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Impact of Availability and Loss Aversion Bias on Investment Decision Making of Individual Investors in Tamil Nadu[1]

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Abstract

The study proposes to analyse, the interrelationship between Availability, Loss Aversion, and Individuals Investment decisions, with the help of Path Analysis, SEM Model, and MANCOVA. Four factors were used in the study Demographic (Control Variables), Availability, Loss Aversion Bias (Exogenous), and Investment Decision (Endogenous). The study period was from 1 July 2021 to 30 April 2022. This study revealed that participants in financial markets were not rational in their decision-making process and even their choices were limited. The study paper found that most of the middle and low economic class rural people had invested in Livestock. The finding show a number of urban people and some of the village persons invested in Gold, Post office savings, Real estate, Mutual funds, and Deposits. Hence it is suggested that investors should plan for long-run investments for future profits.

JEL Code : G41; G11; D91; D81; F65
Keywords : Behavioural Finance; Cognitive; Emotional; Investment Decision; Tamil Nadu; India

I. Introduction

BEHAVIOURAL FINANCE IS a concept developed in the field of Economics, with the help of insights from psychology. In standard finance theories, investors should be rational in their approach but behavioural finance helps in explaining the normal behavior of investors. Microfinance deals with the behavior of individual investors. Rational investor is also known as the economic man.

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