# A STUDY ON EMOTIONAL FINANCE AND ITS INFLUENCE ON INVESTMENT PATTERN OF INVESTORS WITH SPECIAL REFERENCE TO STOCK MARKET INVESTMENTS

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*ABSTRACT:*

*Emotional finance is a new area in finance and is at an early stage of its development as a coherent discipline. It aims to provide an understanding of financial market behavior and investment processes by formally recognizing the role of unconscious needs and fears play in all investment activity. The objective of this research is to study the emotions that play in the trading and investment activity of the investors and to analyze the impact of emotions on the stock market investments. The data was collected extensively from Coimbatore district in Tamil Nadu identifying investors through share broker officers and financial institutions. The research findings are investment decisions involve emotions. The investors 'fall in the confidence' that may follow a big loss, leading to inability to make a buy or sell decisions and the investors finds inability to stick with the planned strategies due to this emotional influence. Respondent's emotions or the brain activity affects the stock market financial decisions, the respondents take bigger risk to avoid loss and they trust in instincts. It is concluded that there is association between the risk appetites of the respondents with that of the level of education of the respondents. By understanding the emotions in human behavior and psychological mechanisms involved in financial decision-making, standard finance models may be improved to better reflect and explain the reality in today's evolving markets. The ability to understand the judgment heuristics like rationality or irrationality of the investment pattern and experience along with emotional management would enable the investor to act with caution as the consequences are likely to affect the asset value, lifestyle, relationship with others and social interaction.*

*Key words: emotional finance, brain activity, risk appetites, fall in the confidence, instincts.*

## 1. INTRODUCTION:

During the past years the equity markets have been characterized by increasing volatility and fluctuations. The ever more integrated financial markets are increasingly exposed to macroeconomic shocks which affect markets on a global scale. From an investor's point of view, the vulnerability of markets has lead to increased uncertainty and unpredictability, as market conditions cannot always be judged with the help of standard financial measures and tools. Market participants have for a long time relied on the notion of efficient markets and rational investor behavior when making financial decisions.  However, the idea of fully rational investors who always maximize their utility and demonstrate perfect self-control is becoming inadequate.

Traditional finance, derived from neo-classical economic theory, assumes investors are rational and competent. Behavioral finance, borrowing largely from cognitive psychology, explores investing as a special class of decision-making under uncertainty, and highlights serious judgmental biases. Both approaches have successes and failures in what they can explain. Here is the possibility of a third paradigm, emotional finance, which emphasizes the key role of the emotions as drivers of investor behavior.

Emotional finance is a new area in finance and is at an early stage of its development as a coherent discipline. It aims to provide an understanding of financial market behavior and investment processes by formally recognizing the role unconscious needs and fears play in all investment activity.

Investment judgments are made under influence of powerful and potentially weakening unconscious forces with the implications often not recognized. A proper understanding of these issues is needed, making the unconscious 'conscious' and relieving the acute levels of pressure and stress many market participants suffer from[1]. This could significantly improve the psychological 'health' of market participants, and the quality of investment decisions. Financial markets are essentially social settings where individuals engage with each other to set asset prices, based on estimates of future value. This activity depends on making judgments about available information to resolve two different orders of uncertainty; that caused by unavoidable information asymmetries at the moment of decision-making, and that determined by the fact the future is inherently unknowable. By understanding the emotions in human behavior and psychological mechanisms involved in financial decision-making, standard finance models may be improved to better reflect and explain the reality in today's evolving markets. The equation 'investment = uncertainty = anxiety' is a key contribution of emotional finance... The investor enters into an emotional attachment with something that can easily let him down."[2]

## 2. STATEMENT OF THE PROBLEM

It is difficult to describe to anyone who has not experienced trading what it feels like to be in charge of a losing position. Each glance at the screen brings a new stab of mental pain as the little green numbers flicker and shift against you. Given that losing money would not have put me in any physical peril, the anguish was purely psychic – it felt (especially early in my career) like a mark of social failure to lose[3].During the past several years the equity markets have been characterized by increasing volatility and fluctuations. From an investor's point of view, the vulnerability of markets has lead to increased

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[1]Emotional finance: understanding what drives investors-BY: Professor Richard Taffler, Professor  David Tuckett

[2]New concept of emotional finance which was first introduced in Richard's inaugural public lecture as the Martin Currie Professor of Finance and Investment at the University of Edinburgh in May 2007 by: Professor Richard Taffler, Professor  David Tuckett.

[3]Emotional finance: Anxiety, adrenaline and automation, Posted on 11 July, 2016 by Kevin Rodgers

uncertainty and unpredictability, as market conditions cannot always be judged with the help of standard financial measures and tools. Market participants have for a long time relied on the notion of efficient markets and rational investor behavior when making financial decisions. However, the idea of fully rational investors who always maximize their utility and demonstrate perfect self-control is becoming inadequate. Approaches based on perfect predictions, completely flexible prices, and complete knowledge of investment decisions of other players in the market, are increasingly unrealistic in today's global financial markets. The purpose of the study is to describe and conduct a research on emotional factors of the investors, investing characteristics, and purpose and pattern of the individual investors. Within this rationale, the study aims to analyze investors' emotional dimensions towards stock market investments.

## 3. OBJECTIVES OF THE STUDY:

- To study on Trading on Emotion : traders emotion in financial markets
- To study the Purpose and Pattern of investments

## 4. REVIEW OF LITERATURE:

There has been substantial theoretical as well as applied evidence about the explanatory facets of investors' perception and investment decision making. Over the last two decades, investor behavior has been put under the microscope for analyzing their decision making and the factors that influences their investment behavior. The shift of emotional Finance led researchers to examine the emotional traits of investors and how they influence their investment-decision making strategies in various investment avenues.

David Tuckett and Richard Taffler (2008), Phantastic objects and the financial market's sense of reality: A psychoanalytic contribution to the understanding of stock market instability by David Tuckett and Richard Taffler published in the International Journal of Psychoanalysis, Volume 89, Issue 2, pages 389–412, April 2008. This paper sets out to explore if standard psychoanalytic thinking based on clinical experience can illuminate instability in financial markets and its widespread human consequences. Buying, holding or selling financial assets in conditions of inherent uncertainty and ambiguity, it is argued, necessarily implies an ambivalent emotional and phantasy relationship to them. Based on the evidence of historical accounts, supplemented by some interviewing, the authors suggest a psychoanalytic approach focusing on unconscious phantasy relationships, states of mind, and unconscious group functioning can explain some outstanding questions about financial bubbles which cannot be explained with mainstream economic theories. The authors also suggest some institutional features of financial markets which may ordinarily increase or decrease the likelihood that financial decisions result from splitting off those thoughts which give rise to painful emotions. Splitting would increase the future risk of financial instability and in this respect the theory with which economic agents in such markets approach their work is important.

Brad M.Barber and Terrance Odean, (2001): many financial models assume that overconfident investors will trade too much. This paper tested this prediction by partitioning the investors on the basis of overconfidence and gender. The result shows that men are more prone to overconfidence than women. Since men are more overconfident than women, men will trade more and perform worse than women. Rational investors trade only if the expected gains exceed transactions costs. Overconfident investors overestimate the precision of their information and thereby the expected gains of trading. They may even trade when the true expected net gains are negative. Hence men trade more than women and thereby reduce their returns more so than women do.

Skinner (2007), a professor of economics, makes this point very clearly, presumably unconsciously, when he states "thus, saving for retirement may ultimately be less about the golf condo at Hilton Head and more about being able to afford a wheelchair lift, private nurses, and a high quality nursing home." ( p. 60) In this context one may recognize how Freud (1905) saw jokes as a way of avoiding facing what one does not want to know. Jokes bear the traces of what is repressed returning to haunt us in disguise.

Joseph H. Astrachan and Peter Jaskiewicz (2008), Emotional Returns and Emotional Costs in Privately Held Family Businesses: Advancing Traditional Business Valuation by Joseph H. Astrachan and Peter Jaskiewicz in volume 21 issue 2: pages 139–149, June 2008. This article introduces a formula to assess the total value of privately held family businesses from the owner's perspective. It is argued that the total value of a business is not only composed of its financial worth and private benefits, as is usually assumed by traditional financial theory, but that emotional components also have an impact on valuation. In particular, it is assumed that emotional returns (ER) positively affect total value, whereas emotional costs (EC) negatively affect total value. Even though every stakeholder faces emotional costs and returns, it is solely the family business owner who ultimately decides on the worth of a business and consequently factors ER-EC into his or her valuation. The presented formula provides a better understanding of investment decisions in family businesses and a more accurate valuation of these businesses.

Jason Zweig (2007), Your Money and Your Brain by Jason Zweig published in The Wall Street Journal in 2007.This trade book on neuro- economics presents the latest findings from neuroscience, psychology, and behavioral economics. It seeks to explain one of the central puzzles in financial behavior: why individual and professional investors alike so persistently fail to learn from their own mistakes. 'Your Money and Your Brain' combines the findings of neuro imaging labs around the world with empirical studies in behavioral finance and case studies of actual decisions by both retail and professional investors. The book is organized around the theme of the emotions aroused by financial decision-making - among them, greed, confidence, surprise, regret and happiness. Each chapter concludes with practical recommendations on how individuals and investment firms can improve their financial decision-making.

## 5. RESEARCH METHODOLOGY:

The study is mainly based on primary data which was collected through a well structured questionnaire. The data was collected extensively from Coimbatore district in Tamil Nadu identifying investors through share broker officers and financial institutions. Convenience sampling method is used for data collection. Secondary data has been collected through various websites, research articles published in various online journals, national and international publications (refer to references) by visiting well reputed institution libraries. The statistical tools used are frequency analysis, general linear model, chi-square, ANOVA, kruskal-wallis test, Radial basic function, factor analysis, Nominal regression, Kendalls, etc.

## 6. ANALYSIS AND INTERPRETATION:

## 1. TRADERS EMOTIONS IN FINANCIAL MARKETS AND GENDER:

**H0: There is no significance difference between gender and emotional trading**

**Table 6.1.1: General Linear Model for association between Gender and Emotional Trading**

| Descriptive Statistics | Gender | Mean | Std. Deviation | N |
|---|---|---|---|---|
| Path Dependence | Male | 4.0058 | .39260 | 401 |
| | Female | 4.0728 | .42110 | 119 |
| | Total | 4.0212 | .39988 | 520 |
| Fall in confidence | Male | 2.3749 | .27976 | 401 |
| | Female | 2.2381 | .32516 | 119 |
| | Total | 2.3436 | .29609 | 520 |
| Brain activity | Male | 3.4618 | .38284 | 401 |
| | Female | 3.3345 | .39066 | 119 |
| | Total | 3.4327 | .38798 | 520 |
| Forced trading | Male | 3.9464 | .70816 | 401 |
| | Female | 3.7269 | .55521 | 119 |
| | Total | 3.8962 | .68199 | 520 |

**Table 6.1.2: General Linear Model for association between Gender and Emotional Trading**

| Tests of Within -Subjects Effects | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Measure:Measure_1 | | | | | | | | | |
| Source | | Type III Sum of Squares | df | Mean Square | F | Sig. | Partial Eta Squared | Noncent. Parameter | Observed Power[a] |
| Emotional trading | Sphericity Assumed | 658.907 | 3 | 219.636 | 1167.963 | .000 | .693 | 3503.889 | 1.000 |
| | Greenhouse-Geisser | 658.907 | 2.126 | 309.991 | 1167.963 | .000 | .693 | 2482.589 | 1.000 |
| | Huynh-Feldt | 658.907 | 2.139 | 308.089 | 1167.963 | .000 | .693 | 2497.915 | 1.000 |
| | Lower-bound | 658.907 | 1.000 | 658.907 | 1167.963 | .000 | .693 | 1167.963 | 1.000 |
| Emotional trading * gender | Sphericity Assumed | 4.057 | 3 | 1.352 | 7.191 | .000 | .014 | 21.572 | .983 |
| | Greenhouse-Geisser | 4.057 | 2.126 | 1.909 | 7.191 | .001 | .014 | 15.285 | .944 |
| | Huynh-Feldt | 4.057 | 2.139 | 1.897 | 7.191 | .001 | .014 | 15.379 | .945 |
| | Lower-bound | 4.057 | 1.000 | 4.057 | 7.191 | .008 | .014 | 7.191 | .763 |
| Error(Emotional trading) | Sphericity Assumed | 292.230 | 1554 | .188 | | | | | |
| | Greenhouse-Geisser | 292.230 | 1101.046 | .265 | | | | | |
| | Huynh-Feldt | 292.230 | 1107.843 | .264 | | | | | |
| | Lower-bound | 292.230 | 518.000 | .564 | | | | | |
| a. Computed using alpha = .05 | | | | | | | | | |

From the Table 6.1.2: General Linear Model for association between Gender and Emotional Trading, it is concluded that the Emotional trading and gender are significant because the p-value is less than the level of significance (i.e. $p<0.05$) so we can reject our H0.

From the general linear table Table: 6.1.1, of descriptive statistics, the mean score of the male respondents are higher, the mean score of the male respondents in fall in confidence is 2.37, mean score of the male respondents in is 3.46 in the case of brain activity and the mean score of the male respondents in is 3.94 in the case of forced trading comparatively the female respondents. So the investment decisions involve emotions and it is higher side in the case of male investors than the female investors. It is also concluded that the investors 'fall in the confidence' that may follow a big loss, leading to an inability to make a buy or sell decisions and the investors finds inability to stick with the planned strategies due to this emotional influence. The Brain activity of the male respondents, that they are much more open to their emotions, investors experienced the open emotions of the colleagues about their investments, the respondents' emotions or the brain activity affects the stock market financial decisions, the respondents take bigger risk to avoid loss and they trust in instincts.

Since the respondents are too emotional in investing, they have financial problems and the temptations may lead to trade when there is no real opportunity or when the risk in appropriate, it is concluded that the respondents are forced to trade due to emotions and the brain activity during trading sessions.

**Profile Plot: 6.1.3.**
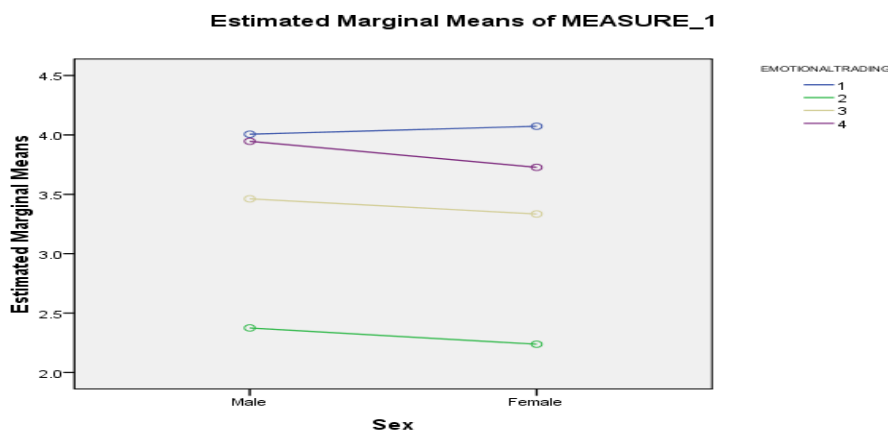


From the profile plot: 6.1.3, show the model-estimated means for the emotional trading. The model-estimated mean emotional are plotted on the vertical axis. The gender of the respondent is plotted on the horizontal axis. Separate lines are produced for each emotional trading. The profile plot shows that the there is slightly interaction between Path dependence and fall in confidence with gender. It can be concluded that the investment involve emotions , these emotions are associated with earlier gains or losses leads to change in their risk behavior and then big loss to a strong desire to recover the losses and willingness to take increased risk are associated with the Fall in confidence of the investors which reflects in their trading activity of inability to make buy or sell decisions and the investor finds it difficult to stick with the planned strategies.

**2. TRADERS EMOTIONS IN FINANCIAL MARKETS AND OCCUPATION:**
**H0: There is no significance difference between occupation and emotional trading**
**Table 6.2.1: General Linear Model for Association between Occupation and Emotional Trading**

| Descriptive Statistics | | | | |
|---|---|---|---|---|
| | Occupation | Mean | Std. Deviation | N |
| Path depende nce | Student | 3.7188 | .30655 | 32 |
| | Pvt. Sector employee | 4.0136 | .39763 | 147 |
| | Govt. Sector employee | 3.9943 | .38651 | 117 |
| | Professional | 4.1517 | .33559 | 145 |
| | Unemployed | 3.9795 | .50304 | 65 |
| | House wife | 3.9630 | .35136 | 9 |
| | Retired person | 3.6667 | .00000 | 5 |
| | Total | 4.0212 | .39988 | 520 |
| Fall in confidence | Student | 2.3854 | .40701 | 32 |
| | Pvt.Sector employee | 2.4331 | .25706 | 147 |
| | Govt.Sector employee | 2.3504 | .29957 | 117 |
| | Professional | 2.2368 | .28305 | 145 |
| | Unemployed | 2.3333 | .23570 | 65 |
| | House wife | 2.4444 | .52705 | 9 |
| | Retired person | 2.3333 | .00000 | 5 |
| | Total | 2.3436 | .29609 | 520 |
| Brain activity | Student | 3.5813 | .47481 | 32 |
| | Pvt.Sector employee | 3.4381 | .35526 | 147 |
| | Govt.Sector employee | 3.3504 | .43936 | 117 |
| | Professional | 3.3959 | .36015 | 145 |
| | Unemployed | 3.5600 | .32442 | 65 |
| | House wife | 3.8000 | .00000 | 9 |
| | Retired person | 3.0000 | .00000 | 5 |
| | Total | 3.4327 | .38798 | 520 |
| Forced trading | Student | 3.6719 | .37264 | 32 |
| | Pvt.Sector employee | 4.0000 | .67489 | 147 |
| | Govt.Sector employee | 3.6282 | .57293 | 117 |
| | Professional | 4.0621 | .71171 | 145 |
| | Unemployed | 3.9615 | .78714 | 65 |
| | House wife | 3.5556 | .52705 | 9 |
| | Retired person | 3.5000 | .00000 | 5 |
| | Total | 3.8962 | .68199 | 520 |

From the general linear model Table:6.2.1, the mean score of the path dependence is higher in case of the professional respondents is 4.15, followed by the mean score of private sector employee is 4.0136, mean score of govt. sector employee is 3.9943 which shows  the  Path dependence of respondents that the  investment decisions involve emotions , emotions are associated with earlier gains or losses lead to a change in risk behavior and hence the result of big loss leads to a strong desire to recover the loss and willingness to take increased risk to do so, is higher in case of professionally employed respondents followed by the private sector employees and  govt. sector employee respondents.

It is also observed that the Brain activity of the respondents, the mean score is higher in case of the house wife respondents of 3.8, followed by the mean score of 3.58 in case of occupationally student respondents. So the investors from the house wife segment respondents have considerably more brain activity in terms of they are much more open to their emotions, the respondents experience the open emotions of their colleagues about their investments, the emotions or the brain activity of the respondents affect their stock market financial decisions, respondents take bigger risk to avoid loss and they trust in instincts than the professionally or private sector or govt. sector employed respondents.

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**6.2.2: General Linear Model for association between Gender and Emotional Trading**

| Tests of Within-Subjects Effects | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Measure:MEASURE_1 | | | | | | | | | |
| Source | | Type III Sum of Squares | df | Mean Square | F | Sig. | Partial Eta Squared | Noncent. Parameter | Observed Power[a] |
| Emotional trading | Sphericity Assumed | 192.849 | 3 | 64.283 | 361.522 | .000 | .413 | 1084.565 | 1.000 |
| | Greenhouse-Geisser | 192.849 | 2.059 | 93.673 | 361.522 | .000 | .413 | 744.283 | 1.000 |
| | Huynh-Feldt | 192.849 | 2.091 | 92.214 | 361.522 | .000 | .413 | 756.064 | 1.000 |
| | Lower-bound | 192.849 | 1.000 | 192.849 | 361.522 | .000 | .413 | 361.522 | 1.000 |
| Emotional trading * Occupation | Sphericity Assumed | 22.633 | 18 | 1.257 | 7.071 | .000 | .076 | 127.286 | 1.000 |
| | Greenhouse-Geisser | 22.633 | 12.353 | 1.832 | 7.071 | .000 | .076 | 87.350 | 1.000 |
| | Huynh-Feldt | 22.633 | 12.548 | 1.804 | 7.071 | .000 | .076 | 88.732 | 1.000 |
| | Lower-bound | 22.633 | 6.000 | 3.772 | 7.071 | .000 | .076 | 42.429 | 1.000 |
| Error(Emotional trading) | Sphericity Assumed | 273.654 | 1539 | .178 | | | | | |
| | Greenhouse-Geisser | 273.654 | 1056.139 | .259 | | | | | |
| | Huynh-Feldt | 273.654 | 1072.856 | .255 | | | | | |
| | Lower-bound | 273.654 | 513.000 | .533 | | | | | |
| a. Computed using alpha = .05 | | | | | | | | | |

From the Tests of Within-Subjects Effects Table: 6.2.2, it concluded that Emotional trading and occupation are significant because the p-value is less than the level of significance (i.e. $p<0.05$) so we can reject our H0.

Profile plot: 6.2.1
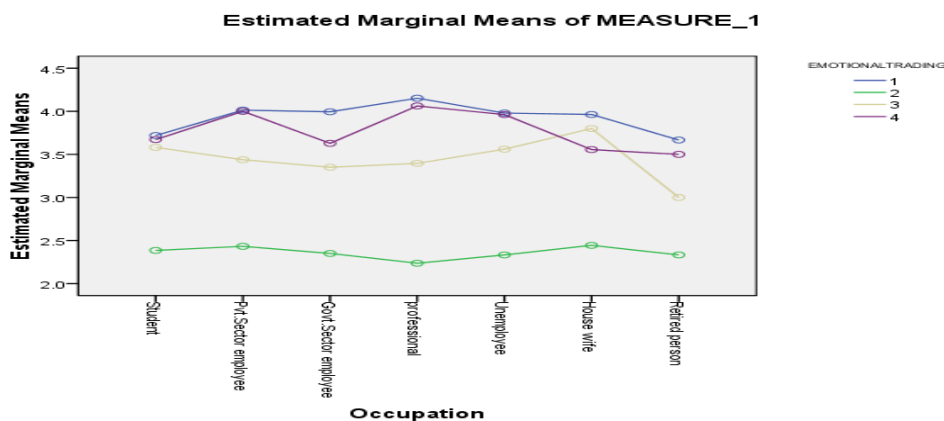
The profile plot: 6.2.1, show the model-estimated means for the emotional trading. The model-estimated mean emotional are plotted on the vertical axis. The Occupation is plotted on the horizontal axis. Separate lines are produced for each emotional trading. The profile plot shows that the there is interaction between Path dependence, fall in confidence and brain activity with Occupation.

So it can be concluded that the occupation of the respondents are intersected with the path dependency of the respondents, that is the investment decisions involve emotions, emotions are associated with earlier gains or losses which in turn lead to change in risk behavior , the big loss leads to a strong desire to recover the loss and willingness to take increased risk and the fall in confidence that may follow a big loss, leading to an inability to make a buy or sell decisions and the respondents finds inability to stick with the planned strategies. And also the Brain activity of the respondents, that they are much more open to their emotions, investors experienced the open emotions of the colleagues about their investments, the respondents' emotions or the brain activity affects the stock market financial decisions, the respondents take bigger risk to avoid loss and they trust in instincts.

### 3. INVESTOR OPTIMISM AND EFFORT:

**H0: There is no significance difference between Risk Appetite in investment and level of education**

Table: 6.3.1, Table showing the association of Risk appetite and educational qualification of the respondents

| Descriptive statistics | | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean | | Minimum | Maximum |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Lower Bound | Upper Bound | | |
| I try to invest in risky stock for better return | School education | 9 | 3.5556 | .52705 | .17568 | 3.1504 | 3.9607 | 3.00 | 4.00 |
| | Diploma holder | 29 | 2.9655 | .77840 | .14455 | 2.6694 | 3.2616 | 1.00 | 4.00 |
| | UG graduate | 178 | 3.3315 | .68661 | .05146 | 3.2299 | 3.4330 | 1.00 | 4.00 |
| | PG graduate | 133 | 3.4211 | .49559 | .04297 | 3.3360 | 3.5061 | 3.00 | 4.00 |
| | Professional education | 154 | 3.1818 | .70899 | .05713 | 3.0689 | 3.2947 | 1.00 | 4.00 |
| | Total | 503 | 3.2922 | .66206 | .02952 | 3.2342 | 3.3502 | 1.00 | 4.00 |
| I usually invest in companies which I know and trust | School education | 9 | 3.0000 | .00000 | .00000 | 3.0000 | 3.0000 | 3.00 | 3.00 |
| | Diploma holder | 29 | 3.4138 | .77998 | .14484 | 3.1171 | 3.7105 | 1.00 | 4.00 |
| | UG graduate | 178 | 3.3258 | .57784 | .04331 | 3.2404 | 3.4113 | 2.00 | 4.00 |
| | PG graduate | 133 | 3.6241 | .48620 | .04216 | 3.5407 | 3.7075 | 3.00 | 4.00 |
| | Professional education | 154 | 3.3312 | .79257 | .06387 | 3.2050 | 3.4573 | 1.00 | 4.00 |
| | Total | 503 | 3.4056 | .65179 | .02906 | 3.3485 | 3.4627 | 1.00 | 4.00 |
| I am most concerned about the large loss in my stock than missing the substantial gain. | School education | 9 | 3.0000 | .00000 | .00000 | 3.0000 | 3.0000 | 3.00 | 3.00 |
| | Diploma holder | 29 | 2.7931 | .61987 | .11511 | 2.5573 | 3.0289 | 1.00 | 3.00 |
| | UG graduate | 178 | 2.8427 | .63600 | .04767 | 2.7486 | 2.9368 | 1.00 | 4.00 |
| | PG graduate | 133 | 3.1880 | .59225 | .05135 | 3.0864 | 3.2896 | 2.00 | 4.00 |
| | Professional education | 154 | 2.7662 | .65472 | .05276 | 2.6620 | 2.8705 | 1.00 | 4.00 |
| | Total | 503 | 2.9105 | .64520 | .02877 | 2.8540 | 2.9671 | 1.00 | 4.00 |
| I invest mostly in companies with stable expected returns | School education | 9 | 3.0000 | .00000 | .00000 | 3.0000 | 3.0000 | 3.00 | 3.00 |
| | Diploma holder | 29 | 3.2069 | .77364 | .14366 | 2.9126 | 3.5012 | 1.00 | 4.00 |
| | UG graduate | 178 | 3.2079 | .71033 | .05324 | 3.1028 | 3.3129 | 1.00 | 4.00 |
| | PG graduate | 133 | 3.4586 | .50017 | .04337 | 3.3729 | 3.5444 | 3.00 | 4.00 |
| | Professional education | 154 | 3.1753 | .70603 | .05689 | 3.0629 | 3.2877 | 1.00 | 4.00 |
| | Total | 503 | 3.2604 | .66633 | .02971 | 3.2021 | 3.3188 | 1.00 | 4.00 |

From the above table 6.3.1, the mean values of 'I try to invest in risky stock for better return' is higher in case of respondents whose educational qualification of just school education followed by the PG graduates with the mean score of 3.42, that of UG graduates of 3.33 and the mean score of professional education respondents of 3.18, which says the least educated respondents are ready to invest in risky stock for better return.

The mean value of 'I usually invest in companies which I know and trust' is higher in case of PG graduates with the mean score of 3.62 followed by diploma holder respondents of 3.41. And the mean score for ' I am most concerned about the large loss in my stock than missing the substantial gain' is higher I case of PG graduates with 3.18 followed by the mean scores of 3.0 in case of respondents with school education and mean score of UG graduates is 2.84.  This show the respondents who are PG graduates are more concerned about their large losses than substantial gains. It is also seen that ' I invest mostly in companies with stable expected returns', the mean scores are higher in case of PG graduate of 3.45 followed by the mean scores of  UG graduates and diploma holders with the mean score of 3.20. This shows that the PG graduates are invest in companies with stable expected returns.

Table: 6.3.2, Table showing the association of Risk appetite and educational qualification of the respondents

| ANOVA | | | | | | |
|---|---|---|---|---|---|---|
| | | Sum of Squares | df | Mean Square | F | Sig. |
| I try to invest in risky stock for better return | Between Groups | 8.078 | 4 | 2.020 | 4.745 | .001 |
| | Within Groups | 211.962 | 498 | .426 | | |
| | Total | 220.040 | 502 | | | |
| I usually invest in companies which I know and trust | Between Groups | 9.815 | 4 | 2.454 | 6.007 | .000 |
| | Within Groups | 203.449 | 498 | .409 | | |
| | Total | 213.264 | 502 | | | |
| I am most concerned about the large loss in my stock than missing the substantial gain. | Between Groups | 14.735 | 4 | 3.684 | 9.444 | .000 |
| | Within Groups | 194.239 | 498 | .390 | | |
| | Total | 208.974 | 502 | | | |
| I invest mostly in companies with stable expected returns | Between Groups | 7.526 | 4 | 1.882 | 4.351 | .002 |
| | Within Groups | 215.356 | 498 | .432 | | |
| | Total | 222.883 | 502 | | | |

From the above Table:6.3.2, it is concluded that Risk Appetite is significant difference between levels of education because the p-values of 'I try to invest in risky stock for better returns' is 0.01, the significant value for 'I usually invest in companies which I know and trust' is 0.00, significant values for 'I  am most concerned about the large loss in my stock than missing the substantial gain' is 0.00 and the significant value for ' I invest mostly in companies with stable expected returns' is 0.002. Hence the risk appetite of the respondents is less than the level of significant so we can reject our H0. It is concluded that there is significance between the risk appetites of the respondents with that of the level of education of the respondents.

## 7. FINDINGS AND SUGGESSTIONS:

1. The investment decisions involve emotions and it is higher side in the case of male investors than the female investors. It is also concluded that the investors 'fall in the confidence' that may follow a big loss, leading to  inability to make a buy or sell decisions and the investors finds inability to stick with the planned strategies due to this emotional influence. The Brain activity of the male respondents, that they are much more open to their emotions, investors experienced the open emotions of the colleagues

about their investments, the respondents' emotions or the brain activity affects the stock market financial decisions, the respondents take bigger risk to avoid loss and they trust in instincts.

2. Since the respondents are too emotional in investing, they have financial problems and the temptations may lead to trade when there is no real opportunity or when the risk in appropriate, it is concluded that the respondents are forced to trade due to emotions and the brain activity during trading sessions.

3. It can be concluded that the investment involve emotions, these emotions are associated with earlier gains or losses leads to change in their risk behavior and then big loss to a strong desire to recover the losses and willingness to take increased risk are associated with the Fall in confidence of the investors which reflects in their trading activity of inability to make buy or sell decisions and the investor finds it difficult to stick with the planned strategies.

4. So the investors from the house wife segment respondents have considerably more brain activity in terms of they are much more open to their emotions, the respondents experience the open emotions of their colleagues about their investments, the emotions or the brain activity of the respondents affect their stock market financial decisions, respondents take bigger risk to avoid loss and they trust in instincts than the professionally or pvt sector or govt. sector employed respondents

5. So the investors from the house wife segment of respondents have considerably more brain activity in terms of they are much more open to their emotions, the respondents experience the open emotions of their colleagues about their investments, the emotions or the brain activity of the respondents affect their stock market financial decisions, respondents take bigger risk to avoid loss and they trust in instincts than the professionally or Pvt. sector or govt. sector employed respondents.

6. So it can be concluded that the occupation of the respondents are intersected with the path dependency of the respondents, that is the investment decisions involve emotions, emotions are associated with earlier gains or losses which in turn lead to change in risk behavior , the big loss leads to a strong desire to recover the loss and willingness to take increased risk and the fall in confidence that may follow a big loss, leading to an inability to make a buy or sell decisions and the respondents finds inability to stick with the planned strategies. And also the Brain activity of the respondents, that they are much more open to their emotions, investors experienced the open emotions of the colleagues about their investments, the respondents' emotions or the brain activity affects the stock market financial decisions, the respondents take bigger risk to avoid loss and they trust in instincts. It is concluded that there is signicance between the risk appetites of the respondents with that of the level of education of the respondents.

**8. CONCLUSIONS:**

Investor decisions are influenced by emotions in accordance with the research results shown in research. However Investments are made with an affirmed objective of maximizing the wealth. Investors need to make rational decisions for maximizing their returns based on the information available by taking judgments free from emotions. The respondents' emotions or the brain activity affects the stock market financial decisions.

The ability to understand the judgment heuristics like rationality or irrationality of the investment pattern and experience along with emotional management would enable the investor to act with caution as the consequences are likely to affect the asset value, lifestyle, relationship with others and social interaction.

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