

A STUDY ON IMPACT OF FINANCIAL LITERACY AND BEHAVIORAL BIASES ON INVESTMENT DECISION MAKING WITH SPECIAL REFERENCE TO KADAPA CITY

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Abstract: This study investigates the impact of financial literacy and behavioural biases on investment decision-making among individual investors. While financial literacy equips investors with knowledge to make rational choices, behavioural biases such as overconfidence, herding, loss aversion, and anchoring often influence decisions in ways that deviate from rationality. Using a structured survey administered to a sample of [sample size] investors, the study employs statistical techniques including regression analysis to examine the relationships between financial literacy, behavioural biases, and investment decisions. The findings reveal that higher financial literacy positively affects investment decision-making, while behavioural biases significantly mediate the decision process. The study highlights the importance of investor education and awareness programs to mitigate biases and improve financial outcomes. The results offer valuable insights for policymakers, financial institutions, and individual investors seeking to enhance investment effectiveness.

Keywords: financial literacy, behavioural biases, investment decision making, investors behaviour.

INTRODUCTION:

In the investment world, investors often make rational or irrational decisions based on their understanding and it was widely discussed in traditional finance and behavioural finance. Traditional finance asserts that investors are rational and formulate wise investment decisions. Behavioural biases are categorized into heuristics, framing effect, cognitive illusions and herd mentality, and have effect on investment performance of individual investors' portfolio. As per heuristic phenomenon, anchoring bias, representativeness and overconfidence have been involved in transforming individual investors as to stock market investments. Investment decisions in daily life rely on the mix of various factors such as tendency, motive, passion and social interaction. Investors make investments according to available funds, periodical and financial objectives.

INVESTMENT INDUSTRY:

The investment industry in India has been riding high for the last few years. Warren buffet has always mentioned that investment in India should always be a long-term story as the industry has been growing from an emerging market to a develop one. The next 10 years in India will give good returns. India is one of the world's largest and fast-growing economics. Many nations have shown interest in investing in India. The investment tech industry in India is growing at unprecedented rate, with a year-by year growth of 300% in the last 3years. It estimated that ending of 2025. The investment tech industry in India will be worth\$14.3 billion. Presenting a huge opportunity for investor's and invest tech companies.

Investment industry in India has grown significantly, driven by economic expansion, financial inclusion, and digital transformation. The investment industry in India is regulated by the Securities and Exchange Board of India (SEBI) and established on 12 April 1998, which ensures transparency, investor protection. Stock market has experienced significant growth, with the Bombay stock exchange (BSE) and National exchange (NSE) and attracting the domestic and foreign institutional investors, making India a key global investment hub. The mutual fund industry, with AUM (Assets Under Management) exceeding fifty trillion rupees, has seen remarkable growth, driven by increasing retail investor participation through Systematic Investment Plans (SIPs).

The rise of fintech and digital investing has made investing more accessible with online trading platforms, robot-advisors, and mobile investment apps gaining popularity. Government initiatives such as 'Make in India,' 'Startup India,' 'Self reliant India, have boosted investments across sectors. Furthermore, Liberalized Foreign Direct Investment (FDI) policies and attractive investment opportunities have encouraged global investors to invest in Indian markets.

Alternative investments like private equity, venture capital, real estate investment trusts and infrastructure investment trusts offer diversified investment opportunities. Traditional investments like gold and real estate remain preferred choices, with gold EFTs and real estate developments attracting investors.

TYPES OF INVESTMENTS:

Investments can be categorized into different types based on risk, returns, and asset class. Below are the major types of investments:

1. **EQUITY INVESTMENT:** Equity investments involve purchasing ownership shares in a company or fund, with the potential for high returns but also market risks.

- **STOCKS (SHARES):** Stocks represent ownership in a company. When you buy a stock, you become a shareholder and can earn returns through price appreciation and dividends.

- **EQUITY MUTUAL FUNDS:** These funds pool money from investors to invest in multiple company stocks, providing diversification and professional management.

- **EXCHANGE-TRADED FUNDS (ETFs):** These are investment funds that trade on stock exchanges like individual stocks, tracking an index, commodity, or sector.

- **DEBT INVESTMENTS:** Debt investments involve lending money to governments, banks, or corporations in exchange for fixed interest payments over time. These are generally safer than equities but offer lower returns.

- **GOVERNMENT BONDS:** Bonds issued by the government to raise funds, offering low risk and steady returns.

- **CORPORATE BONDS:** Bonds issued by companies to raise capital, offering fixed interest payments.

- **FIXED DEPOSITS (FDS):** A safe investment option where money is deposited with banks for a fixed period at a predetermined interest rate

- **PUBLIC PROVIDENT FUND (PPF):** A long-term, government-backed savings scheme offering tax-free returns.

- **NATIONAL SAVINGS CERTIFICATE (NSC):** A small savings scheme by the government with fixed interest and tax benefits.

1. **MUTUAL FUNDS:** Mutual funds collect money from multiple investors and invest it in various securities, providing diversification and professional management.

2. **EQUITY MUTUAL FUNDS:** Invest mainly in stocks, suitable for investors seeking long term growth.

3. **DEBT MUTUAL FUNDS:** Invest in fixed-income securities like bonds, providing stability with moderate returns.

4. **HYBRID/BALANCED FUNDS:** A mix of equity and debt to balance risk and reward.

5. **INDEX FUNDS:** Passively managed funds that replicate the performance of a stock market index like Nifty 50. **REAL ESTATE** Real estate investments involve purchasing physical or financial assets in property for income generation or capital appreciation.

LITERATURE REVIEW:

- Kumar & Goyal, (2015) In the investment world, investors often make rational or irrational decisions based on their understanding and it was widely discussed in traditional finance and behavioural finance. Traditional finance asserts that investors are rational and formulate wise investment decisions. Investors try to maximize profit or gain by selecting the best investment alternative even in uncertain time.

- Stanovich & West, (2008) Behavioural biases are believed to have a direct impact on investment decisions, which ultimately leads to less investment gains in the stock market. Behavioural finance is an area that captures the irrationality of investors and the biases to which investors are prone. These cognitive biases are due to the inability of investors to predict market movements, which pushes them to make biased investment decisions.

- Lin, (2011) Behavioural biases are categorized into heuristics, framing effect, cognitive illusions and herd mentality, and have effect on investment performance of individual investors' portfolio. They are either inherent in investor psychology or in view of emotional decisions existing in general understanding of investment market. As per heuristic phenomenon, anchoring bias, representativeness and overconfidence have been involved in transforming individual investors as to stock market investments. Framing effect includes regret aversion, mental accounting and endowment effect.

- Muhammad & Abdullah, (2009) Investment decisions in daily life rely on the mix of various factors such as tendency, motive, passion and social interaction. Investors make investments according to available funds, periodical and financial objectives.

- Lo, (2005). Investors perform behavioural biases because of lack of technical proficiency and belief in their skills for effective decision-making. Behavioural biases, such as herd mentality, heuristics, cognitive illusions and the framing effect influence rational decision-making. Individual investors have less opportunity to evaluate stock due to lack of knowledge and interest, high cost and limited time. Therefore, they exercise simple heuristics or rule of thumb to make decisions.

- Kannan & Vijayakumar, (2015) Investors make decisions based on experience and knowledge on the stock market. Behavioural finance focuses on how individual investors act and interpret information to make investment

decisions. Behavioural finance is getting a main element of decision-making, since it affects behaviour of investor significantly.

- Kahneman & Tversky (2018) Behavioural Finance is financial theory which has risen from 1980. It studies three main issues that is standard finance theories, Market anomalies and behaviour finance describes a review of expected utility theory as a descriptive model of decision making under risk and develop alternative model as prospect theory.
- Hind Lebdaoui, (2021) Behavioural finance is the study of the impact of psychology on the behaviour of financial experts and the consequent effect on markets” It is basically the field of finance that inspects how the behaviour of representatives in the market is influenced by various psychological factors which affects the decision-making process that said representatives undertake which in turn affects investment return.
- **Tseng & Yang, 2011; Zahera & Bansal, 2018.** The risk tolerance level of investors, heuristic bias plays significant role. Heuristic bias can be explained in three ways such as anchoring bias, representativeness and overconfidence. Anchoring bias is an emotional state of affairs that exists when investors give unwanted importance to statistically random and emotionally determined anchors which direct them to make decisions that are not basically rational
- **Shobha & Shalini, (2015):** Financial literacy can be discussed in in three ways such as financial competency, financial proficiency and financial opportunity. Financial competency is concerned with equipping relevant knowledge on different financial products.
- **Agarwal et al., (2016)** Framing effect describes the state of an individual investor’s mind in decision-making. Cognitive illusions are systematic patterns of deviation from a specific norm or rationality in evaluations. Cognitive illusions induce the investors to follow certain norms in selection of investments.
- **Babajide & Adetiloye, (2012).** The combination of heuristic bias, framing effect, cognitive illusions and herd mentality cause irrationality and it is referred to as behavioural biases in investment decisions. Behavioural biases could establish a way to deviate from intrinsic worth and cause inefficiency in market.
- Kafayat, (2014): Investment decisions of investors project their intention to select better stocks. Intention is reflected in estimation of gain that is determined by using financial literacy level and biases in investments. Behavioural finance assists investors to make exclusive decisions and avoid mistakes in investments. Investment decisions are often surrounded by complexity and uncertainty; it can assist financial literacy and cognitive estimations to select suitable stocks.
- Sukanya & Thimmarayappa, (2015) Behavioural finance is a peculiar science that combines financial sense and cognitive psychology in investment decisions. In this way, financial literacy on investment and behavioural strategy could be the antecedents in determining investment decisions of an investor.
- Kubilay & Bayrakdaroglu, 2016; Zahera & Bansal, 2018). Decisions are made by comparing the present event with previous events and making investments accordingly. It can create some bias in terms of investors Hastings et al., (2013) Financial proficiency is related to the quantum of investors’ financial knowledge. Financially strong investors can plan in advance, discover and utilize information. Moreover, it helps the investors to be get familiar with when to get advice and how to proceed on such advice. It helps them to make superior gains.

RESEARCH METHODOLOGY

NEED OF THE STUDY:

Financial literacy guides individual investors to avoid irrational decisions to some extent. In earlier days, investors did not have enough education to search for the fundamentals of the broad dimensions of the company, industry and economy. Individual investors are partially rational and partially irrational in making investment decisions. They have mental biases and cognitive restrictions, which prevent them from making rational decisions. Various behavioural biases often forbid individual investors from taking rational decisions. Investment decisions of investors project their intention to select better stocks. Intention is reflected in estimation of gain that is determined by using financial literacy level and biases in investments. The study has been undertaken to understand the role of financial literacy and impact of behavioural biases on investors decision making with the following objectives.

OBJECTIVES OF THE STUDY:

- To identify the important aspects of financial literacy.
- To study about various types of behavioural biases influence investors decision making.
- To assess the impact of behavioural biases and financial literacy on investment decisions of individual investors.
- To suggest strategies for effective investors investment decision making.

HYPOTHESES OF THE STUDY: H1: There is a significant difference between financial literacy and investment decision making.

H2: There is a relationship between behavioural bias and investment decision making.

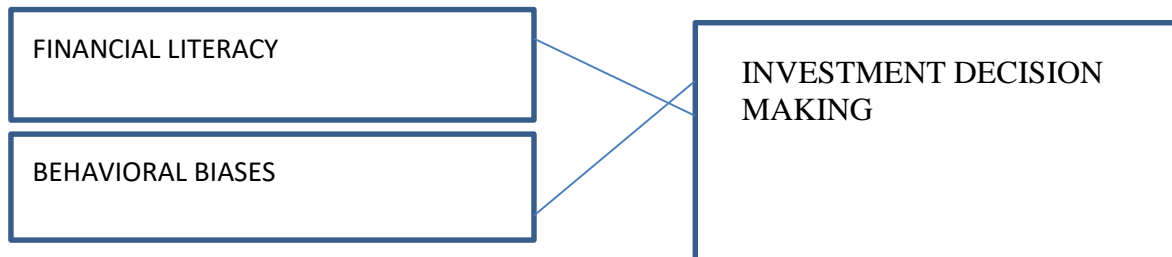
➤ H2A: Heuristic bias has a significant effect on investment decisions.

- H2B: framing effect has a significant impact on investment decisions.
- H2C: cognitive illusion has a significant effect on investment decisions.
- H2D: herd mentality has a significant effect on investment decisions.

RESEARCH MODEL:

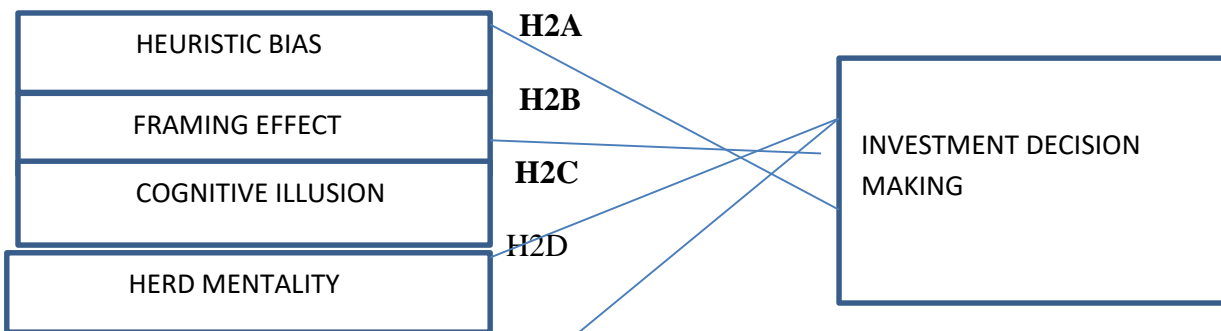
Independent variable

Dependent variable



Independent variable

DEPENDENT VARIABLE



RESEARCH DESIGN:

The study is descriptive in nature. Descriptive research is used to describe the characteristics of a population or specific, phenomenon being studied. Descriptive research aims to describe and summarize a phenomenon, situation, or population. It involves collecting and analysing data to provide a detailed and factual description of the research topic, without attempting to explain or interpret the findings. Descriptive research is often used to gain a better understanding of a topic, identify patterns and trends, and inform decision making.

SCOPE OF THE STUDY:

The study has focused on assessment of financial literacy and behavioural biases of investors. The financial literacy was studied in all aspects the behavioural biases of investors include herd mentality, framing effect, heuristic bias, and cognitive illusions.

RESEARCH METHOD

In this study, survey research method is used. The data can be collected by sending structured questionnaire to selected participants. The data is collected easily through this method.

POPULATION:

Population refers to the total number of people or individuals in a specific area or group being studied. In this study, I selected the population for my research as investors in Kadapa City.

SAMPLE SIZE:

Sample size refers to the number of participants or observations included in a study. In this study 110 sample size is taken.

SAMPLING PROCEDURES

SAMPLE:

A sample is a small group of individuals or people selected from a larger population. Sampling is the process of selecting the sample from the population. Sampling is the process of selecting the sample from the population.

SAMPLING METHODS: In general, non-probabilistic and in specific convenience sampling procedure is adopted to identify the respondents.

NON-PROBABILITY SAMPLING: Non-probability sampling techniques are where the researcher deliberately picks people or individuals for the sample based on their research goals or knowledge.

RESEARCH INSTRUMENT: A research instrument is a tool or method used to collect data in a research study, such as questionnaires, interviews, observations, scheduling. In this study a well-structured questionnaire is selected.

DATA SOURCES: There are two types of data sources i.e. primary data and secondary data. **PRIMARY DATA:** It refers to original, first-hand information collected directly from the sources, such as questionnaires, surveys, interviews, observation, scheduling, experiments etc. **SECONDARY DATA:** It refers to existing information that has been collected by someone else, such as published research papers, articles, websites, books etc.

STATISTICAL TOOLS:

In this study, statistical tools are used such as mean, standard deviation, correlation, regression. Mean refers to the average value of a set of numbers and standard deviation is a statistical measure that calculates the amount of variation or dispersion in a set of data from its mean value, a low standard deviation that the data points are close to the mean, while a high standard deviation indicates data points are more spread out. Correlation measures the strength and direction of the linear relationship between two variables. It ranges from -1 and +1 Regression analysis is a statistical method used to analyse the relationship between a dependent variable and one or more independent variables, aiming to predict or explain the variation in one variable based on another variables.

LIMITATIONS:

- This study is conducted in Kadapa city, hence it may not be generalized to other parts of local areas.
- This study collected data using Google form hence the respondents may be wrong on recalling their behavioural bias while responding.
- Limitation is to examine each individual bias—say anchoring bias—was estimated using only one variable, while it can examine using number of variables like other study.

DATA ANALYSIS

Table: 1
AGE

Variable	Categories	frequency	Percentage
AGE	BELOW 25	25	22.7%
	26-35	26	23.6%
	36-45	33	30%
	46-55	23	20.9%
	ABOVE 56	3	2.7%

INTERPRETATION: From the above Table 1 represents, 25% of the respondents aged below 25 years, 26% of the respondents aged between 26-35 years, 33% of the respondents aged between 36-45 years, 23% of the respondents aged between 46-55 years, 3% of the respondents aged between years, 3.6% of the respondents aged above 56 years.

Table: 2
GENDER

Variable	Categories	frequency	Percentage
GENDER	Male	69	62.7%
	Female	41	37.3%

INTERPRETATION: male total From the above Table 2 represents that, 41% of the respondents are female and 69% of the respondents are male.

Table 3: **EDUCATION:**

Variable	Categories	Frequency	Percentage
EDUCATION	School	5	4.5%
	Diploma	24	26.4%
	UG	31	28.2%
	PG	45	40.9%

INTERPRETATION: From the above Table 3 represents that, 5% of the respondents are School, 29% of the respondents are undergraduate, 31% of the respondents are diploma, 45% of the respondents are PG.

Table 4: OCCUPATION

Variable	Categories	Frequency	percentage
OCCUPATION	Business	26	23.9%
	Profession Agriculture	40	36.7%
	Self employed	26	29.9%
	Others	17	15.6%

INTERPRETATION: From the above Table 4 represents that, 26% of the respondents are business, 40% of the respondents are profession employed, 26% of the respondents are agriculture, 17% of the respondents are others.

Table 5: INCOME

Variable	Categories	Frequency	Percentage
INCOME	Below 20000	15	23.9%
	20000-50000	45	36.7%
	50000-100000	36	29.9%
	Above 100000	14	15.6%

INTERPRETATION: From the above Table 5 represents that, 15% of the respondent's monthly income is below 20000, 45% of the respondent's monthly income ranges between 20000-50000, 36% of the respondent's monthly income ranges between 50000-100000, 14% of the respondents monthly income above 100000.

FINANCIAL LITERACY:

TABLE: .6

S.no	Variable	Mean	Standard Deviation
1	Good understanding of different investment options such as stocks, bonds, and mutual funds.	3.50	1.414
2	Aware of financial concepts like risk return trade – offs asset allocation, and compounding.	3.47	1.178
3	Analyses of financial statements and market trends before making investment decisions.	3.44	1.169
4	Frequently educate myself on investment strategies through books, course, or financial advisors.	3.26	1.150
5	Confident in making independent investment decisions without relying on others.	3.32	1.154
6	Aware of and understanding all investment ideas & information.	3.38	1.247
7	Knowledgeable safe investment decisions.	3.42	1.149
8	Aware economic trends & fluctuations influence investment.	3.35	1.183

INTERPRETATION: From the above Table 6 represents that, the respondents expressed their moderate agreeable level towards various variables of financial literacy with the mean and standard deviation as follows:

- Good understanding of different investment options such as stock, bonds, and mutual funds with a mean- 3.50, and standard deviation- 1.414.
- Aware of financial concepts like risk-return trade-off asset allocation, and compounding with a mean- 3.47, and standard deviation- 1.178.
- Analyses financial statements and market trends before making investment with a mean- 3.44, and standard deviation- 1.169.
- Frequently educate myself on investment strategies through books, books, course, or financial advisors with a mean-3.26, and standard deviation-1.150.
- Confident in making independent investment decisions without relying on others with a mean-3.32, and standard deviation-1.154.
- Aware of and understanding all investment ideas& information with a mean-3.38, and standard deviation-1.247.
- Knowledgeable safe investment decisions with a mean-3.42 and standard decisions with a mean-3.42, and standard deviation-1.149.
- Aware economic trends & fluctuations influence investment options with a mean 3.35, and standard deviation- 1.183.

BEHAVIOURAL BIASES:

TABLE: 7 HEURISTIC BIAS: BEHAVIOURAL BIASES:

TABLE: 7 HEURISTIC BIAS:

S.no	VARIABLES	MEAN	STANDARD DEVIATION
1	Do not let emotions like fear or greed influence my investment decisions.	3.41	1.319
2	Avoid following investment trends or hype without proper research.	3.29	1.123
3	Believe in rule of thumb in investment decision making to make easy judgement.	3.27	1.044
4	Overconfident in terms of investing considering recent and under value long term gain in investments.	3.25	1.095
5	Can go for high risks and trade more.	3.28	1.303

INTERPRETATION: From the above Table 7 the respondents expressed their moderate agreeable level towards various variables of HEURISTIC BIAS with the mean and standard deviation as follows:

- Do not let emotions like fear or greed influence my investment decisions with a mean- 3.41, and standard deviation- 1.319.
- Avoid following investment trends or hype without proper research with a mean 3.29, and standard deviation- 1.123.
- Believe in rule of thumb in investment decision making to make easy judgments with a mean-3.27, and standard deviation- 1.044.
- Overconfident in terms of investing by considering recent incidents and under value long term gain in investment with a mean- 3.25, and standard deviation- 1.095.
- Go for high risks and trade more with a mean-3.28, and standard deviation-1.303.

TABLE: 8
FRAMING EFFECT

s.no	Variable	mean	Standard deviation
1	Comfortable in taking financial risks if the potential return is high.	3.54	1.237
2	Prefer safer investments with lower but guaranteed returns.	3.42	1.112
3	Past investments experiences influence my current risk tolerance.	3.33	1.085
4	Carefully assess the risk level of an investment before making a decision.	3.30	1.092
5	Understand that market volatility is a normal part of investing and do not panic during downturns.	3.36	1.292

INTERPRETATION:

From the above Table 8 the respondents expressed their moderate agreeable level towards various variables of FRAMING EFFECT with the mean and standard deviation as follows:

- Comfortable in tasking financial risks if the potential return is high with a mean 3.54, and standard deviation- 1.237.
- Safer investments with lower but guaranteed returns with a mean-3.42, and standard deviation- 1.112.
- Their past investment experiences influence my current risk tolerance with a mean 3.33, and standard deviation- 1.085.
- Carefully assess the risk level of an investment before making a decision with a mean-3.30, and standard deviation-1.092.

TABLE: 9
COGNITIVE ILLIUSIONS

s.no	Variable	mean	Standard deviation
1	Capable of understand and assessment of various investment option.	3.62	1.309
2	Believe that my decisions are right based on available information.	3.40	1.234
3	Can forecast information before going to investment to acquire new ideas.	3.29	1.077
4	Rely past experience and learning new techniques in making investments.	3.24	1.133
5	Strongly confirm to my opinion to investment rather than any other information.	3.52	1.162

INTERPRETATION:

From the above Table 9 is represents that the respondents expressed their 1.162 Strongly confirm to my opinion to investment rather than any other information. Moderate agreeable level towards various variables of COGNITIVE ILLUSIONS with the mean and standard deviation as follows.

- Capable of understand and assessment of various investment option with a mean 3.62, and standard deviation- 1.309.
- Believe that my decisions are night based on available information with a mean 3.40, and standard deviation- 1.234.
- Forecast information before going to investment to acquire new ideas with a mean 3.29 and standard deviation- 1,077.
- Past experience and learning new techniques in making investments with a mean 3.24, and standard deviation- 1.133.

• Strongly confirm to my opinion to investment rather than any other information with a mean-3.52, and standard deviation-1.162

TABLE: 10
HERD MENTALITY

S.NO	Variable	mean	Standard deviation
1	Recognize the impact of psychological biases (e.g., overconfidence, herd mentality) on my decisions.	3.51	1.287
2	Comfortable to make an investment decisions as part of the group.	3.18	1.084
3	Follow the market sentiments for gain through speculation during market movement.	3.30	1.106
4	During turbulent market situation I prefer to take decisions with intention of others.	3.22	1.206
5	Investment decision making process depends on first-hand information collected from references group rather than own estimation.	3.38	1.239

INTERPRETATION:

From the above Table 10, the respondents expressed their moderate agreeable level towards various variables HERD MENTALITY with the mean and standard deviation as follows.

- Recognize the impact of physiological biases (overconfidence, herd mentality) on their decisions with a mean-3.51, and standard deviation- 1.287.
- Comfortable to make an investment decision as part of the group with a mean-3.18, and standard deviation-1.084.
- The market sentiments for gain through speculation during market movement with a mean-3.30, and standard deviation-1.106.
- During turbulent market situation I prefer to take decisions with intention or others with a mean-3.22, and standard deviation-1.206.
- Their investment decision making process depends on first and information collected from references group rather than own estimation with a mean-3.38, and standard deviation-1.239.

TABLE : 11
INVESTMENT DECISION MAKING

S.NO	VARIABLE	MEAN	S.D
1	Have clearly defined financial goals that guide my investment decisions.	3.24	1.458
2	Making investment decision based on through market research.	3.15	1.223
3	Avoid over diversification to ensure my returns are not diluted.	3.30	1.170
4	Do not invest solely based on recommendations from social media or financial influencers.	3.43	1.037
5	Have learned valuable lessons from my past investment mistakes.	3.42	1.141
6	Investment strategies have improved over time based on experience.	3.29	1.226

INTERPRETATION:

From the above Table 11 , the respondents expressed their moderate agreeable level towards various variables of INVESTMENT DECISION MAKING with the mean and standard deviation as follows.

- Have a clarity defined financial goals that guide my investment decisions with a mean-3.27 and standard deviation- 1.458.
- Investment decision based on through market research with a mean-3.15, and standard deviation-1.223.
- Avoid over-diversification to ensure my returns are not diluted with a mean-3.30, and standard deviation- 1.170.
- Do not invest solely based on recommendations from social media or financial influencers with a mean-3.43 and standard deviation-1.037.
- Learnt valuable lesson from my past investment’s mistakes with a mean-3.42, and standard deviation - 1.141.
- Their investment strategies have improved over time based on experience with a mean-3.29 and standard deviation- 1.226.

CORRELATION RESULTS

H1: There is a relationship between financial literacy and investment decision making.

		FINANCIAL LITERACY	INVESTMENT DECISION MAKING
FINANCIAL LITERACY	Pearson correlation	1	.590**
	Sig. (2-tailed)		<.001
	N	112	112
INVESTMENT DECISION MAKING	Pearson correlation	.590**	1
	Sig. (2-tailed)	<.001	
	N	112	112
**. Correlation is significant at the 0.01 level (2-tailed)			

The correlation results stated that there is a positive & significant relationship between financial literacy and Investment Decision Making with r value is 0.684 and significant at 0.01 Levels with p-value of 0.001 two tailed. P-value < 0.01, Reject H0 and Accept H1
 P-value >0.01, Accept H0 and Reject H1.

H2: There is a significant difference between behavioural bias and investment decision making.

		BEHAVIOURAL BAIES	INVESTMENT DECISION MAKING
BEHAVIOURAL BAIES	Pearson correlation	1	.661
	Sig. (2-tailed)		<.001
	N	112	112
INVESTMENT DECISION MAKING	Pearson correlation	.661**	1
	Sig. (2-tailed)	<.001	
	N	112	112
**. Correlation is significant at the 0.01 level (2-tailed)			

The correlation results stated that there is a positive & significant relationship between behavioural biases and Investment Decision Making with r value is 0.684 and significant at 0.01 Levels with p-value of 0.001 two tailed. P-value < 0.01, Reject H0 and Accept H1
 P-value >0.01, Accept H0 and Reject H1

SUB HYPOTHESES: H2A: Heuristic bias has a significant effect on investment decisions.

		HEURISTIC BAISES	INVESTMENT DECISION MAKING
HEURISTIC BAIIEIS	Pearson correlation	1	.520
	Sig. (2-tailed)		<.001
	N	112	112
INVESTMENT DECISION MAKING	Pearson correlation	.520	1
	Sig. (2-tailed)	<.001	
	N	112	112
**. Correlation is significant at the 0.01 level (2-tailed)			

The correlation results stated that there is a positive & significant relationship 112 between heuristic bias and Investment Decision Making with r value is 0.520 and significant at 0.01 Levels with p-value of 0.001 two tailed.

H2B: framing effect has a significant impact on investment decisions.

		FRAMING EFFECT	INVESTMENT DECISION MAKING
FRAMING EFFECT	Pearson correlation	1	.520
	Sig. (2-tailed)		<.001
	N	112	112
INVESTMENT DECISION MAKING	Pearson correlation	.520	1
	Sig. (2-tailed)	<.001	
	N	112	112
**. Correlation is significant at the 0.01 level (2-tailed)			

The correlation results stated that there is a positive & significant relationship between framing effect and Investment Decision Making with r value is 0.520 and significant at 0.01 Levels with p-value of 0.001 two tailed.

H2C: cognitive illusions have a significant effect on investment decisions.

		COGNITIVE ILLUSION	INVESTMENT DECISION MAKING
COGNITIVE ILLUSION	Pearson correlation	1	.487
	Sig. (2-tailed)		<.001
	N	112	112
INVESTMENT DECISION MAKING	Pearson correlation	.487	1
	Sig. (2-tailed)	<.001	
	N	112	112
**. Correlation is significant at the 0.01 level (2-tailed)			

The correlation results stated that there is a positive & significant relationship between conative illusion and Investment Decision Making with r value is 0.520 and significant at 0.01 Levels with p-value of 0.001 two tailed.

H2D: herd mentality has a significant effect on investment decisions.

		HERD MENTALITY	INVESTMENT DECISION MAKING
HERD MENTALITY	Pearson correlation	1	.586**
	Sig. (2-tailed)		<.001
	N	112	112
INVESTMENT DECISION MAKING	Pearson correlation	.586**	1
	Sig. (2-tailed)	<.001	
	N	112	112
**. Correlation is significant at the 0.01 level (2-tailed)			

The correlation results stated that there is a positive & significant relationship between herd mentality and Investment Decision Making with r value is 0.520 112 and significant at 0.01 Levels with p-value of 0.001 two tailed.

Regression

RELATIONSHIP BETWEEN FIANANCIAL LITERACY AND INVESTMENT DECISION MAKING:

MODEL	R	R Square	Adjusted R Square	Std. Error of the estimated
1	.590	.349	.343	.65194

The results of regression analysis reveal that model is significant with R Square value of 0.349. It is proved that there is significant relationship between financial literacy and investment decision making. The value of R square shows the financial literacy contributes 34.9% of investment decision making.

RELATIONSHIP BETWEEN BEHAVIOURAL BIAS AND INVESTMENT DECISION MAKING

MODEL	R	R Square	Adjusted R Square	Std. Error of the estimated
1	.661	.437	.431	.60633

The results of regression analysis reveal that model is significant with R Square value of 0.437. It is proved that there is significant relationship between behavioural bias and investment decision making. The value of R square shows the behavioural bias contributes 43.7% of investment decision making.

FINDINGS

DEMOGRAPHIC VARIABLES:

- 30% of the respondents belongs to the age group of 36-45 years, 23.6% of the respondents aged between 26-35, 22.7% of the respondents aged between below 25 years, 20.9% of the respondents aged between above 56 years.
- 62.7% of the respondents are male and 37.3% of the respondents are female.
- 4.5% of the respondents are with School education, 26.4% of the respondents are undergraduate, 40.9% % of the respondents are postgraduate, 28.2% of the respondents are diploma.
- 36.7% of the respondents are employed, 23.9% of the respondents are agriculture, 23.95% of the respondents are business, 15.65% of the respondents are others.
- 40.9% of the respondent’s monthly income is below 20000, 40.9% of the respondent’s monthly income ranges between 20000-50000, 32.7% of the respondent’s monthly income ranges between 50000-100000, 12.7% of the respondent’s monthly income above 100000.

FINANCIAL LITERACY:

Respondents expressed their moderate agreeable level towards various variables of financial literacy with the mean and standard deviation as follows:

- Good understanding of different investment options such as stock, bonds, and mutual funds with a mean- 3.50, and standard deviation- 1.414.

- Aware of financial concepts like risk-return trade-off asset allocation, and compounding with a mean- 3.47, and standard deviation- 1.178.
- Analyses financial statements and market trends before making investment with a mean- 3.44, and standard deviation- 1.169.
- Frequently educate myself on investment strategies through books, books, course, or financial advisors with a mean-3.26, and standard deviation-1.150.

- Confident in making independent investment decisions without relying on others with a mean-3.32, and standard deviation-1.154.
- Aware of and understanding all investment ideas & information with a mean-3.38, and standard deviation-1.247.
- Knowledgeable safe investment decisions with a mean-3.42 and standard deviations with a mean-3.42, and standard deviation-1.149.
- Aware economic trends & fluctuations influence investment options with a mean 3.35, and standard deviation-1.183.

BEHAVIOURAL BIASES:

Respondents stated their moderate opinion towards various variables of HURESTIC BIASES with the mean and standard deviation as follows:

- Do not let emotions like fear or greed influence my investment decisions with a mean- 3.41, and standard deviation- 1.319.
- Avoid following investment trends or hype without proper research with a mean 3.29, and standard deviation- 1.123.
- Believe in rule of thumb in investment decision making to make easy judgments with a mean-3.27, and standard deviation- 1.044.
- Overconfident in terms of investing by considering recent incidents and under value long term gain in investment with a mean- 3.25, and standard deviation- 1.095.
- Go for high risks and trade more with a mean-3.28, and standard deviation-1.303. Respondents stated their moderate agreeable level towards various variable of framing effect with the mean and standard deviation as follows:
- Comfortable in tasking financial risks if the potential return is high with a mean 3.54, and standard deviation- 1.237.
- Safer investments with lower but guaranteed returns with a mean-3.42, and standard deviation- 1.112.
- Their past investment experiences influence my current risk tolerance with a mean 3.33, and standard deviation- 1.085.
- Carefully assess the risk level of an investment before making a decision with a mean-3.30, and standard deviation-1.092.
- Understanding that market volatility is a normal part of investing and do not panic during downturns with a mean- 3.36, and standard deviation-1.292. Respondents expressed their agreeableness and moderate opinion towards various variables of cognitive illusions with the mean and standard deviation as follows:
- Capable of understand and assessment of various investment option with a mean 3.62, and standard deviation- 1.309.
- Believe that my decisions are right based on available information with a mean 3.40, and standard deviation- 1.234. 41
- Forecast information before going to investment to acquire new ideas with a mean 3.29 and standard deviation- 1.077.
- Past experience and learning new techniques in making investments with a mean 3.24, and standard deviation- 1.133.
- Strongly confirm to my opinion to investment rather than any other information with a mean-3.52, and standard deviation-1.162 Respondents expressed their moderate opinion towards herd mentality with mean and standard deviation as follows:
- Recognize the impact of physiological biases (overconfidence, herd mentality) on their decisions with a mean- 3.51, and standard deviation- 1.287.
- Comfortable to make an investment decision as part of the group with a mean-3.18, and standard deviation- 1.084.
- The market sentiments for gain through speculation during market movement with a mean-3.30, and standard deviation-1.106.
- During turbulent market situation I prefer to take decisions with intention or others with a mean-3.22, and standard deviation-1.206.
- Their investment decision making process depends on first end information collected from references group rather than own estimation with a mean-3.38, and standard deviation-1.239.

INVESTMENT DECISION MAKING BEHAVIOUR:

Respondents expressed their moderate agreeable level towards investment decision making behaviour with the mean and standard deviation as follows:

- Have a clarity defined financial goals that guide my investment decisions with a mean-3.27 and standard deviation- 1.458.
- Investment decision based on through market research with a mean-3.15, and standard deviation- 1.223.

- Avoid over-diversification to ensure my returns are not diluted with a mean-3.30, and standard deviation- 1.170.
- Do not invest solely based on recommendations from social media or financial influencers with a mean-3.43 and standard deviation-1.037.
- Learnt valuable lesson from my past investment's mistakes with a mean-3.42, and standard deviation-1.141.
- Their investment strategies have improved over time based on experience with a mean-3.29 and standard deviation- 1.226.

CORRELATION RESULTS:

H1: There is a significant difference between financial literacy and investment Decision making behaviour. The correlation results stated that there is a positive & significant relationship between financial literacy and Investment Decision Making behaviour with r value is .590 and significant at 0.01 Levels with p-value of 0.001 two tailed. Hence H1 is accepted.

H2: There is a relationship between behavioural biases and investment decision making behaviour. The correlation results stated that there is a positive & significant relationship between behavioural bias and Investment Decision Making behaviour with r value is .661 and significant at 0.01 Levels with p-value of 0.001 two tailed. Hence H2 is accepted.

SUB HYPOTHESIS:

H2A: Heuristic bias has a significant effect on investment decisions. The correlation results stated that there is a positive & significant relationship between heuristic bias and Investment Decision Making with r value is .520 and significant at 0.01 Levels with p-value of 0.001 two tailed. H2A is Accepted.

H2B: framing effect has a significant impact on investment decisions. The correlation results stated that there is a positive & significant relationship between framing effect and Investment Decision Making with r value is .590 and significant at 0.01 Levels with p-value of 0.001 two tailed. H2B is accepted.

H2C: Cognitive illusion has no significant effect on investment decisions. The correlation results stated that there is a positive & significant relationship between cognitive illusions and Investment Decision Making with r value is 0.573 and significant at 0.01 Levels with p-value of 0.001 two tailed. H2C is accepted.

H2D: herd mentality has a significant effect on investment decisions. The correlation results stated that there is a positive & significant relationship between herd mentality and Investment Decision Making with r value is .586 and significant at 0.01 Levels with p-value of 0.001 two tailed. H2D is accepted.

REGRESSION:

➤ The results of regression analysis reveal that model is significant with R Square value of 0.349. It is proved that there is significant relationship between financial literacy and investment decision making. The value of R square shows the financial literacy contributes 34.9% of investment decision making.

➤ The results of regression analysis reveal that model is significant with R Square value of 0.437. It is proved that there is significant relationship between behavioural bias and investment decision making. The value of R square shows the behavioural bias contributes 43.7% of investment decision making.

SUGGESTIONS:

1. Investor need to focus on gather and compare information from a variety of sources rather than relying on limited information.
2. Investors should objectively analyse and evaluate their own skills and knowledge along with the risks and opportunities in the market free from emotional biases.
3. Investors may seek professional advice or feedback can help to avoid cognitive obstacles and emotions.

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