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# A STUDY ON BEHAVIORAL FINANCE AND ITS IMPACT ON INVESTMENT DECISION

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**ABSTRACT** DOI No: 10.36713/epra22526 Article DOI: https://doi.org/10.36713/epra22526

***In recent advancements in finance field have been betray the human behaviour and psychology is occupying a very important role in designing the investment decisions. The understanding has given rise to the fascinate field of behavioural finance, which helps in knowing about the cognitive biases, emotions and social influence impact on the decision-making process of the investor. Behavioural finance addresses the investors often deviate from the rational decision-making framework due to psychological biases and irrational behaviour. The irrational biases may lead to the suboptimal investment choices and outcomes. Common behavioural biases include, overconfidence, loss aversion, anchoring and mentality. Knowing the impact of behavioural finance on investment decision is very important for both individual investor and financial professionals. By taking help of both the factors, will give valuable information about the market and it helps about knowing the overall functioning of financial market. By scrutinizing about the behavioural finance, the researcher aims to uncovered the psychology and the behavioural factors influencing the investors while making decisions. This investigation provides a deep understanding of the mechanism of the market anomalies, irrational market behaviour and persistent deviation from the traditional theories. However, the study about the behavioural finance has a practical implication for financial advisor, investors, and policymakers.***

## INTRODUCTION

The term "stock" has been in use since the early 17th century. Investors with a longer time horizon have put their money into equity. Investors have honed their abilities over millennia to find decent equities, buy at the right times, and sell at the right prices. More resources than ever before are at your fingertips to help you study the stock market. Nowadays, investors may do data analysis with the click of a mouse in only a few minutes or seconds.

However, Investors Persist in Making Irrational Choices.
Some other considerations include cognitive bias and arbitrage restrictions. Behavioral finance is built around two pillars. More specifically, they shed light on the ways in which emotional and bias-driven decisions impact stock values and the financial markets. Arbitrage constraints clarify the operation of arbitrage pressures in different circumstances, whereas cognitive bias influences behavior.

Economic Cognitive Biases and Behavioral Finance
Here are a few examples of cognitive biases that are prevalent in behavioral finance: When investors attribute positive investment results to their own astute analysis and negative results to pure chance, they are engaging in self-attribution bias.

Many people miss out on potentially lucrative investing opportunities because they are too focused on avoiding losses. A concept known as loss aversion describes this situation. Nobody, not even the most cautious investors, would ever do something like this. Investors' "confirmation bias" manifests itself when they are quick to accept as true any piece of information that supports their existing worldview and quick to dismiss anything that challenges it. The herd mentality describes investors who blindly follow trends instead of conducting independent investigation. In such a climate, even seemingly little events can shake up the market and the economy.

Investors dump good equities while holding on to bad ones, hoping the tide will turn. The disposition bias manifests itself in this way. Despite the continued decline in their stock price, they remain committed to the company in the hopes of a turnaround and increased profits. We term this a disposition bias.

Viewing two separate items side by side for an extended period of time could give investors the false idea that they are related. Representational bias describes this phenomenon. When disparate items or events are linked, it leads to representational bias. Potentially influencing investment decisions are these cognitive biases.

Use cases for behavioral finance
During COVID-19, global financial markets fell sharply. Keeping its position, the pharmaceutical industry weathered the storm that hit other industries hard.

Fearing for their financial futures, investors flocked to pharmaceutical companies, mistakenly believing they were safe bets. When the bubble burst and sector stock values dropped, many investors lost a lot of money.

Given this, it's easy to see how herd mentality may lead investors to ignore basic research in favor of blindly following trends. Investors can enhance their selections by comprehending these behavioral characteristics. The field of behavioral finance illustrates how one's mental state may influence their financial choices. Investors put less stock in reasoning and more in their own preferences, experiences, and worldviews when making investment decisions. If investors can understand and deal with these psychological factors, they may have better results. Mutual fund lump sum calculators and compound calculators make it easy for investors to see how their assets will increase over time thanks to compound interest. Some have speculated that this will help people invest their way to financial security and remain calm in the face of uncertain times. For example, with the use of a simple investment plan (SIP) return calculator, investors may enhance their ability to predict the future worth of their assets, leading to more informed decision-making.

Behavioural Biases and Their Impact on Investment Decisions
When investors are overconfident, they trade too much, which increases transaction costs and decreases earnings. Those who are afraid of losing money tend to keep bad stocks for too long in the hopes that they'll turn around, or they sell successful firms too quickly to lock in their profits, both of which hurt their portfolio performance. Market euphoria and busts could result from investors following the herd. Irrational enthusiasm caused dot-com bubble prices to soar to unsustainable levels. It is common practice for investors to divide their funds into many "accounts," or categories, such as savings, investments, and spending. Mental accounting describes this. This can cause bad resource allocation based on account risk instead of portfolio optimization, which would be a mistake. It incorporates both behavioral finance and the management of investment portfolios. Research in behavioral finance has shown that investors' preference for domestic or well-known companies, characterized as a bias for familiarity, makes them hesitant to diversify their holdings. When there isn't enough variety, the danger goes up. Investors' perceptions of risk are related to their behavioral biases. When people are overconfident after a period of gains or risk-averse after a market fall, this happens, and it's called recency bias. Even while investors focus on their long-term financial goals when making decisions, cognitive biases might cause them to make short-sighted decisions. Investors end up with a disconnect between strategy and performance because of this. Gaining a knowledge of the elements that lead to the common biases may help investors enhance their decision-making abilities. Better investment discipline might result, for instance, from admitting the reality of loss aversion.

## STATEMENT OF THE PROBLEM

The foundation of traditional finance is the idea that investors act rationally, considering information, risk, and possible rewards when making decisions. Conversely, investors may make irrational judgments influenced by their emotions and cognitive biases. Investors and financial specialists must do this study if they want to know why the market acts irrationally and how it compares to theory. Many investors are unaware of the impact of psychological biases on financial decisions, leading them to make costly blunders

## SCOPE OF THE STUDY

Also included in the study's purview is research into how cultural and regional differences impact the implementation of behavioral finance. Investors' cultural backgrounds may influence the kinds and levels of biases they display in different markets.

## OBJECTIVES OF THE STUDY

- To study about the Behavioural Finance
- To understand the role of Emotions and Psychology in Investment Decisions
- To identify the common Behavioural Biases affecting Investment Decisions
- To analyse the impact of Behavioural biases on Individual Decisions
- To make suggestions on the findings of the study

## RESEARCH METHODOLOGY

**Techniques for Data Collection**

**Primary Data:** "Primary data" is information that has been collected by firsthand observation or interview. There is no original data collected for this research; all of the information is derived from secondary sources.

**Research Design:** Exploratory Design **Sampling Design:** Convenience Sampling

**Sampling Technique:** Simple Random Sampling
Sample **Size**:206

**Tool for Analysis**: Structured Questionnaire

**Secondary Data:** The information used for the literature review in this study is derived from secondary sources, which are publicly available and include things like journals, textbooks,the internet, and so on.

## LIMITATIONS OF THE STUDY

- Time is the major constraint for the study
- The data collected from the analysis may not be the optimal time for the Analysis
- The analyzed data may or may not provide the accurate results for making decision
- The data collected from the sample branch Investor which may not influence the same results on the other branch

## LITERATURE REVIEW

**1. "Behavioural finance biases in investment decision making" by Muhammad Atif Sattar, Muhammad Toseef (April 2020)**

Traditional finance says that the investment made by the investor will depend on both the factors risk and return. The investor will include these factors to know the maximum profits but later the behavioural finance summons the traditional finance that the investment can be effect by the psychological decision making. Main objective of the project is to know how the behavioural finance is affecting the psychology of investor at the time of decision making.

**2. "Role of behavioural finance in individual investor investment decision in the financial market" by Naveed Jan, Muhammad Adil, Dilkash Sapna, Uzma Haroon (January 2021)**

Behaviour finance states about how the individual investors are taking the decision related to financial markets. There are two types of market study: they are traditional finance and behavioural finance. The traditional finance states about the returns, risk, effective market, rationality and it also include some of the theories like Markowitz

**3. "A study on behavioural finance in investment decisions of investors in Ahmedabad" by Prof. Devrshi Upadhyay, DR. Paresh Shah (7 July 2019)**

Behavioural financing is an advance technique used to know how psychological factors are affecting the decision making of an investor under undetermined conditions. Behavioural finance is one of the most important topics to know us about the mindset of the people and how they are thinking at the time of making investment in different investment alternatives

**4. "Behavioural finance and its usage to solve policy making problems; example: In household finance" by Oumaima Zahouane (February 2019)**

Behavioural finance is a new field which has come into existence and it is very typical to understand about the behavioural finance for making decisions and policies developing. In the behaviour finance many investors are in initial step.

**5. "Impact of behavioural finance on investment decision making: A study of selected investment banks in Nigeria" by Olubunmi Edward Ogunlusi, Olalekan Obademi (April 2019)**

The impact of behavioural finance on investment decision making has been studied in this project. The survey with 200 questionnaire samples is been operated by four surveyed investment banks includes Afrin vest west Africa limited, meristem securities, Vetiva capital and ARM Nigeria limited.

**6. "Study of behavioural finance with reference to investment behaviour" by Kavita Shah (December 2014):** Traditional finance and conventional finance point up the theories like portfolio optimization theory, efficient market hypothesis and the capital asset pricing model. But the behavioural finance helps in the examining of the psychology and sociology issues which will be having the impact on the decision-making process of the individual, organisation and a group

**7. "Impact of behavioural finance in investment decision making" by Kanan Budhiraja, Dr. T.V. Raman professor, Dr. Gurendra Nath Bhardwaj (06 June 2018):**Traditional finance theories help the investors for calculating the risk and return to maximize their profits and reduce the losses. Behavioural provoked the traditional finance by saying that there will be an impact by the individual decision making. They included the two behavioural factors that are heuristic behaviour and prospect theory.

**8. "Comprehensive review of literature on behavioural finance" by Bashir Ahmad Joo and Kokab Durri (November 2015):** Study states that investors are rational and they consider all the information related to the portfolio investment decision. They proposed that the standard finance will be helpful in knowing about the efficient market hypothesis. Some psychologists are argued that the investors are not rational and they are motivated by the factors like cognitive and psychological errors.

## CHI-SQUARE ANALYSIS

The Chi-Square test is a statistical tool used to determine the discrepancy between observed and expected data

**HYPOTHESIS:1**

**H0: There is no Relationship between Gender and Investment objectives.**

**H1: There is Relationship between Gender and Investment objectives.**

**Case Processing Summary**

| | Cases | | | | | |
|---|---|---|---|---|---|---|
| | Valid | | Missing | | Total | |
| | N | Percent | N | Percent | N | Percent |
| Gender * What is the main objective of your investment | 206 | 100.0% | 0 | 0.0% | 206 | 100.0% |

**Gender * What is the main objective of your investment**

| | | | What is the main objective of your investment | | | | |
|---|---|---|---|---|---|---|---|
| | | | Income generation | Tax saving | Capital appreciation | More returns | Total |
| Gender | Male | Count | 59 | 1 | 18 | 22 | 100 |
| | | Expected Count | 54.9 | 6.3 | 15.5 | 23.3 | 100.0 |
| | | % within Gender | 59.0% | 1.0% | 18.0% | 22.0% | 100.0% |
| | Female | Count | 54 | 12 | 14 | 26 | 106 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Expected Count | 58.1 | 6.7 | 16.5 | 24.7 | 106.0 |
| | | % within Gender | 50.9% | 11.3% | 13.2% | 24.5% | 100.0% |
| Total | | Count | 113 | 13 | 32 | 48 | 206 |
| | | Expected Count | 113.0 | 13.0 | 32.0 | 48.0 | 206.0 |
| | | % within Gender | 54.9% | 6.3% | 15.5% | 23.3% | 100.0% |

| Chi-Square Tests | | | |
|---|---|---|---|
| | Value | df | Asymptotic Significance (2-sided) |
| Pearson Chi-Square | 10.196a | 3 | .017 |
| Likelihood Ratio | 11.852 | 3 | .008 |
| Linear-by-Linear Association | .217 | 1 | .641 |
| N of Valid Cases | 206 | | |
| a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.31. | | | |

**Interpretation**: - From the above calculation, we came to know that the calculated value is lower than the table value that is (10.196<11.345). Therefore, **Null hypothesis (H0) is accepted and Alternative hypothesis (H1) is rejected.**

**HYPOTHESIS:2**

**H0: There is no Significance impact of the gender on Behaviour of investor.**

**H1: There is Significance impact of the gender on Behaviour of investor.**

| Case Processing Summary | | | | | | |
|---|---|---|---|---|---|---|
| | Cases | | | | | |
| | Valid | | Missing | | Total | |
| | N | Percent | N | Percent | N | Percent |
| Gender * What is the behaviour of your investment to get returns | 206 | 100.0% | 0 | 0.0% | 206 | 100.0% |

| Gender * What is the behaviour of your investment to get returns | | | | | | |
|---|---|---|---|---|---|---|
| | | | What is the behaviour of your investment to get returns | | | |
| | | | Risk taker | Risk averse | Secured investment | Total |
| Gender | Male | Count | 39 | 20 | 41 | 100 |
| | | Expected Count | 30.6 | 18.4 | 51.0 | 100.0 |
| | | % within Gender | 39.0% | 20.0% | 41.0% | 100.0% |
| | Female | Count | 24 | 18 | 64 | 106 |
| | | Expected Count | 32.4 | 19.6 | 54.0 | 106.0 |
| | | % within Gender | 22.6% | 17.0% | 60.4% | 100.0% |
| Total | | Count | 63 | 38 | 105 | 206 |
| | | Expected Count | 63.0 | 38.0 | 105.0 | 206.0 |
| | | % within Gender | 30.6% | 18.4% | 51.0% | 100.0% |

| Chi-Square Tests | | | |
|---|---|---|---|
| | Value | df | Asymptotic Significance (2-sided) |
| Pearson Chi-Square | 8.547a | 2 | .014 |
| Likelihood Ratio | 8.616 | 2 | .013 |
| Linear-by-Linear Association | 8.449 | 1 | .004 |
| N of Valid Cases | 206 | | |
| a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 18.45. | | | |

**Interpretation**: - From the above calculation, we came to know that the calculated value is lower than the table value that is (8.547<9.10). Therefore, **Null hypothesis (H0) is accepted and Alternative hypothesis (H1) is rejected.**

**HYPOTHESIS:3**

**H0: There is no Significance impact of Age on Investment objectives.**

**H1: There is Significance impact of Age on Investment objectives.**

| Case Processing Summary | | | | | | |
|---|---|---|---|---|---|---|
| | Cases | | | | | |
| | Valid | | Missing | | Total | |
| | N | Percent | N | Percent | N | Percent |
| Age * What is the main objective of your investment | 206 | 100.0% | 0 | 0.0% | 206 | 100.0% |

| Age * What is the main objective of your investment Crosstabulation | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | What is the main objective of your investment | | | | |
| | | | Income generation | Tax saving | Capital appreciation | More returns | Total |
| Age | 20-30 | Count | 69 | 12 | 10 | 24 | 115 |
| | | Expected Count | 63.1 | 7.3 | 17.9 | 26.8 | 115.0 |
| | | % within Age | 60.0% | 10.4% | 8.7% | 20.9% | 100.0% |
| | 31-40 | Count | 15 | 0 | 11 | 10 | 36 |
| | | Expected Count | 19.7 | 2.3 | 5.6 | 8.4 | 36.0 |
| | | % within Age | 41.7% | 0.0% | 30.6% | 27.8% | 100.0% |
| | 41-50 | Count | 17 | 1 | 4 | 8 | 30 |
| | | Expected Count | 16.5 | 1.9 | 4.7 | 7.0 | 30.0 |
| | | % within Age | 56.7% | 3.3% | 13.3% | 26.7% | 100.0% |
| | Above 50 | Count | 12 | 0 | 7 | 6 | 25 |
| | | Expected Count | 13.7 | 1.6 | 3.9 | 5.8 | 25.0 |
| | | % within Age | 48.0% | 0.0% | 28.0% | 24.0% | 100.0% |
| Total | | Count | 113 | 13 | 32 | 48 | 206 |
| | | Expected Count | 113.0 | 13.0 | 32.0 | 48.0 | 206.0 |
| | | % within Age | 54.9% | 6.3% | 15.5% | 23.3% | 100.0% |

| Chi-Square Tests | | | |
|---|---|---|---|
| | Value | df | Asymptotic Significance (2-sided) |
| Pearson Chi-Square | 21.337a | 9 | .011 |
| Likelihood Ratio | 23.863 | 9 | .005 |
| Linear-by-Linear Association | 2.382 | 1 | .123 |
| N of Valid Cases | 206 | | |
| a. 5 cells (31.3%) have expected count less than 5. The minimum expected count is 1.58. | | | |

**Interpretation**: - From the above calculation, we came to know that the calculated value is lower than the table value that is (21.337<1.666). Therefore, **Null hypothesis (H0) is accepted and Alternative hypothesis (H1) is rejected.**

**HYPOTHESIS:4**
**H0: There is no Significance impact of Age on Behaviour of investors.**
**H1: There is a Significance impact of Age on Behaviour of investors.**

| Case Processing Summary | | | | | | |
|---|---|---|---|---|---|---|
| | Cases | | | | | |
| | Valid | | Missing | | Total | |
| | N | Percent | N | Percent | N | Percent |
| Age * What is the behaviour of your investment to get returns | 206 | 100.0% | 0 | 0.0% | 206 | 100.0% |

| Age * What is the behaviour of your investment to get returns Crosstabulation | | | | | | |
|---|---|---|---|---|---|---|
| | | | What is the behaviour of your investment to get returns | | | |
| | | | Risk taker | Risk averse | Secured investment | Total |
| Age | 20-30 | Count | 33 | 14 | 68 | 115 |
| | | Expected Count | 35.2 | 21.2 | 58.6 | 115.0 |
| | | % within Age | 28.7% | 12.2% | 59.1% | 100.0% |
| | 31-40 | Count | 10 | 10 | 16 | 36 |
| | | Expected Count | 11.0 | 6.6 | 18.3 | 36.0 |
| | | % within Age | 27.8% | 27.8% | 44.4% | 100.0% |
| | 41-50 | Count | 8 | 6 | 16 | 30 |
| | | Expected Count | 9.2 | 5.5 | 15.3 | 30.0 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | % within Age | 26.7% | 20.0% | 53.3% | 100.0% |
| | Above 50 | Count | 12 | 8 | 5 | 25 |
| | | Expected Count | 7.6 | 4.6 | 12.7 | 25.0 |
| | | % within Age | 48.0% | 32.0% | 20.0% | 100.0% |
| Total | | Count | 63 | 38 | 105 | 206 |
| | | Expected Count | 63.0 | 38.0 | 105.0 | 206.0 |
| | | % within Age | 30.6% | 18.4% | 51.0% | 100.0% |

| **Chi-Square Tests** | | | |
|---|---|---|---|
| | **Value** | **df** | **Asymptotic Significance (2-sided)** |
| Pearson Chi-Square | 16.078a | 6 | .013 |
| Likelihood Ratio | 16.739 | 6 | .010 |
| Linear-by-Linear Association | 6.168 | 1 | .013 |
| N of Valid Cases | 206 | | |
| a. 1 cells (8.3%) have expected count less than 5. The minimum expected count is 4.61. | | | |

**Interpretation**: - From the above calculation, we came to know that the calculated value is lower than the table value that is (16.078<16.81). Therefore, **Null hypothesis (H0) is accepted and Alternative hypothesis (H1) is rejected.**

**HYPOTHESIS:5**
**H0: There is no Relationship between Income and Investment objectives.**
**H1: There is Relationship between Income and Investment objectives.**

| **Case Processing Summary** | | | | | | |
|---|---|---|---|---|---|---|
| | **Cases** | | | | | |
| | **Valid** | | **Missing** | | **Total** | |
| | **N** | **Percent** | **N** | **Percent** | **N** | **Percent** |
| Income *What is the main objective of your investment | 206 | 100.0% | 0 | 0.0% | 206 | 100.0% |

| **Income * What is the main objective of your investment Crosstabulation** | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | **What is the main objective of your investment** | | | | |
| | | | **Income generation** | **Tax saving** | **Capital appreciation** | **More Returns** | **Total** |
| Income | Below 1.8 lakhs | Count | 50 | 9 | 9 | 20 | 88 |
| | | Expected Count | 48.3 | 5.6 | 13.7 | 20.5 | 88.0 |
| | | % within Income | 56.8% | 10.2% | 10.2% | 22.7% | 100.0% |
| | 1.8-2.4 lakhs | Count | 21 | 1 | 4 | 7 | 33 |
| | | Expected Count | 18.1 | 2.1 | 5.1 | 7.7 | 33.0 |
| | | % within Income | 63.6% | 3.0% | 12.1% | 21.2% | 100.0% |
| | 2.4-3.60 lakhs | Count | 21 | 2 | 3 | 7 | 33 |
| | | Expected Count | 18.1 | 2.1 | 5.1 | 7.7 | 33.0 |
| | | % within Income | 63.6% | 6.1% | 9.1% | 21.2% | 100.0% |
| | 3.61-5 lakhs | Count | 12 | 1 | 6 | 6 | 25 |
| | | Expected Count | 13.7 | 1.6 | 3.9 | 5.8 | 25.0 |
| | | % within Income | 48.0% | 4.0% | 24.0% | 24.0% | 100.0% |
| | Above 5 lakhs | Count | 9 | 0 | 10 | 8 | 27 |
| | | Expected Count | 14.8 | 1.7 | 4.2 | 6.3 | 27.0 |
| | | % within Income | 33.3% | 0.0% | 37.0% | 29.6% | 100.0% |
| Total | | Count | 113 | 13 | 32 | 48 | 206 |
| | | Expected Count | 113.0 | 13.0 | 32.0 | 48.0 | 206.0 |
| | | % within Income | 54.9% | 6.3% | 15.5% | 23.3% | 100.0% |

| Chi-Square Tests | | | |
|---|---|---|---|
| | Value | df | Asymptotic Significance (2-sided) |
| Pearson Chi-Square | 20.624a | 12 | .056 |
| Likelihood Ratio | 20.419 | 12 | .060 |
| Linear-by-Linear Association | 4.153 | 1 | .042 |
| N of Valid Cases | 206 | | |
| a. 6 cells (30.0%) have expected count less than 5. The minimum expected count is 1.58. | | | |

**Interpretation**: - From the above calculation, we came to know that the calculated value is lower than the table value that is (20.624<21.026). Therefore, **Null hypothesis (H0) is accepted and Alternative hypothesis (H1) is rejected.**

**HYPOTHESIS:6**

**H0: There is no Relationship between Income and Behaviour of investors.**

**H1: There is Relationship between Income and Behaviour of investors.**

| Case Processing Summary | | | | | | |
|---|---|---|---|---|---|---|
| | Cases | | | | | |
| | Valid | | Missing | | Total | |
| | N | Percent | N | Percent | N | Percent |
| Income * What is the behaviour of your investment to get returns | 206 | 100.0% | 0 | 0.0% | 206 | 100.0% |

| Income * What is the behaviour of your investment to get returns Crosstabulation | | | | | | |
|---|---|---|---|---|---|---|
| | | | What is the behaviour of your investment to get returns | | | |
| | | | Risk Taker | Risk Averse | Secured Investment | Total |
| Income | Below 1.8 lakhs | Count | 22 | 16 | 50 | 88 |
| | | Expected Count | 26.9 | 16.2 | 44.9 | 88.0 |
| | | % within Income | 25.0% | 18.2% | 56.8% | 100.0% |
| | 1.8-2.4 lakhs | Count | 9 | 7 | 17 | 33 |
| | | Expected Count | 10.1 | 6.1 | 16.8 | 33.0 |
| | | % within Income | 27.3% | 21.2% | 51.5% | 100.0% |
| | 2.4-3.60 lakhs | Count | 10 | 6 | 17 | 33 |
| | | Expected Count | 10.1 | 6.1 | 16.8 | 33.0 |
| | | % within Income | 30.3% | 18.2% | 51.5% | 100.0% |
| | 3.61-5 lakhs | Count | 9 | 7 | 9 | 25 |
| | | Expected Count | 7.6 | 4.6 | 12.7 | 25.0 |
| | | % within Income | 36.0% | 28.0% | 36.0% | 100.0% |
| | Above 5 lakhs | Count | 13 | 2 | 12 | 27 |
| | | Expected Count | 8.3 | 5.0 | 13.8 | 27.0 |
| | | % within Income | 48.1% | 7.4% | 44.4% | 100.0% |
| Total | | Count | 63 | 38 | 105 | 206 |
| | | Expected Count | 63.0 | 38.0 | 105.0 | 206.0 |
| | | % within Income | 30.6% | 18.4% | 51.0% | 100.0% |

| Chi-Square Tests | | | |
|---|---|---|---|
| | Value | df | Asymptotic Significance (2-sided) |
| Pearson Chi-Square | 9.061a | 8 | .337 |
| Likelihood Ratio | 9.169 | 8 | .328 |
| Linear-by-Linear Association | 4.600 | 1 | .032 |
| N of Valid Cases | 206 | | |
| a. 2 cells (13.3%) have expected count less than 5. The minimum expected count is 4.61. | | | |

**Interpretation**: - From the above calculation, we came to know that the calculated value is lower than the table value that is (9.061<9.524). Therefore, **Null hypothesis (H0) is accepted and Alternative hypothesis (H1) is rejected.**

## FINDINGS

- 48.5% are male and 51.5% are female. It clearly shows that, majority of the responses are from female with 51.5%.
- 55.8% of the respondents are related to the age group between 20-30.

- Out of 206 respondents, only 13.14% of the investors are having the income above five lakhs.
- Out of 206 respondents, 34.5 % responses are from the investors who have done their graduation,26.5% responses are from the investors who have done their post-graduation and 39.3% responses are from the investors related to other categories of qualifications.
- Both private employees and self-employed are investing more, that is 36.42% and 26.21%.
- It's clearly shows that majority of the investors have ranked their priority in investment avenues as accordingly, 1st position to real-estate,2nd position to gold& silver, 3rd position to insurance, 4th position to fixed deposits, 5th position to mutual funds and 6th position to stocks depending upon their interest towards the investment done by them.
- 35% of the respondents are altering their portfolio of investment quarterly.
- It is very clear that 54.9% respondents stated their objective for doing the investment to generate the income.
- 33.5% of the respondents are allotted there 10%-20% of their income for investment.
- 49.5% of the investors have been influenced with the help of their friends and family.
- Out of 206 respondents, 30.1% of the respondents are opted short term investment, 39.3% of the respondents are opted medium term investment, 30.6% of the respondents are opted long term investment. The majority of the respondents are investing for medium term that is 39.3%.
- 51% of the respondents are opted for secured investment.
- 49% of the respondents will do the investment for their future needs.
- 51% of the respondents choose returns has a guiding factor.
- Out of 206 respondents, 24.3% of the respondents are demotivated by the company profile, 10.7% of the respondents are demotivated by the premium, 22.3% respondents are demotivated by the lack of understanding, 9.2% of the respondents are demotivated by low potential returns, 15% of the respondents are demotivated by the risk and 18.4% respondents are demotivated by other factors. The majority of the respondents are demotivated by the company profile that is 24.3%.
- 44.2% respondents agreed that investors psychology will affect the investment decision making.
- 30.6% of the respondents says that social media may or may not affect the investment decision making.
- 33.5% respondents agreed that family structure will affect the investment decision making.
- 45.6% respondents agreed that social interaction will affect the investment decision making.
- 38.8% respondents says that the ethical judgement of religion may or may not affect the investment decision making.
- 39.8% respondents agreed that the investors personality and over confidence will affect the investment decision making.

## SUGGESTIONS

- Private employees and self-employed are investing more and that has to be continued and government employees has to improved their investment.
- From the ranking position of the investment avenues real-estates is at the top, the suggestion for the income level who cannot afford real-estate can choose the alternative avenues i.e., insurance, fixed deposits.
- Many of the respondents are altering their portfolio quarterly, they have to take corrective measures at the time alteration.
- The objective of the investor is to generate the income and they should take measures for increasing their capital.
- The investor has to invest their large portion of income by this the returns on the investment may double.
- The advertisements and promotional activities are to be increased by which there will be improvement in the focused investment avenue.
- The investments must be done on a long-term basis to generate more revenue.
- Many of the investors are opted for secured investment, the Awareness must be given to the investors to take the risk and gain more returns.
- Many of the investors are taking decisions with the help of family and friends. I suggest that they have to take self-initiation at the time of investment.
- Large number of investors are focusing on future needs and the investors has to take measures to double their income.
- The majority of the respondents are choosing there guiding factor as returns but there should be awareness regarding the diversification of their portfolio.
- There are various demotivating factors to the investors, to reduce this the investors have to take measures from various financial advisors or the books which will give the information about the different investments.

## CONCLUSION

In the recent times the behavioural finance is playing an important role at the time of taking investment decisions. The study states that the behaviour of the investors may or may not be same in all the situations and it will differ from the situations. There are many factors that has an effect on the decisions taken by the investors. There are many investment avenues but, most of the investors are preferring the real-estate. From the data collected with the help of questionnaire states that most of the investors are investing for the future needs and the main guiding factor of the investors are returns. Now-a-days behavioural finance is applied in all investment avenues but investors are lagging behind the investment decision due to lack of awareness of different investment avenues and its benefits in their own way. In this study investors behaviour plays a major role while investing in any of the investments. There are many factors which influence the investors to invest in the same alternative which they have choose. There is a scope for the further study about the behavioural finance, the current study did not consider all the geographical locations, as it ended up within a limited area, as the research can be conducted in other areas by considering the factors like liquidity, health issues and other factors.

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