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EFFECT OF BEHAVIOURAL BIASES ON INVESTOR'S DECISION MAKING

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This is to certify that SAAKSHI DEDHIA of T.Y.B.A. Economics, Semester VI (2022 –2023) has successfully completed the project on EFFECT OF BEHAVIOURAL BIASES ON INVESTOR’S DECISION MAKING under the guidance of Prof. GORKHNATH UTTEKAR.

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Declaration by the Student

I, SAAKSHI DEDHIA, student of MITHIBAI COLLEGE of T.Y.B.A. Economics, hereby declare that the project titled EFFECT OF BEHAVIOURAL BIASES ON INVESTOR'S DECISION MAKING is submitted by me for Semester VI of the academic year 2022-2023. I further state that this work is original and not submitted anywhere else for any examination and wherever necessary, proper citation is given in the reference list.

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Abstract

This study aims to investigate the impact of behavioural biases on investment decision making among individual investors using primary data from a survey of 92 respondents. The survey collected information on respondents' investment behavior, demographic characteristics, and perceptions of behavioural biases. The findings suggest that behavioural biases do have a significant impact on investment decision making among individual investors. Familiarity bias was found to be the most prevalent bias among the respondents, with a majority of the respondents indicating a preference for investing in companies they are familiar with. Loss aversion bias was also found to be prevalent, with many respondents indicating a tendency to be more risk-averse when faced with potential losses. The study also found that financial literacy can mitigate the impact of behavioural biases on investment decision making. Respondents who had higher levels of financial literacy were found to be less prone to behavioural biases and were more likely to make informed investment decisions. The study recommends that individual investors should prioritize improving their financial literacy to make more informed and effective investment decisions. Additionally, financial advisors and investment professionals should be aware of the impact of behavioural biases on investment decision making and provide guidance and advice to clients to mitigate the impact of biases. Overall, the findings of this study highlight the importance of recognizing and mitigating the impact of behavioural biases on investment decision making to achieve optimal investment outcomes.

Keywords: Behavioural biases, financial literacy, investor’s decision making

CHAPTER 1:

INTRODUCTION

1.1 Financial Markets in India

The financial market in India is a complex and diverse ecosystem that plays a crucial role in the economic growth and development of the country. It encompasses various segments such as equity, debt, currency, commodities, and derivatives, which offer a range of investment opportunities to individuals and institutions. The market is regulated by two main regulatory bodies: the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI).

The equity market in India is one of the largest in Asia and is dominated by the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The BSE, also known as the "Sensex", is one of the oldest stock exchanges in Asia, while the NSE is the largest electronic stock exchange in India. The Indian equity market offers various investment opportunities to retail investors, institutional investors, and foreign investors. The market participants can trade in stocks, equity-oriented mutual funds, and exchange-traded funds (ETFs).

The debt market in India is another crucial segment of the financial market and is responsible for mobilizing long-term savings for investment in various projects. The debt market is dominated by government securities, corporate bonds, and other fixed-income securities. The RBI regulates the debt market and issues government bonds, while SEBI regulates the issuance of corporate bonds. The debt market offers investment opportunities to individuals, institutions, and foreign investors through various instruments such as bonds, fixed deposits, and non-convertible debentures (NCDs).

The currency market in India is another vital segment of the financial market and is regulated by the RBI. The currency market enables businesses, investors, and individuals to trade in different foreign currencies. The currency market is actively traded by banks, corporations, and individuals, and the market participants can trade in currency futures, options, and spot market transactions.

The commodities market in India is a rapidly growing segment of the financial market and offers a range of investment opportunities in various commodities such as gold, silver, crude oil, and agricultural commodities. The commodities market is regulated by SEBI and is dominated by the Multi-Commodity Exchange (MCX), which is the largest commodities exchange in India.

The derivatives market in India is a relatively new segment of the financial market, but it has been growing rapidly in recent years. Derivatives are financial instruments that derive their value from an underlying asset, and they are used to manage risk and speculate on price movements. The derivatives market in India is regulated by SEBI and is dominated by the NSE, which is the largest derivatives exchange in the country.

In conclusion, the financial market in India is a crucial component of the country's economy, providing various investment opportunities to individuals and institutions. The market is regulated by the RBI and SEBI and continues to evolve, offering new investment opportunities and supporting the growth of businesses and the economy. The Indian financial market is characterized by its focus on transparency, fairness, and stability, making it an attractive destination for foreign investors and a key contributor to the growth and development of the country.

1.2 Behavioural Finance and Investment Decision Making

Behavioral finance is a field of study that blends economics and psychology to understand why individuals and institutions make certain financial decisions. This discipline challenges the traditional finance theory that assumes individuals are perfectly rational in their decision making, and instead focuses on the psychological biases and emotions that influence financial decisions.

Behavioral finance recognizes that human behavior is driven by both rational and irrational factors, and that these factors can have a significant impact on investment decisions. For example, individuals may be overconfident in their ability to pick winning stocks or predict market movements, and this overconfidence can lead to poor investment decisions. Herding behavior, where individuals follow the actions of others without considering their own research and analysis, is another common behavioral bias that can result in price bubbles and market inefficiencies.

Another important aspect of behavioral finance is the impact of emotions on investment decisions. Fear and greed are two emotions that can drive impulsive and irrational decisions, leading individuals to make poor investment choices. For example, fear of losing money can drive individuals to sell their investments at the bottom of a market cycle, while greed can drive individuals to buy at the top of a market cycle.

Behavioral finance provides a framework for understanding the impact of psychological biases and emotions on financial decision making. By recognizing the role of emotions and biases in shaping investment choices, individuals can be better equipped to make informed investment decisions and avoid common pitfalls.

Similarly, financial advisors and policymakers can use the insights from behavioral finance to design investment strategies and policies that take into account the emotional and psychological factors that influence financial decisions.

In conclusion, behavioral finance is a crucial component of investment decision making. By recognizing the role that emotions and psychological biases play in shaping financial decisions, individuals, financial advisors, and policymakers can make better-informed choices and achieve better outcomes. Whether you are an individual investor or a financial professional, understanding the principles of behavioral finance can help you make more informed investment decisions and avoid common pitfalls.

1.3 Decision Making Process of Individual Investors in Indian Securities Market

The decision-making process of individual investors in the Indian securities market involves several steps that are influenced by various factors, including personal financial goals, market knowledge, and emotional biases. In this section, we'll take a closer look at the key elements of the decision-making process for individual investors in India.

1. Financial Goals: The first step in the decision-making process for individual investors in India is to define their financial goals. This could include short-term goals such as building an emergency fund or paying for a major expense, or long-term goals such as retirement planning or funding children's education. Understanding one's financial goals is crucial in making informed investment decisions.

2. Market Knowledge: The next step in the decision-making process is to gain a basic understanding of the Indian securities market. This includes learning about different types of securities, the functioning of the stock market, and the various investment options available. Knowledge of market trends, economic indicators, and industry-specific information can also help individuals make informed investment decisions.

3. Investment Options: Once an individual has a clear understanding of their financial goals and the Indian securities market, they can start exploring investment options. This includes equities, bonds, mutual funds, and other securities. Individuals can also consider factors such as risk tolerance, investment time horizon, and expected returns when choosing the right investment options.

4. Research: The next step in the decision-making process is to conduct research on the specific securities or investment products that are being considered. This involves reviewing financial statements, analyst reports, and other relevant information to gain a deeper understanding of the investment opportunity. It is important to gather information from reliable sources and to understand the limitations of any data or information that is being used in the decision-making process.

5. Emotional Biases: Despite their best efforts, individual investors can still be influenced by emotional biases when making investment decisions. This could include overconfidence, herding behavior, and the impact of fear and greed on investment decisions. By recognizing these biases and taking steps to manage them, individuals can make more informed investment decisions.

6. Implementation: The final step in the decision-making process is to implement the investment strategy. This involves making the actual investment, monitoring the portfolio, and making adjustments as needed. Regular review and monitoring are crucial in ensuring that the investment strategy remains aligned with one's financial goals and market conditions.

Fig 1.1 Factors Affecting Investment Decision Making

Demographic factors	Age, Gender, Income, Occupation, Education, Marital Status, Number of Dependents, Family earning status.
Market factors	Price changes, Market information, Customer preferences, Over reaction to price changes.
Risk Bearing capacity	Consideration of Safety, liquidity, capital appreciation, returns and risk coverage.
Lifestyle characteristics	Personal ability, Investment experience, confidence level,etc.
Behavioural factors	Anchoring bias, Confirmation bias, Overconfidence bias, Cognitive dissonance bias, Regret aversion bias, Self-serving bias, Status quo bias.
Otherfactors	Personal financial needs- Portfolio diversification

In conclusion, the decision-making process for individual investors in the Indian securities market involves several steps that are influenced by personal financial goals, market knowledge, research, and emotional biases. By following a structured approach, individuals can make informed investment decisions and achieve their financial goals. It is important to remember that investing always carries some level of risk and that past performance is not necessarily indicative of future results.

1.4 Gender and Investment Decision

Gender can play a role in investment decision making, as studies have shown that men and women approach investing differently. This difference can be attributed to a variety of factors, including cultural and societal expectations, access to financial education and resources, and differences in risk tolerance.

Studies have shown that, on average, women tend to be more risk-averse than men when it comes to investing. This means that women are less likely to take large risks in pursuit of high returns and may opt for more conservative investment strategies. On the other hand, men are more likely to take on riskier investments in pursuit of higher returns. This difference in risk tolerance can result in different investment portfolios for men and women, with women holding a higher proportion of low-risk investments such as bonds, and men holding a higher proportion of high-risk investments such as stocks.

Another factor that affects investment decision making for men and women is access to financial education and resources. Women are often less likely to have access to the same level of financial education and resources as men, which can impact their investment decision making. This can result in women being less confident in their investment decisions, and may also affect their ability to make informed decisions about their investments.

Cultural and societal expectations also play a role in investment decision making for men and women. For example, women may be more likely to seek advice and guidance when making investment decisions, while men are more likely to rely on their own judgment and experience. This difference in approach can impact the type of investment decisions that men and women make and the level of success they achieve.

So, gender can play a role in investment decision making, as men and women approach investing differently. Differences in risk tolerance, access to financial education and resources, and cultural and societal expectations can all impact the type of investment decisions that men and women make. By recognizing and understanding these differences, individuals and financial advisors can better tailor their approach to meet the unique needs and preferences of men and women.

1.5 Financial Literacy and Behavioural Finance

Financial literacy and behavioural finance are two interrelated concepts that play a crucial role in shaping investment decision making. Financial literacy refers to an individual's understanding of personal finance, investment, and the financial system, while behavioural finance focuses on how emotions, biases, and psychological factors influence investment decisions. In this section, we'll take a closer look at how financial literacy and behavioural finance are connected and how they impact investment decision making.

Financial literacy plays a critical role in investment decision making by providing individuals with the knowledge and skills necessary to make informed decisions about their finances. For example, an individual who is financially literate will understand the risks and benefits of different investment options, and will be able to compare different investment products to find the one that best meets their financial goals. Financial literacy also helps individuals understand the impact of taxes, inflation, and other economic factors on their investments, and allows them to make informed decisions about their finances based on this knowledge.

However, even the most financially literate individuals can still be influenced by emotional biases and psychological factors when making investment decisions. This is where behavioural finance comes into play. Behavioural finance recognizes that individuals are not always rational when making investment decisions, and that emotions, biases, and psychological factors can have a significant impact on investment outcomes.

For example, an individual who is prone to overconfidence may be more likely to take on more risk than is warranted, while an individual who is affected by fear or greed may make impulsive investment decisions that are not in their best interest. By recognizing these biases and taking steps to manage them, individuals can make more informed investment decisions that are better aligned with their financial goals.

1.6 Behavioural Biases

Behavioural biases refer to systematic errors in decision making that are caused by psychological and emotional factors. These biases can affect individuals in many areas of life, including personal finance and investing.

The origins of behavioral biases can be traced back to the field of psychology, where researchers have studied the role of emotions and psychological factors in decision making for many years. Over time, these insights have been applied to a variety of fields, including economics, finance, and investing.

One of the key pioneers in the field of behavioral finance was psychologist Daniel Kahneman, who was awarded the Nobel Prize in Economics in 2002 for his groundbreaking work on the topic. Kahneman and other researchers have shown that even individuals who have a strong understanding of personal finance and economics are not immune to emotional biases and psychological factors when making decisions.

In recent years, the field of behavioral finance has gained widespread attention, and is now widely recognized as an important factor that shapes investment decision making. Today, behavioral finance is considered a critical component of the field of finance, and is studied by researchers, financial professionals, and investors around the world.

Let's discuss the various behavioural biases in detail:

1.6.1 Familiarity Bias

Familiarity bias refers to the tendency of individuals to favor investments that are familiar to them, even if those investments may not be the best choice for their financial goals. This bias is rooted in the idea that individuals tend to feel more comfortable with investments that are familiar to them, and are therefore more likely to choose those investments over others.

For example, an individual who is familiar with a particular stock or sector may be more likely to invest in that stock or sector, even if other investments may offer a higher potential return. This bias can lead to suboptimal investment decisions, as the individual may overlook other investment opportunities that are more suitable for their financial goals.

Familiarity bias can also impact an individual's decision making when it comes to investing in a particular country or region. For example, an individual may be more likely to invest in a particular country because they are familiar with the culture or language of that country, even if other countries may offer a better investment opportunity.

It is important to recognize the impact of familiarity bias in investment decision making and to take steps to overcome this bias. This can include seeking out diverse investment opportunities, educating oneself about different investment options, and seeking advice from financial professionals. Additionally, individuals can work to reduce the influence of familiarity bias by seeking out information and perspectives that are outside of their comfort zone, and by regularly reviewing their investment portfolio to ensure that their investments are aligned with their financial goals.

1.6.2 Experiential Bias

Experiential bias refers to the tendency of individuals to make decisions based on their personal experiences, rather than objective evidence or data. This type of bias can occur when individuals rely too heavily on their own past experiences to guide their decision making, rather than considering other relevant information or perspectives.

For example, an individual who has had a positive experience with a particular stock in the past may be more likely to invest in that stock again, even if the current market conditions or the stock's performance has changed. This type of bias can lead to suboptimal investment decisions, as the individual may overlook other investment opportunities that may be more suitable for their financial goals.

Experiential bias can also impact an individual's decision making when it comes to choosing a particular investment strategy. For example, an individual who has had success with a particular investment strategy in the past may be more likely to continue using that strategy, even if other strategies may be more appropriate for their current financial situation.

To overcome experiential bias, individuals can work to gather and consider objective data and information when making investment decisions. This can include seeking out multiple sources of information, consulting with financial professionals, and regularly reviewing their investment portfolio to ensure that their investments are aligned with their financial goals. Additionally, individuals can work to broaden their investment experiences by seeking out diverse investment opportunities, and by actively seeking out new information and perspectives.

1.6.3 Disposition Effect

The disposition effect is a behavioral bias in finance that refers to the tendency of investors to sell winning investments too early and hold onto losing investments for too long. This bias can lead to suboptimal investment outcomes as individuals miss out on potential gains from their winning investments and suffer greater losses from their losing investments.

The disposition effect is rooted in the emotions of regret and hope. Investors may feel regret for selling a winning investment and not realizing its full potential, and they may hope that a losing investment will eventually recover its value. These emotions can prevent individuals from making rational decisions about when to sell their investments.

To overcome the disposition effect, individuals can adopt a systematic investment approach and use investment strategies such as dollar-cost averaging or rebalancing. By following these strategies, individuals can ensure that their investment decisions are based on objective criteria, rather than emotional responses.

Additionally, individuals can work to develop a long-term perspective on their investments. This can include setting clear financial goals, regularly reviewing their investment portfolio, and seeking advice from financial professionals. By focusing on the long-term, individuals can avoid making decisions based on short-term emotions and volatility in the market.

1.6.4 Mental Accounting Bias

Mental accounting bias refers to the tendency of individuals to categorize their money into different mental accounts, and to treat each mental account differently, based on factors such as the source of the funds or the intended use of the funds. This type of bias can lead to suboptimal investment decisions and financial outcomes.

For example, an individual may categorize their money into separate mental accounts for spending, savings, and investments. This individual may treat their savings account as a "rainy day fund" and only use the money for unexpected expenses, rather than considering it as a potential source of investment capital. Similarly, an individual may treat their investment portfolio as a long-term savings account, rather than as a source of potential gains.

To overcome mental accounting bias, individuals can adopt a holistic approach to their finances, treating all of their money as a single entity, rather than dividing it into separate mental accounts. This can involve reviewing their financial situation as a whole, and seeking out investment opportunities that align with their overall financial goals.

Additionally, individuals can work to understand the impact of mental accounting bias on their decision making by seeking out financial education and advice. By becoming more aware of their mental accounting biases, individuals can make more informed investment decisions and achieve better financial outcomes.

1.6.5 Regret Aversion Bias

Regret aversion bias is a behavioral bias in finance that refers to the tendency of individuals to avoid making decisions that may lead to regret. This bias can lead to suboptimal investment outcomes, as individuals may miss out on potential investment opportunities due to a fear of making the wrong decision.

Regret aversion bias is rooted in the emotions of regret and fear. Individuals may fear that they will regret a decision to invest in a particular security or market, and they may avoid making a decision altogether. This can lead to missed opportunities, as the individual may miss out on potential gains from the investment.

To overcome regret aversion bias, individuals can adopt a systematic investment approach, and seek out financial education and advice. By learning about the markets and the different types of securities available, individuals can make more informed investment decisions. Additionally, individuals can seek advice from financial professionals, who can provide objective insights and guidance on potential investment opportunities.

Another strategy to overcome regret aversion bias is to adopt a long-term perspective on investments. This can include setting clear financial goals, and regularly reviewing their investment portfolio. By focusing on the long-term, individuals can avoid making decisions based on short-term emotions and volatility in the market.

1.6.6 Loss Aversion Bias

Loss aversion bias is a behavioural bias in finance that refers to the tendency of individuals to prioritize avoiding losses over seeking gains. This bias can lead to suboptimal investment outcomes, as individuals may miss out on potential investment opportunities due to a fear of loss.

Loss aversion bias is rooted in the emotion of fear. Individuals may fear losing money, and may avoid making investment decisions that could result in losses. This can lead to missed opportunities, as the individual may miss out on potential gains from the investment.

To overcome loss aversion bias, individuals can adopt a systematic investment approach, and seek out financial education and advice. By learning about the markets and the different types of securities available, individuals can make more informed investment decisions. Additionally, individuals can seek advice from financial professionals, who can provide objective insights and guidance on potential investment opportunities.

Another strategy to overcome loss aversion bias is to adopt a long-term perspective on investments. This can include setting clear financial goals, and regularly reviewing their investment portfolio. By focusing on the long-term, individuals can avoid making decisions based on short-term emotions and volatility in the market.

1.6.7 Herding Bias

Herding bias is a behavioral bias in finance that refers to the tendency of individuals to follow the actions and decisions of others, rather than relying on their own independent judgment. This bias can lead to suboptimal investment outcomes, as individuals may make investment decisions based on the actions of others, rather than on sound analysis and research.

Herding bias is rooted in the tendency of humans to conform to the opinions and actions of others. In the context of finance, this can manifest as individuals investing in securities or markets simply because others are doing so, without conducting their own due diligence or research.

To overcome herding bias, individuals can adopt a systematic investment approach, and seek out financial education and advice. By learning about the markets and the different types of securities available, individuals can make more informed investment decisions. Additionally, individuals can seek advice from financial professionals, who can provide objective insights and guidance on potential investment opportunities.

Another strategy to overcome herding bias is to diversify one's investment portfolio. By investing in a range of securities and markets, individuals can reduce their exposure to the effects of herding bias. Additionally, individuals can consider investing in alternative asset classes, such as real estate, commodities, or private equity, which can provide diversification benefits and potentially lower risk.

CHAPTER 2:

REVIEW OF LITERATURE

2.1 Behavioural Biases and the investment decision a study on individual investors in Visakhapatnam City.

The study on individual investors in Visakhapatnam city examines the influence of behavioural biases on investment decisions. The research was conducted by collecting data from 300 individual investors through a questionnaire, which was analyzed using statistical techniques. The study found that behavioural biases had a significant impact on investment decisions of individual investors.

The results of the study show that most individual investors in Visakhapatnam city suffer from several behavioural biases, including overconfidence, loss aversion, herding, and anchoring. Overconfidence bias is evident in investors' overestimation of their investment abilities, which leads to overtrading and excessive risk-taking. Loss aversion is seen in investors' tendency to avoid losses more than they pursue gains, resulting in a reluctance to sell underperforming investments. Herding bias is observed in investors' tendency to follow the crowd, leading to a homogeneity of investment portfolios. Anchoring bias is seen in investors' reliance on past performance as a guide for future investments.

The study also found that demographic factors such as age, education, income, and investment experience had a significant influence on investors' behavioural biases. Older investors were found to be less prone to overconfidence and herding biases, while younger investors were more likely to be influenced by herding and anchoring biases. Highly educated investors were found to be less prone to overconfidence and herding biases. Investors with higher incomes were less affected by loss aversion, while investors with less investment experience were found to be more susceptible to overconfidence and herding biases.

The study concludes that investors in Visakhapatnam city need to be aware of their behavioural biases to make better investment decisions. The findings suggest that investment education programs and financial advice can play a vital role in reducing the impact of these biases. The study recommends that investors should seek professional advice, diversify their investment portfolios, and avoid making decisions based on emotions or past performance.

In summary, the study highlights the influence of behavioural biases on investment decisions of individual investors in Visakhapatnam city. The findings show that behavioural biases such as overconfidence, loss aversion, herding, and anchoring have a significant impact on investors' decision-making. The study also identifies demographic factors that affect investors' susceptibility to these biases. The study recommends that investors should be aware of their behavioural biases, seek professional advice, and avoid making decisions based on emotions or past performance. Investment education programs and financial advice can play a crucial role in reducing the impact of these biases on investment decisions.

2.2 An empirical study on the relationship between financial literacy and emotional biases

Individual investors are irrational because they lack financial literacy, which makes them more susceptible to behavioural biases. Therefore, the purpose of this study is to ascertain how behavioural biases affect individual investors' choice of investments in the Indian stock market. Additionally, we investigate how demographics affect investors' behavioural biases, locus of control, perception of risk, and risk tolerance. Additionally, our study analyses how risk perception and the locus of control are theoretically moderated in the relationship between behavioural biases and investment decision-making using the Baron and Kenny procedure (1986).

According to the method recommended by Hair et al., we also employ a bootstrap technique to assess the mediating role of risk appetite in the relationship of behavioural biases and investment decision-making (2010). Our findings suggested that overconfidence, optimism, disposition impact, herding behaviour, and home bias have considerable beneficial effects on the individual investors' investment decision-making using the sample of 665 individual investors. Additionally, our findings point to the influence of demographic factors on investors' behavioural biases, locus of control, perception of risk, and risk tolerance. We found that locus of control weakens the association between herding effect and investment decision making, but strengthens the relationship between overconfidence bias, optimism bias, and disposition effect.

The results further refute the idea that locus of control plays a mitigating effect in the association between home bias and investment decision-making. The results also show that risk perception lowers the association between overconfidence bias and optimism bias with regard to investment decision-making, but strengthens the relationship between herding effect and home bias. Finally, we examined how risk tolerance influences the link between cognitive biases and investing decision-making. Last but not least, our study offers a distinctive perspective for portfolio managers who want to comprehend customer feelings while evaluating stock and hedging risks. Additionally, it makes it easier for brokers, strategists, and financial advisors to effectively comprehend the psychology of investors, which enables them to create portfolios that have been behaviorally modified to meet the needs of their clients.

2.3 An empirical assessment of financial literacy and behavioral biases on investment decision: Fresh evidence from small investor perception

The goal of this study is to determine whether emotional biases and financial knowledge among Indian investors are related. For making thoughtful, methodical financial decisions, financial literacy is crucial. Today's increased economic unpredictability and uncertainties, as well as governments and corporations withdrawing from welfare programmes like the pension system in India and around the world, highlight the undeniable need of sound financial management and planning. Methodology: The research study received 412 replies in total. The research study was conducted utilising the factor analysis, Cronbach's alpha, and Pearson's Chi-square test. Findings: The research revealed a strong correlation between financial knowledge and risk aversion as well as an overconfidence bias. Risk avoidance was equal for both sexes.

The study reveals that men exhibit greater overconfidence than women and there is a correlation between age groups and the overconfidence bias. The implications of this research are significant in determining the extent of biases and financial literacy among Indian investors. Increased accessibility to information and awareness can improve financial skills, knowledge, and investment decisions. This study is unique in that it focuses on emotional biases, such as Affinity bias, Snakebite Effect, and Myopic Loss Aversion, among Indian investors, which has not been explored in previous studies that have primarily examined the relationship between financial literacy and cognitive biases, portfolio selection, and retirement plans.

2.4 Effect of Behavioural Biases on Investment Decisions of Individual Investors in Kenya

The research paper "Effect of Behavioural Biases on Investment Decisions of Individual Investors in Kenya" explores the impact of behavioural biases on investment decisions of individual investors in Kenya. The study aims to investigate the relationship between behavioural biases and investment decision-making, specifically the impact of overconfidence, loss aversion, and herding behaviour on investment decisions.

The research was conducted through a survey that collected data from 256 individual investors in Kenya using a structured questionnaire. The questionnaire consisted of both open-ended and closed-ended questions that aimed to elicit information on the investment decision-making process, investment experience, and behavioural biases that might influence the investment decision.

The findings of the study show that cognitive biases, such as overconfidence, loss aversion, and herding behaviour, significantly influence investment decisions of individual investors in Kenya. The results suggest that overconfidence bias is the most common behavioural bias among the surveyed investors, followed by loss aversion and herding behaviour.

The study also found that investors with higher levels of education and investment experience are less susceptible to behavioural biases. This result highlights the importance of financial education and investment experience in improving investment decision-making and reducing the impact of behavioural biases.

Moreover, the study found that individual investors who seek advice from financial experts or use investment analysis tools such as financial ratios and investment models are less likely to be influenced by behavioural biases. Therefore, it is important for individual investors to seek professional advice and use analytical tools to make informed investment decisions.

Additionally, the research suggests that investors who have access to accurate and reliable information are less likely to be influenced by behavioural biases. Therefore, it is important for investors to have access to information that is unbiased, accurate, and reliable.

Overall, the study highlights the need for individual investors to be aware of the impact of behavioural biases on their investment decision-making process. It emphasizes the importance of financial education, investment experience, and access to reliable information in reducing the impact of behavioural biases on investment decisions.

The study is significant because it provides valuable insights into the investment decision-making process of individual investors in Kenya. The research is unique because it focuses specifically on the impact of behavioural biases on investment decisions in Kenya. The findings of the study can be used to design financial education programs that address the behavioural biases of individual investors and improve their investment decision-making skills.

In conclusion, the study suggests that behavioural biases significantly impact investment decisions of individual investors in Kenya. It emphasizes the need for financial education, investment experience, access to reliable information, and professional advice in reducing the impact of behavioural biases on investment decisions. The study provides valuable insights that can be used to design effective financial education programs and policies that help individual investors make informed investment decisions.

2.5 How Financial Literacy Moderate the Association between Behaviour Biases and Investment Decision?

The research paper titled "How Financial Literacy Moderate the Association between Behaviour Biases and Investment Decision?" investigates the moderating effect of financial literacy on the relationship between behavioural biases and investment decisions. The study examines the impact of cognitive and emotional biases on investment decision-making and their relationship with financial literacy.

The research was conducted using a questionnaire survey that collected data from 235 individual investors in India. The study used a multi-stage sampling technique to select participants from different cities in India, and the questionnaire consisted of questions related to investment decision-making, behavioural biases, and financial literacy.

The findings of the study suggest that financial literacy plays a significant role in moderating the relationship between behavioural biases and investment decisions. The study found that investors who are more financially literate are less likely to be influenced by cognitive and emotional biases in their investment decisions.

Furthermore, the study found that overconfidence bias is the most common cognitive bias among the surveyed investors, followed by loss aversion and herd mentality. Among the emotional biases, the study found that investors are most influenced by affinity bias, followed by regret aversion and self-attribution bias.

The study also found that investors with higher levels of financial literacy are less susceptible to behavioural biases. The results suggest that financial literacy can act as a protective factor against the negative impact of cognitive and emotional biases on investment decision-making.

Moreover, the research highlights that financial literacy enhances the investment decision-making process by improving the ability of investors to evaluate financial information and make informed investment decisions. The findings of the study suggest that financial literacy programs should focus on increasing investors' understanding of financial concepts and their ability to apply this knowledge in their investment decision-making.

The study is significant because it highlights the importance of financial literacy in reducing the negative impact of behavioural biases on investment decisions. The findings of the research can be used to design financial literacy programs that target the specific cognitive and emotional biases that influence investment decisions.

In conclusion, the research paper "How Financial Literacy Moderate the Association between Behaviour Biases and Investment Decision?" provides valuable insights into the moderating effect of financial literacy on the relationship between behavioural biases and investment decisions. The study emphasizes the importance of financial literacy in reducing the negative impact of cognitive and emotional biases on investment decisions. The findings of the research suggest that financial literacy programs should focus on increasing investors' understanding of financial concepts and their ability to apply this knowledge in their investment decision-making.

2.6 Influence of Risk Propensity, Behavioural Biases, and Demographic Factors on Equity Investors' Risk Perception

The research paper entitled "Influence of Risk Propensity, Behavioural Biases, and Demographic Factors on Equity Investors' Risk Perception" aims to examine the factors that influence equity investors' risk perception. The study investigates the impact of risk propensity, behavioural biases, and demographic factors on risk perception.

The research was conducted using a survey method that collected data from 250 equity investors in India. The questionnaire consisted of questions related to risk perception, risk propensity, behavioural biases, and demographic factors such as age, gender, education, and income.

The findings of the study suggest that risk propensity, behavioural biases, and demographic factors significantly influence equity investors' risk perception. The study found that risk propensity has a positive impact on risk perception, which suggests that investors with a higher risk propensity perceive greater risk in their investment decisions.

The study also found that behavioural biases such as overconfidence, loss aversion, and herding behaviour have a negative impact on risk perception. These biases lead investors to underestimate the risks associated with their investment decisions, which can lead to poor investment outcomes.

Furthermore, the study found that demographic factors such as age, education, and income also influence equity investors' risk perception. The study found that older investors perceive lower risk compared to younger investors, and investors with higher education and income levels perceive higher risk.

The research highlights the importance of considering individual factors such as risk propensity, behavioural biases, and demographic factors when assessing equity investors' risk perception. The findings of the study suggest that risk perception is a complex process that is influenced by a variety of factors.

In conclusion, the research paper "Influence of Risk Propensity, Behavioural Biases, and Demographic Factors on Equity Investors' Risk Perception" provides valuable insights into the factors that influence equity investors' risk perception. The study emphasizes the importance of understanding individual factors such as risk propensity, behavioural biases, and demographic factors when assessing risk perception. The findings of the research can be used to design investment strategies that take into account individual factors and improve investment outcomes.

2.7 Impact of Financial Literacy and Behavioural Biases on Investment Decision-making

The research paper titled "Impact of Financial Literacy and Behavioural Biases on Investment Decision-making" by Suresh G investigates the impact of financial literacy and behavioural biases on investment decision-making of individual investors in India.

The study collected data from 250 individual investors using a questionnaire survey that consisted of questions related to financial literacy, behavioural biases, and investment decision-making. The questionnaire used in the study was validated using factor analysis.

The results of the study suggest that financial literacy has a positive impact on investment decision-making. The study found that investors with higher financial literacy were more likely to make informed investment decisions, which could lead to better investment outcomes.

Furthermore, the study found that behavioural biases have a negative impact on investment decision-making. The study identified several behavioural biases such as overconfidence bias, loss aversion bias, and herd mentality bias that affect investment decision-making. These biases lead investors to make irrational decisions that can result in poor investment outcomes.

The study also investigated the interaction between financial literacy and behavioural biases on investment decision-making. The results showed that financial literacy can moderate the negative impact of behavioural biases on investment decision-making. The study suggests that investors with higher financial literacy can overcome their behavioural biases and make more informed investment decisions.

The research highlights the importance of financial literacy and its role in moderating the negative impact of behavioural biases on investment decision-making. The study emphasizes the need for investor education programs to improve financial literacy and promote rational investment decision-making.

CHAPTER 3:

RESULTS AND DISCUSSIONS

3.1 Objectives of the study

- To Understand the effect of behavioural biases on investment decisions of individual investors.
- To study the impact of demographic factors on behavioural biases.
- To understand the effect of financial literacy on investment decision making.

3.2 Hypothesis

3.2.1 $\boldsymbol{H_0}$: There is no significant relationship between the behavioural biases of individual investors and their investment decision-making practices.

v/s

$\boldsymbol{H_1}$: There is a significant positive relationship between the behavioural biases of individual investors and their investment decision-making practices.

3.2.2 $\boldsymbol{H_0}$: Financial literacy has no significant influence on the investment decisions of the individual investor.

v/s

$\boldsymbol{H_1}$ **:** Financial literacy has a significant favorable influence on the investment decisions of the individual investor.

3.3 Research Methodology

In this study, questionnaires sent to respondents served as the primary source of collecting quantitative data. Spearman’s Rank Correlation was used to find relation between behavioural biased & investment decision making; and financial literacy & investment decision making. Microsoft Excel was used to carry out correlation and other software’s like Google Sheets was used to plot charts and graphs.

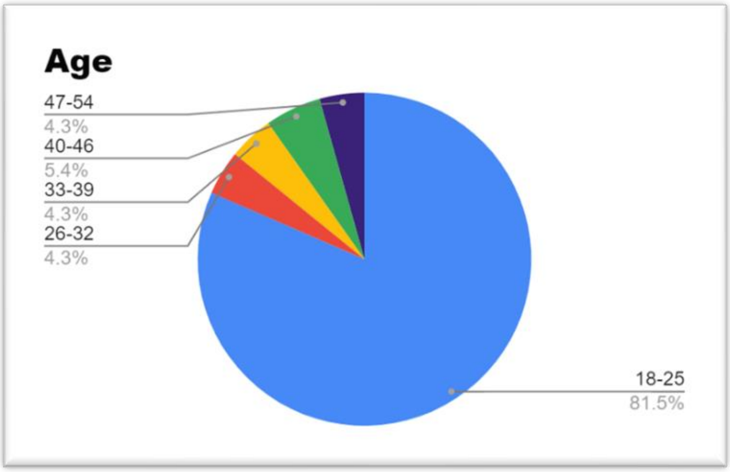
3.4 Sample

Given that the research was conducted to study the effect of behavioural biases on investor's investment decision making, samples were taken using simple random sampling selection method. The respondents were contacted using various social media platforms like WhatsApp, Instagram and LinkedIn. For this study, a total of 92 responses were received.

3.5 Analysis: Question-wise

3.5.1 Age

Fig 3.5.1 Demographic analysis of age

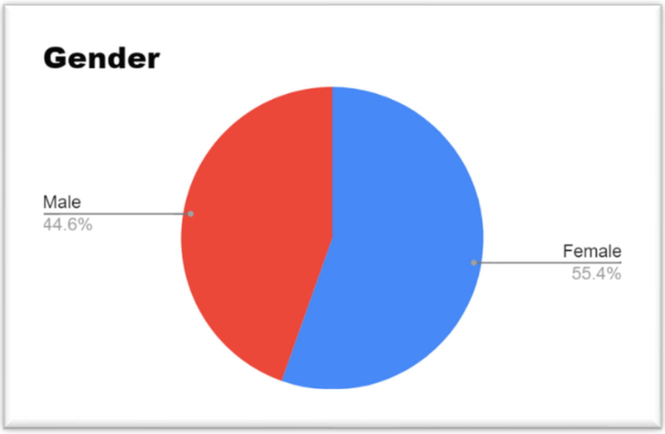


Source: Primary

With regards to age, there was no particular target population and hence, responses were collected from the consumers belonging to any age group. 75 responses (about 81.5%) belonged to the category of 18-25 years of age. Thus, the majority of responses received from this category. 4.3% of responses were collected from the age group of 26-32; 33-39 and 47-54 years. While 5.4% of responses were collected from 40-46 years of age.

3.5.2 Gender

Fig 3.5.2 Demographic analysis of Gender

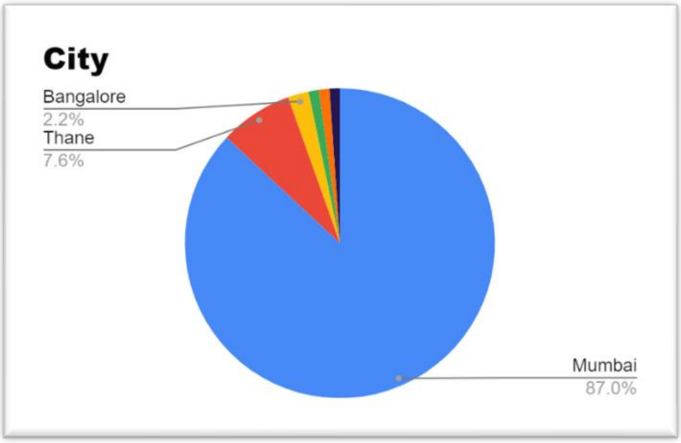


Source: Primary

With respect to gender 55.4% responses collected were from females and 44.6% responses collected were from males.

3.5.3 City

Fig 3.5.3 Demographic analysis of City

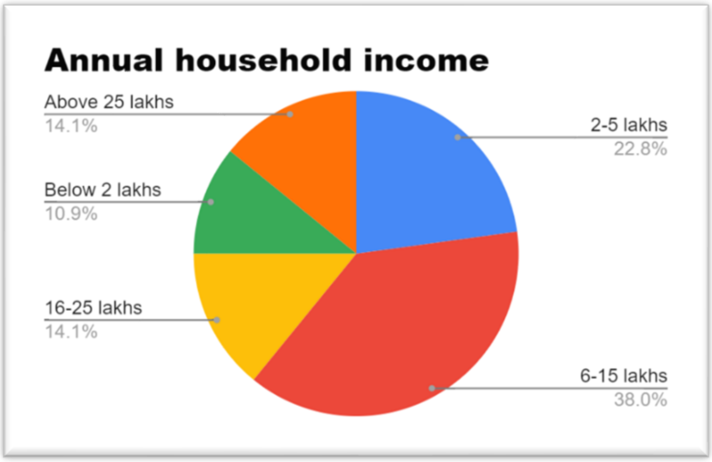


Source: Primary

With respect to city, majority responses i.e 87% of the responses were received from Mumbai while 7.6% responses were received from Thane. Some responses were also received from Bangalore, Chennai and Ahmedabad.

3.5.4 Annual Household Income

Fig 3.5.4 Demographic analysis of annual household income

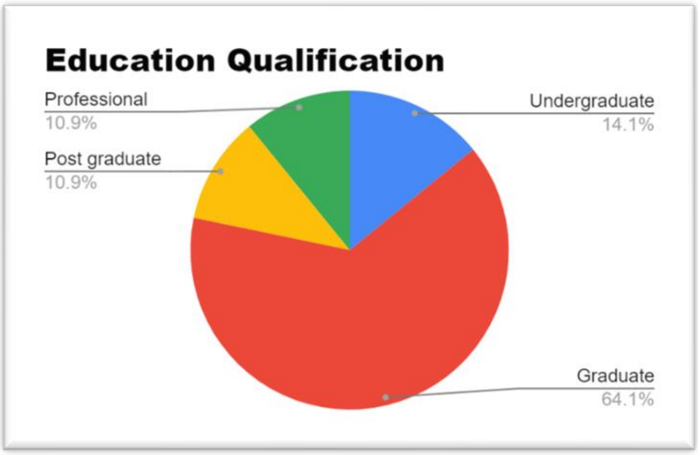


Source: Primary

With respect to annual household income, 38% or the majority reported a family annual income between Rs.6-15 lakhs while 22.8% respondents reported family annual income between Rs. 2-5 lakhs. 14.1% respondents also reported a family annual income between Rs. 16-25 lakhs and above Rs. 25 lakhs respectively.

3.5.5 Educational Qualification

Fig 3.5.5 Demographic analysis of educational qualification

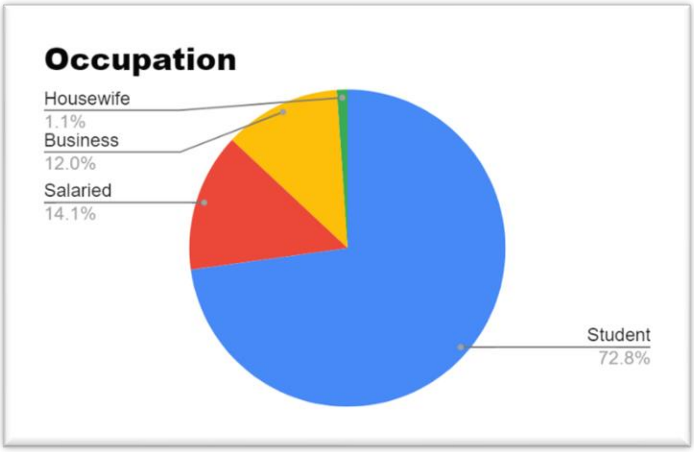


Source: Primary

With respect to educational qualification, majority or 64.1% respondents were graduates while 14.1% were still pursuing their graduation. 10.9% responses was shared between those who were professionals or post graduates.

3.5.6 Occupation

Fig 3.5.6 Demographic analysis of occupation

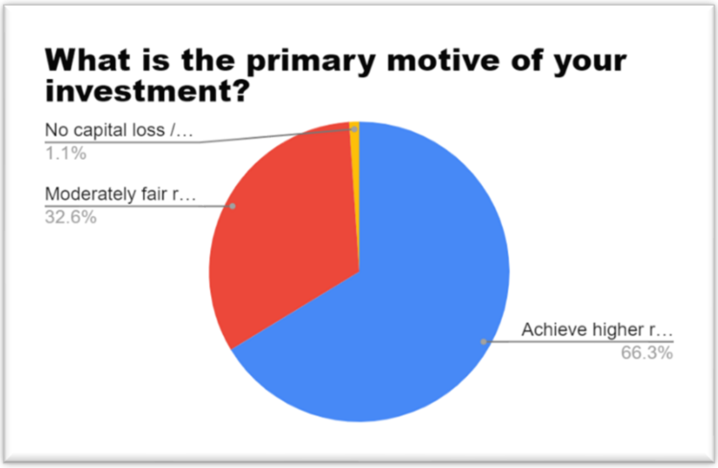


Source: Primary

About 72.8% respondents were students, 14.1% respondents were salaried employees; 12% respondents were into business; and 1.1% respondents were also housewives.

3.5.7 Primary motive of your investment

Fig 3.5.7 Primary motive of your investment

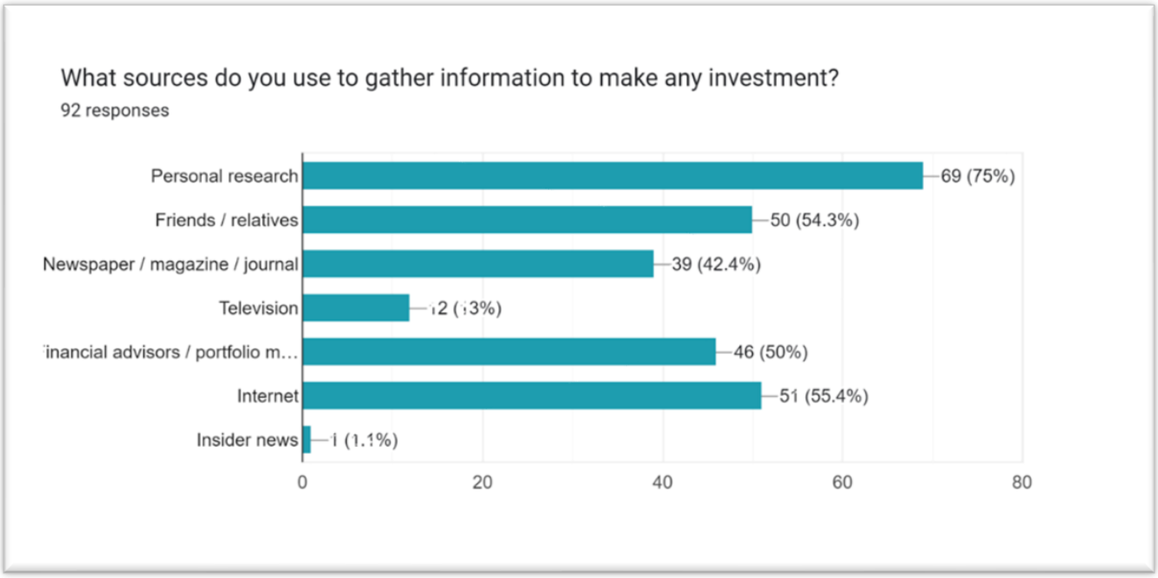


Source: Primary

66.3% respondents said that their primary motive to invest was to achieve higher returns and were risk seeking individuals while 32.6% respondents said their primary motive was to attain moderately fair returns at a minimal risk so they were risk neutral individuals; and 1.1% respondents also said they wanted no capital loss / no risk / low or no exposure in equity making them risk averse individuals.

3.5.8 Sources used to gather information to make investments

Fig 3.5.8 Sources used to gather information to make investments

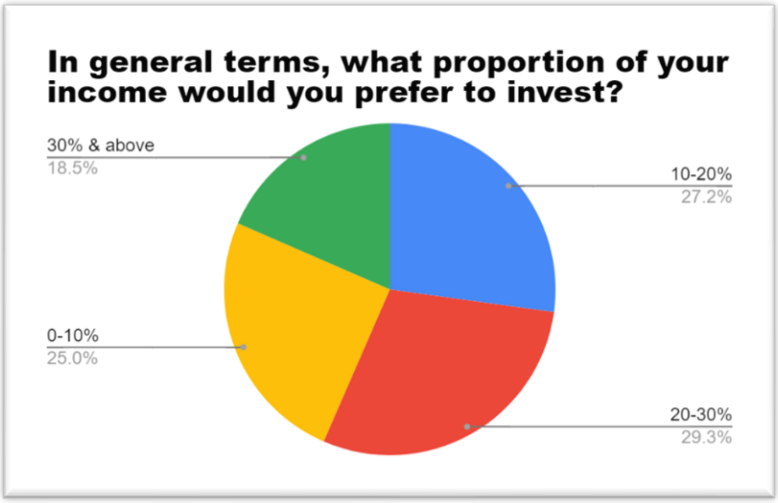


Source: Primary

69 Respondents (about 75%) said they do personal research before making any investment. Respondents also said they used Internet (55.4%), took advice from Friends and relatives (54.3%) or financial advisors and portfolio managers (50%). Others said they also used television, newspaper / magazine and insider news to gather information before making investments.

3.5.9 Proportion of income they would invest

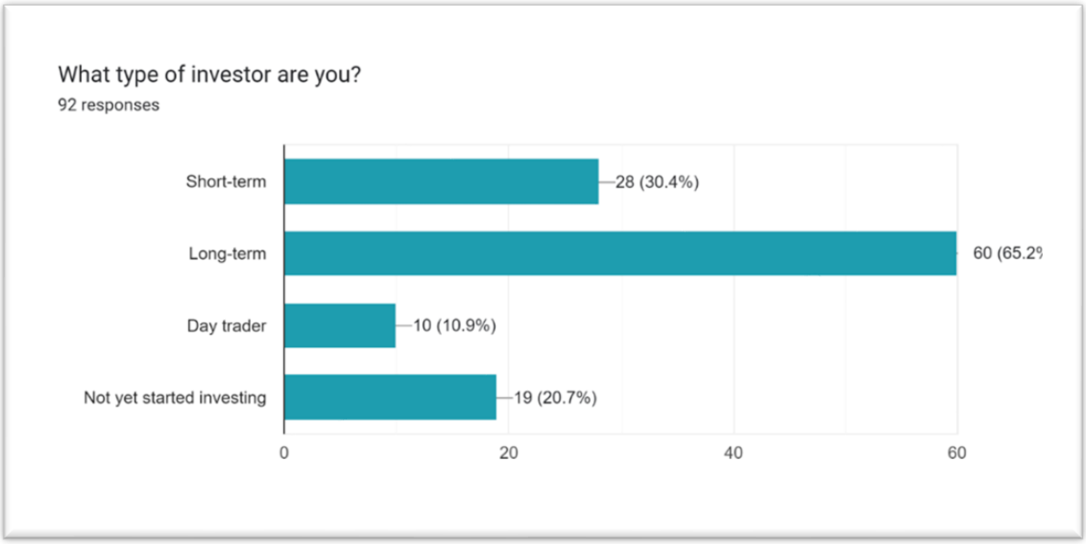
Fig 3.5.9 Proportion of income they would invest



29.3% respondents said they would like to make 20 to 30% of investment of their income while 27.2% respondents said they would invest only 10-20% of their income. 25% of the individuals also said they would invest only 0-10% of their annual income.

3.5.10 Type of investor

Fig 3.5.10 Type of investor



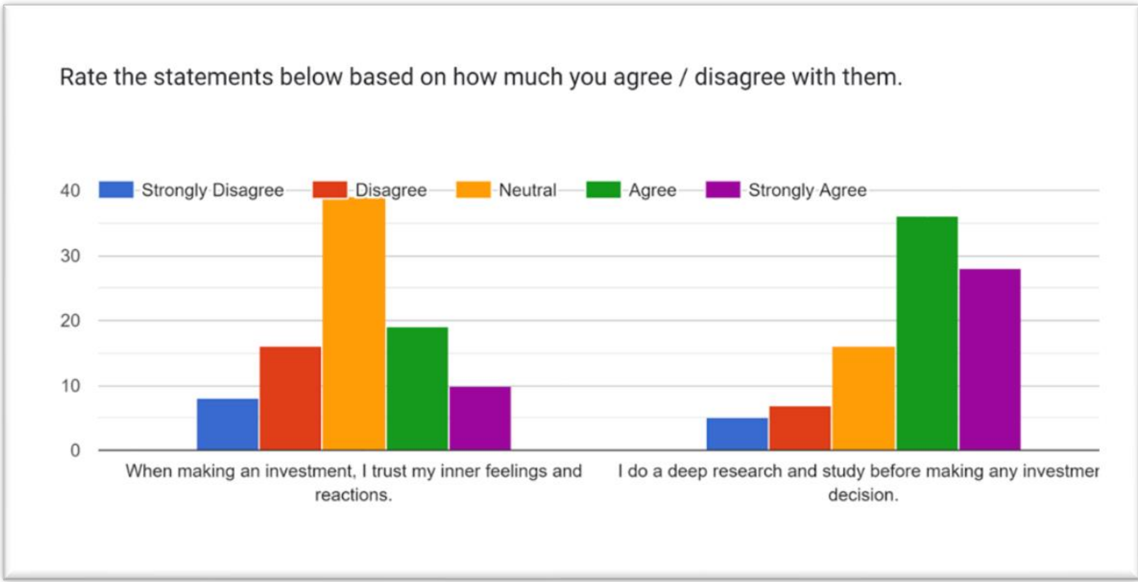
Source: Primary

60% Respondents said they are long term investors while short term investors were 30.4%; some respondents (20.7%) also said they had not yet started investing and about 10.9% individuals said they do intra-day trading

3.5.11 Statements to understand investment decision making

The respondents gave a neutral response on them trusting their inner feelings while making any investment decision which means it depends upon situation to situation on them trusting their inner feelings. Majority respondents said they do a deep-research before making any investment related decision.

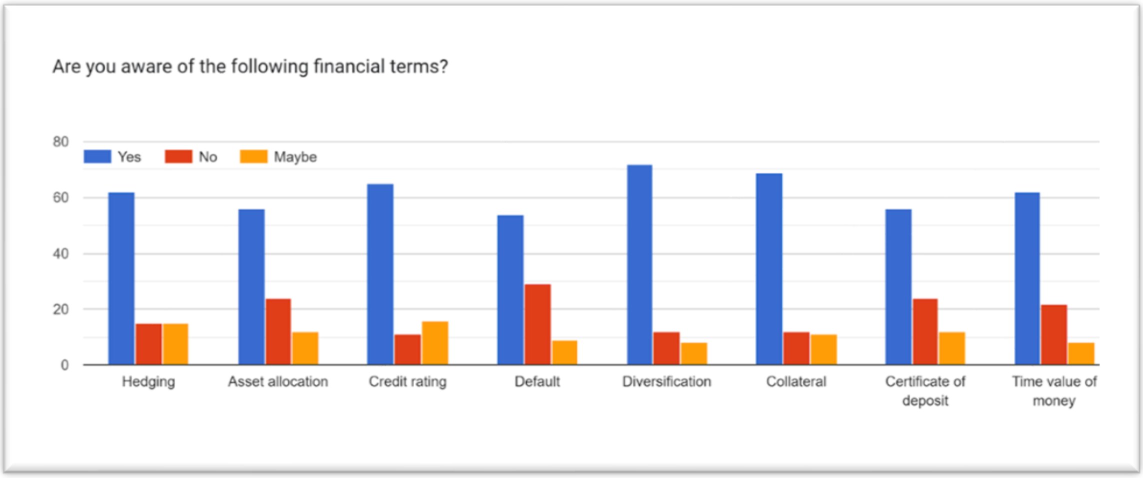
Fig 3.5.11 Statements to understand investment decision making



Source: Primary

3.5.12 Financial Literacy

Fig 3.5.12 Financial Literacy

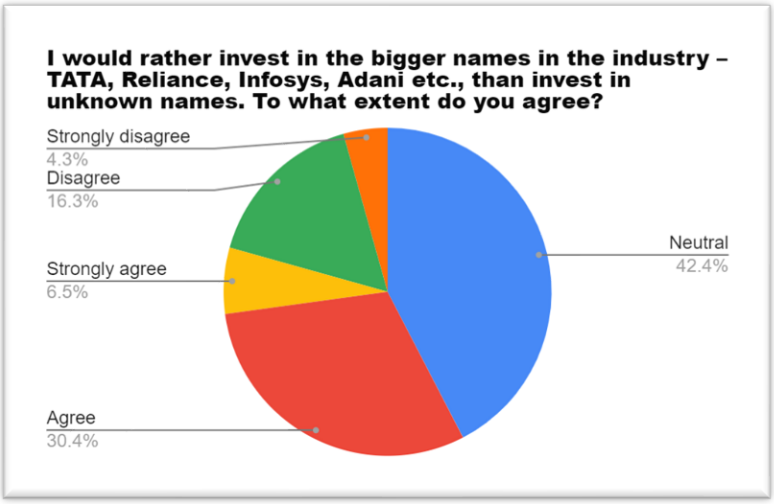


Source: Primary

Most of the respondents said they knew the financial terms stated above so financial literacy among respondents was quite high. Though some said they didn’t knew about the terms or may have just heard about it.

3.5.13 Behavioural Biases

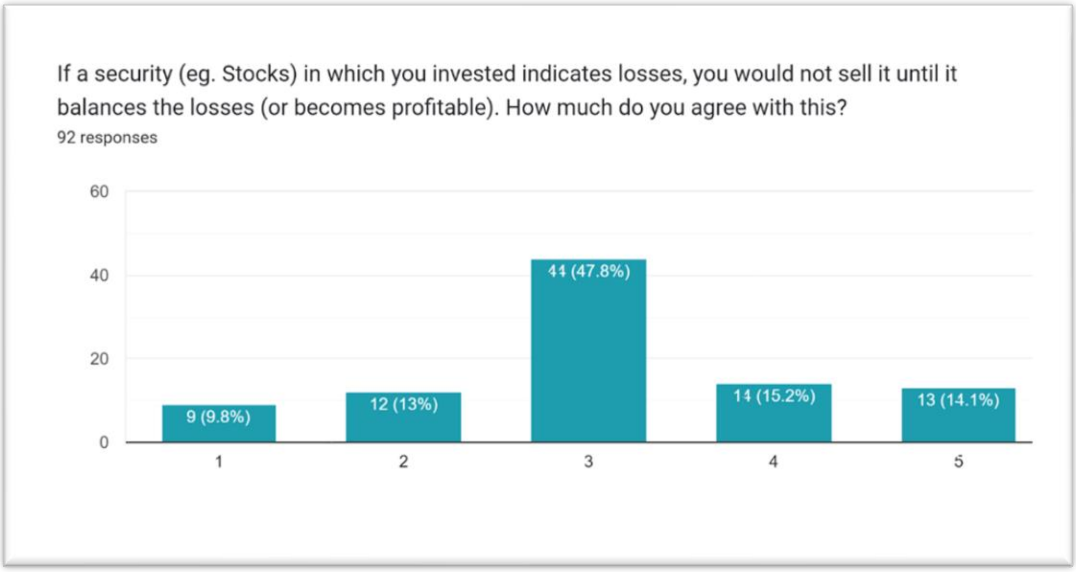
Fig 3.5.12 Familiarity / Experiential Bias



Source: Primary

With respect to this question, majority respondents (42.4%) were neutral and 30.4% said they agree to this statement which means they face familiarity / experiential bias.

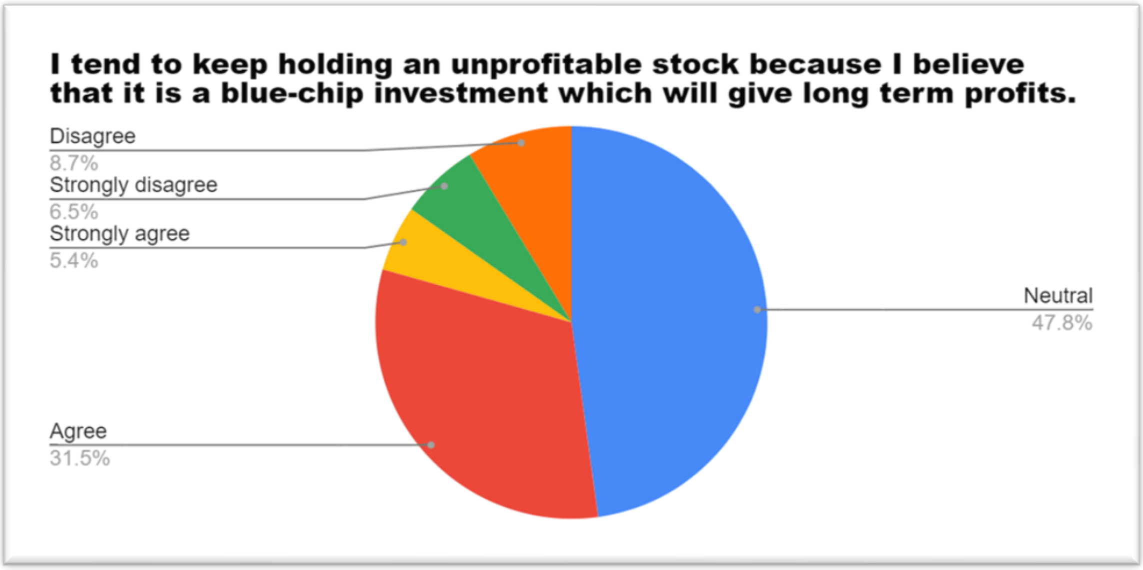
Fig 3.5.13 Disposition effect / Regret aversion bias



Source: Primary

Majority respondents said they were neutral with this statement while 15.2% & 14.1% said they agree or strongly agree with this statement which means they were facing both of these biases. Only 22.8% respondents said they do not agree with the statement which means they were not facing these biases.

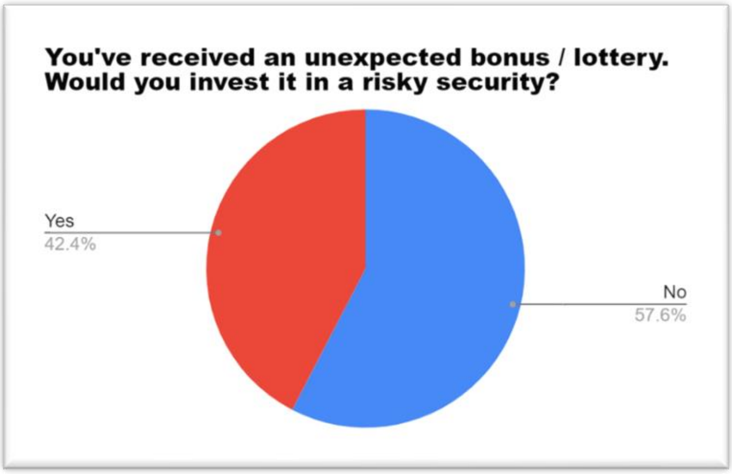
Fig 3.5.14 Regret Aversion / Disposition Effect



Source: Primary

Majority respondents said they were neutral with this statement while 31.5% & 5.4% said they agree or strongly agree with this statement which means they were facing both of these biases. Only 15.2% respondents said they do not agree with the statement which means they were not facing these biases.

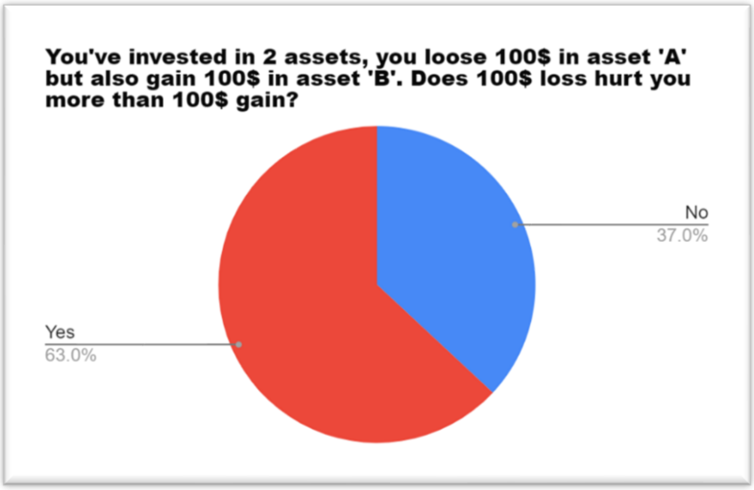
Fig 3.5.15 Mental Accounting Bias



Source: Primary

57.6% or majority respondents said they wouldn't invest money received in bonus in risky securities which means they are not prone to mental accounting bias. While 42.4% respondents said yes which means they suffered with this bias

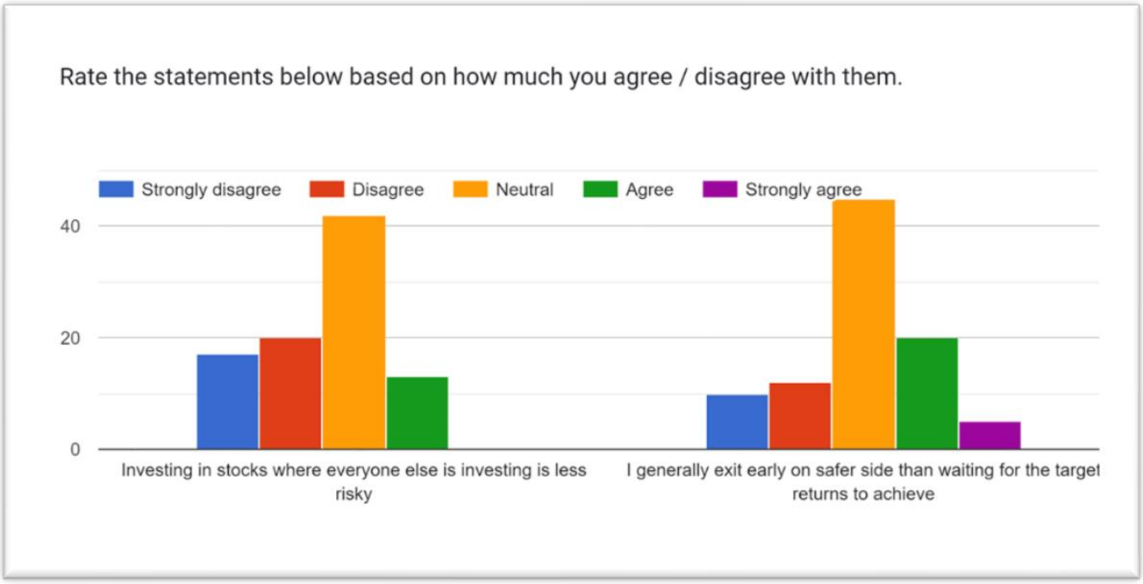
Fig 3.5.16 Loss Aversion Bias



Source: Primary

Loss aversion bias was prominent among investors with 63% respondents saying they get hurt when they loose equal amount of what they gained.

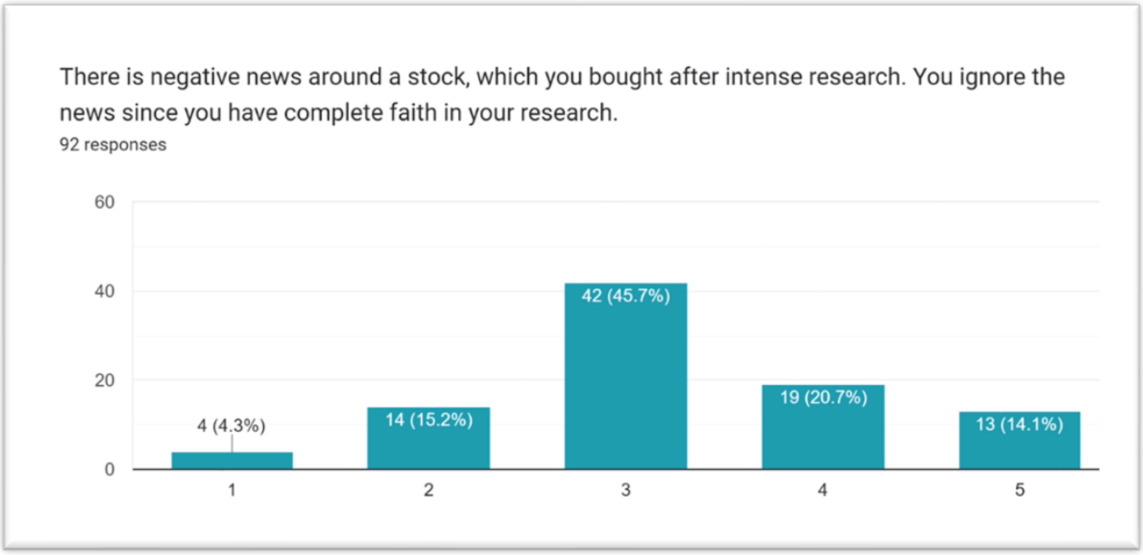
Fig 3.5.17 Herding Bias



Source: Primary

Majority respondents said they were neutral with the statements while some agreed with the statements which means they were facing this bias. While some still disagreed with the statements which means they weren't facing the bias.

Fig 3.5.18 Herding Bias



Source: Primary

Majority respondents said they were neutral with this statement while 20.7% & 14.1% said they agree or strongly agree with this statement which means they were facing both of these biases. Only 19.5% respondents said they do not agree with the statement which means they were not facing these biases.

3.6 Hypothesis testing

$\boldsymbol{H_0}$: Financial literacy has no significant influence on the investment decisions of the individual investor.

v/s

$\boldsymbol{H_1}$ **:** Financial literacy has a significant favorable influence on the investment decisions of the individual investor.

Table 1: Correlation between Financial Literacy and Investment Decision Making								
	H	**AA**	**CR**	**D**	**Di**	**C**	**CD**	**TVM**
IF	-0.101	-0.047	0.0297	0.039	0.0835	0.1704	-0.062	0.108
R&S	0.241	0.193	0.102	0.166	-0.034	0.209	0.139	0.0754

Where,

H = Hedging

AA = Asset allocation

CR = Credit rating

D = Default

Di = Diversification

C = Collateral

CD = Certificate of Deposit

TVM = Time value of money

IF = Trusting Inner feelings

R&S = Doing deep research and study before investing

The above table shows the correlation analysis between Financial Literacy and Investment Decision Making. The results show a weak positive and a weak negative relationship between variables. It can be understood from the results generated in testing the hypotheses that financial literacy does have a significant positive impact on investment decision making.

CHAPTER 4:

FINDINGS OF THE STUDY

4.1 To Understand the effect of behavioural biases on investment decisions of individual investors.

The results of the study show that behavioural biases do have a significant positive relationship on the investment decision of individuals.

Quantitative data has shown that behavioural biases can have a significant impact on investment decisions made by individual investors. For instance, a study conducted by researchers at the Indian Institute of Technology found that familiarity bias significantly influences investment decisions made by individual investors. The study analyzed the investment patterns of individual investors in the Indian securities market and found that investors tend to invest in companies they are familiar with, resulting in a suboptimal investment portfolio.

Another study conducted by researchers at the University of California, Los Angeles found that loss aversion bias leads to suboptimal investment decisions. The study analyzed the investment decisions of individual investors in the United States and found that investors tend to be more risk-averse when faced with potential losses, leading to suboptimal investment decisions.

Additionally, a study conducted by researchers at the University of Cambridge found that herding bias influences investment decisions made by individual investors. The study analyzed the investment decisions of individual investors in the United Kingdom and found that investors tend to follow the actions of others, leading to suboptimal investment decisions and creating market bubbles.

Furthermore, a study conducted by researchers at the University of Michigan found that regret aversion bias influences investment decisions made by individual investors. The study analyzed the investment patterns of individual investors in the United States and found that investors tend to avoid making decisions that may result in regret, leading to missed investment opportunities and suboptimal returns.

4.2 To study the impact of demographic factors on behavioural biases.

Demographic factors such as age, gender, education, income, and experience can also have an impact on behavioural biases in investment decision-making processes.

Age is an important demographic factor that influences investment behaviour. Younger investors are more likely to take risks and invest in high-risk, high-return securities, while older investors may be more risk-averse and prefer less risky investments. Age can also affect investors' cognitive abilities, such as memory and processing speed, which can impact their decision-making processes.

Gender is another important demographic factor that can affect investment behaviour. Studies have shown that women tend to be more risk-averse than men and may invest less in equities. This can be attributed to various factors such as social norms, lack of financial education, and differences in risk perception.

Education and income levels can also influence investment behaviour. Higher levels of education may lead to better financial literacy and understanding of investment concepts, which can result in more informed and rational investment decisions. Similarly, higher income levels may lead to a more significant willingness to take risks and invest in high-return securities.

Experience is another important factor that can impact investment behaviour. Experienced investors may be more familiar with the financial market and investment concepts, leading to more informed decision-making. However, experience can also lead to overconfidence, leading to suboptimal investment decisions.

In conclusion, demographic factors can play a significant role in the formation of behavioural biases in investment decision-making processes. Age, gender, education, income, and experience can all have an impact on investment behaviour and decision-making. It is essential to recognize these factors and take them into account while making investment decisions to mitigate the effects of behavioural biases. Investors should also seek professional advice and implement financial planning to make informed investment decisions that align with their financial goals and risk tolerance.

4.3 To understand the effect of financial literacy on investment decision making

The effect of financial literacy on investment decision making has been a topic of interest for researchers in the field of finance and economics. Several studies have been conducted to examine the impact of financial literacy on investment decision making.

One finding from these studies is that financial literacy has a positive impact on investment behavior. In other words, individuals who are more financially literate tend to make better investment decisions and achieve higher returns on their investments. For example, a study conducted by the Securities and Exchange Board of India (SEBI) found that individuals who were more financially literate were more likely to invest in equity mutual funds and experienced higher returns than those who were less financially literate.

Moreover, financial literacy has been found to have a significant impact on investment decision making among older adults. A study conducted by researchers at the University of Wisconsin-Madison found that older adults who were more financially literate were more likely to engage in investment activities, such as holding stocks, and had higher levels of financial well-being.

Financial literacy has also been found to be important in mitigating the impact of behavioural biases on investment decision making. For instance, individuals who are more financially literate may be better equipped to recognize and avoid common biases, such as overconfidence and herding behavior, that can lead to suboptimal investment decisions.

However, it is important to note that financial literacy alone may not be sufficient for making optimal investment decisions. Other factors, such as access to information and professional financial advice, can also play an important role in investment decision making.

In conclusion, the findings suggest that financial literacy has a positive impact on investment decision making, particularly in terms of achieving higher returns and mitigating the impact of behavioural biases. Therefore, individuals should prioritize improving their financial literacy through education and training to make more informed and effective investment decisions.

CHAPTER 5:

CONCLUSION

Behavioural biases can have a significant impact on individual investors' investment decision-making processes. These biases are influenced by various psychological factors, such as familiarity, experiential, disposition effect, herding, regret aversion, mental accounting, and loss aversion. These biases can result in irrational and suboptimal investment decisions, leading to financial losses and missed opportunities.

The study suggests that investors in the Indian securities market are particularly susceptible to these biases. As a result, it is essential for investors to recognize and avoid their behavioural biases. This can be achieved by seeking professional advice from financial planners, who can provide objective and unbiased advice to help investors make informed investment decisions.

Moreover, investors should implement financial planning and set realistic and achievable objectives. They should consider all the mechanisms of the financial market, such as diversification, asset allocation, and risk management, while making investment decisions.

Recognizing and mitigating behavioural biases is crucial for investors to achieve their financial goals. It is important to understand that these biases are not necessarily meant to make investors irrational, but to help them understand how they process information and act on it. By recognizing and avoiding these biases, investors can make informed decisions that align with their financial goals and risk tolerance.

Investors should also understand that investing involves risk, and there are no guarantees of returns. Therefore, it is important to create a diversified portfolio that can help mitigate risks and provide opportunities for growth.

In conclusion, behavioural biases can significantly impact individual investors' investment decision-making processes, particularly in the Indian securities market. However, by recognizing and avoiding these biases, seeking professional advice, implementing financial planning, and considering all the mechanisms of the financial market, investors can make informed decisions that align with their financial goals and risk tolerance. Investors must understand that investing involves risk, and it is crucial to create a diversified portfolio to mitigate risks and provide opportunities for growth.

5.1 Scope for future study

- Since the study is confined to respondents of only few cities in India, the present study is at a regional level, it could be extended to state and national, and international levels.
- The exploration into the other behavioural biases and also a comparative study of cognitive bias and emotional bias would also provide meaningful insight into the investment behaviour.
- Further, this study takes into account, only the behaviour of individual investors. In-depth coverage of institutional investors could be suggested.
- In India, the behavioural biases are mostly studied using survey-based techniques. In contrast, the possibility of researching this area with the help of secondary data is still untapped in the Indian context. Therefore, secondary data can be utilized for detecting the impact of behavioural biases on other market indicators, e.g. P/E ratio, moving average, and others.

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APPENDIX

Questionnaire

1. Age
   - 18-25
   - 26-32
   - 33-39
   - 40-46
   - 47-54
   - 55 & above

2. Gender
   - Male
   - Female
   - Other

3. City

4. Annual Household Income
   - Below 2 lakhs
   - 2-5 Lakhs
   - 6-15 Lakhs
   - 16-25 Lakhs
   - Above 25 Lakhs

5. Educational Qualification
   - Graduate
   - Post Graduate
   - Professional
   - Other

6. Occupation
   - Student
   - Business
   - Salaried
   - Retired
   - Housewife

7. What is the primary motive of your investment?
    - Achieve higher returns
    - Moderately fair returns at minimal risk
    - No capital loss / no risk / low or no exposure in equity

8. What sources do you use to gather information to make any investment?
    - Personal Research
    - Friends / relatives
    - Newspaper / magazine / journal
    - Television
    - Financial advisors / portfolio managers
    - Internet
    - Other

9. In general terms, what proportion of your income would you prefer to invest?
    - 0-10%
    - 10-20%
    - 20-30%
    - 30% & above

10. What type of investor are you?

- Short term
- Long term
- Day trader
- Not yet started investing

11. Rate the statements below based on how much you agree / disagree with them.
    - When making an investment, I trust my inner feelings and reactions.
    - I do a deep research and study before making any investment decision.

12. Are you aware of the following financial terms? (Yes / No / Maybe)
    - Hedging
    - Asset allocation
    - Credit rating
    - Default
    - Diversification
    - Collateral

- Certificate of deposit
- Time value of money

13. I would rather invest in the bigger names in the industry – TATA, Reliance, Infosys, Adani etc., than invest in unknown names. To what extent do you agree?

14. If a security (eg. Stocks) in which you invested indicates losses, you would not sell it until it balances the losses (or becomes profitable). How much do you agree with this?

15. I tend to keep holding an unprofitable stock because I believe that it is a blue-chip investment which will give long term profits.

16. You've received an unexpected bonus / lottery. Would you invest it in a risky security?
    - Yes
    - No

17. You've invested in 2 assets, you loose 100$ in asset 'A' but also gain 100$ in asset 'B'. Does 100$ loss hurt you more than 100$ gain?
    - Yes
    - No

18. Rate the statements below based on how much you agree / disagree with them.
    - Investing in stocks where everyone else is investing is less risky
    - I generally exit early on safer side than waiting for the target returns to achieve

19. There is negative news around a stock, which you bought after intense research. You ignore the news since you have complete faith in your research.