

INVESTMENT EXPERIENCE & BIASES: A STUDY OF INVESTORS OF GUJARAT

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ABSTRACT

The objective of the research was to identify the behavior of individual investors while making investment decision. Investor psychology has been one of the important factors affecting the stock market. This makes investigation of behavioral biases very important and its role in shaping the investment decisions. This research seeks to find the influence of certain identified behavioral finance concepts (or biases), namely, Overconfidence, Representativeness, Herding, Anchoring, Cognitive Dissonance, Regret Aversion, Mental Accounting, and Hindsight Bias, on the decision-making process of individual investors of Indian Stock Market. Primary data for analysis was gathered by distributing a structured questionnaire among investors of India who were categorized as (i) young, and (ii) experienced. Results obtained through discriminant analysis of sample of 237 respondents, revealed that mental accounting bias was a significant factor that differentiated young and experienced investors behavior while taking investment decision.