

# An Analytical Study of Behavioral Effects on Individual Expenditure and Investment Patterns during Indian Festivals

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## Abstract

This research paper explores the behavioural finance effects on individual expenditure and investment patterns during different festivals in India. The aim is to understand how psychological biases, cultural influences, and social pressures impact financial decision-making during festive seasons. Festivals like Diwali, Navratri, Eid, and Christmas are periods of heightened consumer activity, characterized by increased spending on gifts, luxury goods, and investments in gold, equities, and mutual funds. Primary data was collected from 175 respondents using a structured questionnaire distributed via Google Forms. The study applied chi-square tests and descriptive statistics to analyze the data. Results revealed significant deviations from rational financial decision-making, influenced by behavioural biases such as herding, overconfidence, loss aversion, and anchoring. The findings highlight the need for financial literacy programs and ethical marketing practices to ensure balanced financial behaviour during festivals. The study contributes to both academic understanding and practical implications for financial advisors, policymakers, and marketers.

**Keywords:** Behavioral Finance, Investment Pattern, Expenditure, Festivals, Biases, Consumer Behaviour.

## 1. Introduction

Finance as a discipline revolves around decision-making in areas such as investments, working capital, and fund allocation. Traditional finance assumes that investors are rational actors who maximize utility and base their decisions on risk-return trade-offs. However, behavioural finance challenges this assumption, recognizing that psychological biases and emotions influence investment and expenditure decisions. The award of the 2002 Nobel Prize in Economics to Daniel Kahneman confirmed the growing acceptance of behavioural finance as a legitimate field of study. In India, festivals are deeply rooted in cultural and social traditions. They not only carry religious and social significance but also impact economic behaviour. Festivals are associated with heightened consumerism, as individuals increase spending on clothing, gifts, travel, and luxuries. Moreover, cultural traditions encourage investments in gold, stocks, and mutual funds. This study focuses on examining the effects of behavioural finance during these festive periods and identifies how biases and emotions drive individuals' financial behaviours. Investment patterns in India are often influenced by festivals due to cultural beliefs,

consumer sentiment, and seasonal economic cycles. Here are some key **festival-related biases** that impact investments in India.

**Increased Stock Market Activity During Festivals (Positive Bias) :** Investors in India tend to be more optimistic during festival seasons, particularly around Diwali. The "**Muhurat Trading**" session during Diwali (auspicious stock market trading) often sees a temporary rally in stock prices as investors make symbolic purchases. Historical trends show that market sentiment is bullish around this period, often leading to a short-term uptick.

**Gold & Precious Metal Investments Rise During Festive Periods :** Dhanteras, Diwali, and Akshaya Tritiya are considered auspicious for buying gold and silver. Gold prices tend to spike before these festivals due to increased demand. Investors often buy gold ETFs and sovereign gold bonds (SGBs) during these times.

**Real Estate Investments Surge Before Festivals:** Festivals like Navratri and Diwali are considered lucky for property purchases. Developers offer discounts and schemes, leading to a rise in real estate transactions. Home loan disbursements increase during this period due to higher consumer demand.

**Auto & Consumer Goods Stocks Gain During Festive Seasons :** Festive seasons, especially Dussehra and Diwali, see higher automobile sales due to special promotions and cultural preferences. Companies in the automobile, consumer durables, and retail sectors experience a sales surge, often reflecting in their stock prices.

**Post-Festival Slowdown (Correction Bias) :** After the festival euphoria, there is often a market correction as spending stabilizes. Stocks that gained momentum due to festive sales (like auto, FMCG, and retail) may experience a pullback. Investors sometimes overestimate long-term growth based on short-term festive spikes.

**Liquidity & Inflation Concerns :** Increased spending and liquidity during festival periods can lead to higher inflation. The RBI sometimes adjusts interest rates or liquidity measures post-festive seasons to counterbalance excess spending.

**Behavioural Bias: Overconfidence & Herd Mentality :** Many investor follow market trends blindly during festivals due to sentiment-driven optimism. Herd behaviour leads to irrational stock buying, often without evaluating fundamentals.

## **2. Review of Literature**

**Soni (2016)** studied the impact of festive seasons on household savings and expenditures in North India. The study revealed that during festivals, families often divert funds from long-term investments (like

retirement plans and SIPs) towards immediate consumption, gifts, and gold purchases. This indicated the dominance of **mental accounting and present bias** in financial decisions.

**Shukla (2016)** emphasized the symbolic and emotional value of festival investments, particularly in gold and property. The study noted that purchases were not only made for financial returns but also for **social status and religious beliefs**, making festivals a period of increased "aspirational consumption."

**Banerjee and Chakraborty (2015)** investigated household portfolio allocation during Durga Puja and Diwali. They found a clear spike in gold purchases and fixed deposits, demonstrating a **low-risk investment preference**. The authors argued that cultural norms reinforced tangible and safe investments during festivals.

**Verma (2017)** analyzed stock market performance around major festivals and found evidence of the **festival effect**, similar to the **holiday effect** in global markets. Indian stock indices displayed positive momentum around Diwali (Muhurat Trading) and Holi, suggesting optimism bias and **overconfidence among traders**.

**Raghunathan and Mishra (2018)** examined behavioural shifts in investment behaviour during festive seasons. They concluded that optimism and **overconfidence bias** were higher during festivals, leading to riskier investments in equities and short-term instruments compared to non-festival periods.

**Batra and Verma (2017)** highlighted how individuals engage in **mental accounting** by setting aside separate "festival budgets." These budgets often covered not only consumption but also gold and small savings investments, indicating the blending of consumption and investment motives.

**Nair and Bhatia (2018)** differentiated between rural and urban investment patterns. Rural households exhibited higher spending during agriculture-related festivals (e.g., Pongal, Onam), often investing in farming equipment, while urban households demonstrated higher equity and real estate investments during Diwali and Christmas.

**Choudhary and Chawla (2017)** found that cultural and religious sentiments strongly influenced the purchase of **gold during Akshaya Tritiya and Diwali**. Gold was seen as both auspicious and a safe hedge against uncertainty, making it the dominant festival-linked investment asset.

**Chopra and Mehta (2018)** analyzed **Muhurat Trading** on the Bombay Stock Exchange (BSE) and observed that trading volumes increased significantly during Diwali. They attributed this surge to **herding behaviour**, where retail investors follow collective optimism rather than rational financial analysis.

**Jain and Sharma (2017)** investigated the influence of promotional schemes and festival discounts on financial decisions. They noted that festival-linked marketing campaigns by banks and NBFCs pushed individuals towards **short-term loans and consumer financing**, which indirectly reduced long-term investment allocations.

**Thaker (2016)** explored the connection between **cognitive biases** and festival-linked investments. The study found that households demonstrated **anchoring bias** (relying on traditional practices like buying gold or silver on specific dates) even if alternative investments provided better returns.

**Gupta (2014)** examined gold purchase behaviour in Gujarat during Diwali and Akshaya Tritiya. The findings showed that more than 70% of respondents believed that buying gold during these festivals ensured prosperity, illustrating the **intersection of cultural beliefs and financial decisions**.

**Aggarwal (2012)** studied long-term trends in festival-related consumption and investment, finding that despite modernization and financial literacy, **traditional preferences for gold and real estate persisted**, particularly during Diwali, Eid, and Navratri.

**Patel and Desai (2010)** highlighted the festival-driven demand cycle in India, noting that **durables, automobiles, and property sales peak during Diwali and Dussehra**. While these are consumption goods, they were perceived as **assets or investments** by households, reflecting the blurred line between expenditure and investment during festivals.

**Bhattacharya (2009)** provided early evidence of **seasonal spikes in mutual fund inflows** around Diwali, suggesting that cultural optimism and financial institution promotions contribute to investment surges during festive seasons.

### 3. Objectives of the Study

1. To study behavioural effect while making financial decisions on expenditure and investment during festivals like herding biases and mood congruence biases.
2. To study how individuals allocate their finances for consumption, luxury spending, spending on durables and gifting purposes during major Indian festivals such as Diwali, Holi, Navratri, Eid, Christmas etc.
3. To assess individuals' investment behaviour and whether festival-induced optimism or sentiment-driven decision-making affects their investment choices in equity, gold, real estate, cryptocurrency, etc.

4. To understand the role of cultural, traditional psychological and social influences in shaping financial decisions during festivals.

#### **4. Research Methodology**

The study employs a descriptive and cross-sectional research design. Both primary and secondary data sources were utilized.

Primary Data: Collected through a structured questionnaire distributed via Google Forms, covering demographic details, expenditure patterns, and investment behaviours during festivals.

Sample: 175 respondents from various demographic categories.

Sampling Technique: Non-probability convenience sampling.

Data Analysis: Descriptive statistics (frequencies, percentages) and chi-square tests were applied using SPSS to explore relationships between demographic variables (age, gender) and behavioural finance effects.

Limitations: Response bias due to cultural sensitivity in financial matters; limited representation of Eid and Christmas due to geographical sampling constraints.

#### **5. Data Analysis and Results**

##### **5.1) Main expenditure Pocket during Festivals :**

The distribution of respondents who selected their main expenditure pocket during festivals is as follows:

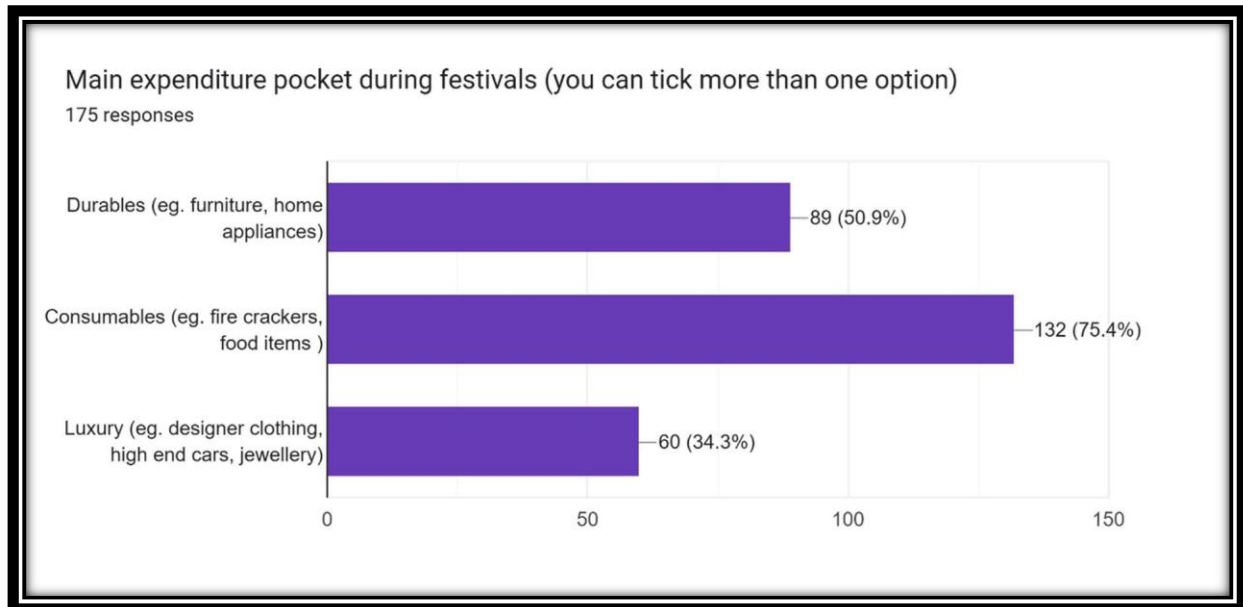


Figure-5.6- main expenditure pocket during festivals

The bar chart presents the main expenditure pockets of individuals during festivals, based on 175 responses. Respondents were allowed to choose multiple options, reflecting the variety of expenditure categories during festive occasions. **Consumables (75.4%)** - A majority of respondents (132 out of 175) reported spending on consumables such as **firecrackers and food items**. This indicates that festivals are primarily associated with **celebratory consumption and short-term enjoyment**, aligning with cultural traditions (e.g., sweets, special meals, crackers during Diwali). Such expenditure reflects the **psychological aspect of instant gratification and social norms of celebration**. **Durables (50.9%)** - About half of the respondents (89 individuals) reported expenditure on durables like **furniture and home appliances**. This suggests that festivals also serve as a **trigger for major household purchases**, often driven by festival-linked discounts, auspicious timings, and cultural beliefs. This finding aligns with the notion of **mental accounting** where families earmark festival bonuses or savings for long-term household improvements. **Luxury Items (34.3%)**- A smaller yet significant proportion (60 respondents) reported expenditure on luxury items such as **designer clothing, jewellery, and high-end cars**. Luxury spending reflects **status signalling and aspirational consumption**, often influenced by **herding behaviour and social comparison** during festivals. Although comparatively lower than consumables and durables, luxury expenditure shows how **festivals are tied with prestige purchases**.

## 5.2) Main investment pocket during festivals:

The distribution of respondents who selected their main investment pocket during festivals is as follows:

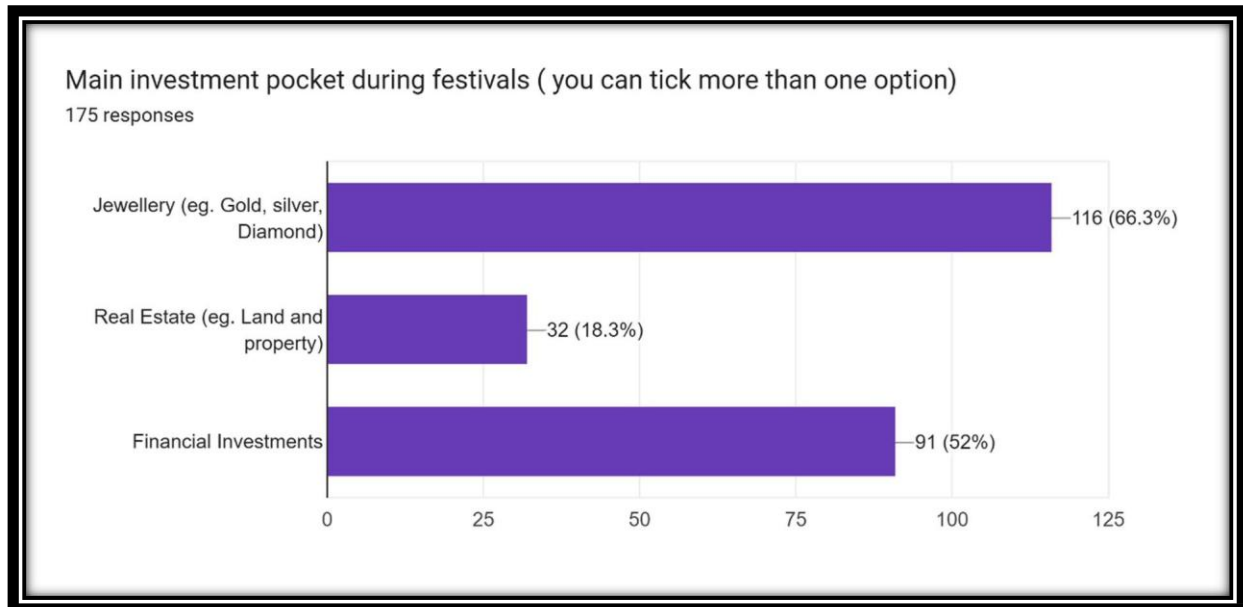


Figure-5.2- main investment pocket during festivals

**The majority of respondents (116 out of 175) reported investing in jewellery, including gold, silver, and diamonds. This reflects the deep-rooted cultural and religious belief that purchasing precious metals during festivals (especially Diwali, Dhanteras, and Akshaya Tritiya) brings prosperity and good fortune.**

Jewellery is perceived not only as an adornment but also as a store of wealth and a low-risk investment, aligning with mental accounting and tradition-driven behaviour. Festivals tend to push spending somewhat out of control. A significant proportion of respondents (91 individuals) invested in financial instruments such as mutual funds, stocks, fixed deposits, and insurance during festivals.

This shows a growing modern investment orientation, where festivals are considered an auspicious time to begin new ventures or savings schemes. It also reflects the influence of financial institutions' festival-linked schemes and promotions, supported by optimism bias. A relatively small proportion (32 respondents) invested in real estate (land and property). While traditionally seen as a long-term wealth creator, high costs and affordability issues likely limit widespread real estate investment during festivals.

However, those who do invest view festivals as auspicious for major asset purchases, following cultural beliefs and favourable market offers.

### 5.3) how Festivals tend to push spending somewhat out of control

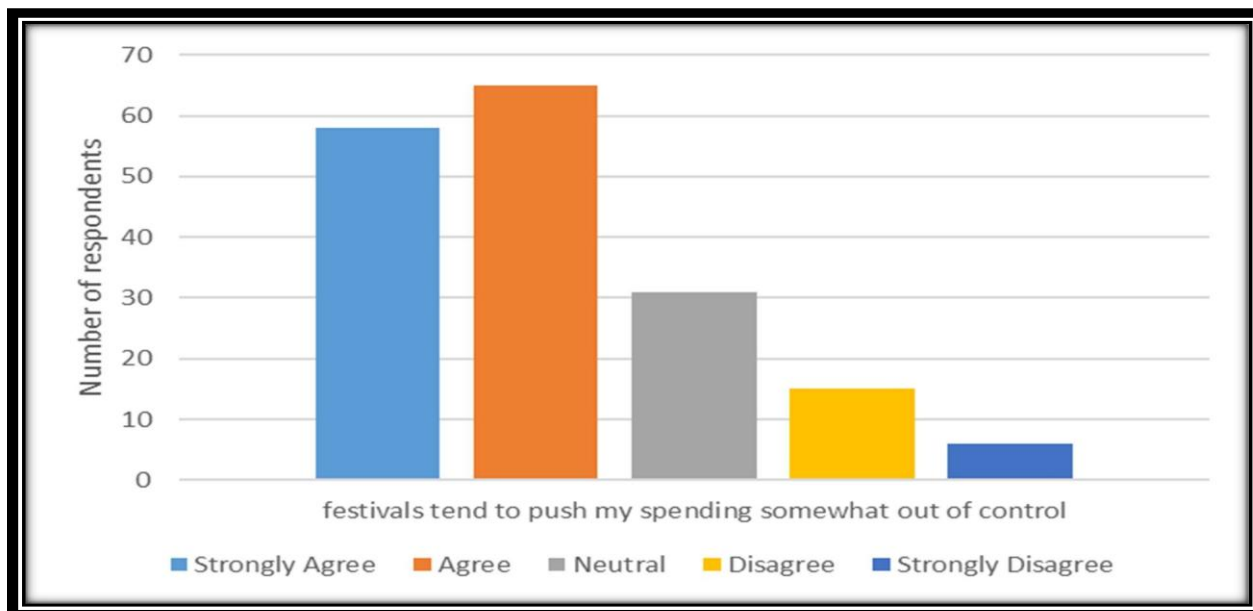


Figure-5.8- distribution of respondents on how Festivals tend to push my spending somewhat out of control

The chart shows that a majority of respondents feel that festivals tend to push their spending somewhat out of control, with **65 respondents agreeing** and **58 strongly agreeing**, together making up over two-thirds of the sample. Around **31 respondents remained neutral**, indicating uncertainty or balance in their festival spending, while only a small fraction, **15 disagreed** and **6 strongly disagreed**, suggesting that for most individuals, festivals create a psychological and social environment that encourages higher-than-normal expenditure. This reinforces the behavioural finance perspective that cultural and emotional factors during festivals trigger overspending tendencies, often beyond rational budgeting and financial control.

#### 5.3) Effect of Behavioral factors on Festival expenditure Decision

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Total
The effect of festivals is such that at times I end up doing enormous spending without actual requirement	29	72	47	24	03	175
%	16.57%	41.14%	26.86%	13.71%	1.71%	100%

Festivals are making want me to spend money on unusual things:	37	51	45	37	05	175
%	21.14%	29.14%	25.71%	21.14%	2.85%	100%
Festival mood affects how much we spend during festivals	38	82	41	11	03	175
%	21.71%	46.86%	23.43%	6.28%	1.71%	100%
There is social influence on the spending decisions (If neighbors/relatives have brought then I "should" buy.)	23	42	62	33	15	175
%	13.14%	24%	35.43%	18.86%	8.57%	100%

The findings indicate that behavioural factors play a strong role in shaping festival expenditure decisions. A significant proportion of respondents (57.7%) agreed or strongly agreed that festivals often lead them to spend excessively, even without actual need, reflecting the influence of impulse buying and present bias. Similarly, more than half of the respondents (50.3%) admitted that festivals encourage them to spend on unusual items they would not typically purchase, showing the role of novelty-seeking and festival-induced excitement. The impact of mood and emotions was even more pronounced, with 68.6% of respondents acknowledging that the festive atmosphere directly affects their level of spending, supporting the behavioural finance notion of emotional bias and optimism effect. Social influence also emerged as a key factor, where 37.1% agreed or strongly agreed that they feel compelled to spend if neighbours or relatives make purchases, while 35.4% remained neutral, suggesting mixed levels of susceptibility to herding behaviour and social comparison. Overall, the results highlight that emotional triggers, social norms, and psychological biases strongly influence spending decisions during festivals, often leading to expenditures beyond rational financial planning.

#### 5.4) Primary expenses during festivals

Points (A)	Gifts (B)	Clothes and accessories (C)	Decorations (D)	Food and beverages (E)	Religious activities (F)	Entertainment (G)
6	30	44	04	42	39	16
5	13	55	14	46	30	17
4	24	29	45	26	24	27
3	19	27	42	39	27	21
2	36	16	46	16	35	26
1	53	04	24	06	20	68

Points	Points of Gifts (A*B)	Points of Clothes & acc.(A*C)	Points of decorations (A*D)	Points of Food & beverage (A*E)	Points of Religious act.(A*F)	Points of Entertainment (A*G)
6	180	264	24	252	234	96
5	65	275	70	230	150	85
4	96	116	180	104	96	108
3	57	81	126	117	81	63
2	72	32	92	32	70	52
1	53	4	24	6	20	68
<b>Total points</b>	<b>523</b>	<b>772</b>	<b>516</b>	<b>741</b>	<b>651</b>	<b>472</b>

### Rankings for primary expenses during festivals

Rank	Total Points	Expenses
1	772	Clothes and accessories
2	741	Food and beverage
3	651	Religious activities
4	523	Gifts
5	516	Decorations
6	472	Entertainment

The total weighted score for each category is calculated by multiplying the number of responses by the rank value and then summing the results. **Clothes & Accessories (772 points)** - This category has the highest priority, indicating that most respondents consider it a primary festival expense. **Food & Beverages (741 points)** - Ranked second, this signifies that a substantial budget is allocated for festive food. **Religious Activities (651 points)** - Following closely, this shows its importance during festivals. **Gifts (523 points)**- This category also holds a significant portion of the budget. **Decorations (516 points)** - With moderate priority, this expense ranks next. **Entertainment (472 points)** - Ranked lowest, reflecting that festival spending is less focused on entertainment. Based on the analysis, the primary focus of festival expenses is on clothing, food, and

religious activities, while entertainment and decorations are lower priorities. This trend suggests that cultural and traditional aspects, such as new attire and Customs of eating with the whole family. and relatives and sharing sweets with neighbours and relatives during festivals, play a crucial role in festival expenditures.

### 5.5 The various types of investments they make in festivals.:

Sr. no.	Types of investments during festivals	Number of respondents selected out of 175	Percentage of respondents selected
1	Jewellery	130	74.3%
2	Fixed Deposits	34	19.4%
3	Mutual Funds	47	26.9%
4	Real estate	19	10.9%
5	Stock/Share	66	37.7%
6	Cryptocurrency	15	8.6%

### 5.5) Factors influence the changes on investment and expenditure during festivals:

Sr no.	Factors influence changes	Number of responses out of 175	Percentage
1.	Market trends	108	61.7%
2.	Festive discounts	85	48.6%
3.	Religious beliefs	83	47.4%
4.	Social pressure	36	20.6%

### 5.6) The emotion drive them for festival expenses:

Sr no.	Emotion drive for festive expenses	Number of responses out of 175	Percentage
1.	Happiness	160	91.4%
2.	Social Obligations	37	21.1%
3.	Peer pressure	13	7.4%

The data indicates that **happiness is the most dominant emotional driver** for festive expenses, with **91.4% of respondents (160 out of 175)** reporting that joy and celebratory emotions motivate their spending during festivals. This finding highlights the strong influence of **positive emotions and affect heuristic** on financial behaviour, where individuals derive satisfaction from spending as a way of enhancing festive experiences. In contrast, **21.1% of respondents (37 individuals)** cited **social obligations**—such as traditions, rituals, or expectations from family and community—as reasons for spending, showing that cultural norms also play a considerable role in shaping expenditure. Meanwhile, only **7.4% (13 respondents)** acknowledged **peer pressure** as a driver of their expenses, suggesting that while social comparison and herding behaviour exist, they are less influential compared to intrinsic happiness and cultural duties. Overall, the results emphasize that **emotional gratification, rather than external pressure, is the primary factor behind festival-related expenditures**, supporting behavioural finance theories that link financial decisions with psychological and cultural influences.

### 5.7) Factors affecting while taking Festival expenditure Decision :

	Agree	Neutral	Disagree
Festivals influence financial behaviour	110	59	6
Festivals are considered an opportunity for investments, such as gold, stocks, or mutual funds	96	65	14
Regular investment patterns are changed during festivals	90	65	20

Spending during festivals exceeds that of normal months.	107	65	03
Regret is sometimes felt over financial decisions made post-festivals	36	74	65
A budget is specifically planned for festivals	73	76	26
Financial education or planning is believed to help manage festival expenditures better.	90	67	18

**5.8) Association between Gender & Impact of behavioural factors on expenditure:**

*HO: There is no association between Gender and the impact of behavioural factors e on festival expenditure.*

*H1: There is association between Gender and the impact of behavioural factors e on festival expenditure.*

<b>Statement</b>	<b>Chi-Square</b>	<b>P- Value</b>	<b>Ho accept/rejected</b>
Festivals tend to push my spending somewhat out of control	14.943 <sup>a</sup>	.0293	Ho rejected
The effect of festivals is such that at times I end up doing enormous spending without actual requirement	4.541 <sup>a</sup>	.338	Ho accepted
Festivals are making want me to spend money on unusual things	.668 <sup>a</sup>	.955	Ho accepted
Festival mood affects how much we spend during festivals	12.408 <sup>a</sup>	.0461	Ho rejected
There is social influence on the spending decisions (If neighbours/relatives have	7.002 <sup>a</sup>	.136	Ho accepted

brought then I "should" buy.)			
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The chi-square test results reveal a mixed association between gender and the impact of behavioural factors on festival expenditure. A significant association was found for the statements “*Festivals tend to push my spending somewhat out of control*” ( $\chi^2 = 14.943$ ,  $p = .0293$ ) and “*Festival mood affects how much we spend during festivals*” ( $\chi^2 = 12.408$ ,  $p = .0461$ ), leading to rejection of the null hypothesis in these cases. This suggests that men and women differ in how much they perceive loss of spending control and the influence of festive mood on their expenditure decisions. However, for other behavioural factors—namely “*enormous spending without actual requirement*,” “*spending on unusual things*,” and “*social influence on spending decisions*”—the p-values were greater than 0.05, leading to acceptance of the null hypothesis. This indicates that these aspects of behavioural influence are not significantly different across genders, implying that both men and women are similarly affected by unnecessary purchases and social comparison during festivals. Overall, the findings suggest that while festival mood and perceived spending control vary across genders, other behavioural drivers of expenditure remain broadly similar for men and women.

5.9) **Association between Age & Impact of behavioural factors on expenditure:** HO:

There is no association between Age and the impact of behavioural factors e on festival expenditure.

H1: There is association between Age and the impact of behavioural factors e on festival expenditure.

Statement	Chi-Square	P- Value	Ho accept/rejected
Festivals tend to push my spending somewhat out of control	5.980 <sup>a</sup>	.917	Ho accepted
The effect of festivals is such that at times I end up doing enormous spending without actual requirement	9.651 <sup>a</sup>	.647	Ho accepted
Festivals are making want me to spend money on unusual things	7.621 <sup>a</sup>	.814	Ho accepted
Festival mood affects how much we spend during festivals	14.714 <sup>a</sup>	.026	Ho rejected

There is social influence on the spending decisions (If neighbours/relatives have brought then I "should" buy.)	10.210 <sup>a</sup>	.048	Ho rejected
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The chi-square results indicate that **age has a selective association with behavioural factors influencing festival expenditure**. For most statements—“*Festivals tend to push my spending somewhat out of control*” ( $\chi^2 = 5.980$ ,  $p = .917$ ), “*At times I end up doing enormous spending without actual requirement*” ( $\chi^2 = 9.651$ ,  $p = .647$ ), and “*Festivals make me spend money on unusual things*” ( $\chi^2 = 7.621$ ,  $p = .814$ )—the null hypothesis was accepted, showing **no significant association between age and these expenditure behaviours**. This suggests that people across all age groups share similar tendencies toward overspending, impulse purchases, and non-essential festival expenses. However, significant associations were found for “*Festival mood affects how much we spend during festivals*” ( $\chi^2 = 14.714$ ,  $p = .026$ ) and “*There is social influence on the spending decisions*” ( $\chi^2 = 10.210$ ,  $p = .048$ ), leading to rejection of the null hypothesis. This indicates that **the effect of festive mood and susceptibility to social influence vary across different age groups**, with younger individuals likely being more driven by mood and peer/social pressure compared to older respondents, who may exercise more financial restraint. Overall, the results highlight that while certain spending behaviours are universal across ages, **emotional triggers and social influence are more age-sensitive drivers of festival expenditure**.

#### 5.10) Association between gender & factors affecting while taking Festival Expenditure Decision

	Chi-Square	P- Value	Ho accept/rejected
Festivals influence financial behaviour	11.389 <sup>a</sup>	.023	Ho rejected
Festivals are considered an opportunity for investments, such as gold, stocks, or mutual funds	10.142 <sup>a</sup>	.032	Ho rejected

Regular investment patterns are changed during festivals	.367 <sup>a</sup>	.833	Ho accepted
Festive bonuses play an important role in influencing investment decisions.	14.631 <sup>a</sup>	.041	Ho rejected
Spending during festivals exceeds that of normal months	12.757 <sup>a</sup>	.041	Ho rejected
Regret is sometimes felt over financial decisions made post- festivals	2.857 <sup>a</sup>	.240	Ho accepted
A budget is specifically planned for festivals	11.583 <sup>a</sup>	.047	Ho rejected
Financial education or planning is believed to help manage festival expenditures better	.068 <sup>a</sup>	.966	Ho accepted

The Chi-Square test was applied to analyze the association between festivals and financial behaviour, and the results reveal interesting insights. The findings show that **festivals significantly influence financial behaviour** ( $\chi^2 = 11.389$ ,  $p = .023$ ), indicating that individuals tend to alter their financial patterns during festive periods. **Festivals are also considered an auspicious opportunity for investments such as gold, stocks, or mutual funds** ( $\chi^2 = 10.142$ ,  $p = .032$ ), which is culturally ingrained in many households. Similarly, **festive bonuses were found to play an important role in shaping investment decisions** ( $\chi^2 = 14.631$ ,  $p = .041$ ), suggesting that additional income during festivals is often channelled into either investments or major purchases. Moreover, **spending during festivals was significantly higher compared to normal months** ( $\chi^2 = 12.757$ ,  $p = .041$ ), confirming the tendency of consumers to overspend during festive times, while **a significant association was also observed for budgeting, where families often plan their expenditures in advance for festivals** ( $\chi^2 = 11.583$ ,  $p = .047$ ).

On the other hand, certain aspects showed no significant association. **Regular investment patterns remained largely unaffected by festivals** ( $\chi^2 = .367$ ,  $p = .833$ ), suggesting that people continue with their long-term financial commitments irrespective of festive seasons. Likewise, **regret over financial decisions made during festivals was not significant** ( $\chi^2 = 2.857$ ,  $p = .240$ ), indicating that most individuals accept their festive expenditures without remorse. Furthermore, **financial education or**

planning was not perceived as a major factor in managing festival expenditures ( $\chi^2 = .068$ ,  $p = .966$ ), showing that cultural and social factors dominate financial decision-making during such periods rather than formal financial literacy.

Overall, the results highlight that while **festivals strongly drive spending, investment opportunities, bonuses, and budgeting**, they **do not disrupt regular investments, do not generate regret, and are not significantly influenced by financial literacy**.

## 6. Findings and Conclusion

The findings suggest that festivals drive both short-term consumable spending and long-term investment-like purchases (durables and luxury items).

Consumables dominate, highlighting the cultural and social importance of food and celebratory items.

However, durable and luxury expenditures also remain significant, showing that festivals are seen as auspicious times for asset purchases (a blend of cultural traditions and behavioural finance biases).

This mix of immediate enjoyment and long-term purchases illustrates how festivals reshape individual expenditure and investment patterns.

Jewellery dominates as the most popular festival investment, showing continuity of traditional behaviour across generations.

Financial investments are gaining traction, indicating a shift toward modern asset classes and increased financial literacy.

Real estate remains the least preferred during festivals, likely due to affordability constraints and long-term commitment involved.

The results illustrate how behavioural finance factors—particularly cultural beliefs (gold), optimism bias (stock/mutual funds), and mental accounting (festival savings)—shape investment decisions during festivals in India.

The present study highlights how behavioural factors significantly shape expenditure decisions during festivals in India, reinforcing the relevance of behavioural finance theories. The results demonstrate that a majority of respondents acknowledged that they often indulge in excessive or unnecessary spending during festivals (57.7%), driven by impulse and emotional excitement. This finding resonates with Soni (2016), who reported that festival-related spending frequently diverts households away from long-term savings towards short-term consumption needs, driven by psychological impulses rather than rational planning.

The study also found that 50.3% of respondents agreed that festivals push them to spend on unusual or non-essential items, reflecting novelty-seeking behaviour and the effect of mental accounting, where individuals create separate “festival budgets.” This aligns with Batra and Verma (2017), who found that households set aside dedicated funds for festival purchases, often resulting in discretionary or non-essential spending beyond regular consumption patterns.

Furthermore, the strong role of emotions and festive mood (68.6%) in driving expenditure supports the behavioural finance notion of affect heuristic and optimism bias. Raghunathan and Mishra (2018) also noted that festival optimism leads to overconfidence and higher risk-taking, both in consumption and investment behaviour. Similarly, Shukla (2016) observed that festival-related consumption is often tied to symbolic and emotional satisfaction rather than pure economic utility.

The study's findings also highlight the influence of social pressure and herding behaviour, where 37.1% of respondents admitted feeling compelled to spend when neighbours or relatives made purchases. This observation corresponds with Chopra and Mehta (2018), who identified herding behaviour in stock market activity during Muhurat trading, and with Choudhary and Chawla (2017), who found that cultural and social norms strongly influenced the purchase of gold during Diwali and Akshaya Tritiya. These parallels suggest that both consumption and investment behaviours during festivals are shaped by social comparison and collective decision-making rather than individual rationality.

In line with Banerjee and Chakraborty (2015), who found a surge in low-risk investments like gold and fixed deposits during festivals, the present study also indicates that cultural beliefs and social norms act as anchors, guiding individuals toward specific expenditure patterns. Importantly, the findings support Thaler's (1985) mental accounting theory and Kahneman and Tversky's (1979) prospect theory, which emphasize how emotions, traditions, and perceived gains influence financial choices differently from rational economic models.

The findings confirm that festivals act as a major driver of financial behaviour, encouraging both increased spending and investment. Cultural traditions and festive bonuses enhance the tendency to invest in gold, stocks, and mutual funds during these periods. Budgeting practices highlight the conscious preparation of families for festive expenses, yet the influence of financial literacy remains minimal, indicating that spending is largely guided by cultural and social factors rather than financial knowledge. Importantly, long-term investment patterns remain stable, and individuals generally do not regret their festive financial decisions, suggesting that overspending is socially normalized during festivals.

## **Conclusion**

This study concludes that Indian festivals significantly reshape individual expenditure and investment patterns, influenced by behavioural biases, cultural traditions, and social pressures. While consumables and clothing dominate festive expenses, jewellery remains the most preferred investment due to its cultural and symbolic value. At the same time, modern financial products such as mutual funds and equities are gaining acceptance, reflecting a gradual shift towards diversified investments. The findings highlight that emotions, optimism, and social influence often drive spending beyond rational financial planning, yet such behaviour is socially normalized and rarely regretted. Overall, the study reinforces the importance of integrating behavioural finance insights into financial literacy initiatives, marketing strategies, and policy interventions to promote more balanced and informed financial decisions during festive periods.

## 7. Suggestions and Implications

1. Financial planners should promote awareness campaigns for budgeting and responsible festive spending.
2. Policymakers can introduce financial literacy initiatives to address cultural and psychological biases.
3. Businesses should align their marketing strategies ethically, avoiding exploitation of consumer biases.
4. Educational institutions should integrate behavioural finance into financial education modules.
5. Consumers should be encouraged to plan festive budgets and investments in advance to minimize impulsive decisions.

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