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An Exploratory Inquiry into the Psychological Biases in Financial Investment Behavior

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Abstract

The purpose of this article is to identify the beliefs and attitudes of the individual investors with regard to financial investment decision making, with particular reference to the investor biases, by conducting an in-depth study of investor beliefs and preferences. In total, 30 exploratory semi-structured interviews were conducted to identify and describe the underlying thoughts and feelings that affect the individual investment decision-making behavior. Decision-making rationales are analyzed by means of open coding of verbal data. The findings of the in-depth interviews indicated that individual investors have numerous beliefs and preferences that bias their financial investment decisions. These biases reveal the design of the investor's mind rather than flaws of the investor's mind. This study suggests that an understanding of an individual investor's psychology would help in better comprehending the way the individual investment decisions are made. The value of this research lies in its methodology and

analysis. Perceptions and beliefs of the financial consumer with regard to their financial investment biases have not been explored earlier, so this article contributes to new knowledge in terms of financial product buying behavior.

Keywords:

Psychological biases | Behavioral finance | Financial investment decision behavior | Exploratory study | Qualitative research

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Notes

1. http://www.timm.indiatimes.com/timm/ecoclass.jsp

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