

Exploratory Study of Behavioral Finance with Special Reference to Academicians of Private University in Indore City

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Behavioral finance deals with the orientation of investor's psychology while making financial decisions. It tries to understand how investors forget fundamentals and make investment decisions based on emotional appeal. While the traditional theory of finance states that investors are rational and follow sound logic while making investment decisions, behavioral finance states that their financial decisions are swayed by emotional appeals and past experiences. The present study explored investment orientation and behavior of individual investors. Broadly, four dimensions of individual investment behavior were found: Safe and Fixed Return Orientation, Long Term and Rational Orientation, Reliable and Family-Oriented and High-Risk Orientation. Findings have been analyzed based on gender and income. Gender-wise significant differences revealed in investment orientation towards family-oriented and reliability seeking investment behavior. Income-wise significant differences have been observed in the risk-taking behavior of individual investors.

I Introduction

An investment is allocation of money for saving or surplus amount acquired by an individual with the expectation to increase return or even for economic safety in the future. It is done for the future and not for meeting present requirements. It always has an opportunity cost which sacrifices spending with the hope of getting a positive return in the future. However, investors equally bear the risk of return which may vary from minimum to maximum. The probability of expected benefit on investment in the future is influenced by rational factors and behavioral biases of investors. Behavioral finance deals with the orientation of investor's psychology while making financial decisions. It tries to understand how investors forget fundamentals and make investment decisions based on an emotional appeal. While the traditional theory of finance states that investors are perfectly rational

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