



ISSN: 0975-833X

RESEARCH ARTICLE

The Role of Demographic Factors in Relationship between emotional Influences and investment decisions. An empirical study

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ARTICLE INFO

Article History:

Received 10 October, 2012  
Received in revised form  
24<sup>th</sup> November, 2012  
Accepted 13<sup>th</sup> December, 2012  
Published online 14<sup>th</sup> January, 2013

Key words:

Investors,  
Emotion,  
Investment decisions,  
Demographic variables.

ABSTRACT

Most of the theories in security market are based on the notion of rational investment decision behaviour from investors. But it has been observed that it is not the case always. A new area of research has come up which recognizes the psychological element in financial decision making and thus challenging the traditional models. This new area of study is known as behavioural finance and in the changing socio-economic and technological context; it is high time to study this new area of knowledge. The objective of this paper is restricted to the role of investor emotions in investment decision making and from our research it has been proved that the emotions play their role in investment decisions, but building long-term wealth requires counter-emotional investment decisions—like buying at times of maximum pessimism or resisting the euphoria around investments that have recently outperformed. Unfortunately, as the study below shows, investors as a group too often let emotions guide their investment decisions. In the end, by anticipating and understanding the series of emotions that you may experience, you'll be better equipped to tolerate and benefit from market fluctuations. And we have also included a Para of suggestions which will help the investors to avoid emotional influence on investment decisions.

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INTRODUCTION

Investors of the stock market are rational and they efficiently respond to new information regarding the stock market products. In other words, investors' decisions in the market fully reflect the effects of any information revealed. There are no chances of abnormal returns in the market in the long run, even if the assets prices are not properly valued, they will come to reasonable price level through arbitrage (Fama,1988). Various empirical investigations conducted during 1980 revealed that market is not efficient as explained by efficient market hypothesis (EMH) of traditional finance theories, because of certain anomalies of the market like small firm effect, January effect etc. Thus traditional finance theories of neoclassical finance ignore the importance of investors' behaviour in the decision making. Due to this ignorance, the investors' behaviour is not covered within the frame work of traditional finance. Sometimes, the investors make irrational decisions and do not behave rationally because of their limitations of capacity to process the information (Simon, 1986). Study of Kahnman and explains that representativeness and anchoring heuristics are sometimes present in the decision making of investors in an uncertain situation where the investors use their judgment in order to facilitate the process of dealing with vague and complicated information. The heuristics mentioned here may lead to some cognitive biases due to employing wrong judgment. They also proposed that prospect theory which is well known in the behavioural studies due to discussion of psychological attitude of investors should be used to understand the psyche based investors behaviours. The prospect theory replaced the traditionally used theory of utility maximization. The prospect theory holds that attitude of investors is not consistent when dealing with prospects of gain or loss, but will be opposite in these prospects. This inconsistency in the behaviour of investors is against the hypothesis of neoclassical finance which states that Investors attitude is consistent in profit or loss prospects. This prospect theory ultimately became the cause of rendering Nobel

Prize to them in 2002. To study the financial markets, the researchers have adopted the use of behaviour approach in order to overcome the lacking of traditional neoclassical finance approach. The basic difference between prospect theory and traditional finance theory is that investors who prospect profits or gains tend to become risk averse in order to stabilize their gains but become risk takers in the prospects of loss, whereas according to traditional theory of finance investors are all the time risk averse. There are many investment products which are available for investment to investors in the stock market ranging from bonds to options. These products vary with regard to risk factor involved and the return. Investors choose the investment products which have matching to their risk tolerance. Moreover, investor make up their mind regarding risk factor involved in any investment based on the financial information they receive from different Channels/ Sources.

Moreover, knowledge of investors regarding financial market and their past experience contribute a lot towards the risk assessment in various products. Investors who have experienced loss in the past formulate new investment decision having kept in mind their past experience. These factors along with some other factors constitute the risk aversion and risk perception of the investors. After formulating risk attitudes the investors formulate their potential returns from that investment. Low return products are accepted if the risk attached with them is low and high risk products are selected if risk premium associate with risk level is offered to investors. Investors will invest in those products which offer the return suitable with the risk level of those products. The aim of behavioural finance is to analyses the phenomena of market keeping in view the psychological factors involved in the behaviour of investors.

Significance of Emotions in Decision Making

Emotions are best when they are left "out" of the decision making process. Due to the fact that humans are emotional creatures, it would be foolish and unwise to advocate people to "get rid of their emotions". This is both unnecessary and unhealthy, for we all have

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emotions for a reason. However, there are times when our emotions must be kept in balance. One such example of this is when we have to make decisions, particularly critical decisions. History shows that when people mix their emotions with decision making, they tend to make bad decisions, which in turn lead to severe consequences. In general, when you have a decision to make, and you're emotional about it, it is best not to make the decision based on the dominant emotion you have at that moment, because this will generally lead to you making a decision that ends up hurting you in the long run. There is a time for emotions, but emotions should never play a factor in the decisions you make in life, for disaster usually follows.

### Logical Decision

Warren Buffet, one of the top investors in the world, is famous for saying that "emotions should be left out of the investing process." He feels that if you are going to be emotional when it comes to investing in the stock market, you should not be putting your money in it. Why does he feel this way? The answer to this question is the same for why you should not be emotional when making any kind of critical decision. Any decision you make in life should be based on "logic" not "emotion." Decisions made based on logic are decisions that are often right, though not always. They tend to be right because they are based on all available data, not your "perception" of data.

### REVIEW OF LITERATURE

Literature suggests that major research in the role of emotions in individual investment behaviour has been done by behavioural scientists such as Weber (1999), Sheller (2000) and Shefrin (2000), who strongly advocated that stock market is governed by the market information which directly affects the behaviour of the investors. Several studies have brought out the relationship between the demographics such as Gender, Age and risk tolerance level of individuals. Of this the relationship between Age and risk tolerance level has attracted much attention.

Rajarajan V (1998, 2000 and 2003) classified investors on the basis of their demographics. He has also brought out the investors' characteristics on the basis of their investment size. He found that the percentage of risky assets to total financial investments had declined as the investor moves up through various stages in life cycle. Also investors' lifestyles based characteristics has been identified. The above discussion presents a detailed picture about the various facets of risk studies that have taken place in the past. In the present study, the findings of many of these studies are verified and updated. Annaert *et al.* (2005), indicate the impact of information asymmetric problem on investor behavior, this is another subject in behavioural finance field. Most of these researches are pay close attention to behavioural finance, especially in financial products choices (investment) and behavior of individual investor invest related.

Jennifer Reynolds-Moehrle (2007) "An empirical investigation of analysts and investors reactions", this study empirically compares earnings predictability, forecast revision behaviour, and the earnings response coefficients before and after the disclosure of hedging activity. The findings indicate that analysts' forecast accuracy increased and that unexpected earnings were incorporated into subsequent earnings forecasts to a greater extent subsequent to disclosure of sustained hedging activity. Additionally, the findings indicate an increase in the earnings-return relation in the hedging activity period.

Prentice (2007) investigated the difficulties in ethical decision making and found that decisions that have an ethical aspect are subject to various biases in how people see the situation and how they tend to behave. He described many of the cognitive biases and decision heuristic that can create ethical traps. Insights presented by him can assist the well intentioned to do the right thing in difficult situations.

Mittal and Vyas (2008) explored the relationship between demographic factors and the investment personality exhibited by the investors. Empirical evidence suggested that factors such as income, education and marital status effect an individual's investment decisions. Further the results revealed that investors in India can be classified into four dominant personalities namely casual, technical, informed and cautious.

Nicolosi (2009) analyzed individual investors learning behaviour from two prospective, the first being based on the relation between trade performance and trading behaviour and presented strong evidence that individual investors learn from their trading experiences. Further they posit that not only do excess portfolio returns improve with account tenure, but they also found that trade quality significantly increase with experience and concluded that individual stock investors do learn, and they consequently adjust their behaviour and thus effectively improve their future investment performance.

Nagpal and Bodla (2009) attempted to bring out the life style characteristics of the respondent through an empirical analyses and their influence on investment performances and found that in spite of the phenomenal growth in the security market and quality IPOs, the individual investors prefer less risky investments. They also found that investors are on a trap of some kind of cognitive illusion such as over confidence and narrow framing. They considered multiple factors and seek diversified information before executing some kind of investment transaction. They further concluded that financial dailies, TV channel and peer groups can play a pivotal role in making investment decisions and also psychographics play an important role in determining investment behaviour and preferences of individual investors.

Kannadhasan (2010) Investigated on the role of behavioural finance in investment decisions and found that human decisions are subjected to various cognitive illusions. The susceptibility of an investor to a particular illusion is likely to be a function of various psychological variables, and the investor has to take necessary steps to minimize or avoid illusions for influencing their investment decision making process.

Collard (2010) has done survey on investors investment behaviour and she has found that when individuals are faced with complex decisions such as pensions fund investment choices, there is strong evidence that individuals do not behave according to economic theories, instead they use a range of psychological strategies and are influenced by them in number of ways. That may result in decisions that are less than optimal in terms of providing them adequate income on retirement.

Love D.A (2010) investigated the impact of demographic shocks on optimal decisions about savings, life insurance and most certainly assets allocation and found that marital status transition could have important effects on optimal house hold decisions particularly in the cases of widowhood and divorcee. His empirical evidence shows that divorce and widowhood have particularly strong effects on allocations and that these effects differ significantly by gender age and number of children.

Singh (2011) has done research on Behavioural finance: As a Kaleidoscope view and has explored the relationship between investor psychology and investment decision taken by them. He found that psychology is having enormous impact on investment choice; almost all investors consciously or unconsciously take these factors into consideration though they call them by different names. He has also pushed behavioural finance into the direction of biological metamorphism.

Shanmugasundaram (2011) has done the research on the impact of behavioural dimensions of investors in Capital market and has found

that investor decisions are influenced by Psychological factors as well as behavioural dimensions and this Psychological effect is created by the fear of losing money, sudden decline in stock indices and lack of confidence about their decision making capability. Based on the review of the available literature on investor Emotions about investment decision making it is quite clear, that investor's demographics and psychographics effect the investor's investment decisions. Researchers have indicated that the validity of widely used demographics as determinants of risk tolerance and risk perception is noteworthy as the relationship between socio-economic status differences including gender, age, income level, net assets, marital status, educational level and investment decision or portfolio choice. With regard to the financial risk tolerance literatures, there is much interest in the demographic determinants and risk attention (involving three risk types: risk aversion, risk moderate and risk seeking) is particularly focused on age, gender, education level, income level, marital status, the number of dependents and net assets. (Mittal and Vyas 2008) younger investors have different attitudes toward financial decisions than elders, risk tolerance decreases with age (Wallach and Kogan, 1961; McInish, 1982) gender is the third most powerful determinant of investment, after age and income are considered (Bajtelmit and Bernasek, 1996) there is positive relation between male and risky investment choice and negative relationship between female and riskless choice (Bajtelmit and Bernasek, 1996) women investors have a distinct financial decision-making style that differs significantly from men (Worley, 1998) Increasing educational level attainment is associated with increased levels of risk tolerance as well indicated by (Baker and Haslem 1974) individual investors with university or college education are more likely to invest in risky asset (Garble, 2000) the level of education has its impact on person's ability to accept risk, (Worden, 1996), a positive pattern between income and financial risk tolerance has been observed (Schlarbaum, 1975) unmarried person are more risk tolerant than married individuals because they have less responsibilities than married people (Roszkowski *et al.*, 1993) Investment decisions related to ethical aspects are subject to various biases (Prentice, 2007) human decisions are subjected to various cognitive illusions (Kannadhasan, 2008) investor decisions are influenced by Psychological factors and the Psychological effect is created by the fear of losing money, Sudden decline in stock indices and lack of confidence about their decision making capability (Shanmugasundaram, 2009) Physiological profiling is the most important aspect which need to be taken care for various investment avenues that individual investors learn from their trading experiences (Nicolosi, 2009).

## RESEARCH METHODOLOGY

### Statement of the Problem

Market participants have for a long time relied on the notion of efficient markets and rational investor behaviour when making financial decisions. However, the idea of fully rational investors who always maximize their utility and demonstrate perfect self-control is becoming inadequate. During the recent years, examples of market inefficiency in the form of anomalies and irrational investor behaviour have been observed more frequently. By understanding the human behaviour and psychological mechanism involved in financial decision-making, standard finance models may be improved to better reflect and explain the reality in today's evolving markets. Our purpose is to describe and conduct a research on what factors, investing characteristics, and decision-making processes affected individual investors. Within this rationale, the study aims to analyze the various Emotional factors that are in the back of an investor when he makes an investment decision. Emotions can wreak havoc on an investor's ability to build long-term wealth. Why did investors sacrifice nearly two-thirds of their potential return? Driven by emotions like fear and greed, they engaged in such negative behaviours as chasing the hot manager or asset class, avoiding areas of the market that were out of favour, attempting to time the market, or otherwise abandoning their investment plan. Great investors

throughout history have understood that building long-term wealth requires the ability to control one's emotions and avoid self-destructive investor behaviour.

### Research design

This study is of Descriptive conclusive in nature and has sample size consisting of 150 potential investors. Data is collected by using detailed questionnaire with open and close ended questions, where a survey of investors was conducted and respondents were categorized according to gender, occupation, monthly income and No. of dependents.

### Objectives of Study

- To know the Emotional influence of investor's on their investment decision making.
- To study the relationship between Emotional variables on demographic factors of investor's in the Investment decision making.

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### List of Null Hypothesis

- Ho: there is no contribution of Feelings and beliefs (X1), Decisions by heart and not by mind (X2), Intuitions effects (X3), and Impulsive behaviour (X4) independent variables on Emotional influence of investor's in the Investment decision making .
- Ho: there is no contribution of Age(x1), gender(x2), Marital status(x3), Family type(x4), Occupation(x5), Monthly income(x6) and No. of dependents(x7) independent variables on Emotion of investors towards investment decision making .

### Data Sources

The study is mainly based on primary data which was collected through a well structured questionnaire consisting of 27 questions. The data was collected extensively from various cities and towns in Tamil Nadu identifying investors through share broker officers and financial institutions. Those investors were identified and focused since they had sufficient knowledge about investment in capital market

### Pilot study

A pilot study was conducted in December 2010. To ascertain the reliability of the questionnaire and the instruments used in the study. A representative sample of 25 investors was taken for this purpose. These instruments were administered to respondents within two weeks. After the data were collected, diverse statistical tools and techniques were used to get an insight into the behavioural Aspects of investors. Data were analyzed using the Software Package for Social Sciences (SPSS).

### Scale description for Emotional influence

The scale was prepared, tested and validated by Arunmozhi and Fayaz Ahmad (2010). The Emotional influence factors for investors are developed using the following factors, (1) your feelings and beliefs effects investment selection choice (2) your investment decisions are taken by heart and not by mind (3) your emotions influence investment selection choice (4) your Intuitions effects your investment decision choice (5) your Impulsive behaviour effects your investment choice. All the factors are constructed in the form suitably using Likert scale accordingly. The validity test for content and construct has been conducted. In addition, the reliability test results have been computed in two stages as pilot study and main study. The description of variable items are scored on 7 points scale as very strongly agree, strongly agree, agree, neutral, disagree,

strongly disagree and very strongly disagree. The responses for all items have been rated in the form of possibility by the respondents to the statement proposed for the study. A minimum score of 1 point is given for low level of preference as “very strongly disagree” to the statement and a maximum of 7 points is scored for very strongly agree to the item.

**Limitations of study**

Though, all possible efforts were made to make the study objective and precise, still certain limitation exist. The present study has the normal limitations of time, funds and lack of other facilities normally faced by single student researcher. The study is conducted by taking a limited number of sample sizes which is stated earlier. And this study reflects the emotions of those investors who are residing in the above sad places. There might be a chance that the emotions of the investors' of different cities are varied due to diversity in social life, living pattern, income level etc.

**DATA ANALYSIS AND INTERPRETATION**

**Table 1. Combined statistical profile of respondents including their mean, median, mode and sum for gender, occupation, income and no. of dependents**

S No.	Average	Gender	Occupation	Monthly Income	No. of Dependents
1.	Mean	1.13	2.75	2.21	2.76
2.	Median	1.00	3.00	2.00	3.00
3.	Mode	1	4	1	3
4.	Sum	170	412	331	414
	Valid	150	150	150	150

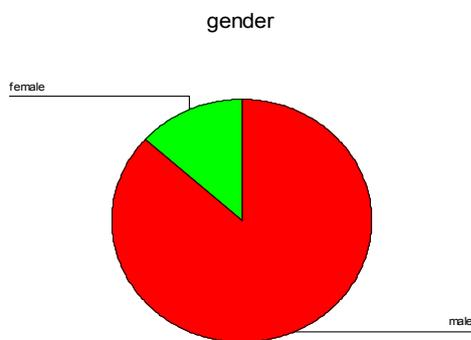
**Statistics**

For Gender 2 point scale is used 1) Male & 2) Female For Occupation 4 point scale is used 1) Private sector employee, 2) Public sector employee. 3) Self business & 4) Others For Monthly Income 4 point scale is used 1) Up to 10,000, 2) 20,000, 3) 30,000 & 4) More

For No. of Dependents 5 point scale is used 1) One, 2) Two, 3) Three, 4) Four & 5) More than Four

**Table 2. Profile of respondents on the basis of Gender**

S.no.	Gender	Freq.	Percent
1.	Male	130	86.7
2.	Female	20	13.3
	Total	150	100.0



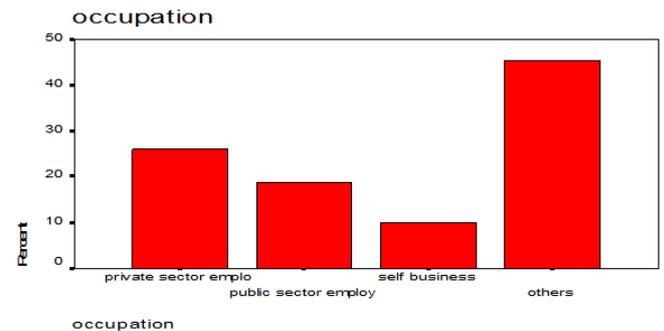
**Chart 2. Profile of respondents on the basis of gender**

Chart 2 presents the distribution of sample respondents on the bases of gender. It is observed that the distribution of respondents is classified as male and female. In this study the percentage of male respondents are 86.7 percent and the female respondents are 13.3

percent. The percentage of female respondents is more than male investors. This small percentage of woman investors may be due to that females are less prone to the investment market till date.

**Table 3. Profile of respondents on the basis of occupation**

S.No.	Occupation	Freq.	Percent
1.	private sector employee	39	26.0
2.	public sector employee	28	18.7
3.	self business	15	10.0
4.	Others	68	45.3
	Total	150	100.0

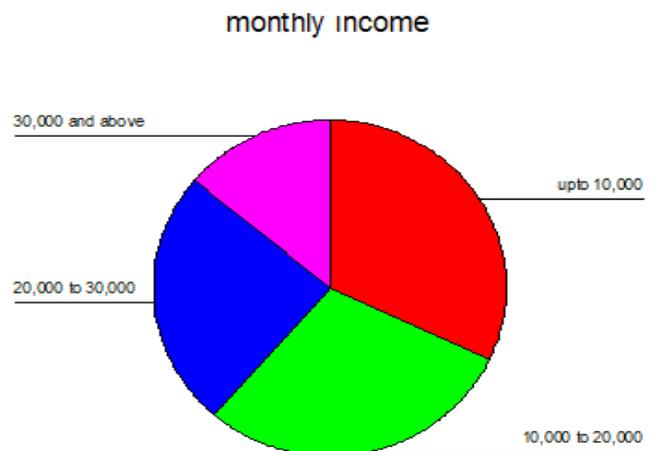


**Chart 2. Profile of respondents on the basis of Occupation**

Chart 2 presents the distribution of sample respondents on the bases of Occupation. It is observed that the distribution of respondents is classified as private sector employees which constitutes 26 percent, Public sector employees which constitutes 18.7 percent, Self business respondents which constitutes 10 percent and others (which includes prospective investors, female home makers) constitutes 45.3 percent of respondents.

**Table 4. Profile of respondents on the basis of Monthly Income**

S No.	Monthly income	Freq.	Percent
1.	Up to 10,000	48	32.0
2.	Up to 20,000	44	29.3
3.	Up to 30,000	37	24.7
4.	More than 30,000	21	14.0
	TOTAL	150	100.0



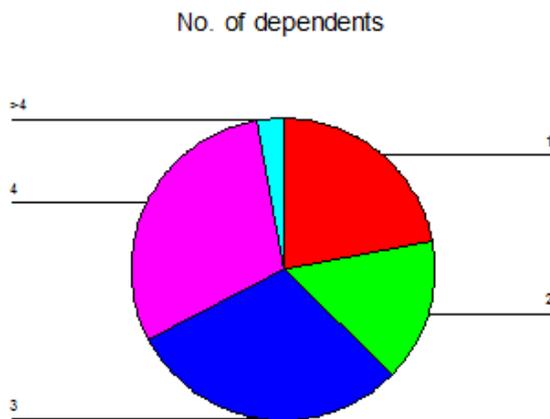
**Chart 3. Profile of respondents on the basis of Monthly Income**

Chart 3 presents the distribution of sample respondents on the bases of Monthly income. It is observed that the respondents under the monthly income group of up to 10,000 are 32 percent, respondents under the monthly income group of 10,000 to 20,000 are 29.3

percent, respondents under the monthly income group of 20,000 to 30,000 are 24.7 percent and respondents under the monthly income group of 30,000 and more are 14 percent.

**Table 5. Profile of respondents on the basis Of No. of dependents**

S No.	No. of dependents	Freq.	Percent
1.	One	33	22.0
2.	Two	23	15.3
3.	Three	45	30.0
4.	Four	45	30.0
5.	More than Four	4	2.7
	Total	150	100.0



**Chart 4. shows Profile of respondents on the basis of No. of dependents**

Chart 4 presents the distribution of sample respondents on the bases of No. of dependents. It is observed that 22 percent of the sample respondents are having one dependent, 15.3 percent of the respondents are having two dependents, 30 percent of the sample of respondents are having three dependents, 30 percent of respondents are having four dependents and 2.7 percent of the respondents are having more than four dependent.

**Table 6. showing Multiple Regression values for overall scores of Emotional influence with Feelings and beliefs, Decisions by heart and not by mind, Intuitions effects, and Impulsive behaviour**

S. No.	VARIABLES	Un standardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
(Y1)	Emotional influence	1.611	0.139		11.567	0.000
(X1)	Feelings and beliefs	0.033	0.016	0.190	2.084	0.039
(X2)	Decisions by heart and not by mind	0.931	0.177	0.529	5.260	0.000
(X3)	Intuitions effects	-0.111	0.040	-0.288	-2.809	0.006
(X4)	Impulsive behaviour	-0.028	0.044	-0.078	-0.640	0.523

The multiple regression equation is  $Y1=1.611+0.033+0.931-0.111-0.028$

**Table 7. showing multiple regression values for overall scores of emotion with Age, Gender, Marital status, Family type, Occupation, Monthly income, and No. of dependents**

S No.	Variables	Un standardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
(y1)	Emotion	4.532	0.932		4.863	0.000
(x1)	Age	-0.069	0.107	-0.059	-0.644	0.521
(x2)	Gender	0.285	0.327	0.081	0.871	0.385
(x3)	Marital status	0.380	0.265	0.147	1.433	0.154
(x4)	Family type	-0.630	0.295	-0.262	-2.137	0.034
(x5)	Occupation	0.132	0.129	0.140	1.018	0.310
(x6)	Monthly income	-0.011	0.098	-0.010	-0.115	0.909
(x7)	No. of dependents	-0.370	0.079	-0.363	-4.683	0.000

The Multiple regression equation is  $y=4.532-0.069+0.285+0.380-0.630+.132-0.011 -0.370$

## Regression between Emotional influence and emotional variables

**Dependent variable:** Emotional influence (Y1)

**Independent variables:** Feelings and beliefs (X1), Decisions by heart and not by mind (X2), Intuitions effects (X3), Impulsive behaviour (X4)

R Value = 0.157      R Square = 0.198  
F Value = 4.58      P Value = 0.000

## INTERPRETATION

The sample co-efficient determination of R square or  $R^2$  ( $R^2$  is commonly used in simple regression, while  $R^2$  is approximately for multiple regression analyses) It measures the goodness of fit of the estimated sample regression equation or SRP. In terms of the proportion of variation in the dependent variable explained by the fitted sample regression equation or SRP. Thus the R square value=0.198, simply means that 19.8 percent of the variation of Emotional influence on investors as a factor is explained or accounted for the estimated SRP, that uses Feelings and beliefs (X1), Decisions by heart and not by mind (X2), Intuitions effects (X3), Impulsive behaviour (X4) as independent variables. The information is quite useful in assessing the overall accuracy of the factors Emotional influence of investors towards variables. This test is significant at 1 percent level of significance. The co-efficient table T test of the significance of the Regression coefficient. The table contains the estimated regression co-efficient  $Y1= 1.611+ 0.033+ 0.931-0.111-0.028$ , the estimated SRP or sample regression equation can be written as  $Y1=1.611, (x1)=0.033, (x2)=0.931, (x3)=-0.111, (x4)=-0.028$ . This estimated co-efficient has following interpretation. The independent variable such as (x3) and (x4) represents the partial effect on Emotional influence of investors. The estimated positive sign estimates that such effect is positive, while the absolute value implies that the variables (x1) and (x2) will improve the Emotional influence of investor's in the Investment market.  $H_0$ : there is no contribution of Feelings and beliefs (X1), Decisions by heart and not by mind (X2), Intuitions effects (X3), and Impulsive behaviour (X4) independent variables on Emotional influence of investor's in the Investment market. From the Table it is inferred that the selected variables has (R square =0.198) influence on Emotional influence of investors. The observed F value 4.589, which is significant at 1 percent level, it also confirms that Feelings and beliefs (X1),

Decisions by heart and not by mind (X2), have significant influence on Emotional influence of investor's in the Investment market.

### Regression between Emotion and Demographics

**Dependent variable:** Emotion (Y1)

**Independent variables:** Age(X1), Gender(X2), marital status(X3), Family type(X4), Occupation(X5), Monthly income(X6), No. of dependents(X7)

R Value = 0.441      R Square = 0.195

F Value = 4.902      P Value = 0.000

### INTERPRETATION

The sample co-efficient determination of R square or  $R^2$  ( $t^2$  is commonly used in simple regression, while  $R^2$  is approximately for multiple regression analyses) It measures the goodness of fit of the estimated sample regression equation or SRP In terms of the proportion of variation in the dependent variable explained by the fitted sample regression equation or SRP, Thus the R square value =0.195, simply means that 19.5 percent of the variation of Emotion of investors as a factor is explained or accounted for the estimated SRP, that uses Age(x1), gender(x2), Marital status(x3), Family type(x4), Occupation(x5), Monthly income(x6) and No. of dependents(x7) as independent variables. The information is quite useful in assessing the overall accuracy of the factors emotions of investors towards investment decision making. This test is significant at 1 percent level of significance. The co-efficient tables T test of the significance of the regression coefficient. The table contains the estimated regression co-efficient, the estimated SRP or sample regression equation can be written as  $(y1)=4.532, (x1)=-0.069, (x2)=0.285, (x3)=0.380, (x4)=-0.630, (x5)=0.132, (x6)=-0.011, (x7)= -0.370$  This estimated co-efficient has following interpretation. The independent variable such as (x1), (x4), (x6) and (x7) represents the partial effect on emotions of investors. The estimated positive sign estimates that such effect is positive, while the absolute value implies that the variables (x2), (x3), (x5) will improve the emotions of investor's investment decision making.

Ho : there is no contribution of Age(x1), gender(x2), Marital status(x3), Family type(x4), Occupation(x5), Monthly income(x6) and No. of dependents(x7) independent variables on Emotion of investors towards investment decision making.

From the table it is inferred that the selected variables has (R square =.195) influence on Emotions. The observed F value 4.902, which is significant at 1 percent level, it also confirms that Gender, Marital status and Occupation has significant influence on Investor investment decision making.

### Finding

- In this study the percentage of male respondents are 86.7 percent and the female respondents are 13.3 percent. The percentage of female respondents is more than male investors. This small percentage of woman investors may be due to that females are less prone to the investment market till date
- It is observed that the distribution of respondents is classified as private sector employees which constitutes 26 percent, Public sector employees which constitutes 18.7 percent, Self business respondents which constitutes 10 percent and others (which includes prospective investors, female home makers) constitutes 45.3 percent of respondents.
- It is observed that the respondents under the monthly income group of up to 10,000 are 32 percent, respondents under the monthly income group of 10,000 to 20,000 are 29.3 percent, respondents under the monthly income group of 20,000 to 30,000 are 24.7 percent and respondents under

the monthly income group of 30,000 and more are 14 percent.

- It is observed that 22 percent of the sample respondents are having one dependent, 15.3 percent of the respondents are having two dependents, 30 percent of the sample of respondents are having three dependents, 30 percent of the respondents are having four dependents and 2.7 percent of the respondents are having more than four dependent.
- From the table it is inferred that (Feelings and beliefs), and (Decisions by heart and not by mind), have significant influence on Emotional influence of investor's in the decision making.
- From the table it is inferred that (Gender), (Marital status) and (Occupation) has significant influence on Investor in the decision making.

### SUGGESTIONS

- **Avoid Self-Destructive Investor Behaviour:** Chasing the hot-performing investment category or making major tweaks to your long-term investment plan can sabotage your ability to build wealth. Instead, work closely with your financial advisor to outline your long-term goals, develop a plan to achieve them and set the expectation that you will stick with that plan when faced with difficult periods for the market.
- **Understand That Crises Are Inevitable:** Crises are painful and difficult, but they are also an inevitable part of any long-term investor's journey. Investors who bear this in mind may be less likely to react emotionally, more likely to stay the course, and be better positioned to benefit from the long-term growth potential of stocks.
- **Don't Attempt to Time the Market:** Investors who understand that timing the market is a loser's game will be less prone to reacting to short-term extremes in the market and more likely to adhere to their long-term investment plan.
- **Be Patient:** Though periods of short-term volatility for stocks are to be expected, it is crucial to bear in mind that historically stocks have rewarded patient, long-term investors.
- **Recognize That Short-Term Underperformance Is Inevitable:** Almost all great investment managers go through periods of underperformance. Build this expectation into your hiring decisions and also remember it when contemplating a manager change.
- **Disregard Short-Term Forecasts and Predictions:** Don't make decisions based on variables that are impossible to predict or control over the short term. Instead, focus your energy toward creating a diversified portfolio, developing a proper time horizon and setting realistic return expectations.

### Conclusion

"Individuals who cannot master their emotions are ill-suited to profit from the investment process." Benjamin Graham. Father of Value Investing "You make most of your money in a bear market; you just don't realize it at the time." Shelby Cullom Davis. Investing without emotion is easier said than done, especially because uncertainty rules the market and the media. Evidence suggests that most investors are emotional and maximize money flows at the wrong times - a sure-fire way to reduce potential returns. Strategies that eliminate the emotional response to investing should produce returns that are significantly greater than those indicated by the typical investor responding to the market rather than proactively investing in the market. Diplomat, during extreme periods for the market, investors often make decisions that can undermine their ability to build long-term wealth. It is important to understand that periods of market uncertainty that can create wealth-building opportunities for the

patient, diligent, long-term investor. Taking advantage of these opportunities, however, requires the willingness to embrace and incorporate the wisdom and insight offered in these pages. History has taught us that investors who have adopted this mindset have met with tremendous success. Whenever investor has to make an investment decision, he should first evaluate all the available information regarding the fundamentals of the company and only after consulting an investment expert he should make an investment decision and he should not let his emotions guide his investment decisions.

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