade in similar directions instantaneously. Such pattern of trading seems as a harmony in the market. There are many reasons for herding to exist – to be a part of a group, avoiding a feeling of being left out, or reacting to some new information. In stock market, an investor might show herding behavior when they follow some crowd and dependent more on the information which is validated by the crowd instead of their own knowledge and information as they have the belief that crowd cannot be wrong. Herding can be information driven and also behavior driven. Information behavior is unintentional and behavior driven is intentional (Gupta & Kohli, 2021). Market participant's behavior usually does not depend on the signals of market, but it replicates the investment decisions of other participants. The merge of their investment behavior might lead to the emergence of herding behavior making negative implications for financial stability. Furthermore, such singularity might be more definite in crisis. Although herding behavior is highly studied topic inviting researchers' interest but had not been studied sufficiently when compared the effect of herd between distinctly developed stock market. Financial markets are usually driven by distinct patterns of investor's behavior. Many studies have examined the influence of financial market and investor's behavior related with the period of stress. Markets that are developed differently are offering distinct opportunities in terms of risks and returns. The significance of the outcome for developed markets, emerging markets and frontier capital market derived by determining herd behavior duration on the basis of which retail and institutional investors can take the benefit of better diversification opportunities that is offered by these markets. Because of lacking information, investors are tending to mimic each other that lead to herding behavior. However, herding is not unique during crisis, as the impact varies depending on the development of market. Although there are bunch of literature on herding behavior, very few studies were conducted to study herding behavior between distinct developed market. The outcome of the study recommends that herd behavior is highly definite that justifying the purpose of the study. The evidences behind findings of the study can be explained as per the stability, lower liquidity and transparency. Markets that are less developed with a short development history and trade are usually know by non-rational herd behavior. Such merge in behavior is not driven by fundamentals of market, but is a significance of exogenous factors or imitative process that reflects intentional behavior by economic agents. Financial markets that are less developed are featured by moderate and intentional herd behavior. It is suggested by the result that emerging markets show more definite herd behavior in comparison to frontier markets, which is opposite to the expectation. The outcome can be explained by the lower liquidity in frontier market (Bogdan, Sustar & Drazenovic, 2022).

Investors herding has huge impact on stocks in financial market. Stocks purchased by Herds on an average lead to high contemporary returns along with returns in coming 6 months as compare to stocks sold by them. Difference can't be seen in contemporary returns for small stocks but difference can be seen for large stocks. This difference in not temporary rather it continue over for some period of time and individuals after observing it may be rational and stabilize the force that increase the inclusion of new information into prices.

Evaluation of level of herding among funds with different objective of investment reveals that funds with growth oriented objectives have more chances to herd as compare to funds with income oriented objectives. Investment objectives may include aggressive growth, growth, growth-income, balanced income, international. Funds with growth objectives trade and keep a huge percentage of growth stock and many include small caps on which it is difficult to obtain and analyze public information and as a result there are more possibilities of herding behavior. It is significant that measures of average herding for all finances is not considerably lower or higher when evaluated for subgroups with different styles of investment. It was observed that herd from different subgroups or within subgroups of funds shows that many funds apply the common strategy for investment.

It can be possible that a little Herding Behavior can result in huge effects on prices of stocks. In case of small stock companies, less herding through money managers is seen as compare to stocks of large companies where most of institutional traders are interested and concentrated. Herding by money managers can be defined and measured as the regular tendency of group to buy or sell certain stocks at same particular time and independently traded by them.

Market wide Approach can be used to identify market wide herding. This type of herding originates when investors in market overlook the personal features of stocks and in its place chase market performance. This method is very simple, and good quality results can be observed. It was observed that effective measure of market impact of herd investor's id dispersion. It calculates the average individual returns and market return proximity. Dispersions are enclosed from under zero. When return of individual varies from return of market, the dispersions level increase. Hence, Market wide herding reveals a decline in dispersion. Additionally, it was suggested that individual investors usually follow market performance at the time of large market movements. It means that investor's investment decisions depend only on the market performance. Hence, the return of individuals will not differ from return of market return. It shows that dispersion level will be less than during normal conditions of market.

Many scholars have made efforts to describe and evaluate group behavior influence in stock market in various situations and conditions. Group rational and irrational behavior can cause crashes and bubbles in stock markets. As psychological feature, this group's behavior influences the economic entities, and their influence can be studied in economic and financial literature including the province of behavioural economics, behavioral finance, and quantitative behavioral finance.

Types and Forms of Herding

Herd Behavior in stock market can be characterized in there forms. Information based herding, Reputation based herding and compensation-based herding. In Information based herding, everyone in this herding reacts in the same manner to publicize information. Reputation based herding is done by esteemed investors or big traders taking trading positions. Compensation based on herding includes the situations when situations prompt big institutional money directors to make revenues and profits. Usually this happens to protect fund earnings prior to end year reporting. These behaviors generate huge volume in particulars sectors or stocks that are admired institutional portfolio investments that lead to react quickly among investors.

Kim M, Kim M (2014) found that in financial markets, investors usually imitate the predecessors' decisions rather than analyzing information available to them and make own decisions. This kind of imitated decisions causes communal hysteria and investments influenced by these frightful situations. Investors get signals on how to act or behave. Sometimes they are aware of the decisions taken by predecessors whereas they really are not aware of signs they are getting. With this knowledge, investors take their decisions. Investors ignore previous and current signals and adopt same previous decisions. The influence on economy is called as Herd Effect. This phenomenon is considered as chief starting reason for communal panic or hysteria that occurred in history. Herd Effect in financial market exists when pack of investors overlook their own information and follows other investors' decisions.

Empirical Evidence from Markets

Filip et al. (2015) analyzed the Herd Behaviour existence of investors at industry level from emerging markets by utilizing company level information. Investors Herding Behaviour shows a major reason for exploration bubbles and reveals that investors are considering similar trading decisions that may cause variation in prices of stocks form their fundamental value. This study examined the existence of Herd Behaviour by using CSAD method for statistical on CEE capital markets. This paper showcased the different market conditions implications on the survival of Herd Behaviour and examined the effect of financial crises on investors' behavior from capital markets of CEE.

Hsieh (2013) revealed the Herd Behaviour existence for both institutional and individual investors from stock markets of Taiwanese. Finding shows that institutional investors includes more Herd Behaviour development as compared to individual investors. In companies with less market capitalization, both types of investors herd more. Respondents revealed that they received positive returns after they experienced herd behavior and individual investors revealed that they get losses from such type of behavior. Institutional investors are more on herd in companies with less turnover and little capitalizations and they practice positive feedback strategies.

Kumar and Bharti (2017) examined the herding existence among investors and participants of market in equity market of India. This study is different from previous as it looks for patterns of herding particularly in sectoralindex instead of multi sectoral target index in upcoming economy. Finding reveals no definite herding evidence in stocks of IT sector in stock market of India. Deep analysis targeted in herding pattern measurement in bearish and bullish phases too reveals herding absenteeism in stock market of India. This study can be helpful for policy makers in market regulations and investors can recheck their strategies of investment.

Ganesh, Naresh and Thiyagarajan (2017) revealed the investors behavior in stock market and found that it is a persisting topic for many researchers for study. In complicated situations, investors depend on or look for mental shortcuts and take biased decisions accordingly. Among all types of behavior, Herding Behaviour is considered as important to be studied. Objective of this study is to find out herding existence in stock market between the period 2005-2015 by considering Sensex as market index and sectoral indices of BSE. Results show no sign of herding during the period of global crises (2007-2008) while during the period of 2011-2012 and 2014-15, herding shows presence. Overall, study reveals an indication of rationality and huge flexibility of Indian market.

Poshakwale and Mandal (2014) explored and examined the Herd Behaviour presence in emerging stock market of India. Data was collected by using daily S&P CNX Nifty 50 Index of National Stock Exchange between the periods of 1997-2012. Kalman filter was used to evaluate the herding presence. Finding of the study shows that Indian market investors reveal noteworthy Herding Behaviour. Herding presence is found strong after considering time changing state variables that detained market instability and directions of market. Herding reveals noteworthy determinations and movements in both bull and bear markets, and it is found to be enhanced in bear conditions of market.

Kumar, Bharti & Bansal (2016) examined the herding presence in NSE from period starting from 2008 to stock market. Finding shows that in Indian security market, there is no proof of herding during the chosen period. Elshqirat (2020) found that the main variable that influences prices of stocks in financial market of herding behavior. Herding level is not always constant and is different in some events. Objective of the study was to test the Ramadan influence on herding exist in market and different sector level. It was predicted that herding may enhance at the time of religious events like Ramadan among Muslim and lead to increase in instability and lead to mysterious prices of stocks. It is based on behavioral finance theory that considers investors behavior and mood as variable that can influence stock prices. Finding of the study reveals that investors do not herd at the time or after Ramadan. At sector level, herding is not present at the time of Ramadan and exists out if it in industrial sector and services whereas it was absent in financial sector in both times.

Kanojia et al., (2018) explored that investment and finance (quantified notions) are reportedly found influenced by non- quantified biases. In modern times, behavioural finance comes as a significant experience that can be dependent on detaining the different factors influencing process of decision making of investors.

Trehan & Sinha (2000) explored that Herd Behaviour is a trend in which investors imitate the crowd behavior without taking care of situation rationality. Herd Behaviour is considered as important influential cognitive bias that creates bubbles. Dependency in stock markets decision making is not fiction. Earlier findings on research show the herd behavior existence among participants of market. For this behavior explanation, survey was done in Lucknow city, India along with structured questionnaire. Survey results show that Herd Behaviour exist in financial markets investors. Detailed reviews of literature and analysis reveal that investors display herd behavior due to regret aversion, lack of information, trust on sources of information, emotions considerations, psychological or social conventions. Result shows that investors are emotional and are followed by psychological considerations hence they follow the crowd. Investors feel saddened and upset if they experience decisions taken by them are opposite of the crowd. Investors imitate herding as they feel discussion of decisions on investment decreases the options of being ineffective and enhances their confidence. Access of information is limited that causes asymmetry of large information and found herd behavior is more in upcoming markets. It was also observed that herding does exist in bear markets. Ansari et al. (2020) found that herding is not noticed in earlier studies, and the reason may be researchers concentrated on stocks with some features. Whereas studies done earlier showcase adverse herding.

Bhaduri & Mahapatra (2013) explored the market participant's investment behavior in equity market of India mainly at the time market crashes. These tests show that at the time of intense movements of price, dispersion return on equity for Indian equity market likely to reduce rather than enhancement, hence provides proof of herd behavior existence. Yearly basis analysis shows differences in degree of herding observe by Indian Equity Market at the time of sample period and hence so many big crashes revealed prominent herding among participants of market.

Bui et al., (2015) examined Herd Behaviour in 4 Southeast Asian Stock Markets i.e. Indonesia, Philippines, Malaysia, and Vietnam. Finding of the study shows that other than Philippines all other 3 markets show existence of herding. In case of up market, strong herding evidence was identified in these markets. Only market of Malaysia exhibits noteworthy herding when market is down.

Badhani & Kumar (2018) collected data from all representative indices stocks markets and are hauled out from the period ranging from 2000 to 2018. Different static methodologies and time-varying techniques were used and observed that out of 35 only 11 markets reflect noteworthy herding behavior. These markets are mostly from Asia, Africa and Middle East. Finding shows that tendency of investor herding differs among stock markets and does not depend on state of economy and US market is identified with herding not in emerging market but during down market. Analysis shows that it is more depend on rules and regulations and financial infrastructure of a country.

Sharma (2018) examined the herding among the contributors and investors of market in banking sector of stock market of India. Study examined herding mainly from the sectoral index (bank) and it makes this different from earlier studies including multisectoral index in an up-and-coming economy. Cross-sectional standard deviation (CSSD) and Cross-sectional absolute deviation (CSAD) methodologies were used to analyze the herding in banking sector. Data was collected for 7 years from 2010 to 2017 of CNX BANKNIFTY index and its component securities from PROWESS database. Current study reflects no particular confirmation of herding in this sector. In depth analysis in bullish and bearish intervals also reveals herding absence in banking sector. Herding is also not observed in extreme movements of price except 99 percent condition at the time of extreme down market. Hence, mild herding is seen only in extreme down market conditions. To make better and effective regulations and strategies for market, results of the study provides significant suggestions for policy makers and investors.

Gębka & Wohar (2013) investigated the herding existence in equity market globally. Cross country dispersion methodology was used in index returns. Finding national indices at international level exposes no example of global information cascades, as patterns of price largely stick to the forecast of the rational pricing models. These patterns are irrational and decrease over a period of time.

Ganesh; Naresh & Thiyagarajan (2018) examined the industry herding in institutional investors and analyzed that herding behavior is intentional or unintentional. To evaluate herding as intentional or unintentional, herding measure retreat with volatility, volume, beta and return. Study period considered from 2005 to 2015. Finding shows that institutional investors carries tendency of herding among most of industries and revealed that herding was not noteworthy in overall selected period. This study was limited to only usage of Bulk/ Block data rather than whole trading data of the period. Results revealed that herding is performing well in industries and are unintentional i.e. rational. Big institutional investors including institutions from foreign into Indian market has not destabilized or damaged the market due to irrational herding.

Choi (2016) evaluated the hypothesis that whether decisions of investors like selling or buying stocks in each period are correlated with his neighbors' decisions. Findings of this study show that offline local investors reveal strong herding as compared to investors in whole country. The main reason for offline local investors herding can be the communication among these investors those are close geographically and some unique or different unrevealed features of each region would affect their decisions on trading. Communication or interaction among agents and brokers in same brokerage branch may also find difference in herding behavior between offline and online investors as agents can suggest their customers on famous or well-known stocks and time to invest. If demographic features of online and offline investors are considered, then it was found that elderly offline investors are more dependent on information from their associates and connections. Offline investors may be unfamiliar with obtaining new information timely by internet or information sharing online with known friends who stay very far. As compared with elderly investors, it was observed that young online investors are more comfortable and prompter in obtaining and sharing information through the internet. Results show that investors those offline tend to herd more in same direction as compared to offline investors.

Prasad, Kapoor & Sengupta (2015) conducted a survey in the Delhi/ NCR region investors and data was collected using questionnaires that were analyzed with proper statistical tools and found that behavioural biases are dependent or rely on demographic and their trading sophistication with high manipulating factors like age, profession and trading frequency. Every bias matches with particular set of features and overconfidence come out as the most important and significant bias in context of India. This study has limitation that it can have recognized social desire responses and their dissimilarity with definite market behavior and only investors from Delhi/ NCR were recorded. This study can provide benefit to financial advisors, because it provides a clear picture in understanding better psychology of clients. It helps financial advisors in developing portfolio that are behaviorally modified that best suits to their clients' tendency. This paper provided unique and clear insight on profile of investors matching to each bias under thoughtfulness.

Various analyses on individual heterogeneity of herding behavior reveal that when past performance was poor then chances to join in herd is more for next time and when individual experience was poor with herd then they like to take decisions wisely. Due to different characteristics of investors, their herd behavior gets influenced. Investor's personal profile influences their herd behavior. Some investors are influenced by herds compared to others regardless of conditions of market or other related variables. Characteristics like gender, sophistication, experience, age and wealthiness of person affect their behavior.

Herding intensity is different between genders and differs among men and women. Gender differences are well documented in investment behavior. Men are found more confident and lead the trade as compare to women. Portfolio performance a lot affected due to behavior and decreases net returns. Women are considered to be more involved in herd behavior as compare to men. Investor's sophistication is also one of the attribute. On an average observation revealed that Sophisticated investors usually less herd. Various researchers are done on evaluating sophistication role on trading behavior. For instance, individual with financial sophistication like to sell winning stock than losers. It may be due to differences in disposition influence. It is predicted that these types of investors have more ability to manage and obtain information and depends less on information from others.

Some studies on Herd behavior in Financial Markets treat this effect as important phenomenon in which investors imitate other decisions rather than understanding the information they receive when they have not much time for decisions related to investment. Decisions on investments are sequential. Decisions of earlier participants are critical while making proper selection. News blazing on screens of trading put investors and traders in critical conditions to make quick decisions that indulge them to feel more secure to follow the herd. In case of massive amount of trading, herding is not so common on daily basis. At the time of uncertainties, investors and traders act as others are acting in financial market.

Herding behavior can also be seen when traders observe imbalance in trade. When stocks are there at a high volume then other traders decide to follow herds and take a Contrarian approach. When selling or buying orders are huge then normal numbers are considered as symbol that somebody knows something. As financial market moves very fast with decisions in split second, there is not always time to do research. Unusual activity influence traders to move with herds with the faith of important news following the volume or number.

When imbalances in trade or events occur, it leads to fear in taking decisions to follow the herd. Trader's fear losing money if they keep their stock regardless of big volume of sales. They feel fear of losing opportunity in making money by overlooking huge buy volume. This feeling of fear is not only related to choice in trading as if investors or traders miss lots of opportunities for buying and selling and getting off lot of money leads to loss of job and long-term harm to their life and career. Investors and traders feel that it will be better to follow herd as compared to taking risks of being one who didn't buy or sell in time.

Stock promoters' jobs are to generate interest in stock among investors by creating or understanding psychology of herd. Promotion of stocks is an important factor in stock market as usually average investors are unaware of performance of many companies. Any buy volume can lift the stock prices drastically higher as it tends to be thinly traded rather than renowned stocks. Promoters fool around on greed of investors and fear of missing the stock that may make big money for their completion of dreams.

When investors are imitating other decisions then they herd on investment decisions and it is not good for every investor in financial market. For example, consider 100 investors having own assessments, may be different regarding investment profits in an emerging market. If it is assumed that out of 100, 20 investors believe that investment is valuable and meaningful and other 80 do not believe. Each investor has knowledge of their own investment profitability estimate and is not aware of other's assessments or where most of them are interested. If investors share their assessments, knowledge and information then they can collectively decide on investment, i.e. to invest venture is good idea or not. But in actual no investor or less investors share their assessments and knowledge with others. Additionally, all these 100 investors don't take decisions on investment at the same time. Suppose first few investors are optimistic investors and decide to take risks and enter an emerging market. Then other remaining investors may amend their feelings and beliefs and take decisions to invest. It leads to effect of snowballing and causes huge number among 100 investors to invest in emerging market. And later when this decision appears as nonprofit then these investors leave the market.

This example explains many phases or characteristics of Information Cascade or Herd Behaviour that originates from differences in information. Firstly, early investor's actions and assessments are very critical in understanding in which most of the crowd with be interested. Secondly, investor's decisions on herd may be not correct. Thirdly, if investors have taken wrong decision and with experiences or appearance of novel information realize it then he will reverse his decisions and start a herd in other direction. Unpredictability, volatility and instability increases in market due to these conditions.

Various studies realized Herding Behaviour existence in developed stock markets and it also become important to enlarge research for upcoming and emerging markets. Additionally, it is found that markets are information is slowly assimilated into price. Hence it is believed that emerging markets are fruitful grounds to investigate or evaluate the Herd Behaviour of investors as trend of action imitation of other investors is very high in this market.

Objective

1. To know the factors affecting Herding Behaviors and Market Dynamics: Evidence from Indian and Emerging Stock Markets"
2. To know the impact of Herding Behaviors and Market Dynamics on Emerging Stock Market.

Methodology

333 participants were surveyed from different income level. The method of sampling was "Random sampling" for collection of data and examination was done by "Explanatory Factor Analysis" for results.

Findings

Table 1 demonstrates demographic details, it shows that 66.07% are Male, 33.93% are female. Looking at the age, 30.93% are between 28 to 32 years of age, 36.93% are between 32 to 36 years of age, and 32.14% are above 36 years of age. With regards to Income level, participants between 5 to 10 lacs are 33.33%, 10 to 15 lacs are 36.33% and more than 15 lacs are 30.34%.

Table. 1 Respondent's Details

Variables	Participants	Percentage
Gender		
Male	220	66.07%
Female	113	33.93%

Total	**333**	**100**
Ages in years		
28 to 32	103	30.93%
32 to 36	123	36.93%
Above 36	107	32.14%
Total	**333**	**100**
Income Level		
5 to 10 lacs	111	33.33%
10 to 15 lacs	121	36.33%
More than 15 lacs	101	30.34%
Total	**333**	**100**

“Factor Analysis”

“KMO and Bartlett's Test”

Table. 2 “Kaiser-Meyer-Olkin Measure of Sampling Adequacy”

“Kaiser-Meyer-Olkin Measure of Sampling Adequacy”		.768
“Bartlett's Test of Sphericity”	“Approx. Chi-Square”	6067.728
	df	91
	Significance	.000

“KMO and Bartlett's Test”, value of KMO is .768 (Table 2).

Table 3 “Total Variance Explained”

“Component”	**“Initial Eigenvalues”**			**“Rotation Sums of Squared Loadings”**		
	“Total”	**“% Of Variance”**	**“Cumulative %”**	**“Total”**	**“% Of Variance”**	**“Cumulative %”**
1.	6.460	46.146	46.146	3.913	27.950	27.950
2.	2.584	18.460	64.606	3.625	25.893	53.843
3.	1.982	14.155	78.761	2.385	17.035	70.878

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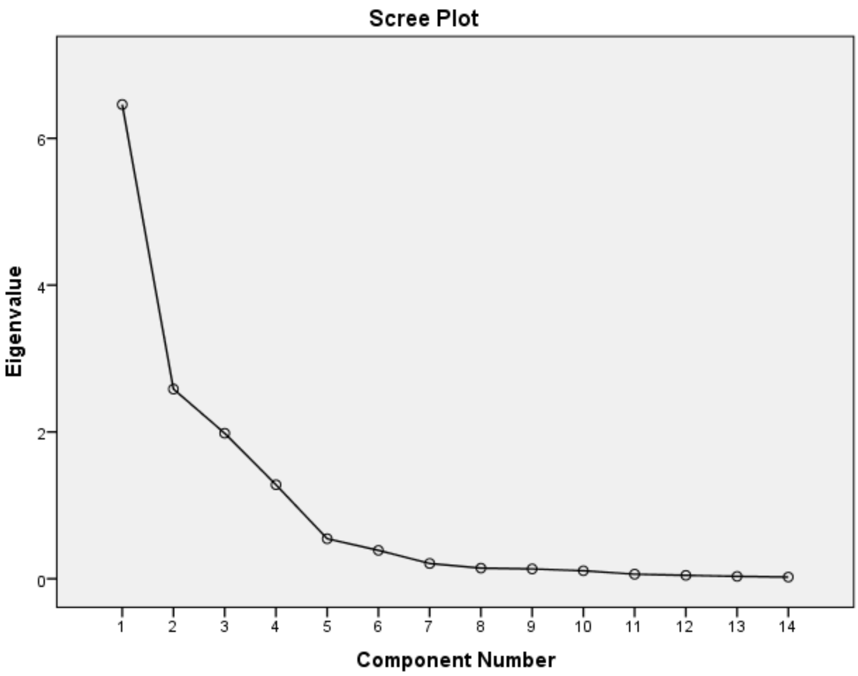
4.	1.281	9.151	87.912	2.385	17.034	87.912
5.	.546	3.897	91.808			
6.	.386	2.760	94.568			
7.	.208	1.488	96.056			
8.	.145	1.036	97.093			
9.	.134	.954	98.047			
10.	.109	.782	98.829			
11.	.062	.446	99.274			
12.	.046	.330	99.604			
13.	.032	.231	99.835			
14.	.023	.165	100.000			

The four factors contribute towards explaining total 87.912% of variance. Variance explained by Information Uncertainty is 27.950%, Market Volatility is 25.893%, Market Sentiment is 17.035%, and Speculative Trading Behavior is 17.034%. (Table 3).



"Scree Plot"

Table. 4 "Rotated Component Matrix"

S. No.	Statements	Factor Loading	Factor Reliability
	Information Uncertainty		**.953**
1.	Uncertainty about stock fundamentals make investor imitate other's decisions	.953	
2.	During volatile period, investors rely more on market sentiments	.915	
3.	Lack of transparent information increases herd-based investment decisions	.845	
4.	Investor often consider collective market actions as a source of information	.840	
	Market Volatility		**.962**
1.	High market volatility encourages investors to move with the crowd	.963	
2.	Investors prefer to follow prevailing market trends during unstable market conditions	.902	
3.	Herding behavior intensifies during periods of financial instability	.890	
4.	Sudden fluctuations in stock prices increases panic-driven buying or selling	.866	
	Market Sentiment		**.853**
1.	Positive market sentiment encourages collective buying behavior	.932	
2.	Negative investor sentiments lead to panic selling in stock market	.932	
3.	Bullish and bearish sentiments significantly affect trading patterns	.694	
	Speculative Trading Behavior		**.868**
1.	Short-term profit expectation encourages herd-driven investment	.908	
2.	Speculative investors are highly influenced by market momentum	.861	
3.	Herding contributes to the formation of market bubbles and crashes	.731	

Factors of the study and its related variables

The first factor of the study is Information Uncertainty, the variables it includes are Uncertainty about stock fundamentals make investor imitate other's decisions, during volatile period, investors rely more on market sentiments, Lack of transparent information increases herd-based investment decisions and Investor often consider collective market actions as a source of information. Market Volatility is the second factor, its variables are High market volatility encourages investors to move with the crowd, Investors prefer to follow prevailing market trends during unstable market conditions, Herding behavior intensifies during periods of financial instability and Sudden fluctuations in stock prices increases panic-driven buying or selling. Third factor is Market Sentiment, it includes variables like Positive market sentiment encourages collective buying behavior, Negative investor sentiments lead to panic selling in stock market, and Bullish and bearish sentiments significantly affect trading patterns. Last and fourth is Speculative Trading Behavior, the variables are Short-term profit expectation encourages herd-driven investment, Speculative investors are highly influenced by market momentum and Herding contributes to the formation of market bubbles and crashes.

Table 5 "Reliability Statistics"

"Cronbach's Alpha"	"Number of Items"
.899	14

Total reliability of 14 items that includes variables for Factors affecting the "Herding Behaviors and Market Dynamics: Evidence from Indian and Emerging Stock Markets" 0.899 (Table 5).

"Table 6 Model Summary"

"Model"	**"R"**	**"R Square"**	**"Adjusted R Square"**	**"Std. Error of the Estimate"**
1	.933[a]	.871	.870	.21762
Predictors: (Constant), Information Uncertainty, Market Volatility, Market Sentiment, and Speculative Trading Behavior				

The adjusted R-squared value is 0.870 with approximately 87% of the variation.

"Table 7 ANOVA"

"Model"		**"Sum of Squares"**	**"df"**	**"Mean Square"**	**"F"**	**"Sig."**
1	"Regression"	105.248	4	26.312	555.601	.000[b]
	Residual	15.533	328	.047		
	Total	120.781	332			
a. Dependent Variable: Overall impact of Herding Behaviors and Market Dynamics on Emerging Stock Market.						
b. Predictors: (Constant), Information Uncertainty, Market Volatility, Market Sentiment, and Speculative Trading Behavior						

Value under significant column indicates a significant relationship between "Information Uncertainty, Market Volatility, Market Sentiment, and Speculative Trading Behavior" and Emerging Stock Market**.**

"Table 8 Coefficients"

"Model"	"Un standardized Coefficients"		"Standardized Coefficients"	"t"	"Sig."
	"B"	"Std. Error"	"Beta"		
(Constant)	4.240	.012		355.564	.000
Information Uncertainty	.507	.012	.840	42.415	.000
Market Volatility	.208	.012	.345	17.416	.000
Market Sentiment	.038	.012	.062	3.145	.002
Speculative Trading Behavior	.125	.012	.208	10.497	.000
DV: Overall impact of Herding Behaviors and Market Dynamics on Emerging Stock Market.					

All the factors Information Uncertainty, Market Volatility, Market Sentiment, and Speculative Trading Behavior are showing significant impact on emerging stock market. Highest impact is shown by Information Uncertainty with beta value .840 followed by Market Volatility (.345), Speculative Trading Behavior (.208), and Market Sentiment (.062).

Conclusion

The study concludes that herding behavior significantly influences the market dynamics in Indian and emerging stock markets. Investors in this market often rely on the actions and decisions of others rather than independent analysis, particularly during periods of uncertainty, high volatility, and market stress. Such collective behavior affects stock prices, trading patterns, market liquidity, and overall market efficiency. The findings indicate that herding tendencies are prominent in emerging economies due to factors such as limited financial awareness, information asymmetry, speculative trading practices, and rapid dissemination of market information through digital platforms and social media. It is revealed that herding behavior contributes to excessive market fluctuations, asset mispricing, speculative bubbles, and sudden market corrections, thereby increasing financial instability. In Indian stock market, herding is frequently observed during bullish trends and periods of strong market sentiments, while other emerging markets may experience during both upward and downward market movements. Factors affecting the Herding Behaviors and Market Dynamics: Evidence from Indian and Emerging Stock Markets are Information Uncertainty, Market Volatility, Market Sentiment and Speculative Trading Behavior.

The study aims to know the factors affecting Herding Behaviors and Market Dynamics and the impact of Herding Behaviors and Market Dynamics on Emerging Stock Market. It is found that Information Uncertainty, Market Volatility, Market Sentiment, and Speculative Trading Behavior are the factors affecting Herding Behaviors and Market Dynamics. The study concludes that there is significant impact of Herding Behaviors and Market Dynamics on Emerging Stock Market.

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