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## Effect of Behavioural Biases on Investment Decisions of Individual Investors in India



**Abstract:** - The current study "effect of behavioural biases on investment decisions of individual investors in India" aims to uncover and quantify the influence of behavioural biases on individual investors' investment decisions. The study's goal is to examine the influence of behavioural biases on individual investors' investing decisions. It is discovered that five components are formed from the thirteen items as a consequence of heuristics factor analysis, namely Availability, Representativeness, Overconfidence, Anchoring, and Gambler's Fallacy. The prospective factor analysis also reveals that three components are retrieved and loaded from the eleven items, namely Loss Aversion, Regret Aversion, and Mental Accounting. According to the findings of this study, behavioural biases affect individual investors while making investment decisions in the Indian securities market. Investor behaviour in making investment decisions is influenced to a larger extent by availability, representativeness, overconfidence, anchoring, and loss aversion. To be successful, an investor must first understand his or her own investment behaviour, which begins with recognising and avoiding behavioural biases from their own experiences, followed by setting realistic and achievable goals through a diversifiable portfolio, and taking into account all financial market mechanisms.

**Keywords:** Investment decision-making, behavioural finance, definition, evolution, and factors.

### INTRODUCTION

Behavioural economists and neuroscientists strongly believe that behavioural aspects impact investor investing decisions. They feel that recognising behavioural biases among individual investors is critical in today's environment. Classical economists, on the other hand, entirely believe in the use of traditional ideas in decision-making, while disregarding investors' illogical behaviour. In this context, it is important to investigate whether behavioural biases impact individual investors' decision-making processes in the Indian securities market.

Decision-making is described as the process of picking one particular alternative from a set of accessible choices. It is a multi-step procedure that involves an examination of many human, technological, and situational elements. There are no exclusions in the context of capital market choices. The most significant challenge that investors confront is making investment decisions. Personal characteristics such as age, income, and wages are examples. On the technical side, investment choices may be made using several financial models, such as the capital asset pricing model (CAPM). Decisions should not be made without considering ambient situational considerations, or market psychology.

Behavioural finance is based on the irrational thinking of investors. In the actual world, the investor acts irrationally or quasi-rationally rather than rationally. Thus, the evolutionary discipline of behavioural finance demonstrates that behaviour and psychology shape decision-making mechanisms. The following procedure centres around: Understanding the role of psychology in finance, Creating a deliberate method of traditional and behavioural finance, Looking back at the history and origins of behavioural finance, Considering the limits of market ideas and Understanding the fundamentals of behavioural biases and how they influence an investor's decision-making process.

Behavioural finance is a new financial paradigm that tries to supplement traditional finance theories by incorporating behavioural components into decision-making. It is a discipline of finance that investigates how psychological factors influence the behaviour of individuals in financial markets, as well as the impact on the investor's choice to purchase or sell the market and its outcome. People in behavioural finance are regarded normal, as opposed to rational ones in traditional finance.[1]

Behavioural finance is the study of how investors make systematic judgmental or mental errors in their financial decisions. It is concerned with the behaviour of individual investors, including psychology, sociology, and traditional finance. When behavioural finance is used to explain how people make investment decisions, it is

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referred to as behavioural finance micro, and when it is used to explain market mechanisms, it is referred to as behavioural finance macro.[2] Behavioral finance admits that humans might be influenced by cognitive and emotional biases by abandoning the assumption of rationality. It does not impose any limitations on how people should act. It instead attempts to describe how people act while making an investing choice. The study of behaviour finance seeks to explain why it is acceptable to conclude that markets are inefficient. In a nutshell, behavioural finance is the study of how investors make systematic mistakes in judgement or mental errors when making financial decisions.

Schindler (2007) defines three major foundations for Behavioural Finance study.[3] I Arbitration's Limits-the argument is that "it may be difficult for sensible traders to rectify the dislocations generated by less rational merchants".[4] Arbitration chances abound, allowing investor irrationality to be significant and have a long-term influence on pricing.

Behavioral finance tends to focus on experimental evidence of cognitive psychology and bias that develops when people create beliefs, preferences, and the way in which they make decisions based on their beliefs and preferences to explain investor irrationality and decision-making process.[4] This brings us to the second pillar (ii) Psychology - research in this field has demonstrated that individuals display specific biases in formulating their beliefs and preferences, hence influencing their decisions. (iii) Sociology – shows that a significant proportion of financial decisions are the outcome of social interaction rather than being made in solitude. This defies the underlying premise that individuals make decisions independently of other influences.

### DEFINITIONS OF BEHAVIOURAL FINANCE

Behavioural finance, according to Linter G (1998), is "the study of how humans understand and act on information to make educated investment decisions." [5] "By adding these visible, systematic, and very human deviations from rationality into standard models of financial markets, behavioural finance relaxes the traditional assumptions of financial economics." The first bias in investors is caused by the human predisposition to be overconfident, while the human need to avoid regret leads the second". [6]

Behavioural Finance is defined by Shefrin (2002) as a "rapidly emerging topic that deals with the effect of psychology on the behaviour of financial practitioners." [7] "Behavioral finance is the study of the influence of psychology on the behaviour of financial practitioners and the subsequent effect on markets," writes. [8] The science is concerned with ideas and research that investigate what occurs when investors make decisions based on gut feelings or emotions."

Behavioural finance is defined by W. Forbes (2009) as "the science of how psychology effects the financial market." [9] This viewpoint stresses that psychological elements such as cognitive biases impact individuals' decision-making rather than being rational and wealth-maximizing. Behavioural finance is a novel approach to financial markets that contends that some financial occurrences may be explained by models in which some players are not totally rational. Thus, Behavioural Finance may be defined as a distinct discipline of finance that advocates employing psychological biases to explain stock market anomalies rather than rejecting them as "random events compatible with the theory of market effectiveness". [10]

### EVOLUTION OF BEHAVIOURAL FINANCE

Finance is roughly characterised as the study of how humans allocate scarce resources effectively and economically, as well as how these resources are managed, acquired, and invested through time. In economics, the mid-eighteenth century is regarded as the start of the classical period. [2] During this period, the notion of expected utility was established to measure individual pleasure. [11] John Stuart Mill established the notion of "homoeconomicus" or rational man or economic man in the mid-nineteenth century, in 1844. [12] Given the limits, the rational economic man seeks to maximise his financial well-being. This rational economic man is based on three assumptions: 1) perfect reason, 2) perfect self-interest, and 3) perfect knowledge. These assumptions form the foundation of conventional finance. This classic financial paradigm provides equilibrium solutions through limited maximising of marginal utility. [2] Thorstein Veblen, John Maynard Keynes, Herbert A. Simon, and many Austrian School economists critique homo economicus as an actor who relies too heavily on macroeconomics and economic forecasts in his decision making. All of the individuals that represent this economic guy act in the same way, seeking to maximise their marginal earnings.

Statman (1999) stated that the "standard finance the body or knowledge that is built on such pillars as the arbitrage principles of Merton Miller and Franco Modigliani, the portfolio construction principles of Harry Markowitz, the capital asset pricing theory of John Lintner and William Sharpe, and the option pricing theory of Fischer Black, Myron Scholes, and Robert Merton is so compelling because it uses only a few basic components to build a unified theory is so compelling because it uses only a Standard finance theories attempt to quantitatively describe the behaviour of economic actors.[13]

The fundamental assumption of these systems is rationalism. The two characteristics of rationality are presented by Barberis and Thaler (2003).[4] The first is about agents' proper updating of beliefs in response to new information according to Bayes rule, and the second is about their decisions that are compatible with Subjective Expected Utility of Savage.

### **APPLICATION OF BEHAVIOURAL FINANCE**

Behavioural Financial provides finance professionals with a magnified lens through which they may scrutinise, analyse, and overcome various recognised psychological traps including behavioural biases, such as emotional and cognitive biases. Because of the psychological impacts of Heuristics and Biases, behavioural traps occur everywhere. These elements are systemic in nature and can remain for a longer period of time across marketplaces.

### **HEURISTIC FACTORS**

Heuristic is derived from the Greek word meaning "to discover". Heuristics is a problem-solving approach that uses shortcuts to produce adequate solutions within a specific timeframe. Heuristics is a technique of versatility for quick decision making, particularly when dealing with complex data. Decisions made using heuristic approach might not be optimal. Heuristics are simple, efficient thumb rules that have been developed to understand how people make decisions, come to conclusions and solve problems, especially when faced with complicated problems or imperfect information. In most situations, these laws work well, but in some cases contribute to systemic cognitive bias-Daniel Kahneman.[14]

Tversky and Kahneman discussed how human heuristics influence decision making. Tversky defined heuristic as a strategy that may be applied to a wide range of problems and typically, but not always, delivers the best answer. Heuristics (or shortcuts) are techniques that simplify complicated problem-solving to simpler trial processes.[15] The heuristic decision-making process is the method through which investors discover things for themselves, generally by trial and error, leading to the formation of thumb rules. That is, it refers to the rules of thumb that people employ to make judgments in complicated, ambiguous situations.[16]

Man is incapable of absorbing all of the information that is presented to him on a daily basis. As experiences occur while doing something, they give an insight of how that things operates. This approach creates thumb rules that may be applied in similar situations. This is known as heuristics utilisation. This is especially crucial in modern trading, when the number of instruments and the quantity of information has expanded dramatically. When compared to rational analysis of the information supplied, the application of heuristics speeds up decision-making. The most appealing aspect of this is that time may be saved, while the biggest disadvantage is the reliance on prior expertise. Traditional financial models presume that heuristics do not exist and that all choices are made using logical statistical techniques [17]. Tversky and Kahneman define heuristics as representativeness, availability, overconfidence, anchoring, and gambler's fallacy.

### **PROSPECT FACTORS**

The Prospect Theory was developed by Kahneman and Tversky (1979), and it later contributed to Daniel Kahneman receiving the Nobel Prize in Economics.[18] The idea divides the selection process into two stages: the early framing (or editing) phase and the following assessment phase. Tversky and Kahneman established the Prospect Theory to illustrate how humans deal with risk and uncertainty. In turn, the idea addresses the seeming irregularity in human behaviour while calculating risk in the face of ambiguity. People are not consistently risk-averse, according to the study; they are risk-averse in profits but risk-takers in losses. People place significantly greater weight on predicted outcomes than on likely outcomes, a phenomenon known as the "certainty effect." Tversky and Kahneman (1979) People's decisions are frequently influenced by the 'Framing effect.' [18] The

term framing relates to how the same problem is phrased in different ways and addressed to decision-makers, and the impact deals with how framing may influence judgments in ways that contradict the classical axioms of rational choice. When the same task was approached in different ways, systemic reversals of choice were also demonstrated.[15]

The value-maximization function in Prospect Theory differs from that in Modern Portfolio Theory. The maximisation of wealth in current portfolio theory is focused on the end location of money, whereas the theory of prospects takes into consideration gains and losses. This is based on the assumption that persons in identical financial conditions will make different decisions. People tend to see results as gains and losses rather as real wealth levels, which is a major component of the framing process. Gains and losses are stated in respect to an objective reference point, and changes are measured in relation to them rather than in absolute terms.[18]

When it comes to stock investing, the stock purchase price is the standard reference point. Indeed, the majority of empirical research motivated by the prospect principle indicate that the selling price of a stock is one of an investor's reference points. However, certain extra reference points might sway an investor. For example, in the recent history of return, the maximum stock prices have been discovered to impact investors' trading decisions. In theory, framing might be broad or limited. Using a wide perspective, an investor may assess total wealth gains and losses. The intermediate and narrow framing, on the other hand, refers to the technique through which an investor assesses profits and losses in relation to discrete components of wealth. Intermediate framing can occur at the stock portfolio level, whereas narrow framing is often specified at the individual security level. The vast majority of empirical investigations implicitly believe in narrow framing.

**ANALYSIS OF HEURISTIC FACTORS**

Cognitive psychology and behavioural science are subfields of heuristics. A heuristic is a mental shortcut that enables individuals to solve issues and make decisions more quickly and efficiently. These rule-of-thumb tactics reduce decision-making time and allow people to perform without continually pausing to consider their next move. They are shortcuts for assessing probability in a decision-making process. They started with cognitive biases in decision making and subsequently expanded to include emotional aspects.

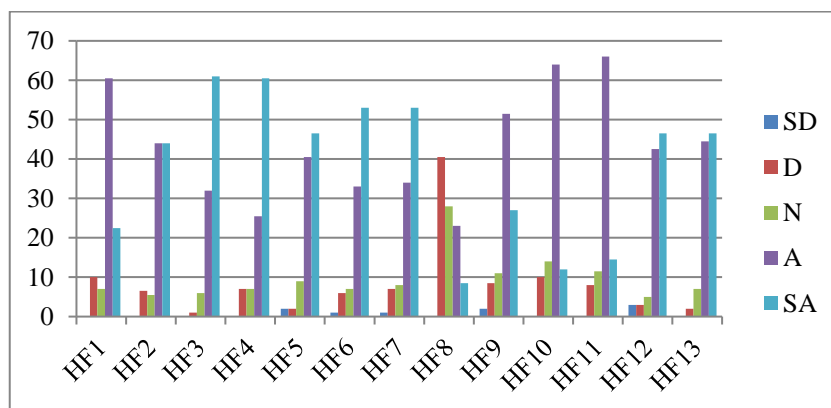
**Table-1: Influence of Heuristic Factors (HF) on Investment Decisions**

Code	Heuristic Factors (HF)	Level of Agreement					Total
		SD	D	N	A	SA	
HF <sub>1</sub>	I invest in 'hot' equities and avoid stocks that have fared poorly recently.	0 (0)	20 (10)	14 (7)	121 (60.5)	45 (22.5)	200 (100)
HF <sub>2</sub>	I utilise stock trend analysis to make investing decisions for all equities in which I invest.	0 (0)	13 (6.5)	11 (5.5)	88 (44)	88 (44)	200 (100)
HF <sub>3</sub>	The past has an impact on current investing decisions.	0 (0)	2 (1)	12 (6)	64 (32)	122 (61)	200 (100)
HF <sub>4</sub>	I feel that my stock market knowledge and talents will enable me to outperform the market.	0 (0)	14 (7)	14 (7)	51 (25.5)	121 (60.5)	200 (100)
HF <sub>5</sub>	In times of uncertainty, I typically hope for the best.	4 (2)	4 (2)	18 (9)	81 (40.5)	93 (46.5)	200 (100)
HF <sub>6</sub>	I accept all control and responsibility for the success of my portfolio.	2 (1)	12 (6)	14 (7)	66 (33)	106 (53)	200 (100)
HF <sub>7</sub>	I am confident in my ability to select superior stocks than others.	2 (1)	8 (4)	16 (8)	68 (34)	106 (53)	200 (100)

HF <sub>8</sub>	When the stock market is in a positive trend, I trade aggressively.	0 (0)	81 (40.5)	56 (28)	46 (23)	17 (8.5)	200 (100)
HF <sub>9</sub>	Before beginning to invest/trade, I set a goal price for buying/selling.	4 (2)	17 (8.5)	22 (11)	103 (51.5)	54 (27)	200 (100)
HF <sub>10</sub>	When I receive new knowledge, I progressively move my reference point.	0 (0)	20 (10)	28 (14)	128 (64)	24 (12)	200 (100)
HF <sub>11</sub>	I am normally able to anticipate the end of good or poor market returns at NSE/BSE	0 (0)	16 (8)	23 (11.5)	132 (66)	29 (14.5)	200 (100)
HF <sub>12</sub>	I prefer to buy Indian equities over international companies since Indian stock information is more readily available.	6 (3)	6 (3)	10 (5)	85 (42.5)	193 (46.5)	200 (100)
HF <sub>13</sub>	For my investing selections, I believe information from close friends and family to be a reputable source.	0 (0)	4 (2)	14 (7)	89 (44.5)	193 (46.5)	200 (100)

Table 1 shows the frequency and percentage distribution of the level of agreeability on heuristic elements influencing individual investors' investing decisions. 121 out of 200 respondents, or 60.5 percent, agree to the statement that they buy 'hot' stocks and avoid equities that have done poorly in the recent past, 22.5 percent strongly agree, 10% disagree, and 7% are indifferent.

Only 6.5 percent of respondents disagree with the statement "I utilise trend analysis of stocks to make investing decisions for all equities in which I invest," with 44 percent strongly agreeing and agreeing. More than half of the respondents (61%) strongly agree that their prior history impacts current investing decisions, while 60.5 percent firmly feel that their abilities and knowledge of the stock market can help them outperform the market. In uncertain times, 47 percent of respondents strongly agree that they anticipate the best in the stock market. 53 percent of investors strongly agreed with the claims that they have complete control and accountability for their portfolio performance.



**Graph-1: Influence of Heuristic Factors (HF) on Investment Decisions**

The majority of respondents (40.5 percent) disagree with the statement to trade in big volume when there is a bullish trend in the stock market, while 28 percent are indifferent. Only 6 percent of respondents disagree with the assertion that they set a target price for buying/selling in advance before beginning to invest/trade. 64.5 percent of investors agree with the assertion that they gradually move their reference point when they receive new information, while just 10% disagree.

Sixty-six percent of respondents say that they are usually able to predict the end of a strong or bad market at the NSE/BSE, while 14 percent are indifferent. 47 percent of investors strongly believe that they prefer to buy Indian stocks over international companies because Indian stock information is more readily available, and they also see information from close friends and family as a valid reference for their investment decisions.

**Factor-1: Availability (ALB)**

This is the most significant finding from the investigation. Availability impacts investors' choice of securities when making an investing decision. The first component accounted for 34.5 percent of the variation. This element includes two items: preferring to buy Indian stocks over international equities since Indian stock information is more readily available, and considering information from close friends and family as a dependable reference for investing decisions. The factor loadings varied between 0.792 and 0.585. As a result, the ALB is the factor score of the average of its common variables, i.e. (HF12, HF13).

**Factor-2: Representativeness (RPN)**

The second component accounted for 12.5% of the variation. This factor is made up of three components. Those who believe that previous performance impacts current investing decisions, buy 'hot' companies and avoid stocks that have done poorly in the recent past, and employ stock trend research to make investment decisions for all equities in which they invest. The factor loadings varied between 0.834 and 0.688. As a result, the RPN is the average factor score of its common variables, i.e.  $RPN = \text{Mean} (HF3, HF1, HF2)$ .

**Factor-3: Overconfidence (OC)**

The third component accounted for 9.5 percent of the variation. This factor is made up of five components. "In uncertain times, I usually expect the best," "I trade in high volume when the stock market is bullish," "I take full control and responsibility for my portfolio performance," "I am confident of my ability to pick better stocks than others," and "I believe that my skills and knowledge of the stock market can help me outperform the market." The factor loadings varied between 0.900 and 0.538. As a result, the OC is the average factor score of its common variables, i.e.  $OC = \text{Mean} (HF5, HF8, HF6, HF7, HF4)$ .

**Factor-4: Anchoring (ANC)**

The fourth factor explained 8% of the variance. Two items included in this factor which are fix a target price for buying/selling in advance before starting to invest/trade and gradually shift their reference point when they get new information. Factor loading ranged from 0.734 to 0.718. Therefore, the ANC is the factor score of the average of its common variables i.e.  $ANC = \text{Mean} (HF9, HF10)$ .

**Factor-5: Gambler's Fallacy (GF)**

The fifth factor explained 8% of the variance. One item included in this factor i.e. normally able to anticipate the end of good or poor market returns at NSE/BSE with factor loading of 0.904 respectively. Therefore, the GF is the factor score of the average of its common variables i.e.  $GF = \text{Mean} (HF11)$ . Post factor analysis, the Heuristic Factors is explained as the average of the scores of the extracted factors i.e.  $HF = \text{Mean} (ALB, RPN, OC, ANC, GF)$ .

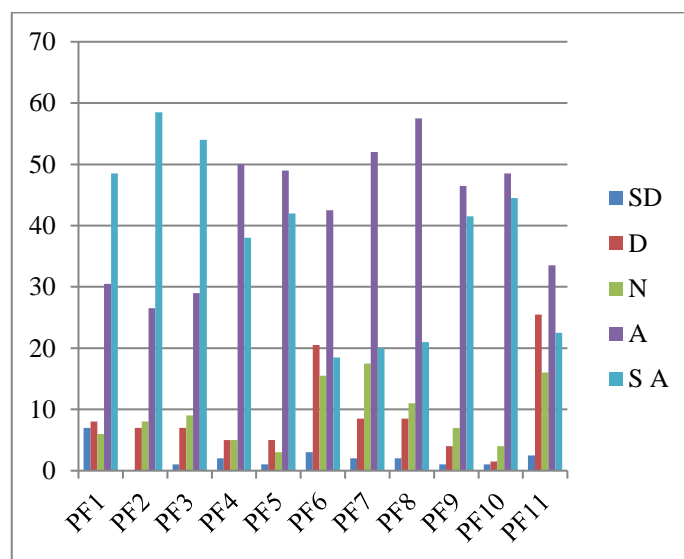
**ANALYSIS OF PROSPECT FACTORS**

Prospect theory is a behavioural model that shows how people decide between alternatives that involve risk and uncertainty such as likelihood of gains or losses etc. It demonstrates that people think in terms of expected utility relative to a reference point (e.g. current wealth) rather than absolute outcomes. Prospect theory allows for the fact that individuals may choose a decision which doesn't necessarily maximise utility because they place other considerations above utility.

**Table-2: Influence of Prospect Factors (PF) on Investment Decisions**

Code	Prospect Factors (PF)	Level of Agreement					Total
		SD	D	N	A	S A	
PF <sub>1</sub>	After a prior loss, I become more risk averse and after a prior gain,	14	16	12	61	97	200
	I am more risk seeker	(7)	(8)	(6)	(30.5)	(48.5)	(100)

PF <sub>2</sub>	When markets are highly volatile I never enter a trade for fear of incurring loss	0 (0)	14 (7)	16 (8)	53 (26.5)	117 (58.5)	200 (100)
PF <sub>3</sub>	Making a loss of Rs.1000/ gives more pain than the feel happy at making 1000/ profit	2 (1)	14 (7)	18 (9)	58 (29)	108 (54)	200 (100)
PF <sub>4</sub>	I avoid selling shares that have decreased in value	4 (2)	10 (5)	10 (5)	100 (50)	76 (38)	200 (100)
PF <sub>5</sub>	I sell shares that have increased in value faster	2 (1)	10 (5)	6 (3)	98 (49)	84 (42)	200 (100)
PF <sub>6</sub>	I select few stocks in my portfolio and regret if it doesn't perform well when the overall market is doing very good	6 (3)	41 (20.5)	31 (15.5)	85 (42.5)	37 (18.5)	200 (100)
PF <sub>7</sub>	I book early profits in a winning stock and hold a losing stock without maintaining stop- loss	4 (2)	17 (8.5)	35 (17.5)	104 (52)	40 (20)	200 (100)
PF <sub>8</sub>	I am interested in stocks individual gain/loss rather than total gain/loss of the portfolio	4 (2)	17 (8.5)	22 (11)	115 (57.5)	42 (21)	200 (100)
PF <sub>9</sub>	I generally differentiate between capital appreciation and Income	2 (1)	8 (4)	14 (7)	93 (46.5)	83 (41.5)	200 (100)
PF <sub>10</sub>	It is always safer to keep investing than speculating in the market due to high risk	2 (1)	3 (1.5)	8 (4)	97 (48.5)	89 (44.5)	200 (100)
PF <sub>11</sub>	I do not enter too many trades and increase the transaction cost	5 (2.5)	51 (25.5)	32 (16)	67 (33.5)	45 (22.5)	200 (100)



**Graph-2: Influence of Prospect Factors (PF) on Investment Decisions**

Table-2 represents the frequency and its percentage distribution of level of agreeability on prospect factors influencing investment decision of individual investors. 48.5% of the respondents strongly agreed on the statement that “After a prior loss, I become more risk averse and after a prior gain, I am more risk seeker” and 6% of respondents are neutral to it.

More than half of the respondents who constitute 58.5% are strongly agree to say that when markets are highly volatile they never enter a trade for fear of incurring loss and 8% of respondents neutral for it. Whereas 54% of investors strongly felt that they making a loss of Rs.1000 give more pain than they feel happy at making Rs.1000 profit. 50% of the investors agreed to say that they avoid selling shares that have decreased in value and 49% of them sell shares that have increased in value faster.

The respondents who are 42.5% of the total sample taken agree that they select few stocks in their portfolio and regret if it doesn't perform well when the overall market is doing very good. Further, 52% of respondents are agree to say that they book early profits in a winning stock and hold a losing stock without maintaining stop-

loss. Around 57.5% of the respondents stated that they agree on the statement “I am interested in stocks individual gain/loss rather than total gain/loss of the portfolio”.

The respondents who constitute 46.5% of them are agreed and 41.5% are strongly agreed on the statement that they generally differentiate between capital appreciation and income, followed by 48.5% of respondents agree to opined that it is always safer to keep investing than speculating in the market due to high risk and 33.5% of investors are agreed that they do not enter too many trades and increase the transaction cost respectively.

#### **Factor-1: Loss Aversion (LA)**

This is the most significant finding from the investigation. Investors in securities are influenced by loss aversion while making investing decisions. The first component accounted for 40.5 percent of the total variation. Three factors are included in the factors: after a previous loss, they become more risk averse, and after a prior gain, they become more risk seeker; when markets are highly volatile, they never enter a trade for fear of incurring loss; and making a loss of Rs.1000 causes more pain than making a profit of Rs.1000. The factor loadings varied between 0.892 and 0.755. As a result, the LA is the average factor score of its common variables, i.e.  $LA = \text{Mean} (PF1, PF2, PF3)$ .

#### **Factor-2: Regret Aversion (RA)**

The second component accounted for 11% of the variation. This factor is made up of four components. Those who sell shares that have increased in value faster and avoid selling shares that have decreased in value, choose a few stocks in their portfolio and regret if they do not perform well when the overall market is performing well, and book early profits in a winning stock while holding a losing stock without maintaining a stop-loss. The factor loadings varied between 0.757 and 0.624. As a result, the RA is the average factor score of its common variables, i.e.  $RA = \text{Mean} (PF5, PF4, PF6, PF7)$ .

#### **Factor-3: Mental Accounting (MA)**

The third component accounted for 10.5 percent of the variation. This factor is made up of four components. Those who distinguish between capital appreciation and income, believe it is always safer to keep investing rather than speculating in the market due to high risk, are interested in individual stock gain/loss rather than portfolio total gain/loss, and do not enter too many trades to increase transaction costs. The factor loadings varied between 0.838 and 0.471. As a result, the MA is the average factor score of its common variables, i.e.  $MA = \text{Mean} (PF9, PF10, PF8, PF11)$ . Following factor analysis, the Prospects Factors are defined as the average of the retrieved factor scores, i.e.  $PF = \text{Mean} (LA, RA, MA)$ .

### **CONCLUSIONS**

According to the findings of this study, behavioural biases impact individual investors while making investment decisions in the Indian securities market. Investor behaviour in making investment decisions is influenced to a larger extent by availability, representativeness, overconfidence, anchoring, and loss aversion. Individual investors should seek expert assistance from Financial Planners and use financial planning to achieve their financial objectives. The behavioural biases are not necessary intended to make investors irrational, but rather to understand how investors receive information and act on it. To be successful, an investor must first understand his or her own investment behaviour, which begins with recognising and avoiding behavioural biases from their own experiences, followed by setting realistic and achievable goals through a diversifiable portfolio, and taking into account all financial market mechanisms.

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