Investing Behaviour in India: The Importance of Behavioural Finance.

1 Dr. Mansi Kukreja, 2 Dr. Geeti Sharma, 3 Dr. Lakshmi Sevukamoorthy

1 Professor, 2 Associate Professor, 3Assistant Professor
[1, 2& 3] CMS Business School, JAIN (Deemed to be University), Bangalore, India.

Abstract
The purpose of this research is to examine the attitudes and actions of investors in relation to investing patterns, as well as the considerations that go into making an investment. Findings suggest that an investor's disposition, thought process, natural habits, and study of one's financials, risk tolerance, liquidity, and expected returns are all crucial to making a good investment decision. The topic of behavioural finance is constantly developing as researchers learn more about the impact of human psychology on financial decision making in a world of constant change and ambiguity. When it comes to understanding the mental processes behind people's financial decisions, the field of behavioural finance is invaluable. The results of this study shed light on the way people's minds work when they put their money to work in a variety of investments.

Keywords
Behavioural Finance, Investment, and Psychological Factors.

Introduction

A new area of study in finance known as "behavioural finance" has emerged in response to the complexity and anomalies of the stock market. Inconsistencies in the financial markets may be defined as persistent differences between historical data and current conditions about the rate of return on investments in various assets. Behavioural finance examines how people's emotions and mental states might affect their financial decisions. This novel school of economic thought contends that mental and emotional states impact investing choice.

This fresh perspective takes into account the fact that traders are susceptible to emotional states including hope, anxiety, optimism, and pessimism. The influence of these elements on the investing and trading processes has shifted the focus of Behavioural Finance studies. Researchers that have attempted to investigate the efficiency of financial markets and analyse the changes in stock markets include Kahneman and Tversky (1979), Shefrin and Statman (1994), and Shleifer (2000). Despite the increasing difficulty of the market, savvy investors who take the time to research their alternatives may still achieve superior results. Over the last fifty years, standard financial theory has operated on the assumption that investors have little difficulty when determining which investments to make. There is a high level of knowledge, caution, and uniformity among the investors. The conventional view is that investors can't be convinced by anything other than cold, hard facts, and don't get misled by the way data is presented to them. The realisation that reality does not conform to these assumptions prompted a shift in financial theory.

The belief that investors do not often act in accordance with the assumptions established in conventional theory of finance has pushed behavioural finance into the spotlight as a new topic of study during the last two decades. In the opinion of behavioural economists, human behaviour should be included into standard financial theory. The field of behavioural finance was established as a result of their application of psychology science to the study of investing behaviour.

Review of Literature

1. **Lewellen (1977)** our analysis of investor preferences found that age, sex, wealth, and level of education all had a role.

2. **Ippolito and Bogle (1992)** found that investors choose funds according on how well they have done in the past, and that money moves into successful funds more quickly than it does out of unsuccessful ones.

3. **Phillip (1995)** examined the impact of investor education programmes on investors' decision-making and behaviour in the financial sector. Benefits in the form of value investing and well-informed retail investment can already be seen from SEBI's awareness campaign for small investors in India.

4. **Madhusudhan and Jambodekar (1996)** drew the conclusion that shareholders want more from the company in which they have invested. The three main reasons why people put their money in the stock market are protection of their capital, quick access to cash, and profit. Investing in securities is influenced by factors such as the investor's investing purpose, risk appetite, income, and available money, as shown in a 1998 study by SEBI (Securities and Exchange Board of India).

5. **Shefrin's (2001)** examined how psychology might affect one's financial choices (a field known as "Behavioural Finance").

6. **Nichlas Barberis (2002)** Behavioural finance proposes a model where certain actors are not totally rational, which allows for a more complete understanding of some financial occurrences. The topic is comprised on two pillars: limits to arbitrage, which posits that smart traders may find it challenging to repair the dislocations generated by less rational traders, and psychology, which provides a catalogue of the many sorts of departures from full rationality we could anticipate to encounter.

7. **Sewell (2005)** Ultimately, Behavioural Finance is the study of how human psychology influences the actions of financial professionals and their impact on market prices.

8. **Tavakoli (2011)** examined the many contributors to the investors' choice. He looked at the 13 criteria to see whether investors take them into account or let them affect their choices. Financial statement, consultation with anybody, second-hand information resources, financial ratios, corporate reputation, profitability variable, and profitability variable were the aspects he determined to be most influential. The dividend is the most critical component of earnings.

9. **Kadariya (2012)** found that a lot of different things had an effect on the investor's choice. Capital structure, political and media coverage, chance, financial literacy, and analysis of market trends in Nepal are all important considerations. He came to the conclusion that young people make investment decisions based on what they see in the media and hear from their peers. While making a choice, dividends, earnings, stock contributions, and government regulation all rank high on the list of priorities. When investors lose money, they often place the blame on the market, but when they make money, they often claim all the credit for themselves.

10. **Duxbury (2015)** conducted an analysis of opinions expressed in experimental investigations of buying and selling behaviour in financial markets.

11. **Costa et al. (2019)** cognitive biases including overconfidence, anchoring effect, and anchoring bias in financial decision-making were discussed; however, the experimental methodology was not mentioned.

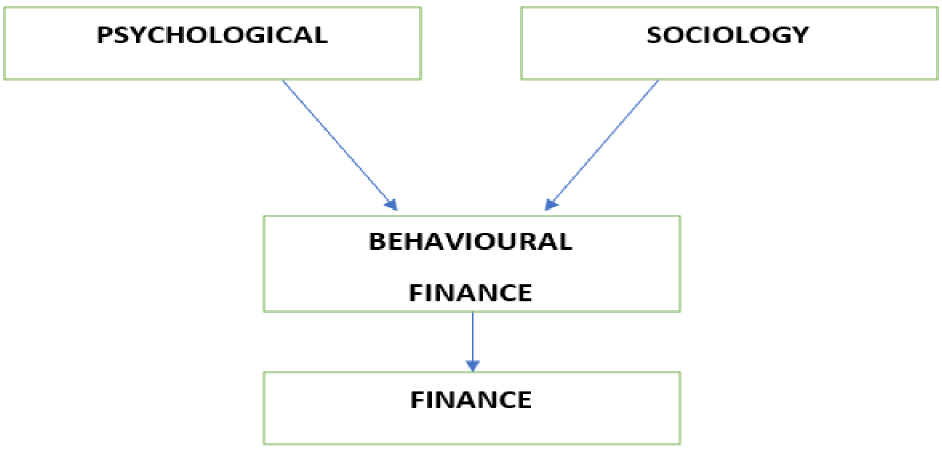
12. **Calma (2021)** reviewed the articles from the *Journal of Behavioural Finance*, focusing on the literature, but not the experiments.

Objectives of the Study

The following aims were taken into account in this investigation:

- To Examine how people are deciding to put away money and what kinds of.
- To uncover the aspects which have an influence on the investor's choice.
- To identify the better investment option.
- Investors' investing decisions may be influenced by studying the effects of behavioural financing.
- To understand the implication of these biases on investor decision making.

The Concept of Behavioural Finance



Behavioural Finance

Behavioural finance is a branch of behavioural economics that uses psychological explanations for stock market oddities such abrupt price swings. The goal is to determine and comprehend the factors that influence individuals' monetary decisions. According to the principles of behavioural finance, the market's information structure and the traits of its participants have a significant impact on both the choices investors make and the results of the market as a whole.

Over Confidence

Overconfidence originates in part from the illusion of knowledge, leading people to overestimate the accuracy of their projections. The human brain may be wired to glean as much information as possible from any given set of circumstances, yet it often fails to recognise when the data at hand is insufficient for making a reliable prediction.

Anchoring

People are notoriously resistant to changing their minds after they've formed an opinion, even when presented with fresh evidence that contradicts their previous beliefs. Let's pretend that market participants believe A Company's long-term profit prospects are better than average. A has reported much lower profits than anticipated.

Familiarity

Most people feel at ease around things that they have experienced before. Like with many other decisions, the human brain takes a "shortcut" of familiarity when making financial commitments. In fact, trust is built via regular interaction. That's why most shareholders prefer to put their money into their own firm, the companies in their immediate vicinity, and domestic companies.

Conformation Bias

Information that runs counter to one's beliefs is often disregarded in favour of data that supports those beliefs. Most investors will only listen to the information that confirms their preconceived notions. Searching for explanations in favour of their beliefs takes up a larger portion of their time than the search for counterarguments.

Innumeracy

It's common knowledge that most people struggle with numeric concepts. Sometimes nominal shifts are misunderstood as genuine shifts. Economists use the term "money illusion" to describe this phenomenon. The average person has a hard time estimating probability. To put it another way, chances are they don't know the odds. Big numbers get more attention, whereas little ones get less.

Frame Dependence Prospect Theory

An alternate account of how individuals frame and value an uncertain choice is provided by prospect theory, a key idea of behavioural finance proposed by Kahneman and Tversky. According to this definition, rather than depending on the absolute amount of money, as in conventional economic theory, utility is tied to the rate at which wealth increases or decreases. One may expect a concave gain utility function.

Mental Accounting

According to the principles of classical economics, wealth and money in particular must be seen as interchangeable, and all financial choices must be founded on a sober assessment of how they will affect the portfolio as a whole. Nevertheless, in practise, individuals lack the cognitive abilities and self-control to analyse decisions based on their potential effects on monetary wealth.

Narrow Framing

If possible, investors should keep tabs on their net worth. Cross-sectionally narrow framing implies investors focus on individual holdings rather than the portfolio as a whole. As a result, they care more about the performance of certain companies than of the portfolio as a whole.

Shadow of the Past

People are more inclined to take chances when they've had some success. When novice gamblers win money, they often don't completely accept it as theirs and are tempted to continue gambling with it. This phenomenon is referred to as "the house money effect" among gamblers. There is a reduction in the propensity to take risks after a setback. The snake bite effect is another name for this phenomenon. A setback is like a snake bite in that it increases one's awareness and vigilance.

Statistical Methods and Their Interpretation

Age profile of the investors:

21-30	**89**	24.8%
31-40	**189**	52.%
41-50	**45**	15.5%
Above 50	**35**	6.9%

Of the overall population, 52.2% are between the ages of 31 and 40, and 24.8% are between the ages of 21 and 30.

Marital Status

Single	89	24.80%
Married	269	75.13%

Investors who are married make up 75.13 percent of the total, while those who are single make up 24.80.

Qualification

Doctorate	158	44.01%
M Ed	6	1.70%
B Ed	0	0%
PG	170	47.35%
Graduate	25	6.90%

In terms of scholastic attainment, 44.01% of the population was doctorate-holding, and 47.35 % was postgraduate-educated.

Monthly Income

Less than 5,000	21	5.86%
5,000-10,000	0	0%
10,000-20,000	22	6.14%
20,000-30,000	66	18.43%
Above 30,000	249	69.55%

Income distribution among the overall population is as follows: 69.55% have incomes more than Rs. 30,000, 18.43% have incomes between Rs. 20,000 and 30,000, 5.86% have incomes of less than Rs. 5,000, and 6.14% have incomes between Rs. 10,000 and 20,000.

Years of Experience

Under 5 years	76	21.22%
5-10 years	86	24.10%
Above 10 years	196	54.74%

Almost half, or 54.74%, of all adults have more than 10 years of professional experience.

Assured Return [What is the main purpose for Investment decision?]

Highly Important	214	59.77%
Important	120	33.51%
Neutral	9	2.51%
Less Important	16	4.46%
Least Important	0	0%

Assured return is seen as very important by 59.72% of the population and is seen as significant by 33.51% of the population.

Low Risk [What is the main purpose of Investment decision?]

Highly Important	103	28.77%
Important	157	43.85%
Neutral	70	19.55%
Less Important	12	3.40%
Least Important	16	4.46%

Of all investors, 43.85% rank low risk as either important or very important, while 19.55 % rank low risk as either important or very important.

Tax benefits [What is the main purpose for Investment decision?]

Highly Important	121	33.79%
Important	194	55.02%
Neutral	27	7.54%
Less Important	16	4.46%
Least Important	0	0%

Investments with favourable tax consequences are seen favourably by a majority of Americans (55.02%), and by a sizable minority (33.79%), who say they are very important when making financial decisions.

The ability to understand the financial markets [What are the elements which have repercussions on Investing Decision?]

Highly Important	99	27.60%
Important	191	53.40%
Neutral	43	12.10%
Less Important	19	5.20%
Least Important	6	1.70%

Just 26% of the population thinks it's very important to understand finances before investing, whereas 54% of the population does.

Buying Convenience [What are the elements which have repercussions on Investment Decision?]

Highly Important	124	34.50%
Important	198	55.20%
Neutral	19	5.20%
Less Important	19	5.20%
Least Important	0	0%

Over half of all people (55.2% to be exact) think that convenience is crucial when making financial decisions.

Knowledge [Of What Affects the Investing Decision and How]

Highly Important	93	25.90%
Important	198	55.20%
Neutral	43	12.10%
Less Important	19	5.20%
Least Important	5	1.70%

Familiarity is seen as a crucial investment choice by 55.2% of the population and as very important by 25.9% of the population.

Management of Financial Assets by Experts [What are the Factors That Affect the Investing Decision?]

Highly Important	90	25.13%
Important	163	45.53%
Neutral	54	15.08%
Less Important	25	6.98%
Least Important	26	7.26%

The majority of people (45.53%) believe that hiring a professional to manage their investments is a good idea, while a quarter of the public (25.13%) think it's a great idea.

A Family Member Suggests [What are the Factors That Affect the Investing Decision?]

Highly Important	63	17.59%
Important	171	47.76%
Neutral	80	22.34%
Less Important	28	7.82 %
Least Important	16	4.46%

The majority of people (47.76%) see Recommendation by Friends as a very significant investment choice, while the minority (22.34%) see it as an unimportant investment decision.

A Family Member Suggests [What are the Factors That Affect the Investing Decision?]

Highly Important	53	14.80%
Important	158	44.13%
Neutral	54	15.08%
Less Important	94	26.25%
Least Important	19	5.30%

Of all people, 41.4% place a high degree of importance on the advice of family and friends when making financial decisions, while 20.7% place a lower degree of importance on such advice and see it as neutral.

Advice from a Financial Advisor or Broker [What are the Key Considerations When Making an investment?]

Highly Important	68	19%
Important	167	46.60%
Neutral	68	19%
Less Important	43	12.10%
Least Important	12	3.40%

To put it another way, 46.6% of people think it's vital to get advice from an investment consultant before making any financial commitments, while just 19% think it's very important or not at all significant.

Daily financial reports [What are the relevant considerations for making an investment?]

Highly Important	37	10.30%
Important	191	53.40%
Neutral	55	15.50%
Less Important	68	19%
Least Important	6	1.70%

There are 53.4% of people who think financial daily are very significant while making an investment choice, and 15.5% who think they are not very relevant.

Television Channels: [How Can They Affect a Business's Choice to Invest?]

Highly Important	31	8.60%
Important	160	44.80%
Neutral	62	17.20%
Less Important	80	22.40%
Least Important	25	6.90%

When asked about the importance of TV channels to their investment portfolio, 44.8% said it was "very significant" or "somewhat important," while 22.4% said it was "not at all essential."

Friends/Coworkers [What are the factors that have ramifications on Investing Decision?]

Highly Important	49	13.80%
Important	142	39.70%
Neutral	86	24.10%
Less Important	62	17.20%
Least Important	19	5.20%

The majority of people (39.7%) place a high level of importance on the opinions of their co-workers and peers when making financial decisions, whereas just a quarter of people (24.1%) place little to no importance on such opinions.

Publications [What are the elements that affect the decision to invest?]

Highly Important	59	16.48%
Important	163	45.53%
Neutral	54	15.08%
Less Important	69	19.27%
Least Important	13	3.63%

Newspapers are considered a crucial investment choice by 45.53 percent of the public, whereas 19.27 percent of the population has no opinion either way.

The following conclusion may be reached from the above analysis:

1. The 31–40-year-old demographic accounts for 52% of the overall population, while the 21–30-year-old demographic accounts for 24.8%.

2. Single people make up just 24.80% of the investor population, while married people make up 75.13%; of the total.

3. As far as educational qualification is concerned 44.01% of the population had doctorate degree and 47.35% were Post graduates.

4. More than two-thirds (69.55%) of the population has annual incomes of more than Rs. 30000.

5. Investors were polled on what factors most influenced their investment decisions. In their responses, respondents said they prioritised the following: guaranteed returns, tax breaks, capital gain, and low risk, safety of investment, guaranteed future, child education, and daughter marriage.

6. The responses showed that tax advantages, the convenience of purchase, the familiarity of the product, the availability of the product's underlying assets, the recommendation of a friend, the risk involved, the potential reward, the investor's financial knowledge, the size of the investment, the financial dailies, the availability of information online, the expertise of investment managers, the public's perception, the marketing department's efforts, the newspaper's advice, the guidance of an investment consultant, and the advice given on television were all important. Fear, and the advice of loved ones and trusted co-workers.

Comparison of Traditional Finance and Behavioural Finance

Adam Smith's idea of moral feelings states that investors instead base their choices on nebulous perceptions and preconceived notions rather than cold, hard data. Richard thaler is responsible for the development of behavioural finance, which was pioneered by cognitive psychologists Daniel kahneman and Amon tversky. Even if there are anomalies in behavioural finance that cannot be explained, critics of the field argue that this does not warrant completely abandoning market efficiency theory in favour of behavioural finance. In the eyes of many, these discrepancies are only temporary fluctuations that will be accounted for in due time. Several examples of bias are listed below:

Nonetheless, one cannot discount the significance of behavioural finance. The following details illustrate why behavioural finance is so crucial:

1. Analysing the contentious questions raised by conventional finance.

2. Preserving investors' capital in a high-risk environment Examination of the impact of biases on the decision-making associated with financial investments.

3. A roundtable discussion on pressing financial matters.

4. Considering the many civic duties that fall on the shoulders of the protagonist.

Arkes and Blumer's "The psychology of sunk cost" provides a thorough examination of the sunk cost effect (1985). When people invest time, money, or both into an endeavour, they are more likely to see it through to its conclusion. Hence, individuals keep plugging away at an Undertaking even though their efforts shouldn't have any bearing on the outcome. Shefrin and Statman (1985) use stock and mutual fund investor behaviour to illustrate the predisposition to interpret buried cost as relevant cost, which manifests itself in the common error of cashing out gains too soon and holding on to losses for too long.

Bias	Explanation	Implication
Hindsight Bias	Tendency to view events as being more predictable after it is known	Regret a loss even though due care was taken while buying a stock
Loss Aversion	Being very uncomfortable with a loss or a potential loss	May lead to continue keeping loss-making stocks even if the stocks have a poor future but not adhering to stop loss discipline
Endowment Effect .	Attaching more value to what one possesses	May lead to lopsided portfolio or holding on to an overvalued stock in the portfolio However, not accurately gauge the actual or Market value of stocks in the portfolio. Mental
Mental Accounting	Account for different assets in the mind	May lead to not knowing the total return (income / dividend) Also may lead to poorly diversified portfolio
Disposition Effect	Being very uncomfortable with a loss or a potential loss and take wrong decision	May lead to selling all winner stocks and retaining losing ones
Anchoring	Being hooked to a specific price/return and not change one's opinion	May lead to not discount the changes in the Markets and remain status quo.

Source: Data compiled by author from March 2013 issue of ICICI direct Money Management

The study discovered that investors frequently liquidate winning investments too quickly and held onto losing ones for too long. Hence, people's mental health affects the choices they make while investing. Several experiments by Samuelson and Zeckhauser (1988) showed that people tend to stick with the status quo when making important decisions. Implications for disciplines as varied as advertising and management are discussed in their research. Aspects of investor psychology by Daniel Kahneman and Mark W. Riepe (1998) focuses on judgement and decision-making biases, often known as cognitive illusions. This article shows that many individuals evaluate value based on the retail price. Evidence of loss aversion and seller behaviour in the property market is provided by Generous and Mayer's (2000) analysis of data from a boom-bust cycle in downtown Boston between 1990 and 1997. While the ideal asset model can shed light on why transactions reduce as prices increase in some markets, it cannot explain why real estate transactions increase while prices decline. The early exercise of stock options sold on exchanges provides evidence of irrational behaviour in the financial markets, as shown in the work of Allen M. Poteshmen and Vitaly Serbin (2003) Clients of both bargain and full-service brokers made some poor choices when using the 52-week high of a stock as a performance measure. The Housing Market and Behavioral Economics This 2007 essay by Mayer and Todd Sinai investigates the role of fundamentals and emotions in understanding the movement of U.S. housing values. The results of this study suggest that factors both logical and apparently behavioural play an important role in explaining differences in the price-to-rent ratio across various U.S. metropolitan areas. Michael J. Seiler's article "The Impact of Imprecise Benchmarks and Imprecise Internal Accounting on Real Estate Investment Decisions" (2010) This study shows that whereas seventy-five percent of the sample followed the expected S-shaped disposition curve, twenty-five percent did not. Instead of an S-shaped curve, there was a U-shaped one, with an opening in either direction. Mental accounting results were similar whether or not real estate was the only asset type represented in the portfolio.

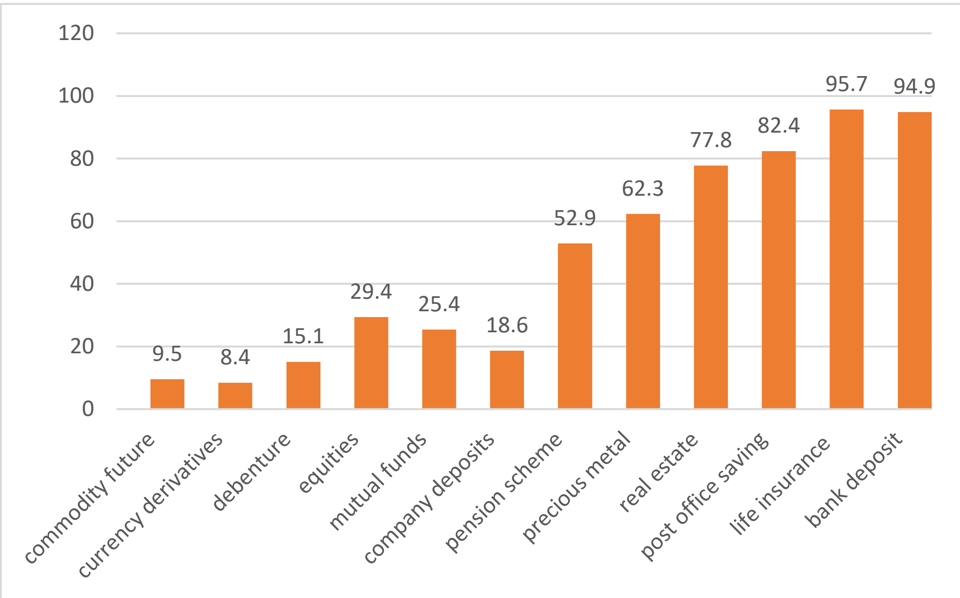
Individuals are shown to be more willing to sell when the price hits the breakeven threshold, which factors in not just the cost of the object being sold but also the cost of the transaction itself. Where Do Overreaction and the Deposition Effect Come Into Play When Trying to Understand Market Propulsion in Latin American Developing Markets? Overreaction or disposition effect? That is the question Abinzano, Muga, and Santamaria (2010) set out to answer. When talking about stock returns, the term "momentum effect" describes a trend that persists over the course of a few years. Disposition effect, prejudice, and overreaction are to fault. There are variations in the market, which are uncovered by the research. The data shows that the momentum effect requires both investor overreaction and the impact of a sale or other disposal to occur at the same time. Findings from a study on consumers' price expectations and the influence of familiarity, written by Michael J. Seiler, Vicky Z. Seiler, Harrison, and Mark lane (2012), corroborated the SQDA hypothesis. The majority of homeowners believe their property worth will rise faster than that of their neighbours.

Indian Investors

A thorough comprehension of Indian investor biases necessitates an initial familiarity with the demographics, investing tastes, and behaviour of Indian investors.

Urban investors

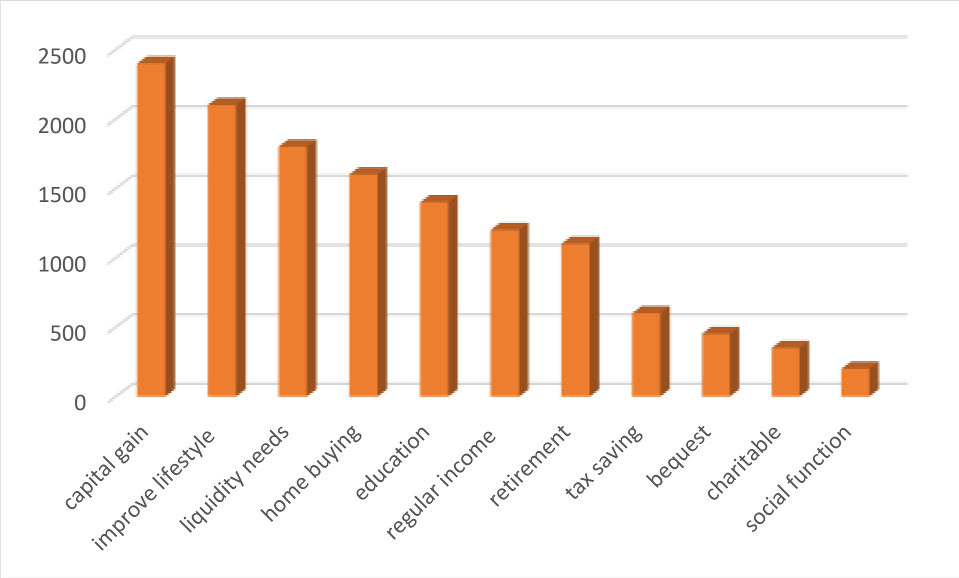
According to SEBI's research, city dwellers are more likely to be familiar with various savings plans than those in rural areas. It's the middle class that puts away more money each year than the rich do. The investigation concluded that financial gain was the key motivation. Lifestyle enhancement was a close second. Mutual funds accounted for 66%, while equities accounted for 55% of all investments. Investment portfolio diversity was found to be positively correlated with levels of educational attainment. Compared to age, marital status, household size, etc., education and occupation were found to have a greater influence on investing behaviour.



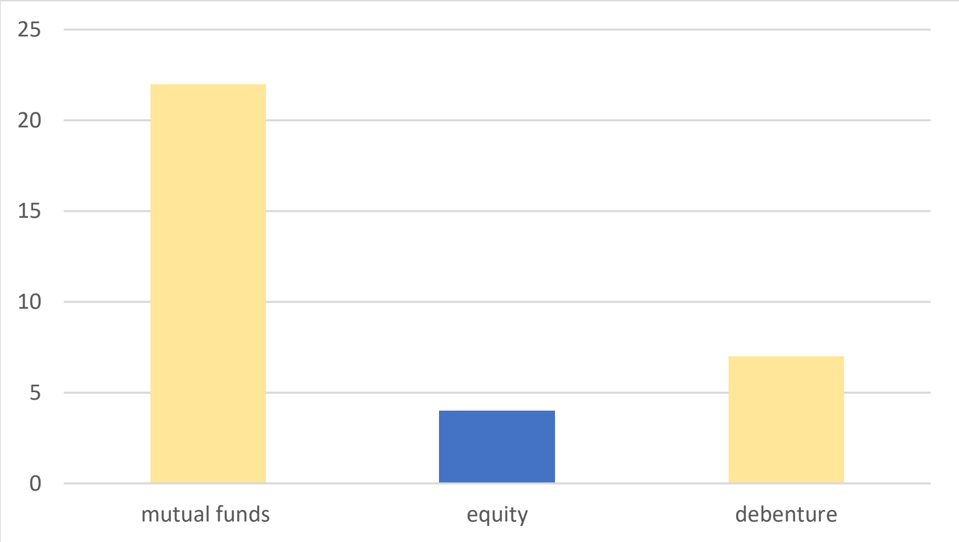
Insurance policies, post office funds, and bank deposits accurate perception. Estate precious metals and pension schemes with increased equity were known to 26.3% of respondents, but just 9.5% knew about commodities futures.

Rural Investors

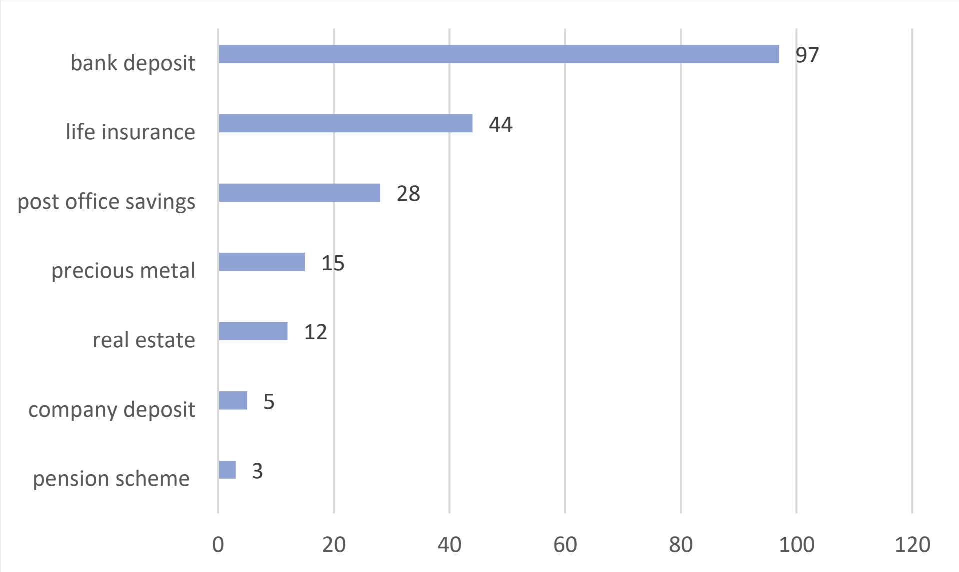
According to the 2015 Investor Confidence Survey, nearly all rural residents (95%) now have checking or savings accounts. While there was a 1.4% knowledge of mutual funds and a 0.5% awareness of equities, these statistics were not surprising. There was no conclusive link between demographic parameters such education, income, occupation, and investment that could be drawn from the data. Mutual funds were discovered to be the most popular form of investing, with stock and debentures accounting for less than 10% of all investments.



Gaining wealth, enhancing one's standard of living, meeting financial obligations, and purchasing a property are all among the top four reasons, while avoiding taxes, leaving a legacy, giving to charity, and serving a social purpose are among the bottom four.



Bank deposits, life insurance, and post office savings were the most common types of investments in the year indicated, whereas understanding of commodities futures accounted for only 0.3% of investors' total portfolios.

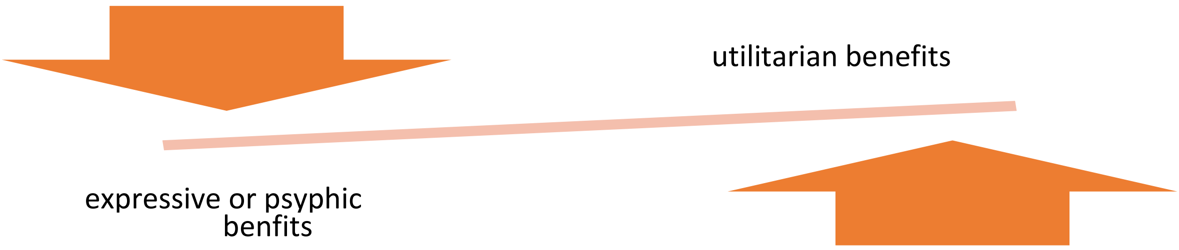


Behavioural Prejudices of The Indian Investor

In the eyes of the behavioural finance theory, an investor seeks both monetary and symbolic returns. So, he or she seeks not only financial but also psychological rewards. Each Indian investor is the same as any other investor. His own mental processes have an effect on him as well.

Investment choices are affected by both behavioural and economic gains

Asian investors have been demonstrated to be more risk-tolerant than their Western counterparts in previous research. The author found that as compared to Americans, Indians are more collective in the sense that they rely on one another while forming decisions. By Dr. Deepak Sahni, an analysis of the applicability of behavioural finance among Indian investors. As the results show, Indian investors are fearful of taking a loss and the anchoring hypothesis holds true for their circumstance because they feel that the direction of the market is affected by the stock market's performance over the preceding three days. Investors' reluctance to sell stock that is losing value was also demonstrated. Awan M. Hayat, Khuram Shahzad Bukhari, and Bushra Ghufran (2010) found that overconfidence has a significant role in dictating behaviour generally.



According to E.Vijaya's study, "An Empirical Study on Behavioural Pattern of Indian Retail Stock Investors," three investor traits—Overconfidence, Loss Aversion, and Herding—have a positive correlation with investing success, whereas the market factor has a negative correlation. A method known as confirmatory factor analysis was employed in this study (CFA). The purpose of the study conducted by shoumita yada titled "The Biases Affecting an Investor's Behaviour in India" was to examine the influence of behavioural biases on the investor's financial decision making, specifically the effects of confirmation bias, loss aversion, and endowment bias. The results of the study demonstrate the consequential effect these biases have on investors' choices. Nevertheless, Jaya Mamta Prashod found no evidence of herd behaviour outside of the bull phase in his own research. The Indian stock market showed signs of both overconfidence and the "deposit effect." The Delhi, National Capital Region is the focus of this investigation. The majority of investors have come to rely on the efficient market hypothesis and the theory of rational investor behaviour when making financial commitments. But, since since markets began, investors' illogical behaviour has been on display via a variety of behavioural biases. Investors are vulnerable to behavioural biases, as discovered by Antti Seppala (2009), but the extent to which they are impacted depends on a number of factors. Financial advisors are less vulnerable to the effects of hindsight bias. Professionals, who tend to have higher levels of self-confidence and be more vulnerable to the effects of self-attribution bias, were shown to outperform their less assured counterparts. It was also found that investors who rely on their gut feel are more vulnerable to the effects of behavioural biases. Frame Dependence: Self Control and Heuristics: Representativeness were found to have cumulative means of 4.25 and 3.97, respectively, in a study on the behavioural biases of individual investors conducted by Imthiyas, Sudha ramar, and Shyama sunder. Participants in the research varied in age from 23 to 57; all of them were employed by a software/IT/ITES company in the greater Chennai region. The Problem with Inefficient Markets Context-Dependent and Heuristic Reasoning: A small sample of investors in IT/ITES/Software firms showed aversion to ambiguity, with a total mean score of 2.28. Dr.Factor S.Jayaraj's Model for Identifying Individual Investment Behavior in India employs principal component analysis, a type of multivariate analysis. Using principal component analysis, we were able to better understand the mental mechanisms at play that influence the actions of investors. There is a lack of overconfidence and a propensity towards conservatism among these traits, as is a preference for diligence and prudence, an aversion to guilt, knowledge, and a healthy regard for caution and restraint. This study's results backed up those of another that found conservatives to be more likely to value responsibility and secrecy while simultaneously hating and rejecting guilt. Nonetheless, it seemed that scepticism and distrust impacted the trading behaviour of individual investors on the Indian Stock Exchange.

Conclusion

In India, investors use factors like "word of mouth," "pass returns," and "perception" when making decisions, rather than doing thorough research. As a result, investments in the country are often made hastily with little thought given to their long-term viability. Hence, this research highlights the behaviour of various investors and how this affected investment decisions in India, providing a solution to the aforementioned issue. In India's capital market, behavioural finance is seen as a crucial part of every investment decision. A total of 358 investors' perspectives on their savings and investing decisions in India's capital market are analysed in this research. Indicators of investor behaviour in India's capital market. More than half of investors are between the ages of 31 and 40; 75.13% of respondents are married; investment decisions are not made hastily; investors typically have a monthly income of Rs. 30,000 or more; 44.01% of the population has a doctorate degree or higher; and the vast majority of investors have a high level of education and financial literacy. Our study's findings suggest that an investor's disposition, thought process, natural habits, study of one's financials, risk tolerance, and liquidity all play a role in the selection of an appropriate investment option. If you want to be a successful investor, you need to follow your mental processes for evaluating the many investment opportunities available on the Indian capital market and settling on the best one. Investing in the capital market requires a unique set of behaviours, but there are some commonalities with other types of human behaviour that can be used as yardsticks. These include things like having a clear idea of what you want to accomplish, doing some research to make sure the product is right for you, weighing the risks and benefits of different investments, and setting a reasonable time frame for your investment.

References

1. J. Bogle (1999) Equity Mutual Fund Selection, *The Journal of Portfolio Management,*18(12), 84-100.
2. K. Baker, & J. A. Haslam (1994) Risk and return preferences as affected by investors' socioeconomic backgrounds, *Journal of Business Research,* 2, 479-486.
3. R. A. Ippolito (1992) Evidence from the mutual fund business about consumers' reactions to low-quality measurement, *Journal of Law and Economics,* 35, 55-70.
4. Kadariya, & Sudarshan (2012) The Role of Institutional Investors in the Development of the Nepalese Capital Market, *Journal of Research in Economics and International Finance (JREIF),* 11(1), 16-30.
5. Kahneman, Daniel, & Tversky (2009) Econometrica: An Study of Choice under Risk, 47(12), 250-263.
6. Bajtelsmit, & A. Bernasek (2006) As compared to males, why do women invest differently, *Financial Counseling and Planning,* 7(1), 1-21.
7. Lewellen, C. Ronald, & Schlarbaum, G. Gary (2007) Strategies and Investing Habits of Private Investors, *The Journal of Business, University of Chicago Press,* 50(13), 286-323.
8. Madhusudan, & V. Jambodekar (1996) Marketing Strategies of Mutual Funds – Current Practices and Future Directions, Working Paper, *UTI – IIMB Centre for Capital Markets Education and Research,* Bangalore.
9. Phillips, & M. Gordon (1995) An empirical investigation of rising levels of debt and product marketplaces in key industries, *Journal of Financial Economics,* 37, 189-238.
10. R. A. Cohn, W. G. Lewellen, R. C. Lease, & G. G. Schlarbaum, (1975) Individual financial risk aversion and investment portfolio composition, *Journal of Finance,* 30, 615-630.
11. R. J. Daitzman, M. Zuckerman, P. H. Sammelwitz, & V. Ganjam (1978) Sensation seeking and gonadal hormones, *Journal of Biosocial Science,* 10, 401–408.
12. M. Sewell (2005) Behavioural Finance, *The Journal of Finance,* 60 (4), 14-34.
13. H. Shefrin, & M. Statman (1994) Behavioural Capital Asset Pricing Theory. *Journal of Financial and Quantitative Analysis,* 29(3), 323-349.
14. Shefrin, & Hersh (2001) Organizational Behaviour and Financial Markets, *Journal of Applied Corporate Finance,* 14(3), 113-126.
15. H. Batman, S. Stevens, & K. Lai (2015) Incorrect use of risk data and poor retirement savings decision making in light of prospect theory, *Journal of Behavioural Finance*, 17(4), 273–296.
16. A. Camar (2019) Journal of behavioural finance in retrospect: A review of its publications as a case in behavioural finance. *Review of Behavioural Finance*, 17(3), 478–486.