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Investor's Behaviour Biases On Investment Decisions In Tamilnadu

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ABSTRACT

This study was corroborated an Investor's behaviour biases on investment decisions in Tamilnadu. The study is used to descriptive research design. From this, 100 investors are used for this study. Then, the major objective of the paper is to investor's behaviour bias on investment decision. It is found that Herding effect, Disposition effect, Regret aversion, Recency, Self-attribution bias, Hindsight bias, Conservatism bias, Loss aversion, Overconfidence and Anchoring are positively influence on investment decision. Home bias and Framing are negatively influence on investment decision.

Keywords: Overconfidence, Recency, Herding, Anchoring**,** Investment decisions**.**

INTRODUCTION

Behavioral finance is the process of psychology financial decision making by the investors/institution. The financial decision helps to the management for future prospective. According to Sha and Ismail (2020) availability of the market information based the investors make the decision. Buys and sells the market securities. Most of the investors take the decision with the help of broker/ friends/expert of the markets. In this context, cognitive biases may lead the investors to take the worst decision or better decision. Hence, the investors must be aware of the cognitive biases. It was represents the investor's behaviour biases influenced on investment decision.

Shefrin (2002) claimed that an investor's recognize existing risk but simultaneously psychological factor risk arises larger than fundamental risk. Fundamental analysis is the basic and valuable evaluation of predict the market for particular time. In case of short term the technical analysis is help to the market. It is corroborated by John Jacob & Jayakrishnan (2015) stated that the various biases can be determine the risk of investment decision in some time the market is unpredictable. There is no one predicts the market at 100%, it is inferred decision about the market. Most of the investors got risk because of miscalculation of the market condition. The biases are challenging to manage the take decision. Biases are directly linked to thought processes involving emotions or feelings, John Jacob & Jayakrishnan (2015). Olsen (1998) stated that the psychological factors influence the security market and helps it to each individual investor's decision making.

Behavioral biases

Overconfidence

Investors are very positive confident about the trade result and make sound investment decision. Investors assume the market for his own experience but not consider the other factors that result is get heavy loss or some time profit. Most of the investors are ignoring some other factors incur huge losses in the future.

Disposition effect

Disposition effect variable was proposed by Shefrin and Statman (1985). Investors Disposition effect is affecting investment in the stock market. Investor's tend to sell superior stocks and they are holding the losing stocks for a long time. An investor tends to avoid the loss than gain. The ultimate decisions of the investors always perceived gains, not perceived loss.

Herding effect

It was introduced by Kahneman and Tversky (1979). Herding refers to follow the decisions of the other investors. Herding investors always make the decision depending up on other investors in the stock market. Investor's trust on the combined information from market that results can price variation from the base values and the risk of decrease returns.

Mental accounting

It was originally coined by Thaler (1985). Stock market theory suggests that investors divided their funds in various portfolios on the basis of their own mental assumption. Investors are having separate mental account for investment policies. The purpose of the investor is to maximization of yields with the minimisation of risk.

Confirmation bias

An English psychologist Peter Wason was coined Confirmation bias. It is the tendency of publics to favour information that confirms or strengthens their beliefs, (Plous, Scott, 1993) People must a fixed impression of trust on these facts.

Hindsight bias

An investor predicted reasonably event and taking some decision. The investor has believes the happened of some event so that they can predicted. But it is hazardous as the investor can form cause among the two events. The investor believes is not correct for all time/ events. Hence, the result is irrational decisions. **Hindsight bias** proposed by Fischhoff and Beyth (1975)

House money effect

Thaler and Johnson (1990) gave to House money effect. It refers to gamblers stand earning more profits than getting less loss-averse. gamblers willing to take the risk. If investors have willing to take more risk and investors will get huge profits from the investments.

Endowment effect

It was created by Kahneman et al. (1990). Investors should be more prominence towards what they currently hold and do not change their position. This attitude creates the prices of moneymaking securities. Hence, the money stayed in the market so suffers from the ignorance of the people

Loss aversion

Loss aversion bias was known by Benartzi and Thaler (1995); publics assumed at various aspects like assured losses and assured profits. Most of the investors make profit next they do not want to take any risk when investment. Whether there are some chances of losses, then they are ready to take more risks. They give more value towards uncertainty of loss than certainty sufferers.

Framing

This bias was developed by Tversky and Kahneman (1981). Investor getting profit when the information is positive frame in the market place in same time information is negative frame investors are ready to take the risk to avoid losses.

Home bias

French and Poterba (1991) was introduced the home bias. The investors feel about invest in the domestic company is called homes bias. The domestic company return on investment is lower

than international market corporation. There are several reasons the ROI is differ from the international market. The international market investment strategy is differing from the domestic. There are some factors boost of the investment return such as inflation, currency rate, FOREX market positive through and potential scope of the market are influence the investment return in sometime investors get losses also. Demotic companies are having less opportunism for enhancing the market values. Home biases are the major role for invest in domestic company investment decision taken by investors.

Self-attribution bias

Investors have getting success through their knowledge, intelligent and hard work. Most of the investors are proud their investment success such as knowledge, intelligent and hard work. But, if they will get any investment failure, they are blaming others or other factors

Conservatism bias

This was developed by Edwards (1982). According to them, Conservatism bias is the investors forecasting and own belief. These types of investors not accept the other factors of investment decision.

Regret aversion

When the people taking regret decision, that result may be more impact on their future decisions. Investor should be avoid the regret aversion while any feeling of regret in the future. Regret aversion was found in the following three different papers, Bell (1982), Loomes and Sugden (1982).

Recency

An investor taking a recent events and news based on making same decision is called recency biases. Investor's decision making is based on their getting the recent information. They know about the market information they will take the decision accurate and boldly otherwise they are having poor knowledge, it may fought with investment. They neglect the ago events/ information that may be useful for decision.

Anchoring

Anchoring bias rose introduced by Tversky and Kahneman (1981). An investor makes their investment decision based on their past information they are gathering from their previous investment. The successful decisions are anchored around some previous information.

Representativeness

A representativeness bias was introduced by Kahneman and Tversky. It refers to assessing the characteristics of an event or object. This makes them to deliberate the event/object more likely to happen which may or may not happen.

Objective of the study

- To examine the behaviour bias on equity investors' investment decision.
- To test the relationship between investor's bias and Investment decision
- To analyze the factors, influence an investor's bias on Investment decision

Study Hypotheses

Ho: There is no relationship between investor's bias and Investment decision

Ho: investor's bias does not influence the Investment decision

RESEARCH METHODOLOGY

The paper is used to descriptive research design. It is focused on factors influence an investor's bias on Investment decision. The present study considers the Investment decision is a dependent variable. Here, Overconfidence bias, disposition effect bias, herding effect bias, mental accounting bias, confirmation bias, hindsight bias, house money effect, endowment effect, home bias, loss

aversion, framing, self-attribution bias, conservatism bias, regret aversion, Recency, anchoring and representativeness considered as an independent variables. Based on this, 100 investors are drawn by purposive sampling technique. From this, 100 investors companies are used for this study. After collecting the data it was entered in to SPSS package for the further analysis. In order to answer the research objectives and test the hypothesis, relevant statistical tools are applied.

ANALYSIS AND INTERPRETATION

Table 1 An Investor's Opinion Towards Investment Biases

Dimensions	Mean	Standard deviation
Overconfidence	3.85	1.112
Disposition effect	4.05	1.085
Herding effect	4.34	1.161
Mental accounting	4.12	.968
Confirmation bias	3.68	1.453
Hindsight bias	3.77	1.223
House money effect	3.79	1.236
Endowment effect	3.96	1.360
Loss aversion	3.94	1.354
Framing	3.88	1.303
Home bias	3.94	1.381
Self-attribution bias	4.08	1.374
Conservatism bias	3.84	1.221
Regret aversion.	4.00	1.315
Recency	3.43	1.439
Anchoring	3.45	1.447
Representativeness	3.64	1.432

Data: Primary source

Table 1 explains an investor's opinion about investment biases during investment. Mean and standards deviation are calculated from the collected data. herding effect (4.34), mental accounting (4.12), disposition effect (4.05), self-attribution bias (4.08), regret aversion (4.00), endowment effect (3.96), home bias (3.94), loss aversion (3.94), framing (3.88), Overconfidence (3.85), conservatism bias (3.84), house money effect (3.79), hindsight bias (3.77), confirmation bias (3.68), representativeness (3.64), Recency (3.43), and anchoring (3.45).

It is found that herding effect bias, mental accounting bias, disposition effect, self-attribution bias, regret aversion, endowment effect, home bias, loss aversion, framing, Overconfidence and conservatism bias are high opinion towards investment behaviour bias of the investors. House money effect, hindsight bias, confirmation bias, representativeness, regency, and anchoring are moderate opinion towards investment behaviour bias of the investors.

Table 2 An Investor's Opinion Towards Investment Decision

Investment decision statement	Mean	Standard deviation
Reputation of the firm	3.10	1.00
Firm's status in industry	4.72	0.45
Corporate Expected Earnings	3.23	1.16
Profit and condition of statements	4.17	0.38
Past performance of firm's stock	4.16	0.37
Price per share	3.86	0.81
Feeling on the economy	4.16	0.37
Expected dividends	4.44	0.72
Dividends paid	4.22	0.41
Recent Price Fluctuation	4.85	0.36
Well organized Financial Markets	4.76	0.43
Development in Stock Index	4.22	0.41
Feelings for a firm	4.86	0.35
Minimizing risk of loss	4.56	0.79
Current Economic Indicators	4.76	0.43
To get rich quickly	4.79	0.41
Broker recommendation	4.79	0.41
Friend recommendations	4.21	0.41
People Opinion on the stock	3.96	1.360
Coverage in the Press	3.94	1.354
Ease of obtaining funds	3.43	1.439
Family member opinion	3.45	1.447
Information from Internet	3.64	1.432
Firm's Community involvement	3.85	1.112
Statement of Government officials	4.05	1.085

Source: Primary data computed

Table 2 explains a stockholder's opinion towards investment decision. Mean and standard deviation are calculated from the collected data. The mean values are firm reputation (3.10), firm's status in industry (4.72), corporate earnings (3.23), profit and condition of statements (4.17), past performance of firm's stock (4.16), price per share (3.86), feeling on the economy (4.16), expected dividends (4.44), dividends paid (4.22), recent price fluctuation (4.85), well organized financial markets (4.76), development in stock index (4.22), feelings for a firm (4.86), minimizing risk of loss (4.56), current economic indicators (4.76), to get rich quickly (4.79), broker recommendation (4.79), friend recommendations (4.21), people opinion on the stock (3.96), ease of obtaining funds (3.43), family member opinion (3.45), information from internet (3.64), firm's community involvement (3.85), and statement of government officials (4.05). It is inferred that the economic indicators, rich quickly, feelings for a firm, price fluctuation, past performance of firms, organized financial markets, broker recommendation, government officials, development in stock index and price per share are highest opinion towards investment decision.

Table 3 Relationship Between Investor's Bias and Investment Decision

Dimensions	r-value	p-value
Overconfidence	0.630	0.001*
Disposition effect	0.540	0.001*
Herding effect	0.607	0.001*
Mental accounting	0.534	0.001*
Confirmation bias	0.685	0.001*
Hindsight bias	0.642	0.001*
House money effect	0.686	0.001*
Endowment effect	0.634	0.001*
Loss aversion	0.624	0.001*
Framing	0.587	0.001*
Home bias	0.624	0.001*
Self-attribution bias	0.677	0.001*
Conservatism bias	0.514	0.001*
Regret aversion.	0.377	0.001*
Recency	0.491	0.001*
Anchoring	0.525	0.001*
Representativeness	0.601	0.001*

Source: Primary data computed; * significant at one present level

Ho: There is no relationship between investor's bias and Investment decision

Pearson Correlation analysis has been applied to find out the relationship between investor's bias and Investment decision in the result is displayed table 3.

Here, Overconfidence bias, herding effect bias, hindsight bias, mental accounting, confirmation bias, home bias, endowment effect, Recency, loss aversion, framing, self-attribution bias, disposition effect bias, conservatism bias, anchoring, regret aversion, house money effect

bias, and representativeness considered as an independent variables and Investment decision is treated as a dependent variable. The correlation values are House money effect (0.686), Confirmation bias (0.685), Self-attribution bias (0.677), Hindsight bias (0.642), Endowment effect (0.634), Overconfidence (0.630), Herding effect (0.607), Home bias (0.624), Loss aversion (0.624), Representativeness (0.601), Framing (0.587), Mental accounting (0.534), Disposition effect (0.540), Anchoring (0.525), Conservatism bias (0.514), recency bias (0.491), and Regret aversion (0.377).

It is found that the bias of house money effect, Confirmation bias, Hindsight bias, Endowment effect, Overconfidence, Self-attribution bias, Herding effect, Home bias, Loss aversion, and Representativeness are highly related to investment decision. Framing, mental accounting, Disposition effect, Anchoring and Conservatism bias are low level related to investment decision.

Table 4 Factors Influencing Investor's Bias and Investment Decision

R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
0.906	0.820	0.819	0.36793	585.479	0.001*

Predictors	B	Std. Error	Beta	t	Sig.
(Constant)	-0.438	0.089	-	8.694	0.000
Overconfidence	0.52	0.028	0.483	18.377	0.000
Disposition effect	0.526	0.023	0.528	22.787	0.000
Herding effect	0.779	0.034	0.712	23.017	0.000
Mental accounting	0.065	0.045	0.092	1.451	0.147
Confirmation bias	-0.057	0.033	-0.095	-1.751	0.081
Hindsight bias	0.118	0.037	0.197	3.168	0.002
House money effect	-0.008	0.035	-0.013	-0.222	0.825
Endowment effect	0.013	0.034	0.021	0.383	0.702
Loss aversion	0.113	0.035	0.176	3.223	0.001
Framing	-0.105	0.034	-0.159	-3.115	0.002
Home bias	-0.075	0.034	-0.122	-2.195	0.029
Self-attribution bias	0.122	0.03	0.186	4.109	0.000
Conservatism bias	0.114	0.032	0.185	3.619	0.000
Regret aversion.	0.435	0.045	0.727	9.596	0.000
Recency	0.177	0.033	0.258	5.284	0.000
Anchoring	0.074	0.033	0.111	2.257	0.024
Representativeness	-0.019	0.03	-0.027	-0.644	0.520

data: Primary Source; * one present significant level; ** five present significant level; (NS) Non-significant level

Table 4 explains the factors influencing investor's bias and Investment decision. The Regression analysis is applied to know the effect of exploratory variables on the dependent variable. Here, Overconfidence bias, house money effect bias, disposition effect bias, herding effect bias, mental accounting bias, confirmation bias, hindsight bias, endowment effect, home bias, loss aversion, framing, regret aversion, self-attribution bias, conservatism bias, recency, anchoring and representativeness considered as an independent variables and Investment decision is treated as a dependent variable

The adjusted r-square value is found to be 0.819. It is found that the exploratory variables are influenced the Investment decision at 81.9 percent.

Ho: investor's bias does not influence on Investment decision

It is expressed by the equation; unstandardized co-efficient beta values indicate the strong of relationship between dependent and independent variables.

Investment decision = -0.438 + 0.779 (Herding effect) + 0.526 (Disposition effect) + 0.52 (Overconfidence) + 0.435 (Regret aversion) + 0.177 (Recency) + 0.122 (Self-attribution bias) + 0.118 (Hindsight bias) + 0.114 (Conservatism bias) + 0.113 (Loss aversion) + 0.074 (Anchoring) -0.075 (Home bias)-0.105 (Framing)

It is inferred that exploratory variable have increased to investment decision, herding factors has creased at 0.0779 percent, and disposition has increased at 0.526 level, overconfidence has increased at 0.52 regret aversion has increased at 0.435 level, Recency has increased at 0.177, self-attribution bias has increased at 0.122 level, hindsight bias has increased at 0.118 level, conservatism bias has increased at 0.144 level, loss aversion has increased at 0.113 level, Home bias has decreased at 0.075, Framing has negative impact on 0.105 level.

It is found that Herding effect, Disposition effect, Regret aversion, Recency, Self-attribution bias, Hindsight bias, Conservatism bias, Loss aversion, Overconfidence and Anchoring are positively influence on investment decision. Home bias and Framing are negatively influence on investment decision.

FINDING OF THE STUDY

- ✓ It is found that the mental accounting, herding effect, regret aversion, disposition effect, self-attribution bias, loss aversion, endowment effect, home bias, framing, Overconfidence and conservatism bias are high opinion towards investment behaviour bias of the investors. House money effect, hindsight bias, confirmation bias, representativeness, recency, and anchoring are moderate opinion towards investment behaviour bias of the investors.
- ✓ It is inferred that the economic indicators, rich quickly, feelings for a firm, price fluctuation, past performance of firms, organized financial markets, broker recommendation, government officials, development in stock index and price per share are highest opinion towards investment decision.
- ✓ It is found that the house money effect, Confirmation biases, Self-attribution bias, Hindsight bias, Endowment effect, Overconfidence, Herding effect, home

bias, Loss aversion, and Representativeness are highly related to investment decision. Framing, mental accounting, Disposition effect, Anchoring and Conservatism bias are low level related to investment decision.

- ✓ It is found that Herding effect, Disposition effect, Regret aversion, Recency, Self-attribution bias, Hindsight bias, Conservatism bias, Loss aversion, Overconfidence and Anchoring are positively influence on investment decision. Home bias and Framing are negatively influence on investment decision.

CONCLUSION

The finance theories are assumed that financial decisions have leads to increase profitable in investments. Company can increase the wealth of the shareholders and investor's safeguards of their investment and possible to invest more and more. The theories of behavioral finance argued that a vivid explanation about real investor behaviour influence of an investor behaviour in dissimilar situations. Investors can get the benefit from the moneymaking share or securities. It is suggests that the make a properly planning can make money into countless prospects. The biases are helps to the increase the market momentum in the financial markets. The self-created principles based investor make the decision. The quick decision-making can helps to grate impacts on the future investment decision.

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