

A Study On Investor Behaviour On Avenue With Special Reference To Kerala: A Region Wise Analysis

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Abstract

Investors may have influence behavioural biases in their investment decision. The study investigated the behavioural biases that influence the investors different regions in Kerala. And also check the significant difference between behavioural biases and investors in Kerala in respect to their region. The study adopted descriptive research design to obtain information on the current status of the phenomenon. Structured questionnaires were used in data collection to obtain the required information needed for the study. 200 sample investors in Kerala selected from three regions and these were selected by stratifying the population and then selecting the respondents by use of simple random sampling. The result of the study indicates that there is no significant difference between behavioural biases and investors in Kerala in respect to their region.

Key words: Investors behaviour, Behavioural biases

Introduction

Behavioral Finance a branch of finance deals with the human psychology and its impact on investment decision making process. In traditional finance theory, investors are assumed to operate rationally. They're assumed to have access to complete information, process that information without emotion or any bias, act in a self-centered manner and be risk-averse. Traditional Finance and Efficient Market Hypothesis had gained acceptance by explaining the market behaviors by assuming that individual investors are completely rational, omniscient and have a general desire to maximize the expected utility. Moreover, it explains that investor behavior using the utility functions that only incorporates risk and returns limiting its consideration on investors psychology, needs, behavior and emotions which was vital in the decision making process. This paper had attempted to examine the behavioral biases of the individual investor during the investment decision making.

2. LITERATURE REVIEW

Hoang Thanh Hue Ton and Trung Kien Dao (2014) found the existence of psychology factors affecting investors' decision making in Vietnam Stock Exchange. The empirical findings suggest that only excessive optimism, psychology of risk and excessive pessimistic affect investors' decision makings. They have also evidenced that psychology of risk and optimism factor have impact on the way investors invest in.

T.C. Thomas and G. Rajendran (2012) found that the personality of an investor influences the investment patterns and types of investments made. It was also found that BB&K personality dimension Adventurer and Straight Arrow drive preferences for Type 1 investors invest in Equity related products, Equity oriented Mutual Funds, Hedge Funds and so on, Celebrity drive preferences for Type 2 investors invest in Equity related products, Equity oriented Mutual Funds, Individualist drive preferences for Type 3 investors invest in Derivatives, Direct Equity and Real Estate, Guardian drive preferences for Type 4 investors invest in Fixed Income securities, Pension schemes, Bullion and Straight Arrow drive preferences for Type 5 investors invest in Equity related products, Fixed Income securities & Pension schemes.

Rasoul Sadi, Hassan Ghalibaf Asl, Mohammad Reza Rostami, Aryan Gholipour and Fattaneh Gholipour (2011) found that there is a strong relation between the investor's personality and the perceptual errors in Tehran's stock market. It also confirms that there is a positive relation between extroversion and hindsight bias, straight relation between Neuroticism and Randomness bias, hindsight bias and availability bias, openness, hindsight and overconfidence bias, reverse relation between dutifulness and randomness bias, openness and availability bias and no relation between agreeableness and perceptual errors.

Objective:

1. The broad objective of this study was to investigate the behavioural biases that influence the investors different regions in Kerala.
2. To identify whether have any significant difference between behavioural biases and investors in Kerala in respect to their region.

Hypothesis:

H0: There is no significant difference between behavioural biases and investors in Kerala in respect to their region.

H1: There is significant difference between behavioural biases and investors in Kerala in respect to their region.

Data analysis

For the investigation purpose of this study, descriptive analysis has to be done to know the mean scores and standard deviation. To test the significant difference between behavioural biases and investors in Kerala in respect to their region, the tool ANOVA used. The results are presented below.

Descriptive Statistics

Biases	Region	N	Mean	Std. Deviation
Investors Bias	Kozhikode	61	54.7049	6.38398
	Thiruvananthapuram	82	55.5000	5.80512
	Cochin	57	54.5351	7.63339
	Total	200	54.9825	6.54364
Self -Control Bias	Kozhikode	61	2.2623	1.43050
	Thiruvananthapuram	82	2.2927	1.50653
	Cochin	57	2.2807	1.47851
	Total	200	2.2800	1.47208
Availability Bias	Kozhikode	61	2.8033	2.39365
	Thiruvananthapuram	82	2.8780	2.50834
	Cochin	57	2.9123	2.55406
	Total	200	2.8650	2.48136
Loss Aversion Bias	Kozhikode	61	6.9344	3.09822
	Thiruvananthapuram	82	6.8902	3.10355
	Cochin	57	6.6140	3.08151
	Total	200	6.8250	3.09083
Regret Aversion	Kozhikode	61	4.3770	3.60286
	Thiruvananthapuram	82	4.5610	3.72390

	Cochin	57	4.5614	3.72039
	Total	200	4.5050	3.67815
Endowment Bias	Kozhikode	61	6.0656	3.96626
	Thiruvananthapuram	82	6.0122	3.96610
	Cochin	57	5.7193	3.90033
	Total	200	5.9450	3.94028
Self -Attribution Bias	Kozhikode	61	2.8033	2.39365
	Thiruvananthapuram	82	2.8780	2.50834
	Cochin	57	2.9123	2.55406
	Total	200	2.8650	2.48136
Status Quo Bias	Kozhikode	61	6.7213	3.35321
	Thiruvananthapuram	82	6.6707	3.36184
	Cochin	57	6.3860	3.33262
	Total	200	6.6050	3.34544
Over Confidence	Kozhikode	61	8.1557	1.27286
	Thiruvananthapuram	82	8.3293	1.07458
	Cochin	57	8.1491	1.40311
	Total	200	8.2250	1.23620
Framing Bias	Kozhikode	61	4.8279	3.53657
	Thiruvananthapuram	82	5.0000	3.63014
	Cochin	57	5.0175	3.62143
	Total	200	4.9525	3.59131
Illusion Control Bias	Kozhikode	61	2.4754	1.52236
	Thiruvananthapuram	82	2.5122	1.59173
	Cochin	57	2.5088	1.56988
	Total	200	2.5000	1.56080
Confirmation Bias	Kozhikode	61	2.8033	2.39365
	Thiruvananthapuram	82	2.8780	2.50834
	Cochin	57	2.9123	2.55406

	Total	200	2.8650	2.48136
Recency Bias	Kozhikode	61	4.4754	3.67303
	Thiruvananthapuram	82	4.5976	3.74775
	Cochin	57	4.5614	3.72039
	Total	200	4.5500	3.70835

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Investors Bias	Between Groups	76.141	2	38.070	.889	.412
	Within Groups	17008.737	397	42.843		
	Total	17084.878	399			
Self -Control Bias	Between Groups	.065	2	.032	.015	.985
	Within Groups	864.575	397	2.178		
	Total	864.640	399			
Availability Bias	Between Groups	.748	2	.374	.060	.941
	Within Groups	2455.962	397	6.186		
	Total	2456.710	399			
Loss Aversion Bias	Between Groups	7.233	2	3.616	.377	.686
	Within Groups	3804.517	397	9.583		
	Total	3811.750	399			
Regret Aversion	Between Groups	2.874	2	1.437	.106	.900
	Within Groups	5395.116	397	13.590		
	Total	5397.990	399			
Endowment Bias	Between Groups	8.321	2	4.161	.267	.766
	Within Groups	6186.469	397	15.583		
	Total	6194.790	399			
Self -Attribution Bias	Between Groups	.748	2	.374	.060	.941
	Within Groups	2455.962	397	6.186		
	Total	2456.710	399			
Status Quo Bias	Between Groups	7.828	2	3.914	.349	.706
	Within Groups	4457.762	397	11.229		
	Total	4465.590	399			
Over Confidence	Between Groups	3.025	2	1.512	.990	.373
	Within Groups	606.725	397	1.528		
	Total	609.750	399			
Framing Bias	Between Groups	2.747	2	1.374	.106	.899
	Within Groups	5143.350	397	12.956		
	Total	5146.098	399			

Illusion Control Bias	Between Groups	.107	2	.053	.022	.978
	Within Groups	971.893	397	2.448		
	Total	972.000	399			
Confirmation Bias	Between Groups	.748	2	.374	.060	.941
	Within Groups	2455.962	397	6.186		
	Total	2456.710	399			
Recency Bias	Between Groups	1.065	2	.532	.039	.962
	Within Groups	5485.935	397	13.818		
	Total	5487.000	399			

Dependent Variable		Mean Difference (I-J)	Std. Error	Sig.	
Investors Bias	Kozhikode	Thiruvananthapuram	-.79508	.78257	.310
		Cochin	.16983	.85264	.842
	Thiruvananthapuram	Kozhikode	.79508	.78257	.310
		Cochin	.96491	.79816	.227
	Cochin	Kozhikode	-.16983	.85264	.842
		Thiruvananthapuram	-.96491	.79816	.227
Self -Control Bias	Kozhikode	Thiruvananthapuram	-.03039	.17644	.863
		Cochin	-.01841	.19223	.924
	Thiruvananthapuram	Kozhikode	.03039	.17644	.863
		Cochin	.01198	.17995	.947
	Cochin	Kozhikode	.01841	.19223	.924
		Thiruvananthapuram	-.01198	.17995	.947
Availability Bias	Kozhikode	Thiruvananthapuram	-.07477	.29737	.802
		Cochin	-.10900	.32400	.737
	Thiruvananthapuram	Kozhikode	.07477	.29737	.802
		Cochin	-.03423	.30329	.910
	Cochin	Kozhikode	.10900	.32400	.737
		Thiruvananthapuram	.03423	.30329	.910
Loss Aversion Bias	Kozhikode	Thiruvananthapuram	.04418	.37011	.905
		Cochin	.32039	.40325	.427

	Thiruvananthapuram	Kozhikode	-.04418	.37011	.905
		Cochin	.27621	.37749	.465
	Cochin	Kozhikode	-.32039	.40325	.427
		Thiruvananthapuram	-.27621	.37749	.465
Regret Aversion	Kozhikode	Thiruvananthapuram	-.18393	.44074	.677
		Cochin	-.18435	.48021	.701
	Thiruvananthapuram	Kozhikode	.18393	.44074	.677
		Cochin	-.00043	.44952	.999
	Cochin	Kozhikode	.18435	.48021	.701
		Thiruvananthapuram	.00043	.44952	.999
Endowment Bias	Kozhikode	Thiruvananthapuram	.05338	.47196	.910
		Cochin	.34628	.51422	.501
	Thiruvananthapuram	Kozhikode	-.05338	.47196	.910
		Cochin	.29290	.48136	.543
	Cochin	Kozhikode	-.34628	.51422	.501
		Thiruvananthapuram	-.29290	.48136	.543
Self -Attribution Bias	Kozhikode	Thiruvananthapuram	-.07477	.29737	.802
		Cochin	-.10900	.32400	.737
	Thiruvananthapuram	Kozhikode	.07477	.29737	.802
		Cochin	-.03423	.30329	.910
	Cochin	Kozhikode	.10900	.32400	.737
		Thiruvananthapuram	.03423	.30329	.910
Status Quo Bias	Kozhikode	Thiruvananthapuram	.05058	.40063	.900
		Cochin	.33535	.43650	.443
	Thiruvananthapuram	Kozhikode	-.05058	.40063	.900
		Cochin	.28477	.40861	.486
	Cochin	Kozhikode	-.33535	.43650	.443
		Thiruvananthapuram	-.28477	.40861	.486
Over Confidence	Kozhikode	Thiruvananthapuram	-.17353	.14780	.241

		Cochin	.00661	.16104	.967
		Thiruvananthapuram	Kozhikode	.17353	.14780
	Cochin	Cochin	.18015	.15075	.233
		Kozhikode	-0.00661	.16104	.967
Framing Bias	Kozhikode	Thiruvananthapuram	-0.17213	.43034	.689
		Cochin	-0.18968	.46887	.686
	Thiruvananthapuram	Kozhikode	.17213	.43034	.689
		Cochin	-0.01754	.43891	.968
	Cochin	Kozhikode	.18968	.46887	.686
		Thiruvananthapuram	.01754	.43891	.968
Illusion of Control bias	Kozhikode	Thiruvananthapuram	-0.03679	.18707	.844
		Cochin	-0.03336	.20382	.870
	Thiruvananthapuram	Kozhikode	.03679	.18707	.844
		Cochin	.00342	.19079	.986
	Cochin	Kozhikode	.03336	.20382	.870
		Thiruvananthapuram	-0.00342	.19079	.986
Confirmation Bias	Kozhikode	Thiruvananthapuram	-0.07477	.29737	.802
		Cochin	-0.10900	.32400	.737
	Thiruvananthapuram	Kozhikode	.07477	.29737	.802
		Cochin	-0.03423	.30329	.910
	Cochin	Kozhikode	.10900	.32400	.737
		Thiruvananthapuram	.03423	.30329	.910
Recency Bias	Kozhikode	Thiruvananthapuram	-0.12215	.44444	.784
		Cochin	-0.08599	.48423	.859
	Thiruvananthapuram	Kozhikode	.12215	.44444	.784
		Cochin	.03616	.45329	.936
	Cochin	Kozhikode	.08599	.48423	.859
		Thiruvananthapuram	-0.03616	.45329	.936

Conclusion

Present study concludes that there is no significant difference between the behavioural biases and different regions in Kerala because p value of all biases higher than 0.05. All the biases influenced by the Kerala investors has no significant difference between their region.

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