

A Study of Behavioural Factors and Its Impact on Investment Decision

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ABSTRACT:

Background and Research Problem –

Investment is not a simple process; it involves several stages to reach an optimum decision. Investment in shares, gold, real estate, and financial derivatives is a crucial task due to the involvement of huge funds. An investor decides after properly analysing the risk and return associated with assets. Investors have several methods available for decision-makings like fundamental or technical analysis, ratio analysis, fund flow and cash flow analysis etc. which depend upon the requirement. The behaviour of investors also plays a significant role in investment decisions. Sometimes, it happens that investors make decisions based on their behaviour or emotion and the study of this field is called Behaviour Finance.

Objective –

This paper is an attempt to find out the impact of behavioural factors on investment decisions with the help of various factors like heard news, emotions, and advice from others' intuition etc. The sub-objectives of the research paper were

- To know the concept of Investment & Behavioural Finance
- To know how Behavioural factors affect investment decisions.
- To know the impact of behavioural factors on the investment decision of the investor.

Research Method – Analytical research was used for the study. Primary data was collected with the help of a Questionnaire. Behavioural factors like Overconfidence, Herd mentality, perceptioin and other factors were considered to fulfil the research objective. The raw data was converted into a proper table format, a pie chart and visualiztoiin were created and interpretation was done to get the concluded result.

Finding and Suggestion– The research showed that investors are not rational and their decisions are affected by their mentality, emotions, mouth publicity, and crowd actions. It is not a good fit that investors only consider internal factors but on the other hand, they have to use external techniques like financial analysis, cash flow and other analysis techniques to avoid loss and earn good profits.

Limitation – The result of the study is strictly dependent on the responses given by samples and factors taken into consideration.

Keywords– Investment, Behavior, Financial Analysis, Mentality

INTRODUCTION

A person can do two things with his income- spend it or save it. When the saved amount is employed to get an extra return, it is called an investment. Investment decisions are very crucial for investors because a wrong decision may lead to huge losses. Investment decisions are affected by rational and irrational factors. Irrational factors refer to those factors that do not involve any tools or techniques. It purely depends upon the behaviour or emotions of the individual.

Behavioural Economics is the study of psychological factors for decision-making purposes. Behavioural Finance is the part of Behavioural Economics. Behavioural Finance is the combination of two words- Behaviour + Finance. Finance refers to money or funds whereas behaviour means how a person reacts. Behaviour is affected by various factors like Attitude, Perception, Personality, thinking, and other surrounding factors. A person's behaviour is mostly affected by external factors rather than internal factors. Finance decision is one of the crucial decisions for a person because of the involvement of money. A wrong decision may waste your hard-earned money. A financial decision is affected by various factors like company performance, dividend, liquidity, advice from others, and media or news channels. Sometimes, emotions also play a crucial role in financing decisions. Behavioural finance is the study of the irrational financial decisions of investors. For example, an LIC agent directly hits a consumer's emotions related to family & financial liability and sells the policy. Behaviour finance explores the psychological factor that influences investment decisions. Stock Market return is one of the finance areas where intuition is also used for predicting share price despite another device also being available for the same.

Importance of Behavioral Finance

1. Behavioral finance can be useful in identifying the personality of an investor. Once the biases of investor action are identified, it becomes easy for finance companies to develop new financial instruments to capture the market.
2. Behavioural finance tells about why investor uses behavioural factors for investing decisions.
3. Behaviour finance helps investor to know their behavioural tendency and also the way how they can manage their tendencies.
- 4.

Behavior Factor Affecting Investment Decision -

- **Overconfidence** – Many of us tend to overestimate our abilities in many areas. The Human mind is designed to get as much as information from a given set of data or environment but he or she may be not fully aware that the available information is correct or not. For example, Mr A has been investing in the stock market for the last 5 years with a success rate and estimates that the share price of XYZ Company will go up by 100 Rs in a month. It shows his overconfidence about investment decisions. To deal with overconfidence, the investor must do fundamental and technical analysis for predicting price along with his intuition.
- **Herd Mentality** – Humans a social beings, and it is their nature that they go with crowds. If any product is in fashion or trend, he will try it at least one time because other people are using it. He sets his mentality on behalf of other people. For example, Mr. A heard the news that the share price of XYZ Company would go up. Now he will watch, how many investors are investing in a company, and his action will depend upon the number of people who are investing in the company. He will set decisions according to the crowd.
- **Loss Aversion**- It is a most powerful emotional bias that leads to making a constructive portfolio of investments that can avoid short-term loss. People feel the pain of loss more than the happiness of profit. It is human nature that he wants to cover the loss of one security with the profit of another security. He also sells the security at an early stage to avoid further loss.
- **Familiarity** – People feel comfortable with things that are familiar to them. They don't want to invest in unknown companies and prefer to invest in the stock of their Employer Company, local company or known company. It shows the fear of unknown things.
- **Availability Bias** – For example, if a person wants to start an investment in a mutual fund and he comes across the advertisement. He invests without thinking about available options in the market because this one comes to his mind at the time of thinking about investment. It is called availability bias and to face this, it is necessary to analyse all options available in the market and then make the decision.
- **Money Illusion** – People always have difficulty with numbers. Some of them are not aware of nominal changes or real changes. It is called the money illusion. It is difficult to figure out the true probability of an event. People tend to give more emphasis on the big numbers in comparison to the small figures.
- **Heuristic** – It is the process of simplifying the problem in the case when you have no huge information and you are looking for a perfect decision. In this case, people follow the rule of thumb. Heuristics simplify the decision-making process which ultimately simplifies the finance decision-making process.
- **Mental Accounting** – It is a method of accounting where a different value a person places on the same amount of money. They classify the money differently on subjective criteria which leads to irrational spending. For example, people don't want to waste hard-earned on unnecessary shopping but the amount won from the lottery, they can spend without a single thought.
- **Limited Attention span** – According to this theory, humans will make decisions based on the limited knowledge that he acquired. Investor tends to consider only those shares and securities that come to their attention through websites, financial reports, and media.

Application of Behavior Finance

- **Personal Finance**- With the help of Behavioural Finance, one can learn about emotional biases, cognitive biases and personal biases for a better understanding of financial decision-making and improve outcomes.
- **Corporate Finance** – In corporate finance, behaviour finance helps the manager to make rational decisions while making capital structure, allocation of capital dividend decisions etc.
- **Portfolio Management** – A portfolio manager can make a diverse portfolio by considering the behaviour factors of investors like risk tolerance capacity, loss aversion, period and emotions.
- **Retirement planning** – Everyone has a fear of the future. Retirement from a job is also part of life and everyone wants to do financial planning for the future. People don't want to invest after retirement due to fear of uncertainty of life and money. A finance manager can make a portfolio and invest their money safely and profitably while considering their fear.

RESEARCH PROBLEMS:

Decision-making is a crucial process especially when it is related to finance. Finance decisions should be taken by considering risk and return related to the concerned project or avenue. Rational investors use various techniques for investment purposes but sometimes, investors become irrational and take decisions under the influence of emotions and surrounding factors. The behaviour of a person also affects investment decisions and now it become a centre of study. Researchers can do a study on whether there is any impact of behaviour on investment patterns or not.

RESEARCH METHODOLOGY

Research Methodology for the Study

1) Research Design

This study follows a **descriptive and exploratory research design** to understand the behavioural factors influencing investment decisions. It integrates a qualitative approach with frequency-based analysis to interpret patterns and trends in investor behaviour over time.

2) Data Collection

a. Secondary Data

- 40 years of documented data was analysed to identify historical patterns, trends, and contextual influences on investment behaviour.
- Sources included company financial reports, economic trends, market analysis, and investor publications.

b. Primary Data: Qualitative Data Collection:

- 11 semi-structured interview questions were asked of 35 corporate investors who actively invest in various companies.
- Open-ended questions encouraged participants to share insights into their decision-making processes and behavioural factors.

3) Sampling Methodology

- **Population:** Corporate investors with significant experience in the financial markets.
- **Sampling Technique:** A **purposive sampling method** was employed to select 35 investors who meet specific criteria:
 - Actively engaged in corporate investment decisions.
 - Diverse investment portfolios across multiple sectors.

4) Sample Size:

- A manageable sample of 35 participants was chosen to allow in-depth qualitative analysis while ensuring data reliability and representativeness.

5) Data Analysis Methodology

a. Frequency-Based Analysis:

Responses to the 11 questions were categorized into behavioural themes (e.g., risk tolerance, market sentiment, peer influence).

Frequency distribution tables were created to identify the most commonly reported factors affecting investment decisions.

b. Integration of Historical Data:

The 40 years of documented data were cross-referenced with the primary data to validate findings and identify shifts in behavioral factors over time.

6) Research Tools: Interview Guide:

Semi-structured questions addressing:

- Risk perception.
- Role of emotions in decision-making.
- Influence of market trends and peers.
- Impact of financial literacy.
- Long-term versus short-term investment focus.

7) Data Analysis Tools:

- SPSS (Statistical Package of Social Sciences) is the tool which has been used in this paper.

OBJECTIVE OF STUDY:

- To understand the concept of Behavioral Finance
- To know how behavioural factors affect investment decision
- To find out the relationship between behavioral factors and investment decisions.

LIMITATIONS OF STUDY:

- The sample size of 35 may limit generalizability to all corporate investors.
- Behavioural factors could be influenced by region-specific or sector-specific trends not captured in the study.
- Subjectivity in qualitative analysis may introduce bias.

LITERATURE REVIEW:

Kahneman, D., & Tversky, A. (1979), Kahneman and Tversky's Prospect Theory revolutionized behavioural economics by explaining decision-making under uncertainty. It introduced concepts like loss aversion and reference dependence, showing how people evaluate potential gains and losses asymmetrically. This theory has profound implications for understanding irrational investment behaviours, such as excessive risk-taking during losses or undue caution in gains, thereby challenging classical utility theory. **Shefrin, H., & Statman, M. (1985)**, identifies the "disposition effect," where investors are prone to selling profitable investments prematurely while holding onto losing ones. The authors attribute this behaviour to psychological biases like regret aversion and mental accounting. Their findings underscore the need for behavioural interventions to counteract such tendencies, which undermine portfolio performance and market efficiency. **Odean, T. (1998)** Opined that the reluctance of investors to realize losses is a phenomenon rooted in loss aversion and the endowment effect. Odean's findings reveal that this bias leads to suboptimal trading behaviours, reducing overall returns. The paper contributes to behavioural finance by empirically validating theoretical concepts and offering insights into improving investor decision-making processes. **Thaler, R. H. (1999)**, Thaler introduces the concept of mental accounting, where individuals compartmentalize financial decisions irrationally. This paper discusses how investors segregate gains and losses, influencing their consumption and savings behaviour. Thaler argues that this bias can lead to poor financial planning, highlighting the need for strategies that encourage holistic financial decision-making. **Shiller, R. J. (2000)** examines speculative bubbles in financial markets, attributing them to investor irrationality and herd behaviour. He provides empirical evidence of overreactions and excessive optimism driving asset prices beyond their intrinsic values. The book underscores the role of psychological factors, such as groupthink and emotional contagion, in fueling market volatility and highlights the importance of behavioural finance in understanding such phenomena. **Loewenstein, G., & Lerner, J. S. (2003)**, explores how emotions influence financial decision-making, emphasizing the interplay between cognitive biases and affective states. The authors discuss phenomena like regret, fear, and optimism, showing their impact on risk tolerance and investment strategies. They advocate for integrating emotional factors into behavioural finance models to better understand investor behaviour. The seminal work of **Barberis, N., & Thaler, R. (2003)**, provides an extensive overview of behavioral finance, contrasting it with traditional finance theories. It explores the psychological underpinnings of investor behaviour, emphasizing biases like overconfidence, loss aversion, and framing effects. The authors argue that these biases often lead to market inefficiencies, such as mispricing and volatility. The paper highlights key models integrating behavioural insights and their applications in asset pricing and portfolio management. **Forbes, Williams (2009)**, investigates the theoretical underpinnings of behavioral finance, blending concepts from psychology and economics. It emphasizes investor behaviour anomalies and the implications for market efficiency. The text is particularly notable for its discussion on the challenges of integrating behavioural insights into traditional financial models and its potential for guiding investment strategies. **Sulphey, M. M. (2014)**, this book on behavioural finance provides a comprehensive introduction to the field, offering insights into psychological biases and their implications for investment behaviour. The book covers both theoretical concepts and practical applications, serving as a foundational text for understanding how behavioural finance influences financial decision-making across individual and institutional contexts. **Sharma, and Jayoti (2016)**, Sharma discuss the role of behavioral finance in shaping the financial markets, emphasizing the impact of biases like mental accounting, hindsight bias, and emotional decision-making. The paper provides a theoretical framework explaining how these biases contribute to market anomalies, such as bubbles and crashes. The study also highlights the need for regulators to account for behavioural insights in policy-making. **Babu, Ganesh & Goud, Nagraj. (2016)**, The authors have done their study on "A Study of Behavioural Finance on Investment Decision Among Individual Investors: Effect of Demography, Investors, Personalities and Investment Choices in Bengaluru". The objective of the study was to analyse the demographic variables, and investor's personalities on instruments of investment. He used the descriptive method and survey method for data collection purposes. He found that investment has an inverse relation with income level and personality. **Relan, V. (2018)**, The authors have done their study on the Impact of Behavioral Finance/Economics on Investment Decisions. The objective of the research paper is to know the impact of certain behaviour and psychological factors on financial investment decisions. This paper also explains certain cognitive and

emotional factors that influence irrational decision-making by people. The result of the study showed that investment decision is affected by emotional and cognitive factors. **Budhiraja et al., (2018)** The authors have done their study on the Impact of Behavioural Finance in Investment Decision Making. The objective of the research paper is to know how anchoring, representation, emotions and other factors affect investment decisions. The paper concluded that investors also have to also consider external factors for investment decisions. **Upadhyay Devrshi, & Shah, Paresh. (2019)**, The authors have done their study on “A Study on Behaviour Finance in Investment Decision of Investor in Ahmedabad”. The objective of the study was to find out the impact of behavioural finance on investment decisions. The study was limited to Ahmedabad city only. He used descriptive research and collected data from primary & secondary data sources. He used a sample size of 181 people and a questionnaire method for data collection. He used various parameters like overconfidence, anchoring, familiarity, mental accounting, and emotional bias and found that the investors are not rational and decisions are affected by the above-said factors. According to **Baker, H. K., Filbeck, G., & Ricciardi, V. (2019)**

The authors provide a comprehensive analysis of how behavioural finance biases, such as overconfidence and loss aversion, influence individual investment decisions. The study emphasizes the implications of cognitive and emotional biases on market efficiency and portfolio management. The findings underscore the need for investor education to mitigate these biases. **Carpentier, C., Romon, F., & Suret, J. M. (2022)**, This paper examines stockholder behavior during the onset of major crises over decades, integrating concepts of attribution and reputation. It finds that behavioural biases such as loss aversion and panic selling are amplified during crises, leading to suboptimal investment decisions. The research underscores the importance of framing and information dissemination in mitigating adverse investor reactions. **Rani, Jhansi & Bhanushali, Jitesh (2023)**, This study investigates the impact of behavioural finance on the decision-making process and investment patterns. It highlights cognitive biases like anchoring, representativeness, and overconfidence that influence investor behaviour. The authors suggest incorporating behavioural insights into financial literacy programs to improve investor decision-making and promote long-term financial stability. **Kaur, Jasbir et al. (2023)**, This research analyzes the psychological aspects of behavioural finance and their impact on investment decisions among diverse investor groups. The study identifies significant psychological factors such as fear of loss, market sentiment, and individual risk tolerance levels. It advocates for the integration of psychological assessments in investment advisory practices to better cater to investor needs. **Majewski, S., & Majewska, E. (2022)** This paper explores the concept of behavioural portfolios as tools to support investment decisions. It highlights how different personality traits and risk preferences affect the construction of behavioural portfolios, emphasizing a blend of rational and irrational elements in investor behaviour. **Ahmad, N., & Shah, N. A. (2022)**, This research examines the role of overconfidence and heuristic-driven biases in investment decisions, incorporating financial literacy as a moderating variable. It provides insights into how financial literacy reduces the adverse effects of biases, enabling better decision-making. **Hanaffy, N., & Widyastuti, P. (2022)**, The authors analyze how financial management behaviour impacts investment decisions. The study links financial literacy and behavioural biases to effective investment strategies, focusing on young investors in emerging markets. **Saputri, D., et al. (2023)**, The study investigates the determinant factors of herding behaviour and the role of financial literacy in investment decision-making. It identifies risk tolerance as a mediating factor, stressing the significance of enhancing financial literacy to counteract herd mentality in volatile markets.

DATA ANALYSIS AND INTERPRETATION

Data analysis and interpretation is a method which helps the researcher to draw meaningful information from collected data, reach to conclusion and provide suitable suggestions for improvement.

1. What is your Profession?

Business	9	26%
Job	26	74%
Total	35	100%

Table 1 Profession

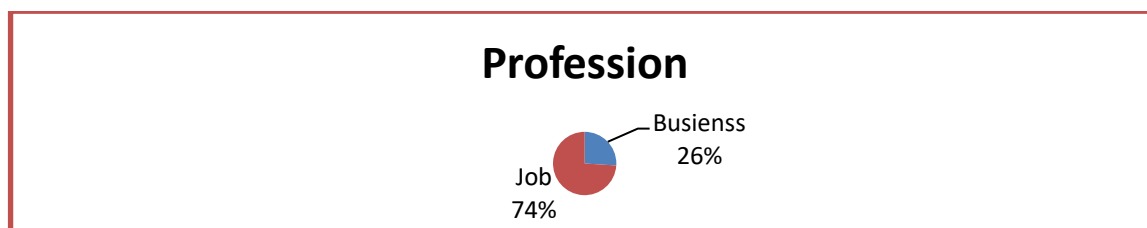


Figure 1 Profession

The above table and chart show that out of 35 samples, 9 are related to the business category and remaining is are doing the job. So, the sample consists of persons having a job.

2. Do you make some Investment?

Yes	35	100%
No	0	00%
Total	35	100%

Table 2 Investment

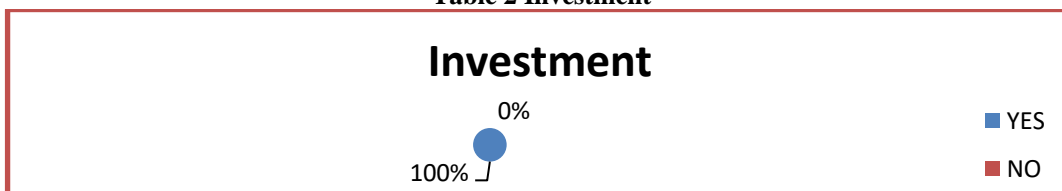


Figure 2 Investment

The above table and chart show that out of 35 samples, 28 people are involved in Investment activity whereas 7 people are not dealing in the same.

3. If Yes, Do you use some financial techniques for investment decision-making?

Yes	23	65%
No	12	35%
Total	35	100%

Table 3 Use of Financial Technique

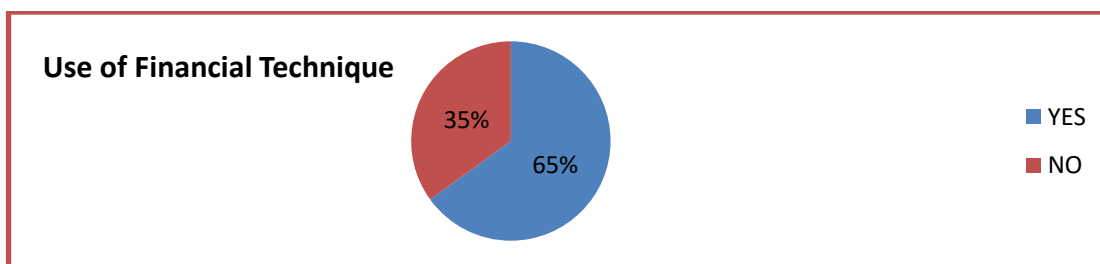


Figure 3 Use of Financial Technique

The above table and pie chart show that out of 35 samples, 23 people use financial analysis techniques for an investment decision.

4. Do you consider heard news while doing investment?

Yes	27	78%
No	8	22%
Total	35	100%

Table 4 Heard New

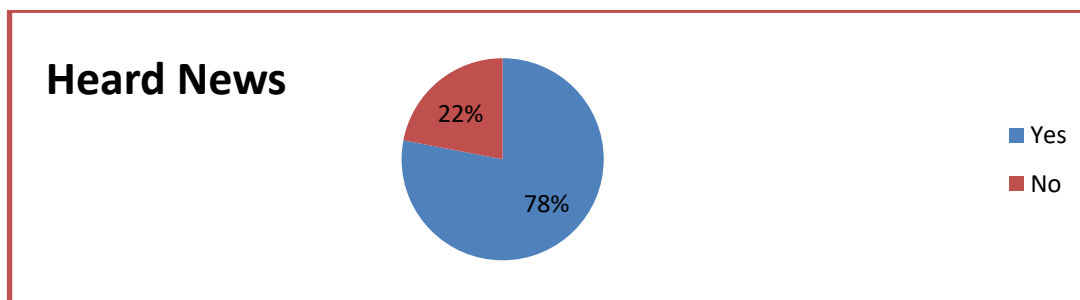


Figure 4 Heard News

The above table and pie chart show that out of 35 samples, 27 people use Heard news for investment decisions whereas 5 people do not rely on this method.

5. Have you made investments under the influence of your emotions?

Yes	16	46%
No	19	54%
Total	35	100 %

Table 5 Influence of Emotions

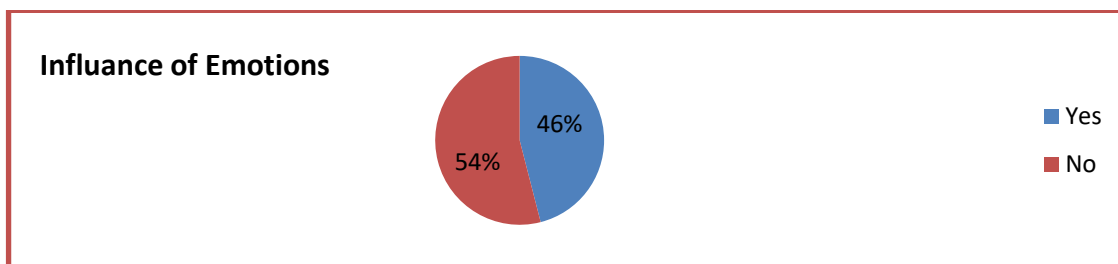


Figure 5 Influence of Emotions

The above table and chart show that out of 35 people, 16 people have made investments under the influence of others and the remaining 19 people's decisions were not affected by others' opinions.

6. Do you think, some professional skill is required to perform investment activity?

Yes	31	88%
No	4	12%
Total	35	100%

Table 6 Professional Skill

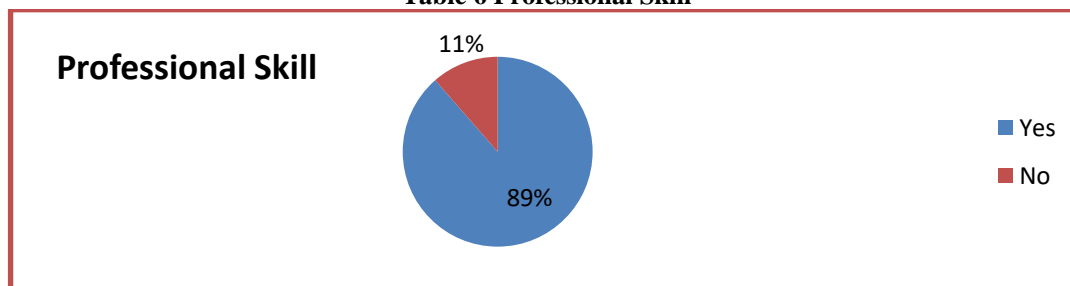


Figure 6 Professional Skill

The above table and charts show that out of 35 people, 31 people think that professional skill is required for doing any investment whereas 4 people think that investment activity does not require a professional skill.

7. Do you invest only in known companies?

Yes	23	65%
No	12	35%
Total	35	100%

Table 7 Investment in Known Company

The above table and charts show that out of 35 people, 23 people invest only in known companies whereas 12 people are interested in investing in unknown companies.

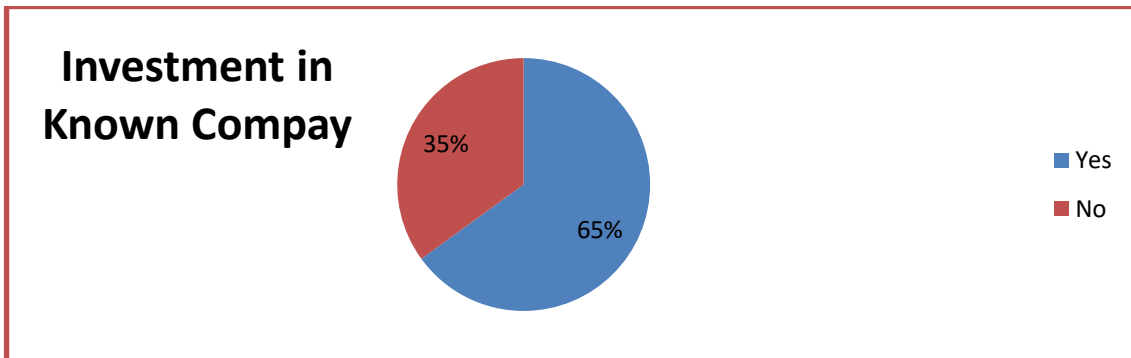


Figure 7 Investment in Known Company

8. Which type of risk do you prefer for investment?

Low	16	45%
Moderate	16	45%
High	3	10%
Total	35	100%

Table 8 Type of Risk

The above table and charts show that out of 35 people, 16 people are conservative for risk, 3 people are risk takers and 16 people are moderate in taking risks.

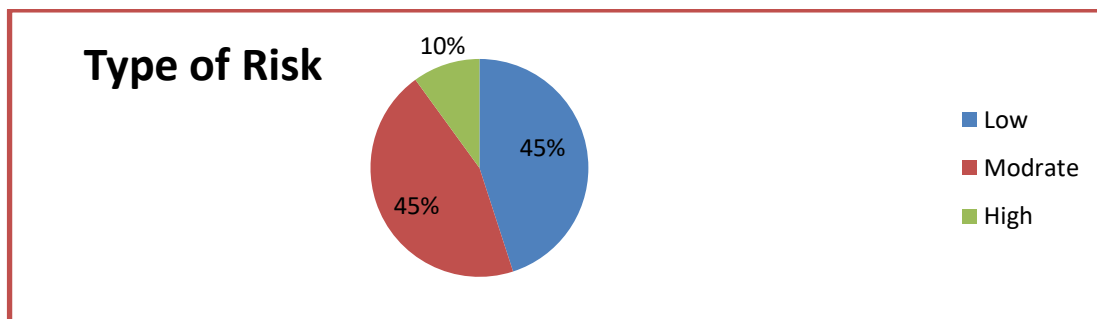


Figure 8 Type of Risk

9. Do you spend your hard-earned money on unnecessary items?

Yes	10	28%
No	25	72%
Total	35	100%

Table 9 Use of Earned Money on Unnecessary Items

The above table shows that out of 35 people, 10 people are habitual in spending hard-earned money on unnecessary items whereas 25 people invest only in necessary item.

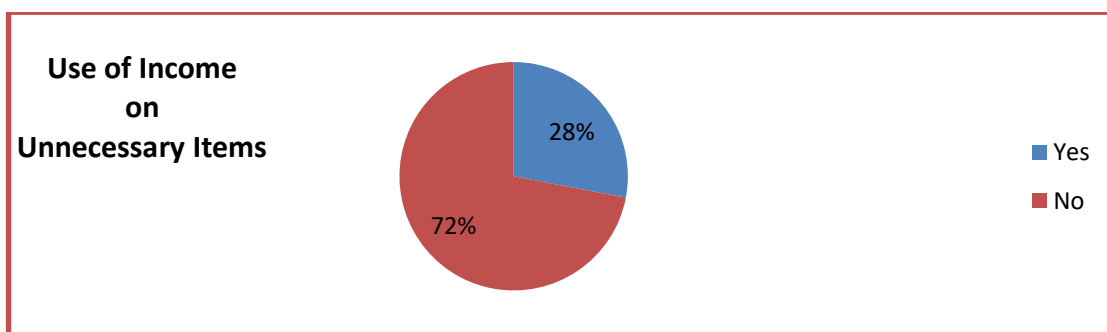


Figure 9 Use of Earned Money on Unnecessary Items

10. Do you spend income from the lottery or share on unnecessary items?

Yes	1	3%
No	34	97%
Total	35	100%

Table 10 Spend Lottery Income on Unnecessary Items

The above table shows that out of 35 people, only a single person likes to spend income from the lottery or share on unnecessary items whereas only 34 person are not interested in spending on unnecessary items.

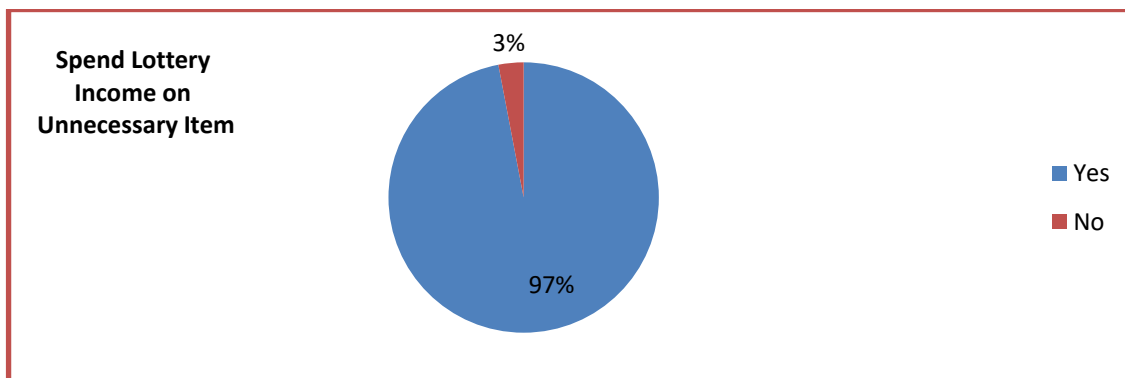


Figure 10 Spend Lottery Income on Unnecessary Items

11. Do you follow your intuitions instead of practical technical investment decisions?

Yes	17	49%
No	18	51%
Total	35	100%

Table 11 Rely on Intuitions

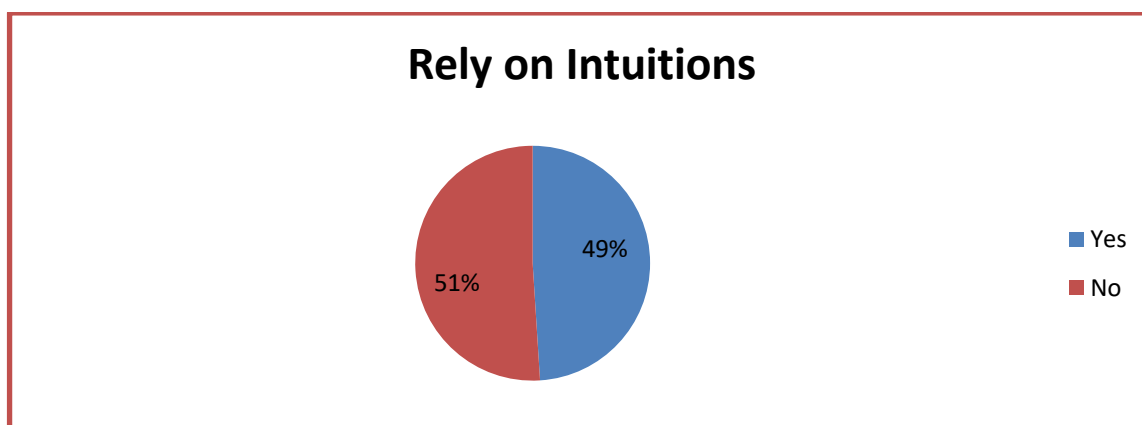


Figure 11 Rely on Intuitions

The above table shows that out of 37 people, 17 people follow their intuition for making investment decisions whereas 18 people use finance or rational techniques for investment decisions.

12. Do you consider small value change for your investment decision?

Yes	23	65%
No	12	35%
Total	35	100%

Table 12: Small Change in Money Value

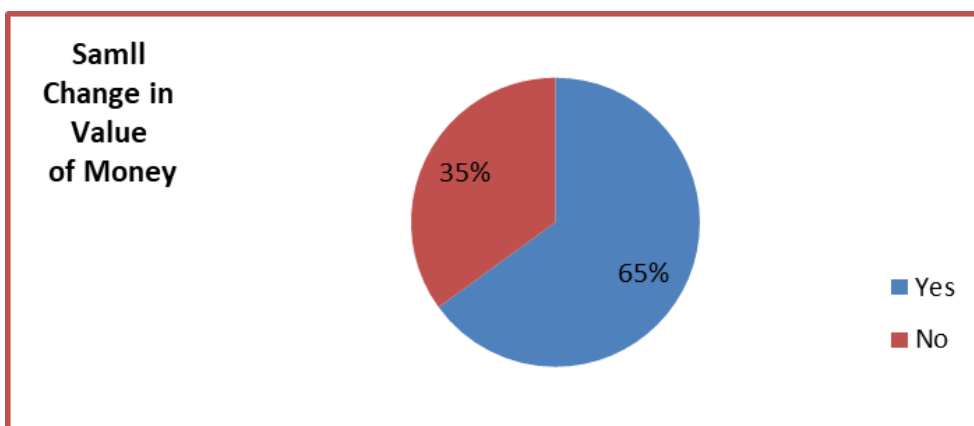


Figure 12: Small Change in Money Value

13. The above table shows that out of 35 people, 23 people consider a small change in money for investment decisions whereas 12 people don't consider a small change in money of security for investment decisions.

14. Does your relative's advice affect your investment decision?

Yes	22	63%
No	13	37%
Total	35	100%

Table 13 Relative's Advice

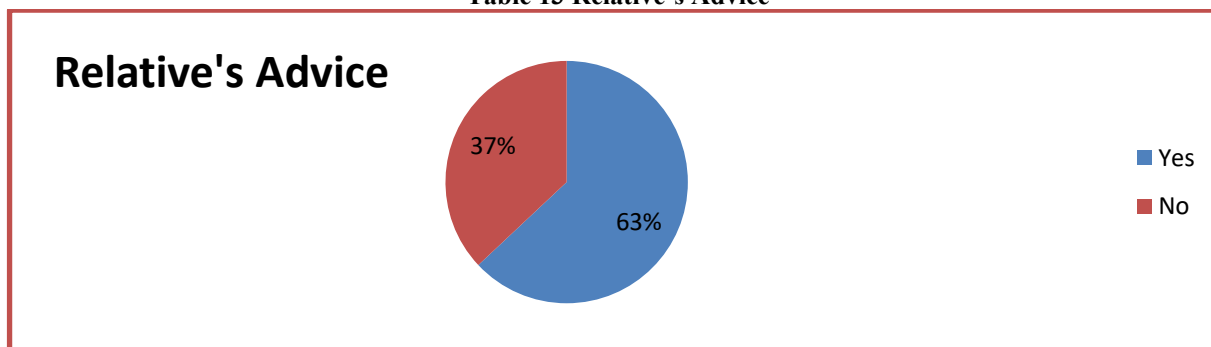


Figure 13 Relative's Advice

The above table shows that out of 35 people, 23 people accept that their relative suggestion affects their decision of investment whereas 13 people do not consider their relative's opinion.

FINDING

Question	Yes (%)	No (%)
Do you make some Investment	100	00
If Yes, Do you use some financial techniques for investment decision-making?	65	35
Do you consider hearing the news while investing?	78	22
Have you made investments under the influence of your emotions?	46	54
Do you think, some professional skill is required to perform investment activity?	88	12
Do you invest only in a known company	65	35
Do you spend your hard-earned money on unnecessary items?	28	72
Do you spend income from the lottery or share on unnecessary items?	3	97

Do you follow your intuitions instead of practical technical investment decisions?	49	51
Do you consider small value change for your investment decision?	65	35
Does your relative advice affect your investment decision	63	37

From the above table, it can be concluded that –

1. Everyone is involved in investment activity.
2. 65% of people use financial techniques for investment decisions.
3. 88% of people think that professional skill is required for making any investment decision.
4. Based on Behavioural Factors-
 - 78% of people use Heard news for their investment decision-making which means trending news or market news affects investment decisions. It refers to investor behaviour to mimic another investor in the financial security market. They make a decision based on what is going on in the market, if a large portion of investors go with security A, the investor will also go with A. Instead of analyzing the security, the investor goes with the crowd. Good news affects market price strongly and leads investors to purchase a security or hold it.
 - 46% of investor makes investments under the influence of their emotion. Emotion often motivates us to invest in ourselves or four family. Love for family and financial security is one of the important forces that lead investors to invest. For example, a LIC agent can hit the emotion of a person for family and investors will immediately invest in LIC Policy. So, 54% of samples decide their emotions which is also a considerable figure.
 - 65% of people only invest in known companies. It shows the mental fear and lack of confidence that there may be some uncertainty in an unknown company.
 - 72% of people don't invest their hard money only on unnecessary items and only 1% of people invest income from the lottery or share in luxury or unnecessary items. It shows that they are a rational spender and also use emotion that doesn't waste money on unnecessary items.
 - 49% of people follow their intuition while making investments whereas 51% don't follow the same which increases the rate of using technical analysis for financial decision-making.
 - 65% of people consider small changes in money of shares or security which again shows their behaviour that they are conservative and invest money carefully.
 - 63% of people's investment decisions are affected by their relative opinion. It simply means their decision is directly influenced by others not rational.

OBJECTIVES EXPLANATION:

- To know the concept of Investment & Behavioural Finance
- To know how Behavioural factors affect investment decisions.
- To know the impact of behavioural factors on the investment decision of the investor.

Objective 1: To understand the concept of Investment & Behavioural Finance:

Objective one is already discussed in the introduction. The research provides a comprehensive understanding of the foundational elements of both concepts. The exploration begins with a clear distinction between spending and saving, emphasizing that investment involves utilizing saved income to generate additional returns. This understanding is critical as it highlights the importance of making informed decisions, given the potential for significant financial consequences. The research delves into the essence of **investment decisions**, illustrating how these decisions are influenced by both rational and irrational factors. Irrational factors, rooted in individual behaviour and emotions, underscore the role of psychology in financial decision-making. The study introduces **Behavioural Economics**, a broader field that examines psychological influences on economic decisions, and **Behavioural Finance**, a subset focused on the intersection of financial actions and human behaviour.

The study highlights the interaction between **behavioural factors**—such as attitude, perception, and personality—and external influences like market trends, media, and advice. By integrating real-world examples, such as insurance agents leveraging emotional appeals, the research demonstrates how behavioural tendencies can shape investment outcomes. Furthermore, the use of intuition alongside analytical tools in the stock market serves to illustrate the practical application of behavioural finance principles.

By identifying these influences, the research achieves the objective by clarifying the **concepts of investment and behavioural finance** and their significance in understanding investor psychology. It establishes a foundation for analyzing how behavioural tendencies impact financial decisions and guides the development of strategies to mitigate irrational biases.

Objective 2: To know how Behavioral Factors Affect Investment Decisions, the study identifies and explains key behavioural biases that influence investor decisions:

- **Overconfidence:** Investors overestimate their knowledge, leading to risky decisions without proper analysis.
- **Herd Mentality:** Decisions are based on crowd behaviour rather than personal research.
- **Loss Aversion:** Fear of losses outweighs the joy of gains, causing premature or overly cautious actions.
- **Familiarity Bias:** Preference for known companies limits diversification.
- **Availability Bias:** Choices are influenced by easily accessible information, not comprehensive evaluation.
- **Money Illusion:** Misinterpretation of nominal versus real values leads to flawed decisions.
- **Heuristics:** Simplified decision-making rules can cause oversights in complex situations.
- **Mental Accounting:** Subjective categorization of money leads to inconsistent spending or investment behaviour.
- **Limited Attention Span:** Focus is restricted to visible or popular options, ignoring other opportunities.

By analyzing these factors, the research explains how biases affect investment behaviour and provides insights for managing them.

Objective 3: To know the impact of behavioral factors on the investment decisions of investors:

The study reveals that investment choices are significantly influenced by psychological and emotional factors. Many investors rely on market trends and crowd behaviour, often following popular news without conducting a thorough analysis. Emotions, such as familial love and the need for financial security, play a strong role in motivating investment decisions, particularly in insurance and long-term savings instruments.

Investors show a preference for familiar and trusted companies, driven by fear of uncertainty, while a cautious and rational spending attitude limits unnecessary expenditures. While some investors rely on intuition, there is a growing tendency to use technical analysis, indicating a shift toward informed decision-making. Social influence, such as advice from relatives, also significantly shapes investment choices. These findings demonstrate that behavioral factors strongly impact how and why investors make financial decisions.

SUGGESTIONS-

1. To overcome the bias, it is necessary for the investor to not flow with the crowd and do the technical and fundamental analysis of the company before making any decision.
2. Emotions directly hit the attention to situations that need demand for immediate action. It is necessary for the investor to re-think their emotion and match their emotion and actual needs then make decisions. Emotional intelligence is a perfect solution for this issue.
3. It sometimes limits your investment if you invest only in a known company. If an investor wants a high return, he has to take a risk and he has to invest in other companies also after proper analysis. He can create a portfolio like that in which profit from one security covers the loss of another security.
4. It is advisable for investors not to invest in a company suggested by relatives only. The needs of every person are different and investors can take suggestions from relatives but also try to do research about the company and make decisions.
5. Intuition also affects the investment decision when a person highly relies on his guts. Sometimes it may be right and sometimes may be wrong.
6. Kandpal, Vinay & Mehrotra, Rajat (2018), This study explores how behavioural finance influences investment decisions in India, focusing on psychological biases and cognitive factors. Key findings highlight the prevalence of heuristic-driven behaviours, overconfidence, and herd mentality among Indian investors. It emphasizes that understanding these behavioural tendencies can help financial advisors tailor investment strategies, promoting informed and rational decision-making.

CONCLUSION

The basis of Management is to make a plan before starting any activity. A well-structured investment plan is the best weapon against psychological weakness. Investors use rational techniques for financing decisions but on the other side, the behaviour of investors is also an important consideration which affects their investment decisions. Investment decisions in India are mostly taken by considering factors like biases, emotions, the impact of relative advice, intuition, mouth publicity, fear of the unknown and lack of proper planning for long-term goals. The objective of the study was to know whether the behaviour of investors has a direct impact on investment decisions or not. The study showed that behaviour matters a lot when it comes to decision-making. Most investor's economic decisions are internally affected and they don't go for external techniques. There should be a balance between internal and external factors and then investors should take decisions. External factors cannot be ignored.

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