CHAPTER 1

INDUSTRY PROFILE

An exchange, often known as a bourse, is a place where traders and stockbrokers can purchase and sell bonds, shares, and other assets. Stocks of numerous big businesses are traded on stock exchanges. Because of this, the stock is more liquid and therefore more appealing to investors. Additionally, the exchange might serve as a settlement guarantee. It is also possible to trade these and other stocks "over the counter" (OTC), that is, through a dealer. To draw in foreign investors, several big businesses list their stock on multiple exchanges across many nations. Other securities, including bonds with set interest rates or (less frequently) derivatives, which are more likely to be sold over-the-counter, may also be listed on stock exchanges.

In the context of stock markets, trade refers to the transfer of a stock or security from a seller to a buyer in return for cash. This necessitates a price agreement between these two parties. An ownership interest in a specific corporation is conferred by stocks or shares, often called equity. Small individual stock investors and larger investors, who may be based anywhere in the world and include banks, insurance firms, pension funds, and hedge funds, are among the participants in the stock market. A stock exchange trader may execute their buy or sell orders on their behalf.

For a certain stock, a possible seller demands a certain price, and a potential buyer bids that same price. When you buy or sell in the market, you agree to accept the stock at any ask or bid price. If more than one bidder is present at a particular price, the sale occurs when the bid and ask prices match, in order of first-served. A stock exchange's main function is to make it easier for buyers and sellers to trade securities, creating a marketplace. In order to aid in price discovery, the exchanges offer real-time trading information on the listed securities.

Established as a legislative entity in 1992, the Securities and Exchange Board of India Act, 1992 (15 of 1992) went into effect on January 30, 1992, with the Securities and Exchange Board of India coming into existence. The Securities and Exchange Board of India's Preamble outlines the central body's primary responsibilities as "...protecting investors' interests in securities and promoting the development and regulation of the securities market and for matters connected therewith or incidental thereto."

Established in 1992, Mumbai is home to the National Stock Exchange (NSE), an Indian stock exchange. Measuring by daily turnover, it is the most prominent securities exchange company in India, and ranked second by market value. Given the total amount of equities trading throughout 2020, NSE is the third-largest exchange globally, behind NASDAQ and NYSE.

Along with sectoral indices like the IT index, FMCG index, etc., the NSE has also grown to be the home of a number of indices over time, which investors can use to benchmark their investments or build portfolios based on their tolerance for risk. These indices include the S&P CNX Nifty Fifty index, CNX 100 index, and CNX 500 index.

India's largest and oldest stock exchange is the Bombay Stock Exchange (BSE), commonly referred to as the Stock Exchange, Mumbai. It is situated on Mumbai's Dalal Street and was founded in 1875. Having more than 6,000 listed businesses and a $2.5 trillion market value, it is among the top 10 exchanges globally in terms of total market capitalization. Through the listing and trading of assets including bonds, stocks, and derivatives, it gives investors access to liquidity and is a crucial component of the Indian financial system.

Being home to a large range of equities from both public sector firms and private businesses, the Bombay Stock Exchange has long been considered the hub of India's financial markets. In terms of market value and the quantity of listed companies, it is currently among the top exchanges in Asia.

Financial psychology is used in behavioural finance to examine investor behaviour. Behavioural finance holds that investors lack rationality. Rather, they exhibit cognitive biases and poor self-control, which lead to judgmental errors.

The publication of "Psychology of the Stock Market" by George Seldon in 1912 marked the beginning of the idea of behavioural finance. But when Daniel Kahneman and Amos Tversky hypothesised in 1979 that most investors typically base their selections on subjective reference points rather than objectively selecting the best alternative, the theory began to take off. The concept of "mental accounting," which holds that people see their money differently depending on its purpose, such as whether it's for retirement or a student fund, was developed by Richard Thaler a year later. Their research eventually served as the foundation for the study of behavioural biases in finance and cognitive psychology, which is a major area of study in the discipline of behavioural finance.

BEHAVIORAL FINANCE VS TRADITIONAL APPROACH –

Behaviour finance recognises that investors are impacted by emotions, biases, and psychological factors, in contrast to traditional finance which presumes that investors are impartial and rational decision-makers based on all accessible, unbiased information. Decision-making processes and market perceptions diverge as a result of this:

Behavioural finance acknowledges biases and irrationality in decision-making, whereas traditional finance assumes rationality. Investors may make poor selections as a result of being influenced by feelings such as fear, overconfidence, or bad past experiences.

Strict Rationality vs. Limitless Knowledge: Conventional finance assumes that investors have meticulous access to flawless knowledge. However, behavioural finance recognises that investors may make mistakes in judgement due to their limited ability to comprehend information and their tendency to ignore pertinent information.

Contrary to market anomalies, the efficient market hypothesis maintains that, on the assumption that investors exercise self-control, markets accurately reflect asset values. On the other hand, behavioural finance contends that because investors lack full self-control, markets can be erratic and prone to anomalies, which can cause price fluctuations.

In summary, rather than giving in to impulse buys or following the herd, investors should be conscious of the impact of emotions and biases on their decision-making process and make an effort to make logical decisions based on careful consideration.

BEHAVIORAL FINANCE CONCEPT –

Confirmation bias - Investors that have a tendency towards accepting information that supports their preexisting beliefs about an investment are said to be victims of confirmation bias. Investors are quick to accept information as it becomes available, even if it contains errors, as long as it validates their investment decision.

Overconfidence - Individuals sometimes overestimate their own projections' accuracy because they are overconfident. The delusion of knowing contributes to overconfidence. Perhaps the human mind is built to take in and process as much data as it can from what is available, but might not be conscious of the fact that it is insufficient to create a precise forecast in an unpredictable amount of time.

Anchoring - Many often, even when presented with fresh and pertinent facts, people are hesitant to modify their opinions once they have been formed. Assume investors believe that a company has above-average long-term earnings potential. A discloses significantly lower earnings than anticipated out of the blue. Decisions based on an investment's historical performance are an illustration of anchoring bias. After learning, for instance, that the stock price of a firm he finds intriguing increased the previous year, an investor may take quick actions to support his hypothesis, reasoning that since the share price increased, it should have increased this year as well. The regulatory warning that past performance does not predict future performance must therefore be taken seriously.

Loss Aversion - Investors that prioritise avoiding losses over achieving gains are said to exhibit loss aversion, which frequently leads them to demand larger rewards in order to offset any losses. The disposition effect is a byproduct of this bias, whereby investors typically cling onto lost investments in an attempt to break even while selling successful ones fast. Their concentration is on their unique entry price rather than changing fundamentals, and they are more likely to accept success with gains but reticent to confess mistakes with losses.

Familiarity bias - The tendency of investors to place their money in firms or ventures that are locally owned or managed is known as the familiarity bias. Investors are consequently not diversified across several industries and investment kinds, which might lower risk. Investors typically choose assets with which they are experienced or knowledgeable.

Innumeracy - Numbers are hard for some people. Nominal changes and actual changes are sometimes confused. This is referred to as a money illusion by economists. Determining the actual probability is a challenge for humans. To put it another way, the likelihood is that they are unaware of the odds. Humans typically focus more on large numbers and give smaller figures less weight.

EFFICIENT MARKET HYPOTHESIS –

The Efficient Markets Hypothesis (EMH), derived from Eugene Fama's work, suggests it's extremely difficult to consistently outperform the market. This theory, akin to the Random Walk Theory, relies on the assumption that all relevant information influencing stock prices is widely available to all investors.

With numerous buyers and sellers in the market, stock prices are always considered to be at their fair market value, trading efficiently. Therefore, it's nearly impossible to buy undervalued stocks or sell overvalued ones for extra profits. Neither expert analysis nor market timing strategies can consistently outperform the overall market. The only way to potentially achieve superior returns is by taking on greater risk.

The EMH exists in three forms:

Weak Form: Prices reflect all publicly available market information but may not account for new, unreleased information. Past data does not predict future prices reliably.

Semi-strong Form: Prices adjust rapidly to new public information, making both technical and fundamental analysis ineffective in predicting future price movements.

Strong Form: Prices incorporate all public and private information, including insider knowledge. Even insider information does not provide an edge to consistently outperform the market.

EMH VS BEHAVIORAL FINANCE -

The Efficient Market Hypothesis (EMH) states that investment markets are "informationally efficient," which means that since everyone has access to the information that is accessible, investment news cannot be manipulated. On the other hand, there is disagreement around two ideas: information availability and access.

Although knowledge about investment should be accessible to all, in reality this isn't the case because people have different daily schedules, lives, and little time to comprehend information.

Additionally, it might be difficult for people to stay up to date with developments due to the quick speed of events, globalised marketplaces, and abundance of communication channels. Because of how quickly the world of investment is evolving, even those who analyse the stock market may not be completely qualified. date with developments due to the quick speed of events, globalised marketplaces, and abundance of communication channels. Additionally, EMH faces challenges related to information availability.

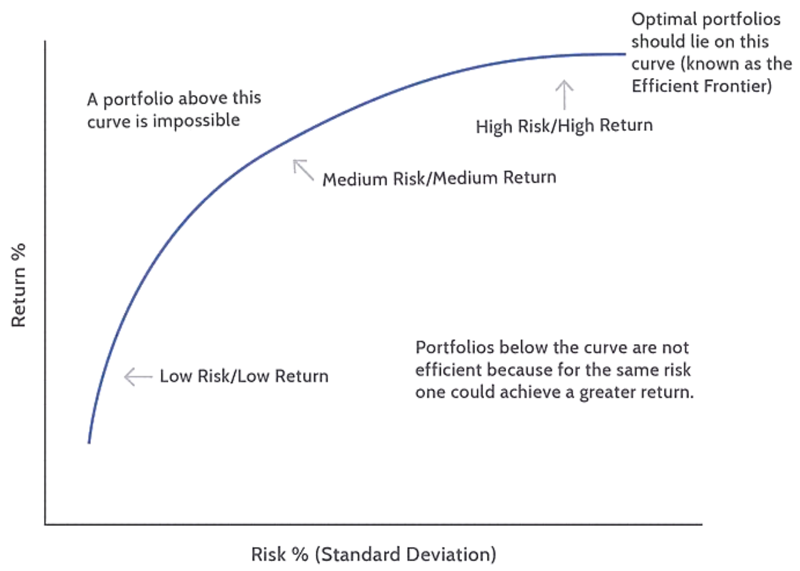
Investors and speculators frequently have an advantage because information is often only available to a small number of them before it is made public. A major role is also played by unbiased financial periodicals or market analysts in the communication of information.

EMH has marginalised fundamental analysis in favour of the "semi-strong form efficiency" model. Fundamental analysis is evaluating a company's financial data to construct a picture and develop a confidence relationship with it. This has given rise to disagreements regarding the validity of the EMH, with some criticising it based on unsupported claims. EMH ignores variables like experience, gender, or personal information that may have an impact on investment behaviour in favour of seeing investors as homogeneous groups with shared characteristics and attitudes. It also emphasises the rationality of profit-maximizing investing behaviour by assuming rational investor behaviour. Contrary to the Efficient Market Hypothesis (EMH), which holds that emotions have no place in logical decision-making, investors' emotions and biases influence decision-making significantly. Behavioural finance challenges the assumptions of the Efficient Market Hypothesis by emphasising the role that emotions play in shaping investment attitudes and decisions.

Much of the common wisdom in investing is based on the work of Eugene Fama and Harry Markowitz, who created modern portfolio theory (MPT) and efficient market hypothesis (EMH) in the 1950s and 1960s, respectively. The Efficient Market Hypothesis (EMH) proposed by Fama holds that investors are logical and knowledgeable, and that asset prices always take into account all available information. In light of the fact that prices always reflect the information that is accessible, this suggests that it is impossible to continually purchase inexpensive stocks.

The goal of Markowitz's MPT is to build diversified portfolios that maximise expected return for a particular degree of risk. The idea of the "efficient frontier," which stands for the ideal portfolio composition for any risk tolerance, is presented. To find these ideal portfolios, MPT employs mean-variance optimisation.

Beliefs that the stock market returns 8% annually on average and that the objective of investing is to outperform a stagnant benchmark index are examples of conventional wisdom. Though theoretically solid, real-world investing can sometimes be more unpredictable and complex.



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FIFTY-PERCENT PRINCIPLE –

An observed trend is expected to have a price correction equal to half to two thirds of the price change before continuing, according to the fifty percent principle. In other words, if a stock has been rising and has gained 20%, it will now fall back 10% before rising again. This is an extreme case because this rule is usually applied to the short-term trends that traders and technical analysts use to make buys and sells.

As a result of cautious investors collecting profits early to prevent being caught up in a true trend reversal later on, this correction is generally seen as a normal part of the trend. A price correction greater than fifty percent of the price change is interpreted as evidence of a failing trend and an early reversal.

GREATER FOOL THEORY-

Investing can be profitable if someone more foolish than you buys the investment at a higher price, according to the larger fool theory. In other words, if someone else is prepared to pay more to purchase an overvalued stock from you, could be able to profit. As the market for any investment overheats, you eventually run out of fools. Neglecting values, earnings reports, and other relevant data is the hallmark of investing based on the greater fool idea. For those who subscribe to the greater fool idea, a market downturn may leave them on the short end of the stick because ignoring data is just as dangerous as giving it too much weight.

ODD LOT THEORY-

The selling of odd lots, or tiny blocks of equities owned by individual individuals, is used by the odd lot theory as a signal when to invest in a stock. The odd lot theory investor buys in while smaller investors sell out. The fundamental presumption is that tiny investors are almost never correct. Measuring odd lot sales is a very basic form of technical analysis, and the basis of the odd lot hypothesis, a contrarian strategy, is found. Whether traders use the idea to verify companies' fundamentals or just make impulsive purchases will determine how successful they are.

It is crucial to differentiate between odd lot sales resulting from a low risk tolerance and odd lot sales caused by more serious issues because small investors are unlikely to make mistakes all the time. A bigger sell-off in a failing stock may be signalled by odd lot sales, which may not simply be the result of small-time investors making a mistake. This is because individual investors are more flexible than large funds and can respond to negative news faster.

PROSPECT THEORY-

Or, as it is sometimes called, the loss-aversion hypothesis or prospect theory. According to prospect theory, individuals have distorted views of gain and loss. To put it another way, people are more terrified of losing than they are of winning. People will choose the prospect they believe has a lower likelihood of failing rather than the one that seems to offer the greatest profits if given the option to choose between two options.

Financial experts and investors should understand prospect theory. It is evident from the risk/reward trade-off how much risk an investor needs to accept in order to realise the desired profits, but prospect theory indicates that few people truly comprehend what they realise on an intellectual level. Appointing a portfolio to a client's risk tolerance rather than their reward preferences is a difficulty for financial advisors. The difficulty for investors is rising above prospect theory's pessimistic forecasts and developing the courage to pursue their desired returns.

RATIONAL EXPECTATIONS THEORY-

According to the rational expectations hypothesis, the participants in an economy will behave in a way that makes sense going forward. In other words, a person will make investments, spend money, and so on according on what they reasonably anticipate happening in the future. By doing this, the individual contributes to the future occurrence by making a self-fulfilling prophesy. This hypothesis has gained significant traction in economics, although its applicability is questionable. When an investor purchases a stock, for instance, they are causing the stock to rise because they believe it will. Rational expectations theory does not apply to this particular transaction. When an investor sees a stock is cheap, they purchase it and wait for other investors to see the same thing, which drives up the price of the stock to its fair market value. This demonstrates the primary issue with the theory of rational expectations: It reveals nothing and can be altered to explain everything.

SHORT INTEREST THEORY-

Although it seems implausible at first, short interest theory holds that a spike in short interest precedes an increase in the price of the stock. Generally speaking, a stock that has a high short interest rate—that is, a stock that a large number of investors are shorting—should be headed for a correction. There's no way that thousands of experts, traders, and regular investors examining each and every bit of market data could be mistaken. To some extent, they might be correct, but if the stock is severely shorted, it might even climb in value. In order to maintain their positions, short sellers must eventually purchase the stock they have shorted. As a result, the share price will rise due to the buying pressure that is generated when short sellers cover their positions.

DOW THEORY –

The Dow Theory is a trading strategy created by Charles H. Dow, who established Dow Jones & Company, Inc. and created the Dow Jones Industrial Average in 1896 along with Edward Jones and Charles Bergstresser. Dow expanded on the idea in a number of Wall Street Journal editorials, which he co-founded.

According to Dow, the overall stock market was a good indicator of the general state of business in the economy. By examining the market as a whole, one could determine the direction of major market trends as well as the probable course that individual stocks would follow.

The Market Offers Everything at a Discount -

Operating under the premise that asset prices take into account all available information is the efficient market hypothesis (EMH), or basis for the Dow Theory. Though not everyone is aware of all the specifics, elements like earnings potential, competitive advantage, and managerial ability are all priced into the market. Even future events are dismissed as risk under stricter interpretations of this idea.

Market trends fall into three main categories. –

Primary market movements, such as a bull or bear market, can persist for a year or longer. Smaller moves, such a retreat in a bull market or a rally in a bear market, are made by secondary trends within the larger trends. These secondary trends might persist for a few weeks or months. Last but not least, small trends may endure for a few days or even weeks. Market noise is what these tiny oscillations are known as.

The Three Phases of Primary Trends -

The Dow Theory states that the main bull and bear trends go through three stages.

There are three stages to a bull market:

Phase of accumulation: As volume grows, prices rise as well.

Phase of public engagement (or major move): Average and retail investors start to notice the upward trend and participate; this is usually the longest phase.

Phase of excess: At a certain point in the market, traders and experienced investors start to reduce their holdings while the general public of investors keeps adding to their positions.

There are four stages to a bear market:

Phase of distribution: the start of the process by which word about a drop is shared via different routes among investors.

Phase of public involvement: The typical and retail investor sells stocks and exits positions to minimise losses, in contrast to the public participation phase of a bull market. It's usually the longest phase, to reiterate.

A period of panic (or despair) occurs when investors stop expecting a correction or complete reversal and start selling in large quantities.

Indices Need to Authenticate One Another-

Indexes or market averages that support Dow's theory must agree with one another in order for a trend to be declared. As a result, signals appearing on one index must coincide with or match signals appearing on another index. It is not advisable for traders to conclude that a new trend has started if one index, such the Dow Jones Industrial Average, displays a new primary uptrend while another index is still in a primary downtrend.

According to the theory that the railroads would be making money from moving freight if business conditions were good, as a rise in the DJIA might indicate, Dow utilised the two indices he and his partners invented, the Dow Jones Transportation Average (DJTA) and the Dow Jones Industrial Average (DJIA).

Volume Needs to Verify the Trend -

When the price advances towards the main trend, trading volume typically rises, and when it moves away from it, it typically falls. A trend's fragility is indicated by low volume. For instance, when a market is bullish, purchasing volume should climb along with price increases and decrease during secondary pullbacks as a result of traders continuing to believe in the main positive trend. Increasing selling volume during a decline may indicate a growing number of negative market participants.

Trends Continue Until They Clearly Reverse -

One may mistake primary trend reversals for secondary trend reversals. Determining if an upswing in a bear market represents a reversal or a transitory recovery that may ultimately result in even lower lows can be challenging. The

Dow Theory urges prudence, stating that index comparisons should be used to verify any potential reversal.

THE IMPACT OF GLOBAL INDICES ON THE STOCK MARKET IN INDIA –

Dollar index: Because of its inverse association with stock values, the Dollar Index is emphasised as a major macroeconomic element affecting the Indian stock market. Rising Foreign Institutional Investments (FIIs) in Indian stocks are frequently the consequence of a decline in the Dollar Index. This phenomenon disproportionately impacts particular industries, including metals, banks, cars, oil and gas, and capital goods.

US market indices: Because the US economy is so dominant globally and because global financial markets are interrelated, negative news or events in the US markets can have a significant effect on other markets, including the Indian stock market. One of the most important indications for the Indian stock market is the US market indices, specifically the Dow Jones Industrial Average.

Globalisation and interconnectivity: The interconnectedness of the world's financial markets is highlighted, implying that every market is linked and that developments in one can have an impact on markets throughout the world. To illustrate the effect of globalisation on financial markets, the idea of a single "all world share market" is presented.

2008 financial crisis: It is widely acknowledged that the 2008 financial crisis was a momentous occasion that affected many international markets, including the Indian stock market. As a result, there was a significant drop in both world and Indian stock values, which raised concerns about the state of the economy.

Macroeconomic monitoring: To evaluate the present status of the Indian stock market and make wise investment selections, traders are urged to routinely examine macroeconomic aspects including the Dollar Index, US market indexes, and globalisation trends.

THE STOCK MARKET'S EFFECTS ON THE INDIAN ECONOMY-

Funding and Investing: By issuing shares, the stock market provides businesses with capital. To grow, expand, innovate, and increase output, businesses need this capital. GDP growth and the creation of jobs are correlated with increased production capacity.

Financial Attitude: The state of the financial sector and the public's perspectives on buying, selling, and investing are influenced by the stock market's performance. Safety is what drives interest and willingness to invest, and a robust market reflects this. People get apprehensive of a market that is collapsing because they see it as unsafe.

Monetary policy and inflationary rates are influenced by the stock market as well. An upsurge in pricing is a direct result of a robust stock market, as individuals with greater wealth want to purchase more goods and services. In order to control inflation and maintain the health of the economy, the RBI then raises interest rates after that.

Resource allocation helps allocate resources across various market segments in an effective manner. The goal of investing is to maximise profits, with additional capital being placed into businesses or sectors that hold the most promise.

Corporate finance: The stock market gives Indian businesses access to capital to execute their expansion, which boosts productivity—assuming that the economy expands and jobs are created—and is one of the effects of the share market on the country's economy.

Investor Confidence: The stock market has an effect on investor confidence as well because rising markets necessitate larger capital interventions and promote economic expansion.

While the Sensex and Nifty might not always directly reflect India's economic health, a strong stock market can be a catalyst for growth. It attracts foreign investment, boosts domestic confidence, and encourages people to invest more, all of which contribute to a thriving economy. Conversely, a struggling market can create uncertainty, making financial institutions cautious about lending, ultimately hindering economic activity. This influence on investor sentiment, along with its impact on inflation and interest rates, underscores the stock market's critical role in the Indian economy.

THE IMPACT OF THE STOCK MARKET ON GDP -

The stock market has an effect on the GDP and is frequently used as a gauge of sentiment. The output of all products and services inside an economy is measured by GDP. The mood of the economy fluctuates in tandem with the rises and falls of the stock market. Spending patterns fluctuate along with sentiment, and this leads to GDP growth in the end. That being said, the stock market can impact GDP in both positive and negative ways.

THE IMPACT OF BULL MARKETS ON GDP –

An upswing in the equities markets is known as a bull market. The primary ways that the stock market impacts the gross domestic product are through its impact on consumer confidence and financial conditions. There is typically a lot of optimism about the state of the economy and the future of different equities while stocks are rising—a phenomenon known as a bull market. Companies can raise money by issuing new stock shares, and they can utilise that money to grow their business, engage in new ventures, and recruit more staff. These all contribute to an increased GDP. Because there is a strong demand for stocks during a bull market, it is simpler for businesses to issue more shares.

The economy is doing well if GDP is growing, which means that the same companies may raise more money by taking out bank loans or issuing new bonds. Investors buy the bonds, and the money they raise is utilised to grow and expand businesses and increase GDP. As stock prices rise, consumers and investors feel wealthier and more optimistic about the future. Increased spending can result from this confidence and lead to significant purchases like homes and cars. As a result, businesses see increases in sales and profits, which further boosts GDP.

THE IMPACT OF BEAR MARKETS ON GDP -

A bear market, on the other hand, indicates that stock values are declining and may have a detrimental impact on mood. Investors rush to sell equities during a bear market in an attempt to protect their capital. Usually, the losses cause consumer spending to decline, especially if recession fears are present. A recession is commonly characterised by two quarters in a row where GDP growth is negative, or contracts. Companies may experience a decline in sales and revenues if customers start to cut back on their spending. Businesses are then compelled to reduce expenses and personnel. Increased unemployment and more anxiety about the future compound the decline in consumer expenditure.

Additionally, companies may have trouble securing new funding, and managing their current debt may become more difficult as revenue declines. A decrease in corporate and consumer confidence is caused by all of these variables, and this results in lower stock market investment. In the end, the declining investment and expenditure brought on by a decline in confidence hurts GDP.

A measure of economic sentiment that can affect GDP (gross domestic product) is the stock market. A thriving and expanding stock market is a sign that businesses are doing well and will keep doing so. Traders, investors, and customers are all encouraged by this. These organisations borrow money, which has a number of beneficial effects, hire more people, which lowers unemployment, and spend more money, which increases employment and the cycle's strength, boosting GDP. The converse of the aforementioned is true when the stock market is performing poorly.

CHAPTER 2

COMPANY PROFILE

Millennium Money Finance (MMF), operating as an authorized partner of Profitmart Securities and Angel Broking, delivers a comprehensive suite of financial services to its clientele. Registered with NSE (National Stock Exchange) under AP2815022451 and BSE (Bombay Stock Exchange) under AP01667601121609, MMF epitomizes reliability and expertise in the realm of finance.

Specializing in trading, advising, stocks, financial services, and income tax services, MMF offers a holistic approach to meet the diverse needs of investors and traders. With a commitment to excellence, MMF leverages its partnership with renowned financial institutions to provide tailored solutions and expert guidance to its clients.

Driven by a passion for delivering value and fostering financial success, MMF prides itself on staying abreast of market trends and regulatory changes to ensure its clients make informed decisions. Through its daily news updates and personalized advisory services, MMF empowers individuals and businesses to navigate the complexities of the financial landscape with confidence.

With a strong ethos of integrity, professionalism, and customer-centricity, MMF stands as a trusted partner for individuals and organizations seeking reliable financial services and expert guidance. Whether it's executing trades, managing investments, or optimizing tax strategies, MMF is dedicated to helping its clients achieve their financial goals and secure their financial future.

Services Offered:

1**. Trading:** MMF facilitates seamless trading experiences across various financial instruments, including equities, derivatives, commodities, currencies, and more. With cutting-edge technology and expert guidance, clients can execute trades efficiently and capitalize on market opportunities.

2. **Advisory:** Their seasoned financial experts offer personalized advisory services tailored to meet the unique goals and risk profiles of each client. Through in-depth analysis and strategic insights, we assist clients in making informed investment decisions and optimizing their portfolios.

3. **Stocks**: MMF provides access to a wide range of stocks listed on major exchanges, enabling clients to build diversified investment portfolios aligned with their financial objectives. Our robust research capabilities and market expertise empower clients to identify promising investment opportunities and maximize returns.

4. **Financial Services**: From wealth management to retirement planning, MMF offers a comprehensive suite of financial services designed to address the diverse needs and aspirations of our clients. Whether it's wealth accumulation, risk management, or asset allocation, our seasoned professionals provide holistic solutions to help clients achieve their financial goals.

5. **Income Tax Services**: MMF offers proficient income tax services to individuals and businesses, ensuring compliance with tax regulations and optimizing tax efficiency. Our team of tax experts provides strategic tax planning, preparation, and filing services, helping clients minimize tax liabilities and maximize savings.

ANGEL ONE -

The private limited business Angel Broking was established on August 8, 1996. A wealth management, retail, and corporate broking firm, Angel Broking was later formed in September 1997. The National Stock Exchange admitted Debt Market Ltd. and Angel Capital as legal members in November 1998. April 2004 saw the opening of the company's commodity brokerage division. The insurance products of Birla Sun Life Insurance were distributed through a partnership with Angel Broking in November 2007. In December 2007, for ₹152 crore (about ₹459 crore or US$57 million in 2023), the International Finance Corporation acquired an 18% interest in Angel Broking. The business first launched for business in October 2012 in Karol Bagh, New Delhi.

Angel One, a public company traded on both the Bombay Stock Exchange (BSE: 543235) and the National Stock Exchange (NSE: ANGELONE), stands as a stalwart in the financial services industry. Established on August 8, 1996, by the visionary Dinesh D. Thakkar, Angel One has emerged as a beacon of excellence in India's financial landscape.

Headquartered in Mumbai, Maharashtra, at the Ackruti Trade Center in Andheri (E), Angel One serves clients across India with a comprehensive range of financial services. Under the adept leadership of Dinesh Thakkar, who serves as Chairman and Managing Director, the company has cemented its position as a trusted partner for investors and traders alike.

Angel One's services encompass stockbroking, equity trading, commodities, portfolio management services, mutual funds, life insurance, health insurance, IPO facilitation, depository services, and investment advisory. With a revenue of ₹7,427.79 million (US$93 million) and an operating income of ₹7,105.18 million (US$89 million) in the fiscal year 2019-20, Angel One boasts a robust financial standing.

The company manages assets under management (AUM) amounting to ₹132,540 million (US$1.7 billion) as of June 2020, reflecting its significant presence and influence in the market. With total assets valued at ₹21,592.05 million (US$270 million) and total equity of ₹5,688.66 million (US$71 million) in the same fiscal year, Angel One maintains a solid foundation for sustainable growth and prosperity.

Angel One's subsidiaries, including Angel Financial Advisors Pvt. Ltd., Angel Fincap Pvt. Ltd., Angel Securities Ltd., Angel Wellness Pvt. Ltd., and Mimansa Software Systems Pvt. Ltd., further augment its capabilities and extend its reach across various segments of the financial services industry.

Driven by a commitment to excellence, integrity, and innovation, Angel One continues to redefine the standards of financial services provision, empowering individuals and businesses to achieve their financial objectives with confidence and clarity.

Their goal to democratise the banking industry and provide every Indian the means to accumulate money for future generations is fundamental to our principles. Angel One is a company that is committed to providing exceptional customer service and uses cutting-edge technologies in conjunction with everlasting dedication to establish itself as a reliable partner for its clients. At the vanguard of innovation, they present cutting-edge platforms designed for Gen Z and millennials who are comfortable with technology, making it simple and effective for them to enter the financial industry. At every step of their investment journey, clients are fully informed thanks to Angel One's commitment to transparency. Anchored by these fundamental principles, Angel One persistently reimagines the standards of the financial services sector, merging accessibility, technology, and transparency to enable people to reach their financial objectives.

RANGE OF SERVICES OFFERED –

1. Broking and Advisory Services:

- Equity broking (cash-delivery, intra-day, futures, and options)
- Commodity broking
- Currency segment broking
- Debt products
- Initial Public Offering (IPO) facilitation
- Demat account opening

2. Additional Services:

- Research Services:
  - Daily, weekly, and monthly research reports across segments
- Investment Advisory:
  - Customized investment recommendations across various avenues
- Investor Education:
  - Knowledge center on the website
  - Educational sessions through digital mediums

3. Other Financial Services:

- Margin Trading Facility:
  - Leveraging eligible collaterals
  - Funding requirements on the cash delivery segment
- Distribution:
  - Mutual funds distribution
  - Health and life insurance products distribution
- Loans against Shares:
  - Provided through subsidiary AFPL, a registered NBFC.

CODE OF ETHICS –

For the conduct of Angel, all members—Board of Directors, top management, staff, and other stakeholders—should refer to this Code of Ethics & Conduct. In order to uphold the company's standards, it guarantees compliance with legal obligations and encourages moral behaviour.

Applicability: This code is applicable to all parties connected to Angel, such as its staff, board of directors, senior management, and other interested parties.

Goals: The code seeks to protect Angel's principles and commitments, promote good governance, and discourage misconduct. In all commercial relationships, ethics, openness, and trust are emphasised.

1. Core Values: Angel bases its operations on the values of cooperation, trust, accountability, and integrity. It places a strong emphasis on being accountable to stakeholders and society, making responsible decisions, and reporting the truth.

2. Good Corporate Citizenship: Angel encourages moral conduct in dealings with customers, suppliers, investors, and other members of the company. It forbids deception and fraudulent sales, and it promotes open dialogue.

3. Legal Compliance: To protect its good name and integrity, Angel pledges to abide by all relevant laws and rules.

4. Equal Opportunity Workplace: Angel guarantees a nondiscriminatory work environment and advocates for equal chances for all staff members.

5. Health & Safety: Angel places a high priority on worker health and safety, making sure that right working conditions and hygienic standards are met.

6. Environment Policies: Angel expects all parties involved to adhere to its commitment to environmental best practices.

7. Personal Conduct: Angel demands all workers to act with honesty, morality, and integrity. It maintains confidentiality, guarantees openness, and forbids conflicts of interest.

8. Avoidance of Fraud and Money Laundering: Angel follows anti-fraud legislation and forbids dishonest behaviour. Integrity in Financial Accounting: To guard against fraud and guarantee asset preservation, Angel highlights accurate financial reporting and internal controls.

10. Rejecting Corruption & Bribery: Angel upholds legal and moral norms by forbidding corruption and bribery in any form.

11. Complaint Handling: Angel upholds client satisfaction and trust by swiftly and equitably resolving complaints.

12. Care and Appropriate Use of Company Assets: Angel anticipates that its staff will take reasonable care and safeguard the company's assets.

13. Insider Trading of Shares: Angel strictly enforces rules surrounding price-sensitive information and forbids insider trading.

14. Public/Media Disclosures: Angel upholds honesty and transparency by making sure that information is disclosed to the media and regulatory bodies in a timely and correct manner.

15. Ownership & Responsibility: Angel emphasises customer service and accountability while encouraging a sense of ownership and responsibility among staff members.

16. Preventing Favouritism at Work: Angel advocates for an impartial, courteous, and bias-free work environment.

17. Preventing Unsavoury Rumours and Gossip at Work: Angel disapproves of unsavoury rumours and gossip at work.

18. Preventing Wasting Time: Angel stresses the need of making effective one's

time and refraining from inefficient activities while at work.

19. Acts Comprising Misconduct: Angel lists a variety of behaviours deemed to constitute misconduct, such as transgressions of societal norms, morality, and duties.

20. Declaration on Important State of Affairs: Angel mandates that staff members disclose any affiliations with the business or its rivals in order to maintain openness and adherence to corporate guidelines.

1. Prohibitions and Preservation of UPSI:
   - Insiders cannot communicate UPSI except for legitimate purposes, duties, or legal obligations.
   - No one can procure UPSI from insiders unless for legitimate purposes, duties, or legal obligations.
   - Every Employee/Director must maintain UPSI confidentiality on a 'need to know' basis.

2. Chinese Wall:
   - Designed to segregate personnel with access to confidential information from others based on 'need to know' basis.
   - Prevents those on the Trading Side from accessing confidential information acquired by the Advisory Side.
   - Exceptional crossing over the wall requires approval from Departmental Head and Compliance Officer.

3. Trading Restrictions:
   a) Restricted List of Securities:
      - No trading allowed in securities when in possession of UPSI.
      - Derivative trading restriction for employees and immediate relatives.
      - Securities become restricted if Angel Group or Designated Employees possess price sensitive information.
      - The list is maintained by the Compliance Officer and updated based on research records.
      - Highly confidential and only accessible to authorized personnel.
      - No trading permitted in securities on the Restricted List.

b) Specified List of Securities:

- Designated employees must hold investments in specified securities for six months.
- Trading in specified securities is restricted through normal channels but can be executed through the centralised dealing desk.

4. Execution of Trades through Angel:

- All employees must have a trading/demat account with Angel and execute transactions through it.
- Approval from Compliance Officer required for transactions exceeding Rs. 3 lakh per scrip/day.
- Research Analysts need approval for all trades, regardless of amount, as per specified format or through ETT link.

This organization provides a structured overview of the UPSI preservation policies and trading restrictions within the Angel Group.

AWARDS AND RECOGNITIONS –

1.The first award that Angel received, for "Best Retail Broking House," confirms that the business has exceeded clients' expectations and provides more cutting-edge features than rival suppliers and goods. Angel is a firm believer in paying attention to what clients need and providing exceptional personalised service.
services to achieve their trading and investment goals.

2.Having received the second award, "Broking House with Largest Distribution Network," Angel Broking is once again recognised for having the largest network of sub-brokers on the National Stock Exchange (NSE), with over 6900 sub-brokers and 6 lakh retail clients. Angel received this honour for possessing the biggest distribution network number. Not only has the investment firm grown its network at a phenomenal 59% rate, but it has also dramatically widened its margin over the nearest rival firm.

3. CEO Award for Best Trading Platform In India - BSE Commodity Equity Outlook Weekend Awards 2018: Angel One's commitment to excellence in trading platforms earned them the prestigious CEO Award, recognizing their innovative and user-friendly approach to facilitating trading activities in the Indian market.

4. CEO Award for Best Mobile App for Mutual Fund Investment - BSE Commodity Equity Outlook Weekend Awards 2018: Angel One's mobile app for mutual fund investment stood out as a beacon of convenience and efficiency, earning them recognition for their dedication to enhancing user experience in the realm of mutual fund investments.

5. Fulcrums of Commodity Derivatives Market - MCX Award 2018: Angel One's significant contributions to the commodity derivatives market were acknowledged with the Fulcrums award, underscoring their pivotal role in driving growth and innovation in this sector.

6. Best Performing Retail Member - NSE Award 2019: Angel One's exemplary performance as a retail member of the National Stock Exchange (NSE) was recognized with this prestigious award, highlighting their commitment to delivering value and service excellence to retail investors.

7. Gold in the BFSI Sector - BuzzIn Content of 2020: Angel One's impactful content strategy earned them the Gold award in the BFSI sector, showcasing their ability to engage and educate audiences effectively within the financial services industry.

8. Financial Content of the Decade - Consumer Education Initiative by Inkspell 2020: Angel One's consumer education initiative was lauded as the Financial Content of the Decade, reflecting their enduring commitment to empowering individuals with valuable financial knowledge and insights.

9. Gold Award in Customer Service Effectiveness - ACEF Award of ORM 2020: Angel One's dedication to delivering exceptional customer service was

recognized with the Gold Award, highlighting their efforts to ensure client satisfaction and loyalty.

10. Silver for Insights & Research in BFSI Sector - DigiXX 2021: Angel One's insightful research and analysis in the BFSI sector earned them the Silver award, underscoring their commitment to providing clients with valuable market insights and strategic guidance.

11. Most Consistent Excellence in Digital Publishing of Content - India Digital Awards, IAMAI 2021: Angel One's consistent excellence in digital content publishing was acknowledged with this prestigious award, reaffirming their position as a leader in leveraging digital platforms to engage and educate audiences.

12. Best Customer Education Initiative in the Equity Broking Sector - Kaleido Awards by ET Brand Equity 2022: Angel One's pioneering efforts in customer education within the equity broking sector earned them recognition as the Best Customer Education Initiative, showcasing their commitment to empowering investors with knowledge and expertise.

13. Bronze for Best PR in BFSI Category - Kaleido Awards by ET Brand Equity 2022: Angel One's strategic PR initiatives in the BFSI category were honoured with the Bronze award, highlighting their effective communication efforts and industry leadership.

14. Gold at Indian Digital Awards - India Digital Awards, IAMAI 2022: Angel One's digital prowess was celebrated with the Gold award at the Indian Digital Awards, affirming their position as a trailblazer in leveraging digital technologies to drive business growth and innovation.

15. Bronze in ET Brand Disruption - ET Brand Equity Smart API Launch Award 2022: Angel One's innovative Smart API launch earned them the Bronze award in ET Brand Disruption, recognizing their disruptive approach to enhancing accessibility and efficiency in the financial marketplace.

With the goal of opening over 50 new offices in diverse areas, Angel One has revealed its ambitious development plans for the current fiscal year. By the conclusion of the first quarter of FY 2010, the company expects to have hired about 800 people in order to support this growth effort. Further money, estimated to be between Rs. 250 and Rs. 300 crores in the third quarter of the fiscal year, is what Angel One intends to obtain through private equity finance. Notably, Angel Infin, the holding company of Angel Group, has seen a 12.35% investment from the International Finance Corporation (IFC), a World Bank Group subsidiary. Due to their synergy with Angel's, IFC is making its first investment in the wealth management and equities broking sectors.

SWOT ANALYSIS –

Strengths:

1. MACD Crossover Above Signal Line: Indicates potential bullish momentum.
2. Increasing Mutual Fund Shareholding: Suggests confidence from institutional investors.
3. Consistent Revenue Growth: Positive trend over the past three quarters.
4. Improving Book Value per Share: Indicates strengthening financial health.
5. Zero Promoter Pledge: Lower risk associated with promoter actions.
6. Continued Mutual Fund Support: Further indication of institutional confidence.

Weaknesses:

1. High PE Ratio: Potential overvaluation compared to industry peers.
2. Low Durability Companies: Vulnerable to market fluctuations or economic downturns.
3. Decrease in Promoter Holding: Could signal lack of confidence or insider concerns.
4. Low Piotroski Score: Indicates weak financials and potential operational issues.
5. Underperforming Industry Stocks: Lagging behind industry peers in price performance.

Opportunities:

1. High Momentum Scores: Indicates strong technical performance.
2. Brokers' Upgrades: Suggests positive sentiment and potential price appreciation.
3. Street Favourite with Analyst Rating: Strong endorsement with significant upside potential.
4. Price Crossings Above Moving Averages: Sign of short-term positive momentum.
5. SMA Crossover: Bullish long-term indicator with current price strength.

Threats:

1. Promoter Shareholding Decrease: May signal internal concerns or lack of confidence.
2. High PEG Ratio: Indicates potentially overpriced growth relative to industry.
3. Risky Value (DVM): Suggests higher volatility or uncertain future prospects.

CHAPTER 3

RESEARCH DESIGN

STATEMENT OF THE PROBLEM:

The stock market is a complex system influenced not only by economic fundamentals but also by the behaviours and biases of investors. Traditional financial theories assume rationality among market participants, but empirical evidence suggests that investors often exhibit irrational behaviours, leading to deviations from rational pricing and market inefficiencies. Understanding these behavioural biases and their impact on stock market dynamics is crucial for investors, policymakers, and financial regulators.

NEED FOR THE STUDY:

Investors who are aware of behavioural biases will be better able to make decisions and stay out of trouble hence, to provide light on how behavioural biases affect investing methods and how investors might lessen their effects, subsequently taking better investment decisions. According to behavioural finance theory, emotional responses and cognitive biases make markets less efficient than they otherwise would be. Finding anomalies and inefficiencies in the market can be facilitated by looking into behavioural patterns.

SCOPE OF THE STUDY:

Identify and analyse common behavioural biases such as loss aversion, herd behaviour, overconfidence, anchoring, and framing effects that impact investor decision-making in the stock market.

To Investigate how investors process information, interpret news and announcements, and make trading decisions, considering cognitive biases and heuristics.

OBJECTIVES OF THE STUDY:

To Identify and classify behavioural biases displayed by stock market participants. The study attempts to classify biases like loss aversion,

overconfidence, herd behaviour, disposition effect, and anchoring, among others, by analysing the body of research and empirical data.

To examine the relationship between behavioural biases and market inefficiencies that contribute to deviations from rational pricing.

To promote investor education and financial literacy in order to further the field of behavioural finance research.

DATA COLLECTION –

A google form (online survey) was used to distribute the questionnaire used to gather primary data. The survey has multiple-choice questions and other similar items. The necessary data for the report was gathered from a number of secondary data sources. This comprises research papers and pieces from periodicals, newspapers, etc.

RESEARCH METHODOLOGY –

Analytical techniques were classified mostly on qualitative data. Qualitative method In this, questions about why and how people behave and the reason behind it are highlighted. It provides in-depth information about human behaviour. This research method is commonly used to understand their thoughts and experiences.

The Sources of the qualitative method are as follows Basically, qualitative based data is general, and it can be collected from literature reviews, interviews, questionnaires or from observations. The study is conducted in the need to understand the savings and investment pattern and the impact of behavioural finance on their decision.

REVIEW OF LITERATURE -

IMPACT OF BEHAVIOURAL BIASES ON INVESTMENT DECISION MAKING: EVIDENCE FROM THE REVIEW OF LITERATURE

A study on the influence of behavioural finance on investment decision making was carried out by Budhiraja, Raman, and Bhardwaj (2018). Conventional financial theories recommend that people consider the risk carefully before making any funding decisions and then return to the factors that will maximise their profits while limiting their losses. Behavioural finance challenges the traditional notion of finance and shows that a person's funding decisions are influenced by several biases. The study article aims to identify how those prejudices impact the funding selection process and what actions may be performed by male or female traders to make logical decisions. After analysing how practical concerns impede a person's ability to make decisions, the study comes to the conclusion that a person trading wants to carefully review their records and keep external factors in mind before making task investments. The research indicates that behavioural finance is an area of inquiry that suggests that undertaking In general, mental and passionate factors influence decisions. Research in the subject of behavioural finance suggests that emotional and mental factors influence business decisions in general.

IMPACT OF BEHAVIORAL BIASES IN INVESTMENT DECISION AND STRATEGIES

Verma (2016) carried out research on how behavioural biases affect investment strategies and decision-making. These days, behavioural finance is crucial while making investing decisions. At the moment, the investor has multiple choices to make. Investors can choose from a number of alternatives in the market when they choose what to invest in. Making a final choice is called decision-making. Certain investment decisions are straightforward with the best options on the market, while others are intricate and necessitate a multifaceted strategy. This study assesses and pinpoints the behavioural distortions that occur during the decision-making process for investors, along with the consequences of these distortions. Irrational decisions are often the result of behavioural biases, which vary in the judgements that emerge in the specific situation. Several behavioural biases that affect investors' investment decisions are the subject of these research.

DETERMINANTS OF OVERCONFIDENCE BIAS IN INDIAN STOCK MARKET

A study on the causes of overconfidence bias in the Indian stock market was carried out by Kansal and Singh (2018). The purpose of this paper is to conduct a preliminary study on the characteristics of investors and demographic variables that influence shifts in the levels of super cognizance and its elements within individuals. The goal of the review was to examine the factors that influence super awareness and its various domains. The four components of super awareness that were examined were "positive illusion," "planning errors," "better than average effect," and "self-attribution." The data that has been collected is examined using the ANOVA, normal least squares regression, and t-test. According to the results, wealthy earners have more wards, share pay responsibilities, have a high recurrence of speculation, have a more constrained time horizon and better venture insight, and investing in huge cap stocks inevitably makes one overly aware. The analysis also makes the assumption that super awareness is unaffected by age, gender, or general education.

A STUDY ON BEHAVIORAL FINANCE ININVESTMENT DECISIONS OF INVESTORS IN AHMEDABAD

A study on the behavioural choices made by individual investors in Ahmedabad was carried out by Upadhyay (2019). The study of behavioural finance, a developing area, looks at how psychological aspects affect judgement in risky situations. One of the key concepts we need to grasp in order to comprehend people's perspectives and how they consider various situations is behavioural finance. investing in several avenues for financial gain. We learned about the thinking of investors in different investment options thanks to this research. How do you feel about making investments? This essay aims to identify the primary impact of specific behavioural finance principles, including super awareness, perception, representativeness, anchoring, aversion, tight framing, and regret.

Mental accounting regarding the method via which individual stock exchange investors make their decisions.

Using a standardised questionnaire and a sample of 181 investors in Ahmedabad, we conducted primary research. The primary goal was to comprehend how behavioural financing affects investors and to look at how relevant and effective behavioural financing is in investing choices made by investors. It should be noted that learning about the variables influencing investors' decisions to make investments and exploring the theories and ideas of behavioural finance were the study's secondary goals.

AN ANALYSIS OF BEHAVIORAL BIASES IN INVESTMENT DECISION-MAKING

A 2016 study by Madaan and Singh examined behavioural biases in the process of making investing decisions. In the developing field of behavioural finance, there are several biases that influence individual decision making. That being said, this examination is also one of the attempts to assess the impact. of behavioural prejudices in the National Stock Exchange's financing decision-making process. Surveys were given out to 243 investors, and a questionnaire was circulated. The current study has reviewed four behavioural biases: herding behaviour, anchoring, disposition effect, and overconfidence. Overconfidence and herd mentality have a favourable impact on financing decisions, as the results demonstrate. According to the investigation, investors have little knowledge and are prone to making mental errors while acting rapidly. The behavioural factors that influence individual investors' decision-making were also a focus of the study.

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

In the Second Generation of Behavioural Finance, individuals seek utilitarian, expressive, and emotional advantages from all activities, products, and services, including financial ones. By taking into account people's desires as well as their emotional and cognitive shortcuts and mistakes, second-generation behavioural finance provides an alternate foundation block for each of the five foundation blocks of traditional finance. In line with second-generation behavioural finance:

1. Humans are typical.
2. According to behavioural portfolio theory, people build their own portfolios based on goals other than low risk and high projected returns, like social prestige and responsibility.
3. According to the behavioural life-cycle hypothesis, people save and spend, but it might be challenging to do so wisely due to obstacles including a lack of self-control.
4. Behavioural asset pricing theory accounts for expected returns on investments; variations in expected returns are influenced by factors other than risk, such as social responsibility and social standing.
5. Although prices and values are never equal in markets, they are efficient in that they are difficult to navigate.

Cognitive Dissonance Theory –

When a person's beliefs and actions are at odds, they experience cognitive dissonance. One of three approaches—changing beliefs, behaviours, or perceptions of the action—is prompted by this discomfort to end the dispute. To change one's understanding to correspond with an activity is to modify one's beliefs. In order to stop conflicting behaviour in the future, activities might be modified by inducing dread or worry. Changing perceptions justifies the behaviour in order to conform to preexisting ideas. Even while it has hazards, investors may utilise aversive conditioning to prevent selling lost assets.

1. Cognitive dissonance is always preceded by commitment, which demonstrates an individual's emotional attachment to the final conclusion.

2.When information deviates from a person's emotionally held beliefs, it poses a emotional risk.

3. To prevent psychological conflict, most people try to avoid discordant circumstances, including ignoring potentially important information.

4. Decision-making-related cognitive dissonance has been divided into two distinct categories by theorists.

a. Perceived differently. People who have selective perception only take in data that seems to support their predetermined path, which leads to an incomplete and hence erroneous perception of reality. People become more prone to making subsequent mistakes in computation when they are unable to objectively comprehend the evidence that is provided.

b. Decision-making that is selective. When there is strong adherence to an initial course of decision-making, selective decision-making typically takes place. Choosing activities that allow one to follow that path even at great financial expense is justified by selective decision making. For instance, in order to prevent "wasting" the remaining amount of a previously sunk fund, selective decision makers may decide to keep funding a project whose prospects have worsened.

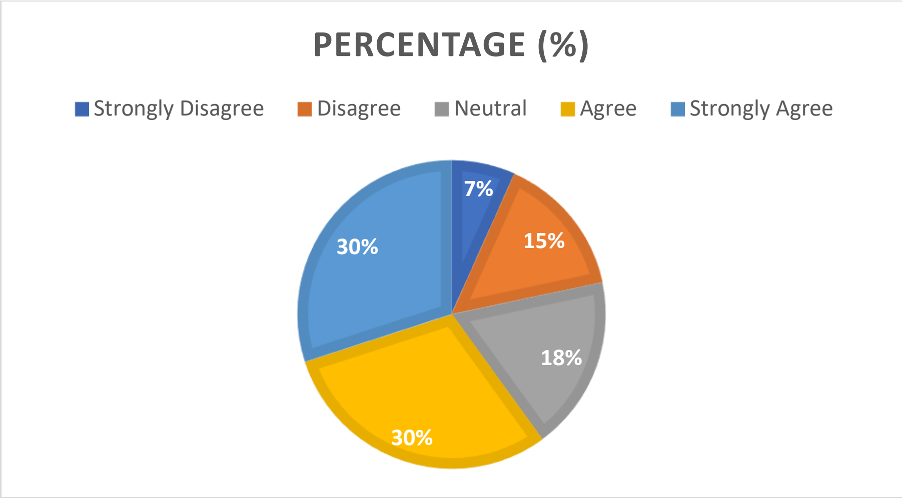
5. People will subjectively uphold decisions or promises they have already made, according to numerous research.

Responses reflecting cognitive biases in table 1.1 & 1.2 :

Question 1: "When I own an investment that goes against my prior financial beliefs, I feel uneasy.

Rating	Number of Respondents	Percentage (%)
Strongly Disagree	4	6.7
Disagree	9	15.0
Neutral	11	18.3
Agree	18	30.0
Strongly Agree	18	30.0
TOTAL	60	100.0

Table 1.1

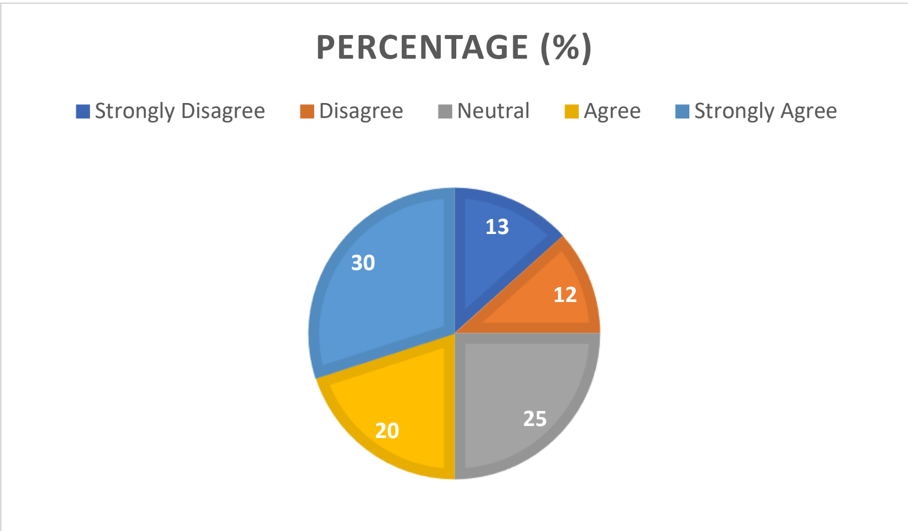


Graph 1.1

Question 2 : “I usually stay away from information that could contradict the investments I currently make."

Rating	Number of Respondents	Percentage (%)
Strongly Disagree	8	13
Disagree	7	12
Neutral	15	25
Agree	12	20
Strongly Agree	18	30
TOTAL	60	100

Table 1.2



Graph 1.2

Interpretation : A significant proportion of participants (60%) concur or strongly concur that they experience unease when holding investments that defy their prior financial convictions. When an investor's investments contradict their preexisting financial ideas, this suggests a large presence of cognitive dissonance among investors. Of the respondents, only 21% strongly disagree or disagree with the statement, and 18.3% are neutral. The majority of respondents—50%—agree or strongly agree that they typically steer clear of information that would contradict their present investing choices. This implies that a significant percentage of investors may receive information that is chosen to lessen cognitive dissonance. However, 25% of respondents are neutral, and 25% disagree or strongly disagree with this tendency.

Confirmation Bias -

It is the peculiar and perpetual error of the human understanding to be more moved and excited by affirmatives than by negatives.

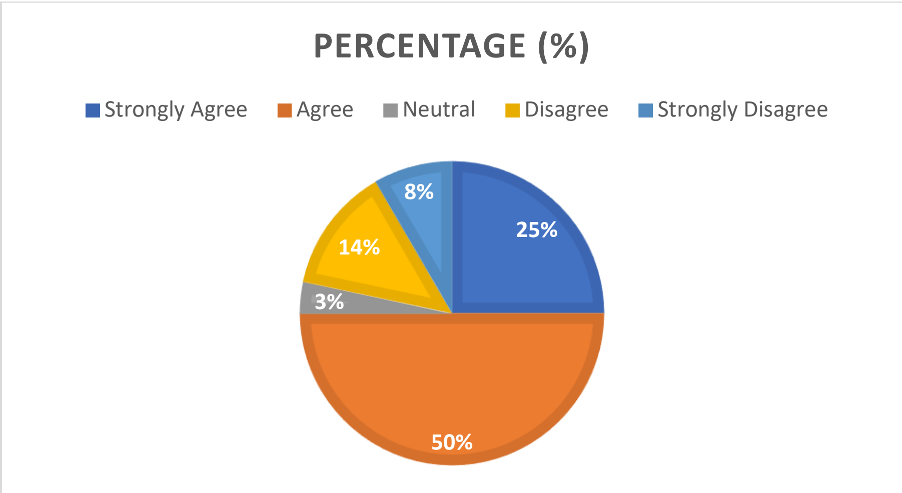
Confirmation bias is a cognitive prejudice in which people ignore contradicting data in favour of information that supports their preconceived notions. This bias frequently results from a wish to prevent cognitive dissonance and validate judgements. Data that validates one's beliefs is inherently appealing to people and is therefore simpler for them to digest intellectually. It is possible for researchers to unintentionally create trials that support their theories or to overlook contradicting evidence. Confirmation bias can cause players to ignore their opponents' hands in situations like poker, concentrating instead on strengthening their own conviction that they have the best hand. When it comes to their investments, investors in finance sometimes choose to overlook warning signs and go for confirmation rather than critical evaluation.

Responses reflecting confirmation biases in table 1.3 & 1.4 :

Question 1 : "I search for data that validates my current investment approaches."

Response	Number of Respondents	Percentage (%)
Strongly Agree	15	25%
Agree	30	50%
Neutral	2	3%
Disagree	8	13%
Strongly Disagree	5	8%
TOTAL	60	100%

Table 1.3

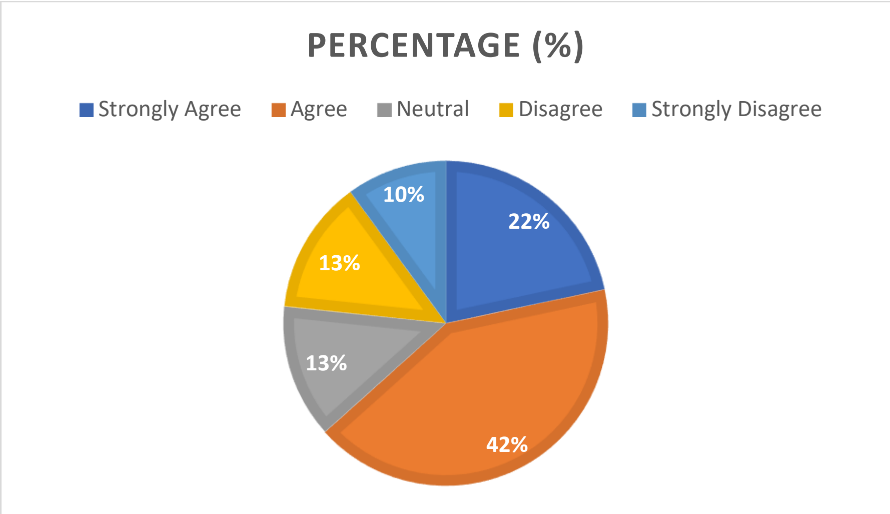


Graph 1.3

Question 2 : "I usually overlook data that contradicts my preconceived notions about money."

Response	Number of Respondents	Percentage (%)
Strongly Agree	13	22%
Agree	25	42%
Neutral	8	13%
Disagree	8	13%
Strongly Disagree	6	10%
TOTAL	60	100%

Table 1.4



Graph 1.4

Interpretation : Finding knowledge to support their current financial plans is something that 75% of respondents either strongly agree with or agree with. Twenty percent of respondents reject or strongly disagree with the assertion, suggesting that they are less likely to look for confirmation. 3% hold a neutral stance. 63% of respondents agreed, or strongly agreed, that people often overlook information that contradicts their preexisting financial notions.

23% disagree or strongly disagree, indicating a greater receptivity to contradicting information. 13% hold a neutral stance. Analyses of the data show that respondents had a considerable confirmation bias. Contradictory evidence is typically ignored by the majority in favour of confirming information, which may have an effect on their investment methods and judgements. This propensity may reinforce preexisting prejudices and obscure important opposing facts, which could result in worse than ideal financial outcomes.

Self-Attribution Bias -

The phenomenon referred to as self-attribution bias, or self-serving attribution bias, characterises the tendency of individuals to credit external reasons like unjust circumstances or talent for their failures, while attributing their accomplishments to internal variables like talent or effort. This prejudice can be subdivided into two subtypes: self-protecting bias, which involves people denying responsibility for mistakes, and self-enhancing bias, which involves people taking undue credit for their accomplishments. People try to defend their self-esteem by attributing failures to other forces, and cognitive and emotional factors contribute to this bias. People credit achievements to their aspirations to succeed. Self-attribution bias can provide unfavourable results in investing settings. This tendency causes novice traders to frequently overestimate their ability to make profitable investments and fail to accept responsibility for losses. This excessive self-assurance leads to aggressive trading tactics, which increase market volatility and lower predicted returns. Three theories are supported by statistical evidence: times of overconfidence are associated with larger trading volumes but worse profitability; younger and more successful traders show higher levels of overconfidence and trading activity; and early success raises traders' levels of overconfidence. On the other hand, traders who are more successful could be overconfident and have lower projected profits.

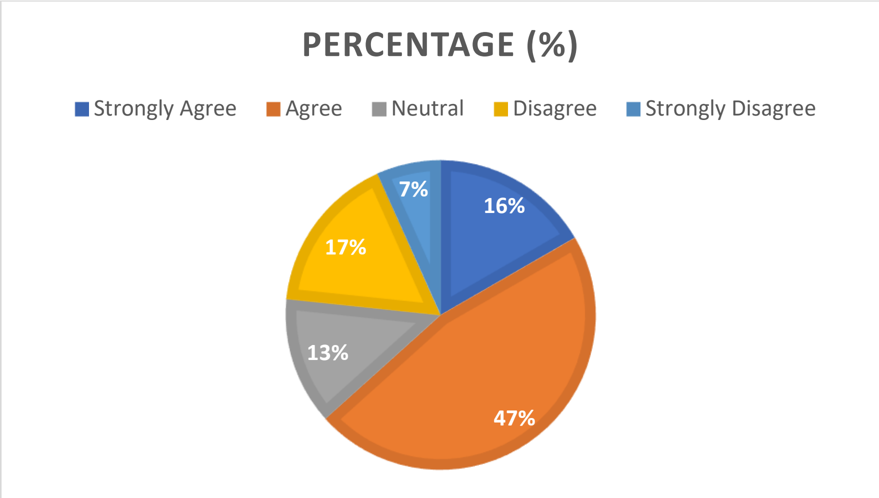
In the end, overconfident traders might not be the least successful, but wealth accumulation isn't a guarantee of overconfidence. Rather, a cycle of overconfidence can be sustained by achievement. This study emphasises how crucial it is to identify and counteract self-serving biases in decision-making, especially in the financial domain where overconfidence can result in excessive risk-taking and less-than-ideal results.

Responses reflecting self attribution biases in table 1.5 & 1.6 :

Question 1 : "My ability and choices are mostly to blame for my investments' successful outcomes."

Response	Number of Respondents	Percentage (%)
Strongly Agree	10	17%
Agree	28	47%
Neutral	8	13%
Disagree	10	17%
Strongly Disagree	4	7%
TOTAL	60	100%

Table 1.5

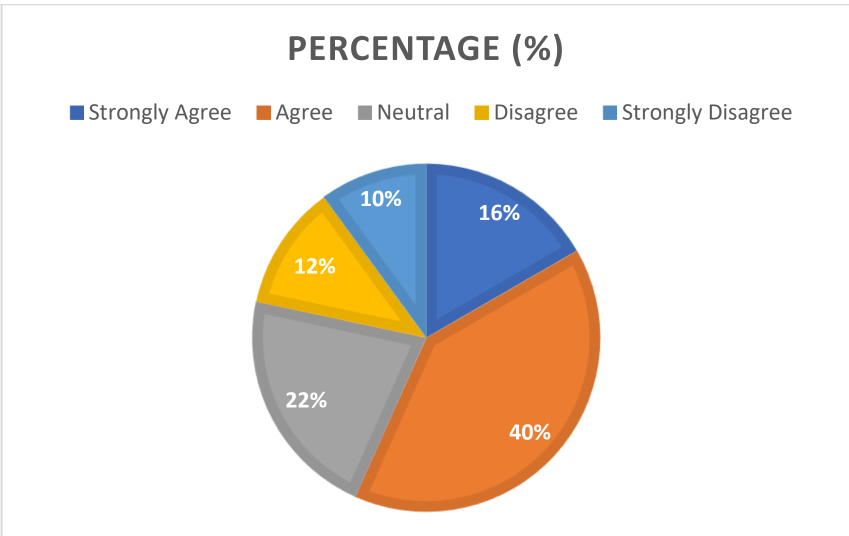


Graph 1.5

Question 2 : "It is usually due to outside circumstances beyond my control if my investments don't perform well."

Response	Number of Respondents	Percentage (%)
Strongly Agree	10	17%
Agree	24	40%
Neutral	13	22%
Disagree	7	12%
Strongly Disagree	6	10%
TOTAL	60	100%

Table 1.6



Graph 1.6

Interpretation : Fully Agree (17%): Ten participants think their investing success is a result of their own abilities and choices.

47% of respondents agree: Twenty eight people typically attribute successful investment outcomes to their ability and judgement.

Neutral (18%): Eight respondents said they had no opinion or were unsure of how their expertise would affect the performance of their investments. Disagree (17%): According to ten respondents, successful investments are not primarily attributable to their talent or decisions.

With vigour 7% disagree: four responders firmly feel that their achievement is not attributable to their abilities or choices. The overwhelming majority of respondents (64%) think that their ability and choices have a big influence on how successful their investments are.

Additionally, the majority (57%) think that outside circumstances outside their control are mostly to blame for subpar investment success.

A sizeable percentage of respondents disagree or are neutral about both claims, demonstrating a range of opinions regarding the relative importance of external versus personal skill elements on investment outcomes.

This evidence points to a typical cognitive bias in which people attribute their failures to outside forces while attributing their victories to themselves.

Recency Bias -

Recency bias is a cognitive tendency in which people prefer to place greater importance on observations or events that have happened recently than on those that occurred in the distant or recent past. It affects memory recall, which is most noticeable in free recall tests that psychologists use to examine memory. In these exercises, participants are asked to recall a list of things in any order after being given a list to memorise.

When the outcomes of these tasks are plotted on a serial position curve, a U-shaped pattern is usually seen. The primacy effect is represented by the left side of the curve, where items that are presented first in the list are more likely to be remembered. The reason for this impact is that the objects are easier to access since they are stored in semantic memory, which is similar to a computer's "hard drive". The recency effect, which shows that things presented near the end of the list are more recalled, is shown by the curve's right side. Similar to a computer's

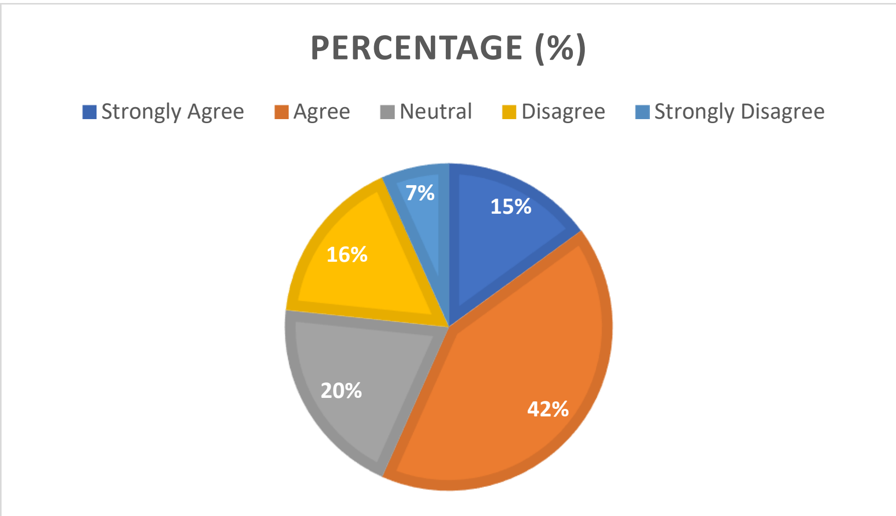
RAM, which briefly stores data and is more prone to recent knowledge, this effect arises from recalling objects straight from short-term memory.When memories are distorted by the recency effect, older events or observations are ignored in favour of more current information that has been remembered, a phenomenon known as recency bias. For example, if a person sees the same number of green and blue boats during a cruise but notices more green boats towards the conclusion, the recency bias may cause them to incorrectly remember seeing more green boats overall. Decision-making and memory processes become clearer when recency bias is understood. Understanding its impact makes it possible to interpret memory tests more accurately and reduces its effects in a variety of settings, including research, teaching, and daily decision-making. People can try to make better decisions by being conscious of this bias and basing them on a fair assessment of both recent and historical data.

Responses reflecting recency biases in table 1.7 & 1.8 :

Question 1 : "My decision-making is greatly influenced by recent trends in investments."

Response	Number of Respondents	Percentage (%)
Strongly Agree	9	15%
Agree	25	42%
Neutral	12	20%
Disagree	10	17%
Strongly Disagree	4	7%
TOTAL	60	100%

Table 1.7

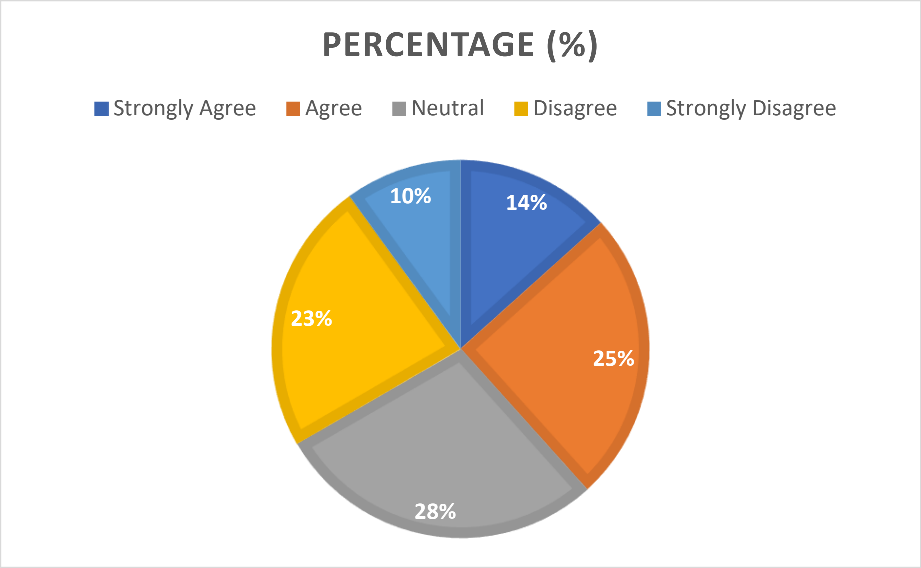


Graph 1.7

Question 2 : I value current market data more than historical data."

Response	Number of Respondents	Percentage (%)
Strongly Agree	8	13%
Agree	15	25%
Neutral	17	28%
Disagree	14	23%
Strongly Disagree	6	10%
TOTAL	60	100%

Table 1.8



Graph 1.8

Interpretation :

Strongly believe: Thirteen percent of respondents, or eight people, strongly believe that current investment patterns have an impact on their decision-making.

Agree: Of the respondents, 15 (or 25%) said they are influenced by current financial patterns when making decisions.

Neutral: Regarding the impact of current investing trends on decision-making, 17 respondents (28%) are not sure.

Disagree: Of the respondents, 14 (23%) don't think that current investment patterns have an impact on their choices.

6 respondents (10%) strongly disagree that current financial patterns have an impact on their choices.

Thirty-eight percent of respondents (23 out of 60) strongly agree (13%) and twenty-five percent agree (25%) that current investing trends have a significant impact on their decision-making. Neutral (17 out of 60): About a third of respondents (17) had no opinion about how current changes affect investing choices.

Disagree (23%) and Disagree Strongly (10%): Twenty out of sixty respondents, or 33% of the total, disagree that current investment patterns have a significant impact on their decision-making.

Loss Aversion Bias –

In the world of investing, loss aversion—also known as "get-even-itis"—refers to the propensity for people to hang onto lost investments for an extended period of time in the hopes of a recovery that will allow them to break even. This conduct is a result of investors' fear of suffering losses, which makes them put avoiding risk ahead of making money. As a result, their prospective profits may be limited if they sell winning stocks too soon in order to secure gains. In order to avoid get-even-itis, practitioners suggest putting stop-loss rules in place that cause sales to occur when investments have predefined losses. This will stop additional losses. Similar to this, while taking fundamental and value variables into account, rules for selling appreciating stocks can assist investors in realising additional upside potential.

Reluctance to accept losses is another reason why investors with loss aversion tend to hang onto declining investments, even in failing businesses. Clients can safeguard their portfolios by making educated decisions by learning about the risk profile of investments, which includes standard deviation and credit ratings. Furthermore, because of the emotional tie to specific assets, loss aversion frequently leads to unbalanced portfolios. While techniques such as raising doubts about the wisdom of maintaining a concentrated stock position can allow for modifications, educating investors about the advantages of diversification and asset allocation is necessary.

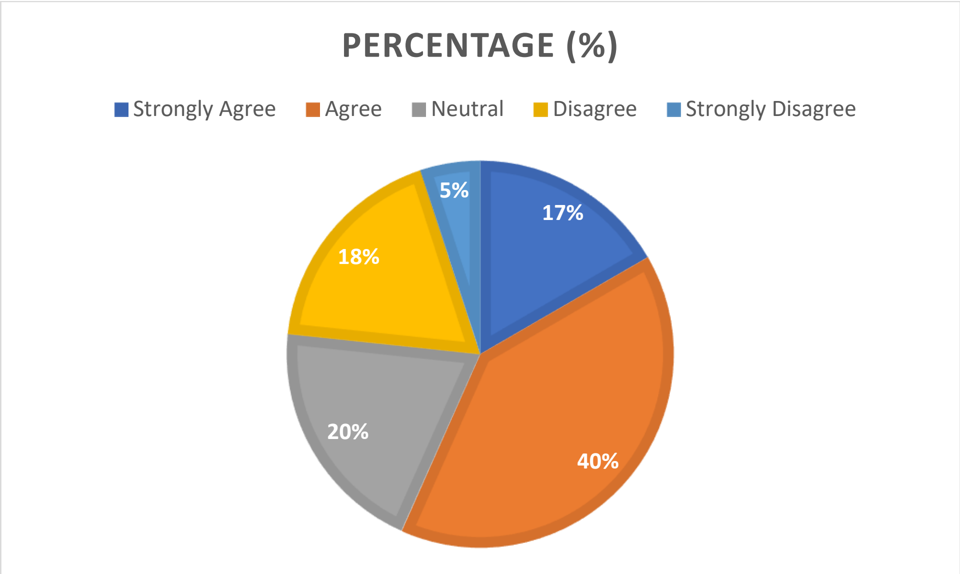
Though loss aversion can generally affect investment decisions, investors can improve portfolio performance by being aware of its effects and taking proactive measures to avoid them.

Responses reflecting loss aversion in table 1.9 & 1.10 :

Question 1 : "The chance of losing money affects me more than the chance of making comparable gains."

Response	Number of Respondents	Percentage (%)
Strongly Agree	10	17%
Agree	24	40%
Neutral	12	20%
Disagree	11	18%
Strongly Disagree	3	5%
TOTAL	60	100%

Table 1.9

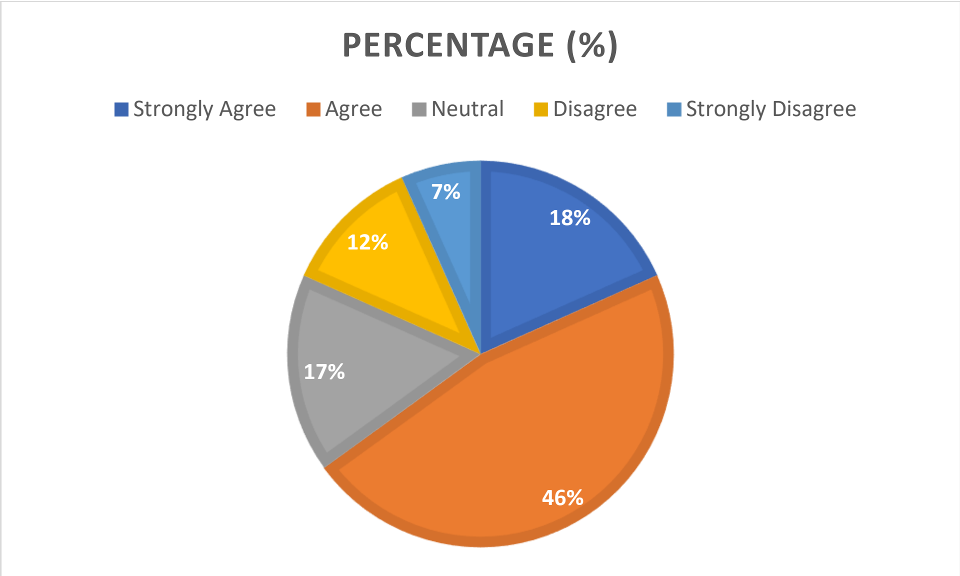


Graph 1.9

Question 2 - "Even if there is a high potential return, I usually steer clear of investments that carry a risk of loss."

Response	Number of Respondents	Percentage (%)
Strongly Agree	11	18%
Agree	28	47%
Neutral	10	17%
Disagree	7	12%
Strongly Disagree	4	7%
TOTAL	60	100%

Table 1.10



Graph 1.10

Interpretation : A total of 57% of respondents (34 out of 60) think that current investment trends have a significant influence on their decision-making. Strongly think (17%) and Agree (40%) share this sentiment.

Neutral (20%): Of the 60 respondents, 12 are unsure about the impact of current trends on investing choices.

disagree (18%) and disagree strongly (5%): Out of 60 respondents, or 23% of the total, deny that current investment patterns have a significant impact on their decision-making.

According to the research, while making investment decisions, the majority of respondents (57%) appear to give recent developments in the market some consideration. Those who agree with recent trends are far more likely than those who disagree to be affected by them (57% vs. 23%). But a sizable percentage of the populace (20%) remains neutral on the issue.

The majority of respondents, or 59 people (18% + 47%), concur that current financial patterns have some bearing on their choices. However, just 11 respondents (12% + 7%) deny that current financial patterns have an impact on their choices. According to the data, a vast majority of respondents—more than 90%—suggest that while making financial decisions, they take current trends into account.

Overconfidence Bias –

An unjustified faith in one's own judgement and cognitive ability is the symptom of overconfidence, which can result in emotionally charged actions such as taking undue risks. Overconfidence in predictions and certainty are the two major ways that investors frequently display it. Underestimating downside risks, overestimating one's own judgement accuracy in comparison to others, and having narrow confidence intervals are all symptoms of overconfidence in predictions. Extreme trading, steadfast judgement, and under diversified portfolios are the outcomes of certainty overconfidence.

Despite data to the contrary, investors frequently think they can recognise profitable opportunities and beat the stock market. When compared to investors who are less active, excessive trading motivated by overconfidence results in bad returns. Exuberant investors frequently underestimate negative risks since they don't fully account for possible losses. Under diversification in a portfolio can results from an incorrect belief about the performance of particular securities. Educating clients about market volatility, suggesting diversification techniques, and pushing them to examine trading histories to highlight underwhelming performance are among ways advisors can combat overconfidence. Advisors can further encourage clients to reevaluate their investment decisions by asking them to contemplate if they would purchase their present holdings if they were not already in possession of them.

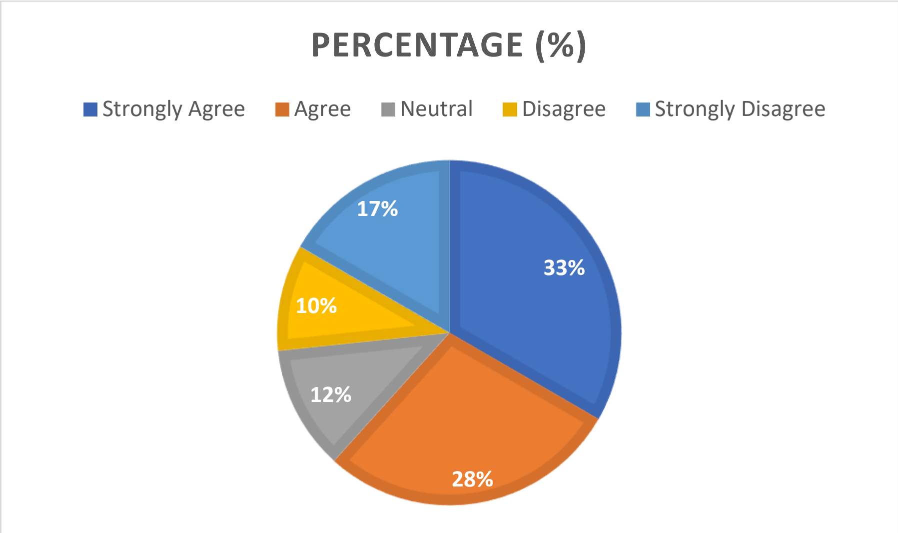
Investors' decisions and actions are biassed by overconfidence, which results in less than ideal performance and decisions. Advisors are essential in preventing overconfidence because they offer proof, encourage prudence, and suggest good risk management and portfolio diversification techniques.

Responses reflecting overconfidence bias in table 1.11 & 1.12 :

Question 1 : “Unlike the opinions of my friends or advisor, I am confident in my own investment judgment.”

Response	Number of Respondents	Percentage (%)
Strongly Agree	20	33%
Agree	17	28%
Neutral	7	12%
Disagree	6	10%
Strongly Disagree	10	17%
TOTAL	60	100%

Table 1.11

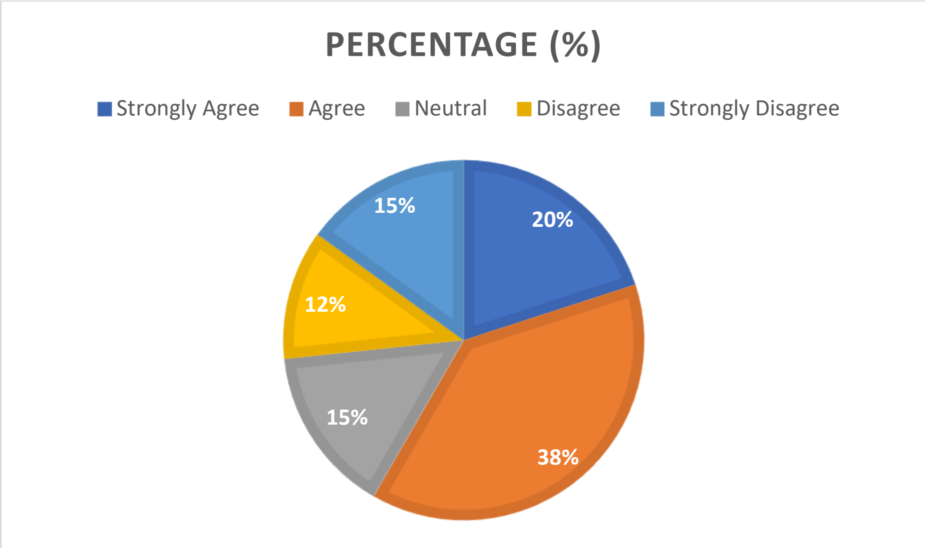


Graph 1.11

Question 2 : "I trust my own investment judgment more than that of my friends or advisor . When an investment's performance exceeds that of the market, I can make that choice."

Response	Number of Respondents	Percentage (%)
Strongly Agree	12	20%
Agree	23	38%
Neutral	9	15%
Disagree	7	12%
Strongly Disagree	9	15%
TOTAL	60	100%

Table 1.12



Graph 1.12

Interpretation : With vigour Agree (33%): Twenty respondents (33%) strongly agree that current investment patterns have a significant impact on their decision-making.

Concur (28%): Of the respondents, 17 (28%) concur that current investment patterns have an impact on their choices.

Neutral (12%): Regarding the impact of current trends on investing decisions, 7 respondents (12%) are unsure.

10% Disagree: Six respondents (10%) don't think that current investment patterns have a significant impact on their decision-making.

firmly Ten respondents (17%) firmly disagree that current investment trends have an impact on their decision-making.

Based on the statistics, it appears that respondents have differing opinions about how much importance to place on current investment trends when making investing decisions. Though a sizable section of the public (12%) is indifferent on the matter, there is a tendency towards those who are more influenced by recent developments (61% agree vs. 27% disagree). According to the data, respondents' opinions on how much weight to assign current investing trends when making decisions appear to be fairly evenly divided. There is a small preference for people who are more impacted by current developments (58% agree vs. 27% disagree), however 15% of people are unsure about the topic.

Self-Control Bias –

Human nature's propensity to favour short-term over long-term objectives is known as self-control bias. This tendency frequently shows itself in financial decisions such as retirement or tax savings. Although the principle of rational economics advises saving money gradually over time, many people choose to increase their tax withholdings instead of conserving money since it is easier and they resist the want to spend the money they have saved. The whole point of investing is to save for retirement, and this is in line with the life-cycle hypothesis, which is a theory that explains how people divide their income throughout their lives between saving and spending.

According to the life-cycle hypothesis, individuals seek to balance their need to maintain a steady standard of living into retirement with their desire for present-day consumption, resulting in a smooth consumption path. The concept of mental accounting is introduced by behavioural extensions of this theory, such as Shefrin and Thaler's behavioural life-cycle hypothesis. In this theory, people treat various sources of income as distinct entities, which influences their spending decisions.

Budgetary control, lack of planning, portfolio allocation, and discipline are all impacted by self-control bias. It is imperative for advisors to encourage their customers to prioritise retirement savings by prioritising self-care and making regular contributions. A healthy mix of risk-taking, investing, and saving is essential for people who are getting close to retirement age but do not have enough money saved. A documented financial plan that is periodically reviewed is essential since poor planning can result in insufficient retirement preparation and a reluctance to participate in stocks. A person's preference for riskier or income-producing assets can potentially distort asset allocation, compromising long-term financial objectives. This phenomenon is known as self-control bias. A balanced portfolio that is in line with the goals of the client is something that advisors need to emphasise.

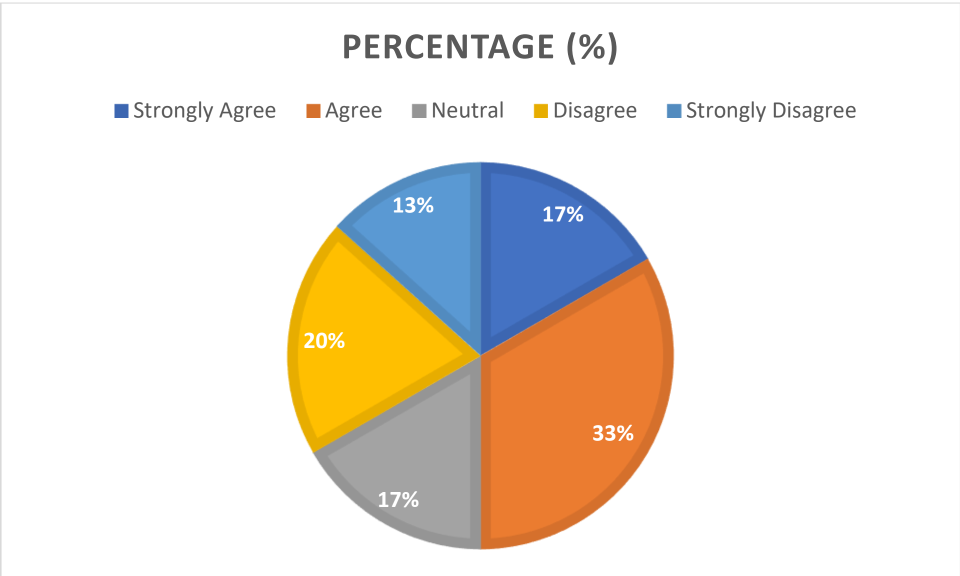
Investing fundamentals like as dollar-cost averaging and compound interest may be overlooked by investors due to self-control bias. It is important for counsellors to inform their clients on the advantages of disciplined investing, emphasising the substantial influence that even little variations in returns can have over an investor's longevity. Self-discipline in investing can have similar benefits to physical fitness in that it can demand work now but pay off handsomely later on. Advisors, then, are vital in helping clients make wise financial decisions and lessen the negative effects of self-control bias on their long-term financial security.

Responses reflecting self control bias in table 1.13 & 1.14 :

Question 1 : "It's hard for me to stay committed to my long-term investing plans, especially when the market is volatile."

Response	Number of Respondents	Percentage (%)
Strongly Agree	10	17%
Agree	20	33%
Neutral	10	17%
Disagree	12	20%
Strongly Disagree	8	13%
TOTAL	60	100%

Table 1.13

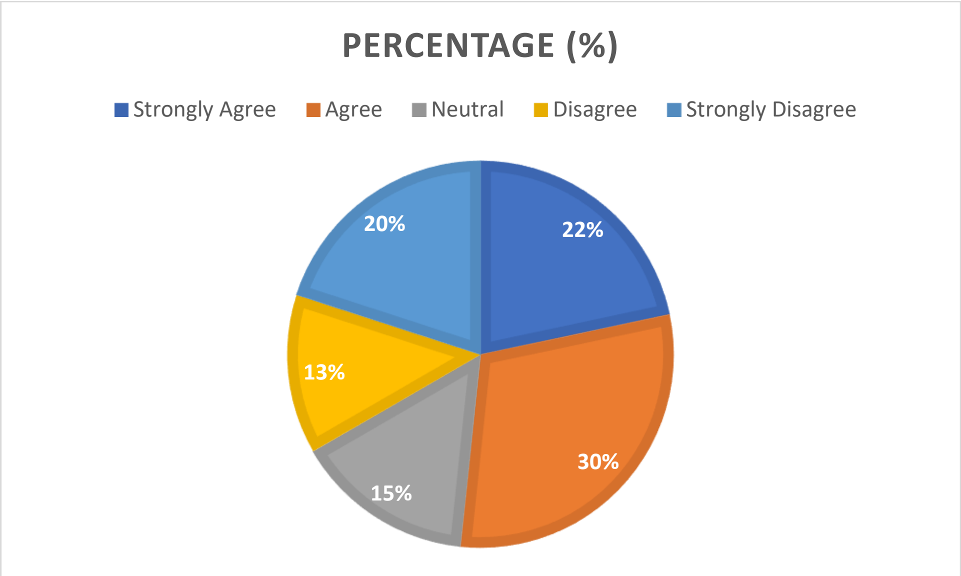


Graph 1.13

Question 2 : "I frequently follow my planned strategy instead of making impulsive investment decisions."

Response	Number of Respondents	Percentage (%)
Strongly Agree	13	22%
Agree	18	30%
Neutral	9	15%
Disagree	8	13%
Strongly Disagree	12	20%
TOTAL	60	100%

Table 1.14



Graph 1.14

Interpretation : Based on the statistics, it appears that respondents have differing opinions about how much importance to place on current investment trends when making investing decisions. Although there is a small preference for those who are more influenced by recent trends (50% agree vs. 33% disagree), a sizeable section of the population (17%) has no opinion. The information indicates that respondents' opinions on how much weight to devote to current financial trends when making decisions are divided fairly evenly. A sizeable section of the population (15%) is neutral on the matter, with a minor bias towards those who are unaffected by current developments (42% disagree vs. 52% agree).

Conservatism Bias –

"To invest successfully over a lifetime does not require a stratospheric IQ, unusual business insight, or inside information. What's needed is a sound intellectual framework for decisions and the ability to keep emotions from corroding that framework. "

Adhering to preexisting views or projections in the face of opposing information is known as conservatism bias. Due to the inflexibility of decision-making and possible financial losses, this bias may cause an underreaction or a sluggish response to new information.

Investors may exhibit conservatism bias and underreact when presented with negative news that deviates from previous estimates. This prevents them from acting on fresh knowledge and instead reinforces their earlier thoughts. This can result in squandered chances or an inability to reduce hazards related to the acquired knowledge.

Even when investors with a tendency towards conservatism do respond, it's usually too slowly. For example, when a company releases negative earnings, cautious investors might hold off on selling because they still think the company will perform well in the long run, even though data suggests otherwise. Greater financial losses than necessary may arise from this delayed response. The inability to digest new information, particularly when it is unclear or complex, is the primary cause of conservatism bias. Even if the evidence no longer supports their previous ideas, people could find it simpler to hold onto them rather than considering the new information. Investors discount or disregard troubling information—like intricate accounting changes—in order to preserve their positive perception of a company's prospects.

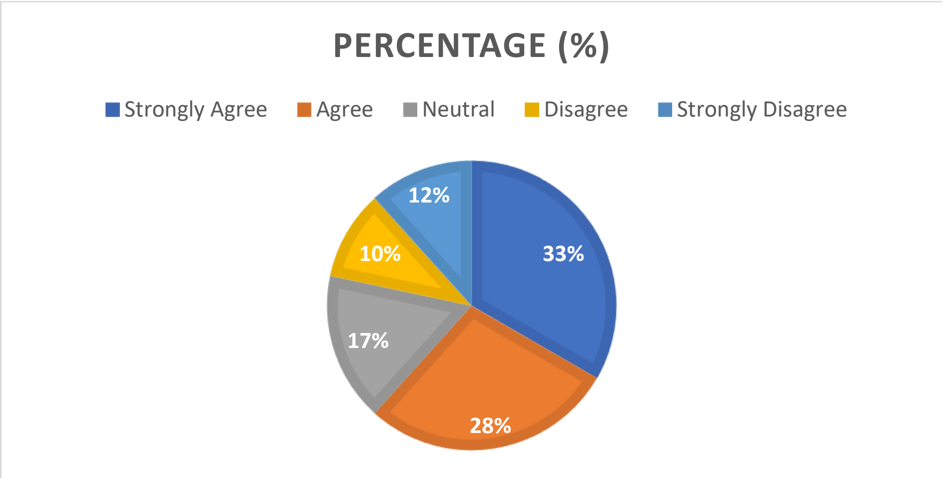
The conservative bias can make it difficult for people to make wise decisions by encouraging them to hold onto antiquated assumptions or projections. This bias has the ability to affect investment outcomes and even cause financial losses by causing underreaction, slow response, and reluctance to interact with new information.

Responses reflecting conservatism bias in table 1.15 & 1.16 :

Question 1: "I would rather hold onto my current investments than make changes in response to new information."

Response	Number of Respondents	Percentage (%)
Strongly Agree	20	33%
Agree	17	28%
Neutral	10	17%
Disagree	6	10%
Strongly Disagree	7	12%
TOTAL	60	100%

Table 1.15

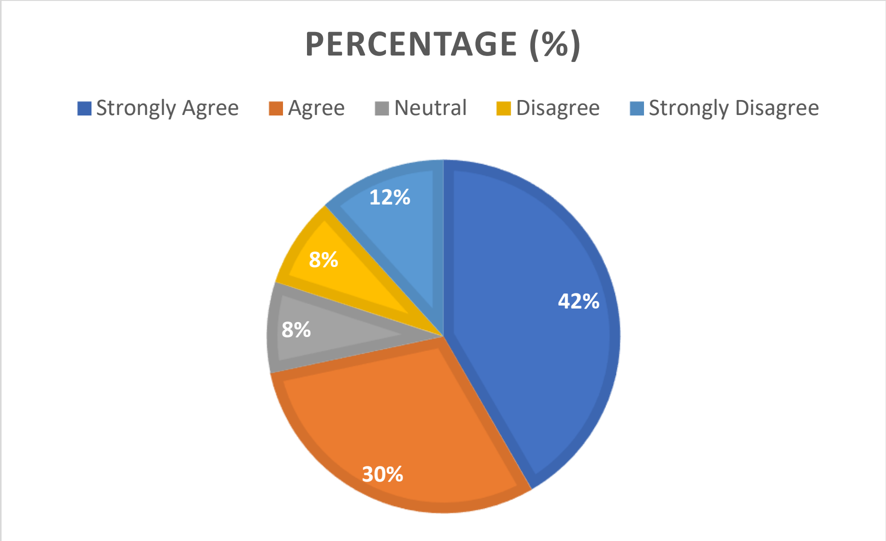


Graph 1.15

Question 2 : "I am hesitant to change my beliefs about investments, even in the face of new information."

Response	Number of Respondents	Percentage (%)
Strongly Agree	25	42%
Agree	18	30%
Neutral	5	8%
Disagree	5	8%
Strongly Disagree	7	12%
TOTAL	60	100%

Table 1.16



Graph 1.16

Interpretation : Regarding the weight respondents assign to current investment trends when making investment decisions, the data points to a divergence of opinions. Sixty-one percent of respondents agree with current trends, compared to twenty-seven percent who disagree. However, a sizeable minority of respondents (12%) have no opinion.

When it comes to investing decisions, the statistics clearly favours those who are swayed by current trends in the industry. A sizable majority of respondents (60 percent - strongly agree + agree) somewhat rely on current trends. A lesser percentage of people (32% - disagree + strongly disagree) don't give recent trends much thought when making decisions. Nonetheless, a tiny but notable minority (8%) has no opinion.

Mental Accounting Bias –

There are several ways that mental accounting bias appears, and it can affect portfolio performance and influence investing decisions. First of all, people divide up their investments into distinct "buckets" according to aims and fail to take correlations between accounts into consideration. Inadequate diversification and overall portfolio performance may result from this. Second, erroneously favouring income streams over capital appreciation, investors frequently fail to consider the erosion of principal. While it may seem enticing to seek out high-income investments such as bond funds or high-dividend stocks, doing so may not be beneficial for accumulating wealth over the long run, particularly if capital is lost due to interest rate swings.

Third, investors have a tendency to devote a disproportionate amount to business stock when employer stock is offered as a retirement plan option. This can result in under diversification and elevated portfolio risk. This lopsided allocation shows that the entire risk of the portfolio is not understood. Fourthly, the "house money" effect—which occurs when investors perceive earnings as distinct from the rest of their wealth and take bigger risks as their wealth increases—is analogous to anchoring bias and can be caused by mental accounting. This conduct puts portfolios at risk and encourages irrational risk-taking. Lastly, mental accounting bias may make investors reluctant to sell holdings that have historically produced substantial gains but have since lost value. The unwillingness to acknowledge losses may result in overlooked chances and the keeping of depreciating assets, which eventually lowers portfolio returns.

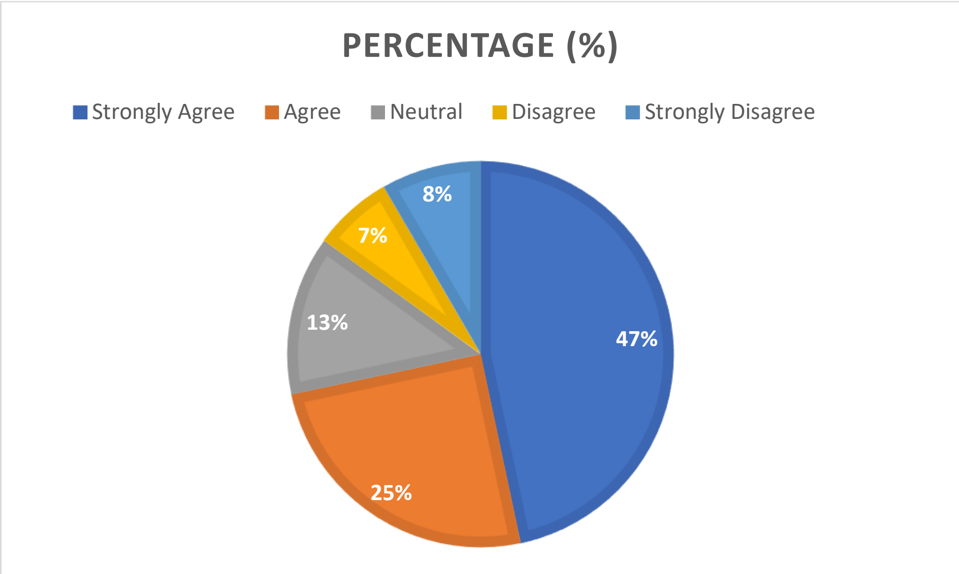
By compartmentalising investments, prioritising income over capital appreciation, assigning a disproportionate amount to employer shares, giving in to the "house money" effect, and being reluctant to sell deteriorating assets, mental accounting bias essentially causes investors to make less-than-ideal decisions. A comprehensive grasp of portfolio risk and a methodical approach to making investing decisions are necessary to overcome these biases.

Responses reflecting Mental accounting bias in table 1.17 & 1.18 :

Question 1 : “Financial advisors' advice is what I would completely rely on.”

Response	Number of Respondents	Percentage (%)
Strongly Agree	28	47%
Agree	15	25%
Neutral	8	13%
Disagree	4	7%
Strongly Disagree	5	8%
TOTAL	60	100%

Table 1.17

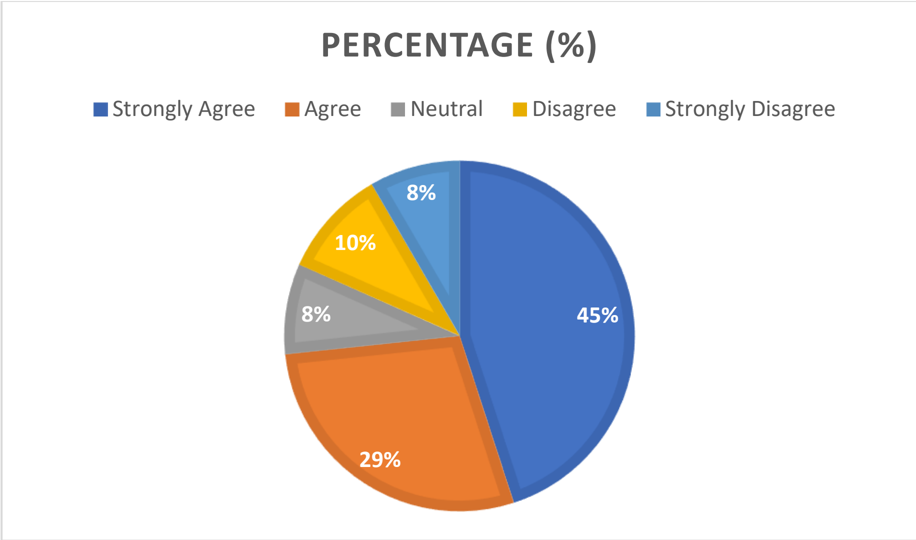


Graph 1.17

Question 2 : "I usually allocate my investments among distinct accounts instead of taking the entire portfolio into account."

Response	Number of Respondents	Percentage (%)
Strongly Agree	27	45%
Agree	17	28%
Neutral	5	8%
Disagree	6	10%
Strongly Disagree	5	8%
TOTAL	60	100%

Table 1.18



Graph 1.18

Interpretation : According to the research, there appears to be a significant inclination towards individuals who base their investing decisions on current market patterns. A sizable majority of respondents (72% - strongly agree + agree) somewhat rely on current trends. A lesser percentage of people (15% - disagree + strongly disagree) don't give current trends much thought while making decisions. A small minority (13%) is agnostic on the matter, nevertheless.

The data indicates a significant bias in favour of individuals who base their investment decisions on current market movements. The vast majority of responders (73 % - strongly agree + agree) somewhat rely on current trends. The percentage of those who don't give current trends much thought when making decisions is lower (20% - disagree + strongly disagree). On the other hand, 8% of respondents have no opinion.

Illusion of Control Bias –

People who suffer from the illusion of control bias mistakenly think they have more control over events than they actually do. This prejudice appears in a number of contexts, most notably in investment and gaming. Gamers may think they have control over arbitrary results in gambling, such the flip of a coin or the roll of the dice. Likewise, investors could overestimate their control over the performance of their investments, which could result in unwise financial choices.

Diverse effects of the illusion of control bias on investors have been documented by researchers. First of all, it may result in overtrading due to an illusion of market prediction abilities. Owing to poor timing and transaction expenses, this frequent trading frequently produces lower profits. Investing in a small number of assets that they believe they can control can lead to investors maintaining under diversified portfolios. But their increased risk comes from their lack of diversity.

Investors can also exercise control over their investments by using strategies such as limit orders. On the other hand, because of capricious price fluctuations, these systems may result in lost chances or needless purchases. Generally, those who mistakenly assume that their success in other areas translates to the world of investments are overconfident due to the illusion of control bias.

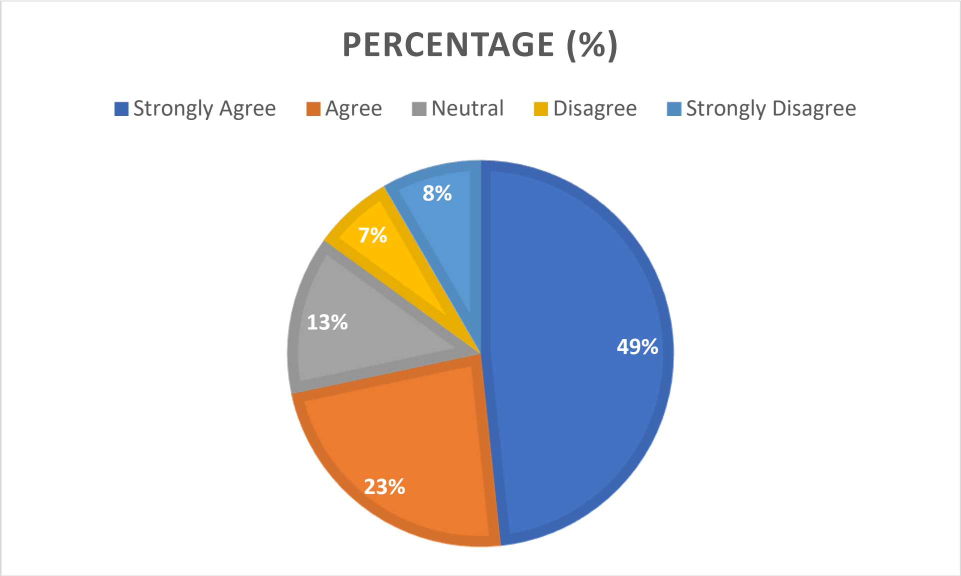
Investors might employ various tactics in order to lessen the negative consequences of this bias. In order to properly understand the significance of risk management and diversification, they must first acknowledge that investing is a probabilistic and uncertain endeavour. Moreover, investors ought to steer clear of situations that give rise to delusions of dominance, such assigning causality to coincidental market connections. Whenever making investment decisions, it can be beneficial to look for opposing views and take downside risks into account. In conclusion, maintaining thorough documentation of investment choices can act as a reality check and guard against the skewing of perceived influence over results.

Responses reflecting illusion of control bias in table 1.19 :

Question 1: In spite of their subtle bias, news outlets frequently present information in an unbiased manner."

Response	Number of Respondents	Percentage (%)
Strongly Agree	29	48%
Agree	14	23%
Neutral	8	13%
Disagree	4	7%
Strongly Disagree	5	8%
TOTAL	60	100%

Table 1.19



Graph 1.19

Interpretation : With vigour Agree (23%): Fourteen respondents (23%) strongly agree that current investment trends have a significant impact on their decision-making.

Agree (35%): Of the respondents, 21 (35%) concur that current investment trends have an impact on their choices.

Thirteen respondents, or twenty-two percent, had no opinion regarding the impact of current trends on investing choices.

8 respondents, or 13%, disagree that current investment patterns have a significant impact on their decision-making.

With vigour 7 percent of respondents disagree strongly that current investment patterns have an impact on their decision-making.

The information indicates that respondents' assessments of the importance of current investing patterns in their decision-making appear to be rather evenly divided. Though a sizable section of the public (22%) is indifferent on the matter, there is a tendency towards those who are influenced by recent developments (58% agree vs. 20% disagree).
It is noteworthy that the data does not provide an explanation for the reasons behind people's responses. A technical analysis trading approach may be followed by some individuals who place a great value on current trends, while others may be risk-averse and seeking for quick gains. Those who stated that current trends don't really affect their choices, on the other hand, might be more buy-and-hold investors or long-term fundamentalists.

Availability Bias –

People who overestimate the likelihood of occurrences or outcomes depending on how quickly they can recall similar cases are influenced by a cognitive shortcut known as the availability bias, which affects decision-making. Individuals may be influenced by this bias to generate opinions based more on what first comes to mind than on comprehensive or impartial facts. A well-known instance of this bias is the propensity for people to think that deaths from falling aeroplane parts are more prevalent than shark attacks, even though the latter is statistically more likely. Shark attacks are feared more than other attacks, and this disparity is sometimes ascribed to the attention they receive from the media.
There exist four distinct forms of availability bias, each having distinct consequences for decision-making, particularly in the context of investments:

Retrievability: This category emphasises the tendency for information that is readily available to be viewed as more reliable. In one study by Kahneman, Slovic, and Tversky, for example, participants were asked to recall the gender distribution of a list of names; the results showed that male names had a disproportionate amount of celebrity allusions. Participants were misled into thinking that there were more male names on the list as a result. Similarly, without doing extensive research or due diligence on investment possibilities, investors may depend on easily accessible information from advertisements or recommendations. categorization: Individuals frequently group information according to preexisting mental models, which can skew judgement. For instance, investors can ignore certain investment categories that might present profitable chances in favour of more well-known ones. This may cause one to ignore potentially lucrative investments in less well-known areas or sectors of the economy.

Narrow Experience: People may get skewed opinions on likelihoods if they have little exposure to or experience in particular topics. For example, because they are surrounded by equally accomplished peers, successful college basketball players who want to play in the NBA may overestimate the prevalence of success in their sector. Similarly, investors may overlook opportunities outside of their limited frame of reference by favouring investments within their industry or geographic location excessively.

Resonance: Preferences and biases of the individual may affect assessments based on how closely an outcome resembles their own traits or experiences. As an illustration, investors might favour investments that fit with their idiosyncrasies or character attributes, possibly passing up chances that don't suit. On the other hand, if some qualities are foreign to them, they can discount potentially lucrative investments.

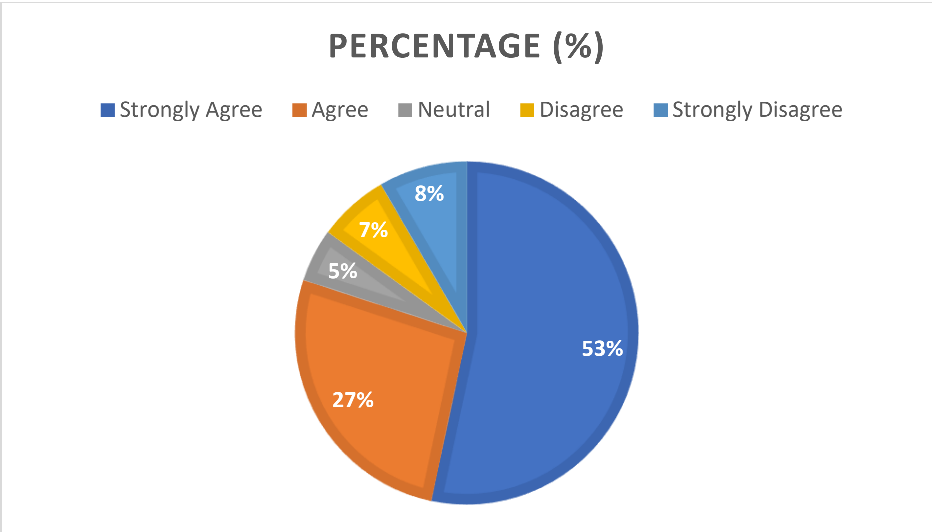
Decision-making in a variety of fields, including investing, is impacted by the availability bias. Investors can lessen the impact of this bias by investigating a wide range of investment options, expanding their experiences, and critically evaluating decisions based on objective criteria rather than depending only on readily available information or personal biases. This can be achieved by understanding the various categories of this bias.

Responses reflecting availability bias in table 1.20 &1.21 :

Question 1 : If my friends or family had invested in something and made more money, that would be my choice.

Response	Number of Respondents	Percentage (%)
Strongly Agree	32	53%
Agree	16	27%
Neutral	3	5%
Disagree	4	7%
Strongly Disagree	5	8%
TOTAL	60	100%

Table 1.20

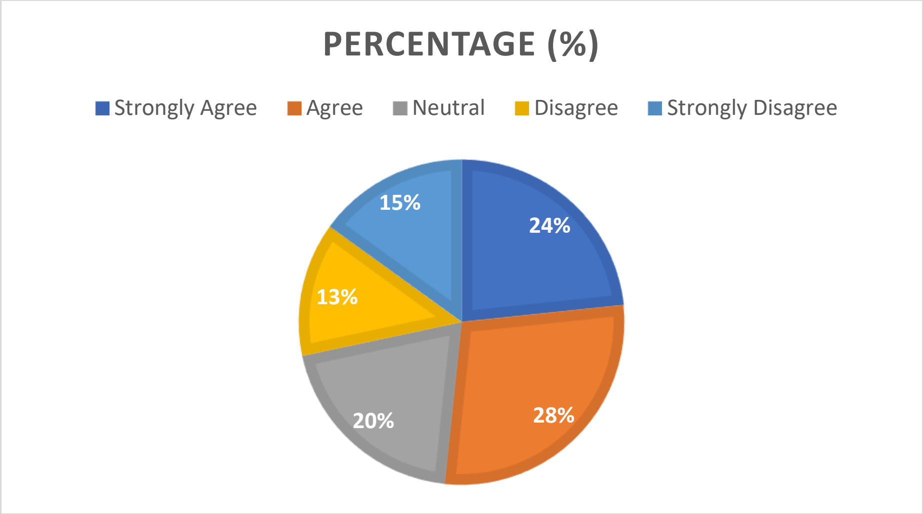


Graph 1.20

Question 2 : "More than historical trends, current market events shape my view of potential future investments."

Response	Number of Respondents	Percentage (%)
Strongly Agree	14	23%
Agree	17	28%
Neutral	12	20%
Disagree	8	13%
Strongly Disagree	9	15%
TOTAL	60	100%

Table 1.21



Graph 1.21

Interpretation : Based on the statistics, it appears that respondents have differing opinions about how much importance to place on current investment trends when making investing decisions. While there is a small preference for those who are not influenced by recent trends (41% disagree + strongly disagree) over those who are (42% agree + strongly agree), a sizable section of the population (27%) has no opinion.

It is noteworthy that the data does not provide an explanation for the reasons behind people's responses. A technical analysis trading approach may be followed by some individuals who place a great value on current trends, while others may be risk-averse and seeking for quick gains. Those who stated that current trends don't really affect their choices, on the other hand, might be more buy-and-hold investors or long-term fundamentalists. According to the data, respondents' opinions about how much weight to give current investment patterns when making decisions appear to be fairly evenly divided. The percentage of people who are neutral on the matter is slightly higher than the percentage who are influenced by previous patterns (43% agree + strongly agree) and 30% disagree + strongly disagree).

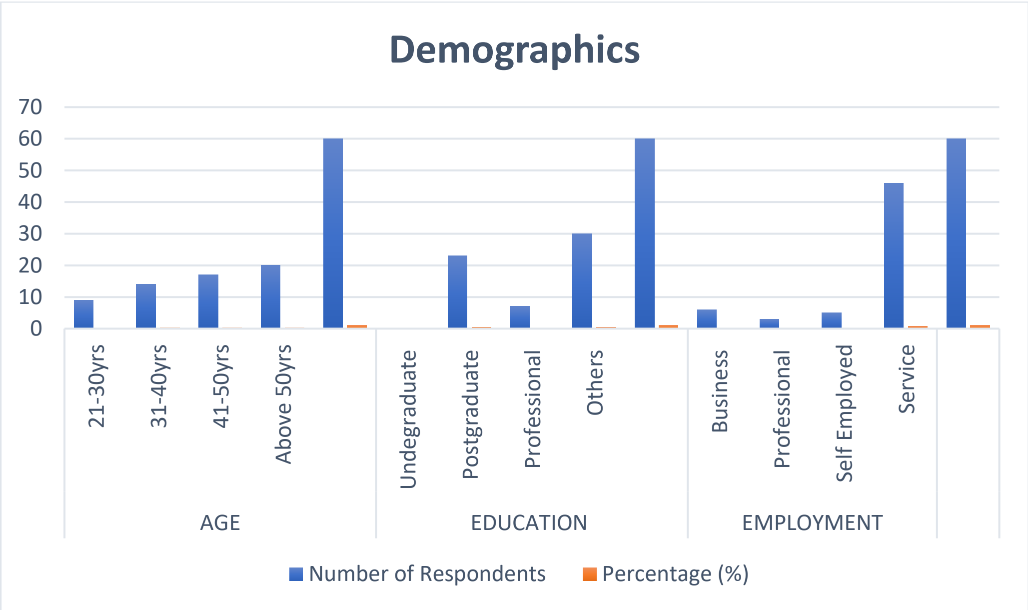
It is noteworthy that the data does not provide an explanation for the reasons behind people's responses. A technical analysis trading approach may be followed by some individuals who place a great value on current trends, while others may be risk-averse and seeking for quick gains. Those who stated that

current trends don't really affect their decisions, on the other hand, can be more buy-and-hold investors or long-term fundamentalists.

The responders' demographic details

	Categories	Number of Respondents	Percentage (%)
AGE	21-30yrs	9	15%
	31-40yrs	14	23%
	41-50yrs	17	28%
	Above 50yrs	20	33%
		60	**100%**
EDUCATION	Undergraduate	0	0%
	Postgraduate	23	38%
	Professional	7	12%
	Others	30	50%
		60	**100%**
EMPLOYMENT	Business	6	10%
	Professional	3	5%
	Self Employed	5	8%
	Service	46	77%
		60	**100%**

Table 1.22



Graph 1.22

CHAPTER 5

FINDINGS

- There is a considerable degree of cognitive dissonance when one's investments go against one's past financial beliefs, as seen by the large percentage of respondents (60%) who either agreed or strongly agreed with the statement. This implies that in these kinds of circumstances, a lot of investors feel uneasy and conflicted emotionally.
- The high level of agreement ('Agree' and 'Strongly Agree') demonstrates their personal dedication to and emotional investment in their financial ideals. In the face of contradictory investment outcomes, this emotional attachment can cause serious cognitive dissonance
- Only 21.7% of respondents (combining 'Strongly Disagree' and 'Disagree') did not feel uneasy, indicating a minority of investors either have a higher tolerance for conflicting information or are less emotionally attached to their financial beliefs.
- Most respondents (50%) concurred that they look for information to support their present investment strategies. This shows that rather than looking for evidence to question their preconceived notions, investors can be more inclined to look for information that supports them. When making investing decisions, it's critical to be mindful of this confirmation bias and take the whole body of information into account.
- Significantly more respondents (64%) than disagree (Strongly Agree + Agree) said that their own skills and decisions were largely responsible for their investment success. This implies a high level of self-enhancing bias, in which people take credit for successful outcomes.
- About a quarter of the respondents (24%) accept that their investment performance might not be entirely attributable to their skills and decisions (Disagree + Strongly Disagree). This suggests a lower degree of self-attribution bias or an awareness of outside influences.
- The results show that most investors can overestimate their contribution to the success of their portfolios. This inclination towards self-improvement may result in overconfidence, which is frequently linked to greater trading activity and maybe decreased profitability as a result of taking unnecessary risks. In order to improve overall financial outcomes,

it is imperative to identify and mitigate this bias in order to make more educated and balanced investing decisions.

- The available survey data shows that a sizable percentage of participants (40% and 47%) concur with the following statements: "Even if there is a high potential return, I usually steer clear of investments that carry a risk of loss" and "The chance of losing money affects me more than the chance of making comparable gains." This shows that among the respondents to the survey, loss aversion is a prevalent behavioural bias.
- More recent experiences take precedence over older ones when recency bias affects memory, which affects judgement and how memories are interpreted. Comprehending this partiality is essential for precise evaluations of memory and well-informed choices.
- Recency bias is a problem that is generally acknowledged, as seen by the majority of respondents (57%) who either agreed or strongly agreed with the statement. Twenty percent remained indifferent, indicating ambivalence or confusion. A small percentage (24%) disagreed or objected strongly, suggesting some doubt about the idea or its applicability.
- Recency bias is acknowledged differently by respondents in the surveys, although many of them agree that it affects memory and judgement. Different levels of understanding or acceptance, however, appear to be indicated by the rise in neutral and disagreeing replies in the second poll. More accurate memory recall and well-rounded decision-making can be facilitated by knowledge of and instruction of recency bias.
- According to the data, 50% of respondents find it difficult to stick with long-term investing intentions when the market is volatile (Table 1.13). On the other hand, just 52% of respondents say they consistently stick to their investment plan (Table 1.14), suggesting that they are prone to making snap judgements. The life-cycle theory, which contends that individuals should save consistently for retirement throughout their working lifetimes, is in conflict with self-control bias, as the text explains. Rather, a lot of people opt for simpler solutions like tax withholding, which undermines long-term financial stability.
- The danger of not saving enough for retirement because of self-control bias is emphasised in the text. Spending in the near term may take precedence over future savings for certain people .Self-control bias can

put long-term objectives and a well-balanced portfolio at risk by making investors prioritise instant income or avoid equities entirely. The essay emphasises how self-control bias might cause investors to ignore compound interest and dollar-cost averaging. The success of long-term investments depends on these ideas.

- When investors undervalue downside risks, overestimate their judgement accuracy relative to others, and maintain narrow confidence intervals, they are exhibiting overconfidence in their projections.
  Under-diversified portfolios, unwavering assessments, and excessive trading habits are some of the results.
- Contrary evidence notwithstanding, investors frequently think they can spot lucrative chances and beat the stock market.
  Poor returns are the outcome of too confident and excessive trading. Overconfident investors frequently underestimate their potential losses, which results in under-diversification due to erroneous faith in particular stocks.
- Investors who stick onto their investments based on antiquated positive assumptions could not react quickly to negative news. This may result in higher monetary losses. Even when investors do take action, it's possible that their reaction will be slow, which may lessen the impact of their choices and possibly result in worse losses. It could be difficult for investors to digest fresh, complicated information, and they might rather hold onto their preexisting opinions than reconsider them.
- The advice of advisors is highly relied upon by investors, which may cause them to make decisions that do not properly take their personal portfolio risk and objectives into account. Many investors divide up their assets into different accounts instead of looking at their portfolio as a whole, which can be detrimental to overall performance and diversification attempts.
- Due to the inclination to ignore connections between several investment accounts, this tendency to compartmentalise investments might result in insufficient diversification and suboptimal portfolio performance. The majority of respondents (73%) agreed or strongly agreed that dividing up investments among different accounts is a good idea.

This conduct draws attention to a typical mental accounting bias symptom in which investors overlook the portfolio's overall perspective. This bias may be less pronounced in the minority (18%) that disagrees or strongly disagrees with this strategy, which could result in more effectively integrated investment strategies and risk management.

- The aggregate results indicate that most respondents (71%) strongly agree or agree with the statement that news outlets convey information objectively. The illusion of control bias, which occurs when people overestimate their capacity to recognise and assess the objectivity of the information they consume, may have an impact on this perspective. A lesser percentage of respondents disagree/strongly disagree (15%) or remain indifferent (13%) with the statement, indicating varying degrees of scepticism regarding the objectivity of news reporting.
- The vast majority of respondents (80%) either strongly agree or agree that they would select investments after seeing a return on friends' or family's capital. This is a blatant example of retrievability bias since it shows a significant degree of influence from personal networks and readily available information. Merely 15% of participants expressed disagreement or severe disagreement, indicating that most people prefer to rely on well-known and readily remembered success stories over doing their own study.
- Approximately half of the participants (51%) expressed strong agreement or agreement that current market developments have a greater influence on their investment views than historical trends.

  This is a reflection of retrievability bias, which holds that information that is current and easily accessible is given greater weight when making decisions. The views of the remaining respondents are more diverse, with 28% disagreeing or strongly disagreeing, indicating that some people—though they are in the minority—do take past evidence into consideration.

SUGGESTIONS

- The considerations an investor must weigh depending on the kind of investment they are making will change. For shares, for instance, the safety may be determined in part by quantitative information such as the historical trend in the stock price, the financial performance of the business; qualitative elements, including the business's reputation, may also be added.
  However, it takes a lot of experience and time to analyse balance sheets and project reports, which is typically outside the purview of the average investor. As such, the issuer's reputation continues to be the only available guide.
- Investors can rely on credit ratings when it comes to deposits or bonds issued by financial institutions or publicly traded firms. A credit rating is a determination of how secure an tool produced by a company. These organisations do a thorough examination of the advantages and disadvantages of the issuance. A system that also takes volatility and historical performance into account is used to assign ratings. Their extensive and knowledgeable infrastructure enables them to make the kind of financial decisions that are outside the purview of a single retail investor.
- Investment growth in value, income received, or both could make up the return on investment. Real estate typically yields the first kind of return, while acquired in the form of interest on bonds, debentures, savings certificates, fixed deposits, or loans. Shares of equity in reputable companies can yield both income and capital growth.
- Real return is defined as return after taxes and inflation, as was previously mentioned. The amount that the money can buy determines the investment's worth, and this decreases as inflation increases. Consequently, it is important to consider if a programme is providing returns that outpace the rate of inflation when assessing its return. The biggest issue with investment options like gold, silver, diamonds, and jewellery has been their inability to function as a reliable inflation hedge.

- Risk-Return Correlation Investors must understand that the "Risk" of losing their money is directly correlated with the "Return" on their investments. There is a bigger chance of loss the higher the return.
  In accordance with the current guidelines established by the Reserve Bank of India, the savings bank account based on the length of the deposit, offers interest. The interest rate on a long-term deposit is higher. The likelihood of losing money in a savings account is very low, with the exception of very rare instances involving tiny, local cooperative banks. However, there is very little chance of losing money.
- The Amount of Taxes Under the Income Tax Act, income received as a return on investment is taxable. The amount and kind of investment income determine the frequency of this tax. income. Section 80TTA of the IT Act allows for a tax reduction on interest on savings bank accounts and bank fixed deposits up to a maximum of Rs. 10,000. It is then subject to ordinary income tax under the Income Tax Act after that. Company fixed deposits don't offer a tax break, but they do yield larger rates than bank deposits. Mutual fund income, deposits made with financial institutions that have been notified, interest on certain Post Office deposits, interest on specific NSC, interest on Under section 80L, notified bonds and debentures can also be tax deductible, up to a total of Rs. 15,000 in total. Taxes do not apply to the interest received from PF and PPF. A tax rebate of 20%, up to a maximum of Rs. 12,000, is available for contributions up to Rs. 60,000 annually. When a contribution is made to a minor child's PPF account, the interest is not only tax-free but also separate from the parent's income.
- The world over, it has been observed that the greed for higher returns is the biggest and most dangerous enemy of an investor. While making financial decisions, even well-meaning individuals frequently act in the most illogical ways. Investing expert and well-known the phrase "Investor, protect thyself from thyself" sums up this strange behaviour. Investors should take into account two important considerations when evaluating popular savings options: risk and return, as well as taxes and inflation. When an investor receives an acceptable return after subtracting their tax liability and the inflation-related invisible tax, they have made a solid investment.

CONCLUSION

Growing in income, Indians are moving away from fixed deposits and traditional savings accounts. These are unappealing options since they have no tax benefits and poor returns. Young professionals on salary find mutual funds, especially SIPs (Systematic Investment Plans), to be very popular. SIPs are an excellent option for novice investors because they enable smaller, more frequent investments and are professionally handled. A lot of people still choose gold because of its historical price gains. The inexperience with these more recent investing possibilities, however, presents a big challenge for novice investors. Online tools like social media, videos, and podcasts can help close the knowledge gap on financial literacy, which is vital. Social networking sites like LinkedIn, Facebook, and Twitter can be effective instruments for raising awareness regarding investments suitable for young people. This study demonstrates how biases and emotions, such as overconfidence and loss aversion, can skew investor judgement. It highlights how crucial financial literacy is to assisting investors in making defensible choices and avoiding these prejudices. Furthermore, by using behavioural finance insights, regulators can create measures that support market stability and equity for all parties. All things considered, the two studies highlight how important it is to have a solid understanding of investor psychology and financial education in order to provide a safe atmosphere for investments.