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Research Article

To Study The Impact Of Investment Behavior On Decision Making Of Banking Officials In Delhi NCR

Pranav Sharma[1*], Shweta Goel[2]

[*]Research Scholar Department of Management & Commerce, Manav Rachna University, Faridabad,
Email: pranavsharmafbd@gmail.com,8860023978
[2]Associate Professor Department of Management & Commerce, Manav Rachna University, Faridabad, Email: shweta.goel503@gmail.com

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ABSTRACT
In this study the impact of investment behavior on decision making by banking officials in Delhi NCR was investigated. A total of 200 respondents filled the questionnaire. The respondents are categorized into public and private sector banks. The data are analyzed using table, F test, T test , regression, correlation . The overall result shows that there is a positive impact of investment behavior on decision-making. The relationship between investment decision and prospect theory is negative and strong.There are many behavioral factors which affect the decision making and the investor should be aware of all the factors properly.

KEYWORDS: Behavioral Finance, Investment Decision, Banking officials, Prospect Theory.

INTRODUCTION

There are many theories which are founded on the idea that investors behave rationally.
The financial theory is based on the capital asset pricing model and modern portfolio theory(Kishore,2005). These theories are based on the fact that the investors have all the information for the decision making process. These theories are based on the principle that investors are updated about the current market scenario. This is consistent with the efficient market hypothesis. Underline all things no investment strategy can earn access as compared to the risk involved (Fama 1965).
The researchers have argued many times that the basic facts about market behavior are not easily understood in the framework of MPT, CAPM,APT. Thanks there is a need to study behavioral finance which gives the answers which are left behind in the traditional finance model. The behavior finance help us for better understand
How different errors affect the decision making process.According to Sewell(2007) beware finance is study for the better future of the investors .
The expectation base model argues that the irrationality is done by arbitrage . Here arbitrage means the risk less profit at no cost Kishore (2005). Traditional finance theory believes that attractive opportunities will be capitalized by the traditional traders due to mispricing will be corrected. In order to explain decision making process behavior finally draws on the experimental evidence of cognitive psychology and the basis that arise due to people's beliefs.
However human psychology and irrational behavior factors are still unknown . What is the effect of heuristic and prospect theory on all investment decisions ?

LITERATURE REVIEW

Traditional finance theory is based on predetermined investors being rational and the market is efficient. Here rationality implies relevant information is reflected and in the market prices reflect the correct prices simultaneously. There are many theories which are based on assumptions. These theories revolutionized the finance landscape. But in these theories various questions remained unanswered.
The economic decision is often made in a rational manner.As per Subash(2012) behavior finance branch of finance that studies the effect of psychological factors on investment decision making, this also influences the buying and selling of securities and stock markets. Sometimes an investor has proper knowledge and

understanding about the investment which helps in profit maximization. It's human psychology that a person takes the decision rationally.
According to Sewell (2007) the study influences psychology on the behavior of financial practitioners and the effect on the market. Alqisie (2000) designs behavioral finance as a fast growing area that deals with the effect of psychology on behavior finance.
Shefrin (2016) examines case studies of the southeast stock market to study the influence of stock investment decisions. This study is done using primary data, SPSS software is used to analyze the data. The result indicates that there is a significant effect on the investment decision regarding stocks . The variables like gender , age do not have any significant effect on investment decisions . The only variable that affects the investment decision is education.
A study by Adetiloye (2012) in which Nigerian security market studied. The question yet technique is used to collect the data. Correlation and Pearson coefficient test are done. The result indicates that behavioral biases exist but there is a weak negative relationship between stock market and behavior finance. The study recommends that more and more investors should engage themselves as investor advisors in order to reduce personal biases.
Kengatharan(2014) studied Colombo stock exchange. He investigated the influence of behavior factors and decision making. The data is collected. I am done analyzing using the SPSS tool. The result indicates that there are four behavioral factors affecting the investment decision of an individual investor . Most of the various have moderate infect whereas anchoring variables have high influence and choice of stock variable have low influence. Over confidence from heuristic factor influence and anchoring from heuristic factor have positive influence. And all the other variables do not influence investment performance.
Bashir (2013) investigated the impact of business behaviour on investor financial decision making. The data which are collected using the questionnaire linear regression and correlation technique is used. The result concludes that illusion, over confidence had a direct influence on investor decision making.
Michayluck(2008) conducted a study which gained deep insight into overconfidence in the forecast ability of financial advisors. The reason we are studying is Australia. The overconfidence is present in both the exposed outcome and to one interval base historical return .
Mishra (2018) investigated the Indian stock market using SEM. The data of 396 individual investors work collected. The result is influenced by anchoring overconfidence.

OBJECTIVE OF THE STUDY

1. To analyze the behavioral finance theory
2. To study the impact of investment behavior on decisions .

THEORETICAL FRAMEWORK

Heuristics and Prospect are two major theories in behavior Finance.
Heuristics theory helps in the decision making process. This theory facilitates decision making but sometimes leads to biases.
Ritter (2003) respect leads to some optimal investment decisions. It means sometimes we sell our profitable assets. The concept of anchoring on the concept of to attack may have no relevance on decision making. For example investors purchase shares of a company by listening to the positive news in the market but the share price drops suddenly.
Herd mentality refers the personal believe that the share prices will go up in the near future or go down in the future. It is based on the personal perception. This personal instinct make the biases decision making. It is mostly common for institutional investors rather than personal investors . The satisfaction level of a person varies a lot . Entrepreneurs diversified because they think that they can succeed in other ventures also. If any equity price are at higher range then after sometime people think that it is new normal.
The confirmation bias is a biasness where decision makers put weightage on fire views than invalidate their views.
In 1979 prospect theory was developed. This theory was developed by Kahneman and Tversky . They include loss aversion ,mental accounting etc. People do not encode the level of joy and paint equally. Generally people are more loss sensitive and have more pain when they lose money but they are less happy when they do gain money. People tend to sell the shares quickly when they have the fear of loss . It is due to the fact that the loss will penetrate more if we hold for a longer period of time but this is an illusion . Sometimes the loss can turn into profit also. Mental accounting illusion is based on the belief that sometimes people take the decision personal opinion rather than the hot opinion. Sometimes people have to bear having you lose at the hold for a longer period of time. The investor try to avoid regret on the lost money.

INVESTMENT DECISION MAKING

Whenever an investor takes the decision to invest in any avenue then it is a personal decision to invest . It is a cognitive process as it is based on various facts , fundamental analysis, technical analysis etc. Fundamental analysis, technical analysis and intuitions are based on different traditional theories of finance. However we can use the psychological principle of decision making to explain why people buy or sell stock.

METHODOLOGY

We use SPSS software to analyze the data .The study we develop the questionnaires for the data collection. This questionnaire consists of close-ended questions . Section A of the questionnaire comprises the character like gender, age, marital status, educational qualification and so on. Section B comprises the items for measuring heuristics, while section C & D is for the items for measuring investment decision.

ANALYSIS

Table 1 provides the demographic distribution of the respondents. From the table, it is known that 62.5 percent of the respondents are males, while the remaining 37.5 per cent of the respondents are females. This shows that the study is not sexually biased. Both genders are equally distributed. The modal age for the study is between 25 and 35 years. This means that individuals within this age range have the highest number of investors. Those within the age range of 50 years and above are also very active investors as they constitute 35 percent of the investor respondents; 48 per cent of the respondents are single and 34 per cent of the respondents are married. Regarding the educational qualification of the respondents,
49 per cent of the respondents are MBA/MSC holders, while 28 per cent of the respondents have other degrees or certifications. Those who have sufficient financial management knowledge constituted 23 per cent of the respondents, while the remaining respondents either do not have the knowledge or do not even know whether they do.

VARIABLES	ITEMS	FREQUENCY	PERCENTAGE
GENDER	MALE	125	62.5
	FEMALE	75	37.5
	TOTAL	**200**	**100**
AGE	BELOW 25 year old	45	22.5
	25-35 year old	90	45.0
	36 -46 year old	40	20.0
	46 year and above	25	12.5
	TOTAL	**200**	**100**
MARITAL STATUS	SINGLE	105	52.5
	MARRIED	60	30
	DIVORCED	15	17.5
EDUCATIONAL QUALIFICATION	OFFICER	60	30
	MANAGER	80	40
	SENIOR MANAGER	15	7.5
	CHIEF MANAGER	45	22.5
Do you have sufficient Financial management Knowledge ?	YES	150	75
	NO	10	05
	Don't know	40	20

Results Based on the Heuristics

Table 2 is the results of the items of the questionnaire posed on the respondents based on heuristics.

S/N		Strongly Agree (%)	*Agree* (%)	Neutral (%)	*Disagree* (%)	Strongly Disagree(%)
1	My past influences my present investment Decisions.	75	45	30	15	15
2	Thinking hard and for a long time about something gives me little satisfaction	30	45	45	30	30
3	I sell my investment only if price increases	45	45	4	15	30
4	My decision to hold a losing stock is influenced by a news and	45	45	30	30	30)

	information					
5	I may buy mutual funds Which has more advertisement	35	80	15	30)	30
6	If I roll a die and continuously get a 1, I feel the next roll will not be a 1	40	35	30	35	40
7	If I have to choose between 90 percent fat-free food and the one that contains 10 percent fat, I would rather go for the first option	30	60	30	30	30
8	I strongly believe in my ability to always choose best stocks and funds all the time	45	60	30	15	30

Results Based on Prospect Theory

Table 3 presents the result of the prospect theory. We observed from the table that the majority of the respondents strongly agreed and agreed for many of the statements.

Results Based on the Investment Decision

Table 4 shows the result of the investment decision theory. It can be observed from the table, the majority of the respondents strongly agreed with most of the statements.

Correlation Matrix

The correlation coefficient determines the relationship among the variables Correlation determines the strength and the direction of the independent variables on the dependent variables

Table 3. Prospect Theory

S/N		SA	*A*	UN	*D*	SD
1	I intend to sell my investments immediately if it goes back to the acquisition price.	15	60	55	35	30
2	Assume I bought a movie ticket for 5000. When getting to the theater you realized that you lost the ticket. I will definitely buy another .	25	60	30	45	30
3	I prefer to hold on to a present profitable investment due to the fear of not participating in the future gain .	45	45	40	40	30

Table 4. Investment Decision

S/N	Statements	SA	*A*	UN	*D*	SD
1	My investment reports better results than expected	64	56	10	30	20
2	My investment in stocks has demonstrated increased cash flow growth in past 5 years	79	51	15	25	25
3	My investment in stocks has a lower risk compared to the market in general	90	40	20	25	25
4	My investment in stocks has a high degree of safety	45	38	26	40	49
5	My investment proceeds will be used in a way that benefit society	50	65	25	30	30

Table 5. Correlations Matrix

		Investment Decision	Heuristics	Prospect Theory
Investment decision	Pearson correlation	1	−0.713*	−0.615*
	Sig. (2-tailed)		0.000	0.000
	N	200	200	200
Heuristics	Pearson correlation	−0.713*	1	0.764*
	Sig. (2-tailed)	0.000		0.000
	N	200	200	200

(Table 5 Continued)

(Table 5 Continued)

		Investment Decision	Heuristics	Prospect Theory
Prospect theory	Pearson correlation	−0.615*	0.782*	1
	Sig. (2-tailed)	0.000	0.000	
	N	200	200	200

Note: *Correlation is significant at the 0.01 level (2-tailed).

Table 6. Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate 1	0.721[a]	0.520
	0.515	1.362				

Table 7. ANOVA[a]

	Model	Sum of Squares	df	Mean Square	F	Sig.
	Regression	356.190	2	178.095	95.869	0.000[b]
1	Residual	328.810	187	1.858		
	Total	685.000	199			

Table 5, heuristics and investment decision are strongly negatively correlated, $r = -0.712$, $p = 0.000$. The result shows that the lower the evidence of heuristics, the higher the investment decision or we can say that , the more an investor identifies and then alienates heuristics in the decision-making process, the better he takes the decision. Likewise, prospect theory and investment decisions are strongly negatively correlated, $r = -0.615$, $p = 0.000$. This also shows that the less the prospect theory illusion, the better the decision-making.

Interpretation of Multiple Regression Results

A multiple linear regression was calculated to predict investment decisions based on prospect theory and heuristics. A significant regression equation was found (F [2, 177] = 95.869, $p < 0.000$) (see Table 7), with an R^2 value of 0.52 (see Table 6). Participants predicted investment decision is equal to 14.859 − 0.153(heuristics) − 0.111(prospect theory), where heuristics is coded or measured as 1 = SD, 2 = D, 3 = UN, 4 = A and 5 = SA, and prospect theory is coded as 1 = SD, 2 = D, 3 = UN, 4 = A and 5 = SA. Participants' investment decision is increased by 0.153 for each unit of decrease in heuristics and for each unit of decrease in prospect theory, investment decision is increased by 0.111. Both of heuristics and prospect theory are significant predictors of investment decision.

Table 8. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
	(Constant)	14.859	0.377		39.414	0.000
1	Heuristics	−0.153	0.021	−0.583	−7.255	0.000
	Prospect Theory	−0.111	0.053	−0.170	−2.109	0.036

Test of Hypotheses

However, the coefficient table shows the impact of the individual behavioral finance factors on investment decisions. According to the table, heuristics and investment decisions are significantly negatively correlated with $b = -0.153$, $p = 0.000$.

Likewise, the relationship between prospect theory and investment decision is negative and significant based on $b = -0.111$, $p = 0.036$.

Discussion

The study shows that there is a negative significant relationship between heuristics and investment decisions. This means that the more the existence of heuristics, the less effective the investment decision-making of the banking officials in Delhi NCR. The viceversa is also true. The study further revealed a strong correlation between the two variables,we can say the existence of heuristics amongst the Banking Officials is predominant. We also found the existence of behavioral finance, but not very dominant. This study revealed a strong correlation between the two variables and found the existence of heuristics amongst Banking Officials to be dominant.nThe study also shows negative relationship between prospect theory and investment decision

Conclusions

This study aims to examine the impact of behavioral finance on investment decisions of banking officials. The result shows an overall significant impact of behavioral finance on investment decisions of banking officials . This study has been able to provide much evidence that heuristics and prospect many times influence investors while making investment decisions..It is also enlightening that there are many behavioral factors which can affect their investment decision-making process.One should try to avoid these behavioral biases when making investment decisions. Banking officials should avoid overconfidence biases while making investment decisions.

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