

**A STUDY ON
EMOTIONAL FINANCE AND ITS INFLUENCE ON
INVESTMENT PATTERN OF INVESTORS WITH SPECIAL
REFERENCE TO STOCK MARKET INVESTMENTS**

Dissertation

Submitted by

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Under the guidance of

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in partial fulfilment of the requirement for the Degree of

MASTER OF COMMERCE



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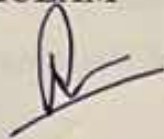
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DECLARATION

I, Rose Mary, final year M.Com student, Department of Commerce (SF), St. Teresa's College (Autonomous) do hereby declare that the project report entitled " Study on emotional finance and its influence on investment pattern of investors with special reference to stock market submitted to Mahatma Gandhi University is a bonafide record of the work done under the supervision and guidance of Smt. Mamtha Mariam Joseph, Assistant Professor of Department of Commerce (SF), St. Teresa's College (Autonomous) and this work has not previously formed the basis for the award of any academic qualification, fellowship, or other similar title of any other university or board.

PLACE: ERNAKULAM

ROSE MARY



DATE: 24/05/2022

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CHAPTER 1
INTRODUCTION

TITLE OF THE STUDY

“A Study of Emotional Finance and its influence on investment Pattern of investors with special reference to Stock Market investments”

INTRODUCTION

Traditional Finance, arising from Neo-Classical Economic Theory, assumes investors as rational and proficient beings. On the other hand, Behavioural Finance, borrows most of its part from cognitive psychology, explores investing as a particular class of decision-making, under uncertainty and brings to light the judgmental biases. Both these approaches have accomplishments and constraints in whatever they can explain. *Tuckett* explains that, while Standard Finance assumes investors act rationally and do not make errors in investment decisions, Behavioural Finance suggests otherwise that investors do move away from rationality in their decision-making causing errors. Emotional Finance is a promising area in finance and is in its early stages of development as a logical discipline. In this study, the researcher-investigated the opportunity of the third model, Emotional Finance, which highlights the critical task of the emotions being a key driving force in decision making, affecting the trading performance of individual investors with special reference to stock market investments in Cochin city. Investing judgments are made under the sway of dominant and potentially debilitating unconscious forces with the implications often not fully recognised. A proper investigation of the above issues is essential, revealing the subconscious factors and thus helping to understand the intense levels of anxiety and stress that many stocks market participants experience. This study could appreciably help reduce the psychological biases of stock market participants and improve the quality of their investment decisions. Emotions below the surface of one's mind, factor crucially into investor decisions and their market behaviour. According to Neuro-Economics Research, the areas of the brain responsible for one's emotional state notably influences how one perceives risks and rewards. Humans habitually decide by their existing beliefs and account for them to be rational decisions, but those decisions are principally 2 based on the role of one's own emotions along with ideas or analysis — a common occurrence even amongst experts.

STATEMENT OF THE PROBLEM

It is common that all human beings have emotions. There are emotions such as happiness, sadness, and intense feelings such as greed or fear, thrill, anxiety, denial, optimism, excitement, panic, dependency, depression, hope, relief and so on. These emotions always play a part of a role in our lives. While some may have more intense emotions, others show only a little in similar situations or events. Also, there are concealed emotions, and emotional flow from an individual is based on the personality type of a person and one's mood. Whenever the human intellect finds itself in the grip of mild or intense emotions, such as greed or fear, the choices made gets influenced. The turbulence in the economy also hits the stock market often and makes it swing due to a myriad of situations including changing political conditions, government policies, unforeseen natural disasters or the influence of other economies. Of course, these reasons are much beyond the investors' control. The algorithmic trading facilitates the stock market participants to execute larger orders using automated pre-programmed trading instructions relating to a time of the trade, at the price point and the volume to buy/sell. There are various security analysis techniques available like fundamental analysis, technical analysis and analysing market psychology on which a stock market investor can work on for their portfolio choices. Moreover, stock market participants are also aided by recommendation/advice of professional investors/broker, or they can get advice or recommendations from friends, family, peers. Also, there is information in media and diverse forecasting techniques accessible. In spite of all these conveniences, a fair amount of portfolio losses could be traced back to the investor's choices and their trading performance. In fact, something might well be fundamentally wrong in the current models of investment, decision-making process and the management of stock market investments. In this study, the researcher aims to find reasons for making such portfolio losses in stock market investments. There are some ways where the investors unwittingly inflict problems based on emotions, sentiments rather than knowledge.

OBSERVED TYPES OF HUMAN EMOTIONS AND BEHAVIOURS IN INVESTMENT PROCESS:

1. **Panic and Fear:** The inclination to panic and depend only on the trading practices of other investors is precisely the herd mentality which results in troubles that arise with such investments. The cause of this mindset results in two actions: panic buying and panic selling, happens to be the typical fault in investing. Investors shy away from taking the lone path because of the fear of failure.
2. **Pride and Wrath:** This occurs when the investor is trying to save face by holding onto a terrible investment - not acknowledging, that they went wrong. They go on to blame the companies, brokers, advice received, television analysts everyone but themselves.
3. **Lust and Envy:** Lust makes people invest and run after the market covering the portfolio of flourishing investors and trying to copy them from a different period.
4. **Emotional Conflicts:** Investment decisions come to be made under the sway of dominant and probable devastating subconscious forces with the implications often not predictable. Investors are thus inherently prone to serious judgemental biases and, as a result, frequently make poor investment decisions.

As a starting point for further analysis, the research questions were formulated:

1. Are there emotions recognised while or after trading by the market participant particularly the stock market investor?
2. How far those emotions affect the ability of decisions taken in stock market investments which are as such highly volatile?
3. Does the mood of an investor affect one's success rate, if so, do different personalities have different trading results?
4. Do the stock market investors willing to take up risk, if so to what extent?
5. How the demographic profile of an investor influences his emotions?
6. Do security analysis methods help in the investment choices?
7. Do illusions of control affect decision making in stock market investments?
8. Do investor optimism and effort-reward them?

9. Are any specific strategies handled by the investors to boost trading performance?

10. How to enhance trading performance and optimise decision-making process on the trading floor?

However, in reality, there does not seem to be extensive research work related to the impact, influence and the results of the five attributes encompassing as follows. Emotional trading concerning stock market investments, Investment pattern & risk appetite of investors, Personality traits & mood of investors on a trading floor, Security analysis methods as a choice of investment decision, Illusions of control of investors and their Trading performance. Hence, this study looks ahead to contribute to the research results with the purpose of guiding individual investors to understand, what extent their emotions, personality traits and their optimism and illusions, directly or indirectly, influence investment decisions and trading performance with special reference to stock market investments in Cochin city.

SCOPE OF THE STUDY

There is enough evidence to prove that investors do not always behave rationally. Whenever financial decision-making issues are concerned, individual personality and emotions play an essential role in its outcome. The emotions and such feelings of market participants influence each investor's financial decision-making process. The skilful use of emotional knowledge by market participants will not only result in beneficial outcomes about their investment goals but is further useful for the creation and maintenance of robust portfolio. To achieve good results as expected, investors should consider many factors before making financial decisions while investing in stock market. This research takes up demographic variables, personality traits, investor moods, market psychology and attempts to investigate the extent to which they influence investment decisions. The most important theoretical contribution of this research study is a critical examination of the unshakable presence of emotional factors while trading including 5 investor optimism and efforts and the ability of investment decisions. Second, the study aims to establish how the personality traits influence the investment performance through the intervention of positive and negative mood. Third, the influence of

different portfolio analysis methods as a choice of investment decision. The study also examines the various investment factors such as investment objectives, the purpose behind the investment, and the source of investment and risk appetite of stock market investors with respect to their demographic characteristics. Finally, this study extends to discover the illusions of control, trading strategies handled and trading performance of stock market investors in Cochin city. This study concentrates on individual investors who are accessing stock market with special reference to Cochin city. This study could significantly help reduce the losses faced by majority of the retail stock market investors by improving awareness, of their decision-making process of their stock market investments.

OBJECTIVES OF THE STUDY

1. To identify the emotions in trading: traders' emotion in financial markets (with special reference to stock market investments):
2. To identify the purpose and pattern of investments and risk appetite:
3. To identify and confirmation of different personality traits and moods prevailing among Indian investors (with reference to Cochin city):

METHODOLOGY

To achieve the above objectives, primary and secondary data were required. Primary data was collected through a well-structured questionnaire and secondary data through publications of various national journals and other investment sources.

RESEARCH DESIGN

Based on the research approach, the descriptive research design was preferred and applied for this study. Descriptive research is —aimed at casting light on current issues or problems through a process of data collection that enables them to depict the state of affairs more comprehensively than was possible without employing the descriptive research design method. An important distinctive trait of descriptive

research compared to alternative types of studies relates to the fact that while descriptive research can use a number of variables, only one variable is required to conduct a descriptive study. Three main purposes of descriptive studies could be explained as describing, analysing and validating research findings. The present study employs a survey method to collect the data.

SURVEY METHOD

A survey is defined as a detailed interview or discussion with persons about a specific topic. Roberts (1999) and Nazari et al., (2006) advocate that in the social science research, the survey

method is used extensively to examine the characteristics and interrelation of sociological and psychological variables pragmatically. In the process of identifying emotional influence in the investment choices of stock market investments, the perceptions of investors may play a crucial role. The personality and moods may play a significant role in determining the emotional levels. Second, those subjective perceptions matter. One can argue that perception may not be real; however, perceptions of reality can be more powerful than reality itself since very often people act on their opinions. In other words, perceptions influence the behaviours and emotional states that have the real effect on stock market investment decisions. Given the primary objective of the study, a survey method is appropriate for this research.

SOURCES OF DATA

The primary data required for the study was collected through a questionnaire (interview schedule) from the stock market investors of Cochin city who trade in both BSE and NSE exchanges. A schedule of the interview was conducted among the 7 stock market investors in Cochin city concerning the objectives taken for the study. The secondary data regarding the theoretical framework of the emotional influence of investment decisions, the psychological biases of investors and the stock industry profile obtained from various published records, annual reports, bulletins, booklets, journals, magazines, websites, etc.

CONSTRUCTION OF TOOLS

The researcher herself constructed the tools for collecting primary data. Review of previous literature and casual converse with a few stock market participants facilitates the selection of the variables of the study.

SAMPLING DESIGN ✓

Two-stage sampling undertaken in this study. In the first stage, purposive sampling design was designated to select (20) popular stockbroking firms based on Full-service brokers (service they provide) who have their operations in Cochin city for the study. In the second stage, the convenience-sampling technique was used to collect samples from the investors who trade through those broking firms.

HYPOTHESES

Based on the objectives stated above, to achieve the objectives, the following hypotheses were framed concerning the research problem.

- H0: There is no significant association between the gender and investment objectives.
- H1: There is significant association between the gender and investment objectives.
- H0: There is no significant association between age and factors which induces investment.
- H1: There is significant association between age and factors which induces investment.

LIMITATIONS OF THE STUDY

The study has the following limitations:

- The study mostly relied on the primary data. The accuracy of primary data depends upon the respondents' attitude and perception.
- All the limitations associated with the statistical tools apply to the study.
- The inherent bias in the process of any data collection methods may also be present in this study.
- The present study is confined only to stock market investments hence the results cannot be applied to other categories of investments.

Respondents are usually asked to rate their current or anticipated feelings on a continuous or categorized scale. Dependent on the formulation of the "time frame," scales can be used both for the long-term and short-term measurements. That is, either for moods, personality traits or immediate emotional experience.

- ❖ L Melita Prati, Robert S. Prati (2010)⁴⁵ in this article describes how emotion impacts this relationship and how these subsequent beneficial attributes, commitment, and trust, engender stronger and more durable financial advisor/client relationships. Further, practical implications are discussed as to how advisors may use this information to affect such beneficial outcomes. This developing stream of research on emotion has many broad applications. With the recent emergence of behavioral finance, a complimentary topic, the further investigation of emotion should continue to enlighten and further develop many traditional concepts in financial economics.

- ❖ Sushant Nagpal and Bodla B.S, (2009)⁴⁰ had observed through their study that the individuals who are equal in all aspects are different in financial planning needs. Demographics alone no longer suffice as the basis of segmentation of individual investors. Synergism between investors can be generated using lifestyles or psychographics along with demographics. The researcher also observed that the modern investor is a mature and adequately groomed person. The individual investors prefer less risky investments. Blind investments are scarce, as a majority of investors are found to be using some source and reference groups for taking decisions.

- ❖ Abhijeet Chandra (2009)³⁸ has analysed the impact of competence of individual investors on their trading behaviour in the stock market. Individual investors make trading decisions based on their self-perceived competence that is influenced by several factors. The study examined the factors that determine the competence level of individual investors. Age, education, and income were found to be the most influencing factors of the individual investors' competence in the stock market activities and trading behaviour. The results of the study reveal that a person invests as per his/her judgments once he/she perceives himself/herself more knowledgeable about investing. It finds that investors having the high

income, high to moderate income and professional qualification are assumed to be more confident about their competence in trading stock markets. Thus, it is clear that competence effect rules the trading behaviour of individual investors.

- ❖ Shlomo Hareli and Anat Rafaeli (2008)³⁴ in their paper introduced the idea of emotional cycles, proposing that the emotions expressed by one person can influence the thoughts, behaviours, and emotions of others with whom they interact. Moreover, this influence of emotion is reciprocal. Specifically, the thoughts, behaviours, and emotions of the receiver of emotive behaviour subsequently feed back into the interaction process to influence the initiator of the emotive communication affecting that individual's reactive thoughts, behaviours, and emotions. This indicates a clear need for practitioners to have skills in emotional regulation. In other words, practitioners must understand emotions in such a way that enables them to control ²⁵ how these emotions are felt and expressed. This control is not only useful to the management of the advisor's own emotions, but also the emotions of his or her clients.

- ❖ Cliff Mayfield et al., (2008)³³ have stated the logical connection between the two phenomena of personality influences and investment behaviour in this manner: Personality influences risk perceptions or risk tolerance of investors and these risk reflections cast the investor behaviour. It is said that personality has a relation to regret feeling regarding current investment as well as investment preferences.

- ❖ Jason Zweig (2007)³⁰ in this work seeks to explain one of the central puzzles in financial behaviour: why individual and professional investors alike so persistently fail to learn from their own mistakes. 'Your Money and Your Brain' combines the findings of neuro-imaging labs around the world with empirical studies in behavioural finance and case studies of actual

decisions by retail and professional investors. This book highlights that greed, confidence, surprise, regret, and happiness are the emotions aroused by financial decision-making. Each chapter of this concludes with 24 practical suggestions on how individuals and investment firms can improve their financial decision-making.

- ❖ Manish Mittal and R K Vyas (2007)²⁷ in this research paper had the objective to check how the demographics of the investors affected by the investment choice. The insight of how demographic variable affects an investment choice helps the financial advisors to advise their clients better. The clients when notified regarding the investments that suit their profile, will not only rate such advice high but will also appreciate it. Thus, there will be an absolute improvement in the mutual trust between the advisor and his client.
- ❖ Melainie Powell and David Ansie (2006)²⁴ studies whether gender differences in risk propensity and strategy in financial decision-making can be viewed as general traits or whether they arise because of contextual factors. The results of this study tell that female are less risk-seeking than males irrespective of familiarity and framing of costs or ambiguity. It also says that males and females adopt different strategies in financial decision environments, but these strategies have no significant impact on their ability to perform.
- ❖ Robert H. Frank (2006)²⁵ aimed to expand the consequentiality framework to take explicit account of moral sentiments. It is best sometimes to ignore the moral emotions, and it will not imply always. If we are to think clearly about the role of moral emotions in moral choice, we must consider that the emotions were molded by natural selection to solve. Most interesting ethical questions concern actions the individual would prefer to take except

for the possibility of causing undue harm to others. Unbridled pursuit of self-interest often results in worse outcomes for everyone. In such situations, an effective moral system curbs self-interest for the common good. In concluding it can be moral theory is likely to be judged unacceptable if it systematically violates our moral intuitions, but moral theory that violates a specific moral intuition if a plausible account can be given for why that intuition is misleading.

- ❖ David Tuckett and Richard Taffler (2005)¹⁹ have extended their work by proposing a new development, namely emotional corporate finance. They argue that, just as investors may view investments as phantastic objects, managers may see their projects similarly. They develop a formal approach that considers the effects of managerial phantasy on the investment appraisal decision, project performance, and managerial entrapment in a losing project. Their main results are as follows: a) managerial project-phantasy induces a manager to wrongly invest in value-reducing projects; b) phantasy may lead to volatility of managerial emotions c) phantasy leads to project entrapment but may result in project abandonment if the manager's project-phantasy turns to project hatred. They conclude by considering whether managerial phantasy could explain management's entrapment in the Concorde project.

- ❖ Haigh, M. and List J. (2005)¹⁸ in this paper examined the behavioural bias and the environmental and psychological factors leading to different behavioural reactions. Myopic loss aversion is used to suggest by fund managers to reveal information only rarely that leads investors to choose options with (on average) higher returns. Fund managers are making investment decisions under the three models given below (1) opportunity to effect investment changes each time; (2) Opportunity to effect changes every three series; and (3) the opportunity to effect changes every three times. Finally, evaluations and emotions were measured every three rounds, immediately after feedback was given.

- ❖ Slovic P et al., (2004)¹⁷ recognised that the emotions are experienced as a feeling state (with or without consciousness), and it is demarcating a positive or negative quality of a stimulus. In most cases, affective states can be categorised into positive (pleasant) and harmful (unpleasant) feelings. Nevertheless, emotions are feelings about a specific circumstance or event (someone or something) that arise from cognitive appraisals of situations.

- ❖ Vitt, L. A. (2004)¹⁶ in this paper has explained that people view finances and associated decisions about nonfinancial outcomes such as lifestyle, social and professional freedom, and hobbies and other interests. Therefore, when discussing the impact of financial decisions, it is appropriate for the advisor to use emotional language and implications within the context of the advisor/ client interaction. Using emotional framing brings depth to the advisor/client discussion as opposed to a simple argument centered on increasing the bottom line of the client's portfolio. For example, the advisor should explain the financial implications of a recommended asset allocation about specific client goals, such as retirement in a resort setting or aiding grandchildren in their college educations. Opening the discussion to emotional expression allows the client to maintain focus underlying the reasons for seeking financial advice in the first place. It also allows the practitioner to engage the client at a relational level, inspiring valued trust and commitment.

- ❖ Fenton-Creevy et al., (2003)¹⁵ in their paper investigate the force of illusory control beliefs on the conduct of traders in financial instruments. The authors contend that the trader's performance is inversely related to the development of illusions of control and individual propensity to an illusion of control are conducive to task and environment of the trader. Data from 107 traders in four organisations have assessed for the illusion of control using innovative computer task, and the results showed individual differences in this bias and inverse, association with performance, as

measured against managers' ratings of trader performance and by total remuneration.

- ❖ Hersh Shefrin (2002)¹⁴ has suggested that the mixture of behavioural phenomena of bounded rationality, loss aversion leading to the escalation of commitment, and players' overvaluation of their positions. As an example, he presented what is likely an everyday scenario with advisor/client relationships where the advisor becomes the target of blame for unsuccessful investing decisions so that clients can alleviate personal regret over what was ultimately their own ill-fated financial decisions.

- ❖ Brad M. Barber and Terrance Odean, (2001)¹¹ after studying many financial models assume that overconfident investors will trade too much. This paper tested this prediction by partitioning the investors by overconfidence and gender. The result shows that men are more prone to overconfidence than women. Since men are more overconfident than women, men will trade more and perform worse than women. Rational investors swap only if the expected gains exceed transactions costs. Too confident investors amplify the definiteness of their information and thereby the anticipated profits of trading. They may even trade when the true expected net profits are negative. Hence men trade more than women and thus reduce their returns more so than women do.

- ❖ Berberis, Huang, and Santos (2001)⁹ have studied the asset prices in a situation where capitalist derived forthright utility from the consumption and also from the fluctuations in the value of their financial wealth. In that case, they chose to be loss-averse up these variations, and the degree of loss aversion depends on their previous investment performance. This framework helped in explaining high mean, excess volatility and predictability of stock returns, and also the relationship with the growth of consumption.

- ❖ Dittrich, Guth, and Maciejovsky (2001)¹⁰ experimented and observed that two-thirds of the respondents are inclined to be too confident. The study also revealed that the investors after losing money become extra confident. Confidence gives them further courage which plays a vital role in success. Though Self-confidence is considered as a positive trait occasionally exaggeration of investor's skill and knowledge tend to indulge them in excessive trading.

- ❖ Thaler (1999) has stated that mental accounting is a set of cognitive operations used by a person and a family to organize, evaluate and record financial activities. It specifies the propensity of people to split up their income into various mental accounts based on their income source.

- ❖ Jonathan Myers (1999)⁷ has stated that the way to improve financial returns was to match investment with investor's psychology and needs. From the Black Monday disaster to the most recent journey from stock markets around the world, panic is the most predominant feature of investor behaviour. Profits without Panic show how to avoid being wobble by the turmoil of the market or sweep into the fear of the boom or bust frenzy. One of her studies was about the role of gender in investment decision-making.

- ❖ Meyers (1999) found that male investors were more focused on goals and outcomes of their investment and had more tolerance towards risk with a high level of confidence, whereas women were not. Women were multi-focused and had less patience towards risk. Lowenstein (2000)⁸ in his paper has studied that the emotions and feelings experienced at the time of making a decision often drive behaviour in directions that are contrasting from that prescribed by evaluation of the long-term costs and benefits of different actions.

- ❖ David Ansie, Melainie Powell (1997)⁵ in this paper studies whether gender differences in risk propensity and strategy in financial decision-making can be viewed as general traits or whether they arise because of contextual factors. The result of this study tells that female are less risk-seeking than males irrespective of familiarity and framing of costs or ambiguity. It also says that males and females adopt different strategies in financial decision environments, but these strategies have no significant impact on their ability to perform.
- ❖ William E. Warren et al., (1990)² in this paper has found that Demographics characteristics are a good predictor of whether investors will be light or heavy investors. Demographics were found to be a strong predictor of whether investors would have heavy or light concentrations in stocks and bonds.

CHAPTER 3

THEORETICAL FRAMEWORK

A relevant quote from Ben Graham 's behavioural teachers –

"When a man is a prey to his emotions, he is not his master."

Spinoza

— Benedict de

The usual actuality for stock market investments is subject to not only in making investment decisions in high volatile market circumstances and informational haziness but also by the need to be meticulous in earning something on a consistent basis. The substantial reason is the emotions are part of the evolved mental processes; human beings have for managing uncertainty and competition. Words expressing emotions and such feelings as Dissatisfied, sorry, Depressed, Sad, Happy, Cheerful, Satisfied, Contented, Fear, Worry, Disappointment, and Trust similarly succeed in the interview scheduling sessions with respondents.

Are there the emotions recognised while or after trading by the market participant mainly as a stock market investor? To find answers, the research on Emotional finance would help in enhanced understanding- Emotional Finance is a field of study that applies emotional, cognitive psychological theory to conventional economics and finance. The researcher in this chapter explored some fundamental concepts that Emotional Finance specialists believe that they contribute to irrational financial decision-making.

EMOTIONS

Emotions are probably that every person reading this research has experienced and can easily replicate on the feelings and state of affairs associated with their lives. Emotions appear to be inseparably related to —that amusing feeling in the stomach," "sweaty palms and a pounding heart," which the person did not consciously want it to happen and which are hard to explain in a —cogent way." On the other hand, not all unmanageable reactions of our body are emotions. Consider that exposed to extreme physical activity; our heart starts racing without our being to our liking to it to happen so. The difference to an emotional response

is that emotions are not instantaneously necessary for the physical survival of the body (at least so it seems). Emotions are more than plain reactions to physiological changes in our body. To this outlook, emotions are different interactions. Different emotions can be sensed through their connected action tendencies. Fear is for example associated with the inclination for flight and love with the tendency for an approach. Whether action propensities are the optimal way of defining emotions is disputable. Some emotions do not have an (apparent) action propensity

EMOTIONS, MOODS, AND FEELINGS

The further distinction made between emotions and interconnected concepts, as mood and feeling. Feelings are mostly related to physiological consciousness.

Emotions can enhance a particular mood, while a specific mood can make the experience of emotion more likely. The mood is often induced in experiments in social psychology for example by movie clips or introspection. Because moods last for some time, the effect on actions done during that period can easily be observed.

EMOTIONS IN INVESTING

Many professional investors, for example, are aware that holding stocks can stir up ambivalent reactions: the danger of missing with preferred stock and holding it too long must be put beside the probable pain of letting it go more or less immediately. Unrecognized emotions or fantasies are the profound drivers of human judgement. They are dominant because they stay puzzling and so not subject to deep thought. All judgments are made within states of mind.

Most of the decisions people make are the combination of an emotional as well as a rational response. In some situations, our emotions take over our choices and in others our rational thoughts overcome. Philosophers, like Socrates and Plato, warned against the human inclination for untethered emotional responses and on the other hand championed those who could successfully pass on

merely emotional responses through a decision-making process dominated by the purifying filter of reason. When it comes to accomplishing wealth through investing, emotional and behavioural decisions are repeatedly at odds.

Whether it is a rash emotional decision to sell because of a terrible news report and the fright of a tumbling market or steadily holding onto an exceptionally concentrated stock position owed to an emotional attachment, emotions often unfavourably influence an individual's capability to make vigilant or rational decisions.

Emotional finance suggests that conceivably delay in fully incorporating useless information in asset prices in a timely approach could be an inevitable outcome of an emotional environment where there is an inclination to crack excellent and bad. We can employ a range of unconscious defences against the emotional hurt of having to acknowledge that our previously idealised investments are now faulty and the associated pain of loss, both financial and emotional.

INSTINCTS AND EMOTIONS

Knowing the emotions in investing is probably not as simple as it sounds. We are designed to rely on our emotions and social intelligence to steer most of our important decisions in life. Which school to attend, what to study, what job to take, who to marry or partner within a business venture, necessitate people to use their "instincts." Those inclinations that come to us naturally, without much effort. At the same time, many of the decisions include research and assessment of key indicator during our meticulousness process. Many practiced investors would admit to one or more experiences in their early investing days when emotions hijacked and as an outcome suffered a major loss. It is difficult for even the most intelligent and confident investor to avoid getting jumpy or being excessively stubborn because of their —gut instinct. Some investors may get on edge to react and then rationalize that the decision they have made was, in fact, a good one. This is known as the illusory superiority effect. Further emotional finance as a field that uses modern interdisciplinary theories of emotion to address the practical problem of making financial decisions under conditions of uncertainty.

EMOTIONAL CONSEQUENCES OF INFORMATION ASYMMETRY AND UNCERTAINTY

Financial markets are essentially social settings where individuals engage with each other to set asset prices, based on estimates of future value. This activity depends on making judgments about available information to resolve two different orders of uncertainty; that caused by unavoidable information asymmetries at the moment of decision-making, and that determined by the fact the future is inherently unknowable. Information asymmetry creates nagging 52 doubt. Value investors, for example, believe the way they pull together the available information about a stock gives them a reason to believe an asset is undervalued by investors. This judgment creates anxiety. There is the fear that the information given' by the corporate management is untrustworthy.' There is the fear that even if the information and their underlying analysis are correct, the rest of the market may on no account come to contribute to their view.

A feature of making decisions under uncertainty is that they involve hope and risk '- the risk of getting decisions wrong and then of having to pay the consequence. In the investment environment, this means not a just financial loss, but also a risk to your job. Insofar as the future is innately unknowable, severe anxieties are evoked which the investor can do nothing rational to subside.

The recognition of the equation 'investment = uncertainty = anxiety', along with the proposal of the two mental states in which decisions are evaluated, the depressive and obsessed- psychotic states of mind, are believed to be critical contributions of emotional finance. The process of investing means that the investor enters into an emotional attachment, whether conscious or not, with something that can quickly let him down.

INVESTMENT CHOICES ALONG WITH EMOTIONS

Both subjective assessments of risk during choice, as well as individual attitudes toward risk, play a significant role in modulating activity in neural networks recruited during decision-making. Individually, increased relative

behavioural risk led to increased activations in a system of structures previously implicated in risky decision. Risk attitude, on the other hand, modulated activations during risky choice in a separate, but the partially overlapping network that is typically associated with cognitive control processes, as well as caudate nucleus.

Risk aversion: If an opportunity is given to choose between two alternative options each with equal expected value, but one with the certainty of gain, and the other one random but with the possibility of higher benefit: the attitude will be of risk aversion.

Risk appetite attitude: Therefore, when an investor has to make a decision involving a change (positive or negative), to evaluate the utility resulting from this choice, they do not consider the absolute value of the result but make a comparison between the pro-choice and post-choice situation.

EXCITEMENT, ANXIETY, AND DENIAL

Also, it is not fear but anxiety at the prospect of loss which is usually denied and repressed, and thus an even more powerful influence on actual behaviour because it is not thought. Finally, the term hope is used to cover denial of the fact that investment outcomes are uncertain.

Emotional finance study reveals that investors are not driven by greed, fear and hope as often unthoughtfully believed, but driven by a particular set of excitements, anxieties, and denials.

TRADING PSYCHOLOGY, THE 14 STAGES OF INVESTOR EMOTIONS

Emotions often blur our decision-making process and stop us from acting rationally. When the investor is aware that he will never conquer his inherent emotional biases, the investor should make efforts to understand the range of emotions he may experience in investment activity and how it affects interactions with the market. The fourteen stages are:

1. Optimism – A positive outlook encourages us about the future, leading us to buy stocks.
2. Excitement – After seeing some of the initial ideas working, the investor begins considering what the market success could allow accomplishing.
3. Thrill – At this point, the investor cannot believe his success and begins to comment on how smart he is.
4. Euphoria – At this point is the maximum financial risk. Having seen each decision result in quick, easy profits, investor begins to ignore risk and expects every move to be profitable.
5. Anxiety–, the market moves against the investor. Having never stared at unrealized losses, they tell themselves that all their ideas will eventually work.
6. Denial – When markets have not rebounded, yet the investor does not know how to respond, he begins denying either that he made poor choices or that things will not improve shortly.
7. Fear – The market realities become confusing. The investor believes that the stocks he owns will never move in his favour.
8. Desperation – Not knowing how to act, he grasps at any idea that will allow getting back to breakeven.
9. Panic – Having exhausted all ideas, an investor is at a loss for what to do next.
10. Capitulation – Deciding his portfolio will never increase again, he sells all his stocks to avoid any future losses.
11. Despondency – After exiting the markets, he does not want to buy stocks ever again. This often marks the moment of most excellent financial opportunity.
12. Depression – Not knowing how he could be so foolish, trying to understand his actions.
13. Hope – Eventually investor returns to the realization that markets move in cycles, and he begins looking for his next opportunity.
14. Relief – Having bought a stock that turned profitable, the investor renews his faith that there is a future in investing.

These are the possible emotions that investors experience and they are incredibly destructive which would even push one to suicide. The investor feels like fortunate when the market is going up, and transfer more money in at high prices. He feels miserable when the market is going down, and sells at low prices. So, the essential temperament factor needed for exceptional investing is to ignore all those very normal feelings and just reside the course.

PERSONALITY TRAITS OF THE BEST INVESTORS

In explaining the differences between investor behaviours, lots of studies argued the role of personality in investing behaviour. The logical connection between these two phenomena in this manner: The big five personality categorization operationalizes personality traits and reduces it into five bilateral dimensions (i.e., extraversion, agreeableness, conscientiousness, neuroticism, openness to experience) which directly affects the investment cycle.

Throughout history, investors have frequently fallen into investment mistakes and suffer loss. Whether it is selling at the bottom of significant market corrections, or buying near the peaks of the cyclical bull market, the results have, predominantly, been in general the same. *Most have been led to believe that investing in the financial markets is their only option for retiring. Emotions and investment decisions are very poor bedfellows.* The personality traits are classified into three broad categories: the right temperament, the ability to value assets, and an appropriate understanding of risk.

1. To be a great investor, we need the right attitude

If we make every effort to achieve good investment returns, we need the right personality. It is essential that we appreciate temperament is unlike information, brainpower, perception, and judgment. This includes:

- **Patience:**

In the words of Warren Buffett, patience is some things just take time; there is a lot of truth in his statement.

- **The Ability and Willingness to attach to a Plan While Ignoring the Crowd:**

If we have a stiff snatch of financial history and recognize what works, the investor needs to have the strength of personality to remain dedicated. The Investor should not be persuaded by public judgement.

- **The Emotional Capacity to disconnect Market Fluctuations from Underlying Real Value:**

If any stock or portfolio which generates passive income from dividends, bonus, etc., the investor should ignore them and shouldn't be panic and accept the deal.

2. **To be a Great Investor, they need the capability to Value the Businesses**

As an investor, it is vitally necessary to possess the ability to calculate the intrinsic value of an asset. At first, it seems impossible, and downright confusing. However, if choices are continually processed and rejected 90 or 95 out of 100 investment opportunities, it will help to take a handful of right investment decisions.

3. **To be a great investor, you need an appropriate understanding of risks, both implicit and explicit**

By getting a better understanding of the human psychology which influences the investment decisions of individual investors, one can improve the chances of avoiding stupid mistakes that could hurt down the investor family's well-being.

ILLUSIONS OF CONTROL AND TRADING PERFORMANCE

"Illusion of control," is the tendency to believe that we can influence something over which we have no control. Stock market investments are also prone to illusions of control. While investors hard work before picking up stock in the belief that their hard analysis and knowledge approves them to control the future of investments they own. Essential elements of the trading environment are particularly favourable to the enlargement of illusions of control and are described as below:

- ♣ Noisy feedback (information geniality),

- ♣ stress (regarding workload, time pressure, visibility and uncertainty coupled with limited control opportunities, anxiety),

- ♣ Competition and implemental mindset (focus on goals mindset),

- ♣ Choice, involvement, and familiarity (highly identified with the instruments or markets in their area of expertise). There is always a misapprehension that more information is the same as better information.

In fact, numerous studies have shown that increased knowledge leads to increased overconfidence rather than increased accuracy. And overconfidence, as we already know, is such a big killer of investment returns. So 80/20 rule holds right: the first 80% of the available information gathered in the first 20% of the time spent. The illusion of control or the belief that people can influence the outcome of uncontrollable events is one possible explanation for this tendency. As a person becomes increasingly involved in an undertaking, the feeling of control becomes greater. And, if a decision turns out confident, it is attributed to skill.

MEASURING EMOTIONS

If we want to measure and observe the impact of emotion, we need to agree on variables that define that emotion. Since emotions cannot be —experiencedl from the outside, there have been various attempts to find objective measurements. These do involve:

- Questionnaires
- Behavioural observations
- Facial observations
- Physiological measures and Brain Scans

In this research, the researcher used the questionnaire method to measure the emotional states, personality type and moods of the respondents. In the questionnaire method, the respondents are usually asked to rate their current or anticipated feelings on a continuous or categorized scale. Dependent on the formulation of the "time frame," scales can be used both for long-term and short-term measurements. That is, either for moods, traits or immediate emotional experience.

EMOTION REGULATION

Literature reveals that emotion regulation would direct increased risk seeking behaviour, as individuals can successfully regulate it and are inclined to make choices that maximise trading performance. specifically, successful use of cognitive strategy can promote more goal-directed behaviour, compared to the riskier decision.

Accounts of emotions as bias spotlight primarily on the budding for emotions to have a negative influence on trading performance. In contrast, reports of emotions as information spotlight mainly on the valuable role of emotions in encapsulating previous relevant experience. In principle, these two perspectives may not be unable to get along, and efficient emotion regulation by the investors may have a role in reducing the biasing effect of emotion, but sensitivity to the information is retained which emotions may carry. This model

suggests that the investors both choose and modify situations. Situations require attention and appraisal, which leads to an emotional response.

Attempts to handle emotions may highlight on any of the stages indicated in the model below:

Approach 1: managing emotions is to select, avoid, or modify situations

Approach 2: include giving attention to emotionally salient elements of a circumstance where the emotional responses are in difficulty to cope with, and reframing events to change the emotional response.

It is also possible to escape from emotional responses by refocusing in a different place. However, the model usefully illustrates the central role of emotion regulation in decision-making.

In addition to theoretical modelling, there is empirical evidence for a relationship between strategies for emotion regulation and a range of immediate results. The results of antecedent-focused emotion regulation strategies, which try to change emotions before emotion responses have become fully activated and response-focused regulation strategies, which adjust behaviour and emotion expression once the emotional response is in progress.

EMOTION AND FINANCIAL DECISION-MAKING PERFORMANCE

As already seen, there is a range of evidence that emotions can induce biases in decision-making. Emotions can twist information recovery.

Emotions also have a character in risk-related decision-making. There was evidence that positive decision-making outcomes, as assessed by profits and losses, were associated positively with pleasant effect (e.g., content) and negative results with unpleasant impact (e.g., bored). Furthermore, investors who experienced more intense positive and negative emotional reactions to gain and loss were poorer performers than those with more attenuated emotional responses.

In summary, the emotions literature gives extensive support to the idea that emotions have multiple severe impacts on decision-making. However, it is also clear that it is not emotions that are detrimental to decision-making performance, but rather that expertise and the regulation of emotions determine whether emotions have positive or negative impacts on trading decision performance of the investors, particularly in the stock market investments. This notion gives great support and warns the investors about their awareness and regulation of emotions to enhance trading experience. It is suggested that hurried, emotional decision making is inappropriate to the complex, information-rich environment of trading.

FINANCIAL EMOTIONAL INTELLIGENCE

The main feature of Financial Emotional Intelligence (FEI) is to bring together our intuitive and deliberate decision-making processes, that is consciously aware of how our unconscious is affecting our decision-making. This integration allows us to make better choices and enhance our knowledge and inspiration to avoid the errors many of us mind commit in different situations. Thus, the key to successful FEI lies in our ability to direct our emotions into more creative outcomes, not merely downgrade them to the dustbin. On this basis, we can steer our behaviour and decisions within the ongoing conflicts of ethics and other informed investment decisions. The conscious will of FEI is the facilitator, enabled by the process of practice and training ourselves to check our thinking against well-known biases that so often impede our decision-making. In implementing FEI, investors might begin by adding emotional details to their trade registry. They could improve further by checking their thinking against a list of documented, typical, negative investment behaviours and then actively seeking to minimize any adverse impact. The use of such mental cues could help create an association between the signal and the action. Heightened awareness can serve to inform our conscious mind that an automatic psychological response had triggered that might lead to dangerous, unintended consequences. From there, we can redeploy our brain to work towards a better-Informed decision.

CHAPTER 4
DATA ANALYSIS AND INTERPRETATION

4.1 GENDER OF THE RESPONDENTS

TABLE 4.1 SHOWING GENDERS OF THE RESPONDENTS

GENDER	RESPONDENTS	PERCENTAGE
MALE	41	58.6%
FEMALE	29	41.4%
TOTAL	70	100

FIGURE 4.1 SHOWING GENDER OF THE RESPONDENTS



INTERPRETATION:

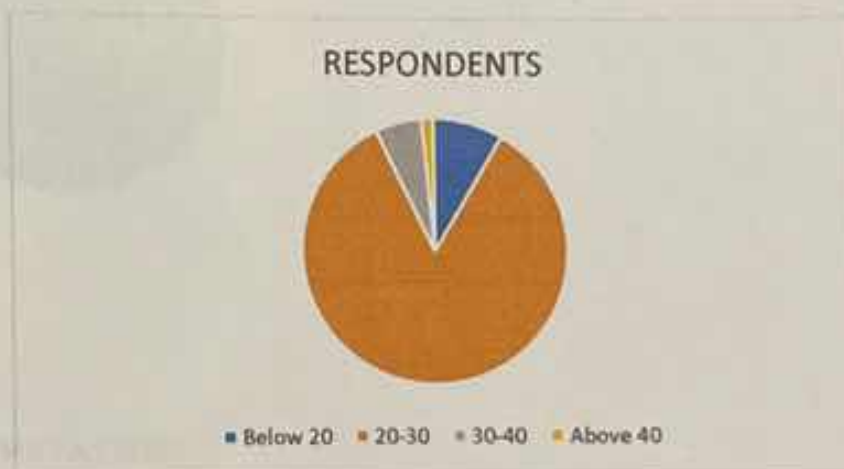
As shown in the above diagram, 41.4% are female respondents and 58.6% are male respondents out of 70 respondents. Here, we conclude that male respondents are more than female respondents.

4.2 AGE OF THE RESPONDENTS

TABLE 4.2 SHOWING AGE OF THE RESPONDENTS

AGE	RESPONDENTS	PERCENTAGE
Below 20	6	8.6%
20-30	59	84.3%
30-40	4	5.7%
Above 40	1	1.4%
TOTAL	70	100%

FIGURE 4.2 SHOWING AGE OF THE RESPONDENTS



INTERPRETATION:

As shown in the above table, age group 20-30 is the largest group representing 84.3% of the respondents, followed by 8.6% of respondents who belong to the age group below 20. Smallest number of respondents of 1.4% belong to the age group above 40.

4.3 MARITAL STATUS OF RESPONDANTS

TABLE 4.3 SHOWING MARITAL STATUS

STATUS	RESPONDENTS	PERCENTAGE
MARRIED	63	8.7%
SINGLE	7	91.3%
TOTAL	70	100

FIGURE 4.3 SHOWING MARITAL STATUS



INTERPRETATION:

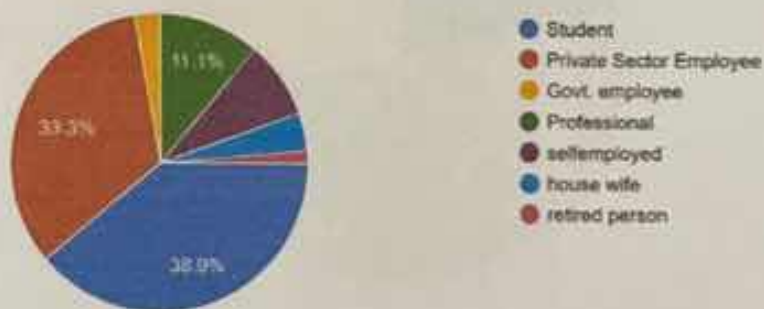
As shown in the above table, single status is the largest group representing 91.3% and the smallest group is 8.7% belonging to married status.

4.4 OCCUPATION OF RESPONDENTS

TABLE 4.4 SHOWING OCCUPATION OF RESPONDENTS

OCCUPATION	RESPONDENTS	PERCENTAGE
Student	28	40%
Private Sector Employee	23	32.9%
Professional	8	11.4%
Self employed	6	8.6%
Government. Employee	2	2.9%
House wife	2	2.9%
Retired person	1	1.4%
TOTAL	70	100

FIGURE 4.4 SHOWING OCCUPATION OF RESPONDENTS



INTERPRETATION:

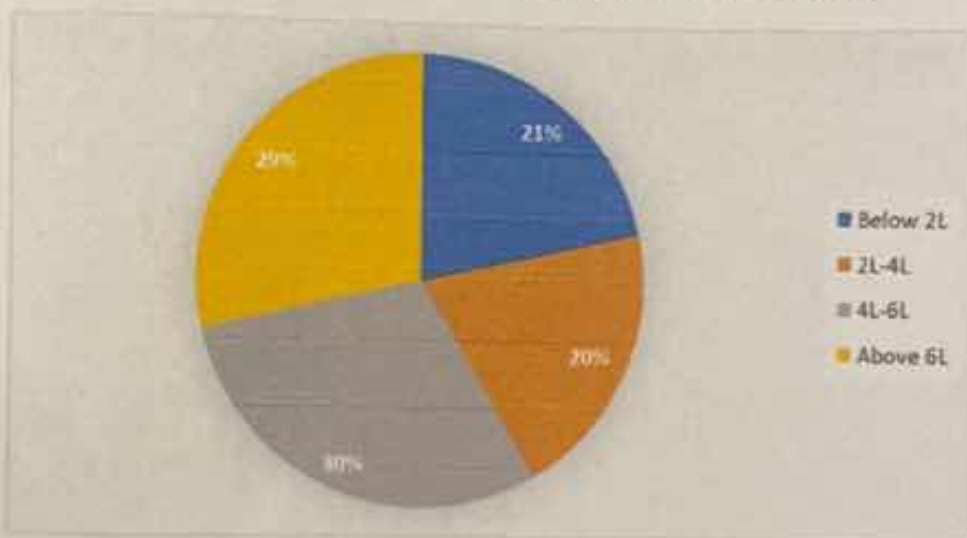
As shown in the above table, the largest group of respondents are students representing 40%, second largest group of respondents are the private sector employees representing 32.9%, third largest being the professional group of respondents with 11.4% of responses, followed by Government employees and house wives with 2.9% and retired persons with the least number of responses of 1.4%.

4.5 GROSS ANNUAL INCOME

TABLE 4.5 GROSS ANNUAL INCOME

INCOME	RESPONDENTS	PERCENTAGE
Below 2L	15	21%
2L-4L	14	20%
4L-6L	21	30%
Above 6L	20	29%
TOTAL	70	100%

FIGURE 4.5 SHOWING GROSS ANNUAL INCOME



INTERPRETATION

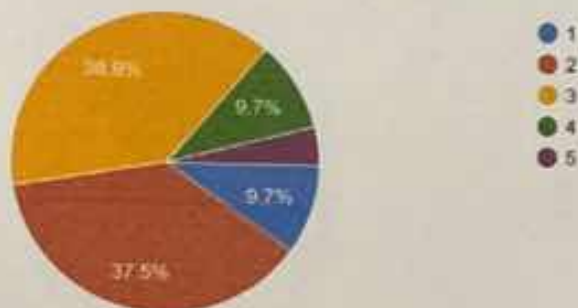
In the above Diagram, we can say that the 21 respondents fall in the income group of 4L-6L representing 30%. The second highest income group is above 6L with 20 respondents representing 29%. The next highest group of respondents are in the income group below 2L with 15 respondents representing 27% percentage and least group of respondents fall under the income group of 2L-4L with 20%.

4.6 ASSOCIATION BETWEEN INVESTMENT DECISION AND EMOTION

TABLE 4.6 SHOWING ASSOCIATION BETWEEN INVESTMENT DECISION AND EMOTION

ANSWER	RESPONDENTS	PERCENTAGE
Strongly Agree	7	9.9%
Agree	27	38%
Neutral	28	39.4%
Disagree	4	8.5%
Strongly Disagree	5	4.2%
TOTAL	70	100

FIGURE 4.6 SHOWING ASSOCIATION BETWEEN INVESTMENT DECISION AND EMOTION



INTERPRETATION

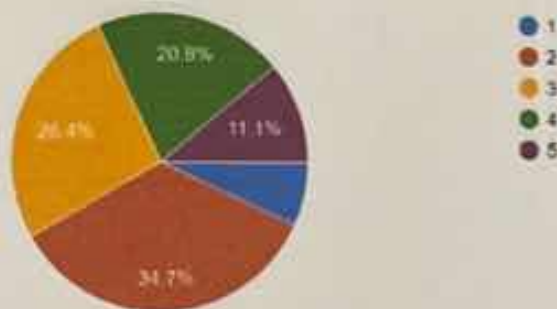
As shown in the above diagram, majority respondents are neutral about their investment decision and emotion representing 39.4%, 38% of respondents agree, 9.9% of respondents strongly agree followed by minorities 8.5% of respondents disagreeing and 4.2% of respondents who strongly disagree.

**4.9 INVESTOR FALLING IN CONFIDENCE AFTER A BIG LOSS,
LEADS TO INABILITY TO MAKE A BUY OR SELL DECISION**

**TABLE 4.9 INVESTOR FALLING IN CONFIDENCE AFTER A BIG
LOSS, LEADS TO INABILITY TO MAKE A BUY OR SELL DECISION**

ANSWER	RESPONDENTS	PERCENTAGE
Strongly Agree	4	6.9%
Agree	25	34.7%
Neutral	19	26.4%
Disagree	15	20.8%
Strongly Disagree	7	11.1%
TOTAL	70	100

**FIGURE 4.9 SHOWING INVESTOR FALLING IN CONFIDENCE
AFTER A BIG LOSS, LEADS TO INABILITY TO MAKE A BUY OR
SELL DECISION**



INTERPRETATION

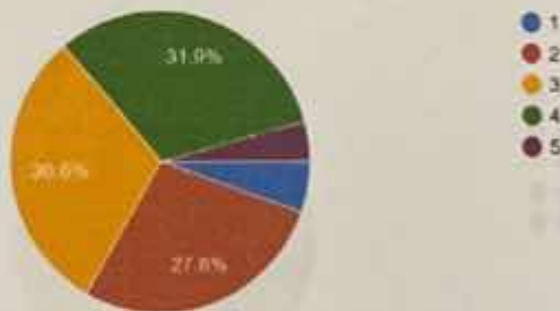
In the above diagram, 25 respondents agree over falling in confidence after a big loss with 34.7% while 19 respondents are neutral representing 26.4%. 15 respondents disagree representing 20.8% while seven respondents strongly disagree with 11.1%. Only four respondents strongly agree with 6.9%.

4.12 INVESTORS EXPERIENCE ON COLLEAGUES OPENNESS TO EMOTIONS AND THEIR INVESTMENTS

TABLE 4.12 INVESTORS EXPERIENCE ON COLLEAGUES OPENNESS TO EMOTIONS AND THEIR INVESTMENTS

ANSWER	RESPONDENTS	PERCENTAGE
Strongly Agree	4	5.6%
Agree	20	27.8%
Neutral	22	30.6%
Disagree	23	31.9%
Strongly Disagree	3	4.2%
TOTAL	70	100

FIGURE 4.12 SHOWING INVESTORS EXPERIENCE ON COLLEAGUES OPENNESS TO EMOTIONS AND THEIR INVESTMENTS



INTERPRETATION

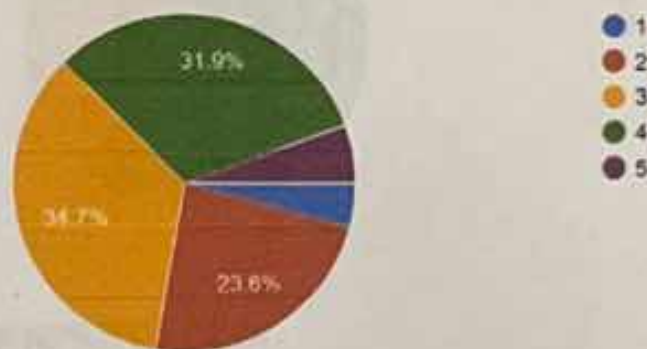
In the above diagram, 23 respondents disagree with colleagues' openness to Emotions and their investments representing 31.9%, 22 respondents are neutral about their openness representing 30.6%, 20 respondents agree representing 27.8% and 4 respondents strongly agree with 5.6%. Only 3 respondents strongly disagree with the openness to Emotions and the investments by colleagues representing 4.2%.

4.17 TEMPTATIONS LEADS TO TRADE WHEN THERE IS NO REAL OPPORTUNITY OR WHEN THE RISK IS INAPPROPRIATE

TABLE 4.17 TEMPTATIONS LEADS TO TRADE WHEN THERE IS NO REAL OPPORTUNITY OR WHEN THE RISK IS INAPPROPRIATE

ANSWER	RESPONDENTS	PERCENTAGE
Strongly Agree	3	4.2%
Agree	17	23.6%
Neutral	25	34.7%
Disagree	23	31.9%
Strongly Disagree	4	5.6%
TOTAL	70	100

FIGURE 4.17 SHOWING TEMPTATIONS LEADS TO TRADE WHEN THERE IS NO REAL OPPORTUNITY OR WHEN THE RISK IS INAPPROPRIATE



INTERPRETATION

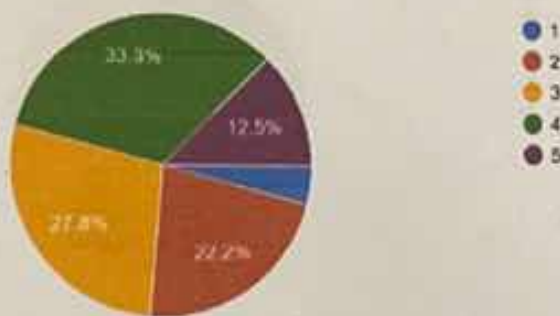
In the above diagram, 25 respondents are neutral about Temptations leading to trade when there is no real opportunity or when the risk is inappropriate representing 34.7%, 23 respondents disagree representing 31.9%, 17 respondents agree with 23.6% and four respondents strongly disagree with 5.6%. Only 3 respondents strongly agree that Temptations lead to trade representing 4.2%.

4.19 INDIVIDUALS TAKING FULL RESPONSIBILITY OF THEIR INVESTMENT DECISION

TABLE 4.19 INDIVIDUALS TAKING FULL RESPONSIBILITY OF THEIR INVESTMENT DECISION

ANSWER	RESPONDENTS	PERCENTAGE
Strongly Agree	3	4.2%
Agree	16	22.2%
Neutral	20	27.8%
Disagree	24	33.3%
Strongly Disagree	9	12.5%
TOTAL	70	100

FIGURE 4.19 SHOWING INDIVIDUALS TAKING FULL RESPONSIBILITY OF THEIR INVESTMENT DECISION



INTERPRETATION

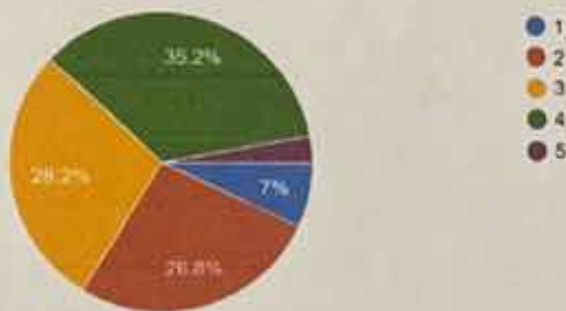
In the above diagram, 24 respondents disagree with individuals taking full responsibility of their investment decision representing 33.3%, 20 respondents are neutral representing 27.8%, 16 respondents agree representing 22.2%, 9 respondents strongly disagree representing 12.5% and only 3 respondents strongly agree representing 4.2%.

**4.35 PERSONALITY SET ONE HAVE WHILE TRADING:
INTUITION/MARKET FED**

**TABLE 4.35 PERSONALITY SET ONE HAVE WHILE TRADING:
INTUITION/MARKET FED**

ANSWER	RESPONDENTS	PERCENTAGE
Strongly Agree	6	7%
Agree	19	26.8%
Neutral	20	28.2%
Disagree	25	35.2%
Strongly Disagree	2	2.8%
TOTAL	70	100

**FIGURE 4.35 SHOWING PERSONALITY SET ONE HAVE WHILE
TRADING: INTUITION/MARKET FED**



INTERPRETATION

In the above diagram, 25 respondents disagree on intuitions or being market fed as a personality set one has while trading representing 35.2%, 20 respondents are neutral in representing 28.2%, 19 respondents agree representing 26.8%, 6 respondents strongly agree representing 7% and only 2 respondents strongly disagree representing 2.8%.

HYPOTHESIS 1

CHAPTER 5

FINDINGS, CONCLUSIONS AND SUGGESTIONS

Ho: There is no significant relationship between the gender and investment objectives

H1: There is significant relationship between the gender and investment objectives

Test Statistics

Mann-Whitney U	610.500
Wilcoxon W	1106.500
Z	-0.295
Asymp. Sig. (2-tailed)	0.768

Source: primary data

Inference: There is no significant relationship between gender and investment objectives as

the P value is more than 0.05. Thus, we reject null hypothesis.

HYPOTHESIS 2

Ho: There is no significant relationship between the age and factors which induces investment

H1: There is significant relationship between the age and factors which induces investment

Test Statistics

Kruskal-Wallis H	.989
df	3
Asymp. Sig.	.804

Source: primary data

Inference: There is no significant relationship between age and factors which induces investment as the P value is more than 0.05. Thus, we reject null hypothesis.

FINDINGS

The major findings of the study are presented as per the objectives of the study.

1. From the population taken for the study, (58.6%) of the respondents were male and (41.4%) were female. Here, we can conclude that male respondents were more than female respondents.
2. Large group of respondents belonged to the age group of 20-30 (84.3%), followed by respondents belonging to age group below 20 (8.6%). Smallest group of respondents belonged to the age group 30-40 (5.7%) followed by the age group above 40 (1.4%).
3. Single status is the largest group (91.3%) and other group is married status (8.7%).
4. Student respondents were larger (40%) followed by private sector employees (32.9%), professional respondents (11.4%) and self-employed respondents (8.6%). Least group of respondents are shared by government employee and housewives (2.9%) followed by retired persons (1.4%).
5. The majority respondents fall in the income group of 4L-6L (30%). The second highest income group is above 6L (29%). The next highest group of respondents are in the income group below 2L (27%) and least group of respondents fall under the income group of 2L-4L (20%).
6. The respondents whose source of investment is through savings amount and concerning frequency in monitoring investment daily have significantly

- higher emotional trading scores (56.9%) as compared to investors with other sources of investments.
7. The majority respondents are neutral about trading with instincts group (29.2%). The majority respondents are neutral about taking bigger risks to avoid loss (31.9%). The majority respondents are neutral about the affection of emotions or brain activity in stock market financial decisions (41.7%).
 8. The investor optimism and effort scores are significantly higher for male respondents, single respondents, student respondents and the respondents who have an average gross annual income of 4L-6L when compared to another category of respondents.
 9. It is inferred from the percentage analysis, majority respondents opted for Savings as a source of investment (56.9%), followed by respondents opting for Personal borrowings. Least was Marginal financing as a source of investment (12.5%).
 10. The percentage of respondents coming under purpose behind investment for wealth creation is higher (31.9%) compared to other purpose behind investments. The respondents whose purpose is future expenditure is the least (18.1%).
 11. The majority percentage of respondents opted average value of portfolio as 1L-25L (47.9%) and majority of respondents agree with individuals risk appetite for a better return (41.7%).

12. The majority percentage of respondents are equally in agreement and in neutrality with lack of discipline as a personality while trading (32.4%),
13. Majority respondents are neutral on over trading or unplanned trading as a personality (33.8%), other respondents disagree on being too emotional or impulsive as a personality set one has while trading (29.6%).
14. Few other respondents are neutral on being too cautious or not having enough confidence as a personality set one has while trading (32.4%), other respondents disagree on intuitions or being market fed as a personality set one has while trading (35.2%).
15. The percentage majority of respondents agree with individuals investing in a company that they don't know and they don't trust (38.9%) and only three respondents strongly disagree (4.2%).
16. The percentage majority (29.2%) of respondents are neutral on individuals concerned about missing substantial gains than the loss in the stock, the majority respondents are neutral on individuals investing in companies which have high ups and downs even if it doesn't have stable expected returns (33.3%).

17. The majority percentage of respondents are equally in agreement and in neutrality about confidence in selecting financial instruments (34.7%) Majority respondents are neutral on individuals having complete knowledge of available financial instruments (33.3%).
18. There is no significant association between gender and investment objectives of the respondents. It can be said that men and women are indifferent to investment objectives. So, one could conclude that, there is no gender differences in investing.
19. There is no significant association between age and factors which induces investment of the respondents. The demographical factor, age has no direct influence on the behavioural biases which later affect their investment decisions. Age does not determine one's investment pattern and decision making.
20. The majority respondents opted for research reports on what induces to invest in particular stock (34.7%) and respondents least opted for tips (13.9%).
21. The majority percentage of respondents are neutral about their association between Emotions and earlier gains and losses (38.9%), while other respondents disagree the association (31.9%). Majority respondents are neutral about their investment decision and emotion (39.4%).

SUGGESTIONS

1. Understanding the Emotions in Investing

The findings of the study reveal the presence and significance, emotions play in the stock market investments by the investors. These emotions that drive investor behaviour have been largely ignored by the stock market participants. Hence, the researcher recommends to the investors to understand the pitfalls of these emotion centred behaviours, so that they can prevent making investment mistakes in the future.

2. Instincts to be properly handled

There is plenty of information related to investments available to an investor. Instinct is the feeling of what to pay attention to and which things need utmost care. There is good evidence in this study that the information is available through many different sources and the presence of trading with instincts by the investors. It is critical to handle this intelligence in evaluating one's inner instincts before arriving at investment decisions.

3. Temptations to trade and dishonest with self

The traders are suggested to take up the challenge to streamline their investment choices effectively by avoiding these mistakes without losing access to the investors experience and pattern-based information, that their temptations and emotions have given access. The investors should not let volatility scare them; they have to remain focused on their financial goals .A sudden move made out of fear or not responding to the market could lead them to miss some of the market's best days.

4. Risk appetite according to financial responsibilities

There are risks attached to the stock market investment of the investors like information risk, anxiety risk, and financial risk. Only if one has enough funds to meet their short-term goals, one can expose the portfolio to high volatility. A thorough knowledge about something increases investors' awareness. Becoming aware of good and bad effects would push risk appetite up.

CONCLUSION

In the process of investing in stock markets, the investors enter into various emotional states of mind which are revealed through this study. 'Trading with instinct', 'emotional surges', 'strategy diversions' and 'unmindful of risks' are identified as the key emotional groups among the respondents taken for study. These Emotions are found to be detrimental to the success of their stock market investments. Investors 'gut' feelings through their over-optimism are profoundly contributing to trading performance and annual income of the investors. The percentage of income invested is minimal with lesser portfolio values and those who monitor their investments daily, have higher chances of remaining in positive attitude. Lower levels of emotional experience seem to be associated with higher levels of decision-making performance. While the investor may be conservative, moderate, balanced or aggressive, he cannot get a complete control over all the market settings. The risk appetite and fear of missing out on an opportunity, contribute to the ability of investor decision making. Although researches are still building a model which eliminates most of the defects in the trading environment, this research work adds a leaf to the tree of knowledge, providing a significant contribution to reach the purpose. Hence the researcher suggested to understand emotions in investing, to properly handle instincts, to have rationale for strategy diversions, lower the temptations to jump into trades, being truthful to oneself, to take risk according to financial responsibilities, to do homework of security analysis, staying diversified and to follow emotional regulation techniques. The bottom line is while analysing markets; investors need to have an objective perspective and never allow emotions to override their decision-making process. Hence, to augment more favourable decisions under uncertainty which cannot be altered, the investors could recognise their emotions which affect their investments and to handle their emotions as suggested while trading in stock market investments. Finally, appropriate measures as suggested have to be taken by the investors to keep in check emotions and illusions of control in the trading activity. Investors are advised to be

positive, without panicking and staying calm without fear, to stay informed and focused, to wait for market recoveries and to make rational decisions with emotional consciousness, reducing debt and to choose stocks wisely for an improved trading experience.

FINLONDA

Introduction

- The importance of the study
- The objectives of the study
- The scope of the study
- The structure of the study

Methodology

- The research design
- The data collection methods
- The data analysis methods

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LETTER OF INTENT TO PURCHASE
PROPERTY OF THE STATE OF CALIFORNIA
TO BE USED FOR THE PURPOSES OF
THE STATE OF CALIFORNIA

OF THE STATE OF CALIFORNIA

OFFICE OF THE ATTORNEY GENERAL

ANNEXURE

- 1. Name of the property
- 2. Location of the property
- 3. Description of the property
- 4. Name of the owner
- 5. Date of purchase
- 6. Name of the seller
- 7. Name of the buyer
- 8. Name of the agent
- 9. Name of the broker
- 10. Name of the lender
- 11. Name of the title company
- 12. Name of the escrow agent
- 13. Name of the recording agent
- 14. Name of the recording jurisdiction
- 15. Name of the recording instrument
- 16. Name of the recording instrument number
- 17. Name of the recording instrument date
- 18. Name of the recording instrument jurisdiction
- 19. Name of the recording instrument recording agent
- 20. Name of the recording instrument recording agent address
- 21. Name of the recording instrument recording agent phone number
- 22. Name of the recording instrument recording agent fax number
- 23. Name of the recording instrument recording agent email address
- 24. Name of the recording instrument recording agent website
- 25. Name of the recording instrument recording agent contact person
- 26. Name of the recording instrument recording agent contact person phone number
- 27. Name of the recording instrument recording agent contact person fax number
- 28. Name of the recording instrument recording agent contact person email address
- 29. Name of the recording instrument recording agent contact person website
- 30. Name of the recording instrument recording agent contact person contact information

**A STUDY ON EMOTIONAL FINANCE AND ITS
INFLUENCE ON INVESTMENT PATTERN OF
INVESTORS WITH SPECIAL REFERENCE TO
STOCK MARKET INVESTMENTS**

QUESTIONNAIRE

PERSONAL DEMOGRAPHICS:

1) Gender:

- a. Male b. Female

2). Age (in years)

- a. Below 20 years b. Between 20-30
c. Between 30-40 d. Above 40

3). Marital Status

- a. Single b. married

4). Occupation

- a. Student b. Private sector employee
c. Govt. employee d. Professional
e. Self-employed f. House wife
g. Retired person

5). What is your average gross annual income? (In Lakhs)

- a. less than 2L b. 2L-4L
c. 4L-6L d. above 6L

6). Please rate the following statement from 1(A GREAT DEAL) TO 5 (NOT AT ALL).

	1	2	3	4	5
a. Do Your Investment Decisions involve emotion?					
b. Do emotions associated with earlier gains or losses lead to a change in risk behaviour?					
c. Do big loss leads to a strong desire to recover the loss and the willingness to take an increased risk to do so?					
d. Do investor fall in confidence that may follow a big loss, leading to an inability to make a buy or sell decision?					
e. Do the investor finds any inability to stick with the planned strategies.					
f. Do the investors are much more open to their emotions					
g. Do the investor experienced any of the colleagues open to their emotions about their investments					
h. Do any of the emotions or the brain activity of the investor affects the stock market financial decisions.					
i. Do investors take bigger risk to avoid loss					
j. Do investors trust instincts					
k Do investors or traders have financial problems by which they are too emotion while investing					
l. Temptations may lead to trade when there is no real opportunity or when the risk is inappropriate.					

7). Please rate the following statement from 1(A= strongly Agree) to 5(DA= strongly Disagree).

Ability To Investment Decisions	1	2	3	4	5
a. I am confident in my ability to select financial instruments for investment.					
b. I take full responsibility for the result of my investment decisions.					
c. I am confident to manage my investment.					
d. I have complete knowledge of available financial instruments.					

13). What kind of personality set you have while trading?

Please rate the following statement from 1(A= Agree) to 5(DA= Disagree).

Personality Traits: strength & weakness	1	2	3	4	5
a. lack of discipline					
b. over trading/unplanned trading					
c. too emotional/impulsive					
d. too cautious/not enough confidence					
e. lack of patience					
f. Intuition/market fed					