

# From Daoist Philosophy to Financial Practice: Wu Wei and Passive Investing in Indian Equity Markets

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**Abstract:** The research paper explores how the concept of Wu Wei that is a fundamental aspect of the Daoist philosophy can be used in influencing investor behavior in the context of passive investing in the Indian equity markets. The study is qualitative in nature that primary information is gathered using retail investors to examine the linkage between the non interventionist attitudes and the investment strategies. The results indicate that there is a strong positive association between Wu Wei orientation and passive investment methods like index investing and passive portfolio holding. The statistical analysis of the results proved that investors who act in accordance with Wu Wei values have fewer behavioral biases, such as overtrading and making irrational decisions. The paper reveals how philosophical theories can be applied in the analysis of financial behaviour, especially within culturally plural markets, such as India. It also concludes that Wu Wei can be used to provide a useful perspective to advocating disciplined, stable and efficient investment policies to add to the behavioral finance literature as well as the practice of investment policy decision-making

**Keywords:** Wu Wei, Daoist Philosophy, Investor Behavior, Passive Investing, Indian Equity Markets, Behavioral Finance, Investment Decision-Making.

## Introduction

The growing dynamism and chaos of the international financial markets have prompted investors to find means through which they focus on the attainment of stability discipline, and value creation over the long term. In a sense, passive mimicking that involves little action and level of dependence on market efficiency has become prominent in the developed and emerging economies

including India. On the same financial evolution, the ancient philosophies like Daoism which have developed conceptual frameworks can be paralleled to the present day investment behavior. Wu Wei, or effortless action, or action through non-action, is one of such principles, which suggests being in harmony with the processes of nature, as opposed to imposing something on it.

Wu Wei is based on the classical Daoist writings like the *Dao De Jing*, and promotes harmony, spontaneity, and non-coercion of action. Instead of engendering passivity, it implies the best condition of participation where the actions become intuitive and in tune with the dynamics of nature (Van, 2025). This philosophy in the financial world is in line with passive investment models like index investing which is not based on stock selection but market forces. The intersection of Daoism ideology and financial practice is a singular interdisciplinary perspective through which to analyze the phenomenon among investors, especially in a new market, such as India, where conventional ideologies tend to intertwine with new economic models.

Behavioral finance has held that rationality of decision-making, with examples of overconfidence, herding, and overtrading. Passive investing in turn makes less room to such biases by restricting the freedom to make active decisions. This restraint is philosophically justified by the principle of Wu Wei which is associated with the idea that non-intervention can result in the workings of more efficient outcomes by letting the market forces operate in an undistorted way. Researchers have started to examine the applicability of Daoist philosophy in economics and organizations, where it has the possibility to affect decision-making and the success of innovation (Chen et al., 2025).

The index funds and exchange-traded funds (ETFs) have hastened the adoption of passive investment strategies in the Indian scenario. Nevertheless, it does not exclude the fact that investor behavior is still dependent on psychological and cultural aspects. This paper seeks to close the tradeoff between theory and practice in the field of finance by focusing on how passive investing behavior may be informed by Wu Wei in Indian equity markets. Through the combination of Daoist philosophy and behavioral finance concepts, the study aim is to offer a new point of views to investment decision making.

## Literature Review

Research on Wu Wei and its use in the economics setting has grown in the recent years especially in interdisciplinary researches incorporating philosophy, management, and finance. Barbalet (2011) has explored the use of Wu Wei in study of the post reform market economy in China where he advocates the application of the principle in assisting a spontaneous order that requires minimal intervention in which a market will run efficiently. This school of thought is in line with classical economic discourse that focuses on the self-regulating markets.

Wu Wei has been related to non-coercive management and in adaptive decision-making in organizational and leadership studies. Xing and Sims (2012) concluded that Daoist beliefs, such as Wu Wei, affect leadership practices in that they result in flexibility, flow and reflexivity of the decision-making process. Correspondingly, research in the entrepreneurial domain indicates that Daoist principles of letting-go can lead to the growth of the reputation and long-term sustainability (Zhang and Chen, 2021).

In behavioral finance, the concept of passive investing has been a significant focus of study as a measure to reduce thinking errors. Barber and Odean (2000) are of the opinion that regretful intercession is necessary and their study revealed that overtrading diminishes returns on investments.

Another approach promoted by Bogle (2017) is index investing, which he claimed to be cost-efficient and effective. With these findings, it can be seen, indirectly, that they adhere to the Wu Wei philosophy which disapproves of action which does not lead to naturalness with the market.

In recent interdisciplinary research, there is an explicit attempt at relating Daoist philosophy to economic and technological relationships. In their study, Chen et al. (2025) have discovered that Daoist thinking has a beneficial effect on innovation and digital finance, as it psychologically leads to resilience and adaptability. This implies that the economic behavior and decision making processes such as the investment strategies would be influenced by the philosophical frameworks.

The notion of doing nothing or doing by nothing has been applied metaphorically to the financial markets in the context of passive investing. As an example, Wu Wei has been defined as passive bond investment in which the investor gets the results with the least response influential. This is the analogy that points out the applicability of the Daoism philosophy to the modern financial practice.

This connection is particularly worth investigating within the Indian capital markets, owing to their considerable development and screening a range of investors. The research on the behavior of Indian investors shows that it tends towards short-term decision-making and speculative trading (Gupta and Ahmed, 2020). But the growing use of passive investment vehicles implies a subtle change towards more disciplined strategies. The use of Wu Wei principles in this context can infuse a cultural and philosophical backdrop on which passive investing can be propagated.

In addition, the expanded literature in Daoism highlights on the applicability of Daoism in enhancing harmony, balance, and sustainability in economy. Moon (2015) posed a challenge that Wu Wei provides an alternative approach to governance that places emphasis on natural order rather than strict control. This is especially with respect to financial markets where over interference may cause inefficiencies and instability.

With these understandings, the literature is still incomplete in the application of Wu Wei directly on investor behavior in emerging markets. The majority of research has majored on organizational, or macroeconomic, settings, with the behavior of individual investment being unexplored. This paper addresses this gap by discussing ways in which passive investment strategies can be informed using Daoism principles in the Indian equity markets.

## Objectives:

The main purpose of carrying out the study is to explore the essence of using Wu Wei, which is one of the tenets of Daoism philosophy, to analyze investor behavior in the passing environment of Indian equity markets. In particular, the research will examine how Wu Wei-oriented attitudes of non-intervention and the adoption of passive investment options such as index funds and ETFs are connected to each other; the degree to which such philosophical consistency decreases behavioral biases such as overtrading, overconfidence and herd behavior; the awareness and perception of passive investing among the Indian investors and how the integration of the philosophical orientation based on Wu Wei can lead to

**Hypothesis:** The use of Wu Wei philosophy and investing behavior of the investors cannot significantly influence the use of the passive investing strategies in the Indian equity markets.

## Methodology:

The research design used in the study is quantitative, cross-sectional study design to investigate how Wu Wei philosophy affects investment behavior among the investors in passive investment in Indian equity markets. The data will be captured as primary data by a structured questionnaire that will be given to about 120-150 retail investors in city centres like Nagpur, which will be chosen based on the convenience sampling method. The scale will consist of Likert-scale items that represent Wu Wei orientation (non-intervention, patience, low-action bias) and passive investing behavior (preference towards index funds, ETF, long-term holding). Academic journals and financial reports will be used as a source of secondary data. To test the hypothesis and determine the strength and direction of relationships between variables, statistical tools will be used in the data analysis like descriptive statistics, correlation analysis, and regression to analyze data.

## Results and Discussion

The next section further provides the analysis of the primary data comprised in form of empirically collected data based on 135 retail stockholders in order to test the connection among Wu Wei orientation and passive investing behaviour in the India equity markets. The analysis has been divided into 3 steps: the descriptive statistics to obtain the information about the profiles of respondents, variables distributions, correlation analysis to reveal direction and strength of correlation between Wu Wei principles and passive investing, regression analysis to compare all these variables to evaluate the connection hypothesized to be tested. It is statistically done at the level of 5%. With references to behavioral finance as well as to Daoist philosophy, the results are discussed in order to learn whether non-interventionist attitudes play a significant role in the process of making investment decision.

**Table 1 Descriptive Analysis**

Variable	Mean	Standard Deviation
Wu Wei Orientation Score	3.68	0.74
Passive Investing Behaviour	3.52	0.81

The descriptive statistics show that the mean of the extent of Wu Wei orientation is 3.68 that corresponds to moderately high rates of the respondents disposition towards non-interventionist and low-action orientations towards investment. Similarly, the mean passive investing measure is at 3.52, which means that the population is fairly moderate in its strategies, such as index investment and long-term investment. The standard deviation of both variables is rather low (0.74 and 0.81 respectively) which implies that the responses are uniform and spread in a narrow range within the sample. This is a sign that, investors are increasingly aligned towards tenets that treasure taking their time and interfering in the markets less. The resemblance of the average numbers leads to the suggestion of the probability of the correlation between Wu Wei orientation and passive investing that should be further statistically tested using correlation and regression analysis.

**Table 2 Correlation**

Variables	Wu Wei Orientation	Passive Investing
Wu Wei Orientation	1.00	0.62
Passive Investing Behaviour	0.62	1.00

The proportion of Wu Wei orientation and the passive investing behavior is 0.62 which is a strong correlation of the two variables. This implies that investors with an elevated degree of non-interventionist attitudes tend to employ passive methods of investment. This statistical significance of this correlation is meaningful, and accords with the theory of both the philosophy of Daoism and behavioral finance. Precisely, Wu Wei does not favor overaction but rather natural alignment, which in essence compares to inactive forms of investment that imply non-trading often. The positive correlation suggests that philosophical orientation could be an influential factor affecting financial behavior hence lending credibility on the adoption of interdisciplinary outlooks in investment researches.

**Table 3 Regression**

Variable	Coefficient ( $\beta$ )	t-value	p-value
Constant	1.12	3.45	0.001
Wu Wei Orientation	0.65	8.92	0.000
$R^2 = 0.38$			

Our regression results show that, the relationship between Wu Wei orientation and passive investing behavior is statistically significant with a coefficient ( $\beta$ ) of 0.65. The p-value (0.000) is much lower than the 0.05 conventional significance and this confirms that the relationship between the two is very significant. The value of  $R^2$  equals 0.38- indicating that about 38% of the variance in passive invested behaviour can be captured only by Wu Wei orientation, which is a significant amount to ascertain behaviour. This is further supported by the large t-value (8.92) which indicates a strong relationship. These results indicate that the relationship between Daoist philosophy and financial decision-making is theoretically and empirically connected since non-interventionist investors tend often to be more oriented toward passive investment strategies.

**Table 4 Hypothesis Testing**

Hypothesis	Statement	Result
$H_0$	No significant relationship between Wu Wei and passive investing behaviour	Rejected

The outcomes of hypothesis testing are sufficient to reject the null hypothesis ( $H_0$ ) which states that the philosophy of Wu Wei and passive investing behavior are not significantly related to each other. This is due to the regression analysis, whose p-value is below the 0.05 given statistical

significance. Rejection of the null hypothesis means that the Wu Wei orientation, actually, affects investors behavior in passive investing. The significance of this finding is that it confirms the conceptual model of the study and provides the evidence of the practical underpinning of philosophical principles in financial decision-making. It also implies that the inclusion of non-Western school of thought can help to develop the biases of understanding investor behavior especially in emerging economies such as India.

## Discussion

The results of the current research give robust empirical evidence on the maturity of the conceptual interrelation between Daoism philosophy, and in particular the principle of Wu Wei and investor actions in the framework of passive investing in equity markets in India. The statistically significant positive results of the relationship between Wu Wei orientation and passive investing states suggest a relationship whereby investors with non-interventionist, patient and low action orientations are more likely to invest using index investing and long holding strategies. This is quite consistent with the theoretical principles of both the Daoist philosophy and the behavioral finance approach that would imply that less action should be taken as it may result in better financial and rational results.

In terms of behavioral finance, the findings support the previous work that points to the negative consequences of overtrading, overconfidence, and emotionality. The philosophical construct of Wu Wei seems to serve as a cognition and behavior modulator, which minimizes these biases. Investors adhering to Wu Wei philosophy will have fewer chances of speculative trading or trading on impulse to respond to short-term market movements. On the contrary, they are more willing to leave market forces to their natural course which is in line with the passive investing logic. This implies that philosophical orientation may be as an internal mechanism of disciplining, with supplementing the conventional monetary wisdom and risk management.

The medium to high correlation coefficient ( $r = 0.62$ ) and the high regression coefficient (  $0.65$  ) suggests the presence of a relationship is not just high but has also a substantial influence. The Wu Wei orientation demonstrates that the psychological and philosophical factors have a significant influence on the determination of the investment decisions as it explains about 38% of it in the case of passive investing behavior. Yet, unlike traditional financial theory such as the Efficient Market Hypothesis which emphasize more on the outcomes in the market, this paper will demonstrate that individual belief systems and thinking structures are also among the root causes of how investors relate with such markets.

The past tendencies of Indian investors are that of active trading, speculative behavior and orientation towards short term gains. However, this increase in the share of active investment funds such as index funds and ETFs is a pointer of a sluggish shift of the thinking of investors. Wu Wei values can hasten this by finding a culturally acceptable role model that can spread the values of patience, discipline, and long-term thinking. It is possible that, as the Indian tradition has a philosophical background, and has been infused with Eastern traditions of thought, the Daoist ideas might be easier to practice and apply to financial behavior than totally technical and western ones.

Besides, the research paper contributes towards the expanding field of interdisciplinary finance, in the sense that it fills the gap between philosophy and financial practice. Despite the fact that earlier studies have introduced the application of Daoism concept on management and governance, there is limited literature on its implication when it comes to the behavior of individual investors. This research fulfills that vacuity and holds potential new avenues of integrating the concepts of philosophy into financial education, financial advice, and behavioral interventions. As one instance, the concepts akin

to Wu Wei, such as restrained inaction, and patient strategy, can be applied to the financial advisors and portfolio managers because they can admonish the clients to subscribe to long-term investment strategies.

However, there are also certain restrictions that one should consider regarding the research. The sample size and convenience sampling may be a limitation on the inferences because it is relatively small. In addition, though the concept of Wu Wei orientation is a suitable approach to describe the actions of passive investors, however other factors such as the level of income earned, financial literacy, market, and risk tolerance also contribute to the decision to invest. Future research is either longitudinal or bigger and more heterogeneous sample can be employed to complement and deepen these findings.

To sum up, the discussion reveals that Wu Wei is an abstract concept in philosophy but has practical implications in shaping the financial behavior in significant ways. Through teaching restraint, adaptability to the working of natural processes, and minimizing the role of the mind, Wu Wei adds to the principles of passive-investing and suggests a new perspective in terms of which such a practice can be analyzed and corrected.

## Conclusion

This paper was aimed at researching the applicability of Wu Wei, a key tenet of Daoism philosophy, to the behavior of the investors in the context of passive investing in Indian equity markets. The empirical evidence indicated strongly and positively that there exists a strong and positive relationship between Wu Wei orientation with the adoption of passive investment strategies. The null hypothesis is rejected to affirm that the investors with non-interventionist attitudes, patience and restraint are more likely to practice disciplined, long-term investments like indexing and holding multivariate portfolios.

The study contributes both to the behavioral finance, and to the interdisciplinary research, in the sense that philosophical constructs could have a sensible influence on financial decisions. Wu Wei, with its discouragement of doing too much and getting emotional, is quite consistent with the concept of passive investing, according to which there is little to nothing in the way of action and belief in market rationalities. The results also show that the economic variables are not totally determinants affecting investment behavior but it is also affected by the cognitive or philosophical orientations. Given the impact of the cultural and philosophical tradition in the Indian environment, a blend of such perceptions may provide a more holistic outlook of financial behavior.

In addition, according to the results, a Wu Wei approach can be used to reduce typical behavioral biases, including overtrading, overconfidence, and herd mentality. Wu Wei prompting the strategy of strategic patience and sound judgment investor by not overacting encourages investors to act and make rational decisions. This has significant consequences to enhance investment returns as well as to instill financial stability amongst retail investors.

## Recommendations

However, informed by the results of the study, a number of practical and academic suggestions can be offered: The first one is that, behavioral and philosophical aspects must be included in the investor education programs carried out by financial educators and institutions. The next thing that can

be done is through introducing the concepts that are similar to Wu Wei so that investors may see the usefulness of restraints, long term thinking and controlled inaction hence pushing them into adopting passive methods of investment.

Second, passive investing as a viable and practical tool of retail investors should be encouraged by financial advisors and portfolio managers. Advisors can use this combination of principles (minimal intervention, portfolio stability) to achieve a combination of unwarranted trading off and transaction cost reduction in advisory practices, which lead to better returns.

Third, the regulators and the policy-makers are expected to promote the development of passive investment funds such as index funds and ETF in India even further. The increased availability, reduced price, and increased education on these tools can contribute to making people more inclined towards solid investment patterns.

Fourth, future studies should contemplate increasing the sample size and diversifying them with more area coverage and demographics. It is also possible to carry out longitudinal studies with the intention of establishing the end-result of Wu Wei-audited behavior in long-run investment results. Additionally, comparative work on active and passive investors may provide a clearer insight into how the philosophical alignment can be put to the test on financial markets.

Finally, it is desirable to work jointly in the study in each of the disciplines to further learn where philosophy and finance meet. Concepts borrowed by other philosophical traditions may also yield some valuable information on how investors act and make decisions and how the market responds to such actions. Generally, the use of the philosophy of Wu Wei in finance as a practice is a novel and very prominent manner of attempting to understand and enrich how investors behave. It provides a theoretical and a practical rationale on promoting sustainable and effective investment practice in Indian equity markets with emphasis of balance, patience and alignment with natural forces of market..

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