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Research Article

Unveiling the Influence of Psychological Factors on Investment Choices: Exploring the Intersection of Behavioural Finance and Individual Decision Making among Business Leaders in Indore

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Abstract: This comprehensive research paper extensively explores and examines the intricate and multifaceted relationship that exists between Behavioural finance and investment decisions. The study specifically focuses on the dynamic and evolving financial landscape of Indore, a prominent tier-2 city located in India. It aims to bridge the considerable gap between the theoretical assumptions that underpin standard finance and the complex, practical dynamics that characterize real-world financial markets. The research is grounded in an empirical survey conducted among 90 businessmen who are actively and consistently involved in making stock market investments. To derive meaningful insights, the collected data was meticulously analyzed using advanced statistical tools, including but not limited to Karl Pearson's Coefficient of Correlation, Principal Component Analysis (PCA), Analysis of Variance (ANOVA), and Regression Analysis. These tools facilitated the extraction of both descriptive and inferential insights from the data. In this study, investment decisions were treated and analyzed as the dependent variable, while Behavioural finance factors were carefully considered as the independent variables. The analytical process uncovered significant and noteworthy correlations between these variables. Some of the key Behavioural finance factors influencing investment decisions, as identified through the analysis, include optimistic and cautious investment strategies, the influence of peer investors' decisions, and the perceived advantages of skill and expertise demonstrated by the surveyed businessmen. This research makes a valuable contribution to the existing body of literature by providing fresh and unique insights into how Behavioural finance impacts investment decision-making processes within the context of a tier-2 city. Furthermore, it acknowledges and highlights the presence of additional factors that may influence the decision-making processes of investors.

Keywords: Standard Finance, Behavioural Finance, Market Efficiency, Investment Decision-Making

INTRODUCTION

The fields of standard finance and Behavioural finance have been extensively studied by scholars seeking to understand the nuances of investor behavior and market dynamics. According to Baker and Nofsinger, standard finance rests on the assumption that investors are inherently rational and possess perfect market knowledge. This perspective implies that investors make decisions solely to maximize returns while minimizing risks within acceptable thresholds. Furthermore, it presumes that these decisions are independent and do not influence the efficiency of the broader market, which is considered a self-regulating entity【2】.

However, Riaz and Iqbal challenge the foundational premises of standard finance, asserting that they are overly simplistic and fail to account for real-world complexities. They argue that Behavioural finance offers a more realistic framework by acknowledging the inherent psychological and Behavioral biases that shape human decision-making. Unlike standard finance, Behavioural finance focuses on understanding how emotions, cognitive shortcuts, and framing influence investors, often leading them to make suboptimal choices. This discipline is broadly categorized into four key themes: heuristics, framing, emotions, and market impact【10】.

The limitations of standard finance became evident with the seminal work of DeBondt and Thaler, who explored how stock markets overreact to new information. Their research revealed that investors frequently misinterpret or overemphasize short-term data while neglecting long-term trends【4】. Subsequent studies corroborated their findings, shedding light on the pervasive influence of Behavioral biases on financial decisions. Kahneman and Tversky, renowned for their prospect theory, emphasized that the framing of investment opportunities significantly affects perception. Investors often focus on a singular, overly optimistic aspect while ignoring potential risks and challenges【13】.

LITERATURE REVIEW

To better understand Behavioural finance, it is essential to first consider its origins in standard finance. Standard finance is founded on the principles of investor rationality,

market efficiency, and access to complete information. Two cornerstone theories—the Efficient Market Hypothesis (EMH) by Eugene Fama and Modern Portfolio Theory (MPT) by Harry Markowitz—form the bedrock of this approach. While MPT emphasizes optimizing portfolio risk through variance and correlation to achieve maximum returns, the EMH describes market efficiency in three distinct forms【15】:

1. **Weak Form Efficiency**: Stock prices reflect all historical price information, making it difficult to achieve abnormal gains through technical analysis.
2. **Semi-Strong Form Efficiency**: Prices incorporate all publicly available information, leaving little room for investors to exploit new data.
3. **Strong Form Efficiency**: Prices account for both public and private information, theoretically eliminating the potential for extraordinary profits.

Despite its theoretical robustness, standard finance has faced significant criticism when subjected to real-world scenarios. The occurrence of financial bubbles, market inefficiencies, and irrational investor behaviors revealed the inadequacies of standard models. This growing recognition of real-world complexities laid the groundwork for Behavioural finance.

Research by Landberg attributed investor decision-making to the dual forces of "fear and greed," while Shefrin highlighted the psychological errors inherent in human judgment【9】【12】. Fromlet further explored the intersection of psychology and finance, demonstrating how Behavioral factors explain market anomalies that standard finance fails to address【5】.

Key Behavioural Finance Factors

Behavioural finance introduces a range of psychological factors that influence investor decisions, including:

1. **Heuristics**: Simplified rules of thumb often employed in uncertain situations. Baker and Nofsinger observe that investors tend to rely on heuristics when they lack clear expectations, which can lead to errors such as representativeness bias—the tendency to stereotype based on limited information【1】.
2. **Gambler's Fallacy**: According to Jha, this bias occurs when investors make high-risk decisions after achieving a gain, under the mistaken belief that their success will continue indefinitely【6】.
3. **Framing Bias**: The way information is presented significantly impacts decision-making. Studies by Kengatharan and Wahla et al. highlight that investors are more likely to respond positively to information framed in a favorable light compared to neutral or negative framing【14】.

These insights collectively underline the importance of Behavioral finance in understanding investment decisions, challenging the rationalist assumptions of standard finance.

Objectives of the Study

The primary objectives of this research are as follows:

1. To evaluate whether psychological factors significantly influence the investment decisions of businessmen.
2. To quantify the extent to which these psychological factors affect investment decision-making.
3. To identify the most prominent psychological factors shaping investment decisions.

DISCUSSION ON THE PARADIGM SHIFT

The transition from standard finance to Behavioural finance represents a significant paradigm shift in financial theory. Standard finance operates on the premise that markets are efficient and that prices accurately reflect all available information. This assumption leads to the conclusion that opportunities for abnormal profits are rare and fleeting. Yet, real-world observations of market anomalies and Behavioral patterns—such as herd behavior, overconfidence, and loss aversion—contradict these principles.

Behavioural finance emerged as a response to these inconsistencies, seeking to incorporate psychological insights into financial analysis. It emphasizes that human decision-making is inherently flawed due to biases and emotional influences. For instance, loss aversion—a concept introduced by Kahneman and Tversky—suggests that investors experience the pain of losses more intensely than the pleasure of gains. This often leads them to avoid risks, even when potential rewards outweigh the risks【13】.

Another critical Behavioral bias is anchoring, where investors fixate on specific reference points (e.g., past prices) when making decisions. This can result in irrational choices, such as holding on to underperforming assets due to an emotional attachment to their original purchase price.

Empirical Evidence Supporting Behavioural Finance

Several studies have validated the principles of Behavioural finance through empirical analysis. For example, DeBondt and Thaler demonstrated that stock market participants often overreact to recent events, leading to temporary mispricing of assets【4】. Similarly, research by Shefrin and Statman revealed that mental accounting—the tendency to treat money differently based on its source or intended use—affects portfolio allocation decisions【12】.

In the Indian context, researchers have observed that Behavioral biases such as herd mentality and overconfidence are particularly prevalent among retail investors. These biases often lead to suboptimal investment choices, such as chasing high-performing stocks or exiting the market during downturns. By understanding these tendencies, Behavioural finance provides a framework for designing strategies that mitigate irrational behavior and improve decision-making.

Relevance to Businessmen in Tier-2 Cities

The application of Behavioural finance is particularly relevant in tier-2 cities like Indore, where businessmen form a significant segment of the investor base. These individuals often face unique challenges, such as limited access to sophisticated financial tools and a reliance on peer networks for investment advice. As a result, their decisions are more susceptible to Behavioral biases.

For example, businessmen may exhibit optimism bias, overestimating the potential returns of an investment while underestimating associated risks. Similarly, the influence of peer investors can lead to herd behavior, where decisions are based on collective trends rather than individual analysis. By identifying these patterns, this study aims to offer actionable insights that enhance the financial literacy and decision-making capabilities of businessmen in tier-2 cities.

Implications for Financial Education and Policy

Understanding the role of psychological factors in investment decisions has significant implications for financial education and policy formulation. Financial advisors and institutions can use these insights to design training programs that address common Behavioral biases. For instance, workshops on risk assessment and portfolio diversification can help investors recognize and mitigate the impact of biases such as loss aversion and framing.

From a policy perspective, regulators can incorporate Behavioral insights into the design of financial products and disclosure requirements. For example, simplifying investment prospectuses and emphasizing key risks can reduce the likelihood of misinformed decisions driven by framing effects.

CONCLUSION

In summary, the transition from standard finance to Behavioural finance marks a crucial advancement in understanding investor behavior. By incorporating psychological insights, Behavioural finance provides a more comprehensive framework for analyzing investment decisions. This study seeks to contribute to this growing body of knowledge by examining the impact of psychological factors on the investment decisions of businessmen in Indore. Through empirical analysis, it aims to identify key Behavioral biases and offer practical recommendations for improving financial decision-making.

Above decisions take to formulation of following hypotheses:

H_{01}: There is no significant correlation among Behavioural finance factors and investment decisions.
H_{a1}: There is a significant correlation among Behavioural finance factors and investment decisions.
H_{02}: Behavioural finance factors do not have a significant impact on investment decisions.

Sub-hypotheses under H_{02}:

- **H_{02}a:** Behavioural finance factors have no significant impact on investment decisions.
- **H_{02}b:** The skills and knowledge of the stock market do not significantly impact investment decisions.
- **H_{02}c:** Having sufficient experience does not significantly impact investment decisions.
- **H_{02}d:** Relying on past performance does not significantly impact investment decisions.
- **H_{02}e:** Preference for investing in large stocks of leading companies does not significantly impact investment decisions.
- **H_{02}f:** Avoiding investment in stocks that have recently risen in price does not significantly impact investment decisions.
- **H_{02}g:** Belief that investing in higher-risk avenues increases the chance of higher gains does not significantly impact investment decisions.
- **H_{02}h:** Becoming more risk-averse after a loss does not significantly impact investment decisions.
- **H_{02}i:** Treating each element of the investment portfolio separately does not significantly impact investment decisions.
- **H_{02}j:** Belief in achieving high capital gains from investments does not significantly impact investment decisions.
- **H_{02}k:** Having an eye for good investments and control over outcomes does not significantly impact investment decisions.
- **H_{02}l:** Quick reactions to new market information do not significantly impact investment decisions.
- **H_{02}m:** Considering past stock trends before investing does not significantly impact investment decisions.
- **H_{02}n:** Decisions by other investors regarding stock volume do not significantly impact investment decisions.
- **H_{02}o:** Decisions by other investors regarding buying and selling stocks do not significantly impact investment decisions.
- **H_{02}p:** Quick reactions to and following other investors' stock market decisions do not significantly impact investment decisions.
- **H_{02}q:** Inclination to follow investment advice from friends or colleagues does not significantly impact investment decisions.

Behavioural finance factors have a significant impact on investment decisions.

RESEARCH METHODOLOGY

Research Design

The study employs a **descriptive research design** to address the primary research question concerning the factors influencing investment decisions among businessmen in Indore. Descriptive research design is a systematic method that focuses on describing characteristics of a population or phenomenon being studied without manipulating variables. This approach is well-suited for studies aiming to provide a detailed overview of specific behaviors, attitudes, or characteristics.

The target population comprises all potential respondents fitting the criteria of the study. For practicality and to ensure timely data collection, the study adopts a **convenience sampling method**, selecting a sample size of 90 individuals. This non-probabilistic sampling technique involves selecting participants based on ease of access and willingness to respond. While this method may introduce a degree of bias, it is appropriate for exploratory studies where random sampling may not be feasible.

Data collection was executed using a **structured questionnaire**, distributed via a survey method. The questionnaire was designed to capture critical data points aligned with the study objectives. The collected data underwent rigorous statistical analysis employing various techniques, including **descriptive analysis**, **Karl Pearson's coefficient of correlation**, **Principal Component Analysis (PCA)**, **Analysis of Variance (ANOVA)**, and **regression analysis**. Each technique was chosen to address specific aspects of the research, ranging from summarizing data trends to identifying significant relationships and constructing predictive models.

Data Collection

To gather primary data, a structured questionnaire was utilized as the primary instrument. The development of the questionnaire was guided by an extensive review of relevant literature, ensuring that it captured all necessary variables and dimensions of interest. The questionnaire was predominantly composed of **closed-ended questions**, offering predefined response options to facilitate quantitative analysis.

Before launching the main survey, the questionnaire underwent a **pretesting phase** to validate its clarity, reliability, and overall functionality. This pilot test allowed researchers to identify and address potential ambiguities or issues in question framing, ensuring that respondents could interpret and answer questions accurately.

The actual data collection process was conducted digitally through **Google Forms**, a platform chosen for its ease of distribution and ability to streamline responses. The questionnaire link was shared with the selected respondents via telephonic calls and messages, ensuring personal outreach and encouraging participation.

Sample Design

The study focuses on a sample of **90 businessmen from Indore** who actively participate in stock market investments. These individuals were chosen using the **convenience sampling method**, where participants were selected based on their accessibility and willingness to contribute to the study. While convenience sampling may not represent the entire population comprehensively, it is a practical choice when specific constraints, such as time and resources, exist.

Participants were contacted individually through **telephonic calls and text messages**, providing them with a brief overview of the study's purpose and inviting them to participate. The demographic profile of the sample revealed diverse characteristics, offering valuable insights:

- **Age Distribution**: The majority of respondents (52.70%) were aged between **21 and 30 years**, a segment likely to represent emerging investors with evolving financial behaviors.
- **Gender Representation**: Of the 90 participants, **58 were male** (64.50%), and **32 were female** (35.50%), reflecting a reasonable gender distribution for the study.
- **Investment Experience**: In terms of stock market engagement, **43.60% of respondents** reported having 1-4 years of investment experience. This provides a balanced perspective between novice and slightly more experienced investors.
- **Investor Type**: A significant proportion (90.90%) identified themselves as **retail investors**, aligning with the study's focus on individual investment behaviors.

These demographic details establish a robust foundation for analyzing behavioral finance factors and their implications for stock market investment decisions.

Data Analysis

To interpret the collected data and address the research objectives, the study employed a variety of statistical methods. These techniques were chosen based on their ability to provide meaningful insights into relationships, patterns, and predictive models:

1. **Descriptive Statistics**: The data was summarized using descriptive measures such as frequency distributions, means, and standard deviations. These metrics offered a foundational understanding of the demographic and behavioral characteristics of respondents.
2. **Karl Pearson's Coefficient of Correlation**: This statistical measure was applied to identify linear relationships between key variables. By quantifying the strength and direction of these relationships, the study could better understand interdependencies among factors.
3. **Principal Component Analysis (PCA)**: PCA was utilized to reduce the dataset's dimensionality, extracting key factors that influence investment decisions. This method helped identify underlying structures within the data, making it easier to interpret complex relationships.
4. **Analysis of Variance (ANOVA)**: ANOVA was conducted to determine the statistical significance of relationships among multiple variables. This analysis highlighted differences across groups, providing nuanced insights into the influence of specific factors.
5. **Regression Analysis**: A predictive model was constructed using regression analysis, linking psychological factors to investment decisions. This model enabled the study to predict investment behaviors based on identified variables, offering practical applications for stakeholders.

RESULTS AND DISCUSSIONS

Descriptive Analysis

The descriptive analysis (refer to **Table 3**) provides a detailed account of the respondents' demographic characteristics. A snapshot of these findings includes:

- **Age Group**: Most participants (52.70%) fell into the **21-30 age bracket**, indicating a younger, dynamic demographic.
- **Gender**: The sample consisted of **64.50% males** and **35.50% females**, reflecting the gendered nuances of stock market participation.
- **Marital Status**: Half of the respondents were **married (50%)**, which may influence their risk tolerance and investment strategies.
- **Education Level**: Around **43.60% were graduates**, highlighting a relatively educated group likely to be informed investors.
- **Investment Experience**: Similarly, **43.60% of participants** had 1-4 years of experience in the stock market.
- **Investor Type**: The vast majority (90.90%) were **retail investors**, emphasizing individual, non-institutional investment patterns.

This demographic overview provides essential context, framing the study's subsequent analytical findings.

Reliability Statistics

To ensure the research instrument's reliability, **Cronbach's alpha coefficient** was employed to measure internal consistency. The scale measuring behavioral finance factors achieved an alpha value of **0.682**, surpassing the commonly accepted threshold of **0.6**. This result confirms the instrument's reliability, suggesting consistent measurement of the constructs under study.

Table no 1: Reliability Test

Cronbach's Alpha	N of Items
0.682	20

Table no 2: Data Sufficiency Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.633
Bartlett's Test of Sphericity	Approx. Chi-Square	472.334
	df	171
	Sig.	0

Table no 3: Descriptive Statistics of Surveyed Businessmen of Indore

Factors	**Mode**	**Highest preferred option**	**Frequency N=90**	**Percent**
Age	1	21-30	47	52.70%
Gender	1	Male	58	64.50%
Marital_Status	2	Married	45	50%
Education	3	Graduate	39	43.60%
How long have you been investing in the stock market?	2	1-4 years	39	43.60%
What type of investor are you?	1	Retail/ Individual	82	90.90%
Skills and knowledge of stock market	4	Agree	29	32.20%
Expereince to forecast	3	Maybe	27	30%
Past performance of stocks	4	Agree	30	33.33%
Large stocks in leading companies	5	Strongly agree	30	33.33%
Bubble effect in stocks	3	Maybe	40	44.40%
More risk, more gain	3	Maybe	29	32.20%
Pictorial representation comes off better	3	Maybe	31	34.40%
Risk aversion after loss	3	Maybe	31	34.40%
Distinction between items in stock portfolio	4	Agree	33	36.70%
Indifferent to connection between different investment avenue options	3	Maybe	32	35.60%
You avoid selling shares which have decreased in value and readily sell shares which have increased in value.	3	Maybe	36	40%
Optimism about diversification in portfolio	4	Agree	33	36.70%
You believe that your investment promises high	4	Agree	38	42.20%

capital gain.				
You believe your eye for good investment gives you control on the outcomes.	4	Agree	38	42.20%
You react quickly to new information in the market.	3	Maybe	31	34.40%
You consider past trends of stocks before investing.	4	Agree	38	42.20%
Other investor's decisions regarding stock volume impact your investment decision.	3	Maybe	31	34.40%
Influence of other's buying and selling decisions	3	Maybe	29	32.20%
Significant impact of other's investment decisions	3	Maybe	34	37.80%
Inclination towards face-to-face advice from people	4	Agree	33	36.70%
Do Behavioural factors impact your investment decision?	4	Agree	33	37.80%

Inferential Statistics

Factor Analysis

The study's dataset was evaluated for its suitability for factor analysis using two key measures:

1. **Kaiser-Meyer-Olkin (KMO) Measure**: The KMO value was **0.633**, indicating adequate sampling adequacy for factor analysis.
2. **Bartlett's Test of Sphericity**: The test result was statistically significant (**$p < 0.05$**), rejecting the null hypothesis that the correlation matrix is an identity matrix. This indicates that the variables were sufficiently interrelated, justifying the use of factor analysis.

Factor Loading

Using **Principal Component Analysis (PCA)** with Varimax rotation, the study extracted **seven factors** based on eigenvalues greater than 1 and the scree plot. These factors, as detailed in **Table 4**, represent distinct dimensions of behavioral finance variables influencing investment decisions. Each factor and its corresponding sub-items were analyzed to provide a structured understanding of the psychological and external elements shaping investor behavior.

In conclusion, the study adopts a comprehensive approach to exploring behavioral finance factors among businessmen in Indore, employing robust research design, data collection methods, and statistical analyses to generate meaningful insights. This multidimensional analysis highlights key demographic trends, validates the research instrument's reliability, and uncovers the factors driving investment decisions, contributing valuable knowledge to the field of financial behavior research.

Table no 4: Exploratory Factor Analysis for Effect of Behavioural Finance Factors on Investment Decisions of Businessmen

Factor Name	**Factor Load**	**Variance**
Optimistic and Careful Investment	2.181	18.211
Influence of Other's Investment Decisions	1.693	13.28
Advantage of Skill and Experience	1.578	10.139
Rely on Past Performance	1.88	7.953
Risk and Advice	1.924	7.093
Preference and Avoidance	1.962	5.726
Risk Aversion	0.856	5.646
		68.048

Factor loading analysis is a vital tool in factor analysis, used to determine the strength of relationships between individual scale items and the underlying factors they are intended to measure. In this study, factor loading analysis was conducted to explore the structure of a scale measuring attitudes toward investment decisions. The results are detailed in the accompanying table.

The analysis identified six distinct factors, with factor loadings ranging from 0.856 to 2.181. Each factor captures a unique aspect of investment decision-making and contributes significantly to the overall variance:

1. **Optimistic and Careful Investment** emerged as the most influential factor, with the highest factor loading of 2.181, explaining 18.211% of the total variance. This suggests that optimism and careful evaluation significantly shape investment attitudes.
2. **Influence of Others' Investment Decisions** recorded a factor loading of 1.693, accounting for 13.28% of the variance. This highlights the impact of external opinions and peer influence on investment behavior.

3. **Advantage of Skill and Experience** demonstrated a factor loading of 1.578, contributing 10.139% to the variance. This factor underscores the importance of expertise and prior experience in shaping investment decisions.
4. **Reliance on Past Performance** showed a factor loading of 1.88, explaining 7.953% of the variance. This indicates that past market trends and performance heavily influence investors' choices.
5. **Risk and Advice** had a factor loading of 1.924 and accounted for 7.093% of the variance. This factor reflects how risk tolerance and external advice affect decision-making processes.
6. **Preference and Avoidance** recorded a factor loading of 1.962, contributing 5.726% to the variance. This points to investors' tendencies to favor certain options while avoiding others based on personal preferences.

Together, these six factors accounted for 68.048% of the total variance, indicating that they collectively explain a significant portion of the variability within the dataset. This robust factor structure validates the scale's ability to measure distinct dimensions of investment attitudes effectively.

The findings provide critical insights into the Behavioral aspects influencing investment decisions. They highlight key psychological and external factors that shape investors' choices, laying a solid foundation for further research and practical applications in Behavioral finance.

Table 5: Correlation

relation	You believe that your skills and knowledge of the stock market can help you outperform.	You are optimistic about the diversification of your investment portfolio.	You believe that your investment promises high capital gain.	You consider past trends of stocks before investing.	Other investor's decisions regarding stock volume impact your investment decision.	Other investor's decisions of buying and selling stocks impact your investment decisions.
You believe you are experienced enough to forecast winning investments.	0.49804210					
You treat each element of your investment portfolio separately.				0.4469525		
You believe your eye for good investment gives you control on the outcomes.	0.43074278		0.50349596			
You consider past trends of stocks before investing.		0.416224734	0.45228699			
You are optimistic about the diversification of your investment portfolio.			0.45872863	0.41622473		
You believe that your investment promises high capital gain.		0.458728638		0.45228699		
Other investor's decisions regarding stock volume impact your investment decision						0.669828

Correlation Analysis

H01: There is no significant correlation among Behavioural finance factors and investment decisions.

H_a1: There is a significant correlation among Behavioural finance factors and investment decisions.

To explore relationships between variables, correlation analysis was applied. A correlation is considered statistically significant if the "Sig. (2-tailed)" value is less than 0.05. Additionally, relationships with a correlation coefficient (rrr) below 0.30 are

deemed very weak. In this study, only rrr values exceeding 0.40 were interpreted for meaningful insights. The interpretation of the correlation results, as presented in Table 05, is outlined below:

- **Experience and Skill in the Stock Market**: A significant correlation (r=0.49r = 0.49r=0.49) was observed between experience in forecasting winning investments and skill and knowledge of the stock market. This highlights the critical role of expertise in making informed investment decisions.
- **Separate Treatment and Past Trends**: A significant relationship (r=0.43r = 0.43r=0.43) was found between treating investments separately and considering past stock market trends before investing. This suggests that historical performance is a key consideration when segregating investment strategies.
- **Monitoring Investments**: Keeping a vigilant eye on promising investment opportunities showed significant correlations with both knowledge of the stock market (r=0.43r = 0.43r=0.43) and the belief that investments promise high capital gains (r=0.50r = 0.50r=0.50). This underscores the importance of informed decision-making and expectations of returns.
- **Past Trends and Diversification Optimism**: Considering past stock market trends before investing was significantly correlated with remaining optimistic about portfolio diversification (r=0.42r = 0.42r=0.42) and the belief in high capital gains (r=0.45r = 0.45r=0.45). These findings indicate that past trends influence both diversification strategies and return expectations.
- **Portfolio Diversification and Capital Gains**: Optimism about portfolio diversification correlated significantly with the belief in high capital gains (r=0.46r = 0.46r=0.46) and reliance on past trends before investing (r=0.42r = 0.42r=0.42). This suggests that diversification optimism is intertwined with confidence in returns and historical analysis.
- **Impact of Other Investors' Decisions**: A strong correlation (r=0.67r = 0.67r=0.67) was noted between the influence of other investors' stock volume decisions and their buying and selling actions. This highlights the significant impact of peer behavior on individual investment choices.

These results provide a nuanced understanding of the interrelationships between key investment variables, emphasizing the importance of experience, market knowledge, and Behavioral influences in shaping investment decisions.

Table no 6: Regression Analysis

				ge Statistics			
	Square	Adjusted Square	. Error of the Estimate	R Square Change	Change		
4905	7304	361208	435233	73	743		

The R-value serves as a measure of the strength of correlation between dependent and independent variables. In this analysis, an R-value greater than 0.4 is deemed adequate for further examination. The observed R-value is 0.515, indicating a robust positive correlation between the variables.

The R-square value, on the other hand, reflects the proportion of variance in the dependent variable—investment decisions—that can be explained by the independent variables under consideration. In this case, the R-square value stands at 0.26, signifying that 26% of the variance in investment decisions can be attributed to the independent variables. This level of explanatory power demonstrates the model's effectiveness in identifying significant relationships.

REGRESSION ANALYSIS RESULTS

The regression analysis, detailed in Table 4 of the annexure, examines the relationship between psychological factors (independent variables) and investment decisions (dependent variable). Key insights derived from the analysis are summarized below:

Constant (Intercept)

The intercept, with an unstandardized coefficient of 3.145764, is statistically significant ($p < 0.05$). This indicates that even when the psychological factors have no measurable influence, the baseline level of investment decision-making is positive and non-zero. It establishes a foundational level of investor behavior independent of the modeled variables.

Independent Variables

The table also includes unstandardized coefficients, reflecting the raw strength and direction of relationships, and standardized coefficients, which adjust for differences in scale among variables. Noteworthy findings include:

1. **Other Investors' Decisions Regarding Stock Volume**
   - **Unstandardized Coefficient**: -0.27435
   - **Standardized Coefficient**: -0.30331 ($p < 0.05$)
     Heavy buying or selling by other investors has a statistically significant negative impact on an individual's likelihood to invest. This suggests that individuals may perceive significant activity by others as a potential risk or a signal to avoid investment.

2. **Avoiding Stocks That Have Recently Risen in Price**
   - **Unstandardized Coefficient**: 0.244666
   - **Standardized Coefficient**: 0.24448 ($p < 0.05$)
     Investors are more inclined to select stocks that have not experienced recent price surges. This behavior may stem from a cautious approach to avoid potential market corrections.
3. **Following Investment Advice from Friends or Colleagues**
   - **Unstandardized Coefficient**: -0.2738
   - **Standardized Coefficient**: -0.33099 ($p < 0.05$)
     Taking advice from social connections significantly decreases the likelihood of investing. This finding suggests that individuals may prioritize independent analysis or professional advice over informal recommendations.
4. **Treating Each Portfolio Element Separately**
   - **Unstandardized Coefficient**: 0.385737
   - **Standardized Coefficient**: 0.36825 ($p < 0.01$)
     This variable exhibits the strongest positive relationship with investment decisions. Investors who view and manage portfolio elements independently are significantly more likely to invest, possibly due to a more structured and strategic approach.

Overall Model Significance

The regression model as a whole is statistically significant, affirming its utility in exploring the psychological determinants of investment decisions. The results emphasize the critical role of Behavioral factors such as influence from peers, independent management of portfolios, and individual risk perceptions.

Implications

These findings provide meaningful insights into the dynamics of investment behavior. The negative influence of peer actions and social advice suggests a preference for autonomy and reliance on personal judgment. The strong positive relationship with separate portfolio management underscores the value of disciplined and independent decision-making in fostering investment activity.

This analysis highlights the nuanced interplay of psychological variables and lays the groundwork for further research in Behavioral finance, contributing to a deeper understanding of investor psychology and its practical implications for financial planning and advisory services.

Table no 7: Analysis of Variance (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	20.8923	17	1.22896	1.53274	0.10771
Residual	57.7299	72	0.8018		
Total	78.6222	89			

The ANOVA table presents a statistical assessment of a regression model analyzing the influence of various psychological factors (independent variables) on businessmen's investment decisions (dependent variable).

The **regression component** captures the variation in the dependent variable explained by the independent variables, with a sum of squares amounting to 20.892316. This reflects the degree to which the model accounts for variability in investment decisions. Conversely, the **residual component** represents the portion of variation not explained by the independent variables, with a sum of squares of 57.729906, indicating room for additional factors to influence the outcomes.

The ANOVA table serves to evaluate the overall significance of the regression model and highlights the contribution of the psychological factors in predicting investment decisions. Despite the model not achieving statistical significance at the 5% level, the results suggest that the tested psychological factors explain a noteworthy portion of the variability in businessmen's investment behavior.

These findings underline the importance of understanding Behavioral aspects in investment decisions, providing a basis for further research into additional psychological or external variables that may improve the model's explanatory power.

H02: Behavioural finance factors do not have a significant impact on investment decisions.

Table no 8:

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std.	Beta		

		Error			
(Constant)	3.145764	0.944196		3.331686	0.001365
You avoid investing in stocks that have recently risen in price over a series of subsequent trading sessions because you believe the trend is more likely to reverse.	0.244666	0.111569	0.244476	2.19296	**0.03154**
You treat each element of your investment portfolio separately.	0.385737	0.136529	0.368251	2.825311	**0.00611**
Other investor's decisions regarding stock volume impact your investment decision.	-0.27435	0.134951	-0.30331	-2.03295	**0.04575**
You are inclined to follow investment advice while given to you in a face-to-face conversation by a friend or a colleague.	-0.2738	0.11031	-0.33099	-2.48206	**0.0154**

Interpretation

This study explored the influence of 17 key factors on investors' decision-making processes, identifying four factors as having a significant impact:

1. **Avoiding stocks that have recently risen in price**: The significance (Sig.) value is < 0.05, validating the alternative hypothesis. This indicates that avoiding stocks with recent price increases significantly affects investment decisions.
2. **Treating each element of the investment portfolio separately**: With a Sig. value < 0.05, the alternative hypothesis is supported. This factor demonstrates a significant influence on investment choices.
3. **Other investors' decisions regarding stock volume**: A Sig. value < 0.05 confirms that this factor significantly shapes investment decisions.
4. **Following investment advice from a friend or colleague**: The Sig. value < 0.05 indicates a strong impact on investment behavior

For the remaining 13 factors, Sig. values > 0.05 led to the acceptance of the null hypothesis, suggesting no significant impact on investment decisions.

RECOMMENDATIONS FOR FUTURE RESEARCH

Based on the findings and limitations of the current study on the behavioral factors influencing investment decisions, several recommendations can be made for future research to further explore and expand the understanding of investment behaviors. These recommendations aim to address the study's limitations and broaden the scope to capture a more holistic view of how psychological, demographic, and regional factors influence investment decisions. Below are the key areas for future research:

Expanding the Sample Size and Improving Representativeness

One of the main limitations of this study is its relatively small sample size of 90 participants, which may not fully represent the broader spectrum of investors. A limited sample size can lead to sampling bias, especially when it comes to capturing diverse investment strategies, experiences, and preferences. The study's findings might be skewed because they do not account for all potential variations in investor behavior.

Recommendation: Future research should aim to increase the sample size significantly to include a more diverse group of participants. This would provide a broader, more accurate representation of the factors influencing investment decisions. A larger sample size would also improve the statistical power of the study, ensuring that the findings are more reliable and applicable to a wider audience. Additionally, researchers could consider implementing a stratified sampling method to ensure that different investor groups (e.g., young, old, experienced, novice) are well-represented.

Using Probability Sampling Methods

The current study employed non-probability sampling, which is prone to selection bias and does not ensure that all members of the target population have an equal chance of being selected. Non-probability sampling methods can limit the generalizability of the findings, as they might over-represent or under-represent certain groups.

Recommendation: To enhance the robustness and generalizability of the results, future studies should use probability sampling methods such as simple random sampling or stratified random sampling. This would help ensure that the sample is more representative of the overall population of investors, and the findings can be generalized to a broader audience with greater confidence. Probability sampling methods would also reduce bias in participant selection, improving the accuracy of the results.

Exploring Regional Differences in Investment Behavior

The current study did not account for potential regional differences in investment behavior, which can vary significantly due to factors such as economic conditions, access to financial markets, and cultural norms. For example, investment strategies in major metropolitan cities like Mumbai, Bengaluru, or Delhi might differ from those in smaller towns or tier 2 cities due to differences in education, financial literacy, and exposure to global markets.

Recommendation: Future research could examine regional differences in investment decisions by focusing on

specific geographic locations. A comparison of investment behaviors in tier 1 cities (such as Mumbai, Delhi, Bengaluru) versus tier 2 cities (such as Jaipur, Chandigarh, or Lucknow) would provide valuable insights into how local economic conditions, financial literacy, and cultural factors influence investment decisions. Moreover, it would be interesting to explore how urban and rural investors perceive risk, the role of social networks in investment decisions, and the access to financial advisory services across different regions.

Focus on Specific Investor Demographics

The study focused on businessmen as the primary demographic, but it did not delve deeply into other potential investor groups, such as millennials, retirees, or institutional investors. Each demographic may have unique motivations, goals, and decision-making processes that influence their investment choices. For instance, millennials may prioritize sustainability and ethical investing, while retirees may focus more on securing stable, long-term returns.

Recommendation: Future studies should focus on specific investor demographics to better understand how different age groups, professions, and income levels affect investment decisions. For instance, researching millennial investors who are just entering the stock market could offer insights into their preferences for digital platforms, social media influence, and investment strategies. Similarly, studies focusing on retirees or individuals nearing retirement could reveal how their investment priorities shift toward capital preservation and steady income generation. Additionally, the behavior of institutional investors, who have different motivations and decision-making frameworks compared to individual investors, could be explored. By segmenting the investor population and focusing on distinct groups, future research would be able to identify targeted strategies and develop tailored interventions.

Investigating the Influence of Behavioral Biases on Investment Decisions

Behavioral finance theory suggests that psychological factors and cognitive biases play a significant role in investment decision-making. These biases, such as overconfidence, loss aversion, and herd behavior, can distort an investor's judgment and lead to suboptimal decisions. While this study focused on specific behavioral factors like avoiding recently risen stocks and following peer advice, there are other important biases that could be influencing investment choices.

Recommendation: Future research could explore how various cognitive biases, such as anchoring bias (relying too heavily on initial information), framing bias (being influenced by how information is presented), and confirmation bias (seeking information that supports existing beliefs), affect investment decisions. Additionally, the study could assess the role of emotions like fear and greed in driving market behavior, particularly during periods of market volatility. Understanding these biases would help refine investment strategies and could lead to the development of interventions that help investors make more rational decisions.

Exploring the Role of Technology and Digital Platforms in Investment Decisions

In recent years, digital platforms and technology have become increasingly important in shaping investment decisions. Online trading platforms, robo-advisors, and social media influencers have altered how investors approach decision-making, often creating new behavioral patterns. The ease of access to financial markets through mobile apps has democratized investing, but it has also led to the rise of speculative behavior and short-term trading strategies.

Recommendation: Future research should explore how technology and digital platforms influence investor behavior, particularly among younger generations who are more likely to use these tools. The study could investigate how online forums, social media platforms, and financial apps impact investment choices and whether these technologies exacerbate or mitigate behavioral biases. Additionally, researchers could explore the role of robo-advisors in shaping investment decisions, particularly for novice investors who may rely more heavily on automated recommendations.

Longitudinal Studies to Understand Changes in Investment Behavior

Investment behavior is not static; it evolves over time based on changes in economic conditions, personal financial situations, and market dynamics. A cross-sectional study like the one conducted in this research provides valuable insights at a specific point in time, but it does not capture how investment behavior changes over the long term.

Recommendation: Future studies should adopt a longitudinal research design to track changes in investment decisions over time. This would allow researchers to understand how factors like market crashes, changes in economic conditions, and life events (e.g., retirement, marriage, inheritance) influence investment strategies over the long run. By capturing these dynamic changes, researchers can identify patterns that may not be evident in a one-time survey.

Integrating Qualitative Methods for Deeper Insights

While quantitative methods, such as surveys and regression analysis, are effective in identifying patterns and correlations, they may not fully capture the nuances of individual investor behavior. Qualitative methods, such as interviews and focus groups, can provide deeper insights into the motivations, emotions, and thought processes behind investment decisions.

Recommendation: Future research should integrate qualitative research methods alongside quantitative approaches to provide a more comprehensive understanding of investment behavior. Interviews with individual investors or focus groups could shed light on the underlying psychological and emotional factors that drive investment choices. Additionally, these qualitative

methods could be used to explore why certain behavioral factors, such as following peer advice or avoiding recent price hikes, have such a significant impact on investment decisions.

CONCLUSION

Future research in the field of behavioral finance holds great promise in expanding the understanding of investment decision-making. By addressing the limitations of this study and exploring new avenues such as regional differences, demographic variations, behavioral biases, and the influence of technology, researchers can contribute to the development of more refined investment strategies and tools. The insights gained from these studies can inform policymakers, financial advisors, and investors themselves, helping them make better, more informed decisions in a rapidly changing financial landscape.

LIMITATIONS AND SCOPE FOR FUTURE RESEARCH

This research is constrained by a sample size of 90 participants, which may not adequately represent broader investment behaviors. The reliance on non-probability sampling may introduce participation bias, and the findings may not be generalizable across different demographics or geographic regions due to varying preferences and approaches.

To overcome these limitations, future studies could:

- Expand the sample size and adopt probability sampling methods to improve representativeness and reduce bias.
- Explore the influence of Behavioural factors on millennial investment decisions in tier 1 cities such as Mumbai, Bengaluru, and Delhi to determine if regional differences exist.
- Examine variations in investment behaviour between professional and individual investors in tier 1 and tier 2 cities, providing a more nuanced understanding of investor psychology across different environments.

This expanded approach would enrich the understanding of Behavioural finance and its implications for investment strategies.

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