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Income-Moderated Effects of Behavioural Biases on Investment Decisions: Evidence from Indian Individual Investors

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Abstract
Accounting-information-use theory traditionally assumes that financial disclosures are interpreted in broadly consistent ways across investor populations. However, emerging evidence suggests that socio-economic heterogeneity may systematically condition how accounting signals are processed and weighted. This study develops and empirically examines an income-conditioned heterogeneous-user framework of accounting-information interpretation, integrating behavioural finance insights into accounting theory. Specifically, we argue that behavioural biases. Temporal Focus, Authority Bias, Echo-Chamber Bias, Hyperbolic Discounting Bias, and Identity Bias do not operate uniformly, but are structurally moderated by income, thereby altering the relative weighting of earnings disclosures, audit signals, governance information, and sustainability reporting. Using primary survey data from 1,216 individual investors in the Indian financial market and a Moderated Ordered Probit Regression model, we estimate both direct and interaction effects between behavioural biases and income categories. The results demonstrate that behavioural predispositions are systematically income-contingent. Temporal Focus significantly enhances reliance on forward-looking accounting information among higher-income investors, while Authority Bias, Echo-Chamber Bias, Hyperbolic Discounting Bias, and Identity Bias exhibit strong income-based heterogeneity in shaping responses to accounting disclosures. Lower-income investors display greater sensitivity to social reinforcement, short-term earnings cues, and identity-congruent governance and sustainability narratives, whereas higher-income investors exhibit greater analytical independence in interpreting authoritative accounting signals. Conceptually, the findings extend heterogeneous-user accounting theory by introducing income-conditioned behavioural weighting as a structural mechanism in disclosure interpretation. The study challenges the implicit homogeneous-user assumption embedded in traditional decision-usefulness frameworks and demonstrates that the effectiveness of financial reporting, assurance communication, and governance disclosures is socio-economically contingent. These results contribute to theoretical developments in disclosure effectiveness, sustainability accounting interpretation, and assurance credibility, particularly within emerging-market contexts characterized by high income dispersion.

Keywords: Behavioural Biases; Income Moderation; Investment Decisions; Individual Investors; Behavioural Finance; Emerging Markets.

1. Introduction

Accounting information is very important in investment decisions made by investors. The major devices that involve the presentation of performance and credibility to the capital market participants are financial statements, earnings announcements, management guidance, audit opinions, and corporate governance disclosures. Some previous accounting studies demonstrate that market behaviour is value-relevant information that is included in the earnings and financial statement information [1, 2]. The findings support the decision-usefulness model that presumes that accounting disclosures will enable investors to make rational capital allocation decisions by informing investor beliefs.

Nevertheless, the belief that the accounting information translates in a similar way among the populations of investors deserves a more detailed theoretical analysis. Despite the fact that financial reporting aims at minimizing information asymmetry and maximizing comparability, investors do not process information that has been disclosed in the same way. The variations in cognitive orientation and economic capacity determine the interpretation and translation of accounting signals in to economic action. The finance theory of tradition presupposes the use of rational information processing and utility maximization, whereas behavioural finance studies imply that investor judgments are vulnerable to systematic factors of influence that could impair decoding of financial messages [3, 4]. These facts suggest that accounting-information-use could be preconditioned by the features of users in a systematic way but not necessarily conditioned by the quality of disclosure.

Meanwhile, corporate disclosure is a key area of concern in influencing the decision of the investors and alleviating the aspect of information asymmetry [5]. However, much of the existing literature both of behavioural finance and accounting implicitly assumes that investor groups are behaviourally homogeneous. There is a significant difference in socio-economic factors of the investors such as income. Income determines liquidity restrictions, financial strength, risk absorption skill, and ability to compute and act on ambiguous accounting reports like earnings announcement, financial statement measures, and prospective guidance. Irrespective of this, scantyward studies have theoretically modeled income as a structural predictor of heterogeneous disclosure interpretation where it is observed that in an emerging market environment where the socio-economic dispersion is high [6, 7].

Recent study of behaviour points out multiple biases especially in regard to the interpretation of accounting signals. Temporal Focus indicates how investors are concerned with long-term performance indicators or short-term earnings. The bias of authority entraps a dependency on expert opinion, audit signals and managerial advice. Echo-Chamber Bias entails a directional exposure to the homogenous sources of information that can support pre-existing meanings about financial disclosures. Hyperbolic Discounting Bias is a biasedness in preferences in the present that can overvalue short-term earnings announcement compared to long value value indicators. Identity Bias is an indicator of the correspondence between investment assessment and individual values or social identity, which may affect reactions to the disclosure of governance and sustainability. Although the behavioural effects of these biases are quite well documented, their interaction with the socio-economic capacity has not been theoretically developed in accounting-information-use models.

One of the major weaknesses of the existing body of literature is the implicit belief that behavioural biases have the same effect on the interpretation of information by all investors. Factually, investors vary with regard to financial capability, accessibility to information and ability to withstand performance fluctuations. Earnings, specifically, influence liquidity limits, absorbent capacity, and the possibility of applying long-term financial strategies [8, 9]. In terms of the accounting-theory perspective, income can consequently be a demographic characteristic but also a structural constraint of disclosure effectiveness. Better-off investors can be in a better position to use forward-looking financial reporting signals and the signals of incomplete reporting, and financially constrained investors are more likely to emphasize short-run earnings cues, simplified stories or identity-congruent reports. The decision-usefulness, in its turn, can be socio-economically contingent.

Although its conceptual significance is vital, income is commonly described as a control variable as opposed to a conditioning mechanism in behavioural and accounting studies. This is one of the gaps in theory. In the event that economic ability influences the translation of behavioural predispositions to disclosure weighting in a systematic manner, the performance of financial reporting cannot be presumed to be equal among different users. The natural environment in which to test the hypothesis of whether accounting-information-use is structurally income-contingent presents itself in emerging markets like India where income dispersion is high and the growth in the retail investor participation is high.

It is on this backdrop that the study under consideration formulates and empirically analyses an income-conditioned heterogeneous-user model of accounting-information interpretation. Developed based on five behavioural predispositions, and conceptualized as a moderator in income, Temporal Focus, Authority Bias, Echo-Chamber Bias, Hyperbolic Discounting Bias and Identity Bias, the study posits that the behavioural tendencies can be conditioned to be influenced by a structured moderator, that is, income. The analysis was based on primary survey data of 1,216 individual investors in India and a Binned Ordered Probit Regression model, providing estimates both of direct behaviour change and of income-conditioned interaction change.

This research contributes to the accounting theory in three major respects. First, it develops decision-usefulness theory by adding the concept of social-economic capacity as a constraint on the interpretation of disclosures as a delimiting factor, thus prodding the implicated implication of homogeneous-user that is intrinsic in the traditional framework. Second, it generalises the heterogeneous-user accounting theory by showing that behavioural weighting of earnings announcements, forward-looking disclosures, audit signals, communication by the governance, and sustainability reporting is structurally mediated by income. Third, the study explicates the socio-economic boundaries of accounting communication effectiveness and provides evidence to the body of theoretical understanding on how accounting communication functions in stratified interpretive settings by giving large-sample results of an emerging market setting. The purposes of the research are:

1. To examine how behavioural biases influence reliance on accounting disclosures in investment evaluation.
2. To investigate whether income conditions the relationship between behavioural biases and accounting-information-use.
3. To assess whether disclosure effectiveness is socio-economically contingent, refining heterogeneous-user decision-usefulness theory.

2. Literature Review and Hypotheses Development

2.1 Behavioural Finance, Socio-Economic Heterogeneity, and Accounting-Information-Use

The traditional financial theory presupposes that the investors are well-informed, consistent in their preferences, and rational. In this context, accounting disclosures are viewed in an objective way and efficiently incorporated in the valuation decision-

making processes. This assumption is however challenged by behavioural finance which proves that investors are guided by heuristics and they are prone to systematic judgment errors when faced with the uncertainty [4]. These behavioural predispositions suggest that accounting information interpretation might not be a rational process especially where accounting information is complex and risky.

Follow-up empirical studies indicate that behavioural biases play a potent role in determining the processing of information, risk perception and investment decisions by investors [3, 7]. Overconfidence, loss aversion, present bias and social influence are some of the tendencies that influence portfolio allocation and trading behaviour. Such behavioural impacts are particularly more pronounced in the emerging markets where financial literacy and access to information is dissimilar among groups of investors [8]. Simultaneously, the accounting disclosure theory confirms that the voluntary disclosure decisions and the quality of disclosure affect the liquidity, cost of capital and investor behaviour [10, 11]. Put simply, a combination of these research streams indicates that behavioural predispositions and disclosure attributes can jointly influence the use of the accounting information in practice.

The latest studies on behaviour also highlight the fact that investor behaviour is relative and not universal [12]. The effects of psychological biases act in association with demographic and socio-economic factors including age, education, experience, and income to influence financial decision outcomes. Risk tolerance, financial strength, and ability to plan in the long term are influenced by income, especially. Accounting-theory It suggests that disclosure efficacy and decision-usefulness could not be uniform across income levels. Rather, socio-economic capacity can predetermine the weight that earnings announcements, forward-looking guidance, audit signals and governance disclosures are assigned.

Based on this line of thinking, the current study conceptualizes behavioural biases not as determinants of participation in investments, but as processes which shape how accounting signals are interpreted and weighted. The theorization is based on income as a structural moderator that influences the translation of behavioural tendencies into accounting-information-use. This framing changes the centre of interest to non-uniform results of disclosure within the accounting theory.

2.2 Temporal Focus Bias, Income, and the Weighting of Forward-Looking Accounting Disclosures

Temporal Focus Bias indicates the degree to which the individuals accentuate future payoffs compared to short-term results. Investors who focus on time in a more future-oriented way would tend to be more focused on long term financial goals, systematic investment planning and delayed rewards. According to previous studies, future-oriented persons have more stable investment behaviour and commitment to accumulation of wealth in the long-run [7, 13]. On the other hand, short-term oriented investors are more concerned with the short-term returns and focus on more impulsive trading behaviour [14, 15].

In an accounting-information-use model, temporal orientation should have an effect on the degree of weighting that is given to various classes of financial disclosure. Investors who have a long-term horizon will be more inclined to use forward-looking accounting data, long-term performance indicators, sustainability-based disclosures and strategic direction. Conversely, the short-term oriented investors can overemphasize the current earnings announcement and the short-term performance indicators. In this way, it is possible to conceptualize Temporal Focus Bias as an influence on intertemporal weighting of accounting signals.

But there might be a correlation between the socio-economic capacity and translation of the temporal orientation into the disclosure reliance. The more financially flexible and liquid higher-income investors are, the more long-term strategies they can execute in line with future-oriented cognition [8]. Less affluent investors with cognitive futuristic tendencies might have less liquidity to do with long-run accounting information. Therefore, income can cushion the degree to which Temporal Focus Bias influences the dependence on forward-looking disclosure as compared to short term earnings indicators.

This implies, accounting-theory wise, that the decision-usefulness of forward-moving and sustainability-related disclosures are income-contingent. Temporal orientation can be more inclined to equilibrate financial products to long-term objectives and that performance should be measured using forward-looking measures, although the increase is likely to be higher in investors who have higher economic ability.

In line with this, the hypotheses proposed are as follows:

H1: Temporal Focus Bias enhances the use of future-oriented accounting disclosures as an investment decision-making factor.

H2: There is a positive moderating effect of income on the association between Temporal Focus Bias and the use of forward-looking accounting disclosures.

2.3 Authority Bias, Income, and Reliance on Authoritative Accounting Signals

Authority Bias is the disposition of investors to grant more credibility to the expertise and institutional guidance and powerful market actors in making financial decisions. The use of authoritative cues may pay off in order to find the cost of information-processing and boost trust in decision making in complex financial settings [16]. Accounting-theory-wise, some of the indicators of authority in the accounting field are audit opinions, analyst projections, credit rating, management guidance, and governance disclosure, which are related as external monitoring and credibility-enhancing controls [17]. The perceived reliability of financial reporting and investor confidence in disclosed accounting information in specific cases, such as audit quality and assurance signals, are both affected by such signals [18].

Nonetheless, overreliance on authority cues can lower independent analysis assessment and overreliance on external generated interpretation of financial performance. The current empirical research on Authority Bias has found contradictory results, with certain researchers indicating that participants increased interaction and others demonstrating situation-dependent or low-strength correlations [6, 19]. These discrepancies imply that there might be no consistency in the operation of reliance on authoritative signals among investors.

The phenomena of income can be a structural modified of reliance based on authority. The more affluent investors usually have a larger access to diversified sources of information, and might have a higher financial literacy, which makes it possible to evaluate financial statements more independently. When resource constraints or other access to alternative information resources make lower-income investors such signals more important, they may therefore rely on authoritative accounting signals more. In this way, the income can mediate how vested Authority Bias is converted into the dependence on audit reports, analyst opinions and governance disclosures in deciphering firm performance.

In accounting-information-use terms, the Authority Bias has an impact on the weightage given to credibility-enhancing disclosure mechanisms. When income is the moderator between assurance and governance signal, then, decision-usefulness of assurance and governance signals will be socio-economically contingent.

As such, the hypothesis is presented as follows:

H3: Authority Bias enhances dependence on authority accounting indicators, such as audit opinions, analyst predictions, and disclosure of governance.

H4: There is a moderating effect of income between Authority Bias and dependence on authoritative accounting signals.

2.4 Echo-Chamber Bias, Income, and Selective Processing of Accounting Disclosures

Echo-Chamber Bias occurs due to an investor using the same information sources repeatedly to support the beliefs they have instead of conflicting opinions. Selective exposure and confirmation have been strengthened in the financial context due to the growth of digital platforms, social media, and online investment communities [12, 16]. Previous studies in accounting prove that the lack of investor interest and selective information processing may lead to the distortion of market responses to financial reporting [20].

Accounting-theory Echo-Chamber Bias has an influence on the filtering and interpretation of disclosed financial information. Investors that are acting in homogeneous informational settings can become overweight to confirmatory meanings of earnings announcements, financial reports and corporate stories and underweight to inconsistent signals. This kind of selective exposure may distort the credibility and relevance of accounting information disclosed.

Empirical data shows that the dynamics of echo-chambers can lead to higher levels of investor confidence and trading as well as to mispricing and speculative behaviour [21]. Magnitude of such effects differs among the groups of investors and informational environments.

The income is most likely to affect access to various information channels and the extent of social networks in which accounting information is perceived. Investors with more income can have access to more financial analysis and institutional research, and less-income investors can be more dependent on more limited sources of peer-based or algorithmically-curated information. Therefore, it is possible that the impact of Echo-Chamber Bias on selective dependence on accounting disclosures is income-contingent.

In a heterogeneous-user accounting system, the Echo-Chamber Bias is one of the processes by which the socio-economic conditions influence the variety and equality of disclosure interpretation.

Based on this, the following hypotheses are stated:

H5: The Echo-Chamber Bias has an effect on selective dependence on homogeneous manner of interpreting accounting disclosures.

H6: Income moderates the correlation between Echo-Chamber Bias and selective use of accounting disclosures.

2.5 Hyperbolic Discounting Bias, Income, and Intertemporal Weighting of Accounting Information

Bias of Hyperbolic Discounting is an effect of being more attracted towards instant gratification as compared to delayed greater benefits. The literature of behavioural economics associates present bias with insufficient long-term assets investment and temporary trading behaviour [22, 23]. Investment accounting studies indicate that investors can pay too much attention to the standards of earnings and short-term performance levels, which strengthens short-term orientation in financial analysis [24].

In an accounting-information-use model, Hyperbolic Discounting Bias influences the intertemporal weighting of the financial disclosures. Here, the present-oriented investors can place more emphasis on the present earnings announcements and short-term performance reports and place less emphasis on long-term indicators of value such as disclosures of strategic plans, projections of growth and sustainability reports.

Time preferences and financial constraints are dependent on income. Empirical evidence suggests that financially constrained people are more present biased and are more interested in liquidity and short-term results than in long-term wealth accumulation [25]. It is possible therefore that lower-income investors will be more prone to short-term earning indicators but higher-income investors will have the financial leeway to consider and respond to long-term accounting disclosures.

Theoretically speaking, it implies that socio-economic capacity conditions decision-usefulness of the long-term financial reporting because income moderates the

behavioural weighting of intertemporal accounting signals.

Based on this, the following hypotheses are as follows:

H7: Hyperbolic Discounting Bias makes the reliance on the short term earnings disclosure as compared to the long term accounting information.

H8: Income is a moderating variable between Hyperbolic Discounting Bias and dependence on short-term earnings disclosures.

2.6 Identity Bias, Income, and Interpretation of Governance and Sustainability Disclosures

Identity Bias is a biased practice of financially investing based on individual values, social identity or group membership even when these investments are not expected to maximize financial gains [26]. The rise of thematic investing, ESG funds and community-based investment platform underscores the progress in the saliency of identity-congruent financial decisions [27].

In terms of accounting, Identity Bias influences the interpretations of investors of disclosures in governance, sustainability reporting and corporate social responsibility narratives. Identity congruent disclosures can act as anchors of cognition and can have influence on legitimacy, trust worthiness and long term viability of firms. Such disclosures have the potential to have a different persuasive value based on the socio-economic background of the investors.

The identity-based interpretation may be conditioned by income. The identity congruent cues can be used as a more frequent short cut in information processing by low-income investors in assessing firms, whereas higher-income investors may be more sensitive to quantitative financial measures and analytic processing. This means that the interpretive capability of governance and sustainability disclosures can have a systematic cross-income distribution.

In the context of heterogeneous-user accounting, Identity Bias brings into focus the socio-economic conditioning of effectiveness of non-financial disclosure.

Based on this, the hypotheses are as formulated below:

H9: Identity Bias enhances the use of identity congruent accounting disclosures such as sustainability and governance reporting.

H10: Income mediates the correlation between Identity Bias and dependence on identity-congruent accounting disclosures.

3. Research Methodology

3.1 Research Design

The research design used in this study is a quantitative, theory-based research in order to test the hypothesis on whether income moderates the relationship between behavioural biases and accounting-information based assessment of investments. Quantitative methodology is suitable in testing hypotheses that are developed based on theory and estimating the effects of interaction in structured econometric models [28]. Nevertheless, in contrast to conventional designs of behavioural finance, in which the participation in investment is the only concept of study, in the current study, the formation of investment decisions is a product of interpretation of the accounting information.

In the decision-usefulness approach, investors use accounting indicators of disclosed information, such as earnings performance, financial statements indicators, forward guidance, audit opinions and governance disclosures, to evaluate financial instruments. To this end, the dependent construct of this study entails evaluation responses that the process and the weight of accounting-based information inflict as opposed to market participation. At theorization of investment decisions is thus posited as being a view of heterogeneous accounting-information-use.

Behavioural biases are added as cognitive processes that are involved in the interpretation of accounting disclosures, and the income is conceptualized to be a structural moderator that approximates the conversion of behavioural predispositions into disclosure reliance. This framework is associated with heterogeneous-user accounting theory, in that the socio-economic capacity is explicitly related to the differentiating weight of financial reporting signals.

The survey design adopted is cross-sectional to examine fluctuation in behavioural disposition and evaluation of accounting information by investors at a particular time. This design is in line with previous behavioural studies that have been carried out under emerging market setting [7, 8]. The ability to estimate direct and interaction differences in line with the postulated theoretical relationships is only possible with explanatory design, although they cannot be strongly related due to cross-sectional data.

Generally, the research design will allow an empirical study of whether income-conditioned behavioural biases have a systematic effect on the interpretation and relative weighting of accounting disclosures, contributing to the development of knowledge on the heterogeneous accounting-information-use.

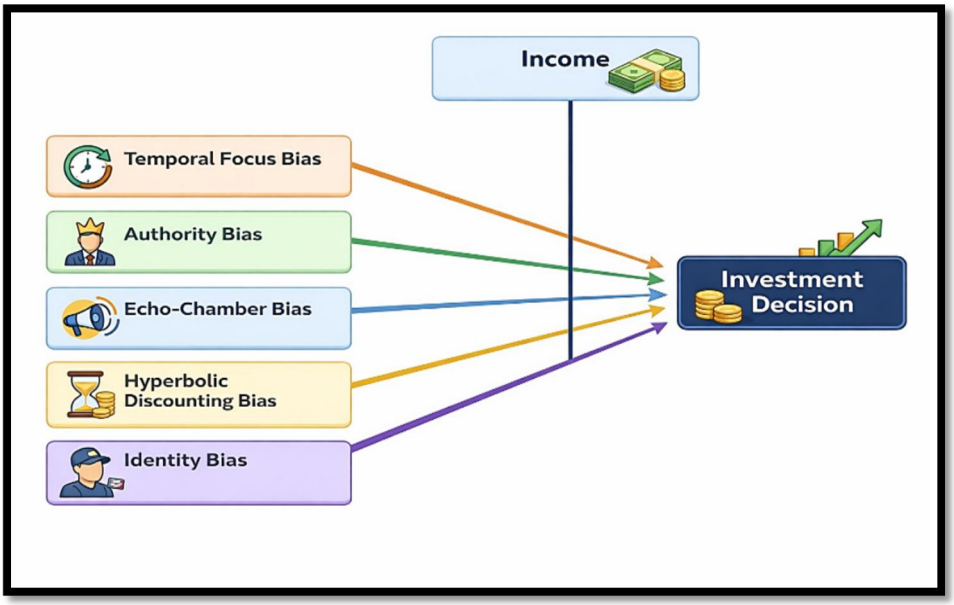

Fig 1. Conceptual Framework Showing Income as a Moderator between Behavioural Biases and Investment Decisions

3.2 Population and Sample

The target group will be individual investors who actively invest in the Indian financial market in equity investment, mutual funds, insurance-linked products or other financial instruments. The individual investor is used as the unit of analysis, which is in line with the theoretical assumption in behavioural predispositions that affect accounting-information interpretation at the individual level.

In the accounting-theory viewpoint, individual investors are a heterogeneous group of users of financial reporting products. Their judgment of earnings announcements, financial reports, governance reports and audit reports give observable evidence of different disclosure interpretation. Concentrating on individual investors, hence, makes it possible to analyze the socio-economically conditioned variation in accounting-information-use.

The structured questionnaire was used to gather primary data through online administration and offline survey to cover a wider range of demographics and income. A final sample of 1,216 valid responses was retained after the screening of the data, deletion of missing answers and verification of the responses. This is a sufficient sample size that meets the minimum eligibility criteria of the ordinal regression and interaction estimation, which has sufficient statistical power to support the proposed models [28].

3.3 Sampling Technique

Non-probability purposive sampling method was used and the respondents were those who identified themselves as active investors. This is applied in the current research especially in behavioural and capital market studies where active investors cannot be well covered with a comprehensive sampling frame [29].

The purposive sampling will make sure that respondents have adequate exposure to financial disclosures and hence are in a position to assess accounting information in a meaningful way. Since the research questions focus on the effects of behavioural biases on accounting signal interpretation and weighting, the sample could be reduced to active investors, which positively contributes to the construct validity of the study as it guarantees the applicable experience in interpreting the financial reporting data.

3.4 Measurement of Variables

The research looks at three types of variables namely, dependent, independent and moderating variables. All constructs were measured with five-point Likert scales where 1 (Strongly disagree) to 5 (Strongly agree) is used unless otherwise noted. Behavioural constructs of the measurement design are explicitly connected to accounting-information-use to reconcile proxies of empirical measurement with proxies of accounting-theory.

3.4.1 Dependent Variable

Investment Decision (ID)

Investment Decision (ID) is operationalized as ordinal measure which describes the evaluative reaction of the investors to accounting information. In particular, the construct is reflected:

1. The perceived fit between financial products and the financial long-term prospects.
2. Contentment with precedent investment performance.

These dimensions ask investors to perceive and combine reported accounting signals, such as earnings performance reports, financial statement measures, future guidance, audit reports and governance disclosures. In line with this, the dependent variable is not conceptualized as a pure participation in the market, but as the behavioural result of the accounting-information processing.

The ordinal specification represents the graded evaluation of responses in line with the decision-usefulness models in accounting studies [30]. The financial statement comparability also increases the

capabilities of investors to determine performance level and make uniform judgments [31], which supports the theoretical connection between disclosure properties and appraisive investment results. Investment Decision will therefore be used as a proxy of heterogeneous dependence on and interpretation of disclosed accounting information.

3.4.2 Independent Variables

There are five behavioural biases represented as independent variables, which are conceptualised as affecting the weighting and reasonableness of particular accounting disclosures:

- **Temporal Focus Bias (TF):** Tests the degree to which investors value indicators of long-term performance and forward-looking disclosure rather than short-term variations in earnings in making financial reporting judgments.
- **Authority Bias (AB):** Reflects the dependence on signals of authority accounting, such as management guidance, analyst forecasts, audit opinion, and governance-related disclosure in the interpretation of the performance of the firm.
- **Echo-Chamber Bias (ECB):** This is a reflection to selective exposure to homogenous sources of information that supports earlier interpretation of earnings announcements and financial statements.
- **Hyperbolic Discounting Bias (HDB):** This is used to determine the tendency to favor present financial benefits, including short-term earnings results rather than long-term value indications, as reported in financial statements.

IDB: Captures identity bias In terms of investment evaluation, i.e. in terms of the alignment of the investment evaluation, with personal values and social identity, especially concerning governance disclosures, sustainability reporting, and corporate responsibility stories.

All behavioural constructs are thus explicitly connected with accounting-information-use systems, as opposed to generic investment involvement.

3.4.3 Moderating Variable

Income

Mean monthly income was gathered and grouped in specified income bracket in order to capture heterogeneity of socio-economic status. The theorized moderator factor to explain the influence of behavioural biases to reliance on accounting disclosures is income.

In a heterogeneous-user accounting system, the income is a manifestation of economic capability that pre-determines liquidity limits, financial strength and the capacity to implement long-term or complicated accounting data. The nature of interaction between income and behavioural bias in testing the hypothesis that there is a systematic variation in the weighting of the accounting signals across income strata is tested using interaction terms.

3.5 Measurement Scale and Instrument Development

The questions of the survey were formulated according to the known behavioural financial instruments and a previous body of empirical research [6, 8]. Specifically:

Time-preference and intertemporal choice scales were informed by Temporal Focus and Hyperbolic Discounting items.

The items of Authority Bias were informed by Reliance-on-expert and advice-seeking scales.

The items of Echo-Chamber Bias were informed by selective exposure and social reinforcement scales.

• Identity Bias items were informed with values-based and identity-consistent investment scales.

In order to conduct harmonization with the accounting theory, the items were contextually modified to specifically mention that financial reporting, earnings disclosures, governance communication, audit signal, and sustainability reporting. The instrument was reviewed by academic professionals in the field of finance and accounting to be assured that it meets the frameworks of decision-usefulness, as well as, heterogeneous-user perspectives.

Each construct consisted of several Likert-type items in order to measure stable behavioural tendencies and increase reliability. Pilot test of the questionnaire was carried out to find out how clear the reference is to earnings performance, governance signals, audit communications and context of disclosure interpretation.

The instrument design makes sure that the measures of behaviour are based on how investors react to accounting-based information but not abstracted psychological characteristic. The theoretical assumption is confirmed by experimental accounting studies that show that disclosure form and presentation do induce investor judgment and decision-making [32].

Table 1: Measurement of Variables

Construct	Description	Scale
Investment Decision (ID)	Likelihood of investment participation	Ordinal
Temporal Focus Bias (TF)	Future-oriented financial thinking	Likert (1–5)
Authority Bias (AB)	Reliance on expert opinions	Likert (1–5)
Echo-Chamber Bias (ECB)	Social and information reinforcement	Likert (1–5)
Hyperbolic Discounting Bias (HDB)	Preference for immediate rewards	Likert (1–5)
Identity Bias (IDB)	Identity-aligned investment choices	Likert (1–5)

Income	Average monthly income	Categorical

3.6 Data Analysis Technique

Hypotheses are examined through a Moderated Ordered Probit Regression Analysis using interaction terms. This approach is used as the dependent variable is ordinal and because determining moderation effects is the research target [30, 33]. The moderated ordered probit specification enables examination of whether income conditions the influence of behavioural biases on investor responses to accounting-based evaluative outcomes.

The model estimates:

- Direct impacts of behavioral biases on investment decisions, and
- Terms for income by bias interaction effects.

Checking the adequacy of models is performed through the Wald statistics, pseudo R^2 indices and goodness-of-fit statistics. VIFs are used to diagnose multicollinearity to provide robust estimates

3.7 Ethical Considerations

The survey was conducted out of voluntary participation of the respondents and they understood that it was an academic research. The respondents were anonymous; they were not asked to reveal their personal data and did not imply any personal identity. The ethics of social science research are in compliance with such practices.

The methodological design also permits in an accounting sense the analysis of the effect of behavioral biases as well as inequalities in incomes with the use of accounting as the information to make investment choices by the investors. The adopted constructs and ordinal modelling framework are appropriate to model the assessment of the financial statements, corporate disclosures, governance signals, and audit-related information of investors which is typically a perception and determination in such continuous outcome categories but not in ranked categories. The study will be able to empirically test this claim using the income as a moderating variable in the regression model that investors of different incomes make use of varying proportions of accounting information in making investment decisions. This mode of methodology makes the correlation between behavioural finance and accounting literature robust since it allows the access to the guidance of the processing of financial reporting, corporate governance reporting, and audit communications between the heterogeneous groups of investors.

4. Results and Analysis

4.1 Descriptive Statistics and Preliminary Analysis

The initial step was to analyze descriptive statistics in order to determine distributional characteristics of the variables and to determine the baseline differences per income categories. Findings indicate that there is a definite socio-economic heterogeneity in assessing investment responses in evaluations. Investors with lower income levels are found to be more sensitive to short-term returns and socially induced signals, whilst higher-income investors are found to be more consistent with long-term monetary goals and satisfaction with the past results of investments.

The preliminary patterns indicate that there is variation in the weighting of disclosed financial information across income strata, in the accounting-theory perspective. Investors with more income also seem to be more focused on long-term performance measures and prospective disclosures whereas those with lower income levels are found to be more responsive to short-term earnings signals and socially mediated interpretations of accounting information.

The variables of behavioural bias did not indicate any extreme skewness or kurtosis, which contributes to the appropriateness of the ordinal regression analysis. The diagnostics of multicollinearity show that there is an acceptable level of correlation between the explanatory variables, indicating that estimates of the coefficients would be stable in the future models. These initial diagnostics can be used to provide reasonable inference on the proposed income-conditioned heterogeneous-user framework.

4.2 Empirical Analysis of Income-Conditioned Disclosure Weighting

This section presents empirical results examining whether income conditions the relationship between behavioural biases and accounting-information-based investment evaluation. Two related evaluative outcomes are analyzed:

(i) Alignment of financial products with long-term financial goals (Model 1); and

(ii) Satisfaction with prior investment performance (Model 2).

Both outcomes reflect investor responses to disclosed accounting information, including earnings performance, financial statement indicators, forward-looking guidance, audit signals, and governance disclosures.

Direct Effects

As the findings shown in Table 3 suggest, Temporal Focus (TF) has a statistically significant positive direct effect in both models. The result is in line with the theoretical hypothesis that expectations investors will pay more weight to long-term and forward-looking accounting disclosures to make evaluative judgments.

Conversely, Authority Bias (AB), Echo-Chamber Bias (ECB), Hyperbolic Discounting Bias (HDB) and Identity Bias (IDB) fail to show remarkably high among the whole sample. The lack of homogeneous direct effects implies that the mechanisms of behaving do not affect disclosure interpretation in the same way by investors.

Income-Conditioned Interaction Effects

It is found that as the outcome of the interaction indicates income is a structurally relevant moderator. A number of behavioural biases can only be statistically significant when conditional on particular income group especially between the middle-income and the lower-

income populations.

In the case of Temporal Focus, the positive interaction effects are such that high-income investors can convert future-oriented thinking into greater conformity between financial objectives and the disclosed information on performance. This helps in the opinion that economic capacity increases dependence on future-oriented accounting indicators.

In the case of Authority Bias, the effects of interaction is that, dependence on cues of authority accounting (audit opinions and analyst advice) differs by income level. Investors with higher incomes have lower sensitivity to cues of authority meaning that they are more analytically independent in assessing disclosed financial data.

Echo-Chamber Bias has income-dependent effects especially among the low-income investors. This implies that selective exposure to homogenous interpretation of earnings announcement and corporate disclosure is more apt to have a disclosure weighting effect when there is limited informational diversity.

There are also strong interaction effects in Hyperbolic Discounting Bias which depicts that little income investors tend to overweight short-term earnings results in comparison to long-term accounting proofs. On the other hand the present-bias effects of higher-income investors are also not so strong meaning that they are more tolerant to variations in long-term performance.

The same can be said of Identity Bias which displays heterogeneity that is conditioned by income. The lower-income investors seem to be more sensitive to identity-congruent governance and sustainability disclosures, but higher-income investors are relatively weak in the identity-based weighting of the disclosures.

Table 2: Effect of Behavioural Biases on Investment Decisions with Income as a Moderator (N = 1216)

	Investment Decision	
	AORs (Model 1)	**AORs (Model 2)**
Variable	Products and Services Align with Financial Goal	Satisfied with Investment Decisions in Past Years
TF (Ref.: Disagree)		
Agree	1.571947**	1.914889***
	(0.376774)	(0.638730)
Average Monthly Income (Ref.: INR195,702.40 and Above)		
INR102,105.60-144,649.601	3.201546***	2.824893
	(0.867451)	(0.726010)
INR153,158.40-195,702.40	1.804418**	2.089953***
	(0.514562)	(0.830615)
INR42,544 and below	3.795568***	1.943064
	(0.204914)	(0.845102)
INR51,052.80-93,596.80	1.124801	2.750714
	(0.543142)	(0.878743)
Moderation Effect:		
INR102,105.60-144,649.60 ψ TF	0.894150	0.899196
	(0.291107)	(0.383127)
INR153,158.40-195,702.40 ψ TF	3.089714***	3.307571***
	(0.624794)	(0.724841)
INR42,544 and below ψ TF	1.541023***	1.520123***
	(0.756102)	(0.845012)
AB (Ref.: Disagree)		
Agree	1.304997	1.203714

[1]As of the time (20/11/2024) when the data collection was finalized, the exchange rate for INR/1US$ was 85.0880 (Source: Reserve Bank of India, 2024)

	(0.354536)	(0.401797)
Moderation Effect:		
INR102,105.60-144,649.60 ψ AB	1.035647**	0.955271
	(0.337995)	(0.380662)
INR153,158.40-195,702.40 ψ AB	0.123396***	0.035787
	(4.061194)	(1.178156)
INR42,544 and below ψ AB	0.001507	0.002542
	(0.011071)	(0.018643)
ECB (Ref.: Disagree)		
Agree	0.895336	0.789787
	(0.311181)	(0.301434)
Moderation Effect:		
INR102,105.60-144,649.60 ψ ECB	1.774919	1.879132
	(0.718320)	(0.850905)
INR153,158.40-195,702.40 ψ ECB	2.830902**	2.846861
	(2.633854)	(0.691647)
INR42,544 and below ψ ECB	3.777396***	3.648012***
	(1.084175)	(0.292482)
HDB (Ref.: Disagree)		
Agree	1.135899	0.814742
	(0.374788)	(0.300137)
Moderation Effect:		
INR102,105.60-144,649.60 ψ HDB	0.556697	0.889282
	(0.238754)	(0.428734)
INR153,158.40-195,702.40 ψ HDB	0.800459***	0.278004***
	(0.644008)	(0.032900)
INR42,544 and below ψ HDB	2.723467**	2.759159*
	(1.265748)	(1.477200)
IDB (Ref.: Disagree)		
Agree	1.342536	1.393836
	(0.410859)	(0.488281)
Moderation Effect:		
INR102,105.60-144,649.60 ψ IDB	1.022460	0.923398
	(0.375442)	(0.393863)
INR153,158.40-195,702.40 ψ IDB	0.107400***	0.442900***
	(0.098300)	(0.059076)
INR42,544 and below ψ IDB	1.466778	2.232057***
	(0.657534)	(0.250624)
Observations	1216	
Wald $\chi 2$	64.85	
p-value	0.0348	
Pseudo R2	0.0679	

Notes: ψ=Moderating notation; TF=Temporal Focus Bias; AB=Authority Bias; ECB=Echo-Chamber Bias; HDB=Hyperbolic-Discounting Bias; IDB=Identity Bias; Sub-indicators suffering from multicollinearity were dropped from the estimates; AORs=Adjusted Odds Ratio; Base Category= Disagree Exponentiated coefficients; Standard errors in parentheses.
+ $p < 0.10$, * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

4.3 Hypothesis-wise Interpretation of Results

4.3.1 Temporal Focus Bias (H1 and H2)

The findings are in good support of H1 and H2. Temporal Focus has a strong positive relationship with the evaluative investment results, which implies that those investors who are future oriented accord more weight to the long-term and forward-looking accounting disclosure to make judgments. This observation is consistent with the theoretical hypothesis that intertemporal orientation influences the relative importance of financial reporting signals.

The effects of interaction also prove that income reinforces this relationship. Greater reliance on future-oriented performance measures, sustainability disclosure and long-term financial guidance are converted into higher-income investors making this future-oriented cognitive commitment. Though the lower-income investors might be future-oriented tendencies, the level of liquidity restriction seems to restrict the extent to which they shape disclosure reliance.

Regarding this, accounting-theory, these findings indicate that the decision-usefulness of forward-looking and sustainability-related disclosures are income-contingent. The success of long-term reporting indicators is not merely based on cognitive orientation, but it is also based on socio-economic capacity. The structuring of accounting information with temporal weighting is thus brought into existence by income.

4.3.2 Authority Bias (H3 and H4)

The lack of meaningful direct impact on Authority Bias suggests that dependence on the use of authoritative cues, including the opinion of the auditor, analyst advice and disclosure of governance is not consistently dependent on the investor. H3 is not homogenously supported, therefore.

The important effect of interaction however favors H4. There is a systematization in the moderator effect of income on the Authority Bias and evaluative outcomes. The more income investors are more independent of authoritative cues which implies that they are more independent in the interpretation of the financial reporting. Conversely, less-fortunate investors seem to be more sensitive to authority indicators of accounting.

These results suggest that audit and governance disclosure role in enhancing the credibility of the audit report is socio-economically differentiated. The authority of the accounting indicators lacks homogeneous effects on the investor groups; on the contrary, they have weight in interpreting them depending on economic capabilities. This contradicts unspoken beliefs that assurance and governance communication would influence all users in the same way.

4.3.3 Echo-Chamber Bias (H5 and H6)

There is no significant direct effect on the entire sample in Echo-Chamber Bias, hence H5 is rejected. The interaction terms however strongly favour H 6 and indicate significant income-conditioned heterogeneity.

Poor moderation has been found to be stronger among low-income investors, meaning that the repetition of homogeneous financial narratives has a strong impact on evaluative investment reactions. Selective exposure in the accounting terminology seems to enhance the reliance on confirmatory interpretations of earnings announcements and corporate disclosures among the economically strained groups.

The implications of these findings include the fact that the disclosure interpretation depends on more than just the reporting content but the informational environment where investors work. The diversity of accounting-information exposure is conditioned by income, thus the balance and objectivity of disclosure weighting. Financial reporting may thus be effective in part due to the differences in informational access in socio-economic terms.

4.3.4 Hyperbolic Discounting Bias (H7 and H8)

The Hyperbolic Discounting Bias does not present a significant uniform direct effect, which provides partial support of H7. Nevertheless, H8 is empirically supported with high interaction effects.

Poor investors are very present-bias, and focus more on current profitability results of their investments as compared to long-term financial reporting. Investors with greater income exhibit smaller present-bias effects, that is, they are more tolerant to variability of long-term performance.

These results suggest that accounting-wise, the relative level of persuasion of quarterly earnings announcement relative to long-term strategic disclosure depends on income levels. The behavioural effect of short-term earnings communication seems to be more significant among financially constrained investors and the behavioural effect of long-term value-relevant disclosures among higher-income investors. Effectiveness of intertemporal disclosure is thus socio-economically predetermined.

4.3.5 Identity Bias (H9 and H10)

The direct effects of Identity Bias are not always of strong nature, which supports H9 to a limited degree. Nonetheless, H10 is well supported with great effects of moderation.

The identity-congruent disclosures, such as governance narratives and sustainability reporting, are being more responsive among lower-income investors. Conversely, identity-based weighting is less observable among

higher-income investors, which implies that they tend to rely more on quantitative financial measures.

These results show that ESG, governance and narrative disclosure interpretive influences are income-dependent. Identity-congruent accounting cues can be used as cognitive anchors in economically limited situations, whereas more economically advantaged investors seem to use analytical processing of financial indicators more intensively.

Cross-Hypothesis Synthesis

This grows into a regularity in all models: the direct behavioural impacts take the form of weaker tendencies as compared to income-conditioned interaction impacts. This implications are that behavioural biases are not sufficient in accounting-information-use. Rather, the interaction between socio-economic capacity and behavioural predisposition determines the relationship between behavioural predisposition and disclosure weighting.

Taken together, the findings give empirical evidence to an income-conditioned heterogeneous-user model of accounting-information interpretation. There is no consistency in the effects of earnings signs, forward-seeking disclosures, audit opinions, governance reporting, and sustainability reporting on the investor populations. Instead, their interpretive value is distributed systematically according to income groups.

These results contribute to the accounting theory by showing that the effectiveness of disclosure is not only an attribute of reporting, but it is also influenced by the socio-economic structure. The implicit homogeneous-user hypothesis that is closely embedded in the traditional decision-usefulness models is thus theoretically incomplete. The interplay between the predispositions of behaviours and economic capacity imparts accounting-information-use conditioning.

5.1 Reliability Analysis

Cronbachs alpha coefficients were used to measure internal consistency of the behavioural constructs. The estimates of reliability were as follows: Echo-Chamber Bias (= 0.951), Identity Bias (= 0.962), Authority Bias (= 0.968), Temporal Focus Bias (= 0.935), and Hyperbolic Discounting Bias (= 0.950). The values of all coefficients are above the recommended scale of 0.70, which shows high internal consistency of the multi-item scales [28].

In accounting-theory terms, it is the high internal consistency that is vital since all the constructs are operationalized as mechanisms that affect the interpretation and weighting of accounting disclosures. The findings of reliability show that the items in each construct have a coherent capture of stable behaviour tendencies relating to earnings announcement reliance, future guidance, audit signals, governance communication, and sustainability reporting.

The reliability estimates are sufficiently strong to allow one to be confident that the behavioural measures capture consistent patterns of using accounting-information-use as opposed to individual or idiosyncratic responses. This increases the validity of the subsequent inferences on income-conditioned heterogeneity in the interpretation of disclosure.

Table 3: Reliability Statistics

Construct	Number of Items	Cronbach's Alpha (α)
Echo-Chamber Bias (ECB)	10	0.951
Identity Bias (IDB)	10	0.962
Authority Bias (AB)	10	0.968
Temporal Focus Bias (TF)	9	0.935
Hyperbolic Discounting Bias (HDB)	10	0.950

5.2 Validity Assessment

5.2.1 Content Validity

The content validity was guaranteed by using the items of measurement according to the developed literature on the behavioral finance and by using the validated scales [6, 8]. Academic specialists and financial practitioners were consulted in order to provide a review of the questionnaire so as to ensure that the concepts are conceptually clear, adequate in coverage as well as relevant. There were minor enhancements in accordance with the feedback of experts to enhance interpretability. More specifically, the Temporal Focus and Hyperbolic Discounting items were founded on the established time-preference and intertemporal choice scales, Authority Bias items on reliance-on-expert and advice-seeking scales, Echo-Chamber Bias items on values-based and identity-aligned investment scales, and Identity Bias items were described on values-based and identity-aligned investment scales in the prior behavioural finance literature. All this was done contextually to get investor responses on accounting disclosures, earnings signals, stories on governance, and audit related signals.

5.2.2 Construct Validity

Construct validity was determined by looking into the inter-item correlations and theoretical coherence. The behavioural bias constructs also displayed logical and theoretically sound correlations with the variables of investment decisions that affirmed validity of the idea. There are also no true or false relationships which prove that the scales are good enough to measure the constructs of behaviour behind it (Hair et al. sufficiently measure the underlying behavioural concepts) [28].

5.3 Multicollinearity Diagnostics

Variables Multicollinearity between independent variables and interaction terms Various Multicollinearity The Variance Inflation Factors (VIF) was used to analyse the variables of Multicollinearity. As ordered probit estimation does not directly provide VIFs, additional linear regression models with the same set of explanatory factors and interaction terms were estimated. The values of VIF were all below 5, implying the lack of serious Multicollinearity problems in the approximated models [34]. Variables that had the potential of overlapping in the initial analysis had been filtered thus the models would become stable.

5.4 Model Fit and Diagnostic Tests

The assessment of model fit and adequacy respectively was done using Wald kh2 statistics and pseudo R2 respectively suitable in ordered response models. The model demonstrates satisfactory fit (Wald kh2 = 64.85, p = 0.0348; pseudo R 2 = 0.0679). This kind of statistics demonstrates that the exploratory power of the model is reasonable when taken to be under consideration in the context of ordered response models and that the systematically under-fitting will not take place and the estimated probabilities are associated with the observed kinds of investment decision-making.

5.5 Robustness Checks

To further validate the stability and generalizability of the empirical findings, multiple robustness checks were conducted.

5.5.1 Alternative Model Specification

To estimate a first robustness, re-estimation was done on a principle Moderated Ordered Probit Regression using an Ordered Logit Model. The qualitative consistency of the results i.e. in the signs of the coefficients, the level of significance and the effects of interaction, level and interaction effects were observed. The income moderating effect on Temporal Focus, echo chamber bias, hyperbolic discounting bias and identity bias remained and the fact that the findings are independent of the link function applied was established. Echo-Chamber Bias, Hyperbolic Discounting Bias and Identity Bias remained and demonstrates that no dependencies of the results exist on the selection of link function.

5.5.2 Income Reclassification Test

The income categorization was to be done by classifying the income categories into bigger ones as low, middle, and high income. Recalculation of the models based on the new classification generated the same results with the simplistic results. Direction and the importance of the key interaction terms were the same and it is an indication that moderate effects that are found in this case are not caused by the clustering of incomes. key interaction terms were not changed.

5.5.3 Subsample Analysis

Subsample analysis was estimated by estimating various models of low and high inflation rates of investors. The findings confirmed that Temporal Focus Bias has a good predictor in subsamples and Echo-Chamber, Hyperbolic Discounting, and Identity bias has a larger impact on middle-income investors. Prejudice of Power insignificant amidst better-paid investors. The findings complement the behavioural patterns (inspired by income) that were found in the main analysis. findings complement the behavioural patterns (conditioned by income) that were found in the main analysis.

5.5.4 Influential Observation and Stability Checks

In order to be certain that the results were not a result of extreme responses, the influential observations and the possible outliers were checked. High leverage observations were not significantly excluded in coefficient estimates and statistical significance. Elimination of high leverage data did not differ the coefficient estimates and significance levels significantly. This is a pointer to the consistency of the findings and helps in the confidence of the empirical findings. The agreement of findings presented in the alternative model specifications, reclassification of income, and subsample analysis also adds to the accounting-information explanation of the findings. Specifically, stabilization of income-conditioned effects of interaction suggests that dissimilar dependence on earnings information, disclosure tales, audit indications and signals of governance is resilient across methods of analysis.

6. Discussion of Findings

6.1 Income-Conditioned Heterogeneous-User Accounting

The main theoretical implication in this research is the position of the homogeneous-user assumption that is inherent in the decision-usefulness theory. Conventional accounting models are based on the assumption that when financial information is relevant, faithfully presented, and comparable it will be used to improve the quality of decisions broadly in the same manner by the various users of that information. Although user sophistication can differ, in reality disclosure usefulness is considered conceptually neutral in terms of socio-economic position.

Economic context does not work independently of behavioural predispositions. Instead, income has a systematic influence on the translation of behavioural disposition into dependence upon earnings report, future orientation guidance, audit report, governance report and sustainability report. The socio-economic ability determines the severity and the trend of behavioural weighting in accounting-information-use.

In this regard, income can be viewed as a structural filter, by which accounting information is filtered. The disclosure effectiveness cannot be achieved by the reporting characteristics or the biases in behaviour only, but rather by the combination of the cognitive orientation and the economic capacity. Communication in accounting thus exists in stratosphere interpretative conditions but not a homogenous decision system.

This reframing does not eliminate decision-usefulness

theory, but it narrows down this theory. It is important to realize that the usefulness of accounting information is socio-economically contingent instead of being universal.

6.2 Temporal Focus and the Intertemporal Structure of Disclosure Usefulness

The findings pertaining to Temporal Focus point to the fact that the intertemporal aspect of financial reporting is income-conditioned. The future-oriented investors put more importance on long-term performance indicators, forward-looking disclosure, and sustainability reporting. Nevertheless, the power of this orientation as well as economic capacity goes up.

It implies that cognitive preference of long term-evaluation is not adequate in itself to influence disclosure reliance. Financial resilience and liquidity are what enable the act to be performed in relation to futuristic information. The more affluent investors are more equipped to absorb the changes in performance and thus give more interpretive significance to long-horizon accounting cues. Even future-oriented lower-income investors might be structurally constrained to the extent that they are not allowed to rely on long-term disclosures.

The accounting-theory approach views the temporal aspect of decision-usefulness, as not being neutral among the users. There is a systematic range of persuasive power of long-term reporting based on the socio-economic capacity. The architecture of financial communication, used in the intertemporal form, is therefore, structurally heterogeneous.

6.3 Authority Bias and the Socio-Economic Credibility of Assurance Mechanisms

The Authority Bias multi-interaction with income illustrates that auditing opinion credibility, analyst forecasts, and governance disclosures do not have the same influence on investors. Investors with higher incomes are more analytically independent, which implies that they are less dependent on authoritative cues. Such signals seem more sensitive to the lower-income investors.

This implies that the assurance and governance roles of the accounting communication are socio-economically differentiated. The authoritative accounting signals are dependent on the economic security of the user to some extent to determine the persuasive strength of these signals. Credibility is therefore not the business of the quality of audit or the design of the disclosure only, but also of the socio-economic status of the investor who interprets the signal.

The results narrow down the assurance theory by implying that credibility perception is not quite universal and is structurally acquired.

6.4 Echo-Chamber Bias and the Informational Embeddedness of Disclosure Interpretation

Echo-Chamber Bias shows that the meaning of disclosure is premised on the informational ecosystems that vary in terms of socio-economic strata. It seems that lower-income investors are more vulnerable to homogeneous or social confirmation of the earnings announcements and corporate disclosure. The informational restriction could enhance the dependency on simplified accounts.

The algorithmic curation and digital community can cement confirmatory patterns of interpretation even among upper-middle-income investors. These dynamics indicate that accounting announcements may elicit different evaluative reactions when they are received by different informational architecture.

Disclosure effectiveness cannot be well conceived without social and informational surroundings of users in the accounting-information perspective. Interpretation is not an entirely technical process; it is mediated socially and conditioned by income.

6.5 Hyperbolic Discounting and the Socio-Economic Structure of Short-Termism

Hyperbolic Discounting Bias is income-conditioned, which shows that the short-term earnings communication has a different effect on socio-economic groups. Investors with low income are more concerned with short-term returns, whereas wealthier investors are less sensitive to variations in long-term returns.

This is an indication that income has a structural influence on the relative persuasive power of quarterly earnings reports compared to long term strategic disclosures. The economic constraint condition increases the effect of present bias and short-term accounting cues are more behaviourally salient to some groups of investors.

Theoretically, the socio-economic structure of financial reporting is the temporal weighting. The arguments on the issue of short-termism and long-term value communication should thus be heterogeneous in economic capacity.

6.6 Identity Bias and the Socio-Economic Interpretation of ESG and Governance Reporting

The Identity Bias also demonstrates that the explanatory power by the ESG and governance disclosed information differs between the income levels. Less affluent investors are more responsive to identity-congruent narratives, but richer investors seem to be strongly dependent on quantitative financial indicators.

This result indicates that there is no consistent persuasive power of sustainability and governance reporting. Disclosures consistent with identity could serve as cognitive anchors especially when there exists financial constraint where interpretive heuristics that lack complexity are more salient.

In this regard, narrative and value-oriented accounting communication is more or less effective based on the socio-economic structure of the investment base.

6.7 Implications for Accounting Theory

Collectively, the results expand behavioural finance by putting the cognitive biases in a socio-economic framework. More to the point, they contribute to the theory of accounting by proving that accounting-information-use is systematically influenced by systems of income-conditioned behaviour mechanisms.

There are three more general theoretical implications.

To begin with, socio-economically contingent concepts of decision-usefulness have to be reconstructed. It is theoretically incomplete to assume that disclosure attributes have homogeneous interpretive effects on users.

Second, the effectiveness of disclosure is a collective and joint determination of behavioural predispositions and economic capacity. The quality of reporting is not sufficient to understand variation in investor response.

Third, the operationalisation of accounting communication exists in the stratified interpretative settings with uneven access to information, liquidity and behavioural weighting patterns.

Combining behavioural finance and accounting theory therefore results in a more realistic model of financial reporting effects one whereby accounting information is subjected to income conditioned behavioural filters. The effectiveness of disclosure is not applicable everywhere, and socio-economic environment of the user structures its mediation.

7. Implications

7.1 Theoretical Implications

The current research contributes to the development of the accounting theory by offering evidence that supports the heterogeneous-user perspective of accounting-information-use and disclosure effectiveness. These results have shown that there is no homogeneous processing of accounting information among investors. Rather, behavioural disposition influences the interpretation and weighting of earnings announcement, financial statement reporting, forward-looking announcement, audit opinion, governance communication and sustainability reporting in a manner which is conditioned by income in a systematic way. By doing so the study questions the implicit homogeneous-user assumption frequently present in decision-usefulness reasoning and develops disclosure effectiveness theory by presenting income-conditioned behavioural weighting as a structural process that affects accounting-information processing.

First, the findings narrow accounting attitudes towards the intertemporal disclosure usefulness. The relationship between Temporal Focus and accounting-information-based investment evaluation is broadly positive and significant at high levels of income of investors. This implies that future-oriented thinking does not necessarily completely identify dependence on long-term disclosures but economic capacity facilitates the process of translating future-oriented interpretation into evaluative decisions. In turn, the theoretical usefulness of forward-looking guidance, long-horizon performance measures, and sustainability-related disclosures is income-contained, which means that the usefulness of long-term reporting is bounded.

Secondly, the results add to the accounting theory of assurance credibility and governance communication since they show that authoritative accounting signaling is not always weighted equally. Though Authority Bias does not have a universal direct impact, its pattern that is conditioned by income shows that trusting audit opinions, analyst forecasts, and management has different degrees of variation in relation to particular socio-economic layers. This makes the theoretical knowledge of assurance and governance signaling more refined in that the credibility role of such disclosures might be greater with certain groups of investors compared to others.

Third, the findings add to the disclosure interpretation theory by showing the influence of information environments in the accounting-information-use. Income-conditioned Echo-Chamber effects suggest that active exposure to homogeneous narratives is associated with determining the interpretation of earnings and company disclosures by investors, especially when faced with informational constraints. This implies that disclosure effectiveness is not based solely on the disclosed information but on the informational architecture that the users face and experience the accounting signals.

Fourth, it impacts sustainability and narrative reporting theory informing that Identity Bias can be socio-economically conditioned. The governance and ESG disclosures can serve as identity-congruent signals of different interpretive strength in different income groups. Identity congruent disclosures seem to be more effective among economically constrained investors, suggesting that the informational power of sustainability and governance stories is not homogeneous and needs to be theorized as a dependent variable that is conditional upon user properties.

In general, the paper enhances the accounting theory by considering behavioural mechanisms in disclosure, reporting, and assurance communication systems, as well as providing empirical evidence to support the hypothesis that accounting communication efficacy is structurally heterogeneous under the condition of emerging market in high income dispersion.

7.2 Practical Implications

Its implications are on the regulators, financial advice providers, investment platforms and corporate reporting interest groups, especially, in emerging markets where investors are heterogeneous.

The findings endorse the income-sensitive investor protection and financial inclusivity measures. Vulnerabilities Behavioural vulnerabilities include, but are not limited to, exposure to the echo-chamber, present bias, and identity-based interpretation, which seem to be more pronounced in low-income investors. Regulators can increase investor protection by promoting disclosure practices that enhance interpretability among users with limited economic capabilities such as better presentation of key metrics, contextual description of earnings performance as well as balanced reporting that eliminates excessive reliance on headline data. The investor education programs can also be in such a way that they deal with social reinforcement, short-termism and interpretation of disclosures, which is identity-driven.

Wealth managers and financial advisors. Conditional behavioural inclinations can be included in the advisory

strategies. In the case of lower-income clients, the emphasis of advising can be on disciplined long-term planning, strategies to reduce current bias, and sensitivity of social and identity-based cues that can lead to interpretation bias of financial reporting. In the case of more income clients, advisory can be done to enhance an independent assessment of the disclosures, diversification, and systematic decision-making processes that are less prone to overconfidence or biased attention.

Online investment platforms, fintech companies. The platform design may affect the exposure and interpretation of information. This needs to be done so that investment interfaces and content recommendation systems reduce the effect of echo-chamber reinforcement and increase exposure to a variety of credible sources of accounting information. Action Transparency in recommendation logic, having a variety of informational perspectives and tools that place a high value on long performance and risk disclosure can lead to minimisation of excessive reinforcing behaviour, especially amongst vulnerable groups of income earners.

Reporting of corporate, audit communication and governance/ESG reporting. The findings suggest that the effectiveness of disclosure is determined by the heterogeneity of users. Investors with limited financial means, reporting methods that enhance decipherability and lessen interpretive uncertainty, including plain-language descriptions, contextualized earnings tales, and direct commentary on cash-flow effects, might ease overreaction to simplified information. In the case of more advanced users, additional information on risk, future-oriented advice, and more disaggregated performance data can be more helpful in analytical analysis. Audit and assurance reporting and governance and sustainability reporting should prioritize the emphasis on clarity and credibility and narrative and quantitative reporting should be balanced, taking into consideration the understanding that identity-consistent cues might be more influential in some groups of investors.

8. Conclusion

This paper has looked at the issue of whether or not income moderates the relationship between behavioural predispositions and investment evaluation using accounting-information based in the Indian financial market among individual investors. The analysis was based on primary survey data of 1,216 investors using a moderated ordered probit model and evaluated direct and income-conditioned effects of five behavioural biases, Temporal Focus, Authority Bias, Echo-Chamber Bias, Hyperbolic Discounting Bias and Identity Bias. The results suggest that there is no homogenous operation of behaviour mechanisms among investors. In its place, the income systematically moderate the conversion of behavioural preferences into dependence on accounting information, such as the earnings disclosures, financial statement indicators, forward-looking guidance, audit opinion, governance communication, and sustainability reporting. Temporal Focus also shows a positive correlation with evaluative results in a consistent manner and the positive effect results are more pronounced in higher-income investors, indicating that economic capacity amplifies dependence on long-horizon accounting cues. Conversely, Authority Bias, Echo-Chamber Bias, Hyperbolic Discounting Bias, and Identity Bias possess significant income-conditioned impacts and economically constrained investors tend to be more enthusiastic to social reinforcement, present-based weighting of earnings and identity-congruent interpretation of governance and sustainability disclosures. Theoretically, the research moves the accounting theory in that it helps to provide an income-conditioned heterogeneous-user model of accounting-information-use. The data contravenes the assumptions of homogeneous-user in the traditional reasoning of decision-usefulness and shows that disclosure effectiveness can be determined by the interplay between behavioural predisposition and socio-economic ability. These lessons would be particularly applicable in emerging markets where income dispersion and inconsistent participation of investors are eminent. In general, the theory of the study aids in developing the theory by explaining the boundary conditions when various accounting cues, including earnings, assurance cues, governance communication, and sustainability reporting, influence investor assessment. It also offers implications of the practice in the field of disclosure design, audit communication, investor education, and digital information environment.

9. Limitations and Future Research

It should be noted that there are a number of limitations. First, the study is based on cross-sectional survey information that represents the perceptions of investors at a single measurement. Consequently, the results are to be taken as the indication of association due to proposed theoretical relationships, and not the determination of causal effects. Future investigations can use longitudinal techniques to study how income-conditioned behavioural-weighting changes by time and market cycles and economic conditions.

Second, self-reported responses are used in the study, and the results might be influenced by social desirability and perceptual error. Future research may add to survey measures with an experimental design or transactional data to augment measurement accuracy and discover mechanisms with more precision.

Third, attention to individual investors in India can restrict external validity to institutions or other nations. The framework could also be expanded to institutional investors in the future to make cross-country comparisons to determine whether income-conditioned disclosure interpretation differs between regulatory regimes and other cultures.

Fourth, although the proposed framework focuses on the role of income, other socio-economic and psychological determinants such as financial literacy and risk perception, digital engagement, and personality traits might influence behavioural biases to shape accounting-information-use. These constructs could be incorporated

to aid in a holistic heterogeneous-user model.

Lastly, as much as moderated ordered probit offers a powerful econometric model, other methods, including experiment, mixed-method designs, or quasi-experimental studies can help to better understand the impact of particular disclosure characteristics (e.g., emphasis on narrative or numerical disclosures, simplified or detailed disclosures, level of assurance, or ESG framing) on investors of different income levels. Future accounting studies can also establish whether disclosure factors including earnings quality, assurance level, detail in a particular type of governance, and credibility of sustainability reporting can condition income-conditioned behavioural weighting, thus enhancing theoretical convergence between accounting communication design and behavioural mechanisms.

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