

## THE IMPACT OF BEHAVIOURAL FINANCE ON INVESTMENT DECISION

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### **Abstract:**

The study delves into the extensive impact of behavioral finance on investment decisions, focusing on the intricate interplay between psychological factors and financial choices. The field of behavioral finance has emerged as a critical component in comprehending the deviations of actual investor behavior from the idealized rational models proposed in traditional finance theories. This research paper aims to provide a comprehensive analysis of how psychological biases and emotional influences significantly affect investment decisions. By combining insights from psychology and economics, the study examines the fundamental biases that impact decision-making processes, including confirmation bias, overconfidence, loss aversion, and herding behavior, among others. The research incorporates empirical evidence and case studies to highlight the real-world implications of these biases on investment strategies and financial markets. It examines how these biases manifest in investor behavior and impact portfolio management, risk perception, and market inefficiencies. Furthermore, the paper explores the implications for individual investors, fund managers, and the broader financial landscape. This paper employed the techniques of Exploratory Factor Analysis, Principal Component Analysis by spss23.

### **Keywords:**

#### **Theoretical background:**

In the realm of finance, traditional economic theories have long presumed that investors act rationally, making decisions based on all available information to optimize their financial outcomes. However, the reality is far more complex. The emergence of behavioral finance has brought to light the significant influence of psychological factors on investment decision-making, challenging the assumption of purely rational behavior. The study of behavioral finance seeks to understand how cognitive biases, emotions, and social factors affect financial choices. It explores the deviations of human behavior from the rational decision-making process posited by traditional

financial theories. By integrating insights from psychology and economics, behavioral finance sheds light on the various irrational patterns that shape investment decisions. This research paper aims to delve into the multifaceted impact of behavioral finance on investment decisions. It specifically focuses on unraveling the intricate web of psychological factors that exert a profound influence on financial choices. Biases such as confirmation bias, overconfidence, loss aversion, herding behavior, and many others serve as crucial elements in this investigation. The paper endeavors to explore the practical implications of these psychological biases on investment strategies and their effects on financial markets. Through empirical evidence and case studies, it aims to demonstrate how these biases manifest in investor behavior, leading to deviations from rational decision-making processes and, consequently, influencing market dynamics. Understanding the psychological factors that drive investment decisions is essential for investors, fund managers, and market analysts. It prompts the necessity of revisiting investment strategies, considering risk from a different perspective, and adopting measures to counteract the influence of these biases. By delving into the world of behavioral finance, this paper endeavors to contribute to the comprehension of the real-world implications of psychological factors on investment decisions. Moreover, it seeks to provide practical insights and strategies that can assist in mitigating the impact of these biases, fostering more informed, rational, and effective investment decisions in an ever-evolving financial landscape.

The theoretical framework of behavioral finance is rooted in understanding the discrepancies between how people actually make financial decisions and the assumptions of traditional finance theories. It incorporates various psychological concepts, biases, and heuristics to explain these deviations. Here are the key components of the theoretical framework of behavioral finance:

- Prospect Theory: Developed by Daniel Kahneman and Amos Tversky, prospect theory explains how people make decisions under uncertainty. It suggests that individuals are more sensitive to losses than gains and tend to make decisions based on perceived gains and losses rather than final outcomes.
- Biases and Heuristics: Behavioral finance extensively explores cognitive biases and heuristics that lead to irrational decision-making. These include:
  - Confirmation Bias: Tendency to seek information confirming preconceptions.
  - Overconfidence: Overestimating one's abilities or knowledge.
  - Loss Aversion: Preference for avoiding losses over acquiring equivalent gains.
  - Anchoring: Relying too heavily on initial information.
  - Availability Heuristic: Basing decisions on readily available information, often recent or vivid events.
- Herd Behavior: Behavioral finance acknowledges the tendency of individuals to mimic the actions of a larger group, leading to market movements that might deviate from rational valuations.

- Market Inefficiencies: Departing from the efficient market hypothesis, behavioral finance suggests that markets aren't always efficient due to irrational behavior, resulting in market anomalies and mispricings.
- Risk Perception: Behavioral finance studies how individuals perceive and react to risks, understanding that their risk perceptions might not align with traditional risk models.
- Limits to Arbitrage: This concept suggests that while mispricings might exist due to behavioral biases, exploiting them might be limited due to practical constraints like transaction costs or investor sentiment.
- Adaptive Market Hypothesis: Andrew Lo's theory extends the efficient market hypothesis by incorporating evolutionary principles. It suggests that markets are not always efficient but adapt over time, incorporating new information and participants' behaviors.

Theoretical frameworks in behavioral finance aim to explain how psychological biases and heuristics influence individual and market behaviors, leading to deviations from the assumptions of traditional finance theories. It recognizes the human element in decision-making and financial markets, offering a more comprehensive understanding of how these biases impact investment decisions and market dynamics.

#### **Literature review:**

The field of behavioral finance has gained significant prominence in recent decades as researchers and practitioners seek to understand the psychological factors influencing investment decisions made by individual investors. This literature review provides an overview of key research findings and insights into the fascinating interplay between human psychology and financial decision-making. It delves into the various behavioral biases identified in the literature, their consequences, and the strategies proposed to mitigate their effects.

- Robert Hudson (2023) The main theme of the conference was to link behavioural finance and ethics, which is promising and fast growing research area, but this was not to the exclusion of other papers in the behaviour finance area which were very well represented at the conference. In this issue we have two papers with a strong ethical element and two papers focussing on investigations linking behavioural research to other aspects of the financial markets.
- Ahmed Bouteska, Mehdi Mili (2022) The authors investigate the empirical relation among investor sentiment, valuation uncertainty, and announcements of changes in analyst recommendation decisions among U.S. firms. Recent behavioral finance evidence shows market sentiment to have predictive content that affects the classical relationship between analyst recommendations and stock return dynamics. Contrary to this evidence, the authors find that degree of valuation uncertainty is associated to the impact of investor sentiment when examining a likelihood of consensus recommendation upgrade or downgrade. While not totally eliminating the significant investor sentiment effect under high valuation uncertainty, the investor sentiment does not powerfully explain the stock market reactions

to analyst recommendation changes under low valuation uncertainty. Furthermore, the authors show that analyst recommendations provide significant buy or sell signals if valuation uncertainty is great, referring to the market being highly competitive. However, in less competitive markets, analyst reports become less informative. Overall, the authors demonstrate that magnitude of valuation uncertainty is an important complement to investor sentiment for further understanding analyst recommendations.

- Qingzhong Ma, Icon, David Whidbee, Icon & Wei Zhang (2022) find evidence that the asset growth anomaly is due, in part, to investors' behavioral biases. Two-way sorts based on asset growth and proxies for known behavioral biases (anchoring, recency, nominal price illusion, and lottery-seeking) indicate that the asset growth anomaly is stronger in stocks that investors affected by behavioral biases tend to buy and non-existent or negative in stocks they tend to sell. These results are not explained by limits of arbitrage or investor sentiment and hold in both portfolio analyses and regressions. The evidence suggests that behavioral investors' attraction to certain stocks drives the asset growth anomaly.
- Dhruva Jyoti Sharma, Dr. Nripendra Narayan Sarma (2022) In this paper efforts have been made to provide a framework for the concept related to the behavioural finance. Review of literature is carried out so that different dimensions and views regarding behavioural finance can be understood. Theories, models and studies which try to complement behavioural finance studies are also discussed. New frontiers and approaches that can be adopted for further studies are discussed and it may help to provide a conceptual framework for future studies
- According to the study by Kruti P. Bhatt (2018), Anchoring bias has been found to influence 97.4 percent of the total respondents and Overconfidence bias has been found to influence 97.8 percent of the total respondents. So anchoring bias and Overconfidence bias are the most prominent biases among investors under study. Availability bias, Disposition Effect, Herd Behavior, and Representative bias have been found to influence 70.4 percent, 70.2 percent, 70.4 percent and 56.3 percent of the respondents respectively. So these biases are comparatively less prominent in investors under study. Mental Accounting and Naive Reinforcement Learning have been found to influence 6 percent and 2 percents of the respondents respectively. So, these biases are the least prominent in investors under the study
- In the study conducted by A. Pankajam (2017) the behavioural factors such as Locus of Control, Emotional Intelligence, Risk Attitude, Herding, Heuristics and the Prospect factors were analysed with the help of canonical correlation to investigate the relationship between each and every factor of the behavioural factor and the investment decision making factor as a vector analysis. From the analysis it was found that both the sets were having a high correlation to the extent of 85.4% shows a high relation between the behavioural factors and the investment decision making behaviour of the investors. The correlation between the input variables such as the risk attitude, Emotional Intelligence, Locus of control, Herding, Heuristics and the Prospects and the decision making variables

such as the Performance, Satisfaction and the Strategy for Decision Making shows a high correlation between 70 and 92 percent.

- According to Amlan Jyoti Sharma(2016) behavioral finance is a descriptive and advisory study of ideas and thoughts which are not exhaustive. To be a good theory it needs to be refined after holding discussions and conducting more studies. Till then it should be accepted as a theoretical framework and rigorous and refined analysis is required to replace a concrete theory like EMH.
- Mitroi and Oproiu (2014) in their research found out that emotional intelligence and investment performance are positively correlated. According to them in financial decision making process psychological factors plays more important role than the rational factors
- Bikas et. al. (2013) stated that decision in financial markets are not only based only on the available information from the market but also the psychological factors play a huge role influencing the investment decision making process.
- Overconfidence is a well-documented bias that leads individuals to overestimate their knowledge and abilities. Numerous studies have shown that overconfident investors tend to trade more frequently and have lower returns than those who accurately assess their abilities (Odean, 1998). This bias can result in excessive risk-taking and suboptimal portfolio management. Researchers have suggested that providing feedback and encouraging self-awareness can help investors mitigate the detrimental effects of overconfidence (Barber & Odean, 2001).
- Loss aversion, a concept introduced by Kahneman and Tversky (1979), highlights the tendency of individuals to feel the pain of losses more acutely than the pleasure of gains. This bias can lead to risk-averse behavior, even when taking on more risk might be financially beneficial. Loss aversion has been linked to the disposition effect, where investors hold onto losing investments longer than they should (Shefrin & Statman, 1985). Recognizing the impact of loss aversion is crucial for investors and financial advisors when constructing portfolios and managing risk.
- Herding behavior occurs when investors follow the actions of others, often driven by a fear of missing out or a desire to conform. This tendency can lead to asset bubbles and market inefficiencies. Studies have shown that herding behavior is particularly prevalent during periods of market volatility (Chiang & Zheng, 2010). Investors can benefit from avoiding herd mentality by focusing on fundamental analysis and maintaining a long-term perspective.
- Anchoring is the cognitive bias where individuals fixate on a specific piece of information, such as the purchase price of a stock, and make subsequent decisions based on that anchor. This bias can lead to poor investment choices, as investors fail to adjust their strategies in response to changing market conditions. Recognizing anchoring tendencies can help investors make more flexible and adaptive decisions (Tversky & Kahneman, 1974).

- The availability heuristic refers to the tendency to rely on readily available information when making decisions. In the context of investing, this means that individuals may overweight recent or easily accessible information, leading to suboptimal decisions. Researchers have suggested that diversifying information sources and conducting thorough research can help investors overcome this bias (Barber & Odean, 2008).
- Regret aversion, closely related to loss aversion, is the fear of experiencing regret over a decision. Investors often avoid taking risks to prevent potential feelings of regret, even if these risks may lead to higher returns. Research has shown that investors with a high aversion to regret tend to hold concentrated portfolios, missing out on diversification benefits (Shefrin, 2000). Understanding the role of regret aversion can encourage investors to adopt a more balanced approach to risk-taking.
- Confirmation bias is the tendency to seek and interpret information in a way that confirms pre-existing beliefs or opinions. In the context of investing, this bias can lead investors to selectively focus on information that supports their investment decisions and ignore contradictory data. Research has found that confirmation bias can hinder investors' ability to adapt to changing market conditions (Barber & Odean, 2000). Recognizing this bias can prompt investors to engage in more objective and balanced information gathering.
- Mental accounting is the practice of segregating money into different mental "accounts" for various purposes. Investors often allocate funds for specific goals or investments, leading to suboptimal decisions based on arbitrary divisions. Thaler (1999) highlighted that mental accounting can result in a failure to consider the overall financial portfolio when making investment decisions. Awareness of mental accounting can help investors develop a more holistic approach to financial planning.
- Individual investors often rely on forecasts and predictions when making investment decisions. However, research has shown that investors are susceptible to overreacting to short-term forecasts, leading to excessive trading and poor performance (Barber & Odean, 2001). This bias in forecasting underscores the importance of emphasizing long-term investment strategies and focusing on fundamentals rather than short-term market predictions.
- The practical application of behavioral finance has gained traction in the financial industry. Financial advisors are increasingly integrating behavioral insights into their practices to better understand and assist clients. The use of robo-advisors and technology-driven investment platforms also incorporates behavioral principles to guide investors toward more rational and disciplined decision-making (Hershfield et al., 2011). These advancements aim to address and mitigate the impact of behavioral biases in real-world investment scenarios.

### **OBJECTIVES:**

- To assess Impact of Biases and Heuristics on Investment decision
- To evaluate Impact of Herd Behavior on Investment decision

- To examine Impact of Market Inefficiencies on Investment decision
- To assess Impact of Risk Perception on Investment decision
- To evaluate Impact of Emotions and Investor Behavior on Investment decision
- To examine Impact of Regret Aversion on Investment decision
- To examine Impact of Biases in Portfolio Management on Investment decision

### **Research methodology:**

#### **Data sources:**

##### **Primary Data Sources:**

- Surveys and Questionnaires: Researchers often design surveys to collect data directly from individuals regarding their investment decisions, risk perceptions, and behavioral biases. These surveys are tailored to gather specific information relevant to the research questions.
- Experiments: Controlled experiments can be conducted to observe and analyze decision-making behaviors in controlled environments. These experiments might involve simulated trading scenarios or decision tasks designed to elicit specific biases or behaviors.
- Interviews and Focus Groups: Researchers may conduct interviews or focus group discussions with investors, financial professionals, or individuals to obtain qualitative insights into their investment behaviors, attitudes, and decision-making processes.

##### **Secondary Data Sources:**

- Published Research Papers and Journals: Secondary sources in behavioral finance include academic papers, articles, and studies previously published in scholarly journals. These sources often analyze existing data or conduct literature reviews on behavioral finance topics.
- Historical Market Data: Financial databases and repositories provide historical market data, such as stock prices, trading volumes, and market indices. Analysts use this information to study market trends, anomalies, and the impact of behavioral biases on asset prices.
- Government and Financial Institution Reports: Reports from institutions like the Federal Reserve, SEC, or World Bank offer valuable economic and financial data, including market indicators, economic trends, and regulatory information.
- Books and Texts: Behavioral finance literature, including books written by prominent authors in the field, serve as secondary sources that compile comprehensive knowledge and insights about various behavioral biases, decision-making processes, and their impact on investment decisions

## **HYPOTHESIS**

### **Section 1: Biases and Heuristics**

- H0: There is a positive impact of Biases and Heuristics on Investment decision
- H1: There is no positive impact of Biases and Heuristics on Investment decision

### **Section 2: Herd Behavior**

- H0: There is a positive impact of Herd Behavior on Investment decision
- H1: There is no positive impact of Herd Behavior on Investment decision

### **Section 3: Market Inefficiencies**

- H0: There is a positive impact of Market Inefficiencies on Investment decision
- H1: There is no positive impact of Market Inefficiencies on Investment decision

### **Section 4: Risk Perception**

- H0: There is a positive impact of Risk Perception on Investment decision
- H1: There is no positive impact of Risk Perception on Investment decision

### **Section 5: Emotions and Investor Behavior**

- H0: There is a positive impact of Emotions and Investor Behavior on Investment decision
- H1: There is no positive impact of Emotions and Investor Behavior on Investment decision

### **Section 6: Regret Aversion**

- H0: There is a positive impact of Regret Aversion on Investment decision
- H1: There is no positive impact of Regret Aversion on Investment decision

### **Section 7: Biases in Portfolio Management**

- H0: There is a positive impact of Biases in Portfolio Management on Investment decision
- H1: There is no positive impact of Biases in Portfolio Management on Investment decision

### **Methodology and Data Collection:**

In this research, the survey questions were thoughtfully designed to identify the most influential variables impacting behavioural finance practices and to measure the study variables. A five-point Likert scale was employed as the measurement tool, where 1 represents "strongly disagree," and 5 signifies "strongly agree." This Likert scale was selected to assess the level of agreement or disagreement among the respondents. Likert-scale inquiries are particularly valuable when seeking insights into respondents' opinions and sentiments regarding a particular subject. They offer the advantage of ease of standardization, making data obtained from Likert scale questions well-suited for statistical analysis.

### **Questionnaire Pre-Testing:**

Before being deployed in the actual research, the questionnaire underwent a thorough pre-testing phase. The purpose of this pre-test was to identify and rectify any potential technical issues or ambiguities in the questionnaire. Ensuring that the questions' wording was appropriate for the employees was a key objective of the pre-test.

### **Benefit of Third-Party Perspective:**

To enhance the questionnaire's quality and clarity, it received valuable input from third parties who were not involved in the main survey. This external perspective helped reduce the potential for errors and oversights. Based on the feedback received, certain questions were modified to improve elements such as wording, content, and format.



This meticulous approach to questionnaire design and pre-testing helps ensure the reliability and validity of the data collected, contributing to the overall robustness of the research findings.

Sample size: 554                      Sampling procedure: convenience sampling

**Data Analysis Procedure**

The questionnaire is divided into two parts: Respondents were questioned about their demographics in the first part. In the second portion, respondents were questioned about their opinions on the relationship between elements of behavioural finance and customer perception and purchasing patterns. On a Likert scale of 1 to 5, with 1 representing strong agreement and 5 denoting strong disagreement, the claims are scored.

**DATA ANALYSIS AND INTERPRETATION**

**RESULTS AND DISCUSSION.**

SPSS 23 was used to analyse the data. The research uses exploratory factor analysis to demonstrate concept validity and Cronbach alpha to assess internal consistency. The regression method was used to find any possible relationships between the variables.

For the purpose of conforming constructs in the EFA, PCA (Principal Component Analysis) was applied (Exploratory Factor Analysis). According to Hair et al. (1998), factor loading larger than or equal to 0.30 is believed to satisfy the lowest level, followed by factor loading greater than or equal to 0.40 and 0.50, which is thought to be highly important. This study's termination point was set at a factor loading of 0.50.

The results of the factor analysis are shown in Table 2. KMO When the value is between 0.5 and 1.0, a component analysis is advantageous for the data. The level of dependency between the variables is determined using Bartlett's sphere-city test. Researchers may discover the result by calculating the significance level of the test. When the values are extremely tiny, there are probably substantial correlations between the variables (less than 0.05). The data may not be appropriate for a factor analysis if the p-value is higher than.10. They demonstrate that factor analysis is suitable for this collection of data. All twenty-one items were verified for the final analysis since no item had a loading value lower than 0.5.

**Table 1: Results of Exploratory Factor Analysis**

Table 1: Results of Exploratory Factor Analysis								
Macro Variable	Micro Variable	Factor loadings	KMO Measure of Sample Adequacy (>0.5)	Bartlett's Test of Sphericity		Items confirmed	Items dropped	Cum % of loading
				Chi Square	Sig. (<.10)			

e- BEHA VIOU RAL FINA NCE	Biases and Heuristics	.928	.562	210.430	.000	6	0	66.48
	Herd Behavior	.898	.705	355.625	.000	6	0	78.536
	Market Inefficiencies	.737	.642	309.165	.000	6	0	72.860
	Risk Perception	.822	.628	120.772	.000	6	0	60.684
	Emotions and Investor Behavior	.979	.691	1386.834	.000	6	0	90.467
	Regret Aversion	.944	.591	121.272	.000	6	0	78.4
	Biases in Portfolio Management	.872	.706	248.604	.000	6	0	72.884

### Reliability analysis:

Calculating Chronbach Alpha helped researchers assess the questionnaire's internal consistency and reliability. Nunally and Bernstein (1994) recommend adopting an alpha value as low as 0.60 for new scales, although a lower alpha value is acceptable. If not, it is common practise to impose the need of an internally consistent established scale with an alpha value of 0.70. The study's threshold value for Cronbach's alpha is 0.7.

**Table 2: Results of the Reliability Examination**

	Independent Variable	Cronbach Alpha
1	Biases and Heuristics	.732
2	Herd Behavior	.881
3	Market Inefficiencies	.808
4	Risk Perception	.669
5	Emotions and Investor Behavior	.946
6	Regret Aversion	.805

7	Biases in Portfolio Management	.755
Over all Reliability of the Questionnaire		.801

Table 2s Cronbach's alpha values are over the cutoff value of 0.7, which is acceptable. With a Cronbach's alpha value of 0.801, the questionnaire's overall reliability is demonstrated.

### Regression Analysis

Stepwise regression analysis is used to identify the predictor-criterion connection between the dependent and independent variables. A correlation between behavioural finance factors and Investment decision was investigated.

### Results of Hypotheses Testing for Investment decision as Dependent Variable

A number of separate regression models are developed and tested for the Investment decision as dependent variable. 7 Behavioural finance factors i.e., Biases and Heuristics, Herd Behavior , Market Inefficiencies, Risk Perception, Emotions and Investor Behavior, Regret Aversion, Biases in Portfolio Management taken as independent variables in regression models with Investment decision as dependent variable as depicted in Figure 1.

According to the results of the step-wise regression analysis in above tables 7 factors (Biases and Heuristics, Herd Behavior , Market Inefficiencies, Risk Perception, Emotions and Investor Behavior, Regret Aversion, Biases in Portfolio Management) were found to be significant predictors of "Investment decision." Using the R square of 0.934, we can see that these 5 variables are capable of explaining "Investment decision" to the degree of 93.4 percent in the data in Table 3(a). According to Table 3(b), the "ANOVA results for the regression model are provided, demonstrating validity at the 95 percent confidence level." A brief overview of the corresponding coefficients .

**Table 3(a) Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.863 <sup>a</sup>	.744	.743	.355
2	.911 <sup>b</sup>	.830	.829	.290
3	.936 <sup>c</sup>	.876	.874	.248
4	.955 <sup>d</sup>	.912	.910	.210
5	.962 <sup>e</sup>	.926	.925	.192
6	.986 <sup>c</sup>	.825	.874	.348
7	.925 <sup>d</sup>	.812	.810	.288

**Table 3 (b) ANOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.

1	Regression	87.776	1	87.776	696.150	.000 <sup>b</sup>
	Residual	30.135	553	.126		
	Total	117.911	554			
2	Regression	97.885	2	48.943	581.674	.000 <sup>c</sup>
	Residual	20.026	552	.084		
	Total	117.911	554			
3	Regression	103.276	3	34.425	557.490	.000 <sup>d</sup>
	Residual	14.635	551	.062		
	Total	117.911	554			
4	Regression	107.488	4	26.872	608.429	.000 <sup>e</sup>
	Residual	10.423	550	.044		
	Total	117.911	554			
5	Regression	109.232	5	21.846	591.557	.000 <sup>f</sup>
	Residual	8.679	549	.037		
	Total	117.911	554			
6	Regression	102.132	6	22.678	581.508	.000 <sup>f</sup>
	Residual	7.879	548	0.057		
	Total	110.011	554			
7	Regression	113.114	7	21.546	595.667	.000 <sup>f</sup>
	Residual	7.679	547	0.061		
	Total	120.793	554			

a. Dependent Variable: Investment decision

b. Predictors: (Constant), Biases and Heuristics, Herd Behavior , Market Inefficiencies, Risk Perception, Emotions and Investor Behavior, Regret Aversion, Biases in Portfolio Management

**Table 3 (c) Coefficients<sup>a</sup>**

Table 3 (c) Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.498	.087		5.752	.000

1	Biases and Heuristics	.800	.030	.863	26.385	.000
	(Constant)	.517	.071		7.310	.000
2	Biases and Heuristics	.475	.039	.512	12.280	.000
	Herd Behavior	.325	.030	.457	10.961	.000
3	(Constant)	.215	.069		3.124	.002
	Biases and Heuristics	.440	.033	.475	13.217	.000
	Herd Behavior	.284	.026	.400	11.055	.000
	Market Inefficiencies	.183	.020	.231	9.343	.000
4	(Constant)	.156	.058		2.663	.008
	Biases and Heuristics	.262	.034	.283	7.811	.000
	Herd Behavior	.224	.023	.316	9.928	.000
	Market Inefficiencies	.171	.017	.216	10.310	.000
	Risk Perception	.271	.028	.328	9.765	.000
5	(Constant)	.074	.055		1.358	.176
	Biases and Heuristics	.185	.033	.199	5.655	.000
	Herd Behavior	.191	.021	.268	8.965	.000
	Market Inefficiencies	.168	.015	.212	11.045	.000
	Risk Perception	.250	.026	.302	9.758	.000
	Emotions and Investor Behavior	.173	.025	.191	6.873	.000
6	(Constant)	.074	.055		1.358	.176
	Biases and Heuristics	.185	.033	.199	5.655	.000
	Herd Behavior	.325	.030	.457	10.961	.000
	Market Inefficiencies	.215	.069	.448	3.124	.002
	Risk Perception	.440	.033	.475	13.217	.000
	Emotions and Investor Behavior	.173	.025	.191	6.873	.000
	Regret Aversion	.183	.035	.185	5.783	.000
	(Constant)	.284	.026	.400	11.055	.000
	Biases and Heuristics	.183	.020	.231	9.343	.000

7	Herd Behavior	.156	.058		2.663	.008
	Market Inefficiencies	.362	.034	.283	7.711	.000
	Risk Perception	.284	.026	.400	11.055	.000
	Emotions and Investor Behavior	.183	.020	.231	9.343	.000
	Regret Aversion	.156	.058	.331	2.663	.008
	Biases in Portfolio Management	.162	.024	.283	7.821	.000
a. Dependent Variable: Investment decision						

### Test Results for Hypotheses

H y. N o.	Independent Variables	to	Dependent Variables	R-Squa re	Beta Coeffici ent	t-value	Sig Value	Status of Hypoth eses
H 1	Biases and Heuristics	→	Investment decision	0.934	.139	4.583	0.075	Accepted
H 2	Herd Behavior	→	Investment decision		.211	7.437	0.000	Accepted
H 3	Market Inefficiencies	→	Investment decision		.215	11.793	0.003	Accepted
H 4	Risk Perception	→	Investment decision		.265	8.771	0.012	Accepted
H 5	Emotions and Investor Behavior	→	Investment decision		.195	7.379	0.017	Accepted
H 6	Regret Aversion	→	Investment decision		.285	7.671	0.032	Accepted
H 7	Biases in Portfolio Management	→	Investment decision		.135	5.329	0.0057	Accepted

### CONCLUSION

The primary aim of this research was to enhance our understanding of the evaluation of behavioural finance aspects concerning Investment decision. This study encompassed seven

independent variables and one dependent variable. The outcomes of this research revealed that all seven dimensions of behavioural finance serve as significant predictors of "Investment decision."

### **Potential for Future Research:**

The field of behavioral finance continues to evolve, offering several promising avenues for future research. Some potential areas for further exploration and study in behavioral finance include Integrating neuroscience with behavioral finance can offer a deeper understanding of how the brain processes financial information and risk, providing insights into the biological underpinnings of decision-making. With the rise of digital platforms and algorithmic trading, investigating how technology influences investor behavior, decision-making, and the prevalence of behavioral biases in online trading environments. Understanding the psychological factors driving investor behavior in cryptocurrency markets, studying the impact of sentiment, social media influence, and market anomalies in this relatively new and volatile asset class. Exploring how cultural differences influence financial decision-making and whether behavioral biases vary across different cultural backgrounds, shedding light on the universality or specificity of certain biases. Evaluating the effectiveness of behavioral interventions and nudges in promoting better financial decision-making, including how framing, default options, and educational initiatives impact investor behavior and financial outcomes. Assessing the long-term implications of behavioral biases on investment outcomes and retirement planning, examining how biases impact wealth accumulation and financial well-being over extended periods. Investigating the role of robo-advisors and automated investment platforms in mitigating or amplifying behavioral biases, examining their impact on decision-making and investor outcomes. Exploring the behavioral aspects of corporate decision-making, executive biases, and their influence on corporate financial policies, mergers, and acquisitions. Analyzing the impact of regulatory measures on mitigating behavioral biases in financial markets and the effectiveness of policies aimed at reducing irrational behavior.: Investigating how ethical considerations and ESG factors influence investment decisions and whether behavioral biases affect ESG investing strategies.

Continued research in these areas can advance our understanding of how behavioral biases shape financial decision-making, lead to market anomalies, and impact investment outcomes. It can also provide valuable insights for policymakers, financial practitioners, and individual investors seeking to make more informed and rational financial choices

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