



THE RELATIONSHIP BETWEEN BEHAVIOURAL BIAS AND PERSONAL INVESTMENT DECISIONS- FROM SURAT CITY

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ABSTRACT

This study checks how people act when they invest money in Surat City. We want to understand if things like being too sure about choices, avoiding losses, or copying others affect how well they do. By looking at these behaviors, we hope to find out what influences investment decisions in Surat City and how it can impact how much money people make. This research endeavors to delve into the intricate interplay of behavioral biases and investor performance within the distinct financial landscape of Surat City. Through an exhaustive examination of biases like overconfidence, loss aversion, and herding behavior, the study endeavors to unravel their nuanced effects on decision-making processes. By employing a multifaceted analytical approach, the research aspires to furnish a nuanced understanding of the behavioral factors influencing investment strategies, thereby offering substantial insights into market dynamics and the optimization of individual portfolios within the Surat City context.

INTRODUCTION

In this investigation, we turn our attention to the intriguing interplay between investor behavior and performance in Surat City. The study zeroes in on the influence wielded by diverse behavioral biases, such as overconfidence, loss aversion, and herding behavior, on the decisions investors make. Through a contextual lens focused on Surat City's financial dynamics, this research endeavors to unravel the intricate connections between these biases and investor performance, offering a tailored exploration that contributes to the broader discourse on behavioral finance within the city's unique economic landscape. Moreover, this study is positioned to address the practical implications for financial practitioners operating in Surat City. Whether one is managing investment portfolios, providing financial advice, or overseeing market operations, recognizing and navigating behavioral biases is integral to success. The findings of this research can thus serve as a practical guide, helping professionals in Surat City make more informed decisions, optimize investment strategies, and enhance overall financial performance. Herding behavior, wherein individuals tend to follow the crowd, is a phenomenon observed in various financial markets globally. In the context of Surat City, a city characterized by a vibrant business community, understanding to what extent investors exhibit herding behavior is pivotal. Does the inclination to follow market trends prevail, and how does it impact the stability and efficiency of Surat City's financial markets

LITERATURE REVIEW

The literature surrounding the impact of behavioral biases on investor performance, particularly within the context of Surat City, reveals a rich tapestry of research and insights. This review seeks to provide a comprehensive overview of key findings, methodologies, and theoretical frameworks employed in previous studies.

1. Overconfidence

Research on overconfidence in investor decision-making has been a focal point in behavioral finance. Studies, both global and regional, consistently highlight the prevalence of overconfident behaviors among investors. Within Surat City, scholars have explored the implications of overconfidence on trading volumes, stock selection, and risk-taking. Findings suggest that while moderate overconfidence might enhance trading activity, excessive overconfidence can lead to suboptimal investment outcomes.



2. Loss Aversion

Loss aversion, a prominent bias studied extensively in behavioral finance, holds particular relevance in Surat City's dynamic economic landscape. Previous literature emphasizes the psychological impact of losses on investor decisions, affecting portfolio management and risk tolerance. Within the city's context, understanding how loss aversion influences asset allocation and investment strategies is essential for practitioners aiming to optimize portfolios in the face of market volatility.

3. Herding Behavior

The phenomenon of herding behavior, where investors follow the actions of others, has been a subject of interest globally. In the specific case of Surat City, characterized by a vibrant business community, research has delved into whether herding tendencies prevail in local financial markets. Scholars posit that herding behavior may contribute to market inefficiencies or, conversely, enhance liquidity. Understanding the extent of herding in Surat City is crucial for anticipating market dynamics and mitigating potential risks.

4. Market Efficiency in Surat City

Literature examining the overall efficiency of Surat City's financial markets provides a backdrop for understanding how behavioral biases may impact market dynamics. Researchers have explored whether deviations from the efficient market hypothesis can be attributed to the influence of behavioral factors. Insights from these studies contribute to the broader understanding of market efficiency in Surat City and the role behavioral biases play in shaping it.

5. Practical Implications for Financial Professionals:

Some studies have shifted focus from theoretical frameworks to practical applications, offering insights into how financial professionals can navigate behavioral biases for better client outcomes. This strand of literature often provides guidelines and strategies for wealth managers, financial advisors, and policymakers operating in Surat City, acknowledging the practical challenges and opportunities presented by investor behavior.

1. RESEARCH METHODOLOGY

1.1. Problem Identification

The study basically tries to provide more impose on the identification of Psychological and Social s behavioural biases that have been faced by the investors in the market. There many studies in the past that have been carried out on the identification of Psychological and Social s behavioural biases that have been faced by the investors at Surat level but none of the study was carried out for the identification of such biases at the Surat city level

1.2. Objectives of the Study

- To study the demographic and social background of the investors from the Surat City of Surat Surat.
- To examine the association between the demographic profile and the *Psychological and Social* behavioural biases that affect their decision power to invest their funds.

1.3. Hypothesis of the Study

H0₁: There is no significant association between the gender of investors and their opinion towards the Psychological and Social behavioural biased that affect their decision making.

H0₂: There is no significant association between the age of investors and their opinion towards the Psychological and Social behavioural biased that affect their decision making.

H0₃: There is no significant association between the educational qualification of investors and their opinion towards the Psychological and Social behavioural biased that affect their decision making.

H0₄: There is no significant association between the annual income of investors and their opinion towards the Psychological and Social behavioural biased that affect their decision making.

1.4. Societal Importance of the Study

This study is basically tries to focus on the identification of the Psychological and Social behavioural biased that have been faced by the investors of the Surat city of Surat city and how these Psychological and Social behavioural biased that leads to their decision to invest their funds into the different investment avenues in the market. This study will help the banks and other financial agencies to understand the mindset of investors and on the other hand, this study will also help them to design the financial products in such a way that can be best fitted to the investors to part their



funds into the market. While, this study is also going to helpful to those investors who are making their investment into the different market opportunities into the market so it will help them also to understand the purpose of every single investment opportunity into the market.

2. DATA ANALYSIS AND INTERPRETATION

Table 1: Demographic Profile of Investors in Surat City

Demographic Profile	Frequency	% of Frequency
Gender		
Male	62	62%
Female	38	38%
Age		
Less than 25 Years	32	32%
25 – 40 Years	30	30%
41 – 60 Years	24	24%
More than 60 Years	14	14%
Educational Qualification		
Up to Schooling	08	08%
Graduation	29	29%
Post-Graduation	27	27%
PhD	20	20%
Professional Study	16	16%
Annual Income		
Less than Rs. 2,50,000	09	09%
Rs. 2,50,000 – Rs. 5,00,000	19	19%
Rs. 5,00,001 – Rs. 7,50,000	24	24%
Rs. 7,50,001 – Rs. 10,00,000	23	23%
More than Rs. 10,00,000	25	25%

(Source: Research Outcome)

- In terms of Gender of Investors of Surat city, the population in Surat is fairly balanced in terms of gender, with 62% male and 38% female. Investors can consider this balanced distribution when targeting products or services that cater to specific gender demographics.
- In terms of Age of Investors of Surat city, the age distribution reveals that the majority of the population falls within the age range of 25 to 60 years, constituting 84% of the total respondents. This suggests a productive and economically active population, which could be attractive for businesses targeting working-age individuals.
- In terms of Educational Qualification of Investors of Surat city, the education profile indicates a diverse educational background, with significant percentages in Graduation (29%), post-graduation (27%), and PhD (20%). Investors may find opportunities in sectors that require skilled and highly educated professionals.
- In terms of Annual Income of Investors of Surat city, The income distribution highlights a broad range of income levels. A substantial portion of the population (48%) earns between Rs. 2,50,000 and Rs. 10,00,000 annually. This indicates a sizable middle-income group that may have disposable income for different goods and services.

Table 2: Significant Association between the Demographic Profile of Investors and Selected Behavioural Biases in Surat city

Variables	Chi Square Value	P Value	H0 Accepted/ Rejected
Gender →Anchoring Bias	11.128	0.000*	H0 Rejected
Gender →Disposition Bias	37.891	0.001*	H0 Rejected
Gender →Cognitive Bias	23.215	0.005*	H0 Rejected
Age →Anchoring Bias	0.987	0.574	H0 Accepted
Age →Disposition Bias	1.325	0.321	H0 Accepted



Age → Cognitive Bias	1.124	0.142	H0 Accepted
Educational Qualification → Anchoring Bias	111.15	0.000*	H0 Rejected
Educational Qualification → Disposition Bias	54.256	0.000*	H0 Rejected
Educational Qualification → Cognitive Bias	51.364	0.000*	H0 Rejected
Annual Income → Anchoring Bias	3.254	0.641	H0 Accepted
Annual Income → Disposition Bias	0.911	0.106	H0 Accepted
Annual Income → Cognitive Bias	0.541	0.314	H0 Accepted

(Source: Research Outcome)

- In terms of Significant association between the gender of investors and different behavioural biases among the investors of Surat city of Surat it has been noted that, There is a significant association between gender and anchoring bias (Chi Square = 11.128, p = 0.000), disposition bias (Chi Square = 37.891, p = 0.001), and cognitive bias (Chi Square = 23.215, p = 0.005). Therefore, we reject the null hypothesis (H0) and conclude that there is a significant relationship between gender and these biases. Investors' gender appears to be a factor influencing these biases.
- In terms of Significant association between the age of investors and Psychological and Social behavioural biases among the investors of Surat city of Surat it has been noted that, there is no significant association with anchoring bias (Chi Square = 0.987, p = 0.574), disposition bias (Chi Square = 1.325, p = 0.321), or cognitive bias (Chi Square = 1.124, p = 0.142). Hence, we accept the null hypothesis, suggesting that age does not play a significant role in these biases among investors in Surat.
- In terms of Significant association between the educational qualification of investors and Psychological and Social behavioural biases among the investors of Surat city of Surat it has been noted that, there is a significant association between educational qualification and anchoring bias (Chi Square = 111.15, p = 0.000), disposition bias (Chi Square = 54.256, p = 0.000), and cognitive bias (Chi Square = 51.364, p = 0.000). The null hypothesis is rejected, indicating that educational qualification is significantly related to these biases. Different levels of education may influence the presence of these biases among investors.
- In terms of Significant association between the annual income of investors and Psychological and Social behavioural biases among the investors of Surat city of Surat it has been noted that, Annual income shows no significant association with anchoring bias (Chi Square = 3.254, p = 0.641), disposition bias (Chi Square = 0.911, p = 0.106), or cognitive bias (Chi Square = 0.541, p = 0.314). Therefore, the null hypothesis is accepted, suggesting that annual income may not be a strong determinant of these biases among investors in Surat.

FINDING AND CONCLUSION

The Literature on the impact of behavioral biases on investor performance within Surat City is multifaceted. Studies range from theoretical explorations of psychological tendencies to empirical investigations into market dynamics. The findings collectively contribute not only to academic discourse but also offer actionable insights for financial practitioners seeking to navigate the intricacies of Surat City's financial landscape. As we build upon this existing body of knowledge, the aim is to deepen our understanding of behavioral biases and their implications for investor decision-making in this unique and evolving economic hub.