INVESTMENT BEHAVIOUR: TOWARDS AN INDIVIDUAL-CENTRED FINANCIAL POLICY IN DEVELOPING ECONOMIES

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Preface

Behavioural finance has emerged as a new concept in the research arena in recent times. Within this framework, many countries in the world take effective steps to develop the capital market to achieve good economic growth. Under this concept, it is presumed that information structure and characteristics of capital market participants (individual/ retail investors) systematically influence their own decisions as well as the market outcomes. The information content of the market and the changes of economic climate of a country systematically influence individuals' investment decisions as well as market outcomes. The output of a research work depends on various important factors such as choice of countries, variable selection, the time period studied, methodology used, etc. It is difficult to generalise the results because each market is unique in terms of its own rules, regulations and type of investors. Moreover, the results of those researches relating to the developed countries are debatable in the context of an emerging economy like India due to differences in socioeconomic conditions and prevailing regulatory environment of the country and many other things. This type of studies is on a sensitive area from the perspective of both the individual investor and also from the brokerage firms. They may not give the vital information for the lack of trust and familiarity with the researcher. There may have a scope to doubt the quality of the responses from the side of the respondents as responses depend upon their level of conceptualisation. There is a scope of collecting response from more diversified and more number of respondents. Always there is a scope to use more variables and better methodology to ensure the robustness of the result. In the previous studies mentioned above, sometimes the sample size is not enough to represent the entire stock market of the country. The contradictory findings and gaps of the research works are the motivation for conducting this study on the effect of demographic factors, awareness and perceived risk attitude on investment behaviour in stock market in the context of individual investors of stock market. The findings of this study provide a comprehensive understanding of the relationship between demographic factors, awareness and perceived risk attitude of the individual investors of stock market with their investment behaviour in stock market. At the same time, a better understanding of behavioural processes and outcomes is important for financial planners because an understanding of how investors generally respond to market movements would help investment advisors to recommend appropriate asset allocation strategies for their clients. For companies, identifying the most influencing factors on their investors' behaviour would affect their future policies and strategies and it would also affect their future financial plans. For government, identifying the most influencing factors on investors' behaviour would affect the required legislations and the additional procedures needed in order to satisfy investors' desires. The book is a good reference of stock-investment behaviour for the investors to consider and analyse necessary information regarding stock market before making suitable decisions of investment. The research provides a good understanding to the brokers and sub-brokers about the effect of different components of demographic factors, awareness and perceived risk attitude on different components of investment behaviour of the individual investors and it will help them to give more reliable consultant information to their clients. In developed countries, behavioural finance is applied widely in comparison to less develop or developing countries to explore the behaviours that impact the investment decisions. This study is also done with hope to confirm the suitability of using behavioural finance in developed, developing and under developed countries and in all types of stock markets. Thus, such a study is worth doing to provide a good chance to understand more about the individual investor behaviour in stock market as well as the theories of behavioural finance. The book can help to guide portfolio allocation decisions, both by helping us to understand the kinds of errors that investors tend to make in managing their portfolios, and also by allowing us to understand better how to locate profit opportunities for investment management. Moreover, understanding the psychological foundation of human behaviour in financial markets facilitates the formulation of financial policy.

List of Abbreviations

BSE	Bombay Stock Exchange
CFA	Confirmatory Factor Analysis
EFA	Exploratory Factor Analysis
KMO	Kaiser-Meyer Olkin
NSE	National Stock Exchange
SEBI	Securities and Exchange Board of India
SEM	Structural Equation Modelling
SPSS	Statistical Package for Social Sciences
Edu	Education
Occ	Occupation
Ay	Annual Income
Exp	Experience
Obj	Objective
Sol	Social Learning
Fia	Financial Awareness
Aff	Affect
Cog	Cognition
Heu	Heuristics Bias
Pros	Prospect Bias
Mkt	Market Bias
Hrd	Herding Bias