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Understanding The Impact Of Psychological Biases On Investment Decision Making: A Behavioral Finance Study On Students And Employees In Jorhat, Assam

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ABSTRACT

This research delves into the intricate realm of behavioral finance, examining the decision-making processes of students and employees in Jorhat, Assam, India. Drawing from Daniel Kahneman's assertion that intuition often leads astray, the study explores how psychological biases and emotions influence financial choices. Through a comprehensive analysis, it uncovers nuanced insights, highlighting the prevalence of cognitive biases such as herd mentality and emotional influences in investment decisions. Cultural factors emerge as significant influencers among students, while employees express heightened concerns about job security. The research underscores the importance of tailored educational initiatives to empower individuals in making informed investment choices. By shedding light on the behavioral aspects of financial decision-making, this study contributes valuable insights to enhance understanding of market dynamics and inform the development of more robust financial models.

Keywords: Behavioral finance, Decision-making, Psychological biases, Investment choices, Cultural influences, Job security.

INTODUCTION

“Personal finance is only 20% head knowledge; its 80% behavior!”

Daniel Kahneman once said, "Our intuition is not as reliable as we often believe, and when it goes wrong, the consequences can be severe." This sentiment underscores the significance of understanding our decision-making processes, especially in financial contexts.

Decision-making is a complex skill, helping us navigate various choices. As we delve deeper into the complex realm of decision-making, particularly within the financial landscape, the art lies not just in navigating complex scenarios but also in understanding the cognitive processes that drive our choices. Behavioral finance stands out as a guiding light, shedding light on the nuances overlooked by traditional financial frameworks. Many researchers in behavioral finance offer insightful perspectives, tackling queries that traditional models have failed to resolve. In today’s fast changing world, manager and investors need to make smart choices and adapt quickly. Each investor has their unique strategy and risk tolerance, influenced by various behavioral factors. Understanding the underlying behaviors driving these choices is very important in today’s competitive landscape.

Beyond the spreadsheets and charts, behavioral finance explores the heartbeat of financial decision-making." Behavioral finance is a subfield that investigates how psychological factors and emotions influence financial decision-making. It recognizes that individuals are not always purely rational; they are often influenced by biases, intuition, and social norms. An investor's physical and emotional well-being can significantly influence financial choices, with their mental state reflecting their overall health and directly impacting the rationality of their decisions. The objective of behavioral finance is to examine why people make specific financial decisions and how these decisions subsequently impact the market.

Traditional finance theory operates under the assumption that individuals are rational, risk-adverse decision-makers guided by available information. It relies on concepts such as the efficient market hypothesis, asserting that asset prices incorporate all available information, thereby preventing consistent profits through analysis. This theory emphasizes diversification and utilizes models like capital Asset pricing Model (CAPM) for risk and return assessment. In contrast, behavioral finance challenges these assumptions, recognizing deviations from rationality due to cognitive biases and emotions. It explores psychological factors such as loss aversion, overconfidence, and herding that influence financial decisions. Behavioral finance contends that markets are not always efficient; irrational investor behavior can lead to anomalies and mispricing. While traditional finance relies on the notion of a "rational" market, behavioral finance integrates psychology to elucidate market phenomena and individual decisions. It acknowledges the potential of human behavior to create market inefficiencies, offering insights into the human aspect of economic decision-making alongside the analytical tools provided by traditional finance.

Behavioral finance has significantly influenced how people make financial decisions by considering psychological factors. Unlike traditional finance, which assumes rationality, behavioral finance acknowledges that people often act irrationally due to biases and emotions. Prospect theory, a pivotal concept, suggests that individuals assess outcomes relative to a reference point rather than in absolute terms. This shift has enhanced our understanding of risk and loss aversion, where individuals are more sensitive to losses than gains.

Additionally, mental shortcuts known as heuristics, such as anchoring and availability, impact how people perceive value and make investment choices. Herding behavior, where individuals follow the crowd, influences market trends. Recognizing these patterns helps financial professionals predict market movements and guide investors. Emotions, such as fear and greed, play a crucial role, evident in phenomena like the fear of missing out (FOMO) leading to impulsive decisions.

Behavioral finance has significantly altered finance decision-making by incorporating human complexities. From understanding biases to emotions and heuristics, it provides a framework for analyzing financial decisions. This research paper delves into the intricate interplay between human behavior and financial markets, exploring the cognitive biases, emotional influences, and heuristics that shape investment choices. By scrutinizing the behavioral aspects of financial decision-making, this study aims to contribute valuable insights to enhance our understanding of market dynamics and pave the way for more robust financial models.

LITERATURE REVIEW

The study delves into the intriguing realm of behavioral finance, shedding light on the complex interplay between psychological biases and investment decisions. With a focus on both students and employees in Jorhat, Assam, the research uncovers fascinating insights into decision-making processes. Notably, it reveals how individuals navigate cognitive biases such as herd mentality and emotional influences. Moreover, cultural factors emerge as significant influencers, particularly among students, while employees show heightened concerns about job security. These findings underscore the need for tailored educational initiatives to empower individuals in making informed investment choices.

Kandpal et. al. (2020) in their study 'Role of Behavioral Finance in Investment Decision –A Study of Investment Behavior in India' investigates investor behavior and decision-making regarding investment patterns, focusing on factors considered by investors in Uttarakhand, India. The objective is to analyze the elements influencing investment decisions. A questionnaire survey of faculty members was conducted to gather data. Results indicate that investors prioritize various factors such as life goals, spending habits, income, risk tolerance, and expected returns when selecting investment options. The study emphasizes the significance of understanding investor behavior in making informed investment decisions, highlighting the multifaceted considerations involved in the process.

Relan V. (2018) in his study ‘Impact of Behavioral Finance/Economics on Investment Decisions’ delves into the examination of how behavioral and psychological factors impact financial investment decisions, aligning with the principles of behavioral finance. It aims to elucidate the influence of cognitive and emotional elements on irrational decision-making processes. Despite investors typically striving for rationality, the paradigm of behavioral finance suggests that emotional and cognitive factors play significant roles. Through a comprehensive literature review, this study aims to explore the extent to which these factors affect investment decisions and elucidate methodologies employed in understanding this phenomenon. The results are expected to shed light on the complex interplay between psychological factors and financial decision-making processes.

Ogunlusi et. al. (2019) in their study ‘The Impact of Behavioural Finance on Investment Decision-making: A Study of Selected Investment Banks in Nigeria’ examines the impact of behavioral finance on investment decision-making within selected investment banks, namely Afrinvest West Africa Limited, Meristem Securities, Vetiva Capital, and ARM Nigeria Limited. Through the administration of 200 questionnaires, with a retrieval rate of 90 percent, the data were analysed using tables, percentages, correlation, and multiple regression analysis. The results indicate a positive relationship between behavioral finance and investment decisions, affirming previous research. Specifically, significant relationships were found between heuristics, prospect theory, and individual investment decisions, with strong negative correlations observed.

Budhiraja K. et. al. (2018) in their study ‘Impact of Behavioral Finance inInvestment Decision Making‘delves into the clash between traditional finance theories, emphasizing rational investment decisions, and behavioral finance, which highlights biases influencing individual investment choices. The objective is to examine how biases like anchoring, representativeness, and regret aversion, alongside concepts from prospect theory like framing and disposition effect, affect investment decisions. Methodologically, the review synthesizes existing research to explore the impact of these biases on decision-making processes. Results underscore the importance for investors to mitigate biases by leveraging data analysis, considering external factors, and adopting rational decision-making frameworks to navigate the complexities of investment landscapes effectively.

Verma R. et. al. (2010) in their study ‘The Impact of U.S. Individual and Institutional InvestorSentiment on Foreign Stock Markets’explorethe transmission of U.S. investor sentiments, both individual and institutional, to international stock markets, challenging the notion of sentiment being solely irrational. The objective is to discern the distinct impacts of rational and irrational factors on domestic and foreign equity markets. Employing VAR model estimations, the study uncovers that U.S. institutional investor sentiments affect the equity markets of the U.K., Mexico, and Brazil, albeit with differing intensities, while individual sentiments significantly influence only the U.K. market. Interestingly, both sentiment types significantly affect U.S. stock returns, with individual sentiment responses appearing more erratic compared to institutional sentiments. Rational institutional sentiments notably impact the U.S., U.K., Mexico, and Brazil, underscoring the importance of considering investor sentiments in international asset pricing models.

Sattar et. al. (2020) in their study ‘Behavioral finance biases in investment decision making’ investigates the impact of behavioral biases on investment decision-making under uncertainty, challenging traditional finance theories that prioritize rationality. The objective is to explore how psychological factors such as heuristic, prospects, personality characteristics, emotions, and environmental factors affect investment choices. Methodologically, a survey questionnaire was utilized to collect data for quantitative analysis, employing regression analysis with SPS software to test hypotheses. The findings reveal a significant effect of behavioral biases on investment decisions, particularly influenced by heuristic behaviors over prospects and personality traits.

Areiqat et. al. (2019) in their study ‘Impact of behavioral finance on stock investment decisions applied study on a sample of investors at Amman stock exchange’ analyse the influence of behavioral finance variables on stock investment decision-making at the Amman Stock Exchange (ASE), filling a gap in local literature on this topic. With a sample of 165 individual investors, the study examines the impact of overconfidence, loss aversion, risk perception, and herding behavior using multiple regression and hierarchical regression analyses. Findings reveal that overconfidence, loss aversion, and herding significantly affect investment decisions, with overconfidence being the most prominent. The study underscores the importance of adopting a scientific approach to investment decisions and suggests further research to explore the impact of behavioral finance on different risk and yield types at ASE.

OBJECTIVE OF THE STUDY

I. To examine the investment behaviors of both students and employees to identify commonalities and differences in decision-making processes.
II. To explore how emotions, as indicated by the influence of cultural events, celebrations, and academic pressures, shape investment decisions among both students and employees.
III. To determine the commonness of Heuristic decision-making among students and employees by assessing responses related to following the crowd, cultural advice, and academic pressures.
IV. To Understand Prospect Theory implications by investigating how both groups evaluate potential gains and losses.
V. To evaluate the awareness levels of students and employees regarding psychological biases in investment decision-making and their openness to resources addressing these biases.
VI. To compare and contrast psychological differences between students and employees in terms of their investment behaviors, attitudes, and decision-making processes.

RESEARCH GAP

Behavioral finance has emerged as an important area of study worldwide, delving into the psychological factors that influence investment decisions. Many research papers have explored this domain across different countries and various regions of India. However there's a big gap when it comes to understanding this in certain places, like Assam in northeastern India, and more specifically, in its growing city, Jorhat.

Even though India has seen a lot of interest in this area, there's not much research about Jorhat's unique situation. The city has its own mix of people, culture, and opportunities that could lead to different money habits. Also our paper mainly focuses on the study of students and employees, which we believe in this particular region are un-touched.

This study aims to fill this gap. By looking at how students and employees in Jorhat make investment decisions, we hope to learn more about their specific challenges and habits. This information can help improve financial education in the region and give insights that can be useful for others studying behavior in India.

METHODOLOGY

Source of Data:

The data for this study has been collected from structured questionnaire that consist of three distinct sections. The questionnaire, designed in a close-ended format, aimed to comprehensively gather information from participants in Jorhat, Assam, regarding their investment behaviors and decisions-making processes.

Questionnaire Structure:

Section A: Demographic Information

This section gathered essential demographic details to provide context and understanding of the participants. Questions encompassed age, gender, occupation.

Section B: Heuristic Theory–related questions

In this section, participants responded to questions designed to explore their decision-making processes through the lens of Heuristic Theory. The questions aimed to understand if individuals tended to use mental shortcuts or rules of thumb, such as following the crowd, relying on cultural advice, or yielding to academic pressures when making investment decisions.

Section C: Prospect Theory-related questions

Section C focused on questions aligned with prospect theory, investigating participant's risk tolerance, emotional influences on investment decisions, experiences of overestimating market trends, and reactions to short-term market changes. These inquiries aimed to uncover how individuals evaluated potential gains and losses and if there were differences in decision-making based on reference points like job security.

Sampling and Participants:

The target population for this study includes students and employee in Jorhat, Assam. A purposive sampling technique was employed to ensure representation from various educational backgrounds and employment sectors within the city.

Data Collection:

The questionnaires were distributed electronically, ensuring accessibility and participation. Participants were provided with clear instruction on completing the questionnaire and confidentiality were assured.

Method of Analysis:

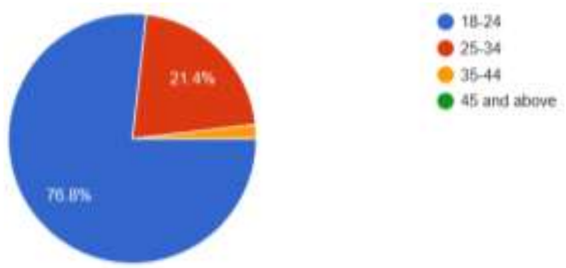
The data analysis was performed manually using the responses collected from the questionnaire. This approach involved a systematic examination of the responses to sections B and C of the questionnaire, which pertained to Heuristic and prospect theory-related factors influencing investment decisions, respectively.

DATA ANALYSIS

In this section, we carefully look into the answers from our group of 56 participants to our detailed questionnaire. These people kindly shared their thoughts on various aspects of making investments decisions, giving us valuable insights into how they think, what believe, and their attitudes towards money matters. By carefully analyzing what they said, we aim to find patterns, spot important trends, and point out interesting things that can help us understand better how people make investment decisions and how their decisions gets impact by different psychological biases.

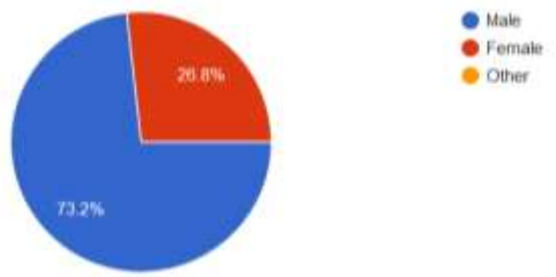
Demographics of Respondents

Age Distribution:



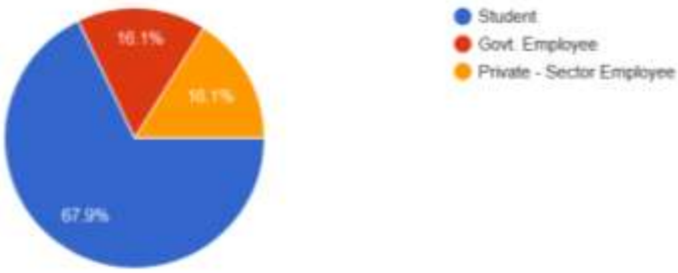
The majority of respondents fall within the age group of 18-24 constituting 76.8% of the total.
The age group of 25-34 comprises 21.4% of respondents.
Only a small percentage, 1.8% belongs to the age group of 35-44.

Gender Distribution:



The survey sample is predominantly male, with 73.2% of respondents identifying as male, while 26.8% identify as female.

Occupation Distribution:



A significant portion of the respondents are students, representing 67.9% of the total sample. Employees make up the remaining 32.1% of respondents.

Analysis of Heuristic Theory Responses

1. Following the Crowd (Q1):

QUESTION	ITEM	STUDENTS		EMPLOYEE	
		RESPONDS	PERCENTAGE	RESPONDS	PERCENTAGE
Q1. How often do you follow the crowd when making investment decisions?	NEVER	6	15.79%	1	5.56%
	RARELY	13	34.21%	6	33.33%
	OCCASIONALLY	12	31.58%	8	44.44%
	FREQUENTLY	6	15.79%	2	11.11%
	ALWAYS	1	2.63%	1	5.56%

Among students, 15.79% never follow the crowd, while 34.21% rarely do, and 31.58% occasionally follow. Only 15.79% follow frequently, and 2.63% always follow.

Among employees, a smaller percentage (5.56%) never follow the crowd, while 33.33% rarely do, and 44.44% occasionally follow. Only 11.11% follow frequently, and 5.56% always follow.

The data suggests that students are more likely to be influenced by crowd behavior in investment decisions compared to employees.

2. Cultural Influence (Q2 and Q3):

QUESTION	ITEM	STUDENTS		EMPLOYEE	
		RESPONDS	PERCENTAGE	RESPONDS	PERCENTAGE
Q2. Do Specific cultural events or celebrations influence your timing of investment decisions?	NEVER	9	23.68%	6	33.33%
	RARELY	16	42.11%	4	22.22%
	OCCASIONALLY	8	21.05%	7	38.89%
	FREQUENTLY	5	13.16%	1	5.56%

QUESTION	ITEM	STUDENTS		EMPLOYEE	
		RESPONDS	PERCENTAGE	RESPONDS	PERCENTAGE
Q3. To What extent do you rely on cultural advice or practices when considering new investment opportunities?	NOT AT ALL	11	28.95%	6	33.33%
	A LITTLE	16	42.11%	9	50%
	SOMEWHAT	10	26.32%	2	11.11%
	A LOT	1	2.63%	1	5.56%

Regarding the influence of cultural events on investment decisions, 23.68% of students never let cultural events influence them, while 42.11% rarely do, and 21.05% occasionally do. Only 13.16% frequently let cultural events influence their decisions.

Among employees, a smaller percentage (33.33%) never let cultural events influence them, while 22.22% rarely do, and 38.89% occasionally do. Only 5.56% frequently let cultural events influence their decisions.

Similarly, when considering cultural advice or practices, 28.95% of students do not rely on them at all, while 42.11% rely on them a little, and 26.32% rely on them somewhat. Only 2.63% rely on cultural advice or practices a lot.

Among employees, 33.33% do not rely on cultural advice or practices at all, while 50% rely on them a little, and 11.11% rely on them somewhat. Only 5.56% rely on cultural advice or practices a lot.

It's evident that students are more influenced by cultural factors in their investment decisions compared to employees.

3. Academic Pressures (Q4 - Students Only):

QUESTION	ITEM	STUDENTS	
		RESPONDS	PERCENTAGE
Q4. How much do academic pressures or future uncertainties influence your investment decisions?	NOT AT ALL	5	13.16%
	SLIGHTLY	10	26.32%
	MODERATELY	18	47.37%
	SIGNIFICANTLY	5	13.16%

Academic pressures moderately influence investment decisions among students, with 47.37% reporting moderate influence, followed by 26.32% reporting slight influence, and 13.16% reporting no influence. Only 13.16% report significant influence.

This suggests that academic pressures significantly impact the decision-making process of students when it comes to investments.

Analysis of Prospect Theory Responses

1. Risk Tolerance (Q1):

QUESTION	ITEM	STUDENTS		EMPLOYEE	
		RESPONDS	PERCENTAGE	RESPONDS	PERCENTAGE
Q1. How would you describe your overall risk tolerance when it comes to making investment decisions?	VERY LOW	5	13.16%	2	11.11%
	LOW	4	10.53%	3	16.67%
	MODERATE	24	63.16%	12	66.67%
	HIGH	4	10.53%		0%
	VERY HIGH	1	2.63%	1	5.56%

Among students, 63.16% have a moderate risk tolerance, followed by 13.16% with very low risk tolerance, 10.53% with low risk tolerance, 10.53% with high risk tolerance, and 2.63% with very high risk tolerance.

Among employees, 66.67% have a moderate risk tolerance, followed by 11.11% with low risk tolerance, and 22.22% with no high-risk tolerance.

Both groups generally exhibit moderate risk tolerance, with a slightly higher percentage among employees.

2. Influence of Emotions (Q2):

QUESTION	ITEM	STUDENTS		EMPLOYEE	
		RESPONDS	PERCENTAGE	RESPONDS	PERCENTAGE
Q2. To what extend do you believe emotions influence your investment decisions?	NOT AT ALL	7	18.42%	4	22.22%
	SLIGHTLY	15	39.47%	9	50%
	MODERATELY	12	31.58%	4	22.22%
	SIGNIFICANTLY	4	10.53%	1	5.56%

Among students, emotions moderately influence investment decisions for 31.58%, slightly influence for 39.47%, significantly influence for 10.53%, and not at all for 18.42%.

Among employees, emotions moderately influence investment decisions for 22.22%, slightly influence for 50%, significantly influence for 5.56%, and not at all for 22.22%.

Both students and employees are significantly influenced by emotions in their investment decisions.

Overestimation of Predictions (Q3):

QUESTION	ITEM	STUDENTS		EMPLOYEE	
		RESPONDS	PERCENTAGE	RESPONDS	PERCENTAGE
Q3. Have you ever overestimated your ability to predict market trends, leading to losses at times?	NEVER	2	5.26%	5	27.78%
	RARELY	11	28.95%	8	44.44%
	OCCASIONALLY	18	47.37%	4	22.22%
	FREQUENTLY	5	13.16%	1	5.56%
	ALWAYS	2	5.26%		0%

Among students, 47.37% occasionally overestimate their ability to predict market trends, followed by 28.95% who rarely do, 13.16% who frequently do, and 5.26% who always do.

Among employees, 44.44% occasionally overestimate their ability, followed by 33.33% who rarely do, 22.22% who rarely do, and none who always do.

Both groups exhibit tendencies to overestimate their ability to predict market trends occasionally.

Sudden Investment Decisions (Q4):

QUESTION	ITEM	STUDENTS		EMPLOYEE	
		RESPONDS	PERCENTAGE	RESPONDS	PERCENTAGE
Q4. Do you tend to make sudden investment decisions based on short-term market changes?	NEVER	8	14.29%	7	38.89%
	RARELY	14	25%	6	33.33%
	OCCASIONALLY	12	21.43%	5	27.78%
	FREQUENTLY	4	7.14%		0%
	ALWAYS		0%		0%

Among students, 21.43% occasionally make sudden investment decisions based on short-term market changes, followed by 25% who rarely do, 14.29% who never do, and none who frequently or always do.

Among employees, 38.89% never make sudden investment decisions, followed by 33.33% who rarely do, 27.78% who occasionally do, and none who frequently or always do.

Students are slightly more prone to making sudden investment decisions based on short-term market changes compared to employees.

Concerns about Job Security (Q5 - Employees Only):

QUESTION	ITEM	EMPLOYEE	
		RESPONDS	PERCENTAGE
Q5. Do concerns about job security make you prefer safer investment choices?	NOT AT ALL	2	11.11%
	SLIGHTLY	8	44.44%
	MODERATELY	5	27.78%
	SIGNIFICANTLY	3	16.67%

Among employees, 44.44% are slightly influenced by concerns about job security, followed by 27.78% who are moderately influenced, and 16.67% who are significantly influenced. Only 11.11% are not influenced at all.

This indicates that job security concerns significantly impact the investment choices of employees.

Openness to Educational Resources (Q6):

QUESTION	ITEM	STUDENTS		EMPLOYEE	
		RESPONDS	PERCENTAGE	RESPONDS	PERCENTAGE
Q6. Are you open to receiving educational resources or training programs on avoiding psychological biases in investment decision-making?	YES	21	55.26%	9	50%
	NO	11	28.95%	2	11.11%
	MAYBE	6	15.79%	7	38.89%

55.26% of students are open to receiving educational resources or training programs on avoiding psychological biases in investment decision-making, while 28.95% are not open to it, and 15.79% are unsure.

Among employees, 50% are open to receiving educational resources, while 11.11% are not open to it, and 38.89% are unsure.

Both students and employees show a significant willingness to learn about mitigating psychological biases, but students are slightly more receptive to it.

Belief in the Importance of Managing Biases (Q7):

QUESTION	ITEM	STUDENTS		EMPLOYEE	
		RESPONDS	PERCENTAGE	RESPONDS	PERCENTAGE
Q7. Do you believe that understanding and managing psychological biases is crucial for successful investment decision making?	YES	22	57.89%	8	44.44%
	NO	7	18.42%	4	22.22%
	MAYBE	9	23.68%	6	33.33%

57.89% of students believe that understanding and managing psychological biases are crucial for successful investment decision-making, while 18.42% are unsure, and 23.68% do not believe it is crucial.

Among employees, 44.44% believe it is crucial, while 22.22% are unsure, and 33.33% do not believe it is crucial.

The majority of both students and employees acknowledge the importance of managing psychological biases in investment decision-making.

FINDINGS:

I. **Crowd Following Tendency:** Both students and employees exhibit a tendency to occasionally or rarely follow the crowd when making investment decisions. Among students, 65.79% responded that they occasionally or rarely follow the crowd, while among employees this percentage is slightly lower at 61.11%. This suggests that while both groups are susceptible to herd mentality, students may demonstrate a slightly higher inclination towards following the crowd.

II. **Influence of Cultural Events:** Cultural events or celebrations have a limited influence on the timing of investment decisions for both students and employees. Among students, 63.16% responded that cultural events rarely or never influence their investment decisions, while among employees this percentage is slightly higher at 66.67%. This indicates that cultural factors play a minor role in shaping investment timing for both groups, with employees showing a slightly higher resistance to cultural influences.

III. **Reliance on Cultural Advice:** Students demonstrate a higher reliance on cultural advice or practices when considering new investment opportunities compared to employees. 68.42% of students rely to some extent on cultural advice, whereas only 38.89% of employees do so. This suggests that cultural upbringing may have a more pronounced influence on investment decision-making among students, potentially due to their younger age and exposure to familial and societal influences.

IV. **Academic Pressures vs. Job Security Concerns:** Academic pressures and future uncertainties moderately influence investment decisions among students, with 60.53% indicating a moderate influence. In contrast, concerns about job security moderately influence investment choices among employees, with 44.44% indicating a moderate influence. This highlights a significant difference in the factors shaping investment decisions between students and employees, with students more influenced by academic pressures and employees more concerned about job security.

V. **Risk Tolerance:** Both students and employees exhibit a predominantly moderate risk tolerance when it comes to investment decisions. Among students, 76.32% describe their risk tolerance as moderate, while among employees, this percentage is slightly lower at 66.67%. However, a notable proportion of both groups also lean towards low risk tolerance, indicating a cautious approach to investment decision-making.

VI. **Emotional Influence:** Emotions significantly influence investment decisions for both students and employees. Among students, 71.05% indicated that emotions moderately or slightly influence their investment decisions, while among employees, this percentage is slightly higher at 72.22%. This suggests that both groups are susceptible to emotional biases, with employees demonstrating a slightly higher susceptibility compared to students.

VII. **Overestimation of Market Prediction:** Both students and employees exhibit a tendency to occasionally or rarely overestimate their ability to predict market trends. Among students, 65.79% admit to occasionally or frequently overestimating their ability, while among employees, this percentage is slightly higher at 72.22%. This overconfidence bias can lead to suboptimal investment decisions and potential losses for both groups.

VIII. **Short-Term Market Reaction:** A considerable proportion of both students and employees tend to make occasional or rare sudden investment decisions based on short-term market changes. Among students, 35.71% exhibit this behavior, while among employees this percentage is slightly higher at 38.89%. This suggests that both groups are susceptible to the noise of short-term market fluctuations, potentially leading to impulsive decision-making.

Differences between Students and Employees:

I. **Influence of Cultural Factors:** While both groups show some reliance on cultural advice, students tend to exhibit a higher reliance on cultural factors compared to employees.

II. **Academic Pressures vs. Job Security Concerns:** Students are more influenced by academic pressures and future uncertainties, whereas employees are more concerned about job security.

III. **Risk Tolerance:** Employees show a slightly higher proportion of low-risk tolerance compared to students, reflecting potentially different risk perceptions shaped by their professional experiences.

IV. **Emotional Influence:** Employees demonstrate a slightly higher susceptibility to emotional biases compared to students, indicating the impact of workplace dynamics on decision-making.

SUGGESTIONS:

I. **Tailored Educational Programs:** Develop educational resources and training programs tailored to the specific psychological biases prevalent among students and employees. These programs should address common biases such as overconfidence and herd mentality.

II. **Promote Long-Term Perspective:** Encourage both students and employees to adopt a long-term perspective in their investment decisions, mitigating the influence of short-term market fluctuations and emotional biases.

III. **Enhance Risk Awareness:** Foster a deeper understanding of risk among both groups, emphasizing the importance of risk diversification and prudent risk management strategies.

IV. **Create Supportive Environments:** Establish supportive environments that encourage open discussion about psychological biases and provide opportunities for continuous learning and improvement.

V. **Integrate Behavioral Finance Principles:** Incorporate principles from behavioral finance into investment curricula and professional development programs to equip students and employees with the tools to recognize and mitigate biases effectively.

CONCLUSION

In conclusion, this study sheds light on the intricate interplay between behavioral factors and investment decisions among students and employees in Jorhat, Assam. By analyzing responses to a structured questionnaire, we uncovered patterns and differences in decision-making processes, highlighting the influence of cultural, academic, and occupational factors. These findings underscore the significance of incorporating behavioral finance principles into financial education and professional training programs. Tailored interventions focusing on risk awareness, long-term perspective, and mitigating emotional biases can empower individuals to make more informed investment choices. By bridging the gap in research and addressing the unique challenges faced in Jorhat, this study contributes to enhancing financial literacy and decision-making efficacy in the region, ultimately fostering a more resilient and informed investor community.

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