

Influence of Behavioral Factors on the Investment Strategies and Returns of Millennial Investors

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Abstract

In the state of investment decision-making, a prevailing assumption posits that individual investor exercise rationality in their choices. However, behavioural finance delves into the realm of non-rational behaviours exhibited by market investors. The theory of behavioural finance posits that, despite the presumption of rationality, investors often make decisions influenced by intermittent deviations from historical patterns and various psychological factors. This framework elucidates how human behaviours significantly impact the process of making investment decisions, transcending the bounds of rationality.

The study at hand aims to scrutinize the role of individual investors and their decision-making processes, with a specific focus on behavioural factors such as heuristics, prospect theory, herding behaviour, and the influence of market value on perceived risks. The central objective is to discern the stimuli influencing the drivers of financial investment decisions among individual investors within the framework of behavioural finance. To achieve this, a validated and reliable questionnaire tailored for individual investors has been employed.

The study conducted its inquiry on a sample of 360 Millennials employed in both private and public enterprises in the vicinity of Jammu and Kashmir. The findings revealed positive associations between the heuristics approach, prospect theory, market value, herding effects, and both investment decision and performance. These results contribute significantly to our comprehension of how cognitive biases and decision-making heuristics exert influence on investor behaviour. Additionally, the validation of the efficient market hypothesis is explored through the positive correlation observed between market efficiency and investment decisions, thus augmenting the theoretical discourse surrounding overall market dynamics.

Keywords: Heuristics approach, Prospect theory, herding behaviour, Market value, investment decisions.