A STUDY ON BEHAVIORAL FINANCE IN INVESTMENT DECISIONS OF INVESTORS

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ABSTRACT: Behavioral finance is one of the imperative topic for to recognize the mentalities of the people about how they think of various things when they invest in various investment .It also an evolving field that studies how psychological factors affect decision taking under uncertain conditions .Lots of financial gains, anticipations are included in investment decisions. Investment decisions are not always based on financial calculations but also influenced by other concern like imitation of peer groups advice of elder ,friends .

KEYWORDS-Imperative,recognize,evolving,anticipations.

INTRODUCTION-The emergence of behavioral finance can be attributed to limitations of traditional finance theory, which assumes that investors are rational ,risk averse and make a decission solely based on maximum utility .However in reality individuals often exhibit cognitive biases, emotional response and hard behavior that can lead to irrational decision making and market inefficiencies. In behavioral finance the focus shifts from traditional efficient market hypothesis to understanding how individual and market participants behave and make decisions in real world financial enviroments. It acknowledges that investors are subject to various biases, such as overconfidence ,loss aversion ,anchoring which can impact their investment choices and market outcomes.

OBJECTIVES : 1.To highlight the significance of behavioral finance.

2.To identify the mutual benefits to investors,approaches,and impacts of behavioral finance.

3.To portray the conclusions of the study.

4.To suggest measures for increasing investment in other sectors.

LIMITATIONS: 1.It drastically reduce investors confidence.

2.Its not able to explain the irrational behavior of institutions.

3.Behaviour finance disaproves the traditional finance theory.

IMPLICATIONS OF BEHAVIOURAL FINANCE INVESTMENT STRATEGIES: 1. Acknowledging behavioral biases.

2.Behavioral portfolio management.

3.Goal based investing.

4.systematic investment plan.

5.Behavioural risk management.

6.Investors education and communication.

7.Continual monitoring and adaptions.

TYPES OF BEHAVIOURAL FINANCE:1. Passive preservers

2.Freindly followers

3.Independent Individualist

4.Active accumulator.

RESEARCH METHODOLOGY: This major part of these paper is based on secondary data .It was taken from various online and offline sources .online sources like journals ,website and various e-papers. Offline sources like some textbooks, magazines ,and various newspaper.

THEORIES OF BEHAVIORAL FINANCE: Behavioural finance related many theory are as

1. Prospect theory – Its proposed by Daniel Kahneman and Tversky.It shows how people will take decisions between available options that have risk and uncertainty between the gains and loss with respect to utility .This theory assumes that the choice of the investors is based on some subjectively determined reference point dependent on investors state of wealth.
2. Regret theory- This theory proposes that innvestors ancipate regeat if they make wrong choice .The fear of regret plays an important role in decision making process. Investors minimizes the anticipation of regret by influencing investment decisions.Investors should look how regret has affected their investment decisions in the past and take that into account when considering a new opportunity.
3. Heuristic theory –Heuristics are simple rules of thumb which have been given to explain how people make decisions, come to jusdgementsand solve problems with incomplete information.These rules will work well and sometime lead to systematic cognitive biases.

LITERAURE REVIEW :1.Devrshi upadhyay and paresh shah(2019) studied about investment decisions of investors in Ahmedabad .This paper seeks to find out the major influence of certain behavioral finance concepts such as overconfidence,perception,representative,anchoring,cognative dissonance, regret aversion ,narrow framing and mental accounting on the decision making process of indivisual investors in stock market.They conducted a primary research by framing a structured questionnaire and by collecting sample of 181 investors of Ahmedabad.The primary objective was to know effects of behavioral financing on investors and to study the impact and relevance of behavioral financing in investment decision of investors .whereas secondary objective of our study was to know factors influencing the investors while investing and to study the concepts of behavioral financing and various theory related to it.

2.Asutosh singh and Dr S.d. sharma(2022) they studied major behavioral finance related factors that persuade indivisual in investing in mutual fund and suggested measures for increasing investment in mutual funds .The various works had been carried out on mutual funds over a periods 25 years by using statistical test such as pearson correlations. Researchers collected the data with the help of questionnaire . The population of the present study comprised of all the investors in the delhi.

3. B.Sri pavanil and Dr.M.Uma devi (2022) tried to focus on the concepts behavioural finance along with its theories and different psychological biases that influence the investors behavior in theoretical approaches . In this study they discussed about clear understanding about behavioral finance and its importances in financial decision making. Also they tried to discriminate between the impact on tradional finance and behavioral finance in financial markets .

4.Yashaswini and Dr nagarathnamma (2023) tried to discriminate between the man and women in the role of behavioural finance in mental accounting .They found men are rational thinkers comparing to women.In the matter of spending money, men and women thinking is different of investment decision .It basically tells us where our money is going and keep our spending under control.

CONCLUSION: Behavioral finance has emerged as a valuable field that recognizes the importance of psychological biases and emotional influences in financial decision making .By incorporating insights from behavioral finance, investors ,financial professionals and regulators can develop a more comprehensive understanding of individual behavior and its impact on financial markets .While behavioral finance is not without its limitations and criticisms. It offers a promising framework for improving investment strategies, enhancing investors protection, and promoting more efficient and sustainable financial markets. As the field continues to evolve integrating technology, exploring dynamic behavioral strategies, and considering sustainable investing will shape the future of behavioral finance and its practical applications in the financial industry.

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