



Original Article

# Behavioral Biases in Cryptocurrency Investment Decisions Among Young Investors

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## Abstract

Cryptocurrency markets have experienced rapid growth, attracting a large number of young investors due to high return potential and technological innovation. However, investment decisions in cryptocurrency markets are often influenced by behavioural biases rather than rational analysis. This study examines the impact of behavioural biases such as overconfidence, herd behaviour, and fear of missing out (FOMO) on cryptocurrency investment decisions among young investors. A survey was conducted among 210 respondents aged between 18 and 30. Regression analysis and correlation techniques were applied to analyse the data. The findings indicate that behavioural biases significantly influence investment decisions in cryptocurrency markets, often leading to speculative behaviour and increased investment risk. The study highlights the importance of financial literacy and investor education in mitigating behavioural biases in emerging financial markets.

**Keywords:** Cryptocurrency, Behavioural Finance, Overconfidence Bias, Herd Behaviour, Young Investors

## Introduction

Cryptocurrencies have transformed the financial investment landscape by introducing decentralized digital assets that operate outside traditional financial systems. Assets such as Bitcoin and Ethereum have attracted a growing number of retail investors, particularly among younger generations.

Young investors are drawn to cryptocurrency markets due to high potential returns, accessibility through digital platforms, and widespread promotion on social media. However, the volatile nature of cryptocurrencies makes investment decisions highly uncertain.

Behavioural finance suggests that investors often rely on psychological biases rather than rational analysis when making investment decisions (Kahneman & Tversky, 1979). In highly speculative markets like cryptocurrency, behavioural biases can strongly influence investment choices.

This study examines the role of behavioural biases in shaping cryptocurrency investment decisions among young investors.

## Literature Review

Behavioural finance challenges the traditional assumption that investors act rationally when making financial decisions.

Kahneman and Tversky (1979) introduced Prospect Theory, explaining how investors make decisions under uncertainty.

Barber and Odean (2001) found that overconfidence leads investors to trade excessively and take unnecessary risks.

Bikhchandani and Sharma (2000) highlighted herd behaviour as a common phenomenon in financial markets, where investors follow the actions of others rather than conducting independent analysis.

In cryptocurrency markets, Corbet et al. (2019) observed that social media influence and market hype significantly impact investor behaviour.

Similarly, Liu and Tsyvinski (2018) found that cryptocurrency returns are driven largely by investor sentiment rather than traditional economic fundamentals.

## Research Objectives

1. To examine behavioural biases affecting cryptocurrency investors.
2. To analyse the influence of overconfidence on investment decisions.
3. To study herd behaviour among cryptocurrency investors.
4. To evaluate the role of FOMO in cryptocurrency investments.

## Research Hypotheses

H1: Overconfidence bias significantly influences cryptocurrency investment decisions.

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H2: Herd behaviour positively affects investment participation in cryptocurrency markets.  
 H3: Fear of Missing Out (FOMO) significantly increases speculative investment behaviour.

**Research Methodology**

**Research Design**

The study follows a **quantitative research design**.

**Data Collection**

Primary data was collected using structured questionnaires distributed among young cryptocurrency investors.

**Sample Size**

**Data Analysis**

**Table 1: Cryptocurrency Investment Participation**

Investment Frequency	Respondents	Percentage
Frequent Investors	88	42%
Occasional Investors	79	38%
Rare Investors	43	20%

210 respondents.

**Sampling Technique**

Convenience sampling.

**Variables**

**Independent Variables**

Overconfidence Bias

Herd Behaviour

FOMO

**Dependent Variable**

Cryptocurrency Investment Decision

**Table 2: Correlation Analysis**

Variables	Correlation Coefficient
Overconfidence – Investment Decision	0.60
Herd Behaviour – Investment Decision	0.57
FOMO – Investment Decision	0.63

**Interpretation:**

Strong positive relationships exist between behavioural biases and cryptocurrency investment decisions.

**Regression Model**

$$\text{Investment Decision} = \beta_0 + \beta_1(\text{Overconfidence}) + \beta_2(\text{Herd Behaviour}) + \beta_3(\text{FOMO}) + \epsilon$$

**Table 3: Regression Results**

Variable	Coefficient	t-value	Significance
Overconfidence	0.41	5.83	0.000
Herd Behaviour	0.36	4.97	0.001
FOMO	0.48	6.12	0.000

$R^2 = 0.46$

**Interpretation:**

Behavioural biases explain **46% of the variation in cryptocurrency investment decisions**.

**Table 4: ANOVA**

Source	F Value	Significance
Regression Model	61.38	0.000

**Interpretation:**

The regression model is statistically significant.

**Discussion**

The findings demonstrate that behavioural biases strongly influence cryptocurrency investment decisions.

Overconfidence leads investors to overestimate their knowledge and take excessive risks. Herd behaviour causes investors to follow market trends without conducting independent research.

FOMO emerges as the most significant factor, as investors fear missing profitable opportunities in rapidly rising markets.

These findings highlight the psychological nature of cryptocurrency investment behaviour.

**Conclusion**

Cryptocurrency investment decisions among young investors are significantly influenced by behavioural biases such as overconfidence, herd behaviour, and FOMO.

While these biases increase market participation, they also increase exposure to financial risk due to speculative trading.

Improving financial literacy and investor awareness can help reduce the negative effects of behavioural biases.

**Practical Implications**

Financial institutions should provide investor education regarding cryptocurrency risks.

Regulatory authorities should increase awareness about speculative investment behaviour.

Investors should adopt rational decision-making strategies rather than emotional investing.

**Limitations of the Study**

The study uses a limited sample size.

Cryptocurrency markets evolve rapidly, which may influence investment behaviour.



Future studies could examine cross-country differences in cryptocurrency investment behaviour.

#### Future Research Directions

Future research can explore:

Psychological factors influencing cryptocurrency trading

Social media impact on digital asset investments

Long-term behaviour of cryptocurrency investors

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#### Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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