

Individual Investors and Behavioural Finance

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Behavioral Finance and the Indian Investor: Psychology Behind Market Decisions

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Money is as essential to existence as blood is to the human body. Everywhere, whether for private, public, or professional purposes, it is necessary. Any country's financial markets and services are necessary for its economy to grow. It measures the risk versus profits and produces the results whether the investment is correct or not. We introduce behavioral finance in Section 1.1. Who is an investor is described in Section 1.2. The investment information are displayed in Section 1.3. The investing choices are displayed in Section 1.4. The many investing options available in the market are displayed in Section 1.5. The specifics of personality traits are provided in Section 1.6. Emotional intelligence is explained in Section 1.7. Tolerance for risk is detailed in Section 1.8. Details regarding the Demographic Attributes 1.9 stock market are provided in Section 1.10

1.1 Behavioral Finance

In conventional finance, everyone aims to maximize their money rationally, but several times Emotions and illogical choices have an impact on reason. The focus of behavioral finance research is on the creation and management of financial assets by people. Financial decisions made by people, communities, and organisations are influenced by psychological and social variables known as behavioral finance. A rapidly expanding field called behavioral finance examines how psychology affects how financial professionals behave. The study of investors' illogical conduct is known as behavioral finance. The two sections of behavioral

finance are limitations to arbitrage and cognitive psychology. What does cognitive psychology entail in terms of how people perceive a situation and defining the boundaries of arbitrage is determining which circumstances make sense for arbitrage forces to be in and which do not. Different biases have an impact on the judgments made by individual investors. The term "behavioral bias" refers to a difference in judgement that happens under certain circumstances and can occasionally result in incorrect judgement, illogical interpretation, or irrationality (Imthiyas et al., 2015). The financial literature demonstrates that behavioral biases must be eliminated since they lead to less than ideal choices. However, prejudices are essentially a mapping of the two human minds that helps individuals understand their situation and gives them a sense of wealth. The first person to identify psychological biases in financial decision-making under risk was Tversky and Kahneman in 1974. Some examples of behavioral biases are overconfidence, illusion of control, regret aversion, overconfidence, self-control bias, framing, representativeness, anchoring bias, hindsight bias, loss aversion, status quo bias, ambiguity aversion, cognitive dissonance, and many more. Thurer (1999); Hilton (2001); Shefrin and Statman (2000); Barberis and Thaler (2003); Szyszka (2013); Kahneman and Tversky (1979).

1.1.1 Behavioral Biases

Here are some examples of the various behavioral patterns that fall under cognitive psychology:

- **Heuristics**
- Heuristics refer to mental shortcuts or rules of thumb that people use to make judgments and decisions more quickly and efficiently. These shortcuts are often based on past experiences and are used to solve problems or make judgments without necessarily going through a detailed analytical process. Heuristics can be helpful in simplifying complex situations, but they can also lead to biases and errors in judgment. Examples of

heuristics include the availability heuristic (making judgments based on readily available information), the representativeness heuristic (making judgments based on how closely something resembles a typical example), and the anchoring heuristic (relying too heavily on the first piece of information encountered when making decisions). “Heuristics are simple efficient rules of the thumb which have been proposed to explain how people make decisions, come to judgments and solve problems, typically when facing complex problems or incomplete information. These rules work well under most circumstances, but in certain cases lead to systematic cognitive biases” – Daniel Kahneman (Parikh, 2011).

- **Overconfidence**

Some investors have an excessive amount of faith in their ability to predict the future. Because of their excessive confidence, individuals take greater risks without taking into account the potential rewards. Both self-attribution bias and hindsight bias might be at play. After experiencing success in prior years, individuals develop an excessive belief that they can accurately forecast the future. Compared to women, men are more overconfident. These three errors of measurement include excessive optimism, a better than average impact, and an illusion of control. Overconfidence in behavioral finance refers to the tendency of individuals to overestimate their own abilities, knowledge, or the accuracy of their judgments and decisions. This phenomenon has been extensively studied in psychology and economics, particularly in the context of investment decisions and financial markets. (Yates, 1990). People often believe they have a better understanding of financial markets and investment strategies than they actually do. This can lead them to trade more frequently, make riskier investment choices, and overestimate their ability to beat the market. Overconfident individuals may believe they have more control over outcomes than they actually do. For example, they might attribute their investment successes to skill rather than luck,

leading them to take on excessive risk. Overconfident investors may seek out information that confirms their existing beliefs while disregarding contradictory evidence. This can reinforce

their overconfidence and lead to poor decision-making. They tend to rely on their prior track record of profitable investing while attempting to disregard others. Unjustified faith in one's perception, judgement, and cognitive ability is known as overconfidence.

- **Mental accounting**

Mental accounting is a concept in behavioral economics and finance that refers to the tendency of individuals to categorize and treat money differently based on factors such as its source, intended use, or emotional significance, rather than viewing it in a purely objective manner. This concept was first introduced by the economist Richard H. Thaler. According to Richard Thaler, “mental accounting is the set of cognitive operations used by individuals and households to organize evaluate and keep track of financial activities.” Account closure, account assignment, and account evaluation make up mental accounting. Individuals may mentally separate their money into different categories, such as savings, investments, or discretionary spending. Each category may be assigned different rules or priorities for spending or saving. People often attach emotional significance to certain funds, such as money received as a gift or inheritance, windfall gains, or funds designated for specific purposes like vacations or emergencies. This emotional attachment can influence how they perceive and use the money. Mental accounting can impact financial decision-making by influencing how individuals allocate their resources. For example, someone may be more willing to spend money from a discretionary fund than from their savings, even if the total amount of money available is the same.

- **Framing**

It indicates that individuals will act in a certain way according on the decisions they make. Saying this another way, framing refers to the decision-maker's perspective on the issue and its results. Personal qualities, a person's attitude toward the issue, and the presenting style are some of the different variables that influence framing.

- **Representativeness**

Amos Tversky and Daniel Kahneman suggested a series of heuristics, or easy principles guiding judgement or decision-making. According to their definition, it refers to how closely an event resembles the fundamental traits of its parent population and how much it reflects the key qualities of the process that led to its generation. This heuristics is an easy computation but judgments made by relying on representativeness often leads to wrong decisions. People exaggerate their capacity for precise forecasting and tend to concentrate on recent experiences. It speaks about people's propensity to make assumptions based on stereotypes.

- **Conservatism**

When anything changes, the person takes extra time to implement the adjustment in their life. People may over-react or under react to the issue depending on how the adjustments are implemented. The tendency to be cautious or riskaverse, hold to long held beliefs, and perceive fresh possibilities as expensive is known as this attitude. Their choices are based on statistics and meaningless data. For instance, if some investors acquire shares of firms whose stock prices have dropped significantly recently, it means they are clinging to the stock's most recent "high" and taking advantage of the drop in price to buy the shares at a lower price.

- **Disposition effect**

The disposition effect occurs when a person primarily avoids losses and acknowledges benefits. The individuals dispose of assets with rising prices and keep those with falling prices.

- **Herding**

According to this idea, which was put out by W. D. Hamilton, people try to lower their danger of being eaten by putting other members of their own species between themselves and potential predators, yet this behaviour invariably leads to aggregations. Herding occurs when a person is unable to make their own judgments, which forces them to behave in a manner consistent with that of the majority of others around them. Herd behavior refers to the tendency of individuals within a group to act or make decisions based on the actions or decisions of others, rather than on their own individual judgment or analysis of the situation. This behavior often arises in situations where individuals seek to conform to social norms, follow the crowd, or avoid standing out from the group. Herd behavior can occur in various contexts, including financial markets, consumer behavior, social movements, and even in everyday social interactions. While it can sometimes lead to efficient decision-making and coordination within groups, it can also result in irrational or harmful outcomes when individuals blindly follow the actions of others without critically evaluating the situation. An individual's propensity to mimic the acts of a larger group, regardless of whether they are sensible or irrational, is known as herd behaviour. Individually, the majority of people wouldn't necessarily make the same decision. Two key factors influence herd behaviour. The first reason is the social pressure to fit in, since most individuals are outgoing and have a strong desire to belong to a group. As a result, adhering to the group is the best approach to join. The second justification is the widely held belief that such a sizable group could not possibly be in error.

- **Regret**

According to the notion of regret, people regret making poor judgments and take them into account when making new ones. According to the regret hypothesis, a person assesses the predicted responses to a future event or circumstance. It may also be characterised as feelings brought on by contrasting a certain result or condition of affairs with the situation of a predetermined option. Robert Sugden and Graham Loomes created the regret hypothesis. It generalises the minimax regret method, which aims to minimise the worst case regret, and is a model of decision under uncertainty. This idea may also be applied to the psychology of investors and stock market investments. Whether or not a stock or mutual fund has decreased, investing in it will still result in an emotional response from the investor. In order to prevent the disappointment of making a poor investment decision, an investor could refrain from selling equities that have seen their value fall.

Behavioral finance models explain the behavior of investor when the rational models give no adequate explanation. The individuals make reasonable decisions while choosing between the many options, and they are aware of the probability distribution of potential outcomes (Arrow and DeBreu, 1954). The theory of contemporary finance maintains that markets are extremely effective and that agents can predict the probability distribution of market risk in the future (Merton, 1969). Although behavioral finance is still in its infancy, it continues to draw methods and concepts from a variety of academic fields.

1.2 Investor

An investor is an individual or entity that commits capital with the expectation of receiving

financial returns. Investors typically allocate their funds into various assets such as stocks, bonds real estate, commodities, or mutual funds, aiming to generate income or profit over time. Types of investors in behavioral finance may include:

Retail Investor: These are individual investors who trade securities for their personal accounts, rather than on behalf of an organization.

Speculator: Speculators aim to profit from short-term price movements in financial instruments rather than from the underlying asset's fundamental value.

Contrarian Investor: These investors deliberately take positions that are contrary to prevailing market sentiment, believing that markets often overreact to news and events.

Institutional Investors: These are organizations that invest large sums of money on behalf of others, such as pension funds, insurance companies, mutual funds, or hedge funds.

1.3 Investment

Investment refers to the allocation of resources, typically money, with the expectation of generating a return or profit in the future. In simple terms, it involves purchasing an asset or committing funds to a project, business, or financial instrument with the hope that it will increase in value over time or generate income.

Stocks: Purchasing shares of ownership in a company, with the expectation that the value of the stock will increase over time, and/or dividends will be paid out.

Bonds: Investing in debt securities issued by governments or corporations, where the investor lends money in exchange for periodic interest payments and the return of the principal amount at maturity.

Real Estate: Buying property or land with the expectation of appreciation in value over time, as well as potential rental income.

Cryptocurrency: Investing in digital currencies such as Bitcoin or Ethereum, with the expectation that their value will appreciate over time.

Investing involves risk, and there's no guarantee that an investment will be profitable. Factors such as market fluctuations, economic

conditions, and unforeseen events can impact the performance of investments. It's important for investors to conduct thorough research, assess their risk tolerance, and diversify their portfolios to manage risk effectively.

1.4 Investment Decisions

Investments can be made in both financial and tangible assets, for example. Investment decisions involve the investor's estimation, forecast, and analysis of the decision-making process, which includes the psychology of investing, information collection, defining and comprehending the process, research, and analysis. The amount of money that people invest from their savings, how frequently they invest, the financial instruments they choose to engage in, and how they perceive risk reveal their investing behaviour. The financial needs of the investors vary depending on the risk and their financial objectives. The investors desire a high rate of return and capital preservation. Investment decisions depend on different variables—personal features, emotions (Chitra and Sreedevi, 2011; Young et al., 2012). Investment decisions are influenced by psychological and behavioral aspects (Chang, 2008; Kourtidis et al., 2011; Weller and Thulin, 2011) For the present study, investment decisions will include the factors which an investor consider while making an investment in securities.

1.4.1 Objectives of Investment in Securities

The following list outlines the goals of investing in securities:

Income: The primary goal is to generate money in the form of dividends or interest. A respectable return on investment should be included in the investment.

Capital growth: Increasing capital is a further goal. Conservative growth, aggressive expansion, and speculation can all be used to achieve it.

Return types: These are broken down into two categories: cash receipts and capital gains. **Security of funds:** Another goal is to ensure that the money is invested in a safe and secure way.

Risk: The risk is another goal. Investors that want higher returns are willing to take on greater risk.

Liquidity: This is another goal. Investors should favour investments with a high level of liquidity. These are readily marketable.

Tax considerations: Another goal is to reduce provisions for capital gain tax, income tax, gift tax, and other taxes.

1.4.2 Classification of Investments

The following are the different categories of investments:

Physical investments: These are stakes in real estate, gold, machinery, buildings, and other movable property.

Financial investments: These investments are those that are made in order to create assets or produce things.

Marketable and non-marketable Investments: Investments that can be easily turned into cash are referred to as "marketable investments" as opposed to "non-marketable investments." Investments that are not easily convertible into cash are referred to as non- marketable.

Investments: Investments that can be transferred and those that cannot transferable investments are those that can be transferred to others. Non-transferable investments are those avenues that cannot be used with other investments.

1.4.3 Features of an Ideal Investment Programme

An ideal investment program encompasses several key features to ensure its effectiveness in achieving financial goals while managing risks appropriately. Here are some essential features of an ideal investment program:

Clear Goals and Objectives: The investment program should have well-defined and achievable goals aligned with the investor's financial objectives, such as wealth accumulation, retirement planning, or funding education.

Risk Management Strategy: It should incorporate a comprehensive risk management strategy that considers the investor's risk tolerance, time horizon, and diversification principles to mitigate potential losses.

Diversification: An ideal investment program diversifies across different asset classes (e.g., stocks, bonds, real estate, commodities) and within each asset class to spread risk and optimize returns.

Regular Review and Rebalancing: The program should undergo periodic review and rebalancing to ensure it remains aligned with the investor's goals, risk tolerance, and market conditions.

Cost Efficiency: Minimizing investment costs, including management fees, commissions, and taxes, is essential to enhance overall returns over the long term.

Liquidity Management: It should consider liquidity needs, ensuring that investments can be readily converted to cash without significant loss when required.

Tax Efficiency: An ideal investment program takes advantage of tax-efficient investment vehicles and strategies to minimize the impact of taxes on investment returns.

Professional Guidance: Depending on the investor's knowledge and expertise, seeking professional advice from financial advisors, portfolio managers, or investment consultants can help design and manage an optimal investment program.

Adaptability: The program should be adaptable to changes in market conditions, economic factors, and personal circumstances to maintain its relevance and effectiveness over time.

Transparency and Accountability: Investors should have access to clear and transparent reporting on the performance of their investments, along with accountability from investment professionals or firms managing the program.

Education and Communication: Providing education and regular communication to investors about their investments, market trends, and any adjustments made to the investment program fosters informed decision-making and trust.

Ethical and Social Responsibility: Consideration of environmental, social, and governance (ESG) factors in investment decisions aligns with ethical values and may contribute to long-term sustainability and positive societal impact.

By incorporating these features into an investment program, investors can build a robust and tailored approach to wealth accumulation and financial security. However, it's essential to remember that individual circumstances and preferences vary, so customization and ongoing monitoring are crucial for success.

1.4.4 Process of Investment Decisions

Investment decisions involve a systematic process that individuals or organizations undertake to allocate their funds into various financial assets with the aim of generating returns. Here's a general outline of the process: It requires:

Set investment objectives: Determine your financial goals, whether it's wealth accumulation, retirement planning, purchasing a house, etc. Your objectives will influence your investment decisions.

Assess risk tolerance: Evaluate your willingness and ability to tolerate risk. Risk tolerance depends on factors such as your age, financial situation, investment goals, and personal preferences.

Research and analysis: Conduct thorough research and analysis of potential investment opportunities. This may involve studying

financial markets, economic conditions, industry trends, and specific investment options.

Asset Allocation: Allocate your investment capital across different asset classes such as stocks, bonds, real estate, commodities, and cash equivalents. The allocation should be based on your investment objectives, risk tolerance, and time horizon.

Diversification: Diversify your investment portfolio to spread risk. By investing in different assets or asset classes, you can reduce the impact of negative performance in any single investment.

Select investments: Choose specific investments within each asset class based on your research and analysis. Consider factors such as historical performance, future growth potential, management quality, valuation metrics, and economic indicators.

Monitor and rebalance: Regularly monitor the performance of your investments and make adjustments as needed. Rebalance your portfolio periodically to maintain your desired asset allocation and risk level.

Risk management: Implement risk management strategies to protect your investments from potential losses. This may include using stop-loss orders, hedging techniques, or diversifying across different sectors or geographic regions.

Review and adjust: Review your investment strategy periodically and make adjustments in response to changes in your financial situation, market conditions, or investment goals.

Stay informed: Stay informed about developments in financial markets, economic trends, and regulatory changes that may affect your investments. Continuous learning and staying updated are essential for making informed investment decisions.

Seek professional advice: Consider seeking advice from financial advisors or investment professionals, especially for complex investment strategies or if you're unsure about certain decisions.

Tax consideration: Be aware of the tax implications of your investment decisions and explore strategies to minimize tax liabilities, such as tax-deferred accounts or tax-efficient investment vehicles.

1.5 Investment Avenues

Investment avenues refer to various options available to investors to put their money into with the expectation of generating returns. Here are some common investment avenues:. There are different types of avenues which are:

- **Equity shares:** Equity investments represent ownership in a company and offer the potential for capital appreciation and income through dividends. Here are some common avenues for investing in equity:

Stocks: Investing in individual stocks involves purchasing shares of a specific company. Stocks can offer significant growth potential but also carry higher risk due to market volatility and company-specific factors.

Index fund: Index funds aim to replicate the performance of a specific market index, such as the S&P 500. They offer broad market exposure at low cost and are passively managed, making them suitable for long-term, buy-and-hold investors.

Sector fund: Sector funds invest in specific sectors of the economy, such as technology, healthcare, or energy. They allow investors to target particular industries but carry higher risk due to lack of diversification.

Dividend stocks: Some companies distribute a portion of their profits to shareholders in the form of dividends. Dividend stocks can provide a steady stream of income in addition to potential capital appreciation.

Before investing in equities, it's essential to assess your risk tolerance, investment goals, and time horizon. Diversification

across different asset classes can help mitigate risk, and regular monitoring of your investments is crucial for long-term success. Additionally, consider consulting with a financial advisor for personalized advice tailored to your individual financial situation and goals.

- **Debentures:** Debentures are a type of debt instrument used by corporations and governments to raise capital. When you invest in debentures, you essentially lend money to the issuer in exchange for periodic interest payments and the return of the principal amount at maturity. Investors should carefully evaluate their investment goals, risk tolerance, and the financial health of the issuer before investing in debentures. It's also advisable to consult with a financial advisor for personalized investment advice.

- **Precious metals:** Investing in precious metals is a common strategy for diversifying a portfolio and hedging against economic uncertainty. Here are some of the primary avenues for investing in precious metals:

Gold: Gold is perhaps the most well-known precious metal for investment purposes. Investors can buy physical gold in the form of coins or bars, or they can invest in gold exchange-traded funds (ETFs), gold mining stocks, or gold futures contracts.

Silver: Silver is another popular precious metal for investment. Like gold, investors can purchase physical silver or invest in silver ETFs, silver mining stocks, or silver futures contracts.

Platinum: Platinum is rarer and more expensive than gold and silver. Investors can buy physical platinum, invest in platinum ETFs, or invest in platinum mining stocks.

Palladium: Palladium is another rare and valuable precious metal. Investors can buy physical palladium, invest in palladium ETFs, or invest in palladium mining stocks.

Precious metals ETFs: Exchange-traded funds (ETFs) are investment funds that track the price of a particular asset or group

of assets. There are ETFs available for gold, silver, platinum, palladium, and even baskets of multiple precious metals.

Precious metal mutual fund: Mutual funds are managed investment funds that pool money from multiple investors to invest in a diversified portfolio of assets. There are mutual funds that focus specifically on precious metals.

Precious metal future and option: For more advanced investors, futures and options contracts on precious metals are available for trading on commodities exchanges. These financial instruments allow investors to speculate on the future price movements of precious metals.

- **Mutual funds:** Mutual funds pool money from multiple investors to invest in a diversified portfolio of stocks. They are managed by professional fund managers, making them suitable for investors seeking diversification and professional management.

- **Fixed deposits:** Fixed deposits (FDs) are a popular investment avenue offered by banks and financial institutions. They are considered low-risk investments and are often chosen by individuals seeking stability and guaranteed returns. Fixed deposits are financial instruments where you deposit a lump sum amount with a bank or financial institution for a fixed period at a predetermined interest rate. The deposited amount and the interest rate are fixed for the entire duration of the deposit.

- **Life insurance policies:** Life insurance policies are a financial product that provides a payout to beneficiaries upon the death of the insured individual. While primarily serving as a risk management tool to protect loved ones financially in case of the insured's death, life insurance policies can also offer some investment features. Before considering life insurance solely as an investment, it's advisable to consult with a financial advisor who can evaluate your individual financial situation and goals to determine the most suitable approach.

- **Public Provident fund:** The Public Provident Fund (PPF) is a popular long-term investment avenue in India, backed by the Government of India. It is known for its safety, attractive interest rates, and tax benefits. The Public Provident Fund is a secure and tax- efficient investment avenue suitable for long-term wealth creation and retirement planning. However, investors should carefully consider their financial goals, risk appetite, and liquidity needs before investing in PPF.
- **Post office saving schemes:** Post office saving schemes are a traditional and popular investment avenue, particularly in countries like India. These schemes are backed by the government and offer relatively safe investment options for individuals looking to save money and earn a modest return. Post office saving schemes is known for their security and reliability, making them suitable for conservative investors seeking stable returns with minimal risk. However, investors should consider factors such as liquidity requirements, investment goals, and tax implications before choosing a specific scheme.
- **Stock market:** Investors can buy shares of individual companies that they believe will grow in value over time. This involves researching companies, analyzing their financial health, evaluating their growth potential, and considering factors such as industry trends and competition. Investing in the stock market involves inherent risks, and there are no guarantees of returns. It's essential to conduct thorough research, diversify your portfolio, and stay disciplined in your investment approach.

1.6 Personality Traits

The term "persona," which means "to speak through," is where personality comes from. Personality is a psychological element that affects how people behave. Generally speaking, personality refers to the collection of qualities and actions that define a person. Gordon Allport and H. S. Odbert, the psychologists of America in 1936, defined: "Those individual differences that are most salient

and socially relevant in people's lives will eventually become encoded into their language; the more important such a difference, the more likely is it to become expressed as a single word." Simply said, personality refers to how a person responds to and engages with others. Parents and environment both contribute to the development of a person's unique personality. On the other hand, life events may also change a person's personality traits. The Big Five, or Five Factor Model, is a well-organized method for determining the specifics of personality. Agreeability, extroversion, conscientiousness, openness, and neuroticism are among the Big Five personality traits.

- **Agreeableness**

In behavioral finance, "agreeableness" refers to one of the personality traits identified in psychological research. It is part of the Big Five personality traits model, which is a widely accepted framework for understanding human personality. The Big Five model includes five broad dimensions of personality: openness to experience, conscientiousness, extraversion, agreeableness, and neuroticism (often referred to as emotional stability). In the context of behavioral finance, agreeableness relates to how individuals tend to interact with others and handle social situations. Specifically, agreeableness reflects traits such as kindness, cooperativeness, empathy, and trustworthiness. Individuals who score high in agreeableness are generally more considerate of others' feelings, cooperative in group settings, and inclined towards altruistic behavior. (Chitra and Sreedevi, 2011).

- **Extroversion**

People that exhibit extroversion are talkative, gregarious, energetic, and self-assured. It reveals how at ease people are among other people. Extroverts are individuals that constantly like being with other people, are energised, and are always feeling happy. They are those people who often respond to any circumstance with "Yes!" or "Let's go!" and have a tendency to be enthusiastic. They like

engaging in conversation, making statements, and drawing attention to themselves in groups. Extroversion is the capacity to interact with people and to openly express oneself in the presence of strangers. When they trade on the stock market, they readily believe the information and make poor judgments. They take more risks than the introverts (Sadi et al., 2011).

- **Conscientiousness**

People that exhibit conscientiousness are trustworthy, accountable, structured, and methodical. They always work to attain their objectives and have high standards. People that are conscientious make an effort to stay out of problems and complete all tasks with careful forethought. They are capable and trustworthy. Conscientiousness is therefore linked to qualities like caution, responsibility, and organisation. Conscious individuals like systems that offer tactics for completing work accurately and on schedule.

- **Openness to Experience**

The term "openness" relates to a person's inventiveness and interests. They have great imaginations and are interested. Openness to Experience is a cognitive style characteristic that sets imaginative, creative people apart from practical, traditional ones. Intellectually interested, art-loving, and sensitive to aesthetics, open individuals are. They frequently have more emotional awareness. They frequently think and behave independently. People who score poorly on the openness to experience scale tend to have certain interests. They favour simplicity, clarity, and blatantness above complexity, ambiguity, and nuance. In other words, the characteristic of intelligence, creativity, imaginativeness, curiosity, and sensitivity are connected to the trait of openness to experience, often known as intellect. People with a high degree of openness to experience tend to be intelligent. These investors typically react to information and trade according to their own custom-made guidelines when they make stock market investments.

- **Neuroticism**

The capacity to handle stress is referred to as neuroticism. Understanding unpleasant sentiments is referred to as neuroticism (Emotional Instability). People with high neuroticism levels experience unpleasant emotions like anxiety or depression. High neurotic individuals lack emotionality. Their responses are more forceful than usual. They perceive everyday events as terrifying and tiny disruptions as more challenging. Their prolonged negative response demonstrates that they are typically in a foul mood. These issues make it harder for the individual to make clear judgments, think clearly, and handle stress in a healthy way.

1.7 Emotional Intelligence

In behavioral finance, "emotional intelligence" refers to the ability to recognize, understand, and manage emotions in oneself and others, particularly in the context of financial decision-making. "Emotional intelligence is a cluster of traits relating to the emotional side of life abilities such as recognizing and managing one's own emotions, being able to motivate one self and restrain one's impulses, recognizing and managing other's emotions and handling an interpersonal relationship in an effective manner."

Daniel Goleman claims that emotional intelligence is:

"The capacity for recognizing our own feelings and those of others, for motivating ourselves, for managing emotions well in ourselves and in our relationships." In other words, Emotional intelligence plays a significant role in shaping financial behavior and outcomes. Research in behavioral finance has shown that individuals with higher emotional intelligence tend to make more rational and adaptive financial decisions, while those with lower emotional intelligence may be more susceptible to biases and emotional influences that lead to suboptimal outcomes.

- **Self-awareness:** It is the sensation you get when you are aware of your own style of thinking, as well as your own enthusiastic

characteristics and weaknesses, emotional symbols, and your available options for activities. It comprises awareness of oneself or knowledge of current, real feelings.

- **Handling emotions:** Understand how to handle feelings of miraculous, how to calm down, how to regulate driving forces, how to be optimistic while carrying a lot, and how to modify things.
- **Motivation:** able to set your own goals and work hard to achieve those goals, able to make small but significant progress, Work diligently no matter how unsatisfied you are and be able to finish projects. It entails carrying out efforts to achieve desired goals or overcoming bad emotions.
- **Empathy:** Prepared to comprehend the feelings of others, able to assess nonverbal cues, able to consider another's perspective, and constantly prepared to aid those who have been injured. It is the capacity to comprehend and be sensitive to the feelings and needs of others, or to be aware of what they are thinking and feeling.
- **Social skills:** Prepared to coexist with others, able to perform brilliantly in groups and gatherings, able to form and maintain friendships, able to resolve conflicts and disagreements with others, and able to effectively communicate with a variety of people in a variety of situations. They include having the ability to assess social situations and being able to work well with people.

Emotional intelligence is a crucial skill that shows a person's bargaining process, and if an investor is skilled at recognising the emotions of others in the environment, it may also help people make wise decisions (Debusk and Austin, 2011). When people make decisions for themselves, emotional intelligence is always there (Webb et al., 2014). Investor decisions are frequently influenced by their memories of prior experiences they had in comparable circumstances.

1.8 Risk Tolerance

Risks include unpredictable returns and potential financial loss. Financial risk tolerance is the complete antithesis of risk aversion, according to the expected utility theory (Barsky et al., 1997). Among the factors influencing risk tolerance behaviour are age, marital status, experience, income, and gender. Investors will pick the investing strategy with the potential for both risk and reward. When making an investment in a certain investment avenue, the investor takes several factors into account, including guidance from experts, prior investment experience, and more. The way a person views risk is referred to as their risk tolerance. You are willing to take on greater danger when your risk tolerance is high. With more investment expertise, risk tolerance also rises. Socioeconomic characteristics and risk tolerance have an impact on the way people invest and the sorts of investments they make. The results of earlier research indicate that risk tolerance is influenced by personality and prior experiences (Corter and Chen, 2005; Young et al., 2012). Risk tolerance scale was employed in the current study to gauge the level of risk that investors were willing to accept.

1.9 Demographic Attributes

Age, gender, income, education, employment, and a host of other factors make up demographic characteristics. People's individual traits make up a demographic profile. These variables aid in assessing a person's personal profile and investigating their impact on others. Most of the time, these elements aid in the discovery or interpretation of outcomes. Or, to put it another way, we might say that the demographic variables are the data that describe the human population in various ways. The characteristics of a certain group of individuals are determined by these demographic parameters, which also affect how the country is doing. Additionally, the investors' behaviour varies based on their various demographic profiles. Age, gender, income, educational background, and marital status were

used in this study as indicators of the investors' demographic characteristics.

1.10 Stock Market

The stock market, also known as the equity market or share market, is a centralized platform where buying, selling, and trading of stocks (shares of ownership in publicly traded companies) occur. The stock market plays a crucial role in the allocation of capital, investment decision-making, and the functioning of the global economy. It provides opportunities for companies to raise funds for growth and for investors to participate in the wealth creation potential of publicly traded companies. The stock market serves several important functions within the economy and financial system. These functions are crucial for efficient capital allocation, investment, and economic growth. Here are the key functions of the stock market:

1.10.1 Functions of Stock Market

Capital formation: One of the primary functions of the stock market is to facilitate capital formation. Companies can raise capital by issuing stocks to investors through initial public offerings (IPOs) and subsequent secondary offerings. The funds raised from these offerings are used by companies to finance business operations, invest in growth opportunities, expand operations, or pay off debt.

Facilitating investment: The stock market provides a platform for investors to invest their savings in stocks and other securities. Individual investors, institutional investors (such as mutual funds, pension funds, and insurance companies), and other market participants can buy and sell stocks to build wealth, achieve financial goals, and participate in the growth of publicly traded companies.

Price discovery: Stock markets play a crucial role in determining the prices of stocks through the forces of supply and demand. The continuous buying and selling of stocks by investors reflect their

expectations, perceptions, and assessments of companies' performance, future prospects, industry trends, and economic conditions. This process of price discovery

helps establish fair market prices for stocks, reflecting the collective wisdom and sentiment of investors.

Liquidity provision: The stock market provides liquidity, allowing investors to buy and sell stocks easily and efficiently. Liquidity refers to the ability to convert an asset into cash quickly without significantly affecting its price. Stock exchanges, such as the New York Stock Exchange (NYSE) and NASDAQ, offer a centralized marketplace where investors can execute trades with relative ease, facilitating liquidity and price stability.

Corporate governance: Stock markets promote corporate governance by providing a mechanism for shareholders to exercise their ownership rights and influence company decisions. Shareholders elect company directors, vote on corporate policies and resolutions, and hold management accountable for performance and corporate governance practices. Transparent disclosure requirements and regulatory oversight enhance corporate transparency and accountability to shareholders.

Risk management: Investors use the stock market as a tool for managing investment risk and diversifying their portfolios. By investing in a diversified portfolio of stocks across different industries, sectors, and geographic regions, investors can spread risk and reduce the impact of adverse events or poor performance from any single investment.

Economic indicators: Stock market indices, such as the S&P 500, Dow Jones Industrial Average (DJIA), and FTSE 100, serve as indicators of overall market performance and economic health. Movements in stock prices and indices reflect investors' confidence in the economy, corporate earnings prospects, inflation expectations, and other macroeconomic factors. Policymakers,

economists, and analysts monitor stock market trends to assess economic conditions and make informed decisions.

1.11 Significance of the study

- Behavior finance tries to analyze the more complex element of the puzzle by identifying structure biases in investor behavior and observed some anomalies such as market crashes.
- The discipline of finance known as "behavioral finance" proposes hypotheses based on behavioral economics or human psychology.
- According to behaviour finance, investors' decisions often depend heavily on the characteristics of market participants.
- In behaviour finance, which holds that markets are rational and that they fluctuate between fear and greed, two extremes of loss prevention and reward seeking.

Objectives of the Study

The present study was a focus on the objectives as follows:

1. To study the investment strategies used by Individual Investor in Indian Stock Market.
2. To study the relation of Herding, Representative bias, Regret Aversion, Anchoring Behavior with the Investment Decisions.
3. To study the relation of Herding, Representative bias, Regret Aversion, Anchoring Behavior with Risk Tolerance of Investors.
4. To study the relationship between Herd behavioral and other behavioral biases.

2.0 Introduction

Since behavioral finance is a relatively young field of study, there isn't much available literature. The current study looks at the investor's investing choices. As a result, the relevant literature has been reviewed and divided into four areas. The stock market and investing choices are represented in Section 2.1. The behavioral biases and personality traits are shown in Section 2.2. Section 2.3 addresses tolerance for risk. Emotional intelligence is covered in Section 2.4. Behavioral finance is a field of study that combines insights from psychology, economics, and finance to understand how psychological factors influence financial decision-making and market outcomes. Traditional finance theory assumes that investors are rational and make decisions based on all available information, aiming to maximize their utility or wealth. However, behavioral finance recognizes that investors are subject to cognitive biases, emotions, and irrational behavior, which can lead to deviations from rational decision-making. The field of behavioral finance emerged in the late 20th century as researchers began to explore the psychological underpinnings of financial decisions and market phenomena. Rather than viewing investors as purely rational actors, behavioral finance seeks to understand how cognitive biases, heuristics (mental shortcuts), emotions, social influences, and other psychological factors shape investor behavior and market outcomes. Investors have limited cognitive abilities and processing capacity, leading them to rely on simplified decision-making strategies or heuristics rather than analyzing all available information. Behavioral finance identifies numerous cognitive biases and emotional biases that influence investor behavior, such as availability bias, representativeness bias, framing effect, and regret aversion, among others. The psychological factors and biases are essential for investors, financial professionals, and policymakers. By recognizing and mitigating behavioral biases, investors can make more informed decisions, manage risk effectively, and achieve better financial outcomes. Financial professionals can

incorporate behavioral insights into their advisory practices to better serve clients and help them overcome common behavioral pitfalls. Policymakers can design regulations and interventions to promote market efficiency, investor protection, and financial stability in light of behavioral insights. Overall, behavioral finance provides a valuable framework for understanding the complexities of financial decision-making and market behavior, bridging the gap between psychology and economics in the study of finance. like Daniel Kahneman and Amos Tversky came together in 1970s to find solution in psychological theories and perspectives Few prominent names in the field are Shiller, Thaler, Phung, etc.

2.1 Investment Decisions and Stock Market

Anoruo (2003) Behavioral finance is a field of study that combines insights from psychology, economics, and finance to understand how psychological factors influence financial decision- making and market outcomes. Murphy and Gerrans (2011) Traditional finance theory assumes that investors are rational and make decisions based on all available information, aiming to maximize their utility or wealth. However, behavioral finance recognizes that investors are subject to cognitive biases, emotions, and irrational behavior, which can lead to deviations from rational decision-making. Shah et al. (2011) The field of behavioral finance emerged in the late 20th century as researchers began to explore the psychological underpinnings of financial decisions and market phenomena. Rather than viewing investors as purely rational actors, behavioral finance seeks to understand how cognitive biases, heuristics (mental shortcuts), emotions, social influences, and other psychological factors shape investor behavior and market outcomes. Investors have limited cognitive abilities and processing capacity, leading them to rely on simplified decision-making strategies or heuristics rather than analyzing all available information. Investors tend to feel the pain of losses more acutely than the pleasure of gains, leading to risk-averse behavior and suboptimal decision-making, such as holding onto losing investments for too long. Investors

often overestimate their knowledge, skills, and abilities, leading them to take excessive risks or trade too frequently based on overly optimistic beliefs about their investment prowess. Susai and Moriyasu (2007) Behavioral finance recognizes that investors are not always rational and that their decisions are often influenced by psychological factors such as emotions, cognitive biases, and social influences. The stock market provides a real-world setting to observe how these psychological factors manifest in investor behavior and impact market outcomes. Kasilingam and Jayabal (2009) Behavioral finance research has identified numerous market anomalies that cannot be explained by traditional finance theories based on rational investor behavior. These anomalies, such as the momentum effect, value effect, and disposition effect, highlight the role of psychological factors in driving market inefficiencies and deviations from rational expectations. Kasilingam and Jayabal (2010) The stock market is characterized by herding behavior, where investors tend to follow the crowd or mimic the actions of others, leading to momentum trading and market bubbles. Behavioral finance studies how social influences, peer pressure, and informational cascades contribute to herding behavior and its implications for market dynamics. Patidar (2010) Behavioral finance posits that investors may overreact or underreact to news and information, leading to mispricing of securities and opportunities for profit. The stock market reflects these patterns of overreaction and underreaction, providing insights into the dynamics of investor sentiment and market psychology. Tunah and Tatoglu (2010) Investor sentiment plays a crucial role in shaping stock market movements and trends. Behavioral finance examines how changes in investor sentiment, measured through surveys, media sentiment analysis, or behavioral proxies, affect stock prices, trading volume, and market volatility. Bennet et al. (2011) The stock market provides a rich dataset for studying individual investor behavior, including retail investors and day traders. Behavioral finance research investigates factors such as trading volume, trading patterns, investment horizons, and the impact of behavioral biases

on individual investor decisions. In Hyderabad, Gaur et al. (2011) Behavioral finance also studies the behavior of institutional investors, such as mutual funds, hedge funds, and pension funds, and its implications for market dynamics. Institutional investors' trading strategies, fund flows, and herding behavior can influence stock prices and market efficiency. Kantidas (2011) the stock market serves as a fertile ground for studying human behavior, decision-making biases, and market phenomena that deviate from traditional finance theories. By understanding the psychological factors driving investor behavior in the stock market, researchers can gain insights into market inefficiencies, develop better models of asset pricing, and inform investment strategies that account for behavioral biases.

2.2 Personality Traits and Behavioral Biases

Ellen and Webley (2001) 194 people completed a questionnaire that Structural equation modelling was employed. Chi-square, skewness, and kurtosis were used to examine the data. conscientiousness were the five main personality qualities. They came to the conclusion that those with a creative and unconventional mindset favoured high investment risk. Extraversion and the particular risk tolerance for investments have a negative relationship. Those that were receptive making long-term investments. Verma (2008) investigated how an investor's personality and demographic characteristics affected their choice of investment opportunities. 500 investors completed a standardised questionnaire to provide the data, which was then analysed using chi-square. Investors favoured real estate or insurance, according to her research. She noted that although women liked fixed deposits and insurance and believed equities was extremely dangerous, men favoured PPF, real estate, and equity shares. The professionals chose to invest in mutual funds and insurance, whereas the service workers mostly invested. In a research was done in 2009 to determine how behavioural biases and individual investors' income impact investing decisions. 428 investors in Indore were surveyed for the data, which was gathered.

Analyzing the data with anova. They came to the conclusion that rising income correlates with an increase in overconfidence. Income significantly influenced overconfidence, overreacting, and loss/regret, Effect of self- attribution bias as having the greatest impact on Tunisian investor behaviour. 100 brokers provided the data for the collection, and the study's analysis employed. They found that five psychological biases- They discovered that as market investors became more overconfident, so did market activity and growing tendencies. Additionally, they demonstrated how investors become overconfident due to growing patterns. 100 respondents provided the information that was gathered. The data were examined using descriptive, diagrammatic, and ranking forms. They came to the conclusion that individuals took risks and largely invested in stock and real estate. psychological biases and financial choices. 200 investors in the Klang valley provided the information. They discovered that the biases of conservatism, availability, and overconfidence had a big influence on investing choices. Herding conduct had no discernible effect on investing choices. The impact of psychological elements on financial decisions on the Iranian stock exchange was examined by Ghelichi et al. in 2016. Information was gathered from 384 respondents. They discovered that investors' decisions to invest are influenced by their confidence, belief, and remorse. Sujekha (2016) investigated how behavioural variables affected investing choices. She discovered that investors often lacked bias in their financial judgments, were well-known for being overconfident in their investment choices, and overestimated their odds of success. The impact of various personality characteristics and levels of emotional intelligence on investors' investing decisions was examined by Dhiman and Raheja in 2017. Openness, extroversion, and agreeableness. Investment decisions were correlated with self-awareness, social aptitude, empathy, managing of emotions, and motivation.

2.3 Risk Tolerance

Wang and Hanna (1997) In behavioral finance, risk tolerance refers to an individual's psychological willingness or capacity to accept and endure financial risk when making investment decisions. It reflects an individual's comfort level with the uncertainty and potential for loss inherent in investment activities. Risk tolerance is influenced by various psychological factors, including personality traits, past experiences, financial goals, and perceptions of risk. Harris et al. (2006) Risk tolerance is subjective and varies from person to person. Two individuals with similar financial circumstances may have different risk tolerances based on their psychological makeup, attitudes towards risk, and emotional responses to uncertainty. Ajmi (2008) Risk tolerance is influenced by psychological factors such as fear, anxiety, optimism, and confidence. These emotions can affect individuals' perceptions of risk and their willingness to take on risk in pursuit of potential rewards. Bahra. Wang (2009) Risk tolerance may vary depending on an individual's investment time horizon. Investors with longer time horizons may have higher risk tolerance as they have more time to recover from potential losses and benefit from the power of compounding returns. Tenglin (2009) Behavioral finance recognizes that individuals do not always perceive risk rationally. Factors such as framing effects, cognitive biases (e.g., loss aversion), and heuristics (e.g., availability bias) can distort individuals' perceptions of risk, leading them to overestimate or underestimate the potential risks associated with investments. Ahmad et al. (2011) Behavioral finance recognizes that individuals do not always perceive risk rationally. Factors such as framing effects, cognitive biases (e.g., loss aversion), and heuristics (e.g., availability bias) can distort individuals' perceptions of risk, leading them to overestimate or underestimate the potential risks associated with investments. Wong (2011) Behavioral finance recognizes that individuals do not always perceive risk rationally. Factors such as framing effects, cognitive biases (e.g., loss aversion), and heuristics

(e.g., availability bias) can distort individuals' perceptions of risk, leading them to overestimate or underestimate the potential risks associated with investments. Understanding risk tolerance is essential for investors, financial advisors, and portfolio managers. By assessing investors' risk tolerance accurately and aligning it with their investment objectives, financial professionals can develop suitable investment strategies that balance risk and return expectations. Moreover, recognizing the psychological factors that influence risk tolerance can help investors make more informed decisions and avoid common behavioral pitfalls in managing their investment portfolios.

2.4 Emotional Intelligence

In 2004, Kunnanatt talked about saw that those create relationships where everyone wins, whereas those with poor create relationships where everyone loses. The participants' internal and external relationships would alter emotional intelligence training programmes, and they would have improved attitudes, more precise perceptions, and beneficial relationships in life.

Croatian and Slovenian college freshmen's their identity characteristics was examined by Avsec et al. (2009). 257 college students and 171 college students provided the information. Regression, relationship, and two-way anova techniques analyse their logic, the extraversion and conscientiousness traits were important markers, and neuroticism go hand in hand. Openness and emotional clarity had a direct relationship, and extraversion and emotional attentiveness had a direct relationship. conducted study on its metrics affect the execution of a portfolio. provided the information. With the aid of regression, broken down. T-tests were also utilised by them we concluded that investors' extroversion, openness to new experiences, and risk tolerance were all positively correlated. Investors' neuroticism, agreeableness, and risk tolerance all had negative correlations. Investment decisions and personality traits are indirectly related in a major way. The relationship between risk appetite and investors' investing choices is crucial. Therefore,

risk tolerance plays a mediating function in the investors' personality attributes and investing choices. The risk tolerance is influenced by personality qualities, which in turn impact the investors' investing choices. There was a correlation between the various behavioural biases and the investors' investment choices and risk tolerance.

2.5 Micro Behavioral Finance

As you know, there are so many behavioral factors and it becomes a grueling effort to address all of them. In order to more readily address them, most studies split them into groupings, such as belief and preference (Barberis & Thaler, 2003), while others classified them as judgemental and heuristics (Tversky & Kahneman, 1975). Cognitive and emotional biases were classified into two main groups by Pompian (2011). There are two categories for behavioural issues. Overconfidence and prospect theory are the first two (Scott, Stumpp &

Xu, 1999). Waweru, Munyoki, and Uliana divide behavioural elements into two groups: heuristics and prospects (2008). Heuristics covers all the related cognitive errors as well as relies on belief. Prospect theory covers preferences and emotionally related errors. These behavioral biases or errors have two major building blocks (Shleifer & Summers 1990; Barberis & Thaler, 2003). Psychology block consists of belief and preferences, which are covered, in the head of heuristics and prospect theory. By above definitions and explanations, it can be concluded that behavioral finance studies the deep effects of psychological and sociological indicator on individual investors and analyzes the individual investor behavior. Therefore, this study examines behavioral factors that influences the market conditions and in turn influence the investment performance of the individuals. This study divided the behavioral factors into two categories named heuristics factors and prospect factors. The two major theories of behavioral finance help us to understand these behavioral factors named heuristics and prospect theory.

2.6 Heuristic Theory

Heuristics theory are described as the short cut or rule of thumb, that makes complex decision making simple and easier (Ritter, 2003) by reducing the complex calculation and assigning the probabilities to uncertain events (Kahneman & Tversky, 1974). In general, heuristics are useful when time is not sufficient to calculate the proper risk and return for all possible investment option (Waweru et al., 2008), however, sometimes they lead to (Kahneman & Tversky, 1974; Ritter, 2003). Kahneman and Tversky introduced three influential heuristics that investors used in their decision making named representativeness, availability, and anchoring (Kahneman & Tversky, 1974). Waweru et al. also added two components named Gambler's fallacy and Overconfidence into heuristic theory (Waweru et al., 2008).

2.6.1 Overconfidence Heuristic

Overconfidence can be defined as, consider to himself on above average on positive characteristics (Alicke, 1985). People often comprehend themselves, as having greater noesis and greater test over activity than is deserved (Langer, 1975). Overconfident people believe that things, events, and activities happen in more his favor rather than their peers (Weinstein, 1980). Overconfident people have unwarranted Faith's intuition, judgment, and information (Pompian, 2011). Also, When the certainty judgments are large than the comparative frequencies of the correct answers (Gigerenzer, Hoffrage & Kleinbölting, 1991) investors become overconfident. By above definitions, This study can summarize overconfidence as, overconfident peoples are extremely belief on own judgment, information and own personal abilities and perceived all the things are in his favor unless they get experienced and consider himself a smart participant in the market. (Keasey & Watson, 1989) Identify four major factors that influence the confident people to lead to be overconfidence these are (1) the complexity of the task, (2) amount of feedback given, (3) motivation level of the subjects, and (4) skill

of the subjects. people are overconfidence according to situation, events and some control variables (gender, age, Income). (Barber & Odean, 2001). Several authors and researchers identify numerous reasons to be overconfident. Self attribution is characteristics that favor successful outcomes to own skills and abilities and unsuccessful outcome by nature (Miller & Ross, 1975; Kunda, 1987). For instances, if students got an excellence marks in examinations, might credit goes to own hardworking and intelligence while failing in exams blame on teachers and bad luck. Langer (1975) states illusion of control is another

reason to be overconfident. The illusion of control describes the tendency of people to believe that they can handle or at least influence the event or outcomes; in reality, they cannot (Pompian, 2011). For examples, some peoples areperceived they are better guesser when a series of coin tosses while they did not influence the outcomes. The tendency for people to evaluate information in a way that supports their claims, expectations, or beliefs is another sign of overconfidence (Russo & Schoemaker, 1992). For instance, you may believe that people buy more red automobiles in the summer than at any other time of the year. However, this view has been confirmed, leading you to focus on the red car's use in the summer rather than other months. Overconfidence People believed that their skills, information, and knowledge enabled them to judge themselves as above average or better than average and that this enabled them to make better investment decisions and anticipate large returns. The majority of scholars argue that overconfident persons had financial losses as a result of their decision-making (Russo & Schoemaker, 1992; Griffin & Tversky, 1992; Kahneman & Riepe, 1998). Barber and Odean (2001) found that overconfidence affected the financial market. Hindsight may stem part of the reason of overconfidence; Hindsight refers to the tendency of people believe that they know all if it was not (Pompian, 2011). They perceive that event was predictable before it has happened (Fischhoff, Slovic, & Lichtenstein, 1977). Therefore,

people tend to overestimate their prediction and results. Overreaction is an outcome of overconfidence, which can never be avoided. Overconfidence people overact to private information and under react to public information (Chuang & Lee, 2006). Overconfidence heuristics makes a reason of financial disturbance like excessive trading (Barber & Odean, 2001), excessive volatility increase in the equity market (Shiller, 1992), affect the efficient market, and expected utility.

2.6.2 Representativeness Heuristic

Making decisions is the most difficult chore in all of life. as management, marketing, economics, etc. when there are so many other options accessible. How can we make the right choice? People believe that psychology makes the best contribution to selecting the optimal course of action. Consider the most fundamental aspects of human nature—attention, memory, cognitive representation, and much more—in psychology. Because of their underlying judgement and decisions, psychologists make the finest decisions (Einhorn & Hogarth, 1981). Some heuristics are derived by psychologists while people are evaluating an event. Heuristics are shortcuts, and the majority of us frequently choose shortcuts in order to save time or effort. These quick cuts differ depending on how illogical each individual is. Representativeness significant judgemental shortcuts, as detailed in the landmark paper by Kahneman and Tversky (1972), in which individuals focus those outcomes that are more representational of the evidence. Different people have relied on different heuristics in this regard. When determining the likelihood of an occurrence under the condition of uncertainty, the majority of belief-based choices are made using numerical data as odd or subjective probabilities in simple representativeness (Kahneman & Tversky, 1972). What is the likelihood that event A occurs as opposed to event B, for instance? What is the likelihood that incident A caused event B? Probability is high if incident A is strongly indicative of event B, or vice versa (Kahneman, Slovic & Tversky, 1982). Due to some commonality in their assessments,

people assign probabilities to events. For instance, how do people evaluate and assign the likelihood that Mr. A is linked with which particular profession when Mr. A is a very quiet, silent, and little to meet with others. When given a list of possible occupations, such as "driver," "farmer," "salesman," "pilot," or "librarian," how would individuals rank them in order of likelihood? People assume Mr. A is the driver because of Mr. A's representative features, which are more prevalent in the driving profession. People frequently base their decisions on recent knowledge and experiences (Pompian, 2011). The rule of small numbers, also known as the interpretation of representativeness, is used in this heuristic to explain long-term averages and how they may not fully address a key choice (Tversky & Kahneman, 1975). According to the rule of small numbers, the investor only considers the tiny sample size because they believe it to have comparable characteristics to the population of the parameter. They do not assess the entire statistical outcome of the stimulus. They end up making a significant error or suffering a significant loss as a result of these heuristics, which has an impact on the market (Carolis & Saporito, 2006). Because they rely on scant information from a select group of consultants and other sources, those who apply this heuristic only consider the market's favourable aspects. These heuristics cause people to base their decisions on preconceptions. A market quirk known as the loose winner effect provides a financial illustration of representativeness. According to De Bondt and Thaler (1985), investors react positively to previous winners and negatively to previous losers. Respond to both good and negative information in basic individuals. When an analyst, financial investor, or individual believes that a tiny sample accurately reflects the whole population, this perception is backed by studies from Kahneman and Tversky's Representativeness Heuristics Theory (1972). For example, when a company doesn't expand well or pay out a big dividend but instantly corrects its stock price the next year, it indicates that investors and analysts had a strong initial confidence. The assessment of probability or base rate neglect is the

only element that affects representativeness or likeness; other aspects are not taken into consideration (Tversky & Kahneman, 1975). It only said that while making financial decisions, investors primarily depend on stereotypes. Base rate neglect is another significant interpretation of representativeness in which the investor classifies the event as the well-known and simple categorization and uses it as the basis for drawing conclusions without taking into account other relevant elements. For instance, let's say Mr. A is an investor who adds assets to his portfolio to increase its value, and on the same day, Mr. B informs him of fresh initial public offerings (IPOs) from chemical firms, such as Shah Chemical Industry. Mr. A is impressed by his chat and thinks that Mr. A is a passive investor who would retain the asset for a long time because it is too excellent and has a good position in the market. He made the decision to increase his portfolio at the same time, but he did not take into account the fact that numerous academics discovered that IPOs are not a suitable long-term investment. Due to the success of the hot new firm in this example, Mr. A believes that the Shah industry is a suitable candidate for long-term investment. However, Mr. A neglects to take probability and statistical measures into account. 2011 (Pompian). When information is not articulated in causal terms (Ajzen, 1977), is based on individuality (Koehler, 1996), or is based on distinct categorization, more basic individuals are neglected base rate for some reason (Zukier & Pepitone, 1984). The most crucial things are that individuals do not ignore the baseline even if they are somewhat accustomed to and strongly reliant on task organisation and representation (Koehler, 1996). Investors are constantly looking for ways to increase their profits, therefore they consult expert forecasters and sometimes use heuristics as well. Marsden, Veeraraghavan, and Ye (2008) contend that the representativeness heuristic has an impact on earning forecaster analysts because they overreact or (underreact) when the revision of the forecast change is positive or (negative). These changes (positive or negative) pushes up or down the analyst decision that is ultimately the result of

overreacting or underreact the actual earning. One reason for considering a representativeness because it considers a best descriptive model for the irrational investor, irrationality in the psychologist evidence is that people are inexperienced or unmotivated on the other hand if people are experienced or motivated towards the financial decision they rely on Bayes rules as a descriptive model (Grether, 1980). Chang, Jiang, and Kim, (2009) found in his study that those firms whose consider the super bowl commercial is experienced to high stock price and this likeness are reason representativeness. Due to the ease of computation and time savings, investor judgements frequently exhibit representativeness.

2.6.3 Anchoring Heuristic

The term "anchoring" describes the propensity of human judgement to assess value. People frequently use their imaginations or strongly depend on the first piece of information when starting with the original value or default Fig. (Pompian, 2011). In the influential article Tversky and Kahneman (1975) define the anchoring as, "In many situations, people make estimates by starting from an initial value that is adjusted to yield the final answer. That is, different starting points yield different estimates, which are biased toward the initial values. We call this phenomenon Anchoring." (p. 1128). For example, you want to buy a used car, which has an initial price tag but after a negotiation and got at a lower price from the initial price, and perceive lower price is more reasonable even the worth of the car is less than the price in which purchased. Anchoring is the psychological heuristics, which can be, said when people are heavily relying on the first piece of information especially on the base of unnecessary statistically randomly results or psychologically result and then determine the anchor (Saini & Monga, 2008). Suppose someone asked to estimate the good price for a share. Someone estimated \$20 is a good and then adjust up and down after getting new

information or analysis, but studies show that this adjustment is insufficient (Slovic & Lichtenstein, 1971). Unfortunately, people whose suffer anchoring and adjustment influence the anchor and consider the new information is sufficient, while in the presence of new information an investor should consider the key question. Is the securities are beneficial? What is the market condition? Is it a good time to purchase? People exhibiting these heuristics reflect on the purchase price, target price in the decision (Pompian, 2011). Anchoring is estimated the initial value' and logically irrelevant thought toward the adjustment conclude the effect toward the investment decision. In their research, Tversky and Kahneman (1975) asked their subjects to assess the value of a variety of numbers expressed as percentages in order to understand the phenomenon of inadequate adjustment. For instance, the range of values for the proportion of African nations in the United States is from 0 to 100. A value is selected at random by spinning the wheel of fate, and the respondents are then asked to rate it. The next step is to estimate the real value of the quantity by adjusting upwards or downwards to the specific specified number if the selected number is above or below the value of the quantity. Different groups assign a different number to each amount, and ultimately they discovered how the results were affected by the number that was picked at random. This study has demonstrated how the choice was impacted by the anchor. According to Tversky and Kahneman (1975), anchoring can also be based on an incorrect calculation or subject-based intuition, as seen in the example where two groups of high school students were asked to estimate a numerical expression within 5 seconds after it was printed on the whiteboard. Both groups completed their calculations rapidly, extrapolated their estimates of worth, made adjustments that were deemed inadequate and caused investors to underestimate them. Anchoring is studied by many authors in a different domain that making affect the human decision making processes. As illustrated anchor effect are in the domain of general knowledge (Blankenship, Wegener, Petty, Detweiler-Bedell & Macy, 2008), probability estimation (Chapman

& Johnson, 1999; Tversky & Kahneman, 1975), purchasing decision (Ariely, Loewenstein & Prelec, 2003) and negotiation (Galinsky & Mussweiler, 2001). For instance, anchoring and adjustment are one of the most important explanations for anchor effect which results from the strive of the adjustment processes which is insufficient because subject thought logically but unfortunately to the irrelevant reference point. Strack and Mussweiler (1997) argue that people set their reference point (initial value) to adjust the limit of the boundary of a suitable value for the question. Suppose the anchor value is so extreme than the limit of a boundary value of the plausible answer. Therefore, subject fully effort to use the anchoring and adjustment concept to adjust the value in the most suitable boundary limit for an answer based on the initial value. The currently dominant view of the anchoring effect is confirmatory hypothesis testing base on selective accessibility (Chapman & Johnson, 1999) in which each hypothesis test that their anchor value is the correct answer and is doing search ways in which find a target answer that is near to anchor value. Selective accessibility in the Anchoring effect is the result of the information. Most of the empirical evidence supports the selective accessibility theory to address the anchoring effect, but there is no end of research. In the alternative of anchoring and adjustment and selective accessibility (Wegener, Petty, Detweiler-Bedell & Jarvis, 2001) argue for an attitude change, to change an anchor value person's attitude consider the best approach to the particular attribute of that anchor. The anchor itself best cue or indirectly influences the information of the judgment toward the anchor. Low exposit anchoring outcome of the non-thinking or irrelevant thinking process; the anchor just works as the hint for a plausible answer, while high exposit anchoring outcome of the logical thinking and used information with existing knowledge to judge more consistent and plausible answer. The most important arguments are present in the article of Wilson, Houston, Etling and Brekke, (1996) that the basic anchor neither needs to consider an anchor answer toward the target question nor necessary to give an

informative anchor. Basic anchor occurs when an uninformative numerical number influence the judgment and that particular basic anchor occur when people are given attention toward the anchor value. To present the different theories to show the anchoring influence are have a different context in the different mechanism. Anchoring is bringing forth by multiple dimensions. Such as adjustment process are find when people generate an anchor by itself and then try to adjust their target answer around the self-generated anchor. Epley and Gilovich (2001) argue that self generated anchor value may be a wrong reference to the target answer. In the attitude of the human mood is one of the most important factors to lead the investors to use an anchor. In the recent study, English and Soder (2009) found that people with a sad mood are considering a more susceptible from the people who are happier or neutral mood. In the change of attitudes perspectives, sad mood people are more striving to seek out the information through thought or based on existing knowledge, then determine the decision (Blankenship, Wegener, Petty, Detweiler-Bedell & Macy, 2008). Sad people in judgment consider a more conscious about heuristics. The mood is not only the dominant factor that leads to use heuristics. Experience or knowledge also leads the people to use an anchor in the decision. Wilson, Houston, Etling, and Brekke, (1996) investigate that people who are knowledgeable are more resistant the anchoring. Another important study found that people with high in openness to new experiences are more influenced from the anchoring (McElroy & Dowd, 2007).

2.6.4 Availability Heuristic

According to the definition of availability, people can predict the likelihood of a result based on how common or well-known it is in their daily life (Pompian, 2011). Simple individuals rely on knowledge that is readily accessible or that is readily recalled. When evaluating the frequency of a class or assigning the probability of an occurrence, availability is the judgement error made in the presence of ambiguity (Tversky & Kahneman, 1973).

People assess the frequency of a class or event based on recently available information, their ability to recall specifics of the event, and their frequency of exposure to comparable occurrences. Tversky and Kahneman (1973) listed four main availability types or factors.

(1) Retrievability: Though it's not always the case, the ideas or concepts that are easiest to recall also tend to be the most likely. The information that is readily available through advertisements, friends, and financial advisors will influence the investing decisions of investors. For instance, two groups. One group has ten famous men and ten unfamous women, while the other group has ten unfamous men and ten famous women. According to the subject, group one has more men than women, and group two has more women. This conclusion is based on information that is readily available or on the ability to recall the celebrities.

(2) Categorization (Pompian, 2011) or effectiveness of search set: How people's mind understands and collect perceptions according to convinced categorization schemes.

(3) The narrow range of experience or biases of imaginability: In certain cases, people fail to evaluate the frequency of the lesson since they may not have it preserved in their memories.

(4) Illusory-correlation: In this way, people frequently overestimate the frequency of naturally occurring associative events. The illusory correlation effect has a natural explanation thanks to availability (Tversky & Kahneman, 1975). Resonance (Pompian, 2011) is another crucial category that relates to the accessibility: The degree to which persuaded, specific situations resound relative to individuals' own, individualised situations may also influence opinion (Pompian, 2011). Most of the time, people disregard wise investments since they have little to do with their personality. For instance, those who make moderate profits do not invest their money in pricey stocks since these companies do not

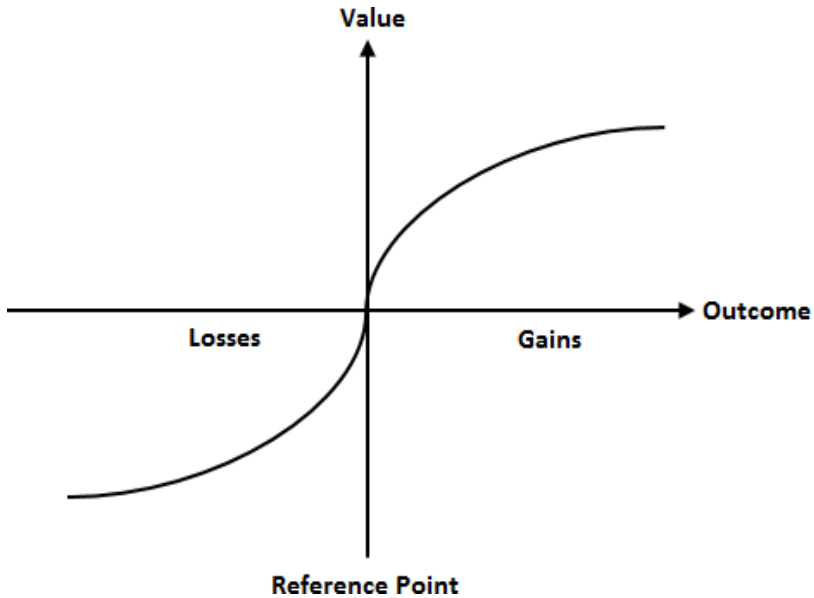
match their unique personality traits. It's crucial to talk about risk in availability that takes judgement under uncertainty into account. The most crucial factor a person takes into account when buying any commodity is risk. For instance, technical complexity, newness, high price, or a person's lack of familiarity with the product can all influence how a person perceives danger (Bettman, 1973). People's perception of the risk factor was influenced by the availability of the judgemental heuristic, which makes up the majority of them (Bettman, 1979). When someone asks you to identify a mobile phone and you immediately or first mention those specific items that come to mind, you are more likely to remember the class or event. This is because media often forcefully draws your attention to a particular product (a cell phone). Much more time will be spent on media (commercials) whether you like it or not. It is a crucial heuristic in all academic fields, including marketing. Folkes (1988) investigated how consumer perceptions of product failure are influenced by availability heuristics. The organisation considers availability heuristics to be beneficial for the promotion of ethics inside the organisation or for the process of making ethical decisions (Hayibor & Wasieleski, 2009). Investor response to the current state of availability heuristics in the form of an

upgrade or downgrade is used in financial decision-making. In their work, Kliger and Kudryavtsev (2010) shown that the strength of the positive stock price reaction is correlated with the strength of the positive stock market return upgrade. The negative stock market return, however, is accompanied with the negative stock price reaction. (Tversky & Kahneman, 1975) discovered that when determining the size of the class based on the availability of the instance, individuals might respond more to whatever class is readily retrieved even if they have an equal amount of frequency like this experimental example. (2003) Santa-Clara and Valkanov It was discovered that Republican leadership suffers from availability whereas many individuals or professionals believe that Democratic president leadership patterns are superior for average excess return

in the stock market. According to the renowned research by Barber and Odean (2008), consumers do not process the enormous amounts of data while choosing securities or stocks. People merely rely on the knowledge that is provided, particularly when that information is not always cognitively available. For another example, let's say you want to invest his money but can't discover a suitable, profitable investment. You learn simultaneously from a reliable source—your excellent friend—that ABC Company is offering hot investment prospects. You may possibly believe that your acquaintance always makes wise investments or has excellent stock market understanding. If someone purchases that specific stock, you are probably already familiar with availability heuristics.

2.7 Prospect Theory

A descriptive model of decision-making under uncertainty, anticipated utility theory, is criticised by prospect theory (Kahneman & Tversky, 1979). An inconsistent decision between hazardous prospective EUT is suggested by prospect theory. We can describe the expectation of a utility function or not if many disputable axioms — completeness, transitivity, continuity, and independence — are met (Barberis, 2001). Investors should focus on changing their wealth rather than their overall wealth, according to PT, and their choice for this is S-shaped, which represents their desire for risk (Levy & Levy 2004). Depending on past performance, a shift in wealth worth might make an investor more risk- and loss- averse (Barberis, Huang, & Santos, 2001). S Diagram of PT explains the situation where are the investors are loss aversion and risk seeking or risk averse. Value function in the diagram is typically convex for loss and concave for gain (Kahneman & Tversky, 1979). Prospect theory describes the various causes and effects that are thought to be crucial to comprehend in order to make decisions or evaluate the stock market. The four main parts of the prospect theory are as follows.



2.7.1 Loss Aversion In the influential article of Kahneman and Tversky (1979), studied how people feel about the loss. They find that people tend toward the loss are more than two and half times than any gain. These phenomena call loss Aversion (Prospect Theory). When

investors make investment decision they focus on the magnitude of loss. In another meaning, loss aversion investors discrepant towards risk. According to Camere (1997), the majority of individuals defy the anticipated utility hypothesis because they want to maximise their wealth and utility. According to Abdellaoui, Bleichrodt, and Paraschiv (2007), loss aversion is the cause of the violation. Prospect theory is the most appropriate topic for the explanation of loss aversion since it simultaneously measures the utility of loss and gain. The lack of a consensus on a definition is one of the greatest issues with loss aversion. Various writers have different definitions of loss aversion. The block of loss aversion is where these authors excel (Kahneman & Tversky, 1979; Tversky & Kahneman, 1992; Neilson & Stowe, 2002; Köbberling & Wakker, 2005). These all definitions in the prospect of risk, intention can change the

preferences of loss aversion. Intentions can limit loss aversion. The authors reflect both emotional linkages to the goods and cognitive conform during appraisal as voltage mediators of the effects of intentions on loss aversion (Novemsky & Kahneman, 2005). A reference-dependent model (Kőszegi & Rabin, 2006) is present, which explains much effect by an impairment of passivity curves around the reference point (Tversky & Kahneman, 1991). Most of the people make a mistake its consider the endowment and status quo and loss aversion mix it is a difference because loss aversion and endowment depend on framing investors choosing investment between the alternatives (Pompian, 2011).

2.7.2 Regret Aversion

Regret is often term as a bad feeling towards the personal past actions and behavior; in most of the time, it acts to feel sorry (Zeelenberg, 1999). People are exhibiting the Regret aversion when they make the wrong choice or do a wrong action (Pompian, 2011). People ignore to take action due to the feel in bad decision-making (Baker & Nofsinger, 2002). Regret

Aversion is not only the feeling of the wrong action but, sometimes people feel regret of inaction (Zeelenberg & Pieters, 2007). Suppose, your friend is a good investor, and, you want to invest to his money in secure securities. Your friend suggests you invest in ABC Company, which is a small growth company. If, you invested in ABC Company. The value of the asset in which you invest is declined the 50% of purchase price. You feel regret to take his action by the recommendation of his friend and in the second scenario suppose you are not purchasing the securities of that particular company and the value of the asset is increased by 50 % of his purchasing price you feel regret to inaction. Theory dictates that people prevent the pain of regret that is associated with the poor action of the decision. Regret aversion often found in investors when making an investment decision because prospect paints them realizes to profit and slow to loss. What type of regret

aversion factor is? Is emotional or cognitive? There is an extensive literature on it, but most of the researchers, perceive that it is emotional. Pompian (2011) stated as emotion. Hampshire (1960) argue that it is a cognitively determined emotional. As illustrated, do you regret that decision? The particular question forced to each individual think and then answer. Because it is so emotionally charged, regret aversion is a factor (Shefrin & Statman, 1985). When individuals use concepts associated with regret (such as sadness, shares, embracement, depression, irritation, and regarded these terms with regret (Bagozzi, Gopinath, and Nyer, 1999) interchangeably, confusion results. Particularly when regret is investigated in the behavioural influence on investment choice, regret is unique from these words. Over and beyond philosophical ways to describe regret aversion, several approaches are utilised to address regret aversion; nonetheless, most economists view a utility function as a key idea to elaborate regret aversion (Bleichrodt, Cillo & Diecidue, 2010). For instance, choosing one option over another might significantly influence whether a decision is regrettable (Thaler, 1980). By defining the regret in economic, the difference between the chosen outcomes and alternative, but it not as simple as and most of the economic theorist argue that the results of the alternative are salient not revealed. Therefore, it does not make the fact that people behave regret due to the alternative outcomes. Economics are done a most applicable work in the literature of regret aversion but due to numbers of short comes in the economic model to address the regret aversion need to some work on the regret aversion, so these short comes are overcome by the disciplines of psychology. Most important work on this is (Kahneman & Tversky, 1982) this research started by the leading question of the economist, which evaluate the events in isolation. Kahneman & Tversky (1982), suggested that it should be compared with the alternative that could have should have or might have happened (Gilovich & Medvec, 1995). Most of the conceptual and empirical evidence exists that expected utility theory fails because in most of the situation investor could maximize their single wealth

outcome only money is not sufficient (Bell, 1981). This behavior determines some more knowledge like, loss aversion and regret. The wide literature of psychological experiments suggests that regret aversion does decision under the condition of uncertainty (Bell, 1982; Tversky & Kahneman, 1992). People feel regret about their action what they did instead of what they did not (Kahneman & Riepe, 1998). When individual arrive at the same outcomes via different methods finished by action or inaction (Gilovich & Medvec, 1995).

2.7.3 Mental Accounting

Mental accounting is a common heavily recognized in the individuals in one way or another way. What does Mental Accounting mean? Mental refers to as an intellectual process and Accounting is a system of recording (transaction), classifying (ledger), summarizing (balance sheet /profit and loss account) and interpreting the financial transactions (Khemani & Diamond, 2005). Every person in our daily life performs an accounting function (recording, classifying and summarizing and interpretation) intentionally or intentionally. Individual dealt to manage the financial decision or events and organization used to manage its accounting function for a financial decision. We have studied several general accounting rules (GAAP) and practises in our textbooks. The only way to determine the rules in mental accounting is to follow behaviour and make assumptions. Mental accounting is the process of making a financial choice based on one's own mental calculations (Barberis, Huang & Santos 2001). To put it another way, mental accounting refers to a person's propensity for categorization, analysis, and analysis of economic events and results by grouping their assets into any non-fungible mental accounts. 2011 (Pompian). Mental Accounting is the cognitive processes in which individuals and household peoples describe the way of recording, summarizing and analyzing the financial transactions (Thaler, 1999). In the prospect theory, mental accounting provides a reference point to the individuals to

determine the gain and loss for different accounts (Grinblatt & Han, 2005). Looking up instances of normal people, he decided to approach his financial decisions differently, as if he thought that his wage was different from the return on an asset or capital appreciation and that his mortgage payment was distinct from his retirement pay. The person is deciding on a separate account for a different type of income and spending (Thaler, 1985). Two ideas are crucial to take into account when studying mental accounting. The first is framing, in which people adjust their viewpoints on money and investments in response to the situations they find themselves in (Pompian, 2011). In behavioural finance, it is crucial to take into account how each person has framed their particular situation. Second, behavioral life cycle hypotheses, in which peoples are in tried to maintain its wealth and try to achieve the maximum smooth way of consumption paths of its life. Suppose people who are saving money from his current income have increased his saving for long term so they can consume more in tomorrow (Thaler, 1999). Most of the author divides the wealth into three major mental accounts first is current income, second is a current asset, and last is future income (Thaler, 1990). The world's behavior of money depends on how they think about life, For Instance, some people want to live in high standard with consuming the current income without saving. Some of the people live in moderate life they save something from his current income for future. Choice influences mental accounting and it is alternative of rational theories or utility theory (Thaler, 1999). Mental accounting is based on prospect theory and it based on behavior and state question how do people do choose? While in rationality question state that how do people should choose? Under the behavioral theory of consumer choice mental accounting use three major concepts. Thaler (1999) describes the mental accounting, and it is an important component in (1999) in it his famous article Mental Accounting Matters. It describes the three main components of mental accounting first is Value function (Thaler, 1999; Thaler, 1985). It is based on prospect theory, so in the head of value

function consumer consider the gain and loss and describe event how does it coding, and make a decision in the value function. In value function consumer perceived about the event for instances what do want to buy. The second concept is Reference outcome (Tversky & Kahneman, 1973), in this phrase, people infer the outcome of a valued event or choose an event and find the difference between expected and actual outcome. The outcome is in the form of gain and loss or some in the mixer, so mental accounting is categorized gain and loss into four head. These four categorize are popular with the name of four principles of mental accounting in the concepts of prospect theory that having the aim of maximizing the value and positive outcomes especially facing the two events. These four principles of value function are: (1) segregate multiple gains (two gains), (2) integrate mixed gains (gain with a smaller loss), (3) integrate multiple losses (two losses), and (4) segregate mixed losses (a loss with a smaller gain) (Heath, Chatterjee & France, 1995). The third and most important concept used in the behavioral theory of consumer choice is transactions utility theory in which people find a result of the chosen event. In the transactions utility theory, two important phrases are considering evaluating and making a decision. In the evaluating individuals are potentially evaluating their transaction and in the second phrase accept or reject each transaction and make a decision (Thaler, 1985; Thaler, 1999). Summarize these concepts-value function is the question it describes the outcome and its experienced and reference outcome are a possibility to answer. Its assessment and impact of the specific event and transaction utility theory is the evaluating the possible outcome and select a most appropriate event with their behavior or risk preferences or in simple, how the event is framed narrowly or broadly. In the mental accounting people's select their preferences by reason rather than on opinion (Kivetz, 1999). Reason describes the process by which people are thinking about event or outcomes this process is called reason explicitly because it defines the facts and matters that affect the decision by making decision maker (Kivetz, 1999). Mental

accounting mostly describes the pattern of buying and selling of precious things (Kivetz, 1999). Prospect theory is the influential theory in behavioral finance; Mental accounting heavily relies on this because it uses to make a mental account such as loss aversion, the value function and different risk preferences on the different situation or events (Langer & Weber, 2001; Grinblatt & Han, 2005).

2.7.4 Self-Control

Self-control is the main themes of self, and it is considering a major factor in the success of individuals (Tangney, Baumeister & Boone, 2004). In general, self-control is the ability to the person to change his own decision to line up with the standard values, norms, culture and pursue long-term goals. Self-control is increasingly hot in the psychological disciplines. It helps nature to understand the self-function and in practical application. It is involved in several situations since, as its name suggests, it is particularly connected to emotional issues (Hagger, Wood, Stiff & Chatzisarantis, 2010). A component of self-regulation is self-control (Baumeister, Vohs & Tice, 2007). While, in the human behaviour inclination, self-control is one of the most important factors that motivates investors to restrain their conduct and emotions (Allport, 1937). People are more aware of financial concerns and perceive a lack of self-control while investing, spending, or saving money (Thaler & Shefrin, 1981). People hesitate or feel uncomfortable paying taxes, which is one of the most prevalent cases. Self-control is referring to the tendency that forces the investor to consume today at the expense of saving for tomorrow (Pompian, 2011). In the individual's life, saving is one a big problem for common persons. In the economic theories, economist considers as with certain lineup that peoples act as the rationally to solve its economic problem. According to the life cycle theory of saving, people misinterpret their income patterns as instructions on how to save money for the future while simultaneously consuming today's goods. There is an issue with people's lack of self-control (Shefrin & Thaler, 1988). To encourage people to save some money from their higher income for retirement,

Thaler and Benartzi (2004) propose the encouraging programme Saving More Tomorrow. Individuals have diverse tastes, preferences for the now, and preferences for the future, according to self-control theories. By representing the individuals as an organisation, Thaler and Benartzi (2004) provide a theory of individual inter-temporal decisions as a model for taste change and preferences (Thaler & Shefrin, 1981). Self-control is necessary when humans are faced with scarcity (limitless want and scarce resources), as well as to explain why certain people lack self-control (Muraven, Tice & Baumeister, 1998). Saving is the largest challenge to the average investor because of today's and tomorrow's preferences; individuals cannot manage to prioritise spending above saving. Social scientists frequently discuss the life cycle, and it may signify many different things (O'Rand & Krecker, 1990). Researchers can comprehend self-control within the life cycle theory, which defines an individual's consumption and saving behaviour from his or her youth through retirement (Pompian, 2011). Considering that everyone has chosen a secure life, fashion Wikipedia and LCH. One of the most significant is the Life Cycle Hypothesis (LCH), which will concentrate on individual saving behaviour and provide a reasonable theory for a saving decision. When a company transitions from a defined benefit to a contribution plan, workers faced a challenge because those with low incomes and poor self-control struggle to reach the necessary life cycle of saving rates (Thaler & Benartzi, 2004). Thaler and Benartzi's Saving More Tomorrow is a proposed motivational approach to address this issue (2004). It is a basic financial concept that is based on the anticipated utility theory and assumes that savings are calculated using each person's estimated income and utility function (Pompian, 2011). Perceived behavioral control (PBC) concept present by Shively (2001) in which individuals consider to himself by his perception that he will perform a particular behavior in the presence of self-control. Ajzen (1991) present a theory of Planned Behavior (TPB) in which we can predict the behavior of different kinds by analyzing the attitude toward

behavior. Subjective norms, and perceived control behavior and account the variance from actual behavior and PBC force to individual perform a particular behavior. The self-control is handling if he associated with good adjustment, secure attachment and favorable psychology (Baumeister, Vohs & Tice, 2007; Tangney, Baumeister & Boone, 2004). Intelligent is the biggest factor in the success of individual's life, and it heavily depends on self-control (Baumeister, Vohs & Tice, 2007).

2.8 Market Efficiency

Market efficiency was defined by Fama in 1970 ideas in fundamental finance makes the claim that no one can outperform the market because stock markets are 29 efficient (Sewell, 2011), which implies that stocks trade at their intrinsic value (Aguila, 2009). According to the theory of market efficiency, stock prices always represent all available information at any given time (Fuentes, 2011; Malkiel, 2003). A financial market is said to be efficient if the stock price accurately represents all information available to all investors (Fama, 1997; Lo, 2007). Investors, according to Hayat, Bukhari, and Ghufran (2006), act rationally and are unaffected by psychological and emotional issues. Ritter (2003) claims that market efficiency is predicated on the suppositions that institutional and individual investors are rational-agent but attempt to beat the market in order to earn abnormal returns, and that stock prices maintain their intrinsic value due to competition between individuals who are more return- oriented. Shiller (1998) further contends that prices are at their basic values, Investment strategies are the best way that will help to classify the anomalies in to different types in the context of market efficient anomalies. Pompian divides these investment methods into three categories: fundamental, technical, and seasonality or calendar (2011). In the event of an inefficient market, the author may link abnormalities in stock trading on the stock market. In classical finance, anomalies are defined as situations, movements, or events that the efficient market theory cannot account for (Silver, 2011). The definition of

an anomaly according to the English dictionary is any departure from the usual or common order, form, or rule. Anomaly simply refers to an uncommon circumstance or someone. Tversky and Kahneman (1986) describe the anomaly meaning in three parts--any deviation from current standard paradigm (1). Too distributed to be ignored. (2). Too systematized to be unemployed as a haphazard fault. (3). Too important to be accommodated by relaxing the normative system. The stock market anomalies refer to the meaning of the existence of inefficient market or irregularities or deviation of any stock pricing. In the investment decision, it is important to look these anomalies to select an investment in the stock market. Every person is striving to achieve a high return on his investment in the presence of anomalies but unable to achieve it because of the behavioral factors (heuristic and prospect). Schwert (2003) has shown that some anomalies are diminishing or vanish, thereby eliminate the profit opportunities for the investor who speculates their trading. These anomalies are important beyond the relationship between risk and return because everyone is looking for greater to greater return, so he or she used these anomalies for achieving higher return regardless of risk and return relationship. For the sake of convenience, in author point of view, it is important to categorize these anomalies. The author defines these anomalies regarding assessment belonging to fundamental analysis (anomalies) regarding time (calendar anomalies) and terms of interpretation exhibit by technical analysis (Technical anomalies). The author tries to identify these anomalies with the help of related causes. These anomalies are more important in the stock market to interpret the investment performance of the individual in Pakistan.

2.8.1 Fundamental Anomalies

Anomalies in trading a financial instrument are referred to as fundamental anomalies, and they are a component of fundamental analysis (Richardson, Tuna & Wysocki, 2010). (Garahim & Dodd, 1934) employed fundamental analysis to determine the stock's intrinsic value while continuously monitoring economic factors,

corporate financial statements, and industry trends. The fundamental analysis is based on the fundamental economic principle of supply and demand, which states that the market value of a financial instrument is determined by its supply and demand (Elena-Dana & Loana-Cristina, 2013). Fundamental anomalies are deviations from the norm in a stock's value (Pompian, 2011). Most of the investor use fundamental analysis to forecast the change in future stock price with gripping factors related to stock value in the stock market (Ngoc, 2013). Traditional finance with the themes of efficient market hypothesis argued that market price be a good for estimate the intrinsic value of the stock. The market anomalies, however, suggest that the market efficiency theory is not compelling (Bell, 1992), which is why certain investors may achieve an abnormal return on their investments (Ou & Penman, 1989; Xie, 2001). The market is not effective as a result. The initial argument of behavioural finance was that stock price does not always reflect intrinsic value. Fundamental analysis in behavioural finance seeks to determine if the current price adequately incorporates all available data to forecast future prices (Shiller, 2015). Fundamental oddities prey on investors who respond by changing the stock price. However, the majority of research (Collin & Hribar, 2000; Xie, 2001) seem to indicate that stock price does not follow the future price included in financial information. They anticipate the future price based on previous price with the belief that financial data reflect all information (Abad & Laffarga, 2004). The relative change in stock price during a period is not a reliable predictor of the relative change in price over the following period (Murphy, 1966). Most investors pay close attention to financial statements in order to determine the stock price. Waweru, Munyoki, & Uliana, (2008) present that Stock price change has an impact on investment behavior, which leads to the investor to overreaction (DeBondt & Thaler, 1985) and under reaction. Most of the investor wants to buy to sell those stocks, which have a higher price change during last two years. Odean (1999) and Murphy (1966) found a relation between the relative growth of per share earnings and

percentage change in stock's price. This behavior depicts that investor is overreacted to the price change. The situation of overreaction or under reaction to the price change of stock may result from news such as (Veronesi, 2000) investor reactions of price [change] to news is overreact in good time while underreact in a bad time. The price change is considering the most important determinant of the rate of return on the equity investment (Murphy, 1968). ROR is reflecting the investor's minimum rate payback on his investment (Ranganatham, 2006). Behavioral finance shows some behavior that something is beyond to the risk and returns to calculate the ROR and provide some psychological application to the investor and financial market (Thaler, 2005). In the fundamental analysis, the main theme to find out that current price is on the intrinsic value contained in the financial statement and analyst recommendation (Breton & Taffler, 2001). Investors are considering the price change [anomalies] to contend the market or achieve a higher return. Behavioral factors rather than fundamentals have an impact on the stock price dynamics (Shiller, 2015). The further debate that investor does not follow the fundamental of underlying stock but on the greater extent judge the events by hearsay, clichés and casual observation (Waweru, Mwangit & Parkinson, 2014). This behavior/psychology confirmed by the Case and Shiller (1988) that market indeed proved of price rigidity in falling market than in raising market. Genesove and Mayer (2001) further approved that loss aversion is affected he seller behavior. The researcher said that Investor who makes the decision to observation and experience and underestimates the fundamental of underlying stock is a victim of fundamental anomalies. Investors revise their estimate of stock return by a change in the price of the stock, which ultimately affects the investment decision of the investor (Waweru, Munyoki, & Uliana, 2008). The changing price of stock in this sense is making a reason to capture the attention of the investor in the market, this attention psychological force the investor to focus on popular [glamour] stock in the stock market. As Barber and Odean (1999) investor mostly selects the stock that

attracts their attention. In contrast, Waweru, Munyoki, & Uliana, (2008) argued that stock selection is also depending on investor preferences. Like rational investor sell their past loser while in contrast the behavioral investor holds their past loser and sell their past winner (Odean, 1998b). This behavior shows that investors are select the stock by preferences. There is much literature to prove that investor is overestimated the prospect of growth companies and underestimate the value companies. (Swensen, 2009) Argued that the most important issue in investor life be to choose whether value or growth stock for investment. The value investing is considered an investment which stock price is at their fundamental value according to some variables. As the Swensen (2009); Balvers, Wu, & Gilliland (2000) argued that value investing gave more and good return on their investment, partly due to the fundamental tendency in other normal condition of the market. The value investing investor select the stock which is unpopular, neglect by the market, low P/E (price to Earning), low P/C (Price to Cash flow), low MTBV (Market to Book Value), low PEG (Price Earning growth) (Pompian, 2011). Investor look for the popular stock they demand 33 the higher return than the market. Swensen (2009) argued that growth stock investor not care about the fundamental value as long as the market believes that price of current is lower than the price in the future. The information mentioned above gave a very familiar view to the researcher. Some reasons make reasons for the investor to deviate from the EMH. Finally, generate fundamental anomalies in the stock market. The researcher can say that price change of stock is one of the major cause of deviation in the fundamental value of the stock. It has resulted in overreaction or under reaction to the price change, this price change of stock capture the investor attention and force the investor to look for the popular stock and ignore the fundamental of the underlying stock.

2.8.2 Technical Anomalies

Technical anomalies are deviations from the norm in a financial trading tool or a component of technical analysis (Elena-Dana &

Ioana-Cristina, 2013). Past price and volume were employed by technical analysis to forecast stock return (Mizrach & Weerts, 2009b). The research uses historical price and volume data, particularly spikes in price and volume (Turner, 2007). The goal of technical analysis is to examine the previous price in order to anticipate the future price using a variety of methodologies, mostly based on chart techniques (Achelis, 2001). Additionally, it was suggested that technical analysis has taken into account a theory in which price is not entirely suggestive and trader person logically conjectures about the abstraction between price and signal (Brown & Jennings, 1989). Technical analysis examines market activity (price, volume, and open interest), price movement, and keeps track of past price trends through the chart (Murphy, 1999). Because the chart is repeatedly utilised in technical analysis to understand stock price and volume, most analysts are referred to as chartists (Achelis, 2001). Charts have been utilised for over a century, and evidence supports their significance (Frankel & Froot, 1990). The three tenets of technical analysis are described by Murphy (1999). Based on this principle, the market discounts everything because they feel that any information that has or could have an impact on their investment choice is represented in the price. Technical analyst believes that all information (that fundamental, behavioral) is reflected in price and volume data (Blume, Easley & O'hara, 1994). Technicians' only studies the effect of the price of the market while fundamentalist relies on the cause of price of the market (Westerhoff & Reitz, 2003). Technical analyst believes that effect shows all needs or wants and reasons that investor should know for their investment and not focus on the question of why just tries to understand what investor think to that information, knowledge and perceived (Kirkpatrick II & Dahlquist, 2010). Price action relies on the demand and supply concept. If the demand increases to supply than price rise and if supply exceeds than demand, the price fall. This basic concept of economic in price action reflects all economic and fundamentals for forecasting the price. Technicians do not consider the reasons for price action just follow the demand and

supply law. Some technicians believe that price action moves by the force of demand and supply law and fully reflect all the information in the price change (Karpoff, 1987). Influential argued by the Murphy (1999), and some practitioner believes that market action and firm has an integral correlation that can be used to predict the future price direction. The concept of the trend is working as a backbone for technical trading strategies (Murphy, 1999). Turner (2007) shows that most of the technical indicator is used to find and analyze the existing trend. The basic purpose of the charting the price action of the market is to find the trend for the future trading in the direction of the trend. Technicians make his decision by looking for a pattern in the price data that signal a continuation or reversal in trend (Murphy, 1999). Investors analyze the situation and make his decision such as if the information signal a continuation of the trend so that we follow the trend as long as possible and if a signal a reversal in a trend we sell the stock before the trend turn (Larsen, 2010). For instance, the security of AOL is showing a trend from November 2001 to August 2002. The price of AOL is systematically downward. Every time the prices rise, investors look for an opportunity and sell the stock (Edwards, Magee & Bassetti, 2007). Technicians believe that downtrend is a powerful indicator to pause or stop the selling readily in the market (Person, 2012). Technical trading strategies heavily rely on the assumption that price move in trend (Farmer & Joshni, 2002). In other words, if price moves in the bullish or in raising trend it would be more likely move in the same direction for this trading period. The final assumption by the Murphy (1999) is history repeating itself. In the Technical analysis, investors used the past price data for the price pattern that in some way it helps us to predict the future price direction. The key words to understand the logic that the futures are the basis of past price study thus, future is a repetition of the past. The (Shleifer & Summers, 1990) gave an important note that noise trading or popular model is the best illustration of the technical analysis it does not relies on the information. Noise trading is the basis of behavioral finance, so

some technicians believe that some sentiment/emotion exists in the market (Shefrin, 2002). Murphy (1999) analyzes the predictive price pattern or market action with the human psychology. The financial market is filled with the human actions and expectation. Therefore, Technical analyst believed that investor repeats the behavior that preceded them market (Shefrin, 2002). For example, GM (General Motor) is a revolutionary company in the industry, if this stock gave to \$50 gain you will buy it. This all behavior shows sentiment repeating itself in the market. Market psychology characterizes the repetitive behavior of the stock price. In more simple, Researchers can say that investor provides a consistent reaction to similar market stimuli over the period. In the study of technical analysis it is clear that its history is too old so in the long period, a lot of tool or indicator are studied to analyze the past price and volume for predicting the future price (Sun, 2003). However, the most important indicator that investors cannot underestimate is a market indicator. Market indicators are well describing in three groups by (Achelis, 2001). A monetary indicator reflects all the economic value such as inflation, exchange rate, interest rate, money supply and consumer and corporate debt (Achelis, 2001). Technicians believe that consider a monetary indicator add value in the technical analysis because it contains much information on price and volume. In the context of monetary indicator, technician believes that it tells us what the price should be. The second group is sentiment, in the price prediction, individual investor sentiment is measured while in the market indicator sentiment, technicians focus on the investor expectation toward the market. In the market, many more sentiments are available. In the sentiment group, investors want to know, what investor expects the price to do (Baker & Wurgler, 2007). For instance, contrarian investor used to sentiment to know the expectation of the investor about the price—what the price to do and then go in contrast. The final and last indicator in the head of the market indicator is momentum the most important indicator, and it has the same indicator as the price and volume, but it looks deep than price to know that what the actual price is doing

(Achelis, 2001). The investor famously uses technical analysis for many reasons like easy to interpret, given highlight to the future price (Rockefeller, 2011). The heavily used technical analysis leads the investor to generate the anomalies (technical anomalies) in the market. The researchers are shows some reasons of anomalies in the technical analysis which disturb the stock market. One of the most important reason by the investor to use the past price and volume to make a future decision. It does not fully describe the value of the stock and for more convenience in the price and volume investor use the chart with believing that price and volume reflect everything that has or could affect the price and price move in trend with the consistent relation of investor psychology. The stock price over time and more in depth, an investor used the market indicator (monetary, sentiment and momentum indicators) in technical analysis for the significant result from the price and volume.

2.8.3 Calendar Anomalies

A time or calendar is a most important element for an investor to invest in stock market. The time is important because of the price difference of the same financial security at different issue period. In the time or calendar, the season is the most important element to consider in the stock market (Thushara & Perera, 2013). Seasonality influences the movement of price (Thaler, 1987). The author in a sense strives to retrieve the calendar anomalies with examining some major cause of seasonality in the stock market. Seasonality refers to the meaning of seasonal fluctuation in stock price (Wachtel, 1942). The prices of a stock are subject to seasonal tendencies, as an occurrence of a familiar event like payment of dividend on certain dates (Bondt & Thaler, 1985). Seasonality not only measured in one year it measures on period, a weekly and monthly effect also in consideration. Such as Roll (1983) called this turn of the year, affect, and Ariel (1987) called this monthly effect. This phenomenon is also known as a cycle because of the meaning of different period. Wachtel (1942) was the first to identify the

seasoned price cycle of stock in the NYSE. The investors seasonally observe the price change of stock about the return. Husain (1998) explores the seasonal pattern in equity market of Pakistan, the effect of Ramadhan month and found that major decline in stock return in the month of Ramadhan. This evidence shows that investor is heavily believed on seasoned price cycle (Welch, 1989), Seasonality base on fundamental and technical elements. Therefore, author retrieves that seasonality base on both fundamental or technical because fundamentally investor observe historical price can measure the price change of stock and the technically seasonal cycle. That why seasonality relies on both elements. It is necessary to find the explanatory power of variables suggested as causal variables in the seasonality. Smidt's (1968) study framework provides the systematic behavior of stock price especially most of the famous case is cited of the seasoned price cycle. In the line of same research, there are possible variables that help to explain the seasoned price cycle such as seasonal new issues, dividend, sale and earning (Schwert, 2003). Some variables are most important in explaining the seasoned price cycle. Information by the firm at the end of the year is one of the most important items in seasonality (Rozeff & Kinney, 1976). The researchers examine firm's information about the underlying stock that is available in the market (Bondt & Thaler, 1985). The second most cause variable in the seasonality is Tax-loss selling hypothesis; this element perceives the most important in the explanation of seasonality. Wachtel (1942) examine tax-loss selling hypothesis and prove that this cause makes a reason to influence the stock price behavior because often investor sell their losses stock at the end of the year to reduce the tax loss and this caused to depressed the stock price. Several researchers often consider the tax-motivated transaction for the explanation of seasonality and because of its popularity. Schultz (1985) examined the tax- loss selling hypothesis for the January effect and found an abnormal return in January with the explanation of tax consideration. Keim (1983); Roll (1983); Lakonishok and Smidt (1986) found that daily

return pattern of stock at the turn of the year is due to tax loss selling hypothesis. Jones, Pearce & Wilson (1987) failure to explain the loss-selling hypothesis in fact of January effect and argue that expect loss –selling hypothesis there are some nontax factors are affecting stock price behavior in January. Brown, Keim, Kleidon & Marsh, (1983) contrary the tax-loss hypothesis in explaining the example of Australia and Japan where the tax year differs from the calendar year, despite the investor, turn of the year return is similar to the U.S stock investors. It does not mean that this hypothesis is evidential prove to explain the seasonality return or seasonality price cycle. Many of the finance researchers consider the firm size in explaining the seasonality (Keim, 1983). Traditional finance theories do not support the firm size while behavioral finance analyzes the firm size and most of the researcher found and believe that small firm outperforms in January despite what the reason is. Jacobs and Levy (1989) shows that small firm gives an abnormal return as compared to a large firm in January. In the above stipulation, the author tries to explain the calendar anomalies with four major cause's variables information by the firm at the end of the year, seasoned price cycle, tax-loss selling, and small firm size. These are the most important elements to explain the seasonality. The seasonal stocks force the investor behavior to study the stock price. In the stock market the trading pattern at the turn of the year influenced by the tax-loss selling or buying, and further abnormal stock return around the turn of the year particularly from the small firm and these all variables are based on information from the firm at the end of the year.

2.9 Investment Performance

There are several investment theories that explain market trends and investor preferences when purchasing securities (Barber & Odean, 2011). Wall Street divided investing theory into two major camps. According to the efficient market theory, investors assume that the

stock price accurately represents all available information about the stock. Investors who subscribe to the "Inefficient Market Theory" contend that stock prices do not accurately reflect all available information and make an effort to explain market impact and behaviour contend that certain investor actions can affect company prices. An investor who opposed EMH defended the stock market's illogical pricing and utilised behavioural finance as a research to justify the irrationality. A framework was created by Sharpe, Treynor, and Jensen in 1964, 1965, and 1968 to evaluate the performance of investments in terms of risk and return. Sadly, these academics' frameworks fall short of fully assisting the investor in achieving the anticipated rate of return on his investment. Behavioral finance examines the many market and behavioural oddities that may either hurt or help investors make better investing decisions (Malkiel, Mullainathan & Stangle, 2005). Most of the opponent researcher of behavioral finance argue that bad performance of investment due to the irrationality of the investor but a supporter of the behavioral finance argue that investor perform their above expectation using their and market behavior. In the recent research behavioral finance, capture the attention of the researchers. Anderson, Henker, and Owen (2005) found in his study that investor who is investing with a high amount of transaction earns higher return rather than those who invest with a lower number of the transaction. Wang (2001) cited that moderate overconfidence can undergo and control the reasonable activeness further argue that under-overconfidence and high overconfidence do not exist for a long period in the stock market. Also, another researcher Anderson, Henker and Owen (2005) believe that investor who has intense trading behavior (overconfidence) could see better with the elevated result. The author found that individual and market behavior may help the investor to understand the market situation or it is may be helpful to better their investment performance. Performance reflected in profit maximization, maximizing return on asset, and maximizing the shareholder wealth. Therefore, everyone in the bullish market tried to get desired return

on his or her investment and want to feel satisfied with his or her investment decision. The effects of overconfidence on investment performance, as determined by investment return and trading experience, are examined by Oberlechner & Osler (2008). The researcher contends that the investment return rate is an objective measure of investment success, and trading experience determines how long an investor has been active in the stock market. Researchers discovered that overconfidence has no impact on investment performance. Based on return on investment, residual income, earnings per share, dividend yield, price/earnings ratio, sales growth, and market capitalization, Barbosa and Louri (2005) assessed the performance. Beyond this indicator, Bălan (2009) describe the modern value creation indicator in four major domain, accounting indicator (Net profit, EPS, operating profit, ROA, ROE), hybrid (financial and accounting) and financial (NPV) and market indicators (market value added, Total Shareholder return). Lin and Swanson (2003) calculated the three return criteria (raw returns, risk-adjusted returns, and momentum- adjusted returns) over a five-year period to determine the investment performance. They discovered that investors perform better in the near run and are somewhat driven by short- term market momentum rather than taking risks. Excellent performance only has a short-term effect that generates momentum. An investor may benefit from increased involvement in and exploitation of momentum strategies because the investor's buying behaviour spreads new information in the market, giving investors a good chance to make more money over the course of a day due to excess demand for previously successful stocks and excessive supply of previously unsuccessful stocks. Over the long and medium terms, excellent performance is

susceptible to disappearing. In conclusion, there are several ways to assess the success of investments. The results of many writers who utilised secondary data to gauge investment success are shown in the paragraph above. To assess the success of individual investors' investments, this study employed primary data. As a result, the

investment performance assessment adheres to Oberlechner and Osler's variable in the finance. Performance is very controversial issues in the finance because of the multidimensional meaning, so author follows some researcher to set the meaning of performance in the line of the stock market

3.0 Introduction

Research involves logical step by step process to find solutions for the problem. This process to reach to solutions explains the research methodology. Research methodology is an organized technique to identify a problem, gather reliable and valid data, perform analysis on by using various statistical tools such as research design, sampling methods, instrumentation, measurement etc to reach to a certain conclusion. Woody, C.(1927)has described the process of research as “Research comprises defining and redefining problems ,formulating hypothesis or suggested solutions, collecting ,organizing and evaluating data, making deductions and reaching conclusions and at last careful testing the conclusions to determine whether they fit the formulated hypothesis.” Research Methodology offers in depth details on research methods, approaches and designs used throughout the study, justifying the choice and practical applicability to the research.

RESEARCH METHODS

In this study, the questionnaire was distributed online and offline. The questionnaire is distributed online by filling out a self-administered questionnaire where respondents fill out the questionnaire independently.

Table 3.1 The Operational Definition of Variables

Variable	Definition	Item
Representativeness Bias	Representativeness heuristic bias occurs when the similarity of objects or events confuses people's thinking regarding the probability of an outcome.	Q17.Do You Feel That The Decision You Have Taken Will Definitely Make You Profit, Not A Loss? Q19.If Lost Continue I Don't Want To Buy Stock Ever
		Again

Loss Aversion Bias	Tversky & Kahneman (1979) introduce the concept of loss aversion; it refers to the way in which individuals feel the tendency of losses more than any gains, the individual has consciously individuals feel the tendency of losses more than any gains.	Q20. I Am Looking Forward My Next Opportunity To Invest After A Deep Fall In The Market. Q25. Suppose The Stock Of Abc Company Has Outperformed (Better) The Market For Past Several Years, Considering Its Past, This Stock Is Expected To Show Similar Performance In Future. Q27. You Think That Future Trend Of A Share Can Be Predicted On The Basis Of Their Past Price Movement.
Regret Aversion Bias	Regret aversion individuals behave emotionality in consideration of a change in stock price. When individuals have gained, stocks they sell quickly with considering that stock price will fall in future (Dodonova & Khoroshilov)	Q21. If Loss Happens In My Investment I Will Sell All My Stock To Avoid Future Loss. Q29. Your Attitude Towards A Stock Will Change If All Your Colleagues Starts Buying Or Selling That Stock.

Availability Bias	Heuristics are simple and efficient rules that overcome cognitive load. Tversky and Kahneman (1973) introduced the concept of availability heuristics, described as judging the frequency of classes or events based on recently available information	Q31. You would rather purchase local stocks than international stocks because the information of local stocks is more available. Q32. You regard the advice of your close friends and family as a trustworthy source for making investing decisions. Q33. When you are in the absence of pertinent information, you rely on the judgment of your social network.
Cognitive Dissonance	Tversky and Kahneman (1915) propose that human judgment relies on heuristics. Heuristics do not try to measure the intrinsic value of stocks. This behavior generates fundamental anomalies in the market.	Q36. Imagine That You Have Some Money to Invest and a Choice of Two Investment Products Which Option Would You Choose. Q38. What Percentage Of Your Income Do You Invest? Q39.1 Would Go For The Best Possible Return Even If There Were Risk Involved.
Mental Accounting	Mental accounting is an irrational step through which investors maintain a variety of mental accounts with	Q7. Before Making An Investment You Do A Risk Return Analysis.

	different goals. Statman (2002) argue that investors have multiple risk attitudes toward investment.	Q8. You Don't Sell A Losing Stock With The Hope That Stock Price Will Rise Again Q12. When I Consider Investments That Have An lement Of Risk I Feel Quite Nervousness Q26. You purchase hottest stocks and steer clear of those that have recently underperformed. Q30.I Am Looking For High Investment Growth I Am Willing To Accept The Possibility of Greater Losses To Achieve This Q34. At Which Rate Do You Want Your Investment To Grow?
Herd behavior	The actions of a herd consist of individuals in a group acting collectively without centralized direction. Both humans and other animals exhibit herd behavior, such as fish schools, bird flocks, herds, and packs.	Q9. While Making An investment Decision You Consider Potential Gain As The Most Important Aspect. Q10. My Own Skills And Understanding Have Made My Future Investment Successful. Q11. You Are Likely To Buy The Stocks That Have High Trading
		Volumes. 022. Do You Invest Based On Expert's Predietor (Analyst). Q28. You have faith that your abilities and expertise will enable you to surpass (exceed) the competition. Q35. At What Particular Time Do You Invest?
Anchoring	Anchoring - the tendency to lmake decisions & decisions relying	Q13. You Feel Happy When Your Investment Starts Making Profit. Q14. You Avoid Selling Shares If

	heavily on a common reference (anchor) that may be incomplete or unrelated.	Their Value Comes Down. Q15. You Feel Remorseful If You Miss The Chance To Purchase Or Sell A Share. Q16. You Generally Do As The Majority Of Investors Do When You Don't Have Information About A Stock Q18: Do You Think Your Bad Decision Caused Your Stock Market Loss?
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3.1.1 Need of the Study

Behavioral finance serves several important purposes and addresses key limitations of traditional finance theory. Here are some of the primary needs and benefits of behavioral finance:

Traditional finance theory assumes that investors are rational and make decisions based on all available information. However, behavioral finance recognizes that investors are subject to cognitive biases, emotions, and irrational behavior, which can lead to deviations from rational decision-making. By understanding these behavioral biases and heuristics, behavioral finance provides insights into investor behavior and decision-making processes. Behavioral finance helps explain various market anomalies and deviations from traditional finance theories, such as the momentum effect, value effect, and overreaction/underreaction to news and information. These anomalies challenge the efficient market hypothesis and highlight the role of psychological factors in driving market inefficiencies and price dynamics. Behavioral finance offers practical insights and tools for improving investment decision-making. By recognizing common behavioral biases, investors can make more informed decisions, manage risk effectively, and avoid costly mistakes. Financial advisors can incorporate behavioral insights into their advisory practices to better understand clients' needs, preferences, and behavioral biases. While traditional finance theory assumes that markets are efficient and prices reflect all

available information, behavioral finance recognizes that markets are not always perfectly efficient due to investor irrationality and behavioral biases. By understanding these behavioral inefficiencies, policymakers and regulators can design interventions to enhance market transparency, investor protection, and market stability. Behavioral finance helps identify and address systemic risks stemming from collective investor behavior, such as herding behavior, market bubbles, and contagion effects. By studying the psychological factors driving market dynamics, policymakers can develop measures to mitigate the impact of irrational exuberance, panic selling, and speculative bubbles on financial markets and the broader economy. Behavioral finance offers valuable insights for personal finance and wealth management. By understanding individuals' behavioral biases and risk preferences, financial planners can develop customized financial plans that align with clients' goals, values, and risk tolerances. Behavioral finance also informs strategies for retirement planning, asset allocation, and investment management. Behavioral finance continues to drive academic research and scholarship in finance, economics, psychology, and related fields. By integrating insights from psychology and behavioral economics into finance theory, researchers can develop more robust models of investor behavior, market dynamics, and asset pricing, contributing to a deeper understanding of financial markets and their implications for individuals, businesses, and societies.

3.1.2 Research Gap

Identifying specific gaps in the field of behavioral finance in Lucknow, or any other location, would require a detailed analysis of the local financial landscape, academic research, and industry practices. However, I can provide some general perspectives on potential gaps and opportunities for the development of behavioral finance in Lucknow or any similar region:

- There may be a need for more academic research and educational programs focused on behavioral finance in Lucknow. Universities, colleges, and research institutions could offer courses, seminars, and workshops to students and professionals interested in learning about behavioral biases, decision-making heuristics, and their implications for financial markets.
- There may be a lack of awareness and understanding of behavioral finance concepts among investors and the general public in Lucknow. Initiatives aimed at promoting financial literacy and investor education could help bridge this gap by raising awareness of common behavioral biases, improving decision-making skills, and empowering individuals to make more informed financial choices.
- Financial advisors and wealth managers in Lucknow could enhance their advisory services by integrating behavioral finance principles into their practice. By understanding clients' behavioral biases, risk preferences, and financial goals, advisors can offer tailored investment advice and behavioral coaching to help clients achieve better outcomes and avoid common behavioral pitfalls.
- There may be opportunities to enhance the regulatory framework governing financial markets in Lucknow to better address behavioral biases and protect investors. Regulators could consider implementing measures to promote transparency, disclosure, and consumer protection, as well as initiatives to combat fraudulent practices and market manipulation that exploit behavioral biases.
- Collaboration among industry stakeholders, including financial institutions, regulatory bodies, academic institutions, and professional associations, could facilitate the development and adoption of behavioral finance practices in Lucknow. By working together, stakeholders can share knowledge, best practices, and resources to advance the understanding and application of behavioral finance in the local financial ecosystem.

- There may be opportunities for academic researchers, practitioners, and policymakers in Lucknow to collaborate on research projects addressing specific behavioral finance topics relevant to the region. Research areas could include investor behavior, market anomalies, the impact of cultural factors on decision-making, and strategies for promoting financial well-being among different demographic groups.

Overall, addressing gaps in behavioral finance in Lucknow requires a multi-faceted approach involving education, research, industry collaboration, and regulatory initiatives to promote a better understanding of human behavior in financial decision-making and improve outcomes for investors and society as a whole.

3.1.3 Objectives of the Study

The present study was a focus on the objectives as follows:

1. To study the investment strategies used by Individual Investor in Indian Stock Market.
2. To study the relation of Herding, Representative bias, Regret Aversion, Anchoring Behavior with the Investment Decisions.
3. To study the relation of Herding, Representative bias, Regret Aversion, Anchoring Behavior with Risk Tolerance of Investors.
4. To study the relationship between Herd behavioral and other behavioral biases.

3.2.4 Hypotheses of the Study

1. H01 there is no significant relationship between demographic profile and investor performance
2. H02: There is no significant relationship b/w Herd Behaviour & other Biases

a) H1: There is a significant relationship b/w Herd Behaviour & Representative Bias.

b) H2: There is a significant relationship b/w Herd Behaviour & Regret Bias.

c) H3: There is a significant relationship b/w Herd Behaviour & Anchoring Bias.

d) H4: There is a significant relationship b/w Herd Behaviour & Mental Accounting.

e) H5: There is a significant relationship b/w Herd Behaviour & Loss Aversion Bias.

f) H6: There is a significant relationship b/w Herd Behaviour & Availability Bias.

g) H7: There is a significant relationship b/w Herd Behaviour & Cognitive Dissonance.

3. H03 There is significant relationship between Rationality and irrationality of individual investor in the Indian financial market

4. H04 There is no significant relationship between investment strategies and investor behavior.

3.3 Study Variables

The goal of this research is to examine the relationship between investors' risk tolerance and investment decisions and their behavioral biases, personality traits, emotional intelligence, and demographic attributes. Two sets of variables—dependent and independent variables—were used in the investigation. They are described in further detail below: Behavioral biases, personality traits, emotional intelligence, and demographic attributes are independent variables. Dependent variables: Investor Investment Decisions and Risk Tolerance. Mediating factor: Tolerance for Risk The third objective was examining the relationship between risk tolerance and investment decisions, wherein risk tolerance was

considered the independent variable and investment decisions were considered the dependent variable. The questionnaire for this study consisted of seven questions. The first query has to do with choosing investments. The second question deals with investing strategy, the third with personality qualities, the fourth with behavioral biases, the fifth with risk tolerance, the sixth with the investors' emotional intelligence, and the seventh with the investors' demographic characteristics. a. The demographic characteristics of the respondents, such as age, marital status, income, gender, and education, were gathered using a nominal data scale. b. The Big Five Inventory (BFI) standardised scale, a 44-item, five-point Likert scale that is valid and dependable and assesses individual attributes along the Big Five Personality factors:

conscientiousness, agreeableness, extraversion, neuroticism, and openness to experience. John and others (1991), Myers (1998) c. The validated and dependable 50-item, five-point Likert scale for emotional intelligence (Goleman, 2001) assesses the following 41 components: empathy, self-awareness, motivation, emotion management, and social skills. d. (Chin, 2012) provided the standardized behavioral biases measure which has been verified and proven That 24-item, five-point Likert scale is used to assess a person's behavioral traits, such as conservatism, overconfidence, remorse, and herding behavior. e. The trustworthy and proven standardized scale for investment decisions was also used. 5-item Likert scale Additionally, investment decisions were made using a 5-item Likert scale that is trustworthy and validated. Hameed (2012)) f. Additionally, the validated and dependable 9-item Likert scale for risk tolerance was used (Gananasekar and Arul, 2013).

3.4.Sampling Technique

The method of purposeful sampling was applied. Purposive sampling, a non-probability sampling technique, is when the researcher uses their judgment to choose study components.

3.4.1

3.4.2 Data Sources

Primary and secondary sources were used to gather the data. The structured questionnaire was used to get primary data from stock market investors, while other sources such as books, journals, and websites were used to gather secondary data.

3.5 Research Paradigm

As for positivism approach, it depicts that reality exists objectively out there (Blumberg & Cooper, 2005). Saunders (2011) introduces the scientific method to testing the hypothesis postulate with existing theories to get knowledge about the social entities. The objectives of positivism approaches are to introduce general law from behavior prediction (Fisher, 2010), which is reliable with the aim of understanding the investor's behaviors. Researchers are independent of research and can be purely objective.

This study presents scientific realism paradigm because adopted the quantitative approach, using the survey techniques to collect data on the twelve variables proposed in the research model (Figure 3.1 and 3.2). Scientific realism based on the assumption of positivism; yet it seems approximate reality rather than actual reality (Weston, 1992). Further, Schrag, (1992) define that positivism means different thing to different people. Therefore, scientific realism follows an imperfect truth that is nearly perceivable and reasonable. Providing results that are possibly true (Hunt, 1991). Thus. Positivism considers the best approach for this study. Many research articles rely on positivism assumptions but follow the reality as social constructs, analyze by subject based on their involvement in events (Lincoln, Lynham, & Guba. 2011). These assumptions are considered essential because such reality can be measured objectively, but not all constructs can be empirically observed. This study involves analyzing the effect of heuristics and prospect on market anomalies: (fundamental analyzing the effect of heuristics and prospect on market anomalies: (fundamental, technical and calendar anomalies) and on investment performance.

To ensure this objective proper and well-organized step has been followed.

In this research to analyze the proposed research model, survey method considers a best one. In positivism approach, mostly survey method was used but also in interpretive research. The reasons to se survey, it determines the true value of variables and strength of relationship among variables (Newsted, Huff & Munro, 1998). Also, analyzed the survey methods explain the validity of the proposed variables in the research model. Further, most suitable analysis can be applied to these scales or numbers to analyze the postulate hypotheses and confirm the conceptualized research model. Behavioral finance provides a mechanism, which helps us to understand the investor and market behavior in natural context meanwhile investors and market can still be measured as contemporary events. Next, the theoretical background of market anomalies has not yet strongly established or empirically validated. Therefore, the main objectives of this study are to investigate whether or not market anomalies measure the individual investment performance. If so, how this anomaly explains the investor's behavior toward the investment performance. in the field of behavioral finance-such as behavior and attitudes of individual and market. It shows that many studies in this filed contradict the original positivism paradigm. In the present study, the fundamental, technical and calendar anomalies are unobservable construct toward investment performance are analyzed. Therefore, scientific realism is best suitable for this research.

3.5.1 Research Design

Four broad categories can be used to group the research designs: explanatory, descriptive, diagnostic, and experimental or causal. The data for this study were collected and analyzed using a descriptive research approach. The goal of descriptive research is to characterize and describe the current behavior of a sample

population. It merely takes the observer's point of view and makes inferences from it.

3.5.2 Sampling Design

Sampling design is a precise strategy for selecting representative samples from a given population. The population, sample size, and employed analysis method all influence the choice of sampling design.

3.5.3 Universe

The term "target population" or "universe" describes the whole set of individuals or thing from which a sample is to be taken. The researcher's set sampling parameters specify that this community has few shared characteristics. The retail investors from Lucknow City who invest in equity shares, bonds, debentures, mutual funds, and other securities make up the universe in the current study.

3.5.4 Sampling Element

A sampling element is one unit taken from the target population. In this study, retail equity investors are regarded as a sampling component.

3.5.5 Sample Size

A sample is a subset of the population that was selected for the study, either as individuals or as objects. A sample size that is carefully chosen aids in producing a population representation that is accurate. There are 546 retail investors in Lucknow City that make up the sample.

3.5.6 Sampling Method / Sampling Technique

Purposive sampling, also known as non-probability judgmental sampling, was used in this study to choose solely Lucknow City residents who are retail investors.

3.5.7 Sample Size Determination

To determine the sample size for a study in Lucknow with 546 data points, need to consider several factors including the confidence level, margin of error, and population variability.

When the population is infinite, Cochran, W. G. (1977) devised the formula $n = \frac{Z^2 pq}{e^2}$

Thus, the derived sample size is calculated below.

$$n = (1.96)^2 \times .025 \times .975 / (.05)^2$$

$$n = 37.45 \cong 38$$

3.6 Independent Variables

3.6.1 Mental Accounting

Mental accounting is an irrational step through which investors maintain a variety of mental account with different goals. Statman (2002) argue that investors have multiple risk attitudes toward investment. They set their references to point to a different mental account with a different objective. Follow to mental accounting investors accomplish their risk attitude on the goal-bygoal basis (Nevins, 2004). In prospect theory, mental accounting investors set their frame with a focus on mental account to achieve specific goal or objectives. Pompian (2011) explains that if investors goal is to preserve wealth, then they tend to focus on growth companies. Therefore mental accounting victim investors ignore many of underlying stock fundamentals. Because of their goal based investment (preserve wealth), insist them to focus on dividend paid companies. Grinblatt and Han (2005) predict that disposition effect driven by PT/MA; create dispersion between a stock's intrinsic value and its equilibrium and seen momentum in stock price. Therefore, mental accounting investors focus on price change of stock with their goal set by with specific mental account. Investors consider the different mental account with a goal by goal and ignore the connection between investment possibilities. Mental accounting

insists the investors ignore the stock fundamentals and irrationality leads to consider the change in stock price carefully. Thus, the above stipulations suggest the following hypothesis.

07. Before Making An Investment You Do A Risk Return Analysis.

08. You Don't Sell A Losing Stock With The Hope That Stock Price Will Rise Again

Q12. I get really anxious when I think of making investments that include some risk. Q26: You Purchase Hot Stocks and Steer Clear of Stocks That Have Recently

Underperformed

Q30: I Want My Investments to Grow Fast To do this, I'm willing to accept the possibility of suffering bigger losses. Q34. At Which Rate Do You Want Your Investment To Grow?

3.6.2 Herd behavior

Herd behavior in behavioral finance refers to the tendency of individuals to follow the actions or decisions of a larger group, often without critically evaluating the information or rationale behind those actions. It's a phenomenon where people mimic the behavior of others, driven by emotions, social pressures, or a desire to conform, rather than making independent decisions based on rational analysis or information. Herd behavior can lead to market inefficiencies and irrational price movements, as asset prices may deviate from their fundamental values when driven by mass sentiment rather than objective analysis. It can also create opportunities for contrarian investors who go against the herd and capitalize on mispriced assets.

Q9. While Making An investment Decision You Consider Potential Gain As The Most Important Aspect. Q10. My Own Skills And Understanding Have Made My Future Investment Successful.

Q11. You Are Likely To Buy The Stocks That Have High Trading Volumes.

022. Do You Invest Based On Expert's Prediction (Analyst).

Q28. You are sure that your knowledge and abilities will enable you to outperform (better) the competition.

Q35. At What Particular Time Do You Invest?

3.6.3 Anchoring Bias

Anchoring bias is a cognitive bias that causes us to rely too heavily on the first piece of information we are given about a topic. When we are setting plans or making estimates about something, we interpret newer information from the reference point of our anchor, instead of seeing it objectively. This can skew our judgment, and prevent us from updating our plans or predictions as much as we should.

Q13. You Get Joy When Your Investment Begins to Yield Profits. Q14: You Don't Sell Shares If Their Value Drops.

Q15. When an opportunity presents itself, you regret not being able to purchase or sell a share.

Q16: Generally, you do as the majority of investors do when you don't have access to stock information.

Q18. You Feel That Your Loss In The Stock Market Was Due To Your Wrong Decision?

3.6.4 Representativeness Bias

Representativeness bias is a cognitive bias identified in behavioral finance and psychology. It refers to the tendency of individuals to make judgments or decisions based on how closely something resembles a typical example or prototype, rather than considering relevant base rate information or statistical probabilities. In other words, people often rely too heavily on the perceived similarity of an event or situation to past experiences or stereotypes, rather than objectively assessing the likelihood of the event occurring.

Q17. Do You Feel That The Decision You Have Taken Will Definitely Make You Profit, Not A Loss?

Q19.If Lost Continue I Don't Want To Buy Stock Ever Again

3.6.5 Loss Aversion Bias

Tversky & Kahneman (1979) introduce the concept of loss aversion; it refers to the way in which individuals feel the tendency of losses more than any gains, the individual has consciously individuals feel the tendency of losses more than any gains. The individual has consciously avoided the losses and focusing on the sure gain. Individual sell their winner stock and hold onto the loss-making stock (Weber & Camerer, 1998). They sell their winner stock because they do not lose the sure gain and hold the losing stock because they are not ready to accept the loss. Furthermore, Individual investors are investing in small capitalization stocks because they perceived that it consist growth stock (Bauman, Conover, & Miller, 1998) that will give a sure higher return. Branch & Chang. (1990) found that lower price stock shows poor performance in December were likely to recover in January. Therefore, individual investors sell their losing stock at the end of the year (December) to take advantage of tax-losses (Schultz, 1985), and also these investors buy back their stock in January with the intention that they get a sure gain on their stock which buys back in January. Loss aversion implying individual investors under the condition of uncertainty or risk, making people more sensitive to losses than acquiring gain, therefore the sure gain in January make the individuals more risk averse. In next, loss aversion (Tversky & Kahneman, 1979) individuals focus on the seasonality of stock (Wachtel, 1942) because of sensitivity or risk is associated with securities. Individual set their reference point based on gain and loss. Prospect theory explains that individual set their risk preference in S shaped which describes that individual is loss aversion (Tversky & Kahneman, 1979). Institutional investors because of their lack of liquidity do not capture small Cap firms while individuals are focusing on the small cap firm. Thus, to invest in small Cap firms and selling the losses stock in December to save the tax and buy back in January with the aim to get sure higher

return all these attributes address by the individual prospect and here prospect describes the tendency that investors are consciously avoiding the loss and taking advantage of gains. Such as Grinblat and Keloharju (2001) model predicts that individuals are reluctant to realize losses because they are pursue the tax loss selling trading. Thus, Individuals are loss aversion in the sense of calendar anomalies. The explanation addresses the following hypothesis:

Q20. I Am Looking Forward My Next Opportunity To Invest After A Deep Fall In The Market.

Q25. Suppose The Stock Of Abc Company Has Outperformed (Better) The Market For Past Several Years, Considering Its Past, This Stock Is Expected To Show Similar Performance In Future.

3.6.6 Regret Aversion Bias

People are exhibiting the regret aversion when they make the wrong choice or do a wrong action and when they miss the opportunities (Ackoff, 1994). Regret aversion individuals behave emotionality in consideration of a change in stock price. When individuals have gained, stocks they sell quickly with considering that stock price will fall in future (Dodonova & Khoroshilov, 2005). They do it to avoid regret in the future. In contrast, they hold losing stock with the hope that stock price will go up. They do not feel regret that they make the wrong decision. In both situations, individuals assume expected stock price will mean reversion. Individuals considering the stock price change due to their irrational behavior. In extent, regret-averse individuals prefer to invest in good [glamour] companies because they perceive that riskier companies demand critical thinking decision-making (Pompian, 2011). Thus if the investment fails; they feel regret to their wrong decision. Individuals feel too soon because realizing the loss more tendency rather realizing the gains. Singh. (2012) found that regret aversion is the cause to deviate the market price from it fundamental values. Shefrin & Statman, (1985) model predicts that individuals prefer

cash dividend paid companies because of regret. Therefore, the study Suggested the following hypothesis

Q21. If Loss Happens In My Investment I Will Sell All My Stock To Avoid Future Loss.

3.6.7 Availability Bias

Heuristics are simple and efficient rules that overcome cognitive load. Tversky and Kahneman (1973) introduced the concept of availability heuristics, described as judging the frequency of classes or events based on recently available information or ease of recall about a particular event and frequency of experiences with the related events. By using the availability heuristic, investors can overestimate the probability easily remembered for reasons unrelated to frequency (Rcad & Grushka-Cockayne, 2011). Barber and Odean (2008) argue investors pick stocks that capture their attention. This pattern forces them to look for popular growth stocks rather than value stocks. Many investors areunaware of value investing strategies (Pompian, 2011) because their attention is directed toward growth investing funds; this attention generates fundamental. Popular stocks do not provide investors with average returns on their investments over the long term (Barberis, Shleifer & Vishny, 1998)

People are exhibiting the regret aversion when they make the wrong choice or do a wrong action suggest that investors use logic decisions; they sometimes base their decisions on mental shortcuts (Shefrin, 2000). Tversky and Kahneman(1973) introduce the heuristic of availability to describe how easily things come to mind Investors (Wawer, Munyoki, & Uliana, 2008) Therefore, most investors use past prices and volumes as factors for selecting stocks (Kirkpatrick II & Dahlquist, 2010) and use technical analysis to predict future prices. There are several methods for analyzing the future direction of prices using technical analysis. such as moving averages, stochastic oscillators, RSI oscillators, and MACD (Shen & Loh, 2004). Method selection depends on investor

preferences (Waweru, Munyoki, & Uliana, 2008). The efficient market hypothesis contradicts technical analysis; these are technical anomalies. Therefore, investors behave irrationally in the market, leading to mispricing and market inefficiency. Technical analysis uses past price and volume information to predict stock returns (Mizrach & Weert, 2009a). In the presence of availability, investors collect information about past prices and volumes to make investment decisions. Stearns (1977) states historical data are not reliable enough to conclude. Therefore, in technical analysis, investors use historical data and do not try to measure the intrinsic value of stocks. This behavior generates fundamental anomalies

3.6.8 Mental Accounting

Mental accounting is a significant construct prospect factors. In mental accounting, investors treat sum of money differently because of their different sources (Thaler, 1980) In mental accounting, individual changes their objectives on investment according to with the circumstances that they face, this concept called framing. Author consider an important concept explain the mental accounting. Mental accounting provides a reference point to the individual to determine the gain and loss for a different account (Grinblatt & Han, 2005) Investors often take some risk to achieve their desired return on their investment. Therefore, this construct is important in a prospect list. This study for measuring the mental accounting follows the work of Waweru, Munyoki, & Uliana, (2008) and Nevins, (2004). Thus, the point of views suggests the construction of mental accounting that was studied in reflective mode with three items presented in Table 3.7.

3.6.9 Cognitive Bias

Tversky and Kahneman (1915) propose that human judgment relies on heuristics. Heuristics do not try to measure the intrinsic value of stocks. This behavior generates fundamental anomalies in the market. Therefore, hypothesize:

Q36. Imagine That You Have Some Money to Invest and a Choice of Two Investment Products Which Option Would You Choose.

Q38. What Percentage Or Your Income Do You Invest?

Q39.1 Would Go For The Best Possible Return Even If There Were Risk Involved.

3.7 Measurement Development

Most of the identified constructs in the study were developed with the help of existing researchers, and a few constructs are operationalized that had not been studied in previous researches. In previous researches, these constructs are measured to explain the reason to anomalies in the stock market. but this study implies that is it represented by investor's behavior. Some operationalization was made to the original measures to suit the measure

.These constructs were guided by the aims of ensuring that questions were not unclear, did not possess interpersonal attractiveness at the level of the item and easily interpreted by the subjects (Podsakoff, MacKenzie, Lec & Podsakoff, 2003). In this study, market anomalies variables used as mediator to measure the investment performance, and it was conceptualized as a primary instrument. This approach was used to find that how market anomalies represent, heuristics and prospect factors are used that are deemed important for investors forming market anomalies and influences the investment performance. Heuristics factors included overconfidence, representativeness, anchoring, and availability. Prospect factors included loss aversion, mental accounting, regret aversion, and self-control. These common behavioral factors are used in this study. Explanation of these factors is in the following subsections. A careful approach was carried out to operationalize and classify the market indicators into three classes as fundamental, technical and seasonality. Specifically, market indicators have a long list of the research. Therefore, this study classifies into three classes named fundamental, technical and seasonality (calendar) anomalies for measuring the investment performance. Also,

heuristics and prospect factors used as perceptual antecedents of market anomalies to capture the behavior of investors toward their investment performance. Chapter 3 discusses the perceptual antecedents constructs included in the research model such heuristics and prospect and investment performance discuss as outcome variables

3.7.1 Overconfidence

It has dimensions only three items are considered to measures the investor's behavior toward the market. The selected dimension was followed by the work of Adetiloye and Babaji de (2012), measured using five point Likert scales with one representing-strongly disagree,I and five present strongly agree. The pre-test shows that some items of overconfidence measures should be deleted. The overconfidence measure consists total five items among two are deleted. The items list is present in table 3.1. This construct is in a reflective mode.

Table 3.1

Overconfidence Measures

Scale: 1-Strongly Disagree to 5-Strongly Agree

OCi You trade excessively in the stock market because you are sure of what step to take at all times to increase the worth of your investment.

3.7.2 Representativeness

Representativeness is three items observed heuristics to evaluate the investor's behavior toward the market conditions. This study follows the work of Waweru, Munyoki, & Uliana, (2008). Representativeness was studied in many domains, Waweru, Munyoki. & Uliana, (2008) studied these context of measuring the investment performance of individuals. Kahneman and Tversky (1972) argue that individual's investor cling those stocks that are more representative of the evidence. Regarding investment

performance of individual representativeness heuristic, consider investment decisions. The investors who consider select hot stock to avoid past poor performed stock and used trend analysis to select a stock. All these attribute maybe found. common in individual investors.

Table 3.2

Representativeness Measures

Scale: 1-Strongly Disagree to 5-Strongly Agree

RE1 Do you buy a stock that represents desirable qualities?

RE2 You only depend on selective and limited informational source when investing

3.7.3 Anchoring

The third dimension of heuristics is anchoring. Most measurements of anchoring were adopted from previous studies; This research follows the work of Waweru. Munyoki. & Uliana, (2008) and Adetiloye and Babaji de (2012), The notion of anchoring allows the individual investors to estimate by starting from an initial value (Kahenman & Tversky, 1972). For instance, an individual with anchoring rely on previous experience for next investment; they used previous experience as an anchor. Further, they forecast change in stock price. Its dimension is studied in many domains such as general knowledge (Blankenship, Wegener, Pety, Derweiler-Bedell & Macy, 2008) purchasing decision (Ariely, Loewenstein & Prelec, 2003)and negotiation (Galinsky & Mussweiler, 2001) but this study adopted in the domain of investment performance. The measure of this construct for this study is present in table 3.3. This construct is in a reflective mode.

Table 3.3

Anchoring Measures

Scale: 1-Strongly Disagree to 5-Strongly Agree

ANHORI For your future investment, you base it on your prior market experiences. ANCHOR2 Based on recent stock prices, you project future changes in stock prices.

3.7.4 Availability

Availability is the final construct of heuristics. It allows individuals to judge the frequency of class or event based on recently available information (Pompian, 2011). Availability is considered important investors behavior factor is influencing. and Adetiloye and Babaji de (2012). Waweru, Munyoki, & Uliana, (2008) argue that investors prefer to buy local stocks than international stock because of information of local stock are more easily available. In Some extent, investors consider and relative as the reference for his investment. Pompian, (2011) studied that individuals rely on the social network when lacking relevant information. Al the above views lead to the construction of availability measure as presented in Table 3.4. This construct is in a reflective mode.

Table 3.4

Availability Measures

Scale: 1-Strongly Disagree to

5-Strongly Agree

AVAIL1: You rely on the advice of your close friends and family members while making investing decisions.

AVAIL2: In the absence of pertinent knowledge, you rely on the judgment of your social network.

AVAIL3: You would rather purchase equities on days when the KSE-100 Index's value rises. AVAIL4: You would rather sell equities on days when the KSE-10 Index's value declines.

3.7.5 Loss Aversion

Loss aversion firstly introduced that investor's tendency to feel the loss more than two and a half time greater than a loss. Adetiloye and Babaji de (2012) found that loss aversion has a significant impact on security market performance. Next, Waweru, Munyoki, & Uliana, (2008) also find that loss aversion has performance. Investors feel happy to avoid the loss rather than to make a gain. Therefore, loss aversion is the important construct in prospect factors. For preparing the construct, this study follows the work of Adetiloye and Babaji de (2012). the construction of loss aversion. This construct is in a reflective mode. Items are presented in Table 3.5.

Table 3.5

3.7.6 Loss Aversion Measures

Scale: 1-Strongly Disagree to 5-Strongly Agree

LA1 Sometimes your fear of losing your investment overwhelms you, causing you to sell your security before you're mature. LA2 You would rather recover your investment at equilibrium now than have to wait for an unknown

LA3 For as long as it takes to recoup from the short falls on your loss-making stocks, you hang onto them.

LA4 You become more risk apprehensive following a previous loss. LA5 You become more risk-taking than normal after a previous gain.

3.8 Regret Aversion

Investors are normal they face sadness, shame, embracement so with these factors sometimes they are regret aversion. For example selecting a particular alternative among choices can have a tremendous impact on whether the choices are regret (Thaler, 1980). Most of the investors who have suffered losses in the past are more regret in future investment decision (Pompian, 2011).

Similarly, if a stock is losing its value. then investor with regret aversion hold losing stock too long and try to sell (Waweru, Munyoki, & Uliana, 2008). The measure of this construct follows the work of Waweru, Munyoki. & Uliana. (2008). Adetiloye. and Babaji de (2012). Therefore. this study measures the Uliana, (2008), Adetiloye, and Babaji de (2012). Therefore, this study measures the construct of regret aversion in a reflective mode using the three items presented in Table 3.6.

Table 3.6

3.6.2 Regret Aversion Measures

Scale: 1-Strongly Disagree to 5-Strongly Agree

RA1 You steer clear of selling shares whose value has dropped. RA2 You are willing to sell a share that has appreciated more quickly. RA3 It is more painful to retain losing equities for an extended period of time than it is to sell winning stocks too soon.

RA4 You regret not selling/ buying a certain stock.

Table 3.8.7

3.6.3 Mental Accounting Measures

Scale: 1-Strongly Disagree to 5-Strongly Agree

MA1 You typically handle every component of your investing portfolio independently. MA2: You fail to see the link between investing opportunities. MA3 You fail to see how investing opportunities are related. Do you use goal-by-goal risk management to keep several investing accounts open?

MA4 To what extent you are willing to spend more money on stock purchasing with margin account as compared to cash.

3.6.4 Self-Control

Self-control is the final construct of prospect factors. Such as, Shefrin & Statman (1985) studied the self-control as the element of

prospect factors. Goleman (1998) defines the ability to the person to accept the change his own decision. Ameriks, Caplin, Leahy, and Tyler (2004) did the influential study; they identify that individual difference in self-control

Table 3.8

3.7 Self-Control Measures

Scale: 1-Strongly Disagree to 5-Strongly Agree

SC1 You don't always act as trustworthy or consistent as you ought to. SC2 To what degree do you consistently struggle with organization? SC3 You frequently feel that you act or talk too hastily and without considering the ramifications.

SC4 You frequently arrive for appointments late. SC5 You tend to steer clear of situations that need for careful consideration of a given issue.

SC6: You dislike having to think a much.

3.8 Prospect Factors toward Stock Market Anomalies

Four-prospect factor loss aversion (Kahneman & Tversky, 1972), regret aversion (Loomes & Sugden, 1982), mental accounting (Thaler, 1980) and self-control (Shefrin & Thaler, 1977). These all factors are measured with five points Likert scale with one strongly disagree, and five strongly agree. Using the five, point Likert scales for all construct facilitate the investor to easily.

3.9 Stock Market Anomalies toward Investment

The stock market is conceptualized into three dimensions: fundamental, technical and calendar anomalies as discussed earlier. These dimensions items were operational zed with the help of existing literature as a formative indicator. In summary, stock market anomalies analyze response was measured by four heuristics and four prospect construct with three items each. These heuristics and prospect factors are conceptualized as antecedents measurements were developing with the existing literature, but

some are conceptualized. Finally, this study conceptualizes one behavioral outcome construct included investment performance. After the development of measurements, administrated on the different period market to collect the data. This study involves the real investor's behavior, finally analyze their satisfaction toward their investment.

3.10 Data Analysis

After gathering all the data, it was entered into the Statistical Package for Social Science (SPSS). SPSS and the Excel Package for Social Science were used to analyze the data (SPSS). Multiple regression and correlation analysis, together with an SPSS process macro developed by Andrew F. Hayes, were employed in conjunction with Excel and SPSS to evaluate the data. Descriptive statistics have been employed to examine the fundamental

traits of investors as well as their investment techniques. It is displayed using mean, percentages, and frequency. Therefore, we make use of these statistics to analyze the investor results based on the questionnaire. Both the reader and the researcher are given a clear image by it. The relationship between investors' risk tolerance and behavioral biases, personality traits, emotional intelligence, and demographic attributes has been examined using multiple regression statistics. This statistical method assesses the relationship between the dependent variable and two or more independent variables. The relationship between investor investment decisions and behavioral biases, personality traits, emotional intelligence, and demographic attributes has been examined using multiple regression statistics. These several independent factors (personality traits, demographic attributes) are unrelated to one another. Behavioral biases and emotional intelligence). The relationship between investors' risk tolerance and their investment decisions has been examined using correlation statistics. This methodology focuses on examining the linear relationship between two metric variables. In order to determine whether risk tolerance functions as

a mediator between the investors' personality traits, emotional intelligence, demographic attributes, and behavioral biases and their investing decisions, Andrew F. Hayes' Process Macro approach has been sent. This method uses a mediator to define how an independent variable affects a dependent variable.

3.11 Reliability and Validity

3.11.1 Reliability

Reliability and validity are both fundamental concepts in psychometrics, which is the field of study concerned with the theory and techniques of psychological measurement. While reliability and validity are closely related, they represent distinct aspects of measurement quality. Reliability refers to the consistency, stability, or repeatability of measurements. A

reliable measurement tool should produce consistent results when administered under consistent conditions and should yield similar scores for the same individuals or objects across different occasions or raters. In other words, if a measurement is reliable, it should produce similar results over time, across different observers, or across different parts of the measurement instrument. reliability is a prerequisite for validity. A measurement instrument must be reliable to be valid. If a measurement is not reliable, it cannot be valid because it is not consistently measuring the construct of interest. Therefore, while reliability ensures consistent measurement, validity ensures accurate measurement. Both reliability and validity are essential for ensuring the quality and usefulness of psychological measurement instruments. (Leedy and Ormrod, 2001; Hair et al., 2008; Hair et al., 2013). Internal consistency This assesses the extent to which different items within the same scale or instrument measure the same underlying construct. Common measures of internal consistency include Cronbach's alpha and split-half reliability. This evaluates the stability of measurements over time by administering the same test to the same group of individuals on two separate occasions and assessing the

correlation between the scores obtained at each time point. To validate the validity of the data gathered, a pilot study with 50 investors, or one-tenth of the sample size, was conducted. The widely used technique for evaluating internal consistency is Cronbach alpha (Churchill, 1979; Peter, 1981). The internal consistency is higher if the Cronbach's alpha value is nearer 1. Reliabilities below 0.70 typically signify an inadequate approximation of observed variance. In this study, Cronbach's alpha has been used to evaluate the reliability of the different constructs. Every construct has Cronbach's alpha values that are higher than the 0.70 threshold.

3.11.2 Validity

on the other hand, refers to the extent to which a measurement tool accurately measures the construct or trait it is intended to measure. In other words, validity concerns whether the measurement is measuring what it claims to measure. This assesses the extent to which the items or questions in a measurement instrument adequately represent the entire domain of interest. Content validity is often established through expert judgment and review. This evaluates the degree to which scores on a measurement instrument are related to some external criterion or standard. Criterion-related validity can be further divided into concurrent validity (where the criterion and the measure are assessed at the same time) and predictive validity (where the measure predicts future performance or behavior). For this study, ten academic experts have evaluated the validity of the questionnaire. The academic specialists are all from the fields of management and research. We personally called each expert to ask them to review and recommend any changes to the questionnaire.

3.12 Limitations of the Study

When studying behavioral finance in a specific city like Lucknow, several unique limitations and challenges may arise:

- Availability of relevant financial data specific to Lucknow may be limited compared to global financial markets. This scarcity of data can restrict the scope and depth of behavioral finance studies conducted in the city.

- Lucknow has its own cultural nuances, traditions, and societal norms that may influence financial behaviors in ways that differ from other regions. Understanding and accounting for

these cultural influences can be challenging, especially if the researchers are not intimately familiar with the local context.

- Conducting behavioral finance studies often requires a sufficiently large sample size to draw statistically significant conclusions. In a city like Lucknow, where the population may be smaller compared to major financial hubs, obtaining a large sample size can be challenging, potentially limiting the generalizability of findings.

- Lucknow's economic development level and market sophistication may differ from other financial centers. Variations in economic development can influence risk preferences, investment strategies, and financial decision-making behaviors, potentially affecting the relevance and applicability of behavioral finance theories.

Despite these limitations, studying behavioral finance in Lucknow offers opportunities to uncover insights into how cultural, social, and economic factors shape financial behaviors in a unique regional context. Researchers can address these challenges by collaborating with local institutions, leveraging available data sources creatively, and adopting culturally sensitive research methodologies.

4.0 Introduction

For studying the present state of population of Lucknow City and testing the prevalence of behavioral biases among retail equity investors and its impact on investment decisions, Four hypotheses were framed.

The present study was a focus on the objectives as follows:

1. To study the investment strategies used by Individual Investor in Indian Stock Market.
2. To study the relation of Herding, Representative bias, Regret Aversion, Anchoring Behavior with the Investment Decisions.
3. To study the relation of Herding, Representative bias, Regret Aversion, Anchoring Behavior with Risk Tolerance of Investors.
4. To study the relationship between Herd behavioral and other behavioral biases.

Hypotheses of the Study

1. H01 there is no significant relationship between demographic profile and investor performance
2. H02: There is no significant relationship b/w Herd Behaviour & other Biases
 - a) H1: There is a significant relationship b/w Herd Behaviour &
 - b) H2: There is a significant relationship b/w Herd Behaviour & Regret Bias.
 - c) H3: There is a significant relationship b/w Herd Behaviour & Anchoring Bias.
 - d) H4: There is a significant relationship b/w Herd Behaviour & Mental Accounting.

e) H5: There is a significant relationship b/w Herd Behaviour & Loss Aversion Bias.

f) H6: There is a significant relationship b/w Herd Behaviour & Availability Bias.

g) H7: There is a significant relationship b/w Herd Behaviour & Cognitive Dissonance.

3. H03 There is significant relationship between Rationality and irrationality of individual investor in the Indian financial market

4. H04 There is no significant relationship between investment strategies and investor behavior.

4.1 Gender

Table 4.1 Gender Wise Distribution

GENDER	N	%
Male	219	40.11
Female	327	59.89
Total	546	100

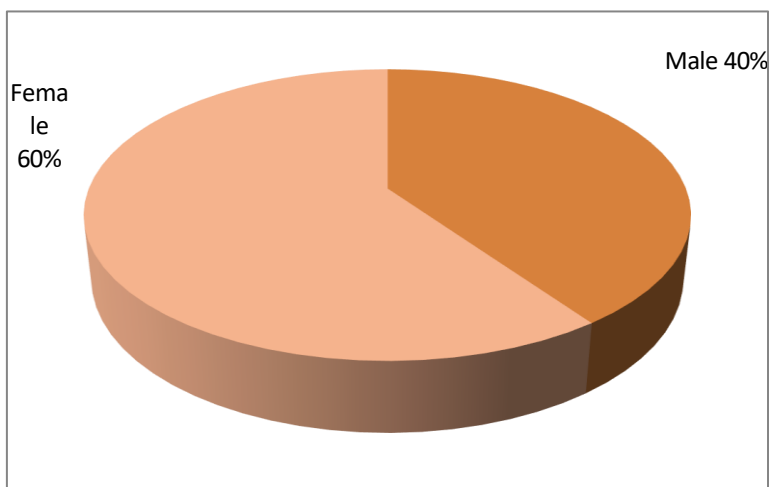


Fig.4.1 Percentage Of Gender Wise Distribution

The survey was concluded by contracting 546 respondents from among the selected ones. Table 1 concludes that out of 546 respondents, 219 respondents were male and 327 respondents were female.

4.2 Age Group

Table 4.2 Age Wise Distribution

AGE	N	%
Below20	9	1.64
Between21–30	154	28.20
Between31-40	289	52.94
Above40	94	17.22
Total	546	100

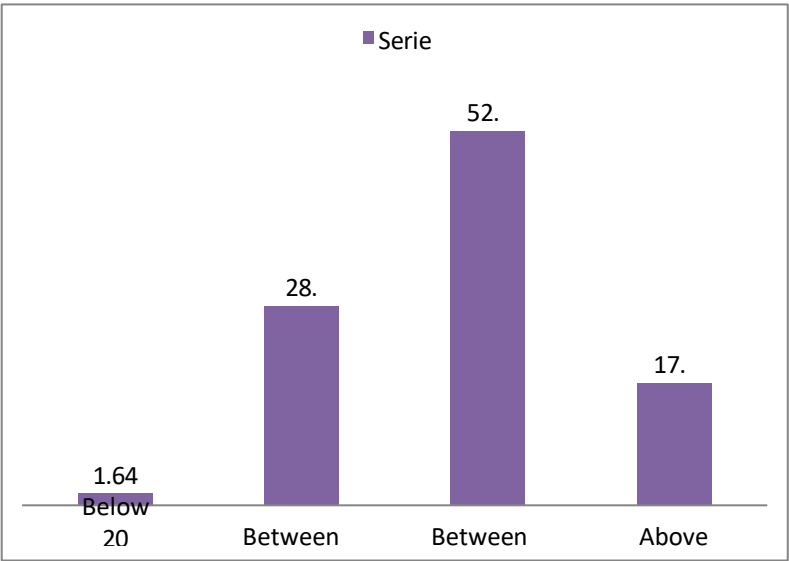


Fig-4.2 Percentage Of Age Wise Distribution

The survey result exhibit that, out of 546 respondents 1.64 percent of them were in the age group of below 20 years, 28.20 percent of the sample respondents belonged to the age group of between 21-30

years, 52.94 percent of them belonged to the age group between 31-40 years and the remaining 17.22 percent of them belonged to the age group of above 40 years.

4.3 Qualification

Table 4.3 Qualification Of The Respondent

QUALIFICATION	N	%
Undergraduate	67	12.27
Postgraduate	426	78.02
Doctorate	41	7.52
Other	12	2.19
Total	546	100

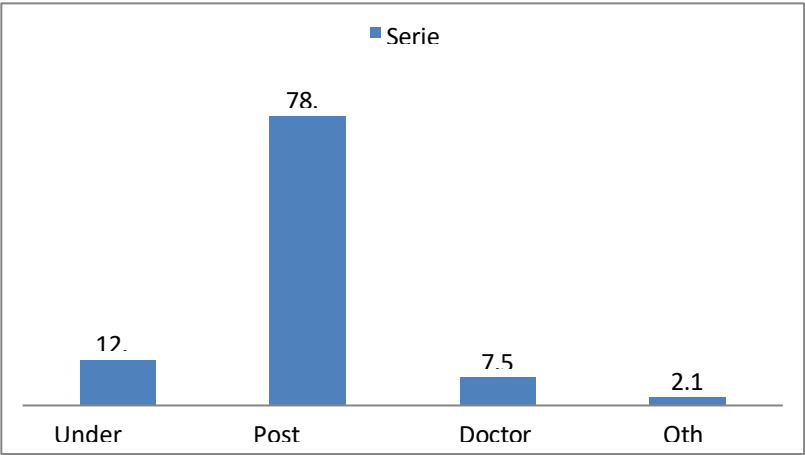


Fig.4.3 Percentage Of Respondents Qualification

From the table it was understood from the survey results that 12.27 percent of the total respondents have under graduate, 78.02 percent of the sample respondents have post graduate, 7.52 percent of the respondent have doctorate and 2.19 percent of the respondent other.

4.4 Occupation

Table 4.4 Occupation Of The Respondent

OCCUPATION	N	%
Salaried	358	65.57
Business	87	15.94
Student	79	14.46
Household	20	3.66
Retired	2	0.37
Total	546	100

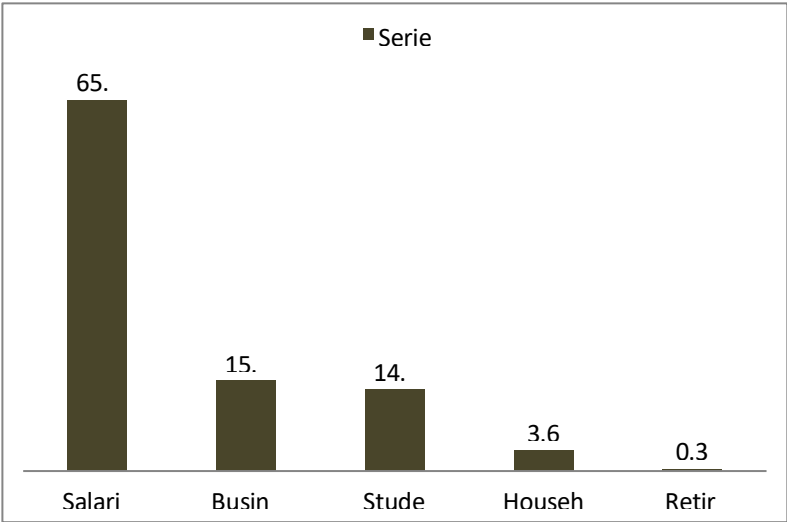


Fig.4.4 Percentage Of Respondets Occupation

The table shows that the highest proportion of the sample respondents salaried with a percent of 65.57. The second highest proportion included respondents were business (15.94 percent), and 14.46 percent of had student, and 3.66 percent respondent have household and remaining

0.37 percent respondent had Retired.

H01 THERE IS NO SIGNIFICANT RELATIONSHIP BETWEEN DEMOGRAPHIC PROFILE AND INVESTOR PERFORMANCE

Independent Variables = Variables of Demographic factors (Gender, Age, Qualification and Occupation)

Dependent Variable = Investor performance factor

Table-4.5: Correlation Matrix between Demographic factors and Investor performance factor

	Investor performance factor	Age	Gender	Qualification	Occupation
Investor performance factor	1.00				
Age	0.580	1.00			
Gender	0.476	0.377	1.00		
Qualification	0.276	0.275	0.569	1.00	
Occupation	0.281	-0.357	0.189	-0.192	1.00

Table-4.5 represents the correlation matrix between the variables of Demographic factors and the investor performance in Indian financial market. The correlation coefficient ‘r’ value between Investor performance factor with Age, Gender, Qualification and Occupation are 0.580, 0.476, 0.276, and 0.281 respectively each which represents the positive correlation. In the correlation matrix, it can be seen that there is no multi-collinearity among the independent and dependent variables.

Table-4.6 Linear Regression between Demographic factors and Investor performance factor

R	R ²	Adjusted R ²	S.E of the Estimate
0.73	0.53	0.52	0.74

Table-4.6 represents the summary of overall regression model between the Demographic factor and Investor performance. The variance ' R^2 ' value is 0.53 and the 'Adjusted R^2 ' value is 0.52. The shrinkage in 'Adjusted R^2 ' by 1% from the ' R^2 ' value of 0.52 explains that if the model is derived from the population rather than the sample, it would account for approximately 1% less variance in the outcome. Therefore, there is a 53% of variability in the outcome of the regression model which was accounted by the predictors.

Table-4.7 Regression between Demographic factors and Investor performance factor

Variables	Unstandardized Regression Coefficients		Standardized Regression Coefficients	Statistical Significance of Independent Variables		Result
	B	SE	B	t value	Sig (p-value)	
Constant	0.31	0.42		0.76	0.45	
Age	0.22	0.06	0.20	3.67	0.00	Reject
Gender	0.20	0.11	0.08	1.74	0.08	Accept
Qualification	0.30	0.06	0.25	5.10	0.00	Reject
Occupation	0.13	0.03	0.20	4.07	0.00	Reject

The Table-4.7 represents the estimated model coefficients in the regression model. The standardized values i.e. values of beta for age is 0.20, gender is 0.08, educational qualification is 0.25 and occupation is 0.20. The result reveals that the variables Age, Educational Qualification, and Occupation are statistically significant at 95% Confidence Level as their respective p-values are less than 0.05. Whereas the variables Gender of the respondents are not statistically significant as their respective p-values are more than 0.05.

- There is a significant relationship between the age of the respondents and their performance in financial market.

- There is a significant relationship between the educational qualification of the respondents and their performance in financial market.
- There is a significant relationship between the occupation of the respondents and their performance in financial market.
- There is no significant relationship between the gender of the respondents and their performance in financial market.

It can be understood from the results generated in testing the hypotheses that performance in financial market depends on the respondents age, educational qualification and occupation but not on their gender.

H02 There is no significant relationship between rationality and irrationality of individual investor in the Indian financial market

1 If you have lost your previous investment in the stock market, would you like to invest in the stock market again?

Table no. 4.8 Respondet’s On Invest In The Stock Market Again

RESPONSE	N	%
Strongly disagree	15	2.74
disagree	95	17.39
Neutral	56	10.27
Agree	293	53.66
Strongly agree	87	15.94
Total	546	100

1=Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5=Strongly agree

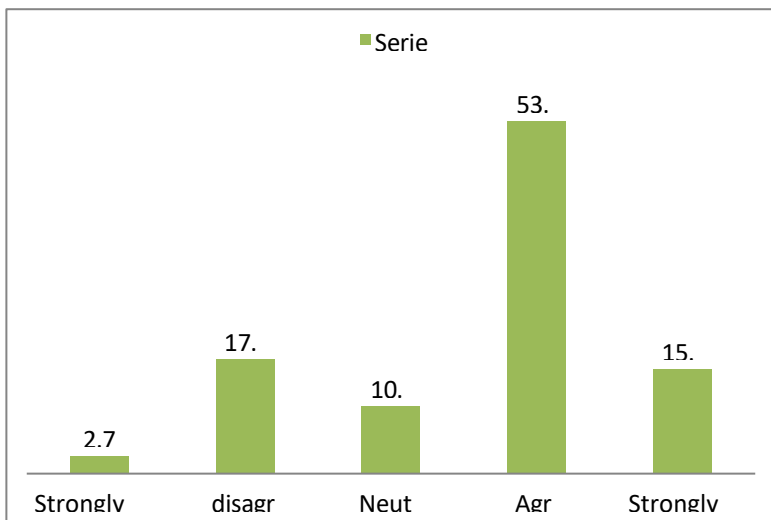


Fig.4.5 Percentage Of Respondet's On Invest In The Stock Market Again?

The above table show that the highest percent 53.66 respondents were agree to like to invest in the stock market again, and 10.27 percent of respondents are neutral and 2.74 percent of the respondents are strongly disagree.

2 If you have made a profit on your previous investment in the stock market, would you like to invest again?

Table no. 4.9 Respondet's Profit On Your Previous Investment In The Stock Market

RESPONSE	N	%
Strongly disagree	7	1.28
disagree	73	13.37
Neutral	53	9.71
Agree	260	47.61
Strongly agree	153	28.03
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

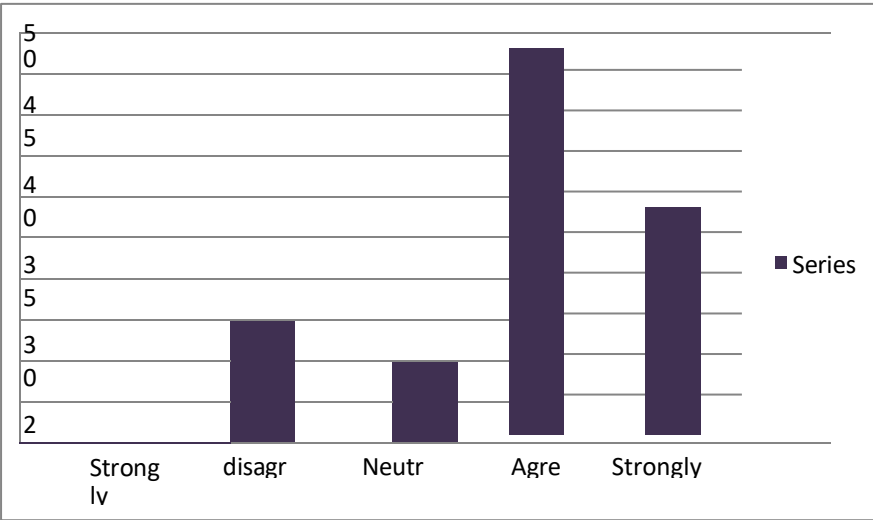


FIG-4.6 PERCENTAGE OF RESPONDET’S PROFIT ON YOUR PREVIOUS INVESTMENT IN THE STOCK MARKET

The table show that the highest percent 47.61 respondents were agree to like to invest again, and 9.71 percent of respondents are neutral and 1.28 percent of the respondents are strongly disagree.

3 If you have been lossed in the stock market and currently you are seeing good opportunities for profit to cover the loss would you like to reinvest?

Table no. 4.10 Responses On Lossed In The Stock Market And Currently Seeing Good Opportunities

RESPONSE	N	%
Strongly disagree	11	2.01
disagree	71	13.00
Neutral	53	9.71
Agree	270	49.45
Strongly agree	141	25.83
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

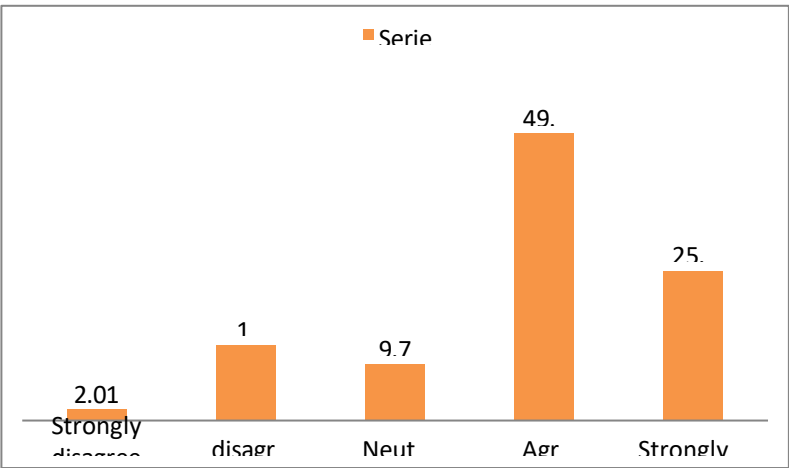


Fig.4.7 Percentage Of Responses On Lossed In The Stock Market And Currently Seeing Good Opportunities

The table show that the highest percent 49.45 respondents were agree to like to reinvest again, and 9.71 percent of respondents are neutral and 2.01 percent of the respondents are strongly disagree.

4 Your investment decisions is based on companies fundamentals such as dividend payout, cash flows and earning growth etc?

Table no. 4.11 Responses On Investment Decisions Based On Companies Fundamentals

RESPONSE	N	%
Strongly disagree	4	0.74
disagree	80	14.65
Neutral	52	9.53
Agree	268	49.08
Strongly agree	142	26.00
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

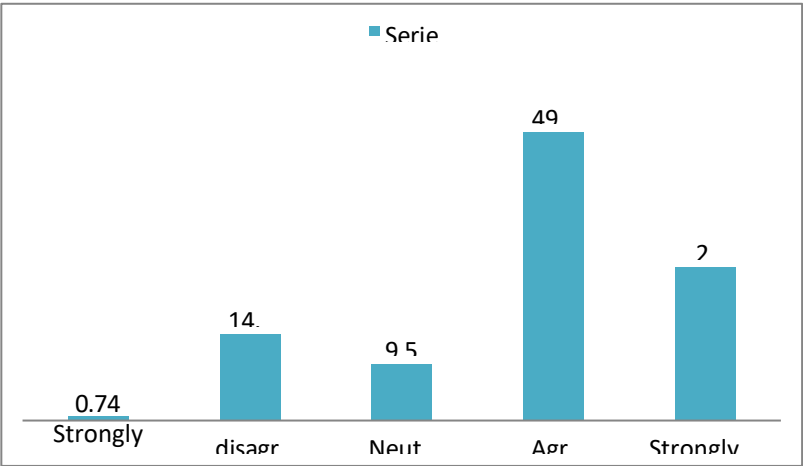


Fig 4.8 Responses On Investment Decisions Based On Companies Fundamentals The table show that your investment decisions is based on companies fundamentals such as dividend payout, cash flows and earning growth etc, 49.08 percent of the respondents were agree with this, and 9.53 percent of respondents are neutral and 0.74 percent of the respondents are strongly disagree.

5 You want to invest in stocks that are constantly advertised in news.

Table no. 4.12 Respondents To Invest In Stocks That Are Constantly Advertised In News

RESPONSE	N	%
Strongly disagree	15	2.75
disagree	71	13.00
Neutral	63	11.54
Agree	259	47.43
Strongly agree	138	25.27
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

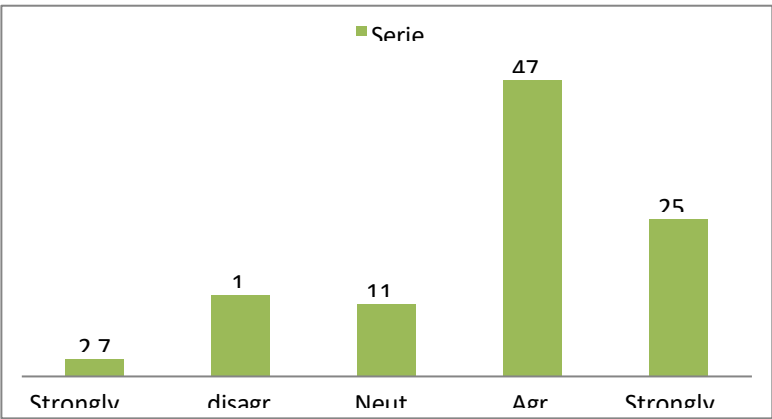


Fig-4.9 Percentage Of Respondents To Invest In Stocks That Are Constantly Advertised In News

The above table show that the highest percent 47.43 respondents were agree, and 11.54 percent of respondents are neutral and 2.75 percent of the respondents are strongly disagree were want to invest in stocks that are constantly advertised in news.

6 You buy undervalued securities and sell overvalued securities.

Table No. 4.13 Respondents Of Buy Undervalued Securities And Sell Overvalued Securities

RESPONSE	N	%
Strongly disagree	13	2.38
disagree	65	11.91
Neutral	66	12.08
Agree	269	49.27
Strongly agree	133	24.36
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

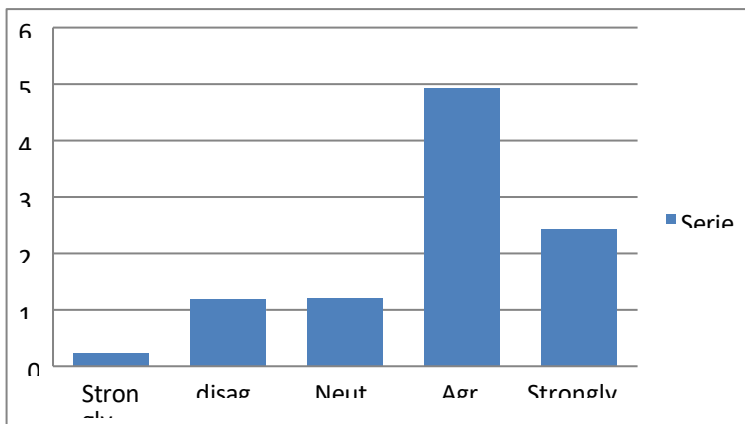


Fig 4.10 Percentage Of Respondents Of Buy Undervalued Securities And Sell Overvalued Securities

The table show that the highest percent 49.27 respondents were agree, and 12.08 percent of respondents are neutral and 2.38 percent of the respondents are strongly disagree that by undervalued securities and sell overvalued securities.

7 Before making an investment you do a risk return analysis.

Table No. 4.14 Responses On Before Making An Investment You Do A Risk Return Analysis

RESPONSE	N	%
Strongly disagree	9	1.65
disagree	75	13.74
Neutral	39	7.14
Agree	249	45.60
Strongly agree	174	31.87
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

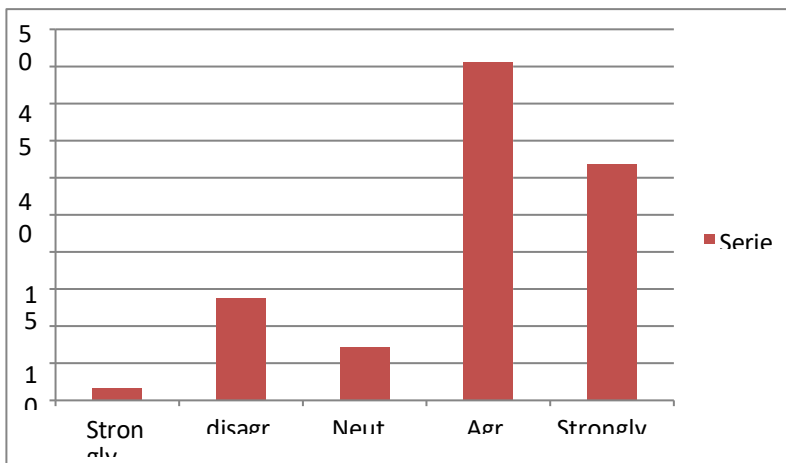


Fig.4.11 Percentage Of Responses On Before Making An Investment You Do A Risk Return Analysis

The table show that the highest percent 45.60 respondents were agree, and 7.14 percent of respondents are neutral and 1.65 percent of the respondents are strongly disagree.

8 You don't sell a losing stock with the hope that stock price will rise again.

Table No. 4.15 Responses On Don't Sell A Losing Stock With The Hope That Stock Price Will Rise Again

RESPONSE	N	%
Strongly disagree	9	1.65
disagree	84	15.38
Neutral	54	9.89
Agree	288	52.74
Strongly agree	111	20.34
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

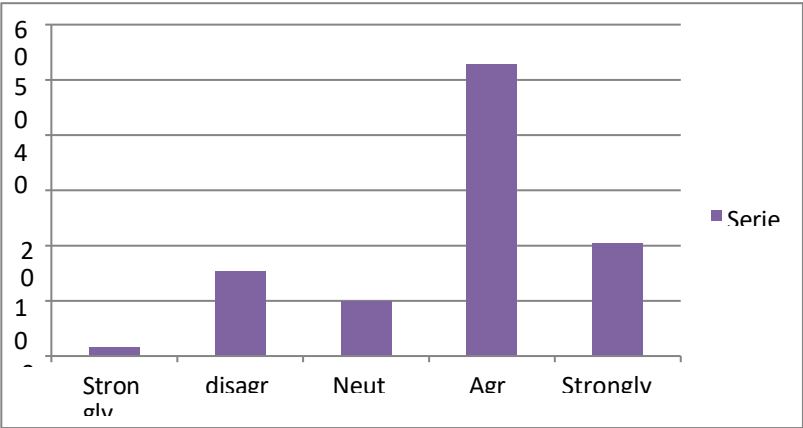


Fig 4.12 Percentage Of Responses On Don't Sell A Losing Stock With The Hope That Stock Price Will Rise Again

The table shows that the highest percentage of respondents, 52.74 percent respondents did not sell a losing stock with the expectation that the stock price would rise again and 9.89 per cent respondents were neutral and 1.65 per cent strongly disagreed.

9 While making an investment decision you consider potential gain as the most important aspect.

Table No. 4.16 Respondents On Investment Decision You Consider Potential Gain As The Most Important Aspect

RESPONSE	N	%
Strongly disagree	13	2.38
disagree	69	12.64
Neutral	44	8.05
Agree	284	52.02
Strongly agree	136	24.91
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

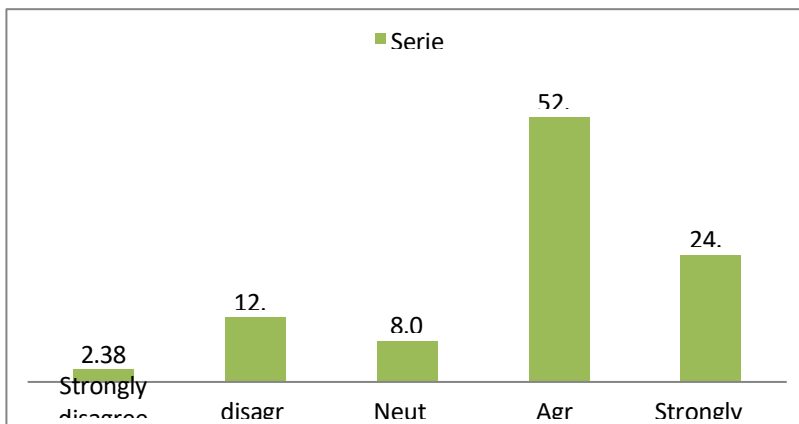


Fig.4.13 Percentage Of Respondents On Investment Decision You Consider Potential Gain As The Most Important Aspect

The table shows that the highest percentage of respondents agreed with you potential profit when making an investment decision, 52.02 percent respondents, and 8.05 percent respondents were neutral and 2.38 percent were strongly disagreed.

10 My own skills and understanding have made my future investment successful.

Table No. 4.17 Responses On My Own Skills And Understanding Have Made My Future Investment Successful

RESPONSE	N	%
Strongly disagree	9	1.65
disagree	81	14.84
Neutral	58	10.62
Agree	282	51.65
Strongly agree	116	21.24
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

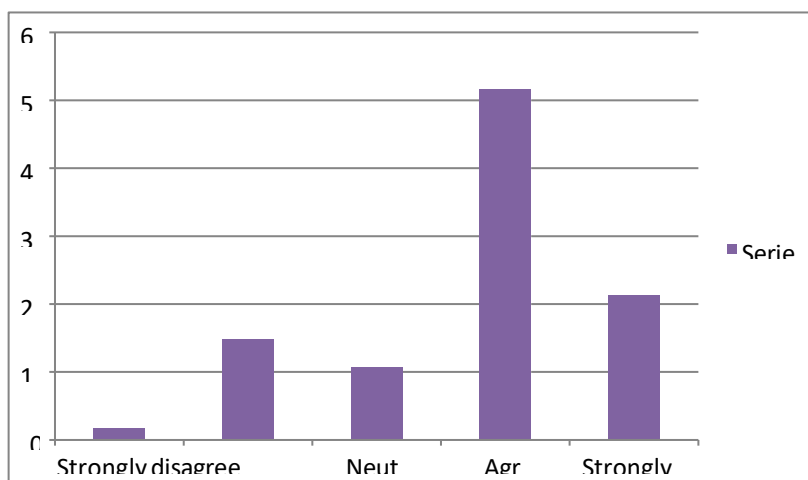


Fig.4.14 Percentage Of Responses On My Own Skills And Understanding Have Made My Future Investment Successful

The table showed that my skills and understanding helped make my future investments a success, with the highest percentage of 51.65 respondents agreeing, and 10.62 percent neutral and 1.65 percent strongly disagree.

11 You are likely to buy the stocks that have high trading volumes.

Table No. 4.18 Responses On Buy The Stocks That Have High Trading Volumes

RESPONSE	N	%
Strongly disagree	14	2.56
disagree	82	15.02
Neutral	39	7.14
Agree	305	55.86
Strongly agree	106	19.42
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

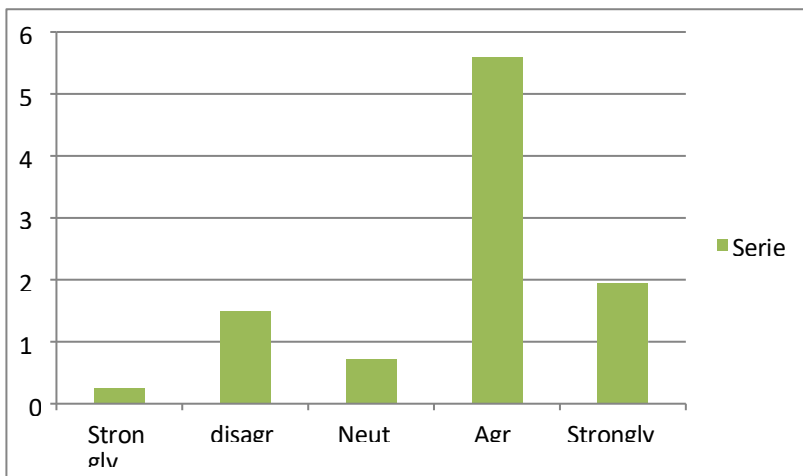


Fig 4.15 Percentage Of Responses On Buy The Stocks That Have High Trading Volumes

The table show that the responses on buy the stocks that have high trading volumes, 55.86percent respondents were agree, and 7.14 percent of respondents were neutral and 2.56 percent of the respondents were strongly disagree.

12 When I Consider Investments That Have An Element Of Risk I Feel Quite Nervousness.

Table No. 4.19 Responses On Investments That Have An Element Of Risk I Feel Quite Nervousness

RESPONSE	N	%
Strongly disagree	19	3.48
disagree	119	21.81
Neutral	44	8.06
Agree	264	48.35
Strongly agree	100	18.30
Total	546	100

1=Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

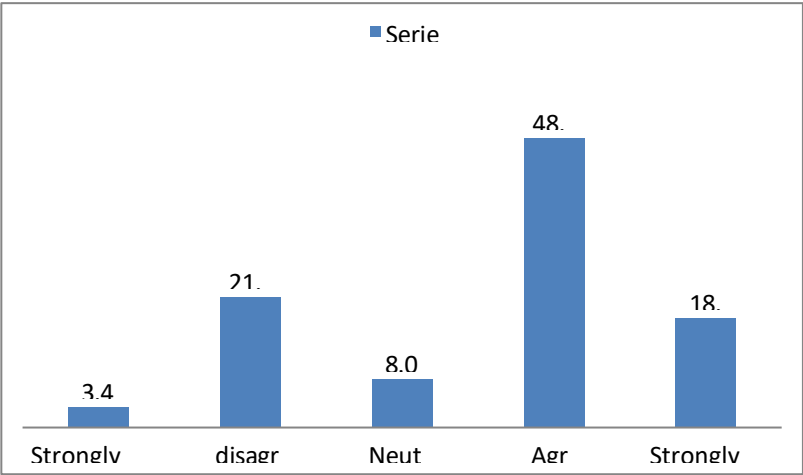


Fig 4.16 Percentage Of Responses On Investments That Have An Element Of Risk I Feel Quite Nervousness

The table show that the responses on investments that have an element of risk i feel quite nervousness, 48.35percent respondents were agree with this, and 8.06 percent of respondents were neutral and 3.48 percent of the respondents were strongly disagree.

13 You feel happy when your investment starts making profit.

Table No. 4.20 Respondent's On Feel Happy When Your Investment Starts Making Profit

RESPONSE	N	%
Strongly disagree	8	1.46
disagree	65	11.91
Neutral	39	7.14
Agree	281	51.46
Strongly agree	153	28.03
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

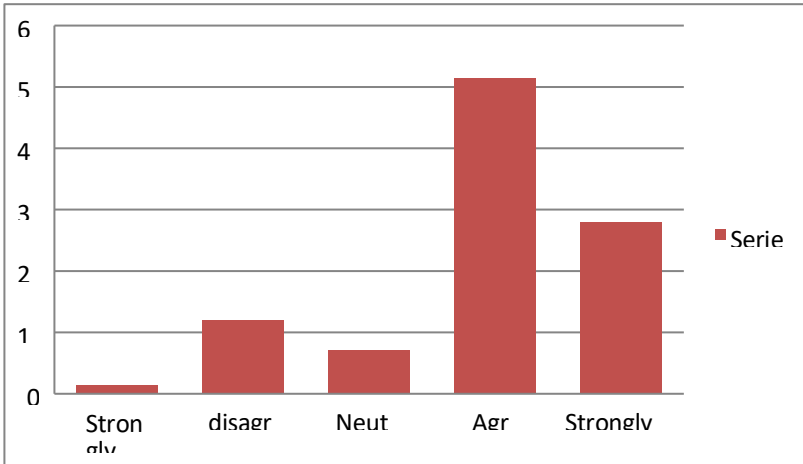


Fig.4.17 Percentage Of Responses On Feel Happy When Your investment Starts Making Profit

The table show that the respondents on feel happy when your investment starts making profit, 51.46percent respondents were agree with this, and 7.14 percent of respondents were neutral and 1.46 percent of the respondents were strongly disagree.

14 You avoid selling shares if their value comes down.

Table No. 4.21 Respondent's Avoid Selling Shares If Their Value Comes Down

RESPONSE	N	%
Strongly disagree	13	2.38
disagree	80	14.65
Neutral	57	10.44
Agree	291	53.29
Strongly agree	105	19.24
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

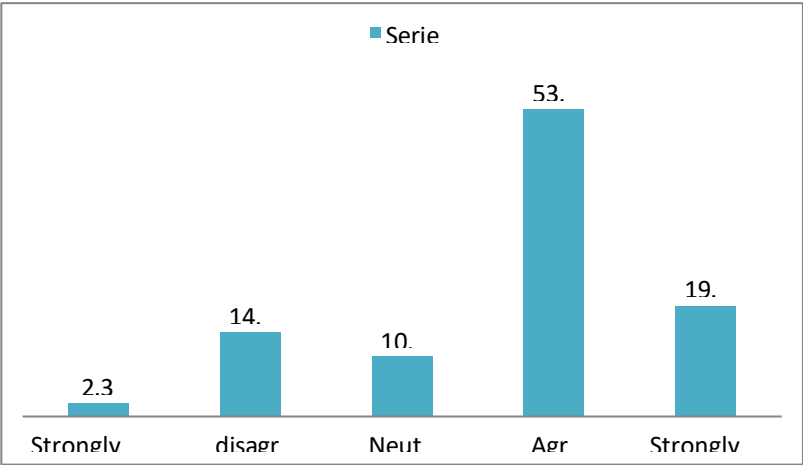


Fig 4.18 Percentage Of Respondent’s Avoid Selling Shares If Their Value Comes Down The table show that the respondent’s avoid selling shares if their value comes down, 53.29percent respondents were agree, and 10.44 percent of respondents were neutral and 2.38 percent of the respondents were strongly disagree.

15 You regret when you are not able to buy or sell a share when opportunity strikes.

Table No. 4.22 Respondent’s On Regret When You Are Not Able To Buy Or Sell A Share When Opportunity Strikes

RESPONSE	N	%
Strongly disagree	11	2.01
disagree	83	15.20
Neutral	44	8.05
Agree	302	55.32
Strongly agree	106	19.42
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

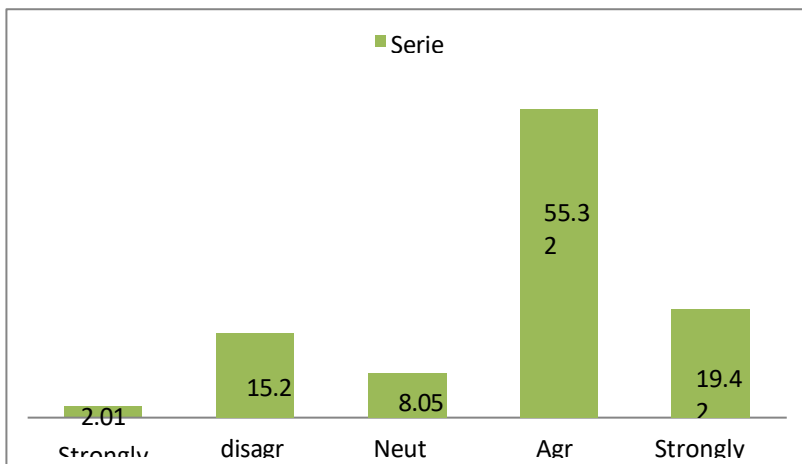


Fig 4.19 Percentage Of Respondent's On Regret When You Are Not Able To Buy Or Sell A Share When Opportunity Strikes

The table show that the respondent's on regret when you are not able to buy or sell a share when opportunity strikes, 55.32 percent respondents were agree with this, and 8.05 percent of respondents were neutral and 2.01 percent of the respondents were strongly disagree.

16 When you don't have information of a stock you usually follow what majority of investors are doing.

Table No. 4.23 Respondents Don't Have Information Of A Stock You Usually Follow What Majority Of Investors Are Doing

RESPONSE	N	%
Strongly disagree	18	3.29
disagree	122	22.36
Neutral	42	7.69
Agree	239	43.77
Strongly agree	125	22.89
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

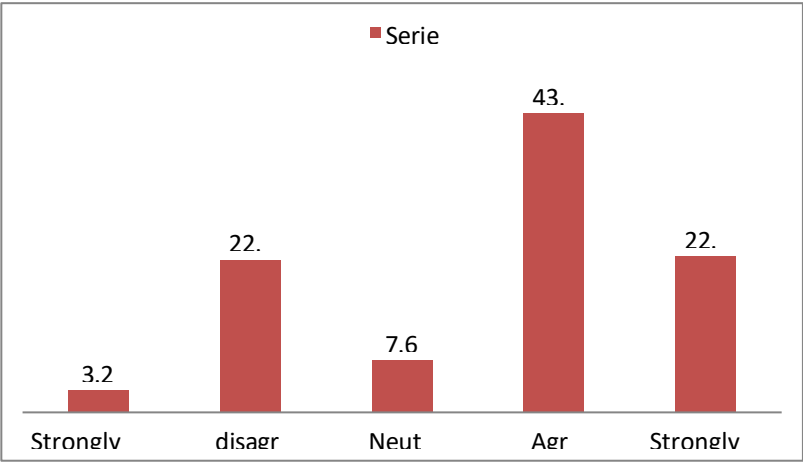


FIG 4.20 PERCENTAGE OF RESPONDENTS DON'T HAVE INFORMATION OF A STOCK YOU USUALLY FOLLOW WHAT MAJORITY OF INVESTORS ARE DOING

The table show that the respondents don't have information of a stock you usually follow what majority of investors are doing, 43.77percent respondents were agree, and 7.69 percent of respondents were neutral and 3.23 percent of the respondents were strongly disagree.

17 Do you feel that the decision you have taken will definitely make you profit, not a loss?

Table No. 4.24 Respondent's On Feel That The Decision You Have Taken

RESPONSE	N	%
Strongly disagree	15	2.75
disagree	195	35.72
Neutral	36	6.59
Agree	237	43.41
Strongly agree	63	11.53
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

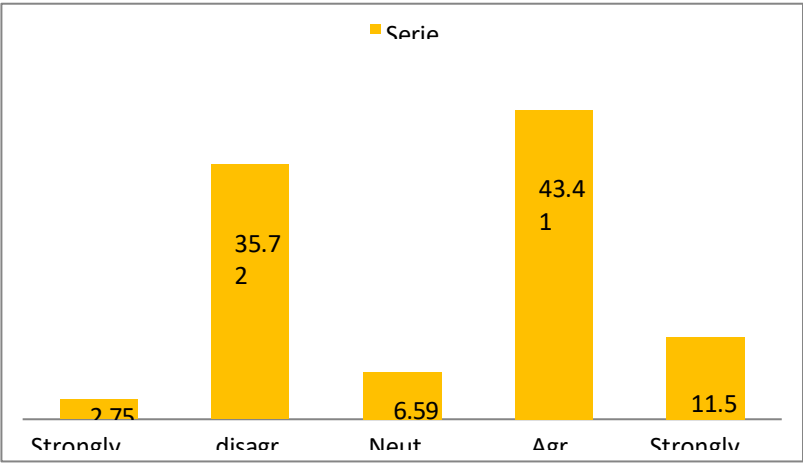


Fig 4.21 Percentage Of Respondent’s Feel That The Decision You Have Taken

The table show that therespondent’s feel that the decision you have taken, 43.41percent respondents were agree, and 6.59 percent of respondents are neutral and 2.75 percent of the respondents were strongly disagree.

18 You feel that your loss in the stock market was due to your wrong decision?

Table No. 4.25 Respondent’s On Feel That Your Loss In The Stock Market

RESPONSE	N	%
Strongly disagree	16	2.93
disagree	193	35.35
Neutral	76	13.92
Agree	204	37.36
Strongly agree	57	10.44
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

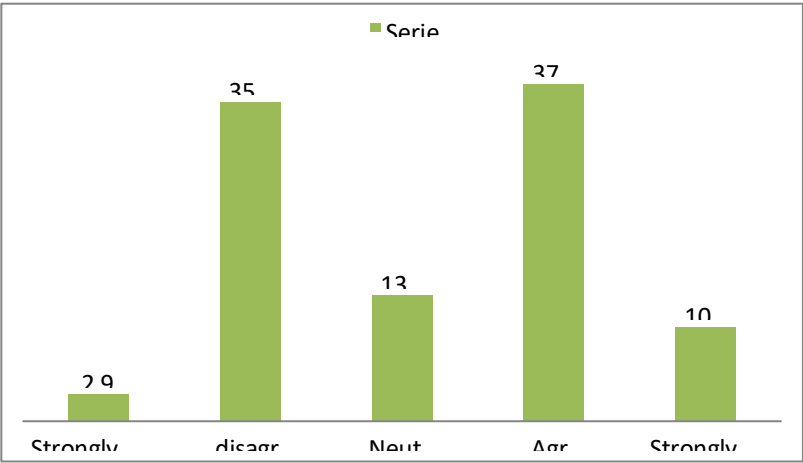


Fig 4.22 Percentage Of Respondent's On Feel That Your Loss In The Stock Market The table show that the respondent's believes that the loss in the stock market was due to the wrong decision, highest percent 37.36 respondents were agree to this, and 13.92 percent of respondents were neutral and 2.93 percent of the respondents were strongly disagree.

19 If lost continue i don't want to buy stock ever again.

Table no. 4.26 Respondent's On Lost Continue I Don't Want To Buy Stock Ever Again

RESPONSE	N	%
Strongly disagree	24	4.39
disagree	201	36.82
Neutral	47	8.60
Agree	219	40.12
Strongly agree	55	10.07
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

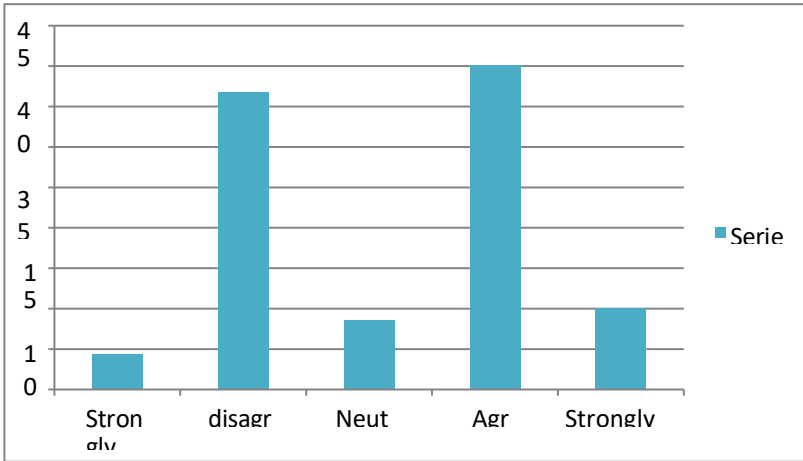


Fig 4.23 Percentage Of Respondent's On Lost Continue I Don't Want To Buy Stock Ever Again

The table show that the respondent's on lost continue i don't want to buy stock ever again,

40.12 percent respondents were agree to this, and 8.60 percent of respondents were neutral and 4.39 percent of the respondents were strongly disagree.

20 I am looking forward my next opportunity to invest after a deep fall in the market.

Table no. 4.27 Respondents On Looking Forward My Next Opportunity To Invest After A Deep Fall In The Market

RESPONSE	N	%
Strongly disagree	11	2.01
disagree	106	19.42
Neutral	45	8.24
Agree	290	53.12
Strongly agree	94	17.21
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

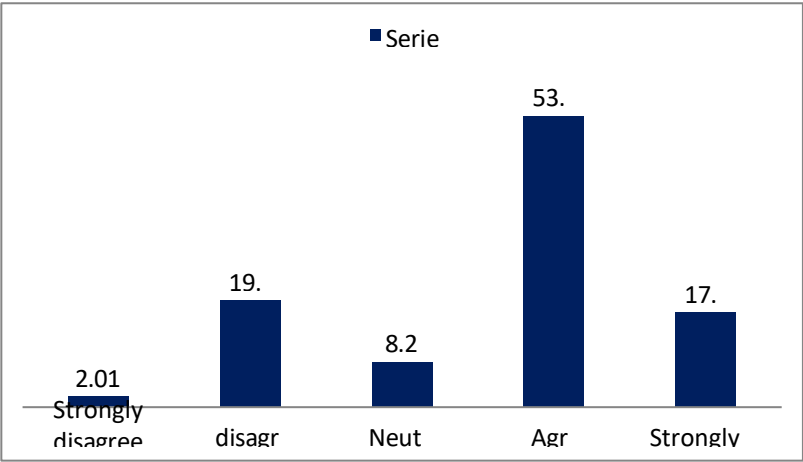


Fig 4.24 Percentage Of Respondents On Looking Forward My Next Opportunity To Invest After A Deep Fall In The Market

The table show that the respondents on looking forward my next opportunity to invest after a deep fall in the market, 53.12 percent respondents were agree to this, and 8.24 percent of respondents were neutral and 2.01 percent of the respondents were strongly disagree.

21 If loss happens in my investment i will sell all my stock to avoid future loss.

Table No. 4.28 Respodents On Loss Happens In My Investment I Will Sell All My Stock To Avoid Future Loss

RESPONSE	N	%
Strongly disagree	24	4.39
disagree	191	34.98
Neutral	51	9.34
Agree	223	40.85
Strongly agree	57	10.44
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

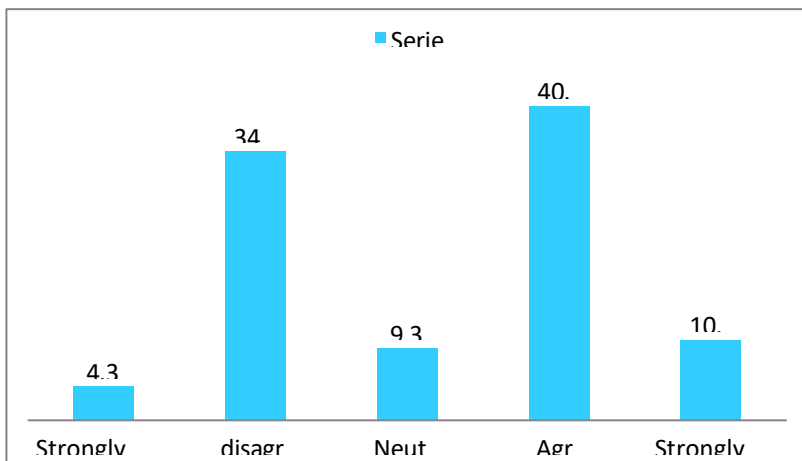


Fig 4.25 Percentage Respondents On Loss Happens In My Investment I Will Sell All My Stock To Avoid Future Loss

The table show that if there is loss in investment then I will sell all my stock to avoid future loss, 40.85 percent respondents were agree to this, and 9.34 percent of respondents were neutral and 4.39 percent of the respondents were strongly disagree.

22 Do you invest based on expert's predictor (analyst).

Table no. 4.29 Respondents Invest Based On Expert's Predictor (Analyst)

RESPONSE	N	%
Strongly disagree	19	3.48
disagree	109	19.96
Neutral	48	8.79
Agree	269	49.28
Strongly agree	101	18.49
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

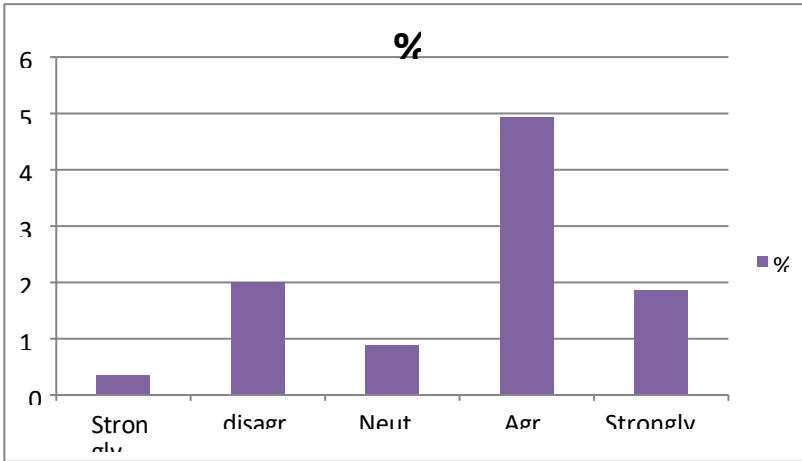


Fig 4.26 Percentage Of Respondents Invest Based On Expert's Predictor (Analyst)

The table show that do you invest based on expert's predictor (analyst), 49.28 percent respondents were agree to this, and 8.79 percent of respondents were neutral and 3.48 percent of the respondents were strongly disagree.

23 You feel more sorrow about holding losing stocks too long than about selling winning stocks too soon.

Table no. 4.30 Respondetso Feel More Sorrow About Holding Losing Stocks Too Long Than About Selling Winning Stocks Too Soon

RESPONSE	N	%
Strongly disagree	13	2.38
disagree	109	19.96
Neutral	52	9.53
Agree	279	51.09
Strongly agree	93	17.04
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

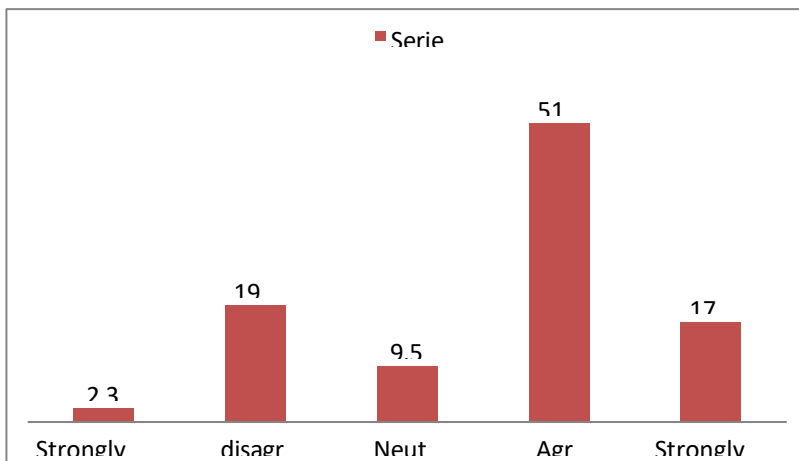


Fig 4.27 Respondent So Feel More Sorrow About Holding Losing Stocks Too Long Than About Selling Winning Stocks Too Soon

The table show that respondents feel more sorrow about holding losing stocks too long than about selling winning stocks too soon, 51.09 percent respondents were agree to this, and

9.53 percent of respondents were neutral and 2.38 percent of the respondents were strongly disagree.

24 Can you take high risk for high return in stock market?

Table No. 4.31 Respondets On Takeing High Risk For High Return In Stock Market

RESPONSE	N	%
Strongly disagree	13	2.38
disagree	119	21.79
Neutral	46	8.43
Agree	291	53.29
Strongly agree	77	14.11
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

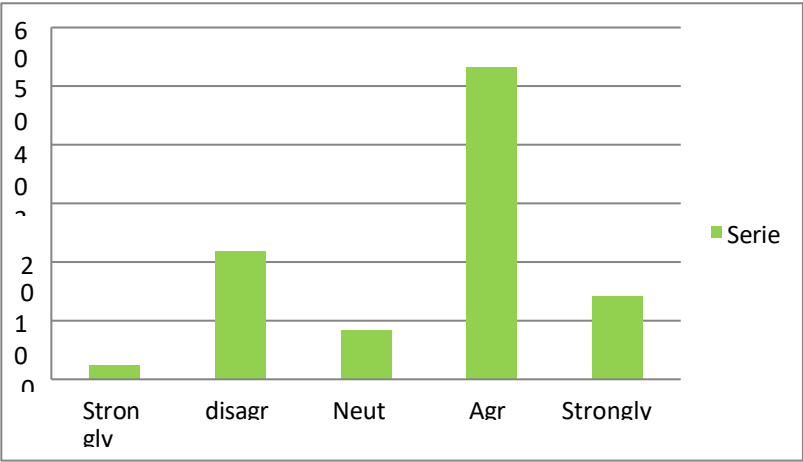


Fig 4.28 Percentage Of Respondets On Takeing High Risk For High Return In Stock Market

The table show that can you take high risk for high return in stock market, 53.29 percent respondents were agree to this, and 8.43 percent of respondents were neutral and 2.38 percent of the respondents were strongly disagree.

25 Suppose the stock of abc company has outperformed (better) the market for past several years, considering its past, this stock is expected to show similar performance in future.

Table No. 4.32 Respondents On Stock Of Abc Company Has Outperformed (Better) The Market For Past Several Years

RESPONSE	N	%
Strongly disagree	14	2.56
disagree	171	31.32
Neutral	52	9.53
Agree	261	47.80
Strongly agree	48	8.79
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

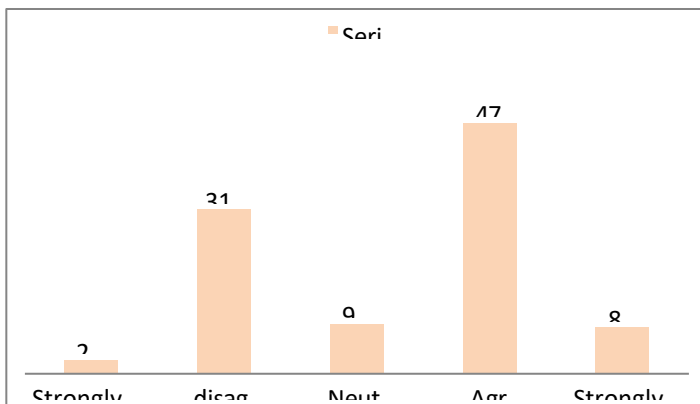


Fig 4.29 Percentages Of Respondents On Stock Of Abc Company Has Outperformed (Better) The Market For Past Several Years

The table show that the stock of ABC company has outperformed (better) the market for past several years, considering its past, this stock is expected to show similar performance in future, 47.80 percent respondents were agree to this, and 9.53 percent of respondents were neutral and 2.56 percent of the respondents were strongly disagree.

Table-4.33: Kaiser-Meyer and Olkin (KMO) and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.77
Bartlett's Test of Sphericity	Approx. Chi-Square	1866.52
	Df	78
	Sig.	0.00

Table 4.33 represents the KMO and Bartlett's test of sampling adequacy for conducting the factor analysis. The KMO value is 0.77 which is greater than 0.6 and the p-value for the

Bartlett's test is observed as 0.00 which is less than 0.05. It is observed that the data regarding level of agreeability on irrationality factors influencing the investment decisions has met the assumptions of factor analysis.

H03-THERE IS NO SIGNIFICANT RELATIONSHIP BETWEEN INVESTMENT STRATEGIES AND INVESTOR BEHAVIOR.

H03- There is no significant relationship between investment strategies and investor behavior.

26 You buy hot stocks and avoid stocks that have performed poorly in the recent past.

Table No. 4.34 Respondents Buy Hot Stocks And Avoid Stocks That Have Performed Poorly In The Recent Past

RESPONSE	N	%
Strongly disagree	8	1.46
disagree	114	20.88
Neutral	45	8.25
Agree	296	54.21
Strongly agree	83	15.2
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

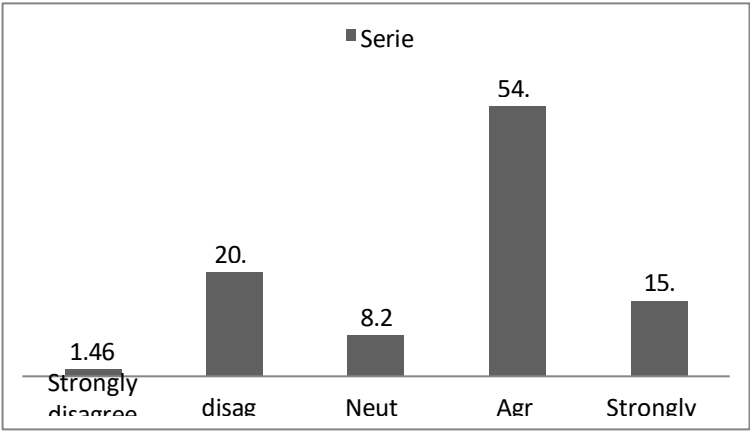


Fig 4.30 Respondents Buy Hot Stocks And Avoid Stocks That Have Performed Poorly In The Recent Past

The table show that you buy hot stocks and avoid stocks that have performed poorly in the recent past, considering its past, this stock is expected to show similar performance in future,

54.21 percent respondents were agree to this, and 8.25 percent of respondents were neutral and 1.46 percent of the respondents were strongly disagree.

27 You think that future trend of a share can be predicted on the basis of their past price movement.

Table No. 4.35 Respondents Think That Future Trend Of A Share Can Be Predicted On The Basis Of Their Past Price Movement

RESPONSE	N	%
Strongly disagree	6	1.09
disagree	122	22.34
Neutral	55	10.07
Agree	257	47.07
Strongly agree	106	19.43
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

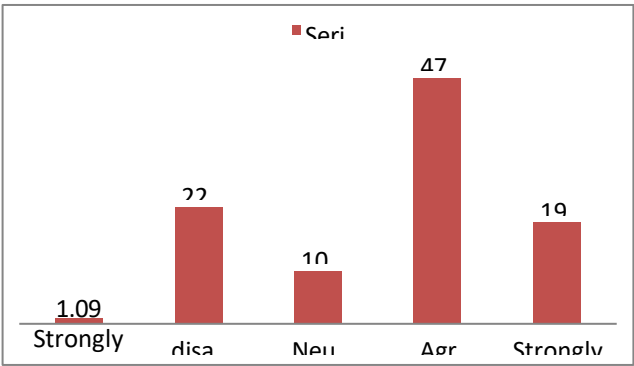


Fig 4.31 Percentage Of Respondents Think That Future Trend Of A Share Can Be Predicted On The Basis Of Their Past Price Movement

The table show that respondents think future trend of a share can be predicted on the basis of their past price movement, 47.07 percent respondents were agree to this, and 10.07 percent of respondents were neutral and 1.09 percent of the respondents were strongly disagree.

28 You are confident that your skills and knowledge can help you to outperform (better) the market.

Table No. 4.36 Respondents On Confident That Your Skills And Knowledge Can Help You To Outperform (Better) The Market

RESPONSE	N	%
Strongly disagree	7	1.28
disagree	126	23.08
Neutral	50	9.16
Agree	249	45.60
Strongly agree	114	20.88
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

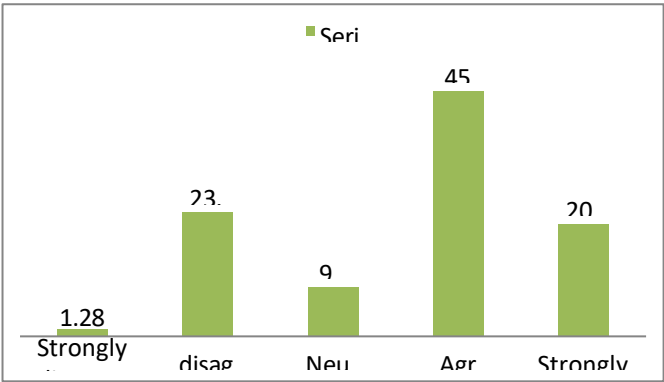


Fig 4.32 Percentage Of Respondents On Confident That Your Skills And Knowledge Can Help You To Outperform (Better) The Market

The table show that respondents were confident that your skills and knowledge can help you to outperform (better) the market, 45.60 percent respondents were agree to this, and 9.16 percent of respondents were neutral and 1.28 percent of the respondents were strongly disagree.

29 Your attitude towards a stock will change if all your colleagues starts buying or selling that stock.

Table No. 4.37 Respondents On Attitude Towards A Stock Will Change If All Your Colleagues Starts Buying Or Selling That Stock

RESPONSE	N	%
Strongly disagree	16	2.94
disagree	161	29.48
Neutral	52	9.52
Agree	246	45.06
Strongly agree	71	13.00
Total	546	100

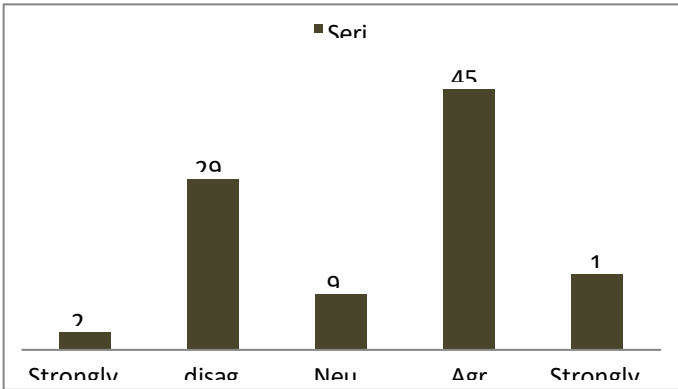


Fig 4.33 Percentage Of Respondents On Attitude Towards A Stock Will Change If All Your Colleagues Starts Buying Or Selling That Stock

The table show that your attitude towards a stock will change if all your colleagues starts buying or selling that stock, 45.06 percent

respondents were agree to this, and 9.52 percent of respondents were neutral and 2.94 percent of the respondents were strongly disagree.

30 I am looking for high investment growth i am willing to accept the possibility of greater losses to achieve this.

Table No. 4.38 Respondent’s On Looking For High Investment Growth I Am Willing To Accept The Possibility Of Greater Losses To Achieve This

RESPONSE	N	%
Strongly disagree	14	2.57
disagree	122	22.34
Neutral	48	8.79
Agree	292	53.48
Strongly agree	70	12.82
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

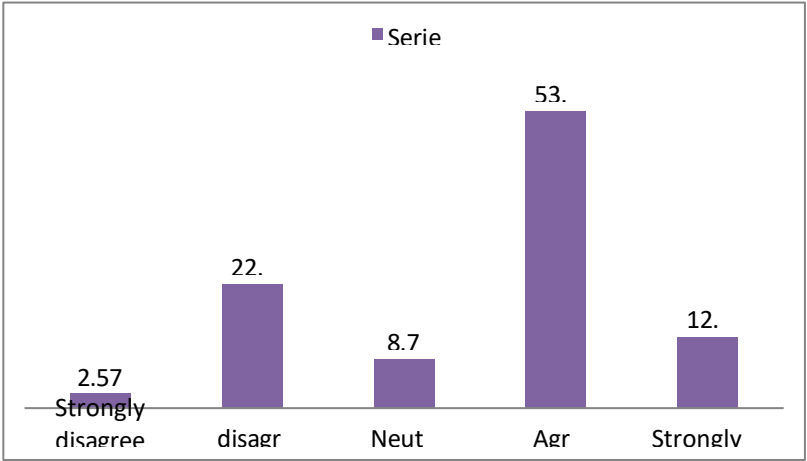


Fig 4.34 Percentage Of Respondent’s On Looking For High Investment Growth I Am Willing To Accept The Possibility Of Greater Losses To Achieve This

The table show that respondents on looking for high investment growth I am willing to accept the possibility of greater losses to achieve this, 53.48 percent respondents were agree to this, and 8.79 percent of respondents were neutral and 2.57 percent of the respondents were strongly disagree.

31 Suppose you are hear about a great stock tip from your friend who has a good stock market sense he recommends you to purchase the stock of ABC company you are likely to buy some shares because your friend is usually right about these things.

Table No. 4.39 Respondents On Recommends You To Purchase The Stock Of ABC Company

RESPONSE	N	%
Strongly disagree	11	2.01
disagree	206	37.73
Neutral	68	12.45
Agree	218	39.94
Strongly agree	43	7.87
Total	546	100

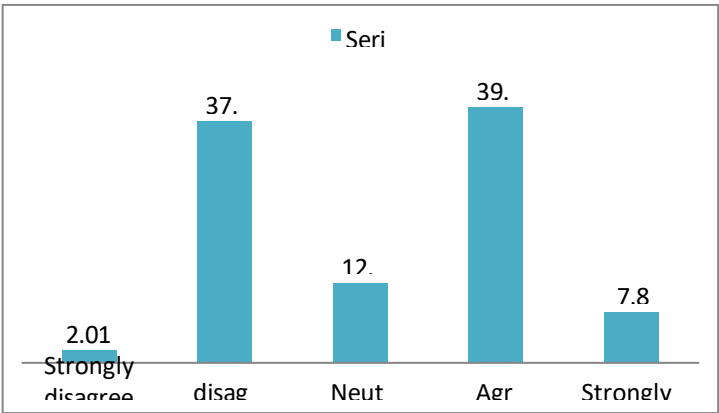


Fig 4.35 Percentage Of Respondents On Recommends You To Purchase The Stock Of Abc Company

The table show that suppose you are hear about a great stock tip from your friend who has a good stock market sense he recommends you to purchase the stock of ABC company you are likely to buy some shares because your friend is usually right about these things, 39.94 percent respondents were agree to this, and 12.45 percent of respondents were neutral and 2.01 percent of the respondents were strongly disagree.

32 You invest in market where gain and loss have same chance.

Table No. 4.40 Respondents On Invest In Market Where Gain And Loss Have Same Chance

RESPONSE	N	%
Strongly disagree	11	2.01
disagree	144	26.38
Neutral	64	11.73
Agree	265	48.53
Strongly agree	62	11.35
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

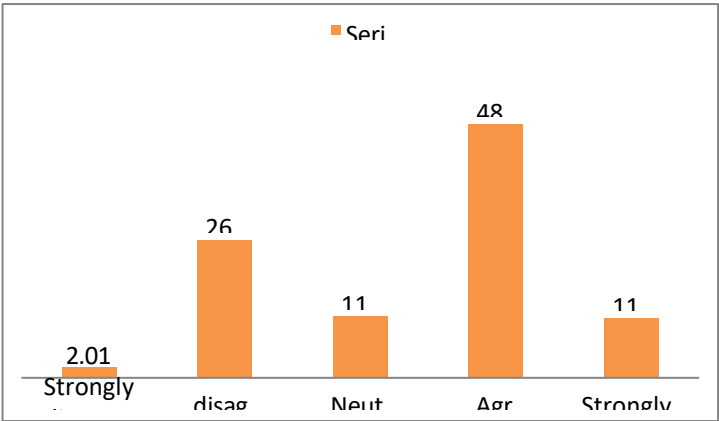


Fig 4.36 Percentage Of Respondents On Invest In Market Where Gain And Loss Have Same Chance

The table show that you invest in market where gain and loss have same chance, 48.53 percent respondents were agree to this, and 11.73 percent of respondents were neutral and

2.01 percent of the respondents were strongly disagree.

33 I believe the stocks that i own will never move in favor because of confused market movement.

Table No. 4.41 Respondents On Believe The Stocks That I Own Will Never Move In Favor Because Of Confused Market Movement

RESPONSE	N	%
Strongly disagree	18	3.29
disagree	175	32.05
Neutral	78	14.28
Agree	232	42.49
Strongly agree	43	7.89
Total	546	100

1= Strongly disagree, 2=disagree, 3=Neutral, 4=Agree, 5= Strongly agree

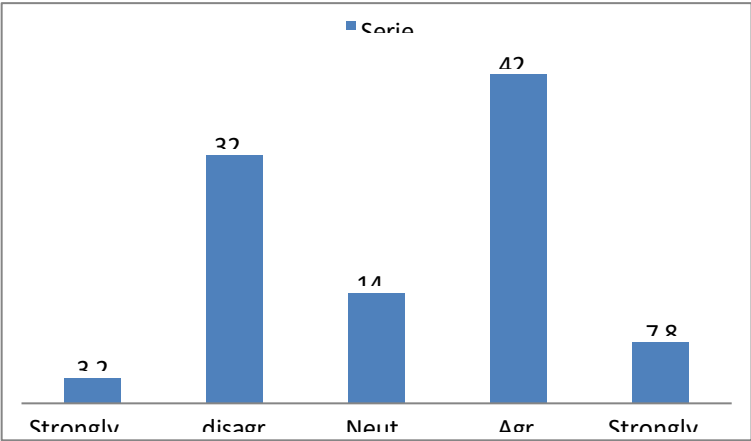


Fig 4.37 Percentgae Of Respondents On Believe The Stocks That I Own Will Never Move In Favor Because Of Confused Market Movement

The table show that respondent on believe the stocks that I own will never move in favor because of confused market movement, 42.49 percent respondents were agree to this, and

14.28 percent of respondents were neutral and 3.29 percent of the respondents were strongly disagree.

34 At which rate do you want your investment to grow?

Table No. 4.42 Respondents At Which Rate Do You Want Your Investment To Grow

RESPONSE	N	%
Fast	133	24.35
Average	397	72.71
Slow	16	2.94
Total	546	100

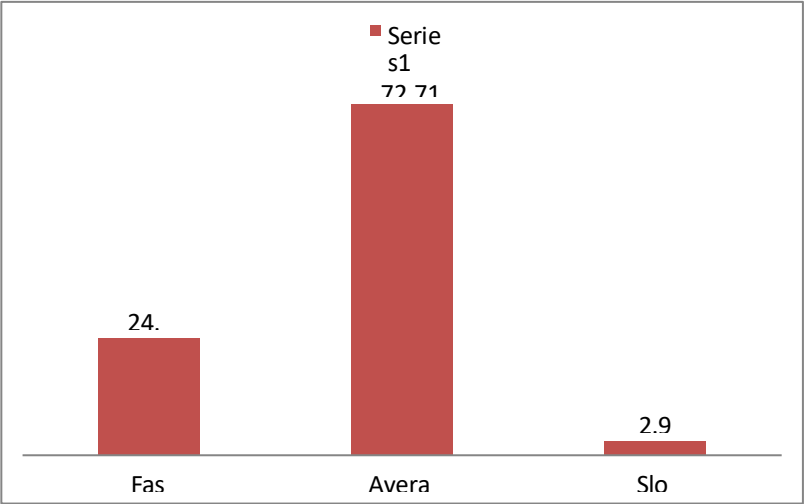


Fig 38 Percentages Of Respondents At Which Rate Do You Want Your Investment To Grow

The table shows that the majority of 72.71 percent respondents were average rate of investment to grow, and 24.35 percent of

respondents were fast rate of investment to grow and 2.94 percent of the respondents were slow rate of investment to grow.

Table-4.43: Kaiser-Meyer and Olkin (KMO) and Bartlett’s Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.723
Bartlett's Test of Sphericity	Approx. Chi-Square	1866.34
	Df	105
	Sig.	0.00

Table 4.43 represents the KMO and Bartlett’s test of sampling adequacy for conducting the factor analysis. The KMO value is 0.723 which is greater than 0.6 and the p-value for the Bartlett’s test is observed as 0.00 which is less than 0.05. It is observed that the data regarding extent of investment decision based on emotions has met the assumptions of factor analysis.

H04- There is no significant relationship between herd behavior and other biases.

35 At what particular time do you invest?

Table No.4.44 Respondents At What Particular Time Do You Invest

RESPONSE	N	%
When I have surplus funds	274	50.18
When my friends recommend	24	4.39
When fluctuation in market (up and down)	122	22.35
When analyst give good forecasts at media	126	23.08
Total	546	100

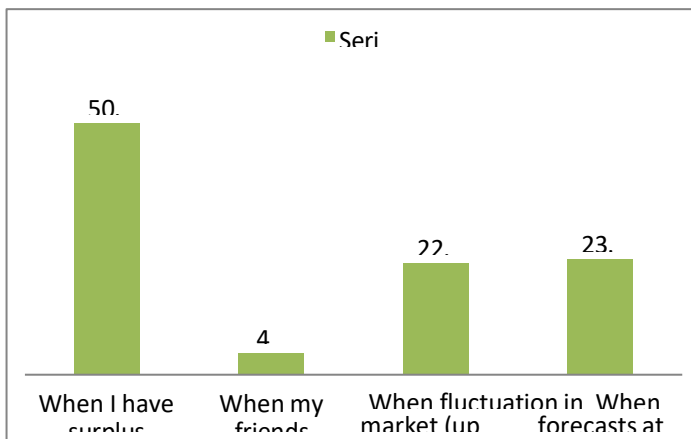


Fig 4.39 Percentages Of Respondents At What Particular Time Do You Invest

The above table show that the majority of the respondents that at what particular time do you invest with 50.18 percent invest when have surplus funds, 23.08 percent when analyst give good forecasts at media, 22.35 percent of respondents when fluctuation in market (up and down) and 4.39 percent of respondent when my friends recommend.

36 Imagine that you have some money to invest and a choice of two investment products which option would you choose.

Table No. 4.45 Respondents Have Some Money To Invest And A Choice Of Two Investment Products

RESPONSE	N	%
a product with a low average annual return but almost no risk of loss of the initial investment	35	6.42
a product with the high average annual return but some risk of losing part of the initial investment	30	5.49
a mixture of the two products	481	88.09
Total	546	100

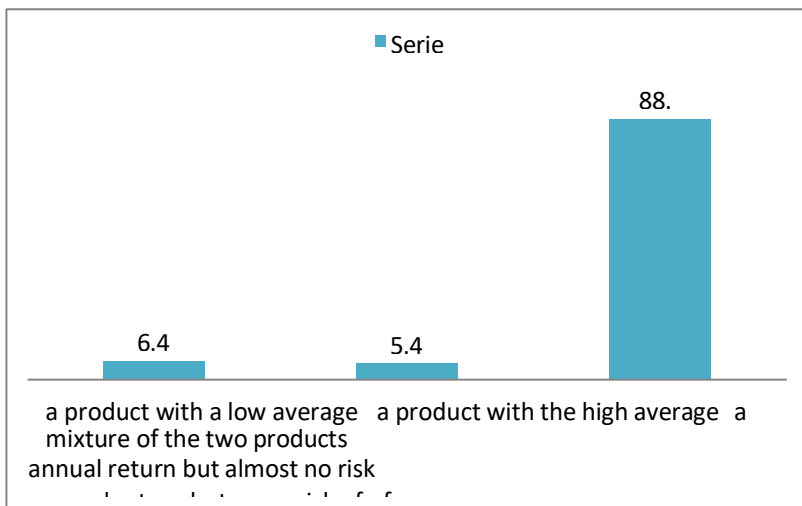


Fig 4.40 Percentages Of Respondents Have Some Money To Invest And A Choice Of Two Investment Products

The majority of the respondents 88.09 percent of respondents choose a mixture of the two products.

37 Imagine that stock market drops after you invest in it then what will you do?

Table No. 4.46 Respondents Imagine That Stock Market Drops After You Invest

RESPONSE	N	%
Withdraw you money	74	13.56
Wait to increase	303	55.49
Invest more in it	169	30.95
Total	546	100

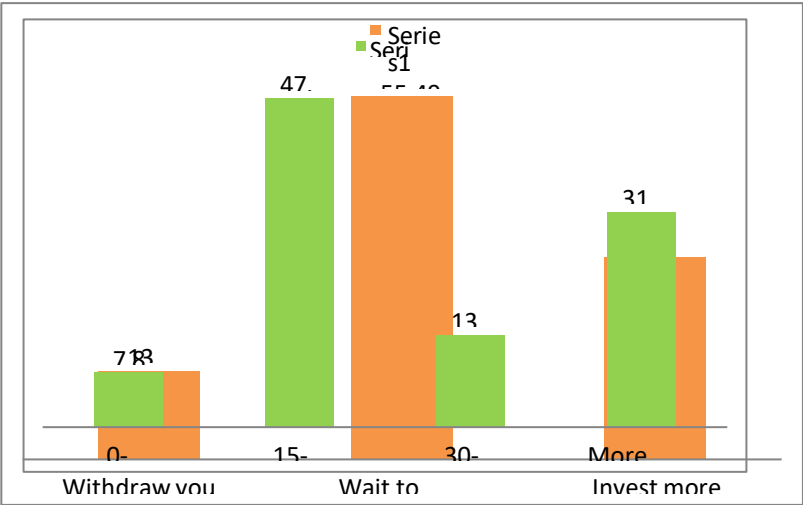


Fig 4.41 Percentage Of Respondents Imagine That Stock Market Drops After You Invest

The above table show that stock market drops after you invest in it then 13.56 percent of respondent withdraw you money, 55.49 percent of the respondent wait to increase and 30.95 percent invest more in it.

38 WHAT PERCENTAGE OF YOUR INCOME DO YOU INVEST?

Table No. 4.47 Respondents What Percentage Of Your Income Do Invest

RESPONSE	N	%
0-15%	43	7.87
15-30%	260	47.61
30-50%	73	13.37
More than 50%	170	31.15
Total	546	100

Fig 4.42 Percentages Of Respondents What Percentage Of Your Income Do Invest The above table show that 7.87 percent of respondent invest of your (0-15%) income, 47.61 percent of the

respondent invest (15-30%) of your income, 13.37 percent of respondent invest of your (30-50%) income and 31.15 percent of the respondent invest more than 50% of your income.

39 I would go for the best possible return even if there were risk involved.

Table No. 4.48 Respondents Would Go For The Best Possible Return Even If There Were Risk Involved

RESPONSE	N	%
Always	157	28.75
Usually	66	12.09
Sometimes	223	40.84
Rarely	77	14.11
Never	23	4.21

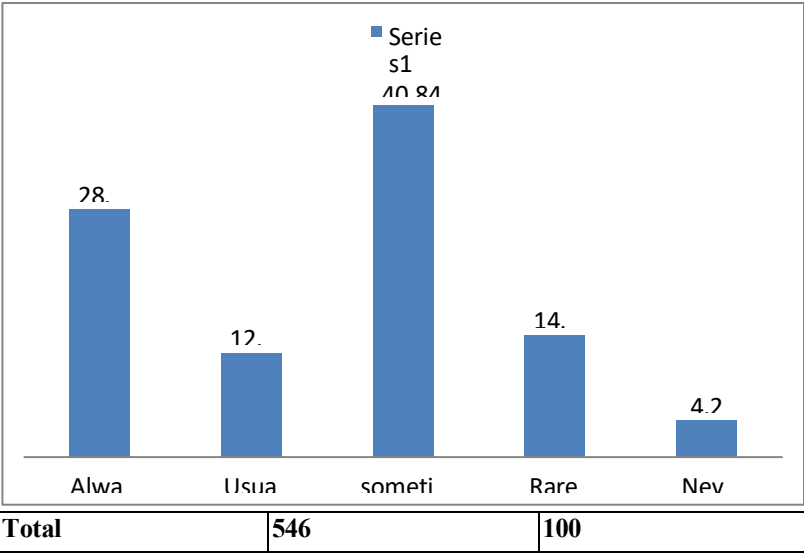


Fig 4.43 Percentages Of Respondents Would Go For The Best Possible Return Even If There Were Risk Involved

The above table show that the best possible return 28.75 percent of the respondent always,

12.09 percent of the respondent usually, 40.84 percent of the respondent sometimes, 14.11 percent of the respondent rarely and 4.21 percent of the respondent will go never.

40. How Would You Describe Your Typical Attitude When Making Important Financial Decisions

Table No. 4.49 Respondents On How Would You Describe Your Typical Attitude When Making Important Financial Decisions

RESPONSE	N	%
Very adventurous	30	5.49
Fairly adventurous	59	10.80
Average	123	22.53
Fairly cautions	122	22.34
Very cautions	212	38.84

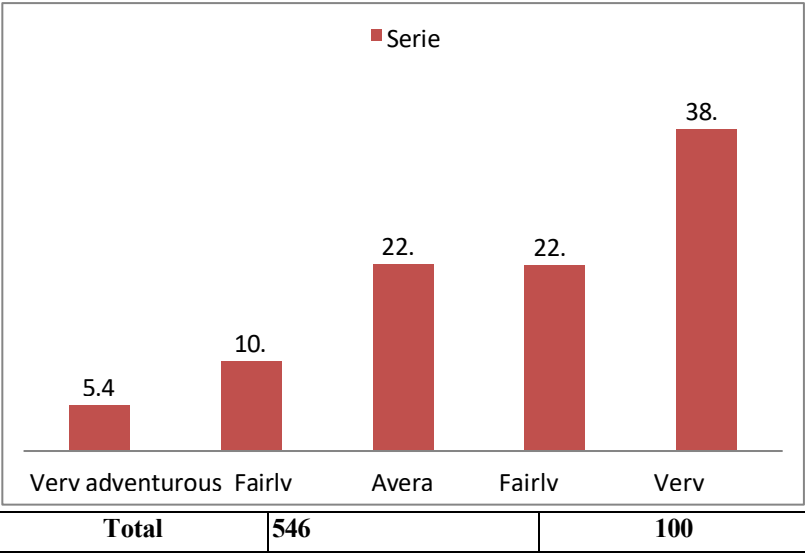


Fig 4.44 Percentage Of Respondents On How Would You Describe Your Typical Attitude When Making Important Financial Decisions

The above table shows that making important financial decisions 38.84 percent of the respondent describe your typical attitude very cautions, 5.49 percent of the respondent describe your typical attitude very adventurous.

40 What is the time period you prefer to invest?

Table No. 4.50 Respondents On What Is The Time Period You Prefer To Invest

RESPONSE	N	%
Short term (0- 1 year)	30	5.49
Medium term (1-5 years)	171	31.32
ng term (more than 5 years)	345	63.19
Total	546	100

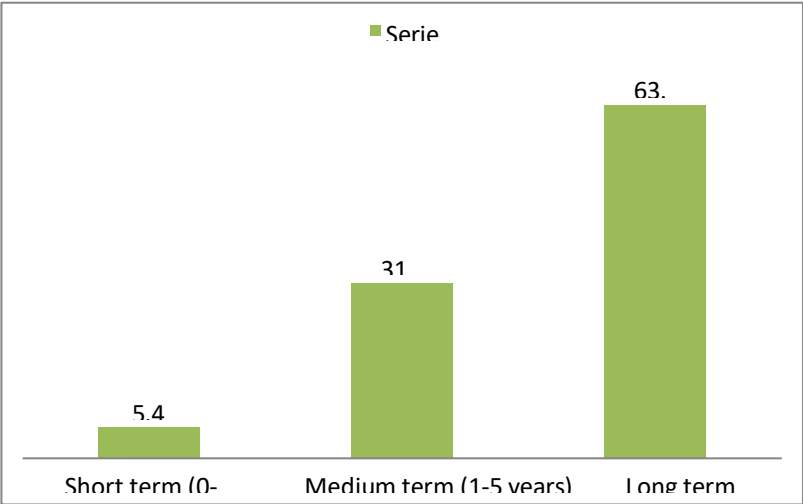


Fig 4.45 Percentage Of Respondents On What Is The Time Period You Prefer To Invest

The above table show that 5.49 percent of the respondent short term (0-1year), 31.32 percent of the respondent medium term (1-5year),

63.19 percent of the respondent prefer long term (more than 5 years) to invest.

41 If you had picked an investment with potential for large gains but also the risk of large losses how would you feel.

Table No. 4.51 Respondents On If You Had Picked An Investment With Potential For Large Gains But Also The Risk Of Large Losses How Would You Feel

RESPONSE	N	%
Panicked and very uncomfortable	89	16.3
Quite uneasy	77	14.10
A little concerned	104	19.04
Accepting of the possible high and low	231	42.30
Excited by the potential for gain	45	8.26
Total	546	100

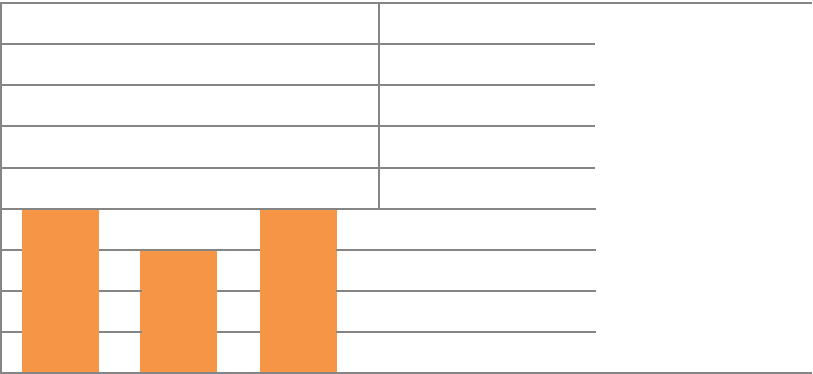
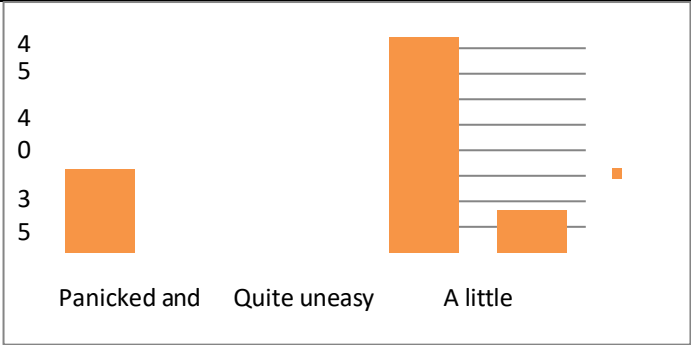


Fig 4.46 Respondents On If You Had Picked An Investment With Potential For Large Gains But Also The Risk Of Large Losses How Would You Feel

The above table show that If you had picked an investment with potential for large gains but also the risk of large losses then, 16.3 percent of the respondent feel panicked and very uncomfortable, 14.10 percent of the respondent feel quite uneasy, 19.04 percent of the respondent feel a little concerned, 42.30 percent of the respondent accepting of the possible high and low and 8.26 percent of the respondent excited by the potential for gain.

42 What kind of investments you have made so far.

Table No. 4.52 Respondents On What Kind Of Investments You Have Made So Far

RESPONSE	N	%
Saving account	201	36.82
Fixed deposit	93	17.04
Maturity fund	70	12.82
Gold	45	8.24
Stock/equity market	71	13
Real estate	36	6.59
PPF	9	1.65
Insurance	11	2.01
Others	10	1.83
Total	546	100

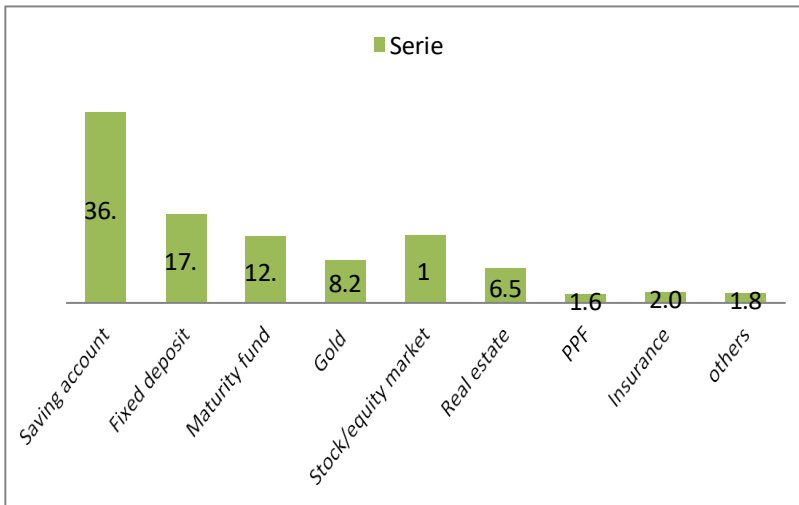


Fig 4.47 Percentages Of Respondents On What Kind Of Investments You Have Made So Far

The above table show that investments 36.82 percent of the respondent saving account, 17.04 percent of the respondent have fixed account, 12.82 percent of the respondent maturity fund,

8.24 percent of the respondent gold, 13 percent of the respondent have stock/equity market,

6.59 percent of the respondent real estate, 1.65 percent of the respondent have PPF, 2.01 percent of the respondent have insurance and 1.83 percent of the respondent others.

43 Are you aware of the concept- behavioral finance.

Table No. 4.53 Respondents Aware Of The Concept- Behavioral Finance

RESPONSE	N	%
Yes	182	33.34
No	44	8.06
Heard about it, but not sure.	320	58.60
Total	546	100

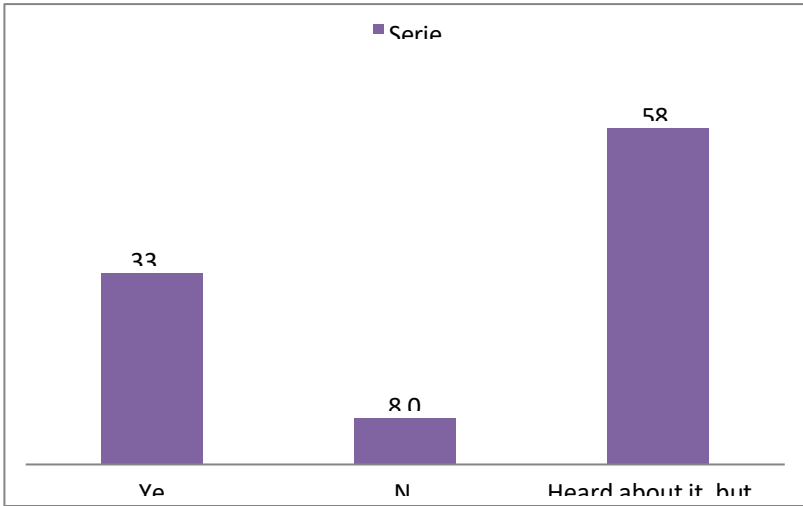


Fig 4.48 Percentages Of Respondents Aware Of The Concept-Behavioral Finance

The above table show that are you aware of the concept-behavioral finance 33.34 percent of the respondent say yes, 8.06 percent of the respondent say no, 58.60 percent of the respondent heard about it, but not sure.

Lables	N	Sig	Inter Test Corre lation	Inter Rest Corre lation	Inter Item Covari ance	Alpha
If you have lost your previous investment in the stock market, would you like to invest in stock market again.	546	+	0.4374	0.3919	0.1622 04	0.8706
If you have made a profit on your previous investment in the stock market, would invest in stock market again	546	+	0.5761	0.539	0.1594 48	0.8682
If you have been lossed in the stock market and currently you are seeing good opportunity in the market for profit then will you invest once again to loss cover.	546	+	0.6131	0.5781	0.1585 64	0.8675
Your investment decisions is based on companies fundamentals such as dividend payout, cash flows and earnings growth etc	546	+	0.5883	0.5525	0.1593 31	0.868
You want to invest in stocks that are constantly advertised in news.	546	+	0.6074	0.5708	0.1583 71	0.8675

You buy undervalued securities and sell overvalued securities	546	+	0.6266	0.5926	0.158337	0.8673
Before making an investment you do a risk return analysis	546	+	0.6573	0.6244	0.157336	0.8666
You don't sell a losing stock with the hope that stock price will rise again	546	+	0.5955	0.5598	0.15909	0.8679
While making an investment decision you consider potential gain as the most important	546	+	0.6268	0.5928	0.158304	0.8673
My own skills and understanding have made my future investment successful	546	+	0.5337	0.4943	0.160389	0.869
You are likely to buy the stocks that have high trading volumes	546	+	0.6016	0.5657	0.158806	0.8677
When I consider Investments that have an element of risk I feel quite nervousness	546	+	0.5393	0.4953	0.159194	0.8686
You avoid selling shares if their value comes down	546	+	0.5957	0.5598	0.159012	0.8679
You regret when you are not able to buy or	546	+	0.598	0.5624	0.159043	0.8678

sell a share when opportunity strikes.						
When you don't have information of a stock you usually follow what majority of investors are	546	+	0.4503	0.3996	0.161037	0.8703
doing.						
Do you feel that the decision you have taken will definitely make you profit,not a loss.	546	+	0.4135	0.3619	0.162047	0.8711
You feel that your loss in the stock market was due to your wrong decision?	546	+	0.3376	0.2843	0.164003	0.8724
If lost continue I don't want to buy stock ever again	546	+	0.3068	0.2503	0.164561	0.8731
I am looking forward my next opportunity to invest after a deep fall in the market	546	+	0.5004	0.4576	0.160764	0.8695
If loss happens stock to avoid future loss	546	+	0.3305	0.275	0.164	0.8727
Do you invest based on expert's predictor (analyst)	546	+	0.3854	0.2879	0.158557	0.8757
You feel more sorrow about holding losing	546	+	0.5584	0.5181	0.159322	0.8684

stocks too long than about selling winning stocks too soon.						
Can you take high risk for high return in stock market?	546	+	0.4992	0.4558	0.160693	0.8695
Suppose the stock of ABC Company has outperformed (better) the market for past s	546	+	0.4624	0.4159	0.161325	0.8701
You buy hot stocks and avoid stocks that have	546	+	0.4918	0.4492	0.161092	0.8696
performed poorly recent past						
You think that future trend of a share can be predicted on the basis of their past price movement.	546	+	0.4815	0.4366	0.160976	0.8698
You are confident that your skills and knowledge can help you to outperform (better) the market.	546	+	0.4538	0.4063	0.16142	0.8703
Your attitude towards a stock will change if all your colleagues starts buying or selling that stock.	546	+	0.4222	0.3718	0.161963	0.8709
I am looking for high investment growth I	546	+	0.48	0.4356	0.161125	0.8698

am willing to accept the possibility of Greater losses to achieve this.						
Suppose you are hear about a great stock tip from your friend who has a good stock market sense he recommends you to purchase the stock of ABC company you are likely to buy some shares because your friend is usually right about these things.	546	+	0.3306	0.2788	0.164335	0.8725
You invest in market where gain and loss have same chance	546	+	0.4883	0.4442	0.160902	0.8697
I believe the stocks that I own will never move in favor because of confused market.	546	+	0.374	0.3238	0.163349	0.8717
At which rate do you want your investment to grow?	546	+	0.1354	0.1106	0.16942	0.8741
At what particular time do you invest?	546	-	0.068	0.001	0.170499	0.8783
Imagine that you have some money to invest and a choice of two investment products	546	+	0.1469	0.1195	0.169205	0.8741

which option would you choose.						
Imagine that stock market drops after you invest in it then what will you do?	546	-	0.0538	0.0198	0.170257	0.8752
What percentage of your income do you invest?	546	-	0.0451	0.0018	0.170495	0.876
I would go for the best possible return even if there were risk involved	546	-	0.2022	0.1432	0.167102	0.8751
How would you describe your typical attitude when making important financial decisions	546	+	0.083	0.0187	0.170047	0.8777
What is the time period you prefer to invest?	546	+	0.1366	0.1057	0.169208	0.8743
If you had picked an investment with potential	546	-	0.0929	0.0278	0.169804	0.8776
for large gains but also the risk.						
What kind of investments you have made so far.	546	+	0.0704	-0.0385	0.172193	0.886
Are you aware of concept- Behavioural	546	+	0.3477	0.3175	0.166289	0.8722

finance						
You feel happy when your investment starts	546	+	0.6245	0.5913	0.158674	0.8674
mean					0.162775	0.8739

The Cronbach Alpha was found to 0.87. Thus suggesting the item have high correlation between themselves. The alpha value > 0.7 , thus can be used further for statistical test.

Factor	KMO	X2	df
Mental Accounting	0.735	15	470.38
Herd Behaviour	0.760	15	507.50
Anchoring Bias	0.808	10	716.78
Representative Bias	0.500	1	132.56
Loss Aversion Bias	0.546	3	111.50
Regret Bias	0.500	1	74.41
Availability Bias	0.594	3	139.55
Cognitive Dissonance	0.607	3	121.27

For all the variables KMO was found to be $> .5$ and the $p < .05$, thus indicating that there is substantial correlation between the data. Thus indicating the sample to be adequate.

Factor analysis was conducted using Principal Component Analysis, Mental Accounting and Herd Behavior latent variable yielded two factors, out of which factor 1 was considered for the purpose of the study. Rest all the latent variables only yielded one factors.

Herd Behaviour	B	e	t	p
const	4.508	.027	0.000	1.000
Representative Bias	0.080225	0.039538	2.03	0.043
Mental Accounting	0.333896	0.041607	8.02	0
Anchoring Bias	0.337168	0.04314	7.82	0
Loss Aversion Bias	0.021742	0.029132	0.75	0.456
Regret Bias	0.08732	0.035932	2.43	0.015
Availability Bias	0.084925	0.034751	2.44	0.015
Cognitive Dissonance	-0.00611	0.033561	-0.18	0.856

$R^2 = .600$, $df(7)$, $X^2(115.165)$, $p(.000)$

Multivariate Regression was used to understand the relationship between herd behaviour (dependent variable) and Representative bias, mental accounting, anchoring bias, loss aversion bias, regret bias, availability bias and cognitive dissonance (independent variable) The r^2 was found to be .600 thus indicating that the 60% of the variance in the model is being explained.

Regression is explained by

$Y = b_0 + b_1X_1 + b_2X_2 + \dots + b_pX_p \pm e$ where:

Y stands for dependent variable.

The variables (X_1), (X_2) and so stand for independent variables, causing a change in Y

The variable (b_0) represents the Y-value when all the independent variables (X_1 through X_p) are equal to zero.

The variables (b_1) through (b_p) represent the regression coefficients. And e stands for standard error

Thus it can be calculated as

Model:

$$\text{Herd Behaviour} = 4.58 + 0.08(\text{Representative Bias}) + 0.33 (\text{Mental Accounting}) + 0.33 (\text{Anchoring Bias}) + 0.02(\text{Loss Aversion Bias}) + 0.08 (\text{Regret Bias}) + 0.08(\text{Availability Bias}) + -0.006 (\text{Cognitive Dissonance}) \pm e$$

Factor	Variable	Factor 1	Factor 2
Mental Accounting	Q7	0.242	-0.44
	Q8	0.298	-0.241
	Q12	0.292	-0.4
	Q26	0.221	0.261
	Q30	0.327	0.451
	Q34	0.217	0.434
Herd Behavior	Q9	0.738	-0.258
	Q10	0.780	-0.123
	Q11	0.787	-0.071
	Q22	0.541	-0.267
	Q28	0.348	0.716
	Q35	0.406	0.588
Anchoring Bias	Q13	0.746	
	Q14	0.756	
	Q15	0.794	
	Q16	0.712	
	Q18	0.662	
Representative Bias	Q17	0.855	
	Q19	0.855	
Loss Aversion Bias	Q20	0.509	
	Q25	0.805	
	Q27	0.763	
Regret Bias	Q21	0.823	
	Q29	0.823	
Availability Bias	Q31	0.639	
	Q32	0.793	
	Q33	0.742	

Cognitive Dissonance	Q36	0.743	
	Q38	0.759	
	Q39	0.657	

Table 4. Hypothesis Testing

Hypothesis	p-values Significant (P<0.05)	Decision	Justification
H1: There is a significant relationship b/w Herd Behavior & Representative Bias.	.043 Significant	Accept	The p-value is significant at 95% confidence level & R.B has positive impact on H.B
H2: There is a significant relationship b/w Herd Behavior & Mental Accounting.	.000 Significant	Accept	The p-value is significant at 95% confidence level & M.A has positive impact on H.B
H3: There is a significant relationship b/w Herd Behavior & Anchoring Bias	.000 Significant	Accept	The p-value is significant at 95% confidence level & A.B has positive impact on H.B
H4: There is a significant relationship b/w Herd Behavior & Loss Aversion Bias	.456 Not Significant	Reject	The p-value is not significant at 95% confidence level & L.A has no impact on H.B
H5: There is a significant relationship b/w Herd Behavior & ...	.015 Significant	Accept	The p-value is significant at 95% confidence level & A.B

Availability Bias			has positive impact on H.B
H6: There is a significant relationship b/w Herd Behavior & Cognitive Dissonance	.015 Significant	Accept	The p-value is significant at 95% confidence level & R.B has positive impact on H.B
H7: There is a significant relationship b/w Herd Behavior & Regret Bias.	.856 Not Significant	Reject	The p-value is not significant at 95% confidence level & R.B has no positive impact on H.B

5.0 Introduction

Behavioral finance has provided invaluable insights into the complexities of human decision-making within financial markets. Through the integration of psychology and economics, it has highlighted the irrationalities and biases that often guide investors, influencing market dynamics and asset prices. One of the key conclusions drawn from behavioral finance is that investors are not always rational actors, as traditional economic theories assume. Instead, they are prone to cognitive biases, emotions, and heuristics that can lead to suboptimal decision-making and market inefficiencies. These biases include overconfidence, loss aversion, herding behavior, and anchoring, among others. Understanding these biases is crucial for investors, as it helps them recognize and mitigate the potential pitfalls that can arise from irrational decision-making. By acknowledging their own biases and adopting strategies to counteract them, investors can make more informed and rational investment decisions. Furthermore, behavioral finance has implications for policymakers, regulators, and financial institutions. It underscores the importance of designing regulations and financial products that consider the behavioral tendencies of investors, promoting market stability and investor protection. Overall, behavioral finance has deepened our understanding of financial markets by incorporating insights from psychology into economic theory. By recognizing and addressing the behavioral biases that influence decision-making, both individual investors and the financial industry as a whole can strive for more efficient and resilient markets.

5.1 Findings

➤ People tend to feel the pain of losses more strongly than the pleasure of equivalent gains.

This leads to risk-averse behavior, often resulting in selling winning investments too

early and holding onto losing investments for too long.

➤ Individuals often overestimate their own abilities and knowledge, leading them to trade more frequently and believe they can beat the market. This can result in excessive trading and underperformance compared to passive investing strategies.

➤ Investors tend to anchor their decisions to irrelevant reference points, such as the price at which they bought a stock. This can lead to reluctance to sell a losing investment until it reaches the purchase price again, even if there's no fundamental reason for the price to rebound.

➤ People often mimic the actions of others, particularly in uncertain situations. This can lead to market bubbles and crashes as investors follow the crowd rather than conducting independent analysis.

➤ Investors have a tendency to seek out information that confirms their existing beliefs while ignoring or discounting contradictory evidence. This can lead to a lack of diversification and failure to consider alternative viewpoints.

➤ Investors often make decisions to avoid the regret of making a wrong choice rather than maximizing potential gains. This can lead to inaction or sticking with familiar investments, even when better opportunities exist elsewhere.

➤ Investors tend to sell winners too early and hold onto losers too long, driven by the desire to realize gains and avoid admitting mistakes. This can result in suboptimal portfolio performance.

➤ The way information is presented can influence decision-making. For example, presenting investment returns as either gains or losses can lead to different risk preferences, even if the underlying information is the same.

5.2 Suggestions

➤ Explore various cognitive biases and heuristics that affect investor behavior, such as loss aversion, confirmation bias, anchoring, and availability heuristic. Understand how these biases can lead to suboptimal financial decisions and their implications for market dynamics.

➤ Investigate the role of emotions, such as fear, greed, and overconfidence, in shaping investment choices. Understand how emotional responses can drive market volatility and lead to irrational behavior among investors.

➤ Examine how individuals make decisions under conditions of uncertainty and ambiguity.

Explore prospect theory and its implications for risk perception and risk-taking behavior.

➤ Study various market anomalies and anomalies that defy traditional financial theories, such as the momentum effect, value premium, and the January effect. Analyze how investor sentiment contributes to these anomalies and their persistence over time.

➤ Investigate the phenomenon of herd behavior in financial markets, where individuals mimic the actions of others rather than making independent judgments. Understand the role of social influence, peer pressure, and information cascades in driving herd behavior.

➤ Explore how insights from behavioral finance can be integrated into asset pricing models.

Study behavioral asset pricing models, such as the behavioral capital asset pricing model (BCAPM), and their implications for understanding asset returns and market efficiency.

➤ Examine the application of behavioral finance principles in wealth management and financial advisory services. Understand how financial advisors can leverage knowledge of behavioral

biases to help clients make better financial decisions and achieve their long- term goals.

➤ Evaluate the policy implications of behavioral finance research. Explore how regulatory interventions, nudges, and incentives can be designed to mitigate the impact of behavioral biases and promote financial stability and investor welfare.

➤ Investigate how cultural factors influence investor behavior and attitudes toward risk, uncertainty, and investment choices. Compare and contrast behavioral patterns across different cultural contexts and explore their implications for global financial markets.

➤ Engage in experimental and field studies to further our understanding of behavioral phenomena in finance. Design experiments to test specific hypotheses and conduct field studies to observe real-world behavior in financial markets.

6.1 Conclusion

This chapter concludes the study with key findings, suggestions, their implications to financial advisors, brokers. Investment advisors and future researchers, every person has his or her personality traits and faces with the different behavioral biases. Likewise, the risk tolerance depends on the personality traits. The most important is that the investors must have the knowledge of their own personality. Psychological biases and their emotional intelligence. Every individual has a different personality and they invest according to their personality some are extrovert in nature, some are introvert and they differ according to their personality. The personalities of the individual vary them from the other individual. Accordingly, they take risk which may vary from one individual to another. It is known that every individual has different emotional intelligence. Moreover, the individual invests in different avenues according to their emotional intelligence. Moreover, the individual invests in different avenues according to their emotional intelligence. In this study, the relation between investment decisions and personality traits, emotional intelligence, demographic attributes and behavioral biases are found. Moreover, our study provides a better understanding of the personality traits, emotional intelligence and behavioral biases of the investors affect the investment decisions through the risk tolerance of the investors. Conventional theories of finance, have ruled the world for more than five decades, but the increasing anomalies and inconsistencies prevailing in the equity markets and failure to offer proper justification to it, have highlighted the shortcoming of the theories. There existed a gap and sought for explanation and reasoning led to origination of behavioral finance theories. Behavior factors such as Overconfidence, Representativeness, Herding, Anchoring, Regret Aversion, Gamblers' Fallacy, Mental Accounting, Cognitive dissonance, Hindsight

Bias, etc. The study significantly enhances the investment decisions and risk tolerance literature. Though we do not claim the

generalization of findings, the study has contributed in more than one ways. The study contributes to the literature by providing validated scales for risk tolerance, investment decisions, personality traits, emotional intelligence and behavioral biases. The results of the study extend the literature by producing empirical evidence in support of relationship among these variables in the Indian context. In the modern world, the risk management practices are gaining much impact and hence understanding the investment behavior becomes more crucial. The investors are so busy in their life so the portfolio companies should provide assistance and guide to them according to their behavior. The future studies may consider the other stock exchanges for studying the relationship among these variables. The future researchers may study the relation between the investment avenues and personality traits, emotional intelligence and behavioral biases as in the present study only stock market is considered. The future studies may consider the relationship among these variables. The future researchers may study the relation between the investment decisions and financial literacy of the investors.

6.2 Recommendation

The investors must not follow the majority of the people. He should have knowledge about his investments while investing in any stock.

The investors should not invest in a stock on the advice of the others. The investor should not base their investment depending on the performance of the stock in the past.

The financial advisors should focus on the overconfidence and regret behavioral biases of investors while making investment decisions so that they can advise them accurately in order to lessen such type of biases.

Investors should be patient before and after taking investment decisions.

Investors should carefully identify and analyze the behavioral factors which affect the investment decisions of the investors.

The financial planners and financial advisors should consider the personality traits of the different investors such as extroversion; agreeableness and openness to experience in order to perceive the type of investment which best suits the investors.

The financial planners, financial managers and financial advisors should focus on the strategies which are most preferred by the investors such as Buy stock for which

good news is expected, Buy stock which is most actively traded, Buy stock which is expected to announce bonus issue and/or stock split, Contrarian effect (buy past losers) and Buy stock which has announced good quarterly results and advise the investors accordingly.

The companies should provide more information on the internet about the investment avenues. So, the individual investors should get all recent information about the investment avenues.

The financial planners and financial advisors should consider the emotional intelligence of the different investors as all the dimensions of emotional intelligence are strongly related with the investment decisions, in order to perceive the type of investment which best suits these investors.

The financial advisors should focus on the different personality traits of the investors which affect their risk tolerance so that they can advise them accordingly.

The financial advisors should consider the behavioral factors which affect the risk tolerance of the investors so that they can advise them accordingly.

As the risk tolerance partially mediates between the investment decisions and the risk

tolerance so the companies should focus on the behavioral biases of the investors in order to have better decision making.

The investor has to increase their knowledge regarding behavioral finance.

The investors of all age group must have knowledge regarding the investment, so that they can select the best investment avenue accordingly.

The companies should provide information to the investors regarding the benefits of making investment in stock market.

The study significantly enhances the investment decisions and risk tolerance literature. Though we do not claim the generalization of findings, the study has contributed in more than one ways. The study contributes to the literature by providing validated scales for risk tolerance, investment decisions, personality traits, emotional intelligence and behavioral biases. The results of the study extend the literature by producing empirical evidence and support of relationship among these variables in the Indian context, and the modern world, the risk management practices are gaining much impact and hence understanding the investment behavior becomes more crucial. The investors are so busy in their life so the portfolio companies should provide assistance and guide to them according to their behavior. The future studies may consider the other stock exchanges for studying the relationship among these variables. The future researchers may study the relation between the investment avenues and personality traits, emotional intelligence and behavioral biases as in the present study only stock markets considered. The future studies may consider other states for studying relationship among these variables. The future researchers may study the relation between the investment decisions and financial literacy of the investors.

6.3 Scope for Future Research

The scope of the study extends to Lucknow City. This study covers five behavioral factors viz. overconfidence, representative bias, anchoring, herding and regret aversion, influencing the investment decisions of retail investors of Lucknow City. This study will offer platform for other researchers who intend to conduct more detailed work on the topic in following ways:

Finding the degree of association of behavioral factors and individual's investment decisions as well as identifying the behavioral factor that influences the investment decisions of the residents of the city most.

Conducting the same study in different geographical area, adding more behavioral factors to the study, etc

Extending this study to other investment choices in the financial market such as mutual funds, bonds, etc