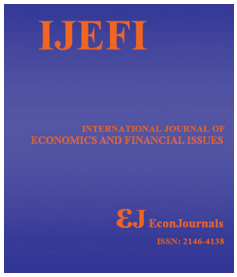

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Exploring the Nexus of Capital Market and Investor Behaviour: A Systematic Literature Review

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ABSTRACT

This review paper delves into the intricate interplay between capital markets, investor protection, portfolio strategies, and behavioural aspects in investments. The VOSviewer 1.6.19 software is utilised to perform a bibliometric analysis and an exhaustive systematic literature review on a sample of 248 papers published in journals in Web of Science databases. Our comprehensive analysis reveals the emergence of key themes, shedding light on the critical role of behavioural finance in shaping investment choices and outcomes. We explore how investor behaviour often deviates from traditional models of market efficiency and how these deviations impact portfolio construction and investment strategies. Our paper contributes to a deeper comprehension of the complexities that drive investment decisions and helps academics, society, investors, and regulators by providing a structured analysis of literature strands. Builds a basis for better regulation and protection of investors in the capital markets, with relevant information for future studies on investor behaviour.

Keywords: Capital Market, Investor Protection, Behavioural Finance, Biases, SLR
JEL Classifications: G15, D91, G11

1. INTRODUCTION

At the start of the 2000s, the famous Dot Com boom crashed, leading to a big drop in tech stock prices. This caused a major financial crisis in 2000, showing the need for change in future. The Sarbanes-Oxley Act of 2002 was created to help improve reforms and protect investors, Jain and Rezaee (2006), but challenges didn't end there. Another big financial crisis happened about 5 years later, with a collapse of a big banking giant, this proved how risky and connected global finance is Reinhart and Rogoff (2009). This crisis exposed many weaknesses in the financial system, it made everyone reconsider the workings of finance and highlighted the need to protect investors at large.

The investing environment in the modern day is vastly different from the previous hard times. The way we invest to start with and live has changed as a result of the digital revolution all over. With smart phones and fin-influencers decimating information, even regular people are eagerly and easily investing in the financial markets to increase their returns what they would have earned on traditional assets. It's not all about numbers, graphs and apps, investing is and has always been, deeply human rooted. Behavioural finance shows how our feelings and biases affect our logical thinking in investment decision making too. It's become important for understanding how markets work (Shefrin, 2002). Ordinary investors, like grandparents with pensions and neighbours saving money, are now key players in the stock market. Their investments can greatly influence market trends, highlighting the importance of how the financial market performs.

Investments is no longer limited to just home country. Many investors now diversify their investments across different markets, creating a complex, global financial network. Understanding how people make investment choices, including their biases and psychological factors, has become crucial in understanding how markets work now and in future. The human side of finance, which

used to be overlooked, is now seen as a major factor in market behaviour. Financial education is becoming more common in schools and universities to help students understand how financial markets work and why they're important in todays age. This paper is an effort to simplify the complex world of investments. We will review literature and conduct a detailed analysis to better understand the behaviour of capital markets and investors dynamics.

In order to address those requirements, we have chosen to employ a systematic literature review process. We had two main goals: we wanted to gather and organize the knowledge available on this topic of behavioural considerations in investment decision-making and pinpoint if any gaps in the research that future studies could explore. Second, this study provides valuable insights to a wide range of people, including investors, academics, policymakers, businesses, professionals, and society as a whole. In line with our thoughts, study provides both bibliometric analysis and a systematic review of the literature. Concentrating on the role of behavioural factors in shaping investment decisions.

Our work highlights the importance of behavioural finance. We found that there's a growing amount of research in this field, with more citations and publications than before. Our study conducts a detailed review of existing research on the subject of behavioural finance, where we consolidate existing knowledge and pinpoint areas where more research is needed to be done. By using broader keywords in our search, we also include potentially valuable insights from less mainstream studies in the field of finance. Through this approach and the use of VOSviewer software to identify interconnected research areas, we naturally uncover a cluster of research related to behavioural considerations in investment decision-making. As a result, we make a meaningful contribution to the expanding body of knowledge in this field.

Our results indicate a growing body of literature where the most cited country is the United States of America (USA) and most cited journal is the Journal of Financial Economics. The National Bureau of Economic Research (NBER) is the most cited institution, and the most cited author is Cocco et al., and those with more published articles is Rey Helene.

Our findings reveal that even professional short sellers, just like typical investors or traders, can be swayed by emotions and past performances, making them susceptible to behavioural tendencies such as the disposition effect. It was also a staggering discovery that the majority of individual investors rely on media and market noise for their investment decisions, which in turn leads to herding behaviour and speculative bubbles. As literature gaps we emphasize the importance of including respondents from diverse backgrounds to gain a comprehensive understanding of investor behaviour and importance of regulations Daniel et al. (2002) deeper research could delve into how specific regulations interact with investor behaviour to shape market outcomes. Maditinos et al. (2007) underscored the investors' emphasis on fundamental and technical analysis. Yet, the effectiveness of these analytical methods in today's ever-evolving markets remains insufficiently examined.

Here's how we'll go about further: Section 2 will lay out the roadmap—the methodology we've used in our literature review. In Section 3, we look into bibliometric analysis, sifting through academic literature. Section 4, meanwhile, will turn the spotlight on the buzzing world of capital markets and the nexus of investor behaviour, etc. Section 5, Puts light on Gaps and hints at future avenues of research. We'll wrap up our findings in Section 6, pausing to reflect and offer some concluding thoughts.

2. METHODOLOGY

We have used a systematic review methodology for this investigation. To ensure the quality and integrity of our sample, we focused our research exclusively on the Web of Science (WoS) database.

After the Dot Com Crash of 2000, reforms started building in after the landmark Sarbanes-Oxley (SOX) Act of 2002 Zolotoy (2007) as a reference date for our study, we searched the WoS database from January 01, 2002 to December 31, 2022. We adopted and modified the systematic review protocol for our process of systematic review Briner and Denyer (2012, p. 121) presented in Table 1.

In contrast to other authors such as Klapper and Love (2004), De la Orden and Iglesías (2020) our approach considers a broader keyword scope since we do not consider restrictive words regarding investor protection in the capital markets. Therefore, the selected keywords in our review are: "Capital Market" ''Investor Protection'' "investments" "Portfolio" and "Behaviour", as evidenced in Table 1. However, when we applied the Boolean operators and wildcard characters to the selected keywords, the following research equation emerged (capital market* OR "investor protection") AND portfolio AND invest* AND Behavio*.

Our search strategy targeted the "topic" feature, which scans the title, abstract, author keywords, and "keyword plus." Alongside this, we applied specific quality standards. We limited our inclusion to English-language academic journals discussing Capital Markets, particularly those articles emphasizing investor or investment perspectives.

Furthermore, because our study does not impose any restrictions on the knowledge domains, we were able to include peripheral studies in addition to the body of literature that focuses only on the capital Market, investor Protection and investor behaviour in the capital market, thereby enhancing the richness of our evaluation.

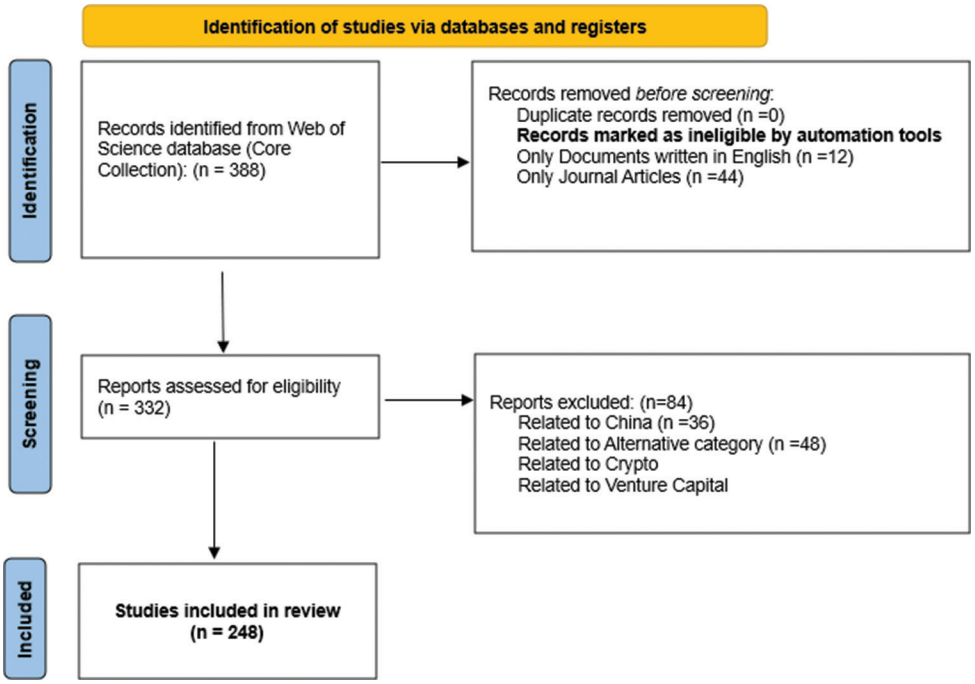
Our systematic review process's information flow is based on the PRISMA protocol, which we prove in Page et al. (2021, p. 5) adaptation of the procedure, which we evidence in Figure 1. Initially, using Boolean operators and our quality standards, we rejected 56 items that we first found during the identification step.

Second, we reviewed 332 articles during the screening step, deleting 84 of them since they didn't meet our eligibility requirements. Eventually, 248 articles were found in our final sample during the inclusion stage and as a result of our methodology.

Table 1: Systematic literature review protocol and process

Protocol	Wordings
Background motivation	The growing importance of Equities as a primary investment asset class. Demographic shift of investor interest in the Capital market activities. Numerous high-profile examples of financial fraud and scandals in recent years.
Objectives	To know what investors can learn from the existing literature on their behaviour in the Financial Understand market. To know the advantages and limitations of the investment in the Capital market Which countries and institutions are the most active in researching Capital Markets, investor protection and behaviour? Who are the most influential authors in the field of Capital Markets, investor protection and behaviour? What are the most frequently cited works in Capital Markets, investor protection and behaviour? How has research on Capital Markets, investor protection and behaviour evolved over time? What are the emerging trends in Capital Markets, investor protection and behaviour research?
Criteria for considering studies for this review	Understanding of Capital Markets, investor protection and behaviour in the financial market. Qualitative and quantitative studies. Studies from all research fields. Include case studies.
Search strategy for identification of studies	Web of Science database Time period between 2002–2022 Search terms and keywords —: “Capital Market” “Investor Protection” “investments” “Portfolio” “Behaviour” only studies in English, No unpublished data will be sought
Eligibility Inclusion criteria	Capital market investment Investor Behaviour Investor interest Investor perspective Market analysis
Eligibility Exclusion criteria	Commodity related themes Cryptocurrency related themes Money laundering and terrorism associations Articles related to China
Data collection	Web of Science (WOS) Database
Assessment of methodological quality	Review will not be employing specific methodological quality assessment parameters for the included studies as the objective is to provide a comprehensive overview, irrespective of study quality.
Assessment of methodological quality	Review will not be employing specific methodological quality assessment parameters for the included studies as the objective is to provide a comprehensive overview, irrespective of study quality.
Synthesis	Aggregation, synthetization, and interpretation

Figure 1: Flow of information through the different phases of the systematic review (PRISMA).



Source: Adopted from Page et al. (2021, p. 5)

We selected VOSviewer 1.6.19 for our bibliometric analysis following the indications of Ding et al. (2014), We selected the option of "bibliographic coupling," which groups articles into clusters based on their shared citations with other papers. Van Eck and Waltman (2017); Bartolacci et al. (2020), demonstrating the closeness of articles by their common references Rialti et al. (2019). The fact that the number of cited references remains constant throughout time, making it easy to reproduce our study, is another argument for our decision to use the bibliographic coupling option of VOSviewer in our analysis. Caputo et al. (2019) Also, we used the normalised citation option that was offered.

By reducing an article's number of citations by the dataset's average number of citations for all papers published in a given year, this option helps to reduce the bias against early publications that may have fewer citations than the older ones. Van Eck and Waltman (2017) Articles that are near to one another are therefore closely associated to one another in the VOSviewer output map. Bartolacci et al. (2020). As a result, a cluster related to Investor Behaviour and governance in the capital market naturally forms through VOSviewer bibliographic coupling, which we evaluate in Sections 3 and 4 of this paper. Consequently, we shed light on what is known and unknown in this literature study. Regulatory Mechanism; Corporate Governance; Investor Education; Legal Remedies and the topic of Capital Market efficiency, which we decoupled into 4 subtopics: Behavioural Factors in finance, Information and Knowledge Asymmetries, Influence of External Factors on Investment Decisions: Dynamics of Cross-border and Diverse Market Investments.

3. BIBLIOMETRIC ANALYSIS

Figure 2 shows our first analysis of this review paper, which depicts the number of citations and publications regarding Capital markets and investor behaviour. We can then identify that the highest citation year is 2021 (671). As expected, citations have increased each and every year suggesting a consistent and upward trajectory in the recognition and impact of the research in this field, year 2021 emerges as the most contributive year in our dataset (26). Meanwhile, in 2002-2003 fewer articles were published (2). These results reveal a growing interest in academia and the importance of this field of knowledge.

3.1. Top Articles Analysis

Table 2 showcases the ten most-cited articles addressing various aspects of Capital markets and investor behaviour. Cocco et al. (2005) lead the list, succeeded by Fu (2009) and (Daniel et al., 2002). While these articles are among the older entries in our dataset, explaining their substantial citations, the more recent Acharya and Xu (2017) at no.5 ranking is also amassing a significant number of citations.

3.2. Countries Analysis

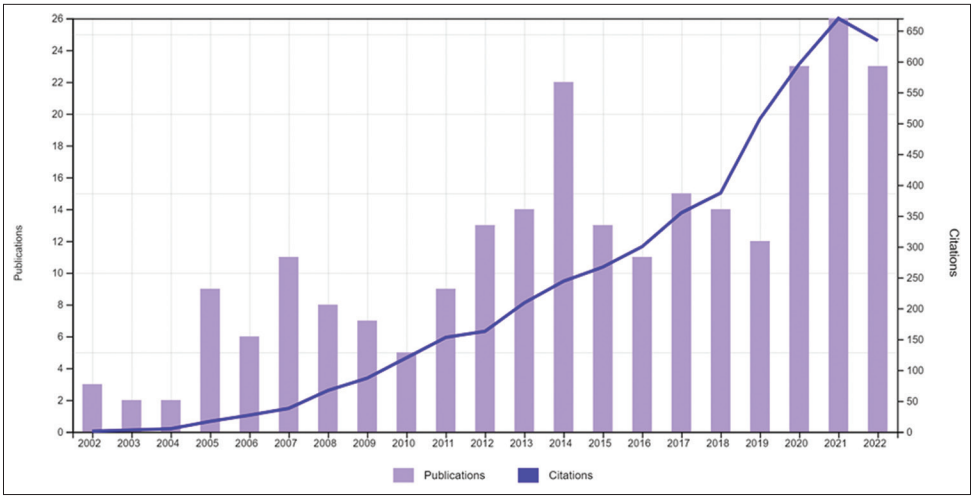
Table 3 and Figure 3 show the most contributive country in our research field with 2234 citations and 75 publications. United States of America (USA) stands out as the most important country contributing to our study; England (1292) is the second most cited country, followed by Singapore (489). However, considering the number of publications, the second and third places belong to England (31) and Germany (23), respectively. Conversely, Singapore has the highest citation per publication ratio among the top ten countries (163).

Figure 4 shows that regarding normalized citations USA, England, and Germany are the most cited countries; however, their contributions were more predominant in 2010-2015. India and France have a more recent average of publications indicating more work in recent years.

3.3. Journals Analysis

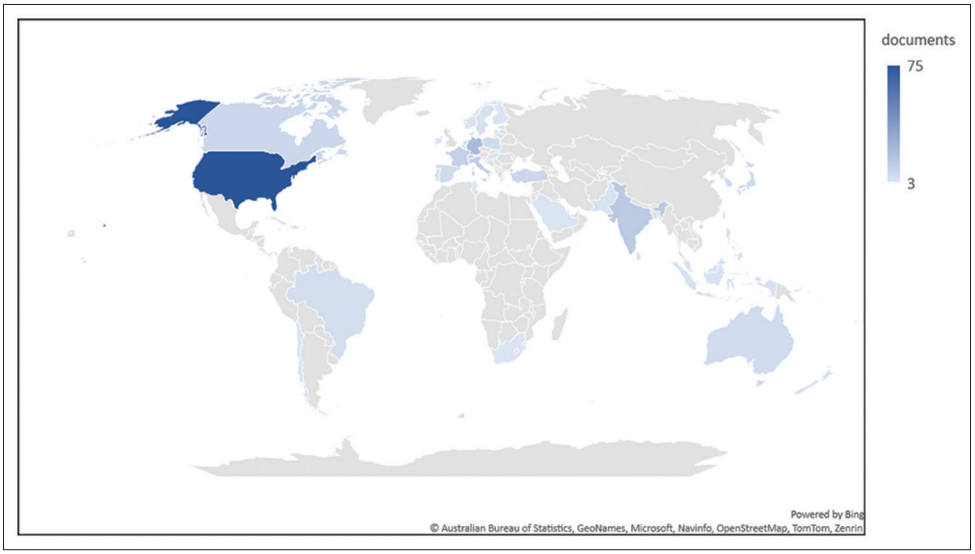
Table 4 presents our dataset's most contributive journals. Journal of Financial Economics is the most-cited journal with 747 citations, followed by the Review of Financial Studies with 483 citations and the Journal of Finance with 353 citations and the journal with the most published articles (10) was the Journal of Banking and finance. However, the journal with the highest ratio of citations per publication is the Review of Financial Studies.

Figure 2: Citations and publications over time.



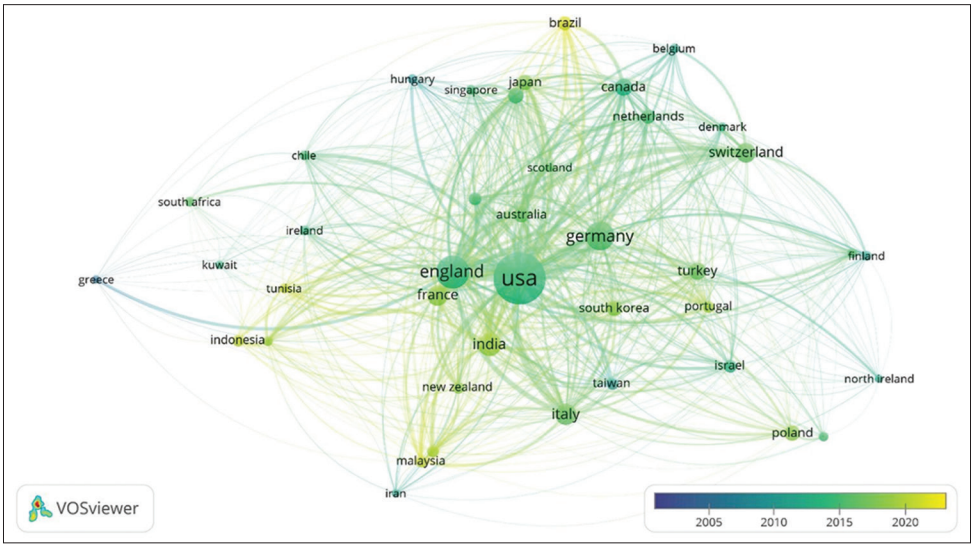
Source: Downloaded from citation report from Web of Science

Figure 3: Publications by country world map.



Source: Developed in Microsoft Word by author with data from Web of Science

Figure 4: Normalized citations of countries by year.



Source: Generated on VoS Viewer software by Author, using Web of Science data

Table 2: The top ten articles by the number of citations

Rank	Authors	Year	Citations
1	Cocco et al.	2005	473
2	Fu	2009	465
3	Daniel et al.	2002	284
4	Gambacorta and Mistrulli	2004	276
5	Acharya and Xu	2017	225
6	Gromb et al.	2010	164
7	Murfin et al.	2012	158
8	Becker et al.	2015	149
9	Coeurdacier et al.	2013	140
10	Yalama et al.	2007	95

Table 3: The top ten countries by the number of citations

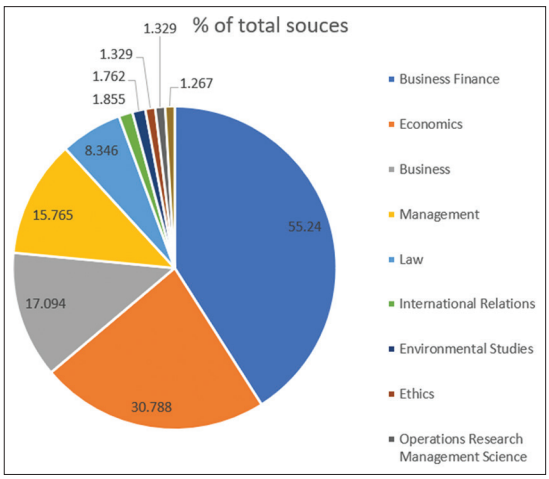
Rank	Country	Documents	Citations	Citations per publication
1	USA	75	2234	29.79
2	England	31	1292	41.68
3	Singapore	3	489	163.00
4	Italy	13	423	32.54
5	Germany	23	308	13.39
6	Sweden	5	272	54.40
7	France	12	264	22.00
8	Spain	7	144	20.57
9	Turkey	9	137	15.22
10	Switzerland	11	135	12.27

Figure 5 presents the analysis of the most contributive research areas, and as expected, Business Finance is the research area with the most contributions, followed by the economic area. However, this analysis reveals that other unsuspected areas of knowledge have contributed to a better understanding of Capital market investor behaviour, such as Law, International relations and environmental Studies.

Table 4: The top ten journals by the number of citations

Rank	Country	Documents	Citations	Citations per publication
1	Journal of financial economics	7	747	106.71
2	Review of financial studies	3	483	161.00
3	Journal of finance	3	353	117.67
4	Journal of banking and finance	10	168	16.80
5	Small business economics	3	128	42.67
6	Review of quantitative finance and accounting	3	81	27.00
7	Financial analysts journal	3	65	21.67
8	Managerial finance	6	62	10.33
9	Journal of empirical finance	3	59	19.67
10	Journal of international money and finance	3	56	18.67

Figure 5: Most contributive research areas.



Source: Generated on Microsoft Word by Author, using Web of Science data

Regarding normalized citations, Figure 6 shows that the Journal of Banking and Finance was the most cited journal in 2014 and Managerial Finance was the most recently cited journal in 2021.

3.4. Authors Analysis

Table 5 shows the top ten most-cited authors in our dataset. Cocco et al. is the most cited author, with 472 citations, and those with more published articles is Rey Helene. However, Cocco et al., and Fu have the highest citation-to-publication ratios of 472 and 465 respectively.

3.5. Institutions Analysis

Table 6 analyzes the most contributive institutions to Capital markets and investor behaviour knowledge. The National Bureau of Economic Research (NBER) is the most cited institution in our dataset, with 495 citations, followed by Centre for Economic Policy Research (CEPR) (419) and Ohio State University (399) It also has the highest citations per publication ratio (133.00).

Figure 7 shows that regarding normalized citations, the National Bureau of Economic Research (NBER) is at the forefront to be the most cited institution for the majority of the years.

4. LITERATURE FINDINGS

4.1. Behavioural Factors in Finance

Our exploration into behavioural finance reveals a lot of factors that support financial decisions beyond regular logical calculations. For instance Uhr et al. (2021) mentions that self-control can really impact the way we handle our financial decisions, especially when it comes to trading on a basis. Betermier et al. (2017) added that overtrading can lead to, impulsive decisions which are leading to riskier investments. Households shift investment strategies as they age and their financial circumstances change. A significant side of behavioural finance emerges from the fact that investment decisions are influenced by momentum effects, herding biases, loss aversion, overconfidence, and regret aversion biases. This marks that they are not based on rational calculations but are also influenced by psychological factors. Jain et al. (2019). Validating this, Raddatz and Schmukler (2012) documented behavioural factors not only affect individuals but even observed that pension funds herd in their investment decisions, especially in more complex instruments, suggesting a copying behaviour to overcome informational challenges. A parallel is drawn by Von Beschwitz and Massa (2020) who highlights that short sellers are believed to be professionals, can be influenced by their emotions and past gains like regular investors or traders, and can be influenced by behavioural biases like the disposition effect.

Daniel et al. (2002) suggests remedies for these behavioural biases, which are simple, cost-effective regulatory measures focusing on disclosure, financial reporting, and investment education. Which can better inform investors and optimize market efficiency. Researching further into the investor psyche, Maditinos et al. (2007) contrasted the strategies of individual and professional investors. While the former leans heavily on media chatter and market noise, the latter turns towards a grounded approach through fundamental and technical analyses, often sidelining portfolio analysis.

Palczewski et al. (2016) cast light on the key role of investors' memory in shaping the permanency of their financial strategies. Aligning with this, Suárez et al. (2019) proposed that the future of economic analysis will likely see an merger of conventional models with more nuanced perspectives to effectively summarize consumer behaviour's complex nature. As age and financial conditions progress, Cocco et al. (2005) highlight a visible transition in investment strategies from growth-centric to value-based approaches. This aging process also pushes investors to tilt their portfolios towards risk-averse assets.

The phenomenon of herding behaviour generates higher fund returns that means when many investors follow the same industry trend or strategy (that leads to classical herding behaviour), it can

lead to positive returns for funds. This may be due to increased demand for assets within that industry, which can drive up prices and boost gains in short period of time. Buchner et al. (2019), similarly Sehgal and Jain (2015) talked the momentum effect, proposing its origin in both behavioural and rational sides. The Indian stock market exhibits a momentum effect that traditional risk models fail to summarize fully, hinting at behavioural factors. Mixing insights from psychology and finance, as pointed out by Muradoglu (2002), shows the elaborate workings of financial markets and explains why investors swing towards certain investment paths. The development of behavioral theories came about due to the observed irrationalities in investor behaviors that couldn't be explained by conventional financial theories. Kipsaat and Olweny (2020).

Behavioural finance emerges as the bridge that connects human psychology and fiscal decisions. Yet, Kushnirovich (2016) notes the lack of traditional finance theories to explain the occasional irrational investor behaviour. The investment canvas is vast, and influenced by more than economic and social effects. As Kushnirovich (2016) suggests, cultural tones too cast their shadow on decision-making processes. Mehdi et al. (2011) rounds off this exploration, emphasizing how psychological quirks can spur market inefficiencies, leading to pricing deviations that aren't entirely fixed in logic.

To summarise, behavioural finance is complex subject, mixed by countless factors that go beyond strict mathematical logic. This joining of human psychology and financial decision-making, offers a deeper understanding of fluctuations in the financial markets.

Table 5: The top ten authors by the number of citations

Rank	Author	Documents	Citations	Citations per publication
1	Cocco et al.	1	472	472
2	Fu	1	465	465
3	Daniel et al.	1	284	284
4	Gambacorta and Mistrulli	1	276	276
5	Acharya and Xu	1	225	225
6	Gromb et al.	1	164	164
7	Murfin et al.	1	158	158
8	Becker et al.	1	149	149
9	Rey et al.	2	144	72
10	Coeurdacier et al.	1	140	140

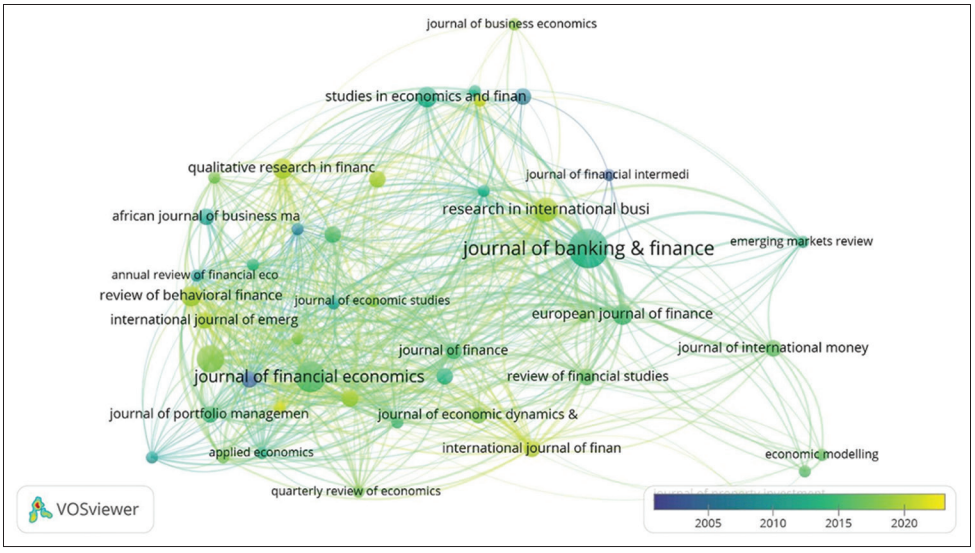
4.2. Information and Knowledge Asymmetries

In the modern financial environment, the role of information asymmetries is highest, especially when local professionals act as counterparties and perceive themselves to have an informational edge to the foreign investors Pitluck (2013). A historical

Table 6: The top ten institutions by the number of citations

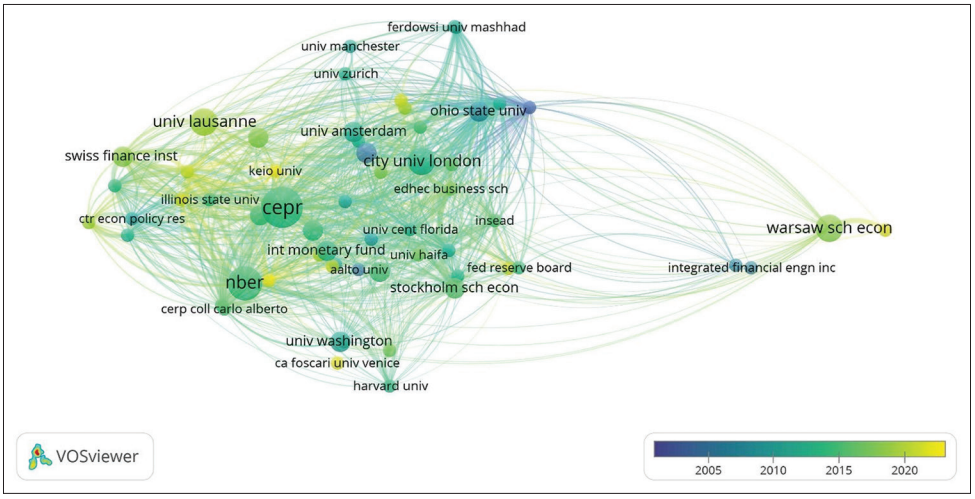
Rank	Organization	Documents	Citations	Citations per publication
1	National Bureau of Economic Research (NBER)	5	495	99.00
2	Centre for Economic Policy Research (CEPR)	6	419	69.83
3	Ohio State University	3	399	133.00
4	Stockholm School Econ	3	209	69.67
5	World Bank	3	107	35.67
6	City University London	4	92	23.00
7	University Tubingen	3	56	18.67
8	University Calif Santa Cruz	3	46	15.33
9	Swiss Finance Institute	3	21	7.00
10	University Lausanne	4	9	2.25

Figure 6: Normalized citations of journals by year.



Source: Generated on VoS Viewer software by Author, using Web of Science data

Figure 7: Normalized citations of institutions by year.



Source: Generated on VoS Viewer software by Author, using Web of Science data

understanding reveals that investor's behavioural patterns have shifted over time due to the scenariors they have faced. Contrary to the perception of investors being rational entities, Statman (2005) emphasizes that prior to the 1960s, investors were largely seen as "normal" individuals influenced by cognitive biases and emotions in their approach. This "normalcy" hasn't dissipated and continues to shape decisions in the present, in contrast to the rational investor who depends in solely on risk and expected return of entire portfolios.

Sexton (2015) sheds light on the efficiency of financial markets, while markets do adapt economically beneficial information related to future earnings, there remains a shortfall, especially when such data isn't universally accessible to all participants at the same time. This highlights the importance of transparency and access to information in markets.

Diving into investment strategies, Maditinos et al. (2007) argue that despite academic advisories pushing for conventional portfolio analysis, real-world investors seem more drawn to fundamental and technical analysis. This can be further nuanced by the study by Camanho et al. (2022), which suggests that the intense speed with which investors pivot their investment choices leads to excessive market volatility.

A striking deviation from the standard model of portfolio management is presented by Amir et al. (2005). They propose that if an investor avoids the guidelines set by the CAPM and pursues a modified investment strategy oriented around expected payoffs, the potential to outdo the CAPM-based portfolio allocation and get additional returns exists.

Further tones emerge when examining different investment vehicles. Bello et al. (2017) infers that hedge fund returns are mainly dictated by the variable behaviour of institutional investors rather than individual counterparts. In a globalized world, mutual funds emerge as channels for the transmission of financial crises across nations, spurred by both their investors and managers Raddatz and Schmukler (2012).

When stocks experience short-term price momentum followed by a subsequent correction or reversal. It is an area of interest and study in behavioural finance and empirical finance, as it reflects how investor sentiment, trading behaviour, and information processing can impact stock prices and returns. Fu (2009)

The subject of behavioural finance is vast and complex, Preda and Muradoglu (2019) contend that to truly grasp financial decision-making, one must venture beyond intellectual processes and factor in social processes. This involves recognizing the numerous endeavours by decision-makers to carve and manoeuvre the settings where these financial decisions materialize.

Amidst the global unrest, investors display a surprising confidence, to the emerging belief that economic differences between nations are becoming increasingly marginal. Major countries counter this global instability by diversifying their portfolios internationally, and promoting cross-border investments Cavallaro and Cutrini (2019). This confidence contrasts with the behaviour of informed and risk-aware investors who seem apprehensive about undervalued assets, likely due to concerns of principal economic risks which could deteriorate such assets performance in the future Betermier et al. (2017).

4.3. Influence of External Factors on Investment Decisions

Financial advice significantly impacts people's investment styles and expectations, leading them to favour riskier asset allocations, particularly in cryptocurrencies and equity, as opposed to traditionally safer options like cash and bonds. Zhang (2014). The ecosystem of investing is further affected by the concept of portfolio friction which is when there are financial shocks, the prices of investments can change a lot, but the effect on the dividends (profits distributed to investors) is not as severe Bacchetta et al (2022).

Risk-oriented models show that behavioural factors are not just on the sidelines; they are of utmost importance Lorson and Wagner (2014). This behaviour, combined with the imminent perceptions

of risk, evolving investment landscapes, and local preferences, make it difficult to make any investment decisions Acheson and Turner (2011). The regulatory domain further complicates this scenario which the investors are gasping Strydom et al. (2015) highlight those regulatory burdens, specifically fines, influence long-term portfolio returns.

Hagen et al. (2023), offers a glimpse into real-world reactions, as seen in March 2020 when covid scare made people dump stocks and buy safe haven assets like bonds and gold. Contrary to popular assumptions, hot money in equity outflows and bank credit outflows affect local stock market returns in a persistent way, it tends to buy more when prices are rising (positive feedback) and sell more when prices are falling (negative feedback) was sighted by Yan (2017).

According to Peswani and Joshipura (2022), the success of low-risk investment strategies is not solely dependent on industry-specific risks or undervalued assets. Instead, the outperformance is attributed to informed decisions by U.S. investors in cross-border investments, which are based on foreign fundamentals rather than impulsive momentum investing as suggested by Guo (2016).

The way people invest is influenced by how the market works. In the research article González-Urteaga and Rubio (2021) mentions, the quality premium in the stock market is not only due to people's behaviour but also because of how the market itself works. Looking at companies, Barka and Hamza (2019) show how a company's ownership structure can affect its stock returns, pointing out possible conflicts of interest between major and minor shareholders.

Lastly, people want to make more money from their investments, and to do that, they focus on increasing their willingness to take higher risks and boosting their confidence. Akhtar and Das (2020), suggest using an "investment model" as a strong tool to understand investors' personalities. This helps them choose investments that match their goals and how much risk they can handle.

4.4. Dynamics of Cross-border and Diverse Market Investments

A deep thought into understanding the intricacies of cross-border and diverse market investments reveals a lot of factors influencing investor decisions and market dynamics. An important observation emerges from the Indian stock market. As per Ansari and Khan (2012), there's a pronounced momentum effect in the Indian stock market, which isn't just statistically robust but also economically noteworthy. Thus, this phenomenon underscores the potential significance of behavioural factors, suggesting they might be pivotal in explaining these ongoing and puzzling market behaviour.

Looking closely at India, even though foreign investors sometimes put money into the local market and then take it out, the country remains resilient. According to Hiremath and Kattuman (2017), this resilience is because of careful steps like slowly opening up to foreign investments, good monetary policies, and well-thought-out rules. This combination of strategies makes sure that when money comes in or goes out, it doesn't cause problems in the market or lead to economic crises fuelled by speculative investments.

Looking at the world stage, Gambacorta and Mistrulli (2004) found that banks with a lot of money have a better defense against sudden changes in government economic plans. Also, when people from countries with strong investor protection rules invest in other places. Giofré (2014) observed that they often don't worry as much about how well companies are managed in those foreign countries. This is because they trust the protective rules in their home country to keep their investments safe.

In research paper by Schnabel (2012), he talks about an interesting part of making a global investment plan. He suggests that the different things people buy in different countries affect how the global investment market works. So, investors often prefer to include assets from their own country when they're building their investment portfolios. This preference for home assets is also seen in another study by Giofré (2009), where investors generally like assets from their own country. At the same time, Sula and Willett (2009) emphasize that foreign direct investment (FDI) is a stable form of money flow, especially during tough times or crises.

Guo (2016) adds more insight and suggests that when U.S. investors invest in other countries, they mainly rely on information about the foreign country's basics instead of just chasing returns, which is often called momentum investing.

Lastly, when exploring the risk pricing mechanisms in MENA regions, Cheng et al. (2010) unravel disparities between local and global markets. Certain markets within the MENA region exhibit a greater degree of global integration, reflecting their diversified and interconnected economic structure.

5. GAPS AND FUTURE RESEARCH DIRECTION

Financial markets is a big puzzle, and even though a lot of research has been done, there's still a lot we don't know and needs constant evolving work. Studies have looked into how people's behaviour in finance, information, outside forces, and rules impact the investing process. We're trying to understand things like why people trade a certain way? how global events affect markets, and what rules are needed. As the world gets more connected, it's even harder to understand everything using the old ways. So, we need to keep exploring.

We've been trying to figure out all the little details of how money and investing work. There are still missing pieces and things that don't add up. As people who study this, we need to find out what's missing and help guide new research. We think the future is about mixing old ideas with new ones, looking both locally and globally, and understanding both individual and group behaviours. In this paper, we talk about what we still don't know and where we should look next.

While numerous studies like Uhr et al. (2021) and Jain et al. (2019) have discussed the implications of behavioural factors on individual investors, the holistic understanding of its impact on institutional investors remains limited. Future Research should

delve deeper into how behavioural biases impact institutional decision-making compared to individual ones.

The role of media and market noise on individual investors' decisions has been acknowledged by Maditinos et al. (2007). Yet, how this noise affects market efficiency and what can be done to mitigate its effect is unclear, For Future Research valuation of the long-term impact of media noise on market stability should be studied.

While we acknowledge the existence of information asymmetry, a comprehensive understanding of how investors, especially retail ones, can combat these challenges remains to be discussed. Future Research should concentrate on Strategies to bridge the information gap for retail investors.

Maditinos et al. (2007) highlighted the focus of investors on fundamental and technical analysis. However, the efficacy of these analytical tools in current dynamic markets is underexplored. Future Research should aim to study the evolution of fundamental and technical analysis in modern financial markets.

A rising trend as per Strydom et al. (2015) and Hagen et al. (2023) indicates that external factors like regulatory changes and global shocks influence investment. But how can investors adapt to these sudden changes? Future research should build adaptability in investment strategies to external shocks.

Barka and Hamza (2019) spoke of company ownership's influence on stock returns. Yet, the specific mechanisms through which ownership structures impact managerial decisions are not thoroughly explored. Future research should explore of the link between different ownership structures and managerial motivations.

Home bias in investments is still prevalent as pointed out by Giofré (2009). However, the underlying psychological, sociological, and economic reasons driving this bias remain split in current literature. A comprehensive understanding of the causes and implications of home bias in global investments needs to be studied

Ansari and Khan (2012) noted the momentum effect in the Indian stock market, but its presence and influence in other emerging markets remain less discussed. Future research should Study the momentum effect across different emerging markets and draw global parallels.

With continuous evolution of the financial markets demands consistent regulatory adaptations. While existing research suggests areas for regulations Daniel et al. (2002), especially in behavioural finance, there is a need to explore how these regulations impact the efficiency and stability of markets. Future Research can study the implications of behavioural finance-based regulations on market efficiency.

Kipsaat and Olweny (2020) have illuminated the rise of behavioural theories, but how these theories can be incorporated into practical investing tools or platforms remains untouched. Future research in Integrating behavioural theories into investing platforms to guide individual investors should be developed.

6. CONCLUSION

Thru this review paper, we help better the understanding of the capital markets and their investor behaviour. We explore and examine the depths of literature through a streamlined bibliometric analysis and literature review on investor behaviour in capital markets. We searched the Web of Science (WoS) database from 2002 to 2022 and used VOSviewer software to conduct our bibliometric analysis and a lot of manual intervention to integrate the data in themes of research.

North America is the continent that has more contributions to this study trend, with The United States of America (USA) being the country with more citations and contributions. Additionally, the most cited and contributed journal in our dataset was the Journal of Financial Economics. Moreover, the National Bureau of Economic Research (NBER) is an institution with more citations regarding capital markets and investor behaviour.

We collected information for our study of the literature in order to identify and clarify the state of knowledge regarding investor behaviour and capital market investing, In conclusion, we clarify the following

1. Financial self-control is pivotal, lapses in it lead to impulsive, riskier trading
2. Experience and evolving financial statuses leads to strategic investment shifts
3. Psychological biases such as momentum effects, loss aversion, and overconfidence also influence investor decisions, moving them away from pure rationality in thought
4. Even institutions like pension funds aren't immune to behavioural biases, which shows tendencies like herding, especially in unclear markets
5. Professional short sellers, often consider emotionally detached, but they can be influenced by emotions similar to average investors
6. Informational advantages motivate local professionals' actions and investment styles.
7. Traditional financial market prices, which reflective of future earnings but today, may not be comprehensive at its approach, leaving room for asymmetry to build
8. Global unrest doesn't necessarily reduce investor confidence due to perceptions of reduced international economic variances
9. The advisors can skew investors style of investing and invest in riskier assets available
10. Economic perceptions and local preferences significantly mould investor choices in a skewed way
11. Although foreign institutional investments are not stable, the stability is ensured by better national policies
12. Origin of investment plays a big role in investment decision making, with investors often showing a "home bias" to their investment avenues and options
13. Traditional financial theories fail in explaining illogical investor behaviours what experience, which leads to the development of behavioural finance

14. Market fluctuations in prices are influenced by "hot money" flows which reflect both positive and negative feedback effects.

Combining psychology and finance gives us a clearer view of how the financial markets work. Earlier models helped us understand the basics of investing, but they didn't fully explain why investors act the way they do. By using behavioural finance, we can understand how emotions, culture, and information affect investment choices. As the world of finance grows with more products and investors, this approach shows we need flexible models, improved rules, and a complete understanding of investor psych.

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