A STUDY ON THE ROLE OF EMOTIONS IN INVESTMENTDECISION MAKING

Ms. SNEHA N

Department of Commerce, CMR UNIVERSITY (Autonomous), Bengaluru, India.

Ms. SHIVANI MU

Department of Commerce, CMR UNIVERSITY (Autonomous), Bengaluru, India.

Ms. SINDHU R

Department of Commerce, CMR UNIVERSITY (Autonomous), Bengaluru, India.

Dr. Musaib Ahmad Shariff

Assistant professor, SOEC, CMR UNIVERSITY, (Autonomous), Bengaluru,India.

Mr. Balagopal P.K.

Assistant professor, SOEC, CMR UNIVERSITY, (Autonomous), Bengaluru,India.

Abstract-When faced with the dilemma of making a decision; emotions have always had the potential to cause a paradigm shift. Predictability, confidence, persuasiveness, pro activeness, anxiety, pride, enviousness, and other emotions can make or break a situation or event by reflecting one's personal significance. Decisions are influenced by emotions in large part by the depth of thought. Feelings likewise endeavour to impact the data handling which is again connected with independent direction. This study means to give a comprehension because of various feelings engaged with the venture independent direction and how they make an impact on both gamble and returns related along. The review goes through in assessing the connectionamong feelings and venture navigation. The study also explains why emotional intelligence isone of the best predictors of workplace success.

I. INTRODUCTION

"To invest successfully over a lifetime does not require a stratospheric IQ, unusual business insights, or inside information," Warren Buffet was quoted as saying. A solid intellectual framework for decision-making is required, as is the capacity to prevent emotions from corroding that framework. You must exercise emotional control. Emotional intelligence is deeply entwined with Murphy's concept. A profound insightful individual has both mindfulness and social mindfulness abilities the two of which are crucial for creating and keeping up with connections, navigation, conveying plainly, overseeing struggle and making progress. In a recent interview with CNBC, portfolio manager and creator of the personal finance blog Pauline Yan stated that Warren Buffet is an adept investor because he is able to interpret anotherindividual's emotional cues in addition to his own.

Acquisitions of assets possessing the potential to appreciate in quality over time and convey returns in the form of pay checks or capital gains can be referred to as assets. In a broader sense, spending additionally refers to devoting time or resources to improving one's own or others' standard of life. Since we will be utilizing monetary language, and contributing is the most common way of purchasing protections, land, and other significant belongings fully intent on bringing in cash or capital additions. A person's instincts and sound economic ideas should be given equal weight when selecting investments. Money and a very personal subject are inseparable. It is related to our sense of well-being, happiness, and security. management, oursentiments can make us settle on nonsensical decisions that might have long haul repercussions. Real estate investing is a potent strategy for perfect wealth growth that must be adopted by individuals. Sadly, there is a lack of awareness on this end, and any knowledge that people appear to have been derived from movies and television shows, which may be false and contain limited information. Contributing on resources accompanies a ton of difficulties like requiringlong haul concentration, discipline and the capacity to understand people on a deeper level, as opposed to the get rich super-quick mindset the media attempts to depict. According to Personalstatistics, 56% of experienced investors polled by Beginners Investors 2023 say that the biggestissue facing new investors is the search for short-term gains. The second most frequently citedissue is investing without adequate research or emotional intelligence, or emotional balance. When making investment decisions, an investor's capacity to perceive market conditions and opportunities is generally crucial. Investor roles are significantly influenced by emotions, which in turn can influence financial decisions. Financial backers who know about the manners by which feelings influence their independent direction can do whatever it may take to reducetheir effect. This necessitates encouraging an unambiguous approach to investing, expanding their venture portfolios, and consulting financial experts for assistance. During the venture cycle, financial backers ought to likewise participate in care rehearses like profound breathingand reflection to assist them with controlling their feelings. Dread and covetousness are two of the essential sentiments that impact speculation choices. The two emotions that most frequently have an impact on financial decisions are greed and fear. Investors who are overcome with fearmay make hasty trades against their investments, which frequently results in acquisitions or opportunities that are missed. Alternately, voracity can prompt dangerous ventures and rushed choices that eventually bring about huge misfortunes. Venture decisions may also be influencedby feelings of compassion and trust. Investors run the risk of incurring financial losses if they hold on to investments that are not performing well for an extended period of time in the hopethat they will eventually perform better. On the other hand, regret can cause investors to act impulsively in an effort to make up for a loss, resulting in larger losses over time. Financial backers might go with choices in light of a longing to stay away from future lament as opposed to a level headed examination since they might lament botched open doors or misfortunes. strong predispositions can lead to rash decisions that could result in significant financial losses. Consequently, investors must be aware of their emotional responses and makean effort to base their investment decisions on objective analysis and rational thought rather than feelings. To lessen the impact of emotions on investment decisions, investors can employ strategies like diversification, establishing clear investment objectives, and developing adisciplined investment plan. For better investment decisions, investors can also benefit from consulting a financial advisor and remaining up to date on market developments.

Social money research backs up the possibility that feelings influence how choices about speculations are made. This study suggests that investors frequently base their decisions on emotional and cognitive biases and are not always rational. The "sunk cost fallacy," or the tendency to hold on to investments that lose money in the hope of recovering those losses, is one such cognitive bias that can lead to poor investment decisions.

While settling on speculation choices, financial backers should perceive and get a handle on their feelings. Emotional intelligence and self-awareness can assist investors in regulating their emotions. Investors can also benefit from seeking sound investment advice from a financial professional.

II. LITERATURE REVIEW "The role of feelings in investor decisionmaking" by Michael Dowling and Brian M Lucey, October 2007

The scope of this study on the impact of investor sentiment on equity pricing is examined, and a theoretical framework for comprehending the emerging findings in this field is developed. Reference to studies in economic psychology and decision-making makes up the theoretical foundation. late progressions in understanding what sentiments mean for the overall decision making of individuals., This study focuses particularly on uncertainty and risk. The hypothetical premise is applied to dissect the current exploration on financial backer sentiments. Essentially, this study aims to determine whether investor decision-making and, asa result, predictable patterns inequity pricing is influenced by variations in widely experiencedfeelings. The paper finishes up by recommending various bearings for future experimental andhypothetical exploration.

"The Role of Emotions in Financial Decision-Making" by A. W. Omar and H. A. M. A. Kadir.

This study gives an extensive outline of the job of feelings in monetary direction, including theelements that impact feelings, the effect of feelings on venture navigation, and the systems for dealing with feelings successfully.

"Emotions and Investment Decision Making" by D. J. Madden and B. M.Savigny

According to this review of the pertinent literature, emotions have an effect on an array of investment decision-making processes, such as risk assessment, asset allocation, and trading behaviors. The paper also discusses the theoretical frameworks used to analyze financial emotions and their relevance to investors.

"The Influence of Emotions on Investment Decision-Making by N. Niu and Y. Liu

This summary of scientific research on the significance of emotions on investing decisionmaking focuses at the cognitive biases and emotional responses that could end up resulting in bad investment judgements. The review also covers methods for regulating feelings while making investment and how sentiments affect individuals who are employed in the financial services industry.

"The psychology of investment decision making by M.T Aslam and J.KAhmed

Emotions, cognitive biases, and personality traits are among the psychological factors examined in this literature review that can influence investment decision-making. The theoretical frameworks used to study these factors and their practical implications for investors and financial professionals are also discussed in the review.

III. OBJECTIVE

- To study Emotions towards Investment decisions making.
- To know the factors which affect investment decision making process of investor while investing.

IV. METHODOLOGY AND DATA

The research is based upon both primary and secondary data. The primary data was collected through a questionnaire designed exclusively for the study.

Primary data are those, which are collected for the first time, and are original. A suitable combination of Questionnaires and interview techniques is used to collect the required primary data. By using a questionnaire.

Question No 1

What amount do your feelings assume a part in your financial decisions?

SLNO	PARTICULARS	RESPONDENTS	PERCENTAGE
1	Significant role	22	73%
2	Major role	6	20%
3	Minor role	2	7%

Table No 1.1

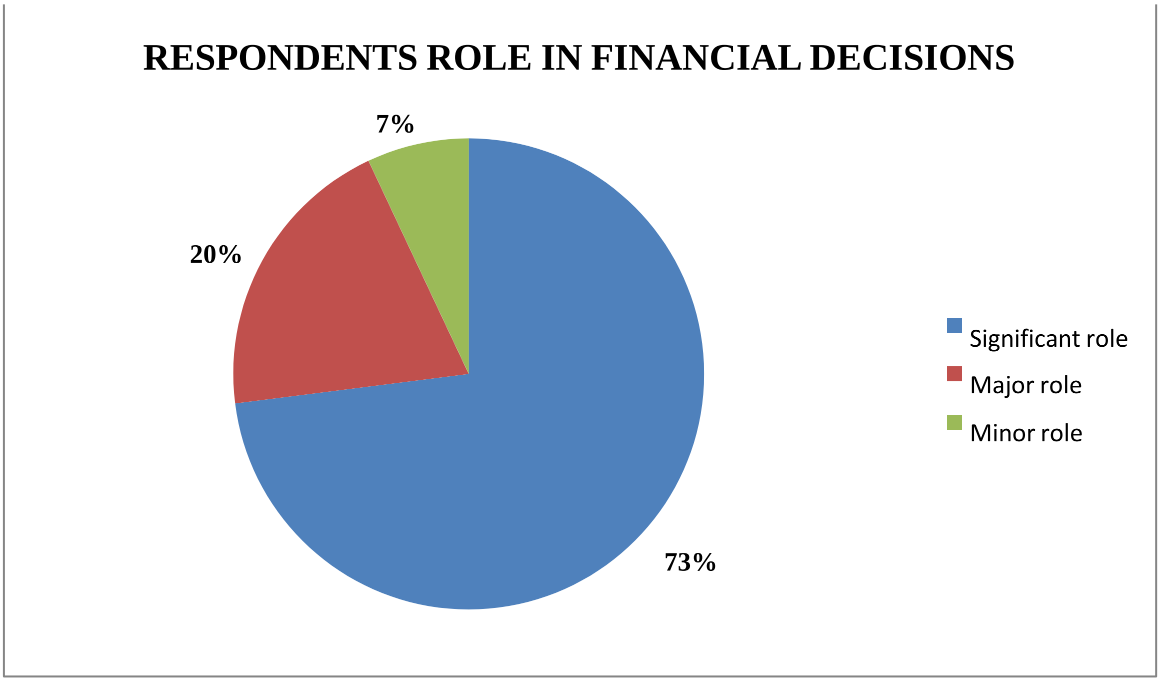

Fig No 1.1

Interpretation

As per the responses collected, we can see that 73% of the individuals agree that their feelingsheld a significant part in their speculation choices, while 20% of the individuals accept that it held a major part of their emotions. Followed by 7% of the population accept to the fact that there was only a minor part of their emotions used during choices.

Question No 2

Have you settled on a financial dependent simply upon feeling, disregarding genuine elements?

SL NO	PARTICULARS	RESPONDENTS	PERCENTAGE
1	Yes	16	54%
2	No	10	33%
3	Maybe	4	13%

Table No 1.2

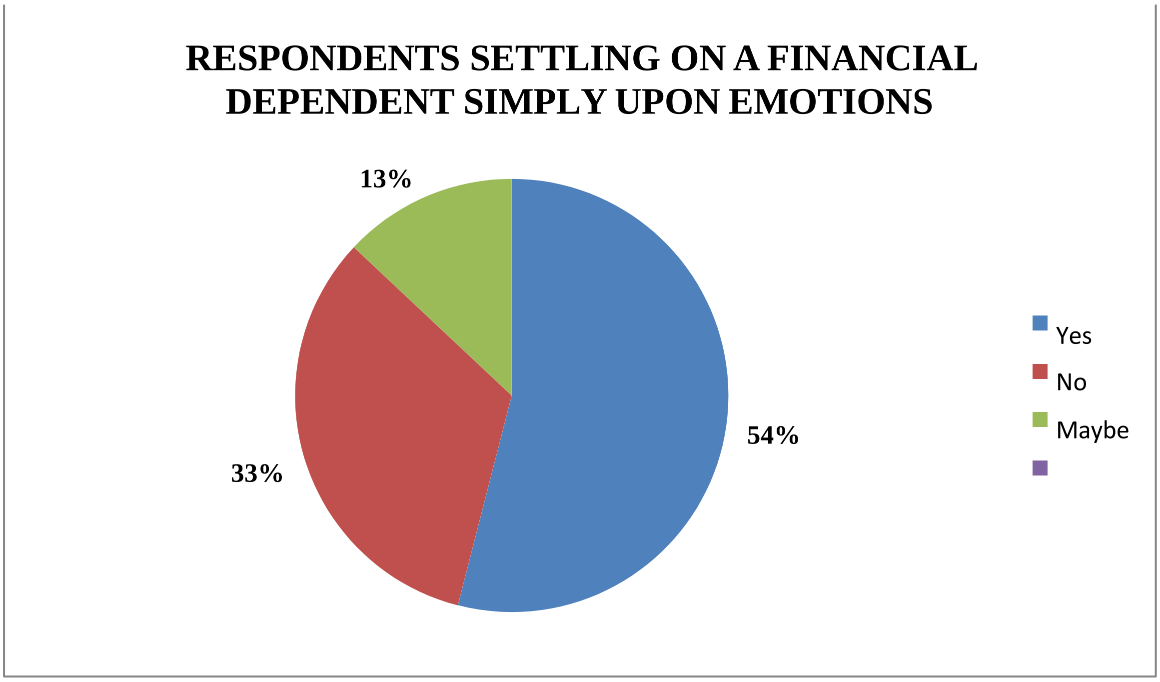

Fig No 1.2

Interpretation

As per the responses collected 54% of the respondents settled on a financial dependent simply upon feeling, disregarding genuine elements, followed by 33% of the individuals did not settle on a decision alone with emotions. Besides this 13% of the population stand on neutral grounds.

Question No 3

In the face of strong emotional responses to market conditions, how do you maintain discipline in your investment strategy?

SL NO	PARTICULARS	RESPONDENTS	PERCENTAGE
1	Stick to the investment plan	12	40%
2	Focus on the longterm	7	23.33%
3	Diversify yourportfolio	13	43.33%
4	Avoid checking your profile frequently	5	16.67%
5	Seek professional advice	3	10%

Table No 1.3

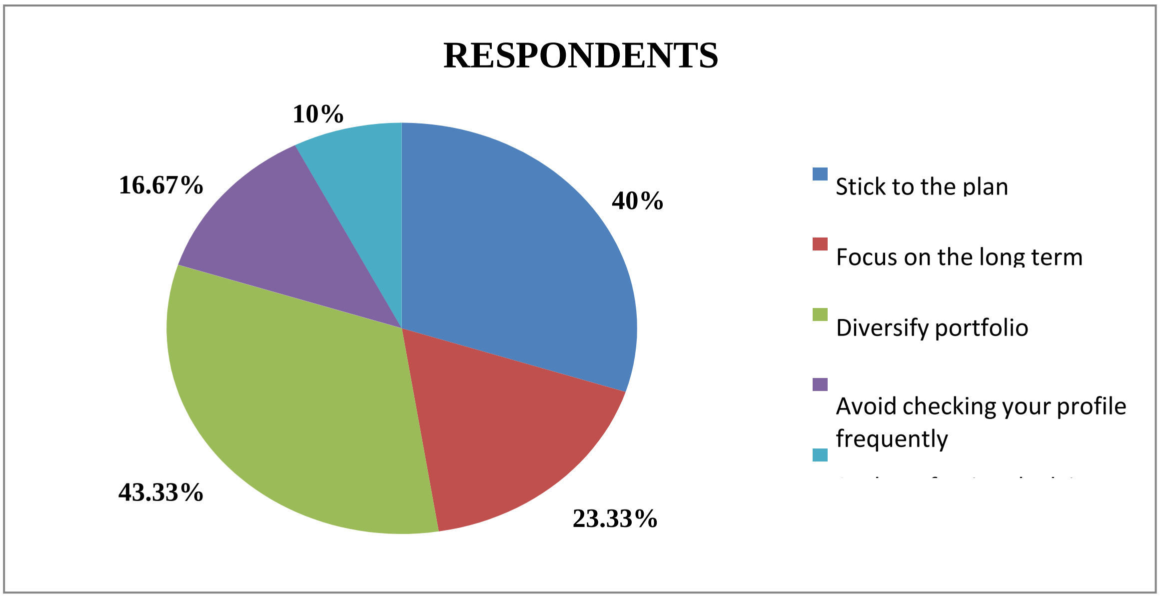

Fig No 1.3

Interpretation

As per the responses collected 40% of the respondents stick to the investment plan, followed by 43.33% believes on diversifying their portfolio to maintain discipline in their investment strategy. Again 23.33% of the respondents focus on the long-term goals, while 16.67% avoid checking their profiles frequently. A small population of the respondents that is 10% of them believes on seeking professional help.

Question No 4

How would you deal with the feelings of dread or insatiability while settling on speculation choices?

SL NO	PARTICULARS	RESPONDENTS	PERCENTAGE
1	Seek advice from a financial advisor	6	20%
2	Conduct thorough research	10	33.33%
3	Develop long term investment strategy	4	13.33%
4	Practice mindfu ltechniques	2	6.67%
5	Invest in diverse portfolio	8	26.67%

Table No 1.4

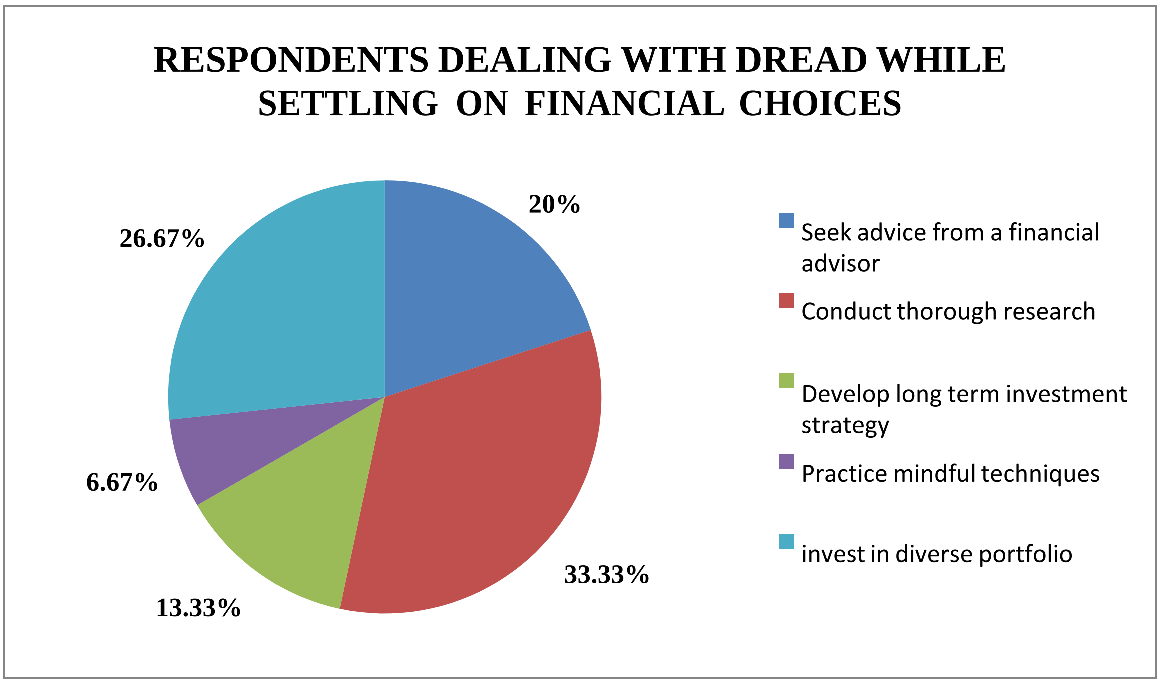

Fig No 1.4

Interpretation

As per the table above, 33.33% of the respondent's population conduct thorough research to deal with the feeling of insatiability on settling for financial choices, followed by 26.67% of the population invest in diverse portfolios. Besides this 20% of the respondents seek professional advice, 13.33% develop a long-term strategy while 6.67% practice mindfultechniques.

V. CONCLUSION

The consequence of emotions on making decisions about investments is a significant and extensively researched topic in all aspects of finance. Emotions are a natural part of human development, and they have an enormous impact on all of our daily decisions, including how much money we spend. A few of the emotions that investors could feel and which could havea significant impact on their investment decisions are fear, greed, and overconfidence. This could lead to premature choices, missed chances, and poorer results. This article's objective was to study how emotions impact investment decision-making as well as the techniques that may be used by investors to effectively control their emotions.

The report's initial conclusion is that emotions can affect financial decisions in a variety of ways. For instance, fear may cause someone to sell stocks at a loss or steer clear of particular assets. On the other side, greed can result in arrogance and a propensity to take on more risk than is necessary. Investors who are overconfident may ignore warning flags and think their financial techniques are fool proof. Investors might consequently hang onto losing positions longer than necessary, which would limit returns.

Another insight is that cognitive biases imposed on by emotions may affect financial decisions. Confirmation bias, which occurs when investors seek towards information to validate their pre-existing beliefs, and anchoring bias, which happens when investors dwell on the first piece of information they are presented with, are two examples of these biases. These biases may result in less successful decision-making and lower profits.

The third exploration is that investors can use a variety of techniques to properly control theiremotions. These tactics include defining long-term investing goals, diversifying their portfolio, setting investment goals, and consulting a specialist. Making long-term investment plans and setting investment goals can help investors keep focused on their goals, which lowersthe risk of acting rashly or emotionally. By minimizing the influence of any one investment ontheir whole portfolio, diversifying their portfolio can also help investors control their emotions. By offering a dispassionate viewpoint on investment choices, consulting a professional can alsoassist investors in controlling their emotions.

It's crucial to remember that not all emotions, however, are detrimental to making investment decisions. Positive feelings like self-assurance and optimism might be helpful since they increase risk-taking propensity and foster a more upbeat outlook on the future.

Overall, the impact of emotions in investment decision making cannot be ignored. By recognizing and managing their emotions, investors can make more rational and informeddecisions, leading to better investment decisions.

VI. REFERENCE

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