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A STUDY ON INVESTMENT BIASES AND BEHAVIOURAL INTENTION OF INVESTORS IN TAMIL NADU

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Abstract
Behavioural biases lead to bounded rationality, where investors fail to evaluate the alternatives available to them so as to select the optimal alternative. There are several behavioral biases which human beings exhibit. The regression analysis indicates that conservatism bias, recency bias and overconfidence bias are positively and significantly influencing the behavioural intention of investors. As the part of investors while taking investment decisions, they must consider the biases as risk factor associated with their investment portfolios. Through developing quantitative criteria like profitability, liquidity, growth and leverage for investment, investors can avoid influence of psychological biases that results in investing on emotions, rumor and stories.

Key Words: Behavioural Intention, Investment Biases, Investors, Regression.

1. INTRODUCTION
Human beings are known to make decisions based on their intuitions and feeling rather than collecting sufficient information, which will facilitate effective decision making. The decision-making process of investors incorporates both a quantitative (objective) and qualitative (subjective) aspect that is based on the features of the investment product or financial service. In practice, individuals make judgments and decisions that are based on past events, personal beliefs, and preferences. They establish short cuts or heuristics that can save time but lead them away from rational, long-term thinking.

The investors often simplify their decision processes and are prone to behavioural heuristics that might cause systematic errors and lead to satisfactory investment choices, but which do not maximize utility. Investor behaviour often deviates from logic and reason, and investors display many behaviour biases that influence their investment decision-making processes. Emotional processes, mental mistakes, and individual personality traits complicate investment decisions. Thus, investing is more than just analyzing numbers and making decisions to buy and sell various assets and securities.

Behavioural biases lead to bounded rationality, where investors fail to evaluate the alternatives available to them so as to select the optimal alternative. There are several behavioral biases which human beings exhibit. A large part of investing involves individual behaviour. Understanding investor behaviour can inform investors about the biases and help them improve their decision-making processes in selecting investment services, products, and strategies. Therefore, the present research is attempted to study investment biases and behavioural intention of investors in Tamil Nadu.

2. METHODOLOGY
The Tamil Nadu state has been purposively selected for the present study. The investors have been selected from the major cities of Chennai, Coimbatore, Madurai, Salem, Tiruchirappalli and Tirunelveli by adopting random sampling technique. The data and information have been collected from 200 investors from each city through pre-tested structured questionnaire, thus, the total sample size for the present study is 1200. The data and information pertain to the year 2014-2015. In order to examine the socio-economic characteristics of investors, the frequency and percentage analysis have been worked out. The mean and standard deviation have been calculated for investment biases and behavioural intention of investors. In order to examine the influence of investment biases on behavioural intention of investors, the multiple linear regression has been applied.

3. RESULTS AND DISCUSSION
3.1. SOCIO-ECONOMIC CHARACTERISTICS OF INVESTORS
The socio-economic characteristics of investors were analyzed and the results are presented in Table-1. The results show that about 51.75 per cent of investors are males and the rest of 48.25 per cent of investors are females. It is observed that about 28.75 per cent of investors belong to the age group of 26 – 35 years followed by 36 – 45 years (23.83 per cent), 46 – 55 years (21.08 per cent), 21 – 25 years (18.58 per cent), 56 – 65 years (4.42 per cent) and above 65 years (3.34 per cent).

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The results indicate that about 27.50 per cent of investors have the educational qualification of graduation followed by secondary education (20.25 per cent), post-graduation (17.25 per cent), diploma (15.17 per cent), primary education (10.08 per cent) and higher secondary education (9.75 per cent). It is clear that about 35.00 per cent of investors are working in Government sector followed by private sector (29.67 per cent), business (14.67 per cent), retired (10.41 per cent) and agriculture (10.25 per cent).

The results reveal that about 29.92 per cent of investors belong to the annual income group of Rs.4,01,000 – Rs.6,00,000 followed by Rs.2,01,000 – Rs.4,00,000 (20.75 per cent), Rs.6,01,000 – Rs.8,00,000 (20.17 per cent), less than Rs.2,00,000 (15.83 per cent), Rs.8,01,000 – Rs.10,00,000 (11.58 per cent) and more than Rs.10,00,000 (1.75 per cent). It is apparent that about 32.00 per cent of investors belong to the annual investment group of Rs.50,001 – Rs.75,000 followed by Rs.25,001 – Rs.50,000 (20.75 per cent), Rs.75,001 – Rs.1,00,000 (20.42 per cent) and less than Rs.25,000 (17.33 per cent) and more than Rs.1, 00,000(9.50 per cent).

Table -1. Socio-Economic Characteristics of Investors

Particulars	Frequency	Percentage
Gender		
Male	621	51.75
Female	579	48.25
Age Group		
21 – 25 years	223	18.58
26 – 35 years	345	28.75
36 – 45 years	286	23.83
46 – 55 years	253	21.08
56 – 65 years	53	4.42
Above 65 years	40	3.34
Educational Qualification		
Primary	121	10.08
Secondary	243	20.25
Higher Secondary	117	9.75
Diploma	182	15.17
Graduation	330	27.50
Post Graduation	207	17.25
Occupation		
Agriculture	123	10.25
Business	176	14.67
Government Sector	420	35.00
Private Sector	356	29.67
Retired	125	10.41
Annual Income		
Less than Rs.2,00,000	190	15.83
Rs.2,01,000 – Rs.4,00,000	249	20.75
Rs.4,01,000 – Rs.6,00,000	359	29.92
Rs.6,01,000 – Rs.8,00,000	242	20.17
Rs.8,01,000 – Rs.10,00,000	139	11.58
More than Rs.10,00,000	21	1.75
Annual Investment		
Less than Rs.25,000	208	17.33
Rs.25,001 – Rs.50,000	249	20.75
Rs.50,001 – Rs.75,000	384	32.00
Rs.75,001 – Rs.1,00,000	245	20.42
More than Rs.1,00,000	114	9.50

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3.2. INVESTMENT BIASES OF INVESTORS
The investment biases of investors were analyzed and the results are hereunder presented.

3.2.1. CONSERVATISM BIAS
The conservatism bias of investors was analyzed and the results are presented in Table-2.

Table - 2. Conservatism Bias of Investors

Sl. No.	Conservatism Bias	Mean	Standard Deviation
1.	I only invest in familiar investments	4.64	0.22
2.	I believe the returns are higher for investments that I am familiar with	4.61	0.27
3.	I would invest in the investments when an organization announces good earnings	4.20	0.33

The results show that the investors are strongly agreed with they only invest in familiar investments and they believe the returns are higher for investments that they are familiar with, while, they are agreed with they would invest in the investments when an organization announces good earnings.

3.2.2. RECENCY BIAS
The regency bias of investors was analyzed and the results are presented in Table-3.

Table - 3. Recency Bias of Investors

Sl. No.	Recency Bias	Mean	Standard Deviation
1.	I prefer to have well diversified investments	3.84	0.42
2.	I generally place more weight on events in the recent past and give less emphasis to the distant past in the investment process	3.94	0.44
3.	The speed of information passes, expected market impact and anticipated market surprise are rated more important than the reliability of the source and the accuracy of information	3.73	0.43

The results show that the investors are agreed with they prefer to have well diversified investments, they generally place more weight on events in the recent past and give less emphasis to the distant past in the investment process and the speed of information passes, expected market impact and anticipated market surprise are rated more important than the reliability of the source and the accuracy of information.

3.2.3. OVERCONFIDENCE BIAS
The overconfidence bias of investors was analyzed and the results are presented in Table-4.

Table - 4. Overconfidence Bias of Investors

Sl. No.	Overconfidence Bias	Mean	Standard Deviation
1.	I am confident of my ability to do better than others in picking investments	4.72	0.24
2.	I control and fully responsible for the results of my investment decisions	4.22	0.68
3.	My past investment successes are due to my specific skills	4.12	0.49

The results show that the investors are strongly agreed with they are confident of their ability to do better than others in picking investments, while, they are agreed with they control and fully responsible for the results of their investment decisions and their past investment successes are due to their specific skills.

3.3. BEHAVIOURAL INTENTION

The behavioural intention of investors was analyzed and the results are presented in Table-5.

Table - 5. Behavioural Intention of Investors

Sl. No.	Behavioural Intention	Mean	Standard Deviation
1.	I will recommend investment options to others	3.66	0.63
2.	I will continue to do most of my investment tasks in my own.	3.71	0.67
3.	I will be willing to shift my investments based on higher expected returns	3.84	0.53
4.	In the event of a problem with my investments, I will be willing to lodge a complaint to the relevant authorities	4.25	0.52

The results show that the investors are agreed with they will recommend investment options to others, they will continue to do most of their investment tasks in their own, they will be willing to shift their investments based on higher expected returns and in the event of a problem with their investments, they will be willing to lodge a complaint to the relevant authorities.

3.4. INFLUENCE OF INVESTMENT BIASES ON BEHAVIOURAL INTENTION OF INVESTORS

In order to study the influence of investment biases on behavioural intention of investors, the multiple linear regression has been applied and the results are presented in Table-6.The investment biases are considered as independent variables and the behavioural intention of investors is considered as dependent variable.

Table - 6. Influence of Investment Biases on Behavioural Intention of Investors

Investment Biases	Regression Coefficients	t-value	Sig.
Intercept	6.859**	11.780	.000
Conservatism Bias (X_1)	.246**	8.274	.000
Recency Bias (X_2)	.773**	53.233	.000
Overconfidence Bias (X_3)	.232**	8.151	.000
R^2	0.71	-	-
Adjusted R^2	0.69	-	-
F	27.582	-	.000
N	1200	-	-

*Note: ** Significance at one per cent level.*

The results show that the coefficient of multiple determinations (R^2) is 0.71 and adjusted R^2 is 0.69 indicating the regression model is good fit. It is inferred that about 69.00 per cent of the variation in dependent variable (Behavioural Intention) is explained by the independent variables (Investment Biases). The F-value of 27.582 is statistically significant at one per cent level indicating that the model is significant.

The results indicate that conservatism bias, recency bias and overconfidence bias are positively and significantly influencing the behavioural intention of investors at one per cent level. Hence, the null hypothesis of there is no significant influence of investment biases on behavioural intention of investors is rejected.

4. CONCLUSION

Among the features of conservatism bias, the investors are strongly agreed with they only invest in familiar investments and they believe the returns are higher for investments that they are familiar with. Among the features of overconfidence bias, the investors are strongly agreed with they are confident of their ability to do better than others in picking investments. Among the features of recency bias, the investors are agreed with they prefer to have well diversified investments, they generally place more weight on events in the recent past and give less emphasis to the distant past in the investment process and the speed of information passes, expected market impact and anticipated market surprise are rated more important than the reliability of the source and the accuracy of information.

The regression analysis indicates that conservatism bias, recency bias and overconfidence bias are positively and significantly influencing the behavioural intention of investors.

The investors should intentionally evaluate the investment's entire programme through following the logical decision making processes; they need to decrease the negative effect of the prejudice's reluctance and high confident through an increase in information, knowledge and experience in the field of investment.

As the part of investors while taking investment decisions, they must consider the biases as risk factor associated with their investment portfolios. Through developing quantitative criteria like profitability, liquidity, growth and leverage for investment, investors can avoid influence of psychological biases that results in investing on emotions, rumor and stories.

It is suggested that investors should get the knowledge of the investment biases and should avoid them while making any investment decisions. Investors can also take help from Information Technology (IT) where they can use different tools and software packages to avoid these investment biases.

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