A COMPREHENSIVE STUDY ON BEHAVIORAL FINANCE AND INVESTMENT DECISIONS WITH SPECIAL REFERENCE TO INDIVIDUALS

Dissertation Submitted by

SMRITHY SUSAN SUNIL (SB21BCOM053)

EVA HENTREENA (SB21BCOM038)

ANAGHATHAMPI (SB21BCOM021)

Under the guidance of

Smt. ANNIE MERLYN RODRIGUES

In partial fulfilment of the requirement for the Degree of

BACHELOR OF COMMERCE

ST. TERESA'S COLLEGE ESTD 1925

ST. TERESA'S COLLEGE (AUTONOMOUS), ERNAKULAM COLLEGE WITH POTENTIAL FOR EXCELLENCE

Nationally Re-Accredited with A++ Grade Affiliated to

Mahatma Gandhi University, Kottayam-686560

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THE FEAR OF THE LORD IS THE BEGINNING OF WISDOM

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This is to certify that the project titled " A Comprehensive Study on Behavioral Finance and Investment Decisions with Special Reference to Individuals" submitted to Mahatma Gandhi University in partial fulfilment of the requirement for the award of Degree of Master of Commerce is a record of the original work done by Ms. Smrithy Susan Sunil, Ms. Eva Hentreena and Ms. Anagha Thampi, under my supervision and guidance during the academic year 2023-24.

Project Guide

DEPARTMENT OF COMMERCE (SF)

Smt. Annie Merlyn Rodrigues	**Smt. Jini Justin D'Costa**
Assistant Professor	**(Head of the Department)**
Department of Commerce (SF)	**Department of Commerce (SF)**

Viva Voce Examination held on 24/04/2024

External Examiner(s)

DECLARATION

We, Smrithy Susan Sunil, Eva Hentreena and Anagha Thampi, final year B.Com students, Department of Commerce (SF), St. Teresa's College (Autonomous) do hereby declare that the project report entitled "A Comprehensive Study on Behavioral Finance and Investment Decisions with Special Reference to Individuals" submitted to Mahatma Gandhi University is a bonafide record of the work done under the supervision and guidance of Smt. Annie Merlyn Rodrigues, 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

DATE: 24|04|2024

SMRITHY SUSAN SUNIL

EVA HENTREENA

ANAGHA THAMPI

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SMRITHY SUSAN SUNIL

EVA HENTREENA

ANAGHA THAMPI

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CHAPTER – I
INTRODUCTION

1.1 TITLE OF THE STUDY

A COMPREHENSIVE STUDY ON BEHAVIORAL FINANACE AND INVESTMENT DECISIONS WITH SPECIAL REFERENCE TO INDIVIDUAL

1.2 INTRODUCTION

Behavioral finance examines psychological influences on financial decision making and often suggests unethical behavior that departs from traditional economic thinking.

Businesspeople driven by emotions such as fear and greed will deviate from the best option, affecting business value and creating unusual opportunities. Understanding financial behavior is important for investors because it helps explain market failures, bubbles, and crashes.

A successful investment decision requires a balance between risk and reward, including business economics, personal preferences, and risk tolerance. general business.

In this complex field, many resources and methods have emerged, from investment cost to quantitative analysis. Understanding one's financial goals, risk appetite, and time horizon is crucial to choosing among the many options available.

Businesspeople can benefit from integrating behavioral insights into their decision-making processes. Behavioral finance also emphasizes the importance of education and knowledge of investors, allowing them to better understand people's behavior and therefore draw attention to the difficulties of financial transactions.

1.3 STATEMENT OF THE PROBLEM

This project seeks to delve into the effect and significance of behavioral finance in shaping investor choices. The study aims to unravel the various factors influencing investment decisions, attitudes towards savings and risk across diverse investment avenues and analyze savings and investment decisions.

1.4 OBJECTIVES OF THE STUDY

- To study the effect and importance of behavioural finance in investment decisions.
- To study different factors that influence investors investment decisions.
- To examine investors savings and risk attitudes towards various investment avenues.
- To analyze savings and investment decisions.
- To identify the preferred investment options.

1.5 SIGNIFICANCE OF THE STUDY

Studying the effect and importance of behavioral finance offers a profound understanding of how psychological and emotional factors intricately shape investor decisions.

Delving into different factors that influence investment decisions allows for the identification and mitigation of biases, providing investors with tools to navigate the complexities of an ever-changing financial environment.

Examining investors' savings and risk attitudes towards various investment avenues becomes a cornerstone for tailoring investment strategies.

This empowers financial professionals and policymakers to design approaches that align with investors' attitudes, ultimately contributing to more effective financial planning.

1.6 RESEARCH METHODOLOGY OF THE STUDY

- **Type Of Research Design:** The study is descriptive in nature.
- **Collection Of Data:** Both primary and secondary data were used for the data collection.
- **Primary Data:** They were collected by conducting surveys through the distribution of questionnaires using google forms.
- **Secondary Data:** They were collected from published sources like websites, journals etc.
- **Sampling Design:** A convenient random sampling was used to analyze the objectives of the study.
- **Population:** The population was limited to the investors in Ernakulam.
- **Sample Size:** A total of 50 is the sample size

1.7 SCOPE OF THE STUDY

The research will focus on the city of Kochi as a microcosm for investigating behavioral finance and investment decisions. The study aims to capture the nuanced behaviors and preferences of investors in a specific regional context.

1.8 LIMITATIONS OF THE STUDY

- The study is limited to time constraints.
- Limitations in resources and time may constrain the size of the sample, affecting the inclusiveness of the findings for the entire investor population in Kochi.
- The study may not fully capture the impact of emerging financial instruments or investment trends that evolve after the study period.
- The accuracy of the study relies on the honesty and accuracy of the information provided by participants, introducing a potential source of bias.

CHAPTER – 2
REVIEW OF LITERATURE

Vibhash Kumar, Ria Dudani, Latha K (2023), "the big five personality traits and psychological biases: an exploratory study"

This study examines the relationship between behavioral biases (herd behavior bias, overconfidence bias, and loss aversion bias) and the Big Five Personality traits. The study develops a structured test battery to measure the biases. The items measuring overconfidence, loss aversion, and herd behavior bias was conceptualized and validated in the study.

Parul Kumar, Md Aminul Islam, Rekha Pillai, Taimur Sharif, "analyzing the behavioural, psychological, and demographic determinants of financial decision making of household investors."

Addingto the behavioral science domain, the principal idea behind the study is to investigate the impact of an array of behavioral, psychological, and demographic factors on financial decision making. The results of this comprehensive and unique study portray the influence that various psychological, behavioural, and demographic factors have on financial decision making.

Barkha Dhingra, Mahender Yadav, Mohit Saini, Ruhee Mittal. 28 August 2023, "a bibliometric visualization of behavioral biases in investment decision-making. qualitative research in financial markets"

This study aims to conduct a bibliometric analysis to provide a comprehensive picture and identify future research directions to enrich the existing literature on behavioral biases. The current review has identified four major themes: "Influence of behavioral biases on investment decisions," "Determinants of home bias," "Impact of biases on stock market variables" and "Investors' decision-making under uncertainty."

Elia Thagaram, P Sanjeevi, Naveen Sudhamsetti, Vanapalli Naga, Venkata Vamshi Kumar,2023, "the impact of behavioural finance on investment decision. "

The study delves into the extensive impact ofbehavioral finance on investment decisions, focusing on the intricate interplay between psychological factors and financial choices.

This research paper aims to provide a comprehensive analysis of how psychological biases and emotional influences significantly affect investment decisions.

P.Arulmoli. December, 2023, "a study on behavioral finance of investors in banks"

Decisions cannot at all be made in avoid by relying on the personal possessions and intricate models, which do not take into deliberation the situation. Examination of the variables of the difficulty in which it occurs is mediated by the cognitive psychology of the manager.

DJ Sharna, DD Sarma,2022, "opportunities and limitations of behavioural finance for efficient corporate governance."

Behavioural finance is a new field which explains the economic decisions of people. It is a field which combines behavioural and cognitive psychological theories with conventional economics and Finance. In this paper efforts have been made to provide a framework for the concept related to the behavioural finance.

Ankita Bhatia, Arti Chandani, Rajiv Divekar, Mita Mehta, Neeraja Vijay 2022, "digital innovation in wealth management landscape: the moderating role of robo advisors in behavioural biases and investment decision-making."

The authors found that behavioral biases positively and significantly influence the irrationalities of investment decision-making. The findings of this study also provide empirical evidence that the usage of robo-advisory services, by individual investors, is still incapable of mitigating behavioural biases, such as overconfidence bias and loss-aversion bias.

Satish K Mittal,2022, "behavior biases and investment decision: theoretical and research framework"

This paper developed a theoretical and research framework by identifying the behavioral biases in investment decision and by presenting a review of the available literature in the field of behavior finance-related biases.

Kartini Kartini, Katiya NAHDA,2021. "behavioral biases on investment decision: a case study in indonesia"

This study aims to investigate the influence of various psychological factors on investment decision-making. The psychological factors that are investigated are differentiated into two aspects, cognitive and emotional aspects. From the cognitive aspect, we examine the influence of anchoring, representativeness, loss aversion, overconfidence, and optimism biases on investor decisions. Meanwhile, from the emotional aspect, the influence of herding behavior on investment decisions is analyzed.

Geoffrey VanderPal, 2021, “emotional quotient and intelligence quotient on behavioral finance and investment performance.”

The purpose of the study is to examine whether education, emotional quotient, and intelligence quotient have a positive influence on investment performance and decision-making. The review provides an understanding of the contribution of other authors in understanding the link between EQ, IQ, and education in investment performance and decision-making.

Kannadas Sendilvelu and Manita Deepak Shah. 2021, “a study on impact of behavioral finance on investment decisions of single parents”

The purpose of this study is to find out the possible impact of behavioral finance on the investment decision of a single parent. This study is also one of an effort to assess the impact of behavioral biases in the investment decision-making of a single parent.

Sharma, Aditya., Kumar, Arya (2019), “debate on market efficiency and asset pricing approaches: a literature review. qualitative research in financial markets”

This paper participates in the debate on market efficiency and correct approach for asset pricing through a comprehensive review of literature in favor, as well as against the long held belief of market efficiency.

Ainia, NSN., Lutfi, L. (2019), “influence of risk perception, risk tolerance, overconfidence, and loss aversion on investment decision making. journal of economics, business, & accountancy ventura.”

This study aims to examine the effect of risk perception, risk tolerance, overconfidence, and loss aversion on investment decision making. The results showed that risk perception has a significant and negative effect on investment decision making, risk tolerance and overconfidence have a significant and positive effect on investment decision making, while loss aversion has no effect on investment decision making.

Metawa, N., Hassan, MK., Metawa, S., Safa, MF. (2019), “impact of behavioral factors on investors' financial decisions: a case study of the egyptian stock market. international journal of islamic and middle eastern finance and management.”

This paper aims to investigate the relationship between investors’ demographic characteristics and their investment decisions through behavioral factors as mediator variables in the stock market.

Jitendar Kumar. (January 2019). "Review of Behavioral Finance Literature: Insights and Trends."

Objective of this review paper is to present a summary of 55 papers reviewed which were published on behavioural finance from 1975 to 2019. This paper helps regarding categorization of biases while investing in equity shares.

Baker, HK., Kumar, S., Goyal, N., Gaur, V. (2019) Relationship between financial literacy, demographic variables, and behavioral biases. Managerial Finance.

The results reveal the presence of different behavioral biases including overconfidence and self-attribution, the disposition effect, anchoring bias, representativeness, mental accounting, emotional biases and herding among Indian investors. Hence, the findings support the view that individual investors do not always act rationally.

Harikanth, D., Pragathi, B. (2017), "role of behavioral finance in investment decision making."

As per the study, income and occupation play a significant role in the selection of investment avenues and the risk associated with them by both male and female investors. Investors' portfolio selection is influenced by their age, gender, educational qualifications, geographic horizon, risk tolerance capability, and risk bearing capacity.

Mangee, N. (2017), "new evidence on psychology and stock returns. journal of behavioral finance."

The relevance of psychological factors for aggregate stock price volatility is examined using econometric evidence in this paper. To that end, the Net Psychology Index (NPI), based on Bloomberg data, has been developed as a novel measure of stock market sentiment.

CHAPTER – 3

THEORETICAL FRAMEWORK

3.1 INTRODUCTION

Investment decisions are not isolated events; they are embedded in social and cultural contexts. Social, cultural and demographic factors affect investors' attitudes towards risk and investment preferences. Behavioral finance represents a revolution in finance and offers us a perspective that will allow us to better understand the complexity of investment decisions.

Traditional economic theories based on the concept of rationality often struggle to explain the nuances seen in the world of entrepreneur's behavior. Behavioral economics, on the other hand, recognizes that people are not always rational and their choices are affected by uncertainty, emotion and risk, as well as mental health.

Rational thinking is an important concept in behavioral finance that explains how people evaluate and choose different options when faced with uncertainty. Attitudes play an important role in investment decisions.

Behavioral finance examines how emotions such as fear, desire, and regret influence investors' choices. It provides a more comprehensive look at business dynamics by delving into the emotional dimensions of investment decisions. Traditional economic models assume that people behave rationally and act in their economic interests. However, behavioral finance recognizes the limitations of this theory and attempts to incorporate actual business behavior into the model.

3.2 WHAT IS BEHAVIORAL FINANCE?

Behavioral finance is the study of the influence of psychology on the behavior of investors or financial analysts.

The principles of behavioral finance include many important concepts and theories:

- **Mental Accounting:** This theory suggests that people mentally separate their money into different categories and treat each one differently.

- **Reference Dependence:** This concept suggests that people evaluate results based on the reference or comparison rather than the reference or comparison.

- **Frame effect:** Presenting the same data in different ways will lead to different results.

- **Uncertainty avoidance:** This concept suggests that people prefer known risks to unknown risks, even if the outcomes and consequences are the same.

- **Anchoring and Adjusting:** Anchoring and adjusting refers to the tendency of individuals to focus predominantly on initial information ("Anchor") when making decisions, even when that information is irrelevant or inaccurate.

- **Time Discounting:** Time discounting is the tendency for people to discount future rewards or costs compared to immediate rewards or costs. This bias can lead to short-term thinking and poor decision-making.

- **The Endowment Effect:** It is the tendency for people to value the things they have more than the things they do not have. This may lead to reluctance to sell the asset at market value or an investment conflict that needs to be reconsidered.

- **Familiarity Bias:** Familiarity Bias occurs when investors prefer assets or investments that they are familiar with, even if they like them.

3.3 TRADITIONAL VS BEHAVIORAL FINANCE

Traditional Finance:

. It views investors as rational decision-makers who carefully analyze all available information, weigh risks and rewards, and optimize their portfolios to maximize expected utility.

. Assumes markets are efficient, meaning asset prices quickly reflect all available information.

. Relies heavily on mathematical models and quantitative analysis to predict market trends and guide investment decisions.

. Ignores the influence of emotions, biases and cognitive limitations on investor behavior.

Behavioral Finance:

. It recognizes that investors are human beings prone to emotions, biases, and cognitive limitations, which significantly influence their decisions.

. Identifies market inefficiencies and anomalies caused by irrational investor behavior.

. Analyses how mental shortcuts (heuristics) and cognitive biases lead to suboptimal decisions like overconfidence, herding behavior, and framing effects.

. Emphasizes the role of emotions like fear, greed, and hope in shaping risk tolerance and investment choices.

By combining both these approaches, investors can develop a more better understanding of markets and their own decision-making processes. This can lead to improved investment strategies, greater resilience against emotional triggers and ultimately better financial outcomes.

3.4 WHAT ARE INVESTMENT DECISIONS?

An investment decision is the strategic distribution of financial resources across various assets or projects with the goal of generating returns and achieving certain financial objectives.

- Investors base their selections on criteria such as risk tolerance and time horizon.
- The investment decision is based on various factors, including associated risk, return expectations, investment goals, asset types, and many more.
- Investment decisions are taken for the sole reason of generating maximum returns in the right direction and on the right asset.
- Mainly, these decisions are classified into long-term and short-term decisions, also known as capital budgeting and capital management respectively.
- Firms and even individuals possess limited monetary resources. Therefore, fund allocations should be done with the utmost care.

3.5 TYPES OF INVESTMENT DECISIONS

- **Long Term Investment Decision:**

  Long-term investment decisions refer to financial choices made by individuals or organizations to achieve long-term financial goals that often span years or decades. These decisions may include asset allocation strategies, asset allocation, and risk management strategies designed to maximize returns while minimizing long-term risk.

- **Short Term Investment Decision:**

  Short-term investment decisions refer to financial investments made to generate returns or meet financial needs in the short term (usually a few days to a year). These decisions often involve allocating funds to assets or capital instruments that have the potential for rapid payback, high potential, or capital savings potential.

3.6 FACTORS INFLUENCING INVESTMENT DECSIONS

- **Financial Goals and Objectives:** An investor's short-term or long-term financial goals play an important role in investment decisions. These goals may include retirement planning, saving money, financial education, or buying a home.

- **Risk tolerance:** Investors' willingness and ability to take risks, which affects their assets and investment choices. Investors with higher risk appetite may allocate more of their assets to stocks or risky assets, while value investors may prefer higher quality investments such as bonds or stock funds.

- **Time Frame:** Longer time horizons generally allow for more strategic investments because there is more time to react to market changes and capitalize on returns.

- **Market Trends:** Market indicators, interest rates, inflation and geographical conditions may affect investment decisions.

- **Diversification:** Diversifying your investments across multiple asset classes, sectors and geographies is a great strategy for managing risk and improving performance. Investors can diversify to reduce the impact of negative events affecting an investment or business.

- **Regulatory Environment:** Changes in tax laws, regulations or government policies may affect investment decisions. Investors can adjust their strategies based on changes in tax rates, retirement policies or investment incentives.

- **Media Influence:** Media influence, including news media, television programs, and social media platforms, can influence marketers' understanding and behavior. Investors can be influenced by good news or misleading information, leading to wrong decisions.

3.7 INVESTORS SAVINGS AND RISK ATTITUDES TOWARDS VARIOUS INVESTMENT AVENUE

Exploring risk and tolerance from a behavioral finance perspective. Recognizing that risk is a subjective assessment, not an objective one, this approach helps explain why people choose safer investments, lower or higher risk, higher return potential.

It examines psychological factors, such as barriers or obstacles, to understand how they influence choices regarding saving and investing by demonstrating the cognitive processes that inform personal financial decisions.

Emotions play an important role in financial decisions, influencing choices about saving and investing. Financial behavior; acknowledges emotions such as fear, desire, and regret. Examining these theories can provide insight into how individuals differ in their value choices, especially during periods when the market is volatile.

In the short term, they tend to prioritize short-term needs over long-term goals, including financial behavior. Understanding how people value current and future benefits is critical to determining savings patterns and investment expectations.

Behavioral finance examines how people are influenced by friends, family, and social expectations. It helps determine how cultural contexts influence people's attitudes towards saving, investment and risk-taking behavior.

Financial advisors are known for their role in shaping investment decisions in behavioral finance. Trust, communication and advocacy processes are examined to understand how professional guidance affects savings and investment strategies. The entrepreneur learns and adapts overtime, a key element of the study of financial behavior.

By recognizing the human element in decision making, it enables people to better understand and understand the complexities of the personal financial environment.

3.8 PREFERRED INVESTMENT OPTIONS

The local economy, culture and personal financial goals should be taken into consideration when determining the preferred investment option for an individual in Ernakulam or a particular locality.

. **Real estate investment:**
Due to the cultural and historical importance attached to the property real estate investment choice. Residential and commercial real estate, especially in developed areas, can be attractive options for individuals looking for long-term security and affordability.

. **Gold and Precious Metals:**
Gold has a cultural importance and value in Indian culture. Financial value. Like many Indians, Ernakulam residents may enjoy investing in gold, be it jewellery, coins or gold bonds.

. **Term Deposits and Bank Savings:**

Term Deposits and Bank Savings are still popular options for people looking for savings and money. Security and ease of access to funds make these options attractive to many investors

- **Equity Investment:**

  As a place where economic growth is taking place, Ernakulam may be interested in equity investment, especially in industries such as IT, tourism and infrastructure. Individuals looking for higher returns may consider investing in established companies or startups that contribute to the local economy

- **Government Savings Schemes:**

  To address poor investments in some parts of India, Ernakulam has also sought interest in the Government's fiscal scheme from Public Provident Fund (PPF), National Savings Certificate (NSC) and Senior Citizen Savings Scheme (SCSS). wait. These plans offer low-risk options and tax benefits.

- **Local Entrepreneurship and Startups:**

  Ernakulam's growth as a hub for start-ups and innovation will drive people to explore the potential of local businesses and new businesses. Supporting the local economy is based on the social and cultural values of the region and can be a way for people to generate income and social development.

3.9 RISK TOLERANCE AND INVESTMENT AVENUES

Risk tolerance and investment avenues are deeply intertwined. Understanding your risk tolerance is crucial for choosing the right investment options, while the features of different investment avenues dictate the level of risk involved.

1. **Risk Tolerance Spectrum**

- High Risk Tolerance: These investors can absorb significant losses and have a long-time horizon.
- Moderate Risk Tolerance: They seek a balance between growth and stability.
- Low Risk Tolerance: Capital preservation is the priority.

2. **Matching Risk and Avenues**

. Stocks: Offer high potential returns but can be volatile, hence suitable for high-risk tolerance investors.

. Bonds: Provide steady income and capital protection, ideal for low-risk investors.

. Mutual Funds: Offer diversification and professional management, catering to various risk tolerances depending on the fund's focus.

. Real Estate: Can be volatile but offers long-term appreciation potential, attracting moderate and high-risk investors.

. Alternative Investments: Venture capital, private equity, or hedge funds offer high potential returns but are complex and risky, suitable only for high-risk individuals.

3. **Risk Diversification:**

Spreading your investments across different asset classes and within each class (e.g., various sectors in stocks) can mitigate risk and smooth out portfolio fluctuations.

4. **Factors Affecting Risk Tolerance**

. Age: Younger investors typically have a longer time horizon and can therefore tolerate higher risk.

. Financial Security: Those with stable income and low debt may be more comfortable with risk.

. Investment Goals: Short-term goals may require less risky options while long-term goals allow higher risky options.

. Personality: Risk-averse individuals prefer safety, while adventurous personalities may embrace riskier ventures.

3.10 ANALYZING SAVINGS AND INVESTMENT DECISIONS

Financial decisions and investments are an important part of personal financial management, and each plays a different role in a person's financial journey. Reviewing these decisions includes reviewing factors such as financial goals, risk appetite, time horizons and the economy.

1. **Savings Decisions**

   . **Purpose of Saving**: Analyzing savings decisions requires understanding the purpose for which the individual earns the income (future retirement, down payment, or financial security).

   . **Financial discipline**: Analyzing savings decisions involves analysing individual behaviours, such as their ability to set aside a portion of theirregular income.

   . **Emergency Fund**: Analyzing the size and capacity of the emergency fund can help assess whether the recipient is prepared to deal with unexpected financial problems.

   . **Savings Instruments**: A selection of savings instruments that indicate a person's risk tolerance and financial need, such as regular savings accounts, certificates of deposit (CD), or high-yield savings accounts. Examining these options can provide insight into the trade-offs between security and potential rewards.

2. **Investment Decisions**

   . **Financial Goals**: Analyzing long-term decisions involve understanding the individual's motivations, such as financing their education, purchasing a home, or completing retirement. Different goals may require different investment strategies.

   . **Risk Tolerance**: Some people prefer options with lower potential returns and less risk, while others may be willing to accept higher risk investments for higher potential returns. Identifying risk factors can guide the selection of appropriate tools

- **Diversification**: Analyzing investment decisions may include determining where an individual should diversify their investments to manage risk
- **Time Frame**: Long-term goals allow for a more aggressive approach to investing, while short-term goals may require a more strategic approach. Analyzing a time horizon can help determine appropriate investment and risk levels
- **Business Process**: Analyzing people's reactions to changes in the economy, economy, and interest rate environment can provide insight into their ability to adjust investment strategies accordingly and respond to changing conditions.

Behavioural finance sheds light on the psychological factors that influence investment decisions, departing from the assumption of full rationality in traditional finance theories. Investors often deviate from rationality due to cognitive limitations and emotional influences such as fear, greed, and overconfidence.

Various biases and heuristics, including anchoring bias and confirmation bias, distort decision-making processes. Herd behaviour among investors can lead to market bubbles and crashes, while loss aversion causes individuals to prioritize avoiding losses over maximizing gains. Additionally, the framing of information and the practice of mental accounting impact investor behaviour, sometimes leading to suboptimal choices.

Markets may overreact or underreact to new information, creating opportunities for profit but also contributing to market inefficiency. Overall, understanding behavioural biases is crucial for investors to make better-informed decisions and achieve their long-term financial goals.

CHAPTER – 4

DATA ANALYSIS AND INTERPRETATION

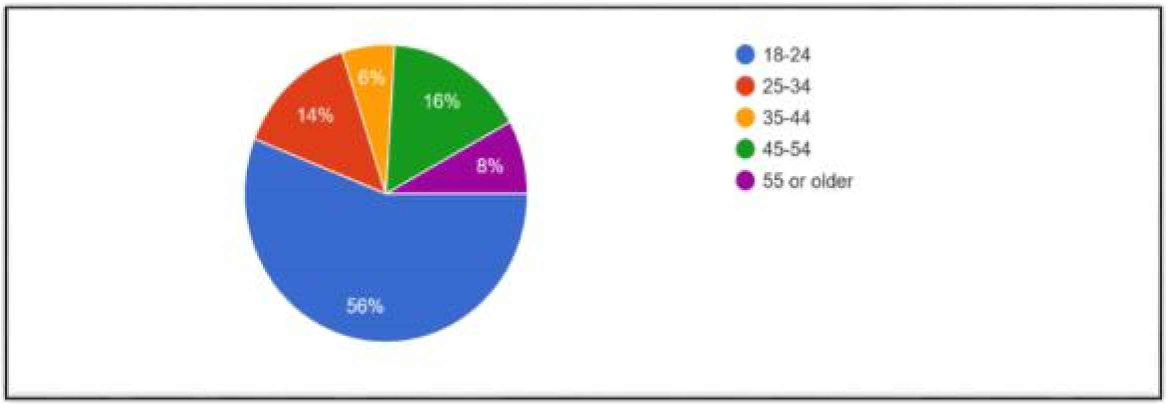
4.1 Classification showing age group

TABLE 4.1 Showing the classification of age group

Category	No of Respondents	Percentage
18 – 24	28	56%
25 – 34	7	14%
35 – 44	3	6%
45 – 54	8	16%
55 or older	4	8%

Source: Primary Data

Figure 4.1 Figure showing the classification of age group of people



Interpretation: From the above data, 56% of the people belong to the age group of 18–24, 14% belong to 25-34, 6% belong to 35-44, 16% belong to 45-54 and 8% belong to the 55 or older category.

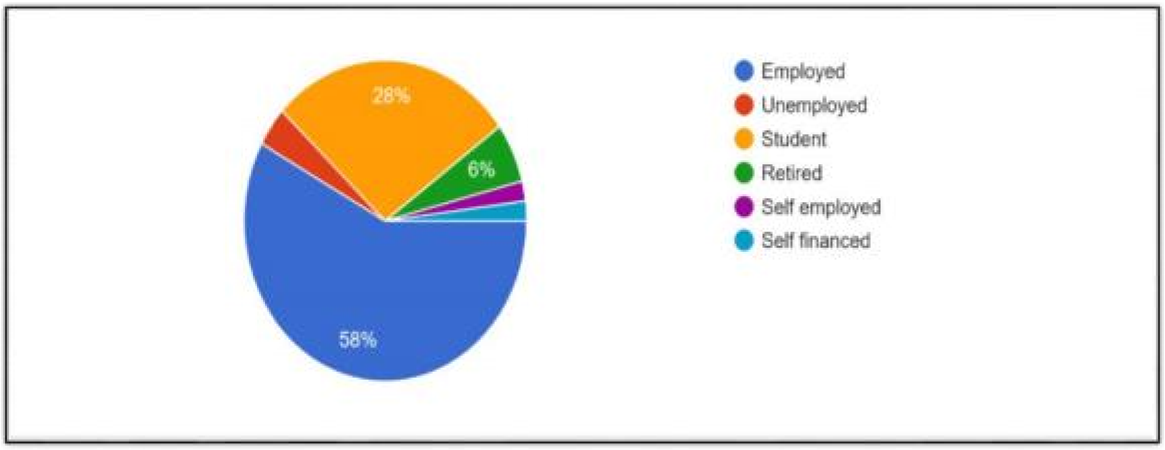
4.2 Classification showing employment status

TABLE 4.2 Showing the classification of employment status

Category	No of Respondents	Percentage
Employed	29	58%
Unemployed	2	4%
Student	14	14%
Retired	3	6%
Self Employed	1	2%

Source: Primary Data

Figure 4.2 Figure showing the classification of employment status



Interpretation: From the above data, 58% of respondents are currently employed, 4% reported being unemployed, 14% are students, 6% are retired, and 2% each are self-employed or self-financed.

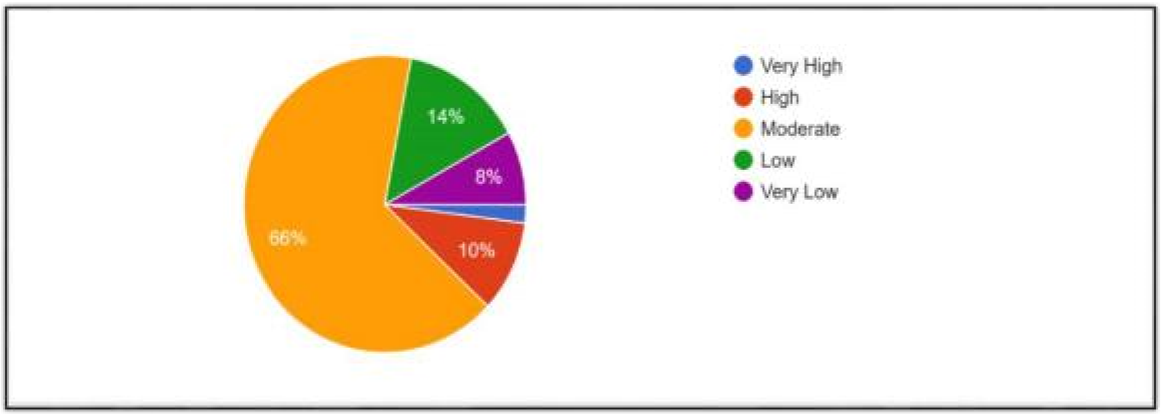
4.3 Classification showing the rate of knowledge and understanding of behavioural finance concepts of people

TABLE 4.3 Showing the classification of rate your knowledge and understanding of behavioural finance concepts

Category	No of Respondents	Percentage
Very High	4	2%
High	5	10%
Moderate	30	66%
Low	7	14%
Very Low	4	8%

Source: Primary Data

Figure 4.3 Figure showing the classification of rate of knowledge and understanding of behavioural finance concepts of people



Interpretation: From the above data, 2% of respondents, accounting for 4 individuals, rated their knowledge and understanding as very high, while 10% (5 individuals) reported a high level. The majority, comprising 66% (33 individuals), indicated a moderate level of knowledge and understanding, with 14% (7 individuals) reporting low levels, and 8% (4 individuals) rating their knowledge and understanding as very low.

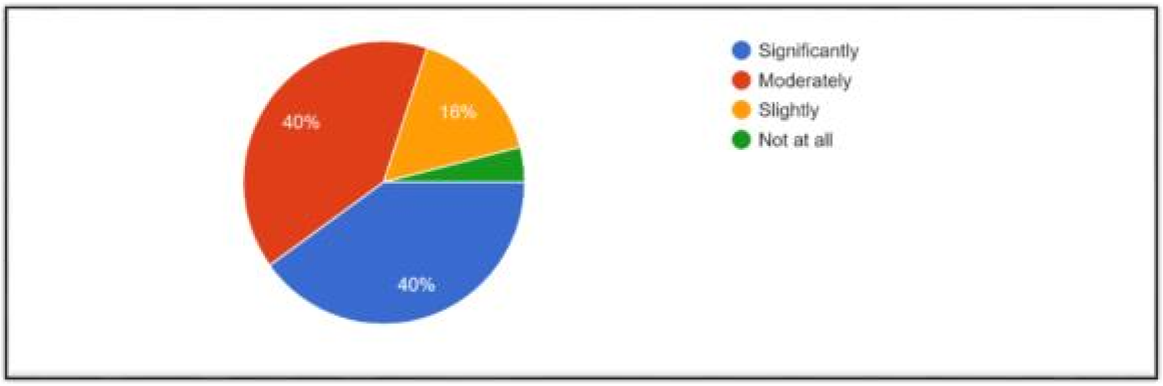
4.4 Classification showing the extent to which behavioural factors influence investment decisions

TABLE 4.4 Showing the classification of rate your knowledge and understanding of behavioural finance concepts

Category	No of Respondents	Percentage
Significantly	20	40%
Moderately	20	40%
Slightly	8	16%
Not at	2	4%

Source: Primary Data

Figure 4.4 Figure showing the classification of the extent to which behavioural factors influence investment decisions



Interpretation: From the above data, about 40% of respondents find their knowledge of behavioural finance to be significant, while another 40% rate their understanding as moderate. Additionally, 16% have a slight understanding, with 4% indicating they do not know about behavioural finance at all.

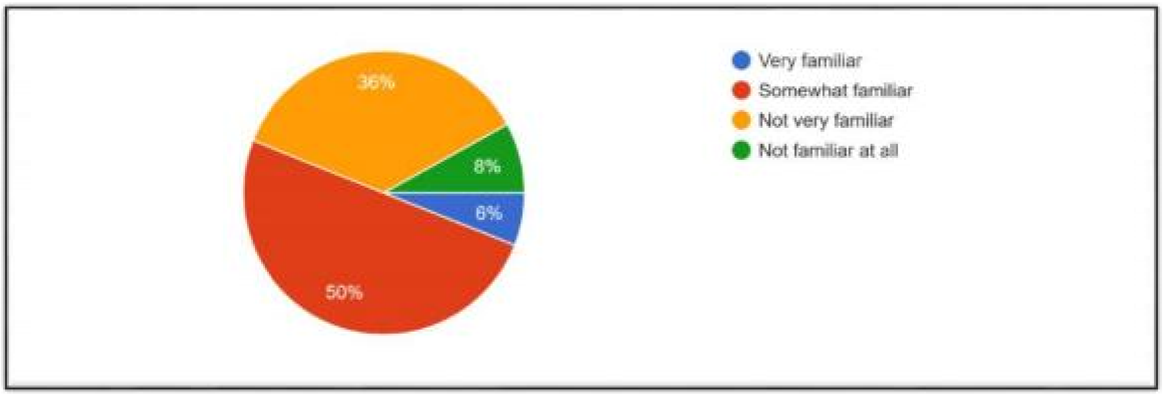
4.5 Classification showing familiarity of people with behavioural finance concepts (e.g., loss aversion, overconfidence)

TABLE 4.5 Showing the classification of rate your knowledge and understanding of behavioural finance concepts

Category	No of Respondents	Percentage
Very familiar	20	36%
Somewhat familiar	25	50%
Not very familiar	3	6%
Not familiar at all	2	8%

Source: Primary Data

Figure 4.5 Figure showing the classification of familiarity of people with behavioural finance concepts (e.g., loss aversion, overconfidence)



Interpretation: From the above data, 36% consider themselves very familiar with behavioural finance, while the majority, comprising 50%, have a somewhat familiar understanding. Additionally, 6% indicate a less familiar knowledge level, and 8% state that they are not familiar with behavioural finance at all.

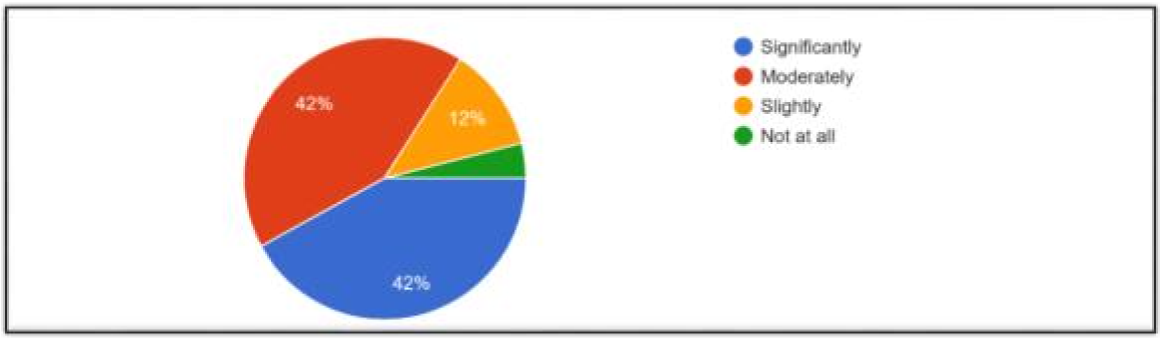
4.6 Classification showing how much your emotions (e.g., fear, greed) impact your investment decisions

TABLE 4.6 Showing how much your emotions (e.g., fear, greed) impact your investment decisions

Category	No of Respondents	Percentage
Significantly	21	42%
Moderately	21	42%
Slightly	6	12%
Not at	2	4%

Source: Primary Data

Figure 4.6 Figure showing how much your emotions (e.g., fear, greed) impact your investment decisions



Interpretation: From the above data, 42% of respondents believe their knowledge in behavioural finance is significantly high, while another 42% rate their understanding as moderate. Additionally, 12% express a slight understanding, with 4% stating they do not know about behavioural finance at all.

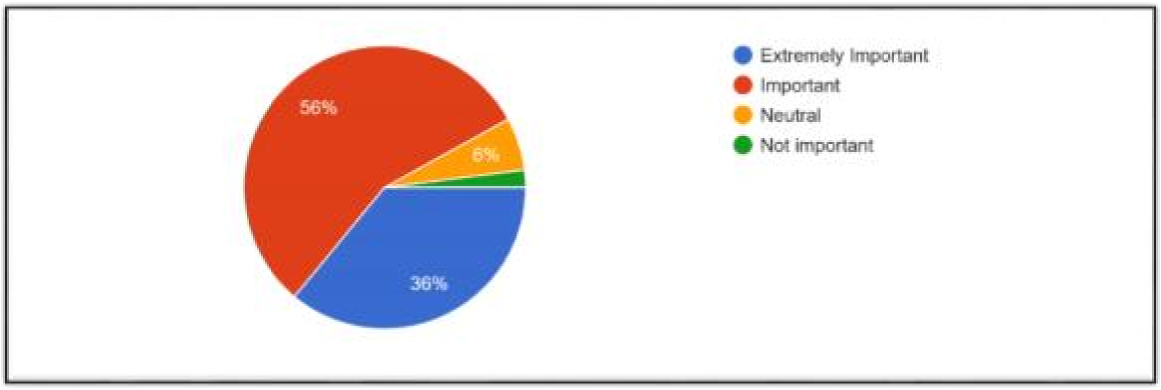
4.7 Classification showing the importance of understanding behavioural finance for successful investments

TABLE 4.7 Showing the classification of the importance of understanding behavioural finance for successful investments

Category	No of Respondents	Percentage
Extremely important	18	36%
Important	28	56%
Neutral	3	6%
Not important	1	2%

Source: Primary Data

Figure 4.7 Figure showing the importance of understanding behavioural finance for successful investments



Interpretation: From the above data, 36% consider understanding behavioural finance to be extremely important for successful investments, while the majority, comprising 56%, regard it as an important factor. Additionally, 6% express a neutral stance on the importance of behavioural finance for successful investments, with 2% believing that understanding behavioural finance is not important for successful investments.

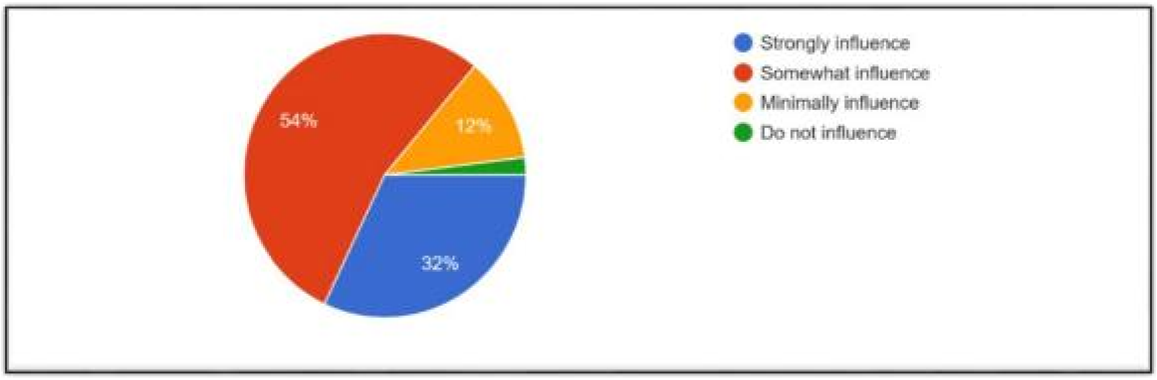
4.8 Classification showing the extent to which economic news and media influence your investment choices?

TABLE 4.8 Showing the classification of the extent to which economic news and media influence your investment choices

Category	No of Respondents	Percentage
Strongly influence	16	32%
Somewhat influence	27	54%
Minimally influence	6	12%
Do not influence	1	2%

Source: Primary Data

Figure 4.8 Figure showing the extent to which economic news and media influence your investment choices



Interpretation: From the above data, 32% of respondents indicate that economic news and media strongly influence their investment choices, while the majority, comprising 54%, state that economic news and media somewhat influence their investment decisions. Additionally, 12% mention that economic news and media have minimal influence on their investment choices, with 2% claiming that economic news and media do not influence their investment decisions at all.

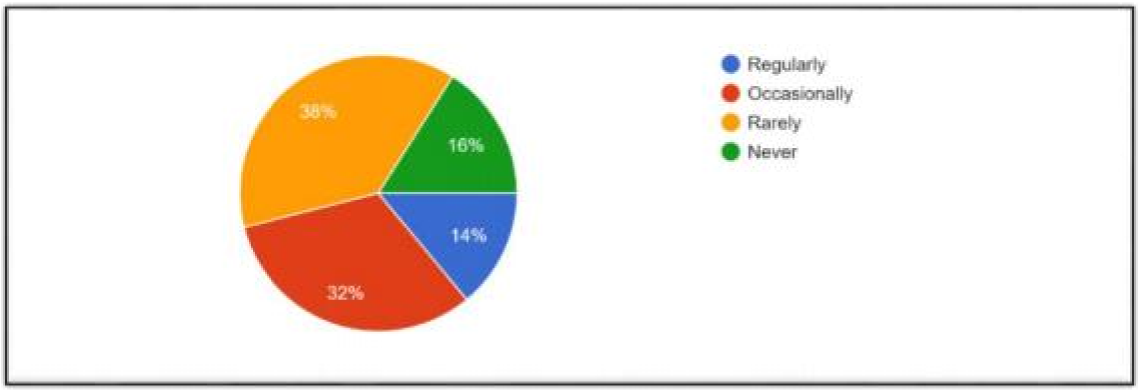
4.9 Classification shows how often people consult with a financial advisor or investment professional for guidance on their investment decisions.

TABLE 4.9 Shows how often people consult with a financial advisor or investment professional for guidance on their investment decisions

Category	No of Respondents	Percentage
Regularly	7	14%
Occasionally	16	32%
Rarely	19	38%
Never	8	16%

Source: Primary Data

Figure 4.9 Figure showing how often people consult with a financial advisor or investment professional for guidance on their investment decisions



Interpretation: From the above data, 14% of the respondents, which amounts to 7 individuals, consult with a financial advisor or investment professional regularly, while 32% of the respondents, equivalent to 16 individuals, seek advice occasionally. Moreover, 38% of the respondents, totalling 19 individuals, consult rarely with a financial advisor or investment professional, whereas 16% of the respondents, accounting for 8 individuals, never consult with a financial advisor or investment professional.

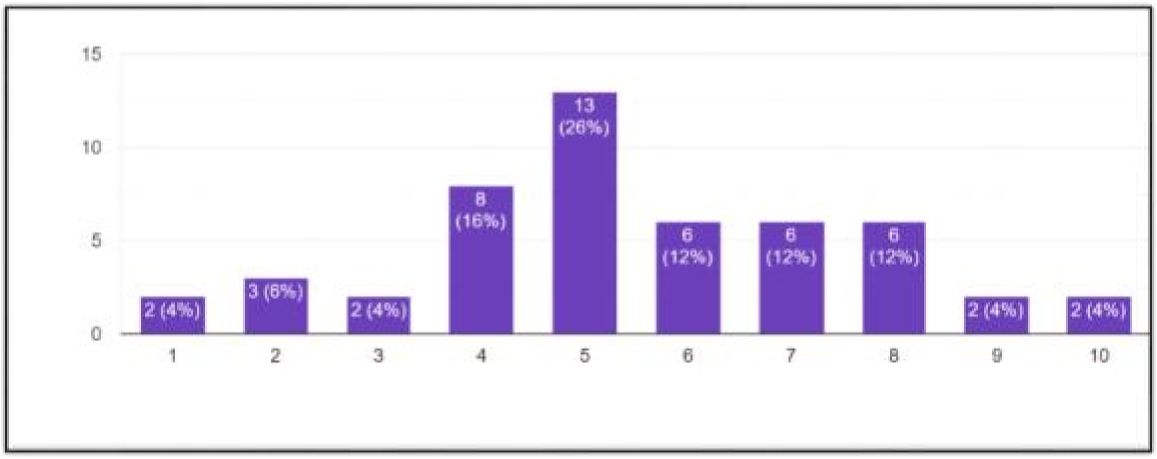
4.10 Classification showing the rate of risk tolerance of people in investment decisions

TABLE 4.10 Showing the classification showing the rate of risk tolerance of people in investment decisions

Category	No of Respondents	Percentage
1	2	4%
2	3	6%
3	2	4%
4	8	16%
5	13	26%
6	6	12%
7	6	12%
8	6	12%
9	2	4%
10	2	4%

Source: Primary Data

Figure 4.10 Figure showing the rate of risk tolerance of people in investment decisions



Interpretation: 26% of the respondents exhibit a medium risk tolerance in their investment decisions. Furthermore, 30% have opted for low-risk tolerance, rating between 1 and 4 on the scale, while the majority, comprising 44% of the total, have considered their risk tolerance in investment decisions to be high, rating between 6 and 10 on the scale.

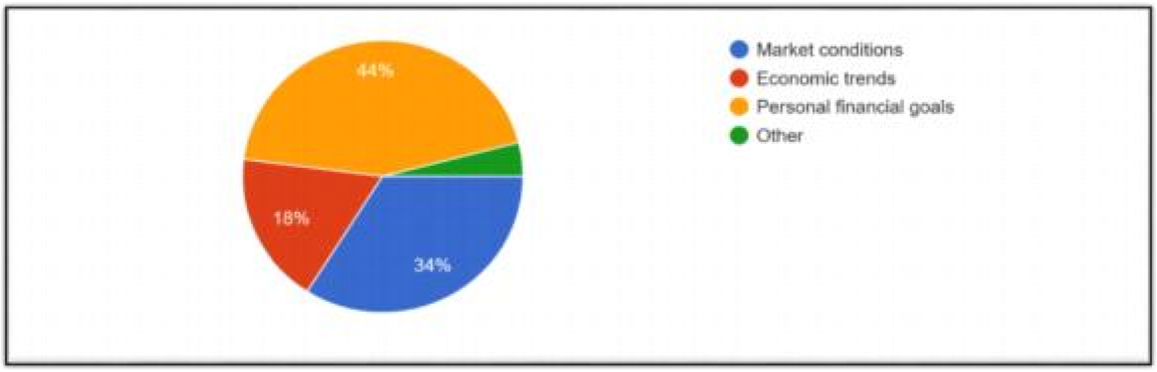
4.11 Classification shows the factors that play a significant role in people's savings and investment strategy.

TABLE 4.11 shows the factors which play a significant role in people's savings and investment strategy.

Category	No. of Respondents	Percentage
Market conditions	17	34%
Economic trends	9	18%
Personal financial goals	22	44%
Others	2	4%

Source: Primary Data

Figure 4.11 Figure showing the factors which play a significant role in people's savings and investment strategy.



Interpretation: From the above data, 34% of the respondents believe that market conditions play a significant role in adjusting people's savings and investment strategy, while 18% believe that economic trends have a significant impact. Additionally, 44% consider personal financial goals to be important in adjusting savings and investment strategies. Finally, 4% of the respondents believe that other factors play a significant role in adjusting people's savings and investment strategy.

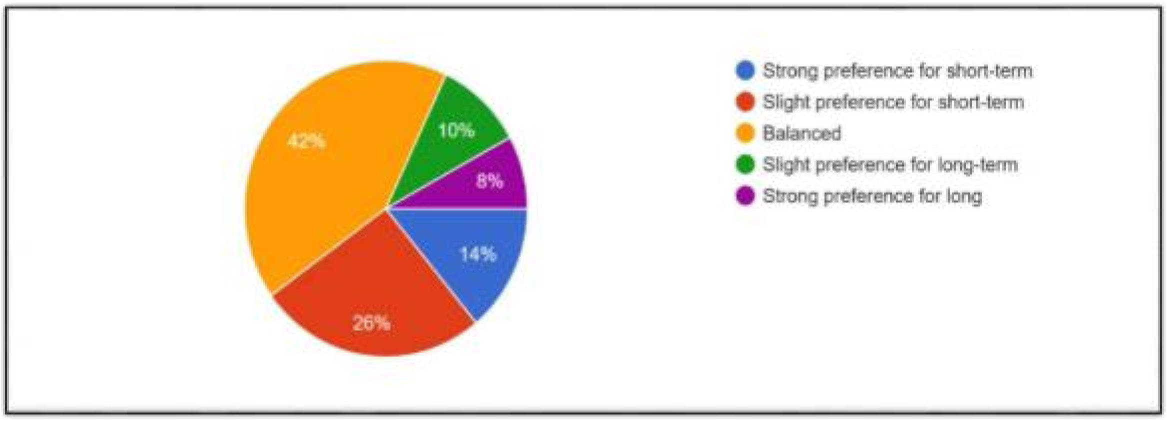
4.12 Classification showing the importance given to long-term factors and short-term factors in people's investment decisions.

TABLE 4.12 shows the importance given to long-term and short-term factors in people's investment decisions.

Category	No. of Respondents	Percentage
Strong preference short-term	7	14%
Slight preference for sho term	13	26%
Balanced	21	42%
Slight preference for lon term	5	10%
Strong preference for lon term	4	8%

Source: Primary Data

Figure 4.12 Figure showing the importance given to long-term and short-term factors in people's investment decisions.



Interpretation: From the above data, 14% strongly prefer short-term factors over long-term ones in investment decisions, while 26% have a slight preference for short-term factors. Moreover, 42% maintain a balanced preference, giving equal importance to both short-term and long-term factors. Additionally, 10% slightly favour long-term factors, and 8% strongly prefer them over short-term factors in investment decisions.

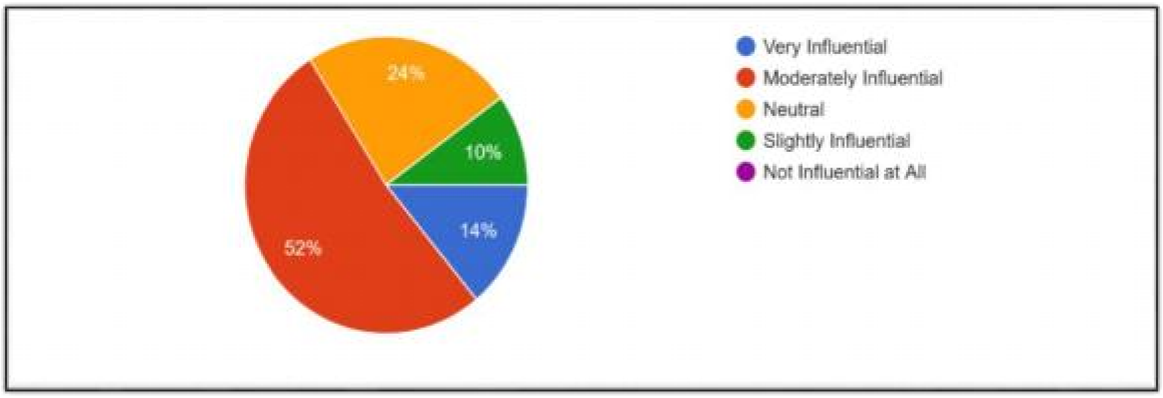
4.13 Classification showing how the people perceive the impact of economic trends on investment decisions.

TABLE 4.13 shows how the people perceive the impact of economic trends on investment decisions.

Category	No. of Respondents	Percentage
Very Influential	7	14%
Moderately Influential	26	52%
Neutral	12	24%
Slightly Influential	5	10%
Not Influential at All	nil	nil

Source: Primary Data

Figure 4. .13 Figure showing how the people perceive the impact of economic trends on investment decisions.



Interpretation: From the above data, 14% consider economic trends to be very influential on investment decisions, while 52% perceive them as moderately influential. Additionally, 24% hold a neutral opinion regarding the influence of economic trends, and 10% view them as slightly influential. Interestingly, none of the respondents believe economic trends are not influential at all on investment decisions.

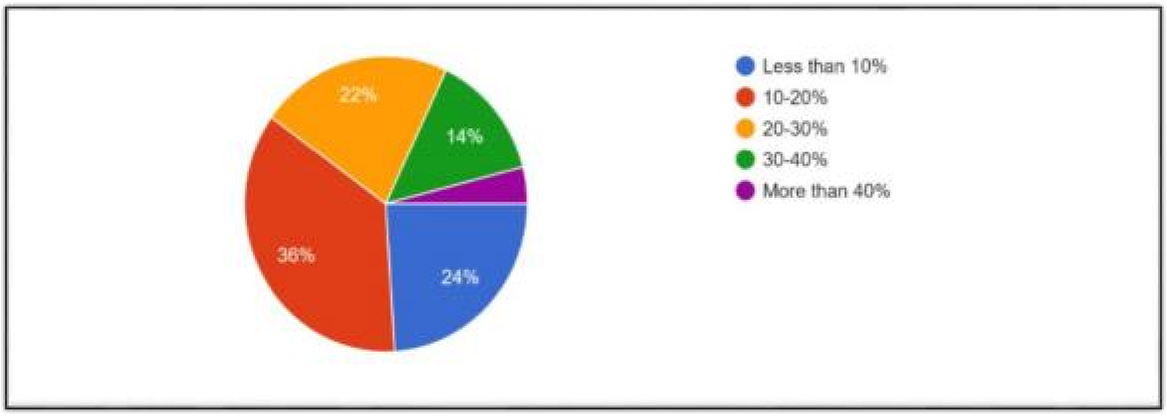
4.14 Classification showing the percentage of income saved by the people regularly.

TABLE 4.14 shows the percentage of income saved by the people regularly.

Category	No. of Respondents	Percentage
Less than 10%	12	24%
10 – 20%	18	36%
20 – 30%	11	22%
30 – 40%	7	14%
More than 40%	2	4%

Source: Primary Data

Figure 4.14 Figure showing the percentage of income saved by the people regularly.



Interpretation: From the above data, 24% save less than 10% of their income regularly, while 36% save between 10% and 20%. Additionally, 22% save between 20% and 30% of their income regularly, while 14% save between 30% and 40%. Only 4% of respondents save more than 40% of their income regularly.

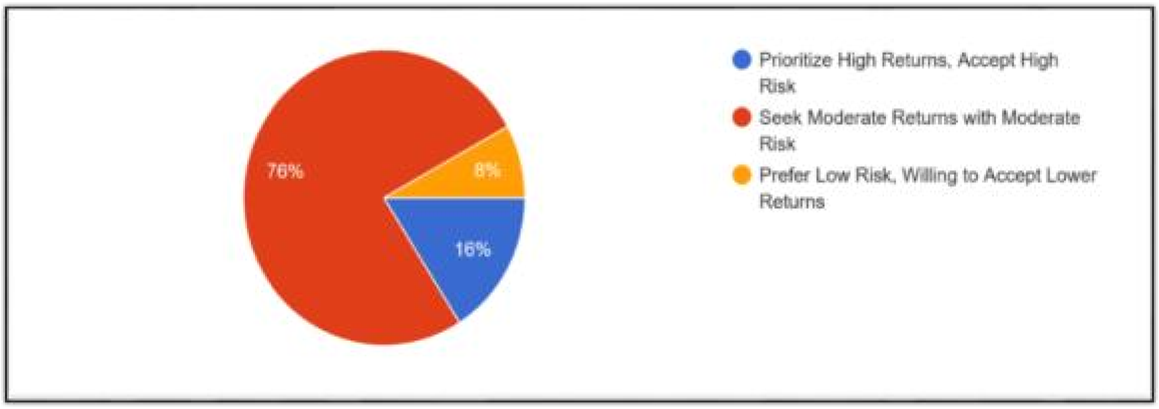
4.15 Classification describing the approach of people towards balancing risk and return in their investment portfolio.

TABLE 4.15 shows the approach of people towards balancing risk and return in their investment portfolio.

Category	No of Respondents	Percentage
Prioritize High Retur ns,8 Accepts High Risk		16%
Seek Moderate Retur with Moderate Risk	38	76%
Prefer Low Risk, Willi to Accept Lower Returns	4	8%

Source: Primary Data

Figure 4. 15 Figure showing the approach of the people towards balancing the risk and return in their investment portfolio.



Interpretation: From the above data, 16% prioritize high returns and accept high risk in their investment portfolio, while the majority, comprising 76%, seek moderate returns with moderate risk. Additionally, 8% prefer low risk and are willing to accept lower returns in their investment portfolio.

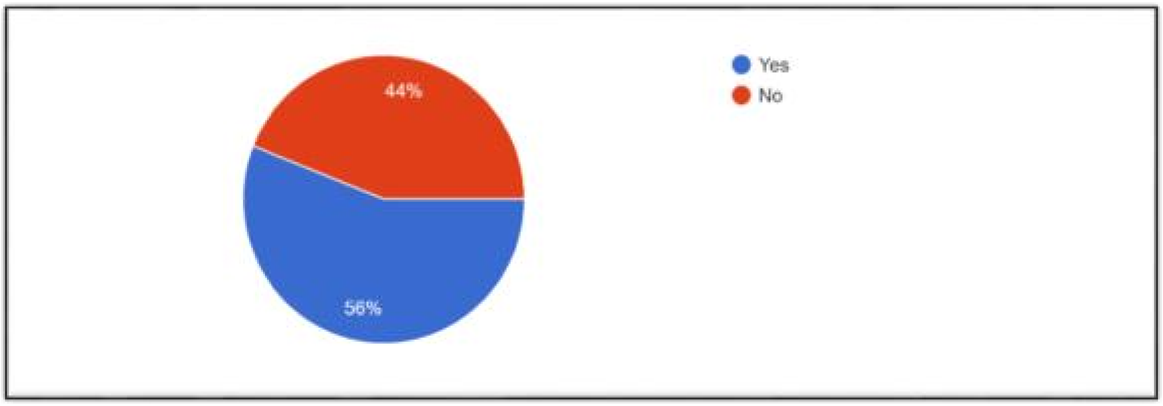
4.16 Classification showing if people are open to exploring new investment avenues, such as cryptocurrencies or sustainable investments?

TABLE 4.16 shows if people are open to exploring new investment avenues, such as cryptocurrencies or sustainable investments?

Category	No of respondents	Percentage
Yes	28	56%
No	22	44%

Source: Primary Data

Figure 4. .16 Figure showing if people are open to exploring new investment avenues, such as cryptocurrencies or sustainable investments?



Interpretation: From the above data, 56% are open to exploring new investment avenues, such as cryptocurrencies or sustainable investments, while 44% are not open to exploring these new investment options.

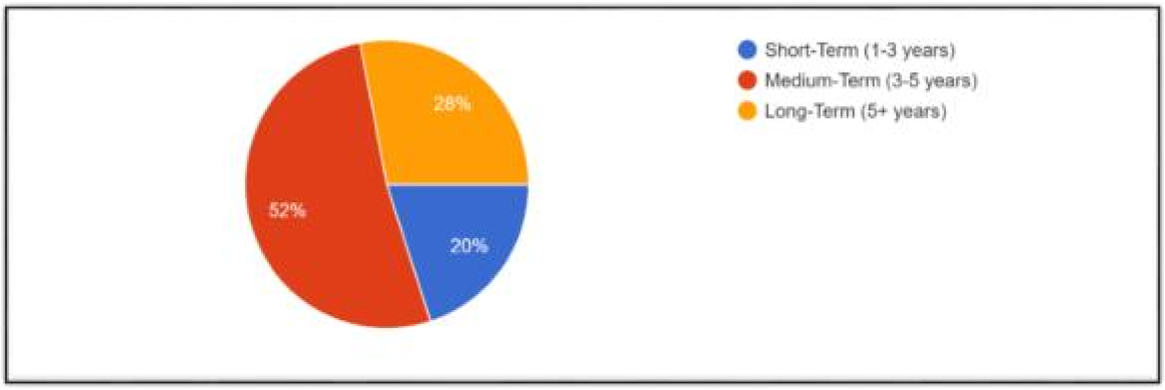
4.17 Classification showing the preferred investment horizon

TABLE 4.17 shows the preferred investment horizon

Category	No of respondents	Percentage
Short-Term (1-3 years)	10	20%
Medium-Term (3-5 years	26	52%
Long-Term (5+ years)	14	28%

Source: Primary Data

Figure 4. 17 Figure showing the preferred investment horizon.



Interpretation: From the above data, 20% prefer a short-term investment horizon (1-3 years), while the majority, 52%, prefer a medium-term investment horizon (3-5 years). Additionally, 28% of the respondents opt for a long-term investment horizon (5+ years).

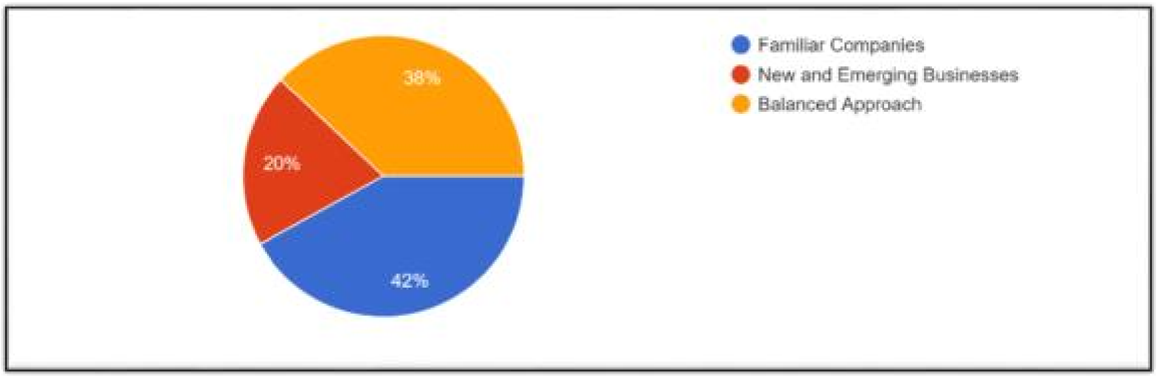
4.18 Classification showing if people are more inclined to invest in familiar companies or explore new and emerging businesses

TABLE 4.18 shows if people are more inclined to invest in familiar companies or explore new and emerging businesses

Category	No of respondents	Percentage
Familiar Companies	21	42%
New and Emergi Businesses	10	20%
Balanced approach	19	38%

Source: Primary Data

Figure 418 Figure showing if people are more inclined to invest in familiar companies or explore new and emerging businesses.



Interpretation: From the above data, 42% prefer to invest in familiar companies, while 20% are inclined to explore new and emerging businesses. Additionally, 38% opt for a balanced approach, considering both familiar companies and new and emerging businesses in their investment strategy.

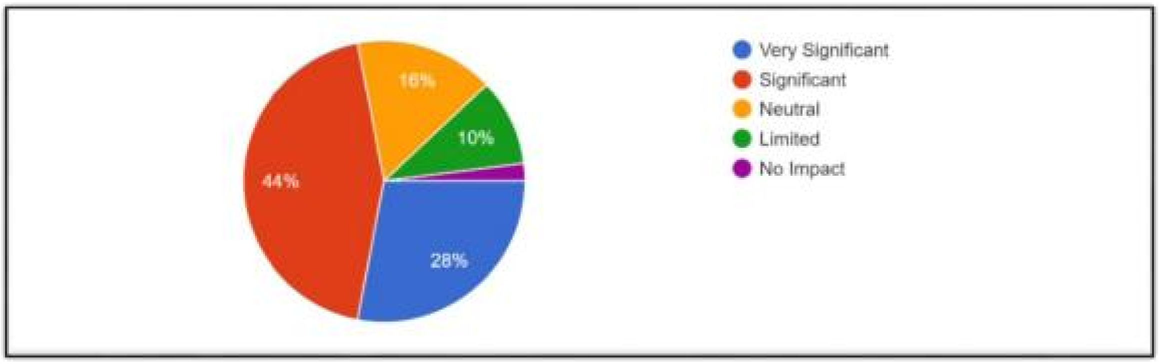
4.19 Classification showing how people view the impact of inflation on your investment decisions

TABLE 4.19 showshow people view the impact of inflation on your investment decisions

Category	No of respondents	Percentage
Very Significant	14	28%
Significant	22	44%
Neutral	8	16%
Limited	5	10%
No Impact	1	2%

Source: Primary Data

Figure 4.19 Figure showing how people view the impact of inflation on your investment decisions



Interpretation: From the above data, 28% consider inflation to be very significant in influencing their investment decisions, while a majority, comprising 44%, view it as a significant factor. Additionally, 16% have a neutral stance on the impact of inflation, while 10% believe it has a limited impact. Only 2% feel that inflation has no impact on their investment decisions.

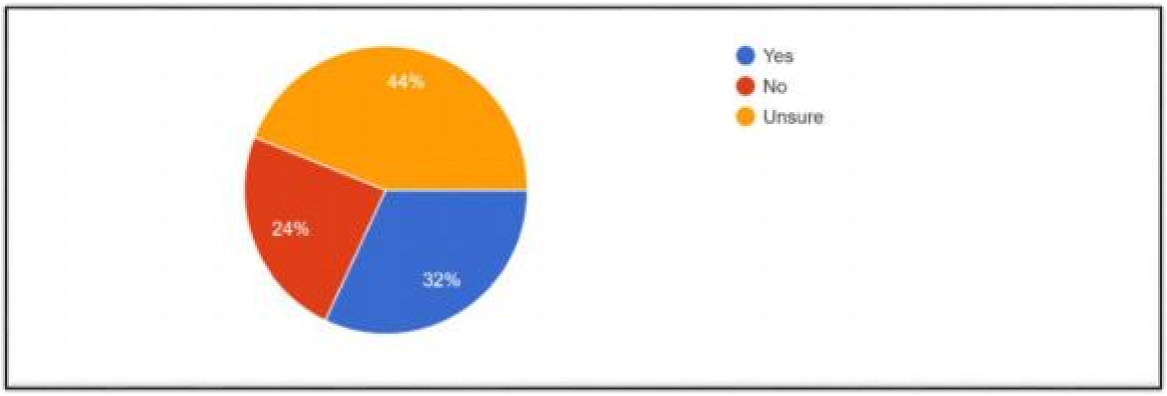
4.20 Classification showing if they would be willing to allocate a portion of your portfolio to alternative investments with potentially higher risk and return

TABLE 4.20 shows if they would be willing to allocate a portion of your portfolio to alternative investments with potentially higher risk and return

Category	No of respondents	Percentage
Yes	16	32%
No	12	24%
Unsure	22	44%

Source: Primary Data

Figure 4.20 Figure showing if they would be willing to allocate a portion of your portfolio to alternative investments with potentially higher risk and return



Interpretation: From the above data, 32% are willing to allocate a portion of their portfolio to alternative investments with potentially higher risk and return, while 24% are not willing to take on such allocations. The largest group, comprising 44%, is unsure or undecided about allocating to alternative investments, indicating a level of uncertainty or lack of a clear stance.

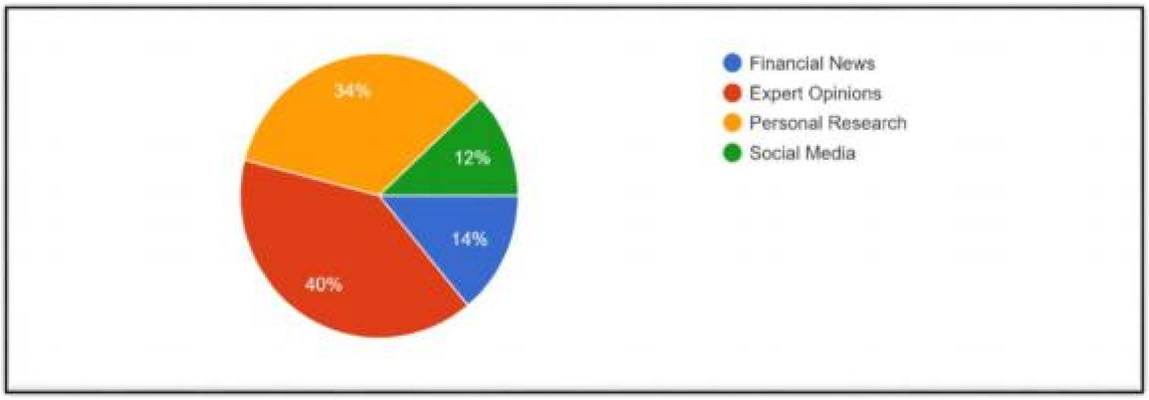
4.21 Classification showing how do people usually gather information for making investment decisions

TABLE 4.21 shows how do people usually gather information for making investment decisions

Category	No of respondents	Percentage
Financial News	7	14%
Expert Opinions	20	40%
Personal Research	17	34%
Social media	6	12%

Source: Primary Data

Figure 4. 21 Figure showing how do people usually gather information for making investment decisions



Interpretation: From the above data, 14% rely on financial news as a source of information for making investment decisions, while a significant portion, comprising 40%, relies on expert opinions. Additionally, 34% conduct personal research, indicating a preference for independent investigation and analysis. Social media is used by 12% of the respondents as a source of information for investment decisions.

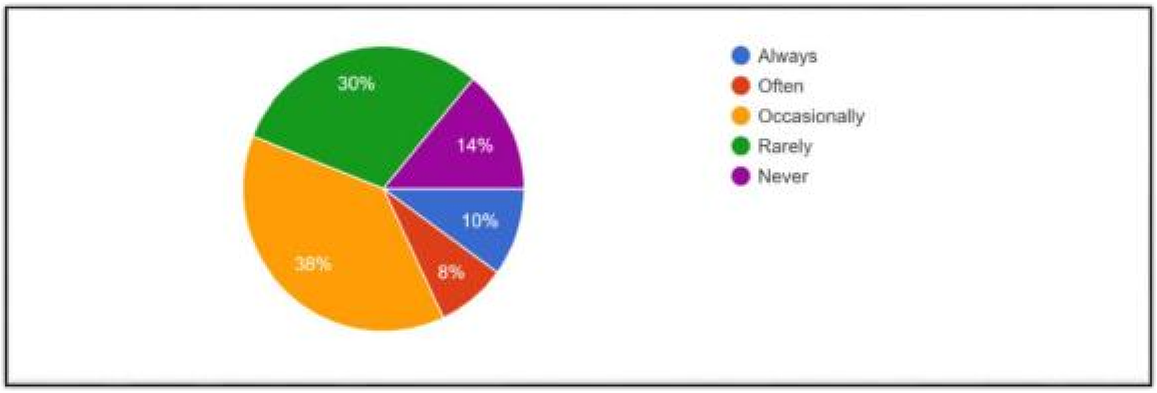
4.22 Classification showing how often do you use technological tools (e.g., robo-advisors, investment apps) in making investment decisions?

TABLE 4.22 shows how often do you use technological tools (e.g., robo-advisors, investment apps) in making investment decisions

Category	No of respondents	Percentage
Always	5	10%
Often	7	8%
Occasionally	19	38%
Rarely	15	30%
Never	4	14%

Source: Primary Data

Figure 4.22 Figure showing how often one uses technological tools in making investment decisions



Interpretation: From the above data, 10% always use technological tools in their investment decisions, while 8% often rely on such tools. Additionally, a significant portion, comprising 38%, uses them occasionally. Moreover, 30% of the respondents rarely use technological tools for their investment decisions, while 14% never use these tools.

CHAPTER – 5

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS

- The age group of 18–24 constitutes 56% of the population.
- The current employment status for the majority of respondents is that 58% (29 individuals) are employed.
- A significant proportion, comprising 66% of respondents (33 individuals), reported having a moderate level of knowledge and understanding.
- About 40% of respondents perceive their knowledge of behavioural finance as substantial, while an additional 40% assess their understanding to be moderate.
- A somewhat familiar understanding is held by the majority, constituting 50% of the respondents.
- 42% of respondents assert a significantly high level of knowledge in behavioural finance, while an additional 42% evaluate their understanding as moderate.
- The majority, constituting 56%, consider it a crucial factor.
- A majority of 54% indicate that economic news and media exert a somewhat influential impact on their investment decisions.
- A substantial segment, amounting to 38%, seeks consultation infrequently.
- A significant majority, accounting for 44% of the total respondents, deem their risk tolerance in investment decisions to be high (6-10).
- Regarding personal financial goals, 44% of the respondents believe that the financial objectives of individuals play a crucial role in adapting people's savings and investment strategy.

- In the realm of investment decisions, 42% of the respondents exhibit a balanced approach by assigning equal importance to both short-term and long-term factors.

- With a moderate degree of influence, 52% of the respondents believe that economic trends play a role in shaping their investment decisions.

- Atotal of36% of individuals consistently save between 10% and 20% oftheir income.

- In their investment portfolios, 76% of the respondents aim for a balance, seeking moderate returns with a moderate level of risk.

- Amajority of 56% of the respondents are willing to explore new investment avenues, including cryptocurrencies or sustainable investments.

- A predominant portion, constituting 52%, favours a medium-term investment horizon of 3-5 years.

- A preference for investing in familiar companies is expressed by 42% of the respondents.

- The majority, comprising 44%, sees inflation as a significant factor.

- Comprising the largest segment at 44%, there is uncertainty or a lack of a clear stance among individuals regarding the allocation to alternative investments.

- A substantial segment, constituting 40%, depends on expert opinions to guide their investment decisions.

- A substantial proportion, amounting to 38%, utilizes them on an occasional basis.

5. 2 SUGGESTIONS

People have a moderate knowledge and understanding about behavioral finance concept; therefore, awareness has to be created among people about these concepts by the concerned authorities.

The behavioral factors significantly affect investment decisions even though the people aren't much aware about them. So, it's very important to create awareness among them about what are behavioral factors and how they affect investment decisions.

The first three questions are related to the familiarity of people with behavioral concepts. From the responses we collected, it is clear that people are somewhat familiar with this concept but don't know much. The programs like awareness campaigns, social workshops and more have to be conducted to create an awareness about the behavioral factors.

5.3 CONCLUSION

The study of financial behaviour and its impact on investment decisions is one of the main goals of modern finance. It differs from traditional financial thinking in that it recognizes that investors are not always rational. Behavioural finance delves into the psychology of human behaviour, revealing the biases, emotions, and intelligence that influence investment choices. This understanding is important for investors and financial professionals because it provides a more comprehensive framework for analysing business behaviour and making informed decisions.

Emotions can cause investors to make irrational decisions, such as making risky sales or chasing opportunities during an economic downturn. By recognizing the role of emotions, behavioural finance enables us to understand why markets sometimes exhibit unpredictable and irrational price movements. and heuristics.

Biases such as bias, confirmation bias, and overconfidence can cause investors to misinterpret information and make wrong decisions. Understanding these biases allows investors to recognize and mitigate their effects, which can improve their long-term investments. This behaviour can lead to market bubbles and crashes as investors accumulate over- or undervalued assets.

By learning the behaviour, investors can better understand the market and avoid falling into market conflict. The way information is disclosed and classified can influence investors' behaviour, leading to biased decisions. Knowing these effects allows investors to evaluate investment opportunities more comprehensively and avoid dealing with unfair decisions. and greater understanding of its impact on financial markets.

By integrating knowledge from psychology into financial thinking, behavioural finance provides investors with valuable tools to help them navigate difficult times and decide to invest more. The ultimate goal is to provide investors with the knowledge and experience they need to achieve better results in a financial environment free of uncertainty and ambiguity.

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ANNEXURE

- To which age group do you belong?
  - a) 18-24
  - b) 25-34
  - c) 35-44
  - d) 45-54
  - e) 55 or older
- What is your employment status?
  - a) Employed
  - b) Unemployed
  - c) Student
  - d) Retired
- How would you rate your knowledge and understanding of behavioral finance concepts?
  - a) Very High
  - b) High
  - c) Moderate
  - d) Low
  - e) Very Low
- To what extent do you believe behavioral factors influence your investment decisions?
  - a) Significantly
  - b) Moderately
  - c) Slightly
  - d) Not at all
- How familiar are you with behavioral finance concepts (e.g., loss aversion, overconfidence)?
  - a) Very familiar
  - b) Somewhat familiar
  - c) Not very familiar
  - d) Not familiar at all

- How much do your emotions (e.g., fear, greed) impact your investment decisions?
    a) Significantly
    b) Moderately
    c) Slightly
    d) Not at all
- In your opinion, how important is it to understand behavioral finance for successful investment decisions?
    a) Extremely Important
    b) Important
    c) Neutral
    d) Not important
- To what extent do economic news and media influence your investment choices?
    a) Strongly influence
    b) Somewhat influence
    c) Minimally influence
    d) Do not influence
- How often do you consult with a financial advisor or investment professional for guidance on your investment decisions?
    a) Regularly
    b) Occasionally
    c) Rarely
    d) Never
- On a scale of 1 to 10, how would you rate your risk tolerance in investment decisions?

1	2	3	4	5	6	7	8	9	10
Low risk tolerance								Very High Risk Tolerance	

What factors play a significant role in adjusting your savings and investment strategy?

a) Market conditions

b) Economic trends

c) Personal financial goals

d) Other

How much importance do you give to short-term vs long-term factors in your investment decisions?

a) Strong preference for short-term

b) Slight preference for short-term

c) Balanced

d) Slight preference for long-term

e) Strong preference for long

How do you perceive the impact of economic trends on your investment decisions?

a) Very Influential

b) Moderately Influential

c) Neutral

d) Slightly Influential

e) Not Influential at All

What percentage of your income do you save regularly?

a) Less than 10%

b) 10-20%

c) 20-30%

d) 30-40%

e) More than 40%

How would you describe your approach to balancing risk and return in your investment portfolio?

a) Prioritize High Returns, Accept High Risk

b) Seek Moderate Returns with Moderate Risk

c) Prefer Low Risk, Willing to Accept Lower Returns

- Are you open to exploring new investment avenues, such as cryptocurrencies or sustainable investments?

  a) Yes

  b) No

- What is your preferred investment horizon?

  a) Short-Term (1-3 years)

  b) Medium-Term (3-5 years)

  c) Long-Term (5+ years)

- Are you more inclined to invest in familiar companies or explore new and emerging businesses?

  a) Familiar Companies

  b) New and Emerging Businesses

  c) Balanced Approach

- How do you view the impact of inflation on your investment decisions?

  a) Very Significant

  b) Significant

  c) Neutral

  d) Limited

  e) No Impact

- Would you be willing to allocate a portion of your portfolio to alternative investments with potentially higher risk and return?

  a) Yes

  b) No

  c) Unsure

- How do you usually gather information for making investment decisions?

  a) Financial News

  b) Expert Opinions

  c) Personal Research

  d) Social Media

How often do you use technological tools (e.g., robo-advisors, investment apps) in making investment decisions?

a) Always

b) Often

c) Occasionally

d) Rarely

e) Never