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"ASYSTEMATICASSESSMENTOFVARIABLES INFLUENCING INDIVIDUAL INVESTMENT DECISIONS IN PERSPECTIVE TO CONSORTIUM SECURITIES, BANGALORE"

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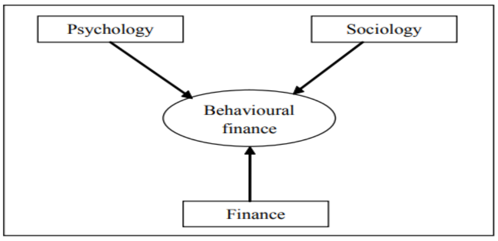
ABSTRACT

Research in the area of behavioral finance has demonstrated that investors exhibit irrational behavior while making investment decisions. Investor behavior usually deviates from logic and reason, and consequently, investors exhibit various behavioral biases which impact their investment decisions. The purpose of this paper is to rank the behavioral biases influencing the investment decision making of individual investors investment decisions in perspective to consortium securities , India. This research would provide valuable insight into the different behavioral biases to investors and other participants of the capital market and help them in improving investment decisions.

Keywords:-Investment, Behavior, Biases, Perspective.

INRODUCTION

CertainlyBehaviouralfinanceisthestudyofhowpsychologicalandemotional factors influence financial decision-making. It questions the standard notion of rationalityineconomicsandrecognisesthatwhenmakingfinancialdecisions,humans aresusceptibletobiases,cognitiveerrors,andemotionalimpacts.Behaviouralfinance seeks to create a more accurate and realistic picture of how markets and investors behave by studying these behavioural components. The area of behavioural finance originated in the late twentieth century, when economists and psychologists began to disputeclassicalfinancetheory'srationalityassumptions.Researchersstartedlooking into why investors frequently depart from rational decision-making and how these deviations affect market outcomes.Thegoalofbehaviouralfinanceistoincreaseourknowledgeoffinancialmarkets and investor behaviour through the study of these behavioural components. It offers understanding into the causes of market bubbles and crashes, the reasons behind frequentlyillogicalinvestmentdecisionsmadebyinvestors,andhowtobettercontrol andlessentheeffectsofbehaviouralbiases.Overall,behaviouralfinancetriestoclose the gap between conventional financial theory and actual market behaviour by acknowledging the significance of human psychology and behaviour in financial decision-making.



Sociology:sociologyisthesystematicstudyofhumansocialbehaviourandtheway individualsinteractwithingroups.Itexamineshowsocialrelationshipsandstructures shape people's attitudes and behaviours.

Psychology: Psychology is the scientific study of human behaviour and mental processes, exploring how individuals' thoughts, emotions, and actions are influenced by their physical, mental, and external surroundings.

Finance:Financeisthefieldofstudythatfocusesonassessingthevalueofassetsand making decisions related to the allocation of financial resources. Itinvolves activities such as acquiring funds, investing them in assets or projects, and distributing them effectively to achieve financial goals.

OBJECTIVES

Thefollowing aretheobjectives havebeen set forthe present study:

1. To study the impact and relevance of behavioural financing in the investment decision.
2. Tostudyvariousfactorsinfluencingtheinvestorsintakinginvestment decisions.
3. Toanalyzetheinvestorsbehaviourandpsychologicalfactorsofinvestment.
4. Toknowtheinvestorspreferencetowardsinvestmentdecisions

SCOPE OFTHE STUDY

The scope of the study is restricted to Investors behaviour biases on investment decisionsin Bangalorecity.However,thestudy madebasedupontheconvenienceof the researcher and rational investors are found in limited manner to provide accurate responses for the well-structured questionnaires.

THEOROTICAL REVIEW:

Decisions on investment, which take time to mature, have to be based on the returns which that investment will make. Unless the project is for social reasons only, if the investment is unprofitable in the long run, it is unwise to invest in it now.

Often, it would be good to know what the present value of the future investment is, or how long it will take to mature (give returns). It could be much more profitable putting the planned investment money in the bank and earning interest, or investing in an alternative project.

Typical investment decisions include the decision to build another grain silo.

REVIEW OF LITERATURE:

Some important research works undertaken in recent years which are very closely connected with the present study are reviewed

Lal (1992)

According to the study, it revealed that Indian investors preferred to investinlargerportfoliosthatconsistedofmorethanfivecompanies.Thissuggests thatinvestorsinIndiatendedtodiversifytheirinvestmentsbyholdingstocksfrom multiple companies rather than concentrating their investments in a few select companies.

M.Massa(2002):

Theresearcherfocusedonexploringtheinfluenceofbehavioral biases on risk-taking behavior and stock selection among investors with annual horizons.Theresearcherspecificallyexaminedtheholdingandlong-termbehavior of these investors. The study's findings indicated that earlier gains or losses experiencedbyinvestorshadanimpactontheirrisk-takingbehavior.Thissuggests that investors may be influenced by the outcomes of their previous investments when deciding on the level of risk they are willing to undertake.

KiranandRao(2004)

Thestudyaimedtoidentifydifferentinvestorgroupsbased on the demographic and psychographic characteristics of the respondents. The researchers utilized multinomial logistic regression and factor analysis as analyticaltechniquesintheirstudy.Theycollecteddatafrom96surveystoanalyze therelationshipbetween theidentifiedinvestorgroupsandtheirdemographicand psychographic features.

Johnsson,Lindblom,andPlatan(2002):

Theresearchersaimedtounderstandthe factors influencing investor behavior and provide insights into the drop in market prices that occurred after 2000.According to the study's findings, overconfidence wasidentifiedasakeyexplanationforthedeclineinmarketprices.Overconfident investors may have been overly optimistic about their abilities and made investment decisions based on unrealistic expectations, leading to inflated asset prices that eventually corrected.

Merikas et al. (2004):

The study revealed that the variable indicated by the conventional wealth maximization criteria was a significant factor in influencing investor behaviour. This means that investors in the Greek stock exchange were motivated by the goal of maximizing their wealth when making investment decisions.

Wood and Zaichkowsky (2004)

used a sample of 90 respondents to identify and categorise individual investors into a group based on their attitude and behaviour towards investment. The study found that four types of traders were identified: loss-averse traders, tolerant traders, and confident long-term traders.

Chandra (2008): The researcher explored how various psychological factors can influence the decisions made by investors. the study highlighted that investor psychology and behavioural traits can significantly impact financial decision- making. Understanding these factors is important for investors and financial professionalsinmakinginformeddecisionsandmanagingthepotentialbiasesthat may arise.

RESEARCH METHODOLOGY

Awell-structured and adopted research methodology assist the researcher in drawing the research statement, developing objectives, finding the ways to analyze and interpretandsummarizetheimportantfindingsandofferprobablesuggestions.Inthis way, the present study has the following methodology aspects.

Research Design : The type of research design that we are using here is descriptive design,whichaimstodescribecharacteristicsofapopulationregardingtheinvestment decisions.The primary data method & secondary method is used.

Sampling Design : Convenience sampling technique is used to collect data from various types of investors who are chosen from the population based on their ease of availability and accessibility to the research survey with an exploratory goal for generating opinions and ideas. In addition, because it is the only process in which participants agree to participate, this form of sampling approach does not require a simple random sample.

Samplesize: The study consistssamplesize100 respondents.

DATACOLLECTION

Primarydata: TheprimarysourceofInformationiscollectedthroughfieldsurveys by distributing questionnaire to investors who are scattered to different age groups, occupation, income levels, and qualifications.

Secondary Data: The secondary data has been collected from authentic internet sources like websites, published articles, journals and booklets.

LIMITATIONSOFTHESTUDY

Thesamplesizeisverylimitedto100investorswhomayormaynotberepresented by the entire area covered by the city of Bangalore.

- Studieshavebeenconductedtoanalysethevariablesthataffectsinvestment behaviour.
- Thisstudyislimitedtoselectedinvestmentmethods only.
- Thisstudyisatimeproblemandisonlydoneinonemonth

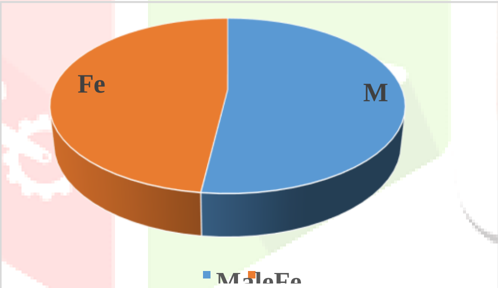
DATAANALYSIS&INTERPRETATION

Table4.1:GenderwiseclassifyingofRespondents

Gender	*Frequency*	*Percentage(%)*
Male	*52*	*52*
Female	*48*	*48*
Total	***100***	***100***

Chart4.1:Genderwiseclassification of Respondents

Interpretation:



Here in this study, the above table displays that out of 100 respondents, 52% of the responses from males and 48% responses from females; it shows thatmale responses are higher.

PartIV:BehaviouralfactorsInfluencingInvestmentDecisions

BehaviouralFactors	*SA*	*A*	*N*	*D*	*SD*	*Total*
Itrytoavoidinvestinginfirmswithatrackrecord ofbadresults.	*28*	*32*	*27*	*11*	*2*	*100*
I invest in an investment avenue based on prior success because I expect that strong performance willcontinue.	*30*	*40*	*24*	*4*	*2*	*100*
Itrustthepreviousresearchandperformanceof investmentsmakeupmyportfolio.	*21*	*49*	*23*	*6*	*1*	*100*
IActivelyengagedininvestmentactivities.	*24*	*34*	*31*	*8*	*3*	*100*
IamProfessionalandwelltrainedinvestor.	*10*	*24*	*34*	*26*	*6*	*100*

Iaskothers(Relatives,friends,co-workers)before makeaninvestment.	*14*	*45*	*31*	*10*	*0*	*100*
Ifeelconfidentinmyabilitiesandinvestment expertise.	*19*	*41*	*32*	*7*	*1*	*100*
Iamoptimisticabouttheinvestment.	*10*	*42*	*36*	*9*	*3*	*100*
Whenthemarketperformspoorly,Iwillnotraise myinvestment.	*14*	*44*	*35*	*5*	*2*	*100*
Nocapitallossismorecrucialthanreturnswhenit comestoinvestments.	*13*	*41*	*37*	*7*	*2*	*100*
IWishMyfavouritebusinesswillprovidemea highrateofreturnonmyfutureinvestments.	*15*	*52*	*27*	*5*	*1*	*100*
Marketintelligenceismyinvestmentchoice.	*14*	*55*	*25*	*6*	*0*	*100*
Istudyaboutthemarketfundamentalsunderlying Investmentsbeforemakinginvestmentdecisions.	*12*	*49*	*31*	*7*	*1*	*100*
Decisionsofotherinvestorsaffectmyinvestment Decision.	*12*	*43*	*32*	*10*	*3*	*100*
IOftenfinditdifficulttoselectinvestment opportunitiestheperson'sdifferentpointofview	*8*	*50*	*37*	*3*	*2*	*100*
Expressmyfeelingsbychoosinganinvestment thatisnotaproblem.	*11*	*42*	*30*	*15*	*2*	*100*

Table showing a verage(mean) of behavioural factors influencing investment decisions

BehaviouralFactors	***Mean***
Itrytoavoidinvestinginfirmswithatrackrecordofbadresults.	*2.27*
I invest in an investment avenue based on prior success because I expect that strong performance will continue.	*2.08*
I trust the previous research and performance of investments make up my portfolio.	*2.17*
IActivelyengagedininvestmentactivities.	*2.32*
IamProfessionalandwelltrainedinvestor.	*2.94*
Iaskothers(Relatives,friends,co-workers)beforemakeaninvestment.	*2.37*
Ifeelconfidentinmyabilitiesandinvestmentexpertise.	*2.3*
Iamoptimisticabouttheinvestment.	*2.53*

Whenthemarketperformspoorly,Iwillnotraisemyinvestment.	*2.37*
Nocapitallossismorecrucialthanreturnswhenitcomestoinvestments.	*2.44*
I Wish My favourite business will provide me a high rate of return on my future investments.	*2.25*
Marketintelligenceismyinvestmentchoice.	*2.23*
I study about the market fundamentals underlying investmentsbefore making investment decisions.	*2.36*
Decisionsofotherinvestorsaffectmyinvestmentdecision.	*2.49*
I Often find it difficult to select investment opportunities the person's different point of view	*2.41*
Expressmyfeelingsbychoosinganinvestmentthatisnotaproblem.	*2.55*

Interpretation

- *The respondents, on average, slightly agree (mean = 2.27) with the statement, indicating a tendency to avoid investing in companies with a history of poor performance.*
- *The respondents, on average, slightly agree (mean = 2.08) with the statement, suggesting a reliance on past success as an indicator of future performance in their investment decisions.*
- *On average, respondents express a moderate level of agreement (mean = 2.17) with this statement, implying that they consider previous research and performance when constructing their investment portfolios.*
- *Therespondents,onaverage,moderatelyagree(mean=2.32)withthisstatement, indicating a proactive involvement in investment activities.*
- *Respondents, on average, tend to agree (mean = 2.94) with this statement, suggesting that they perceive themselves as professional and well-trained investors.*

Summary of Findings

- It is found that the teenage and graduate investors are more to choose investments.Itisfoundthattheprivateandotheroccupationalinvestorsaremore
- It is found that the investors generally prefer to park their investment in secured and safety avenues like mutual funds followed by bullion and insurance. It is found that investors invest out of their own money
- Itisfoundthattheinvestorsgenerallyprefertoinvesttheirmoneymonthlywise but their investment horizons are not constant. However, they generally prefer medium and long term for investment rather than short term.
- It is found that majority of the investors have care about risk and return factors than other factors from their investment destinations and investors undertake fundamental & technical analysis to decide which investment is essential for them.
- Lackofprofessionalexpertisetheaveragescorefor"Iamaprofessionalandwell- trained investor" is relatively low at 2.94, indicating that respondents feel less confident about their professional investment skills.

Suggestions

- The company has to provide the information timely and frequent basis to the investors or market and to make better decisions.
- Encourage individuals to actively pursue educational opportunities and stay updated with market trends and investment strategies to enhance their expertise as investors.
- Educateindividualsaboutthebenefitsofdiversifyingtheirinvestmentportfolios across different asset classes and sectors to ease risks and achieve long-term financial goals.
- While individuals may have confidence in their investment abilities, it is still advisabletoconsultwithfinancialprofessionalsforguidanceandexpertisewhen making complex investment decisions.
- Be aware of emotional biases and avoid making impulsive investment decisions based on feelings. Rely on rational analysis and objective evaluation.

Conclusion

Investing money is a critical decision that requires thoughtful and strategic planning. People in India are more conservative and hence favour less risky investments.Otherdemographicfactorssuchasage,incomelevel,andgenderallplay a role. It has an impact on their decision.

As financial products become more widely available,investors'attitudestowardsthemshiftovertime.Itbecomesimportantfora marketer to understand the perception of investors towards investment avenues to successfully pitch the product. If the marketer is able to understand the mindset of investor towards a product, then will be in a position to market the product.

Innovations in Financial productsuch as derivatives, unit linked insurance products, and fund of funds are also difficult for investors to understand.As a result, theimportanceofthestudyarisestounderstandwhatexactlyanIndianinvestorthinks about his/her money, how much money and how much risk he/she is willing to take anditprovidesmarketer andotherpeerssuccessfully marketthefinancial products which are popular, as it gives with information regarding the perception of investors towards investment avenues in India.

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