Chapter: 2  Review of Literature

REVIEW OF LITERATURE

A literature review gives an overview of the field of enquiry: what has already been said on the topic, who are the key writers, what are the prevailing theories and hypothesis, what questions are being asked and what methodologies and methods are appropriate and useful. According to Bourner there are good reasons for spending time and effort on a review of the literature before embarking on a research project. These reasons are:

- To identify gaps in the literature.
- To avoid reinventing the wheel (at the very least this will save time and it can stop you from making the same mistakes as done by others).
- To carry on from where others have already reached (reviewing the field allows you to build on the platform of existing knowledge and ideas).
- To identify other people working in the same fields (a researcher network is as valuable resource).
- To increase your breadth of knowledge of your subject area.
- To identify seminal works in your area.
- To provide the intellectual context for your own work, enabling you to position your project relative to other work.
- To identify opposing views.
- To put your work into perspective.
- To demonstrate that you can access previous work in an area.
- To identify information and ideas that may be relevant to your project.
- To identify methods that could be relevant to your project.

Keeping all these facts in mind, the investigator studiously scanned the available literature related to the present study. In this review of literature, an attempt is made to present a brief review of relevant studies carried out on the present investigation. Several researchers have studied the factors influencing equity investment decision from different perspectives and documented innumerable findings. However, due to paucity of time, money and other
resources, it is not possible to review all the studies. This review, therefore, outline small number of these studies.

Understanding Investor Behaviour has become a topic of high importance in academic research due to the size of equity oriented securities across the globe. Especially after Daniel Kahneman and Vernon L Smith shared the prestigious Nobel Prize in the year 2002 for their extraordinary contribution to the area of Behavioural Finance and the recent global economic recession, research in this area is attracting attention.

Investment behavior is defined as how the investors judge, predict, analyze and review the procedures for decision making, which includes investment psychology, information gathering, defining and understanding, research and analysis. (Slovic, 1972).

In the present economic reality, there is a broad range of different financial products, services processes and types of financial institutions. The last thirty years, the process of Financial Innovation is the main reason why a series of important changes and modifications happened to the financial instruments, to the financial structure and to company and financial institution practices.

The main reason for the development of the bank systems, especially in the India is the creation, the emergence and the diffusion of financial innovations. The last few years, this process of financial innovation has been dynamically developed and has benefited from the simultaneous technological evolution. This led to the creation of new status quo in the international scenery, because of the modification or/and the re-planning of standardized products, ideas, instruments and processes.

The basic function of the financial market is to facilitate and to expand the distribution of resources, in space and time, towards an uncertain environment and to channel society's savings towards the most prosperous investment opportunities with a counterbalancing risk. The financial system consists of the capital and money market and the stock exchange. Capital markets cover the spectrum of currency demand, income, equity markets, and derivatives markets and include all financial intermediaries like investment and commercial banks that constantly offer adaptable products and services. Capital and money markets allow money flow and give the opportunities for investment with some risk for the
investors. They are the source of information that helps different sectors of the financial activity take centralized or decentralized decisions.

An overview of various aspects and issues of the present study through the review of literature available on the subject has been presented in this chapter. The investigations made in the previous studies have been of great significance in understanding the intricacies of the issues taken up for this study and also in finding the gap for further research in the field. The conclusions drawn from the earlier research works have served as a guide mark for this study. Some of the important studies have been reviewed as under:

Promotion is one of the techniques to attract consumers to purchase more or try a product or service. Severe outcomes of promotion included sales increased, quantity of stock used and attract new consumers. For example, price promotion refers to temporary price reduction which offers to consumers. The characteristic is the retailer would label a specific percentage or cash saving for the products or services. Previous studies indicated that a sudden increase of sales would experience by retailers because of price-conscious of consumers (Banks & Moorthy, 1999; Kopalle & Mela, 1999; Smith & Sinha, 2000; Gilbert & Jackaria, 2002).

According to Blackwell, Miniard and Engel (2001), price discounts played significant roles in influencing consumer product trial behavior by which indirectly attract new consumer.

In term of coupon promotions, those consumers obtained coupon are entitled to get discount of the products at its original price (Ndubisi & Chew, 2006).

Previous study found that coupon promotions do not have significant effect on volume of product purchase by consumer (Gilbert & Jackaria’s, 2002). Later, a study conducted by Ndubisi and Chew (2006) at Malaysia has re-affirmed the statement by Gilbert and Jackaria’s (2002). They also reported that coupon promotion was among the least used and unpopular promotional tools by consumers. However, the results in Dotson’s (2001) research proved that women report being more likely to use only coupons than men and the youngest age group (less than 25 years old) reports a higher possibility of taking advantage of bonus packs, price deals and samples than the age group of 35 to 54 respectively.

According to Kardes (1999), marketing managers aware of product trial related to behavioral experience of consumers towards a product. Thus, sending free sample take
place in promotional tools. Free samples refers to consumers are giving a free small sample of the product so that consumers have the chance to try and use the product.

**According to zallocco & Kincaid (2008),** promotion is the deliberate attempt on the part of the individual business or other institution to communicate the appropriate information in a manner persuasive enough to include the kind of acceptable response desired. Promotion is communication by the firm to other various audiences with a view of informing them and influencing their attitude and behaviors towards the firm’s product. The most effective promotional activities are carefully integrated by marketing managers. In general, the relative importance of advertising, personal selling, sales promotion and publicity in specific marketing programmes will vary with the nature of the product, the buying behavior of customers, the competitor practices in industry and the manner in which marketing managers choose to apply resources. Each type of promotional activity will attain maximum effectiveness, if only co-ordinated with others Kotler (1994).

**Kotler & Armstrong (1990)** said that all functions in the satisfaction systems are equally important, if any one system is missing, the system breaks down. The same can be said about the ingredients in the marketing mix, those activities that go together to make the bundle of utility and promotion is important element of the mix. According to Donnelly promotion makes the largest part of the marketing expenses. Most organization regard promotion expenses as secret and therefore information about such expenditure is difficult to determine.

**Berkowitz (1982)** estimated that promotion quota to be 25% of the total marketing costs of the firm. A successful promotion is one where a company sells a lot of products to the customers, and a promotion for an established brand can be used to attract and retain new users to the brand. Promotion has become popular that it accounts for more than 65% of typical marketing budgets. However, promotion alone cannot increase sales volume, some facilities such as provision of credit and others contribute to the increase of sales volume on pot of promotional activities.

**Frank Taussig (1912)** writes that, "An object can have no value unless it has utility. No one will give anything for an article unless it yields him satisfaction. Doubtless people are sometimes foolish, and buy things, as children do, to please a moment's fancy; but at least they think at the moment that there is a wish to be gratified."
Herbert Simon (1955) attempts to deconstruct the concept of ‘economic man’ or ‘rational man’ in his paper ‘A Behavioural Model of Rational Choice’; which brings light on the psychological component in the decision making. He proposes that there is a complete lack of evidence that in actual human situations the computations of mind for maximising his utility is performed. He says that “the introspective evidence is certainly clear enough, but we cannot, off course, rule out the possibility that the unconscious is a better decision-maker than the conscious”.

Simon (1957) tries to explain human behaviour as "The capacity of the human mind for formulating and solving complex problems is very small compared with the size of the problems whose solution is required for objectively rational behaviour in the real world—or even for a reasonable approximation to such objective rationality." Simon continues “. . . the first consequence of the principle of bounded rationality is that the intended rationality of an actor requires him to construct a simplified model of the real situation in order to deal with it. He behaves rationally with respect to this model, and such behavior is not even approximately optimal with respect to the real world. To predict his behavior we must understand the way in which this simplified model is constructed, and its construction will certainly be related to his psychological properties as a perceiving, thinking, and learning animal."

Debreu (1959) states that, "...A commodity is a good or a service completely specified physically, temporally, and spatially. For any economic agent a complete plan of action (made now for the whole future) is a specification for each commodity of the quantity that he will make available or that will be made available to him."

Hamilton (1964) analyzes the kinship and its role in decision making especially when some amount of altruism involved. He establishes that here the kinship selection theory explains the social interaction where the economy theory fails. Hamilton’s theory implies a bounded rationality for economic cooperation, joint venture and risk management.

Slovic (1972) in his paper ‘From Shakespeare to Simon: Speculations- and Some evidence- about Man’s ability to process Information’ states that ‘Recent experimental evidence is marshalled in support of the position that man’s limited memory, attention, and reasoning capabilities lead him to apply simple strain reducing cognitive strategies for processing information when making judgments and decisions. These strategies portray decision
processes in a manner quite different from traditional normative and descriptive models. In some situations, these strategies may produce good decisions; in others, they may lead to serious mistakes.’

Kahneman and Tversky (1979, 1984) proved that it is possible to manipulate the informational structure or context of a decision problem so as to affect the choice behaviour. That shows that minor changes in the information structure can lead to major changes in the revealed preferences; the phenomenon which they named as ‘framing effect’. Cooper and Kaplan (1982) discusses the conditions under which it is essential for the survival of the group that some individuals bet against the probabilities and do not, at individual level, maximize their expected value. They illustrates that the normative utility theory focuses only on individual utility but not collective utility.

Anslie (1982) explains a psychologist’s view about rationality of economics as ‘since ancient times people have tried to understand the nature of value, this is how events motivate us. Two kinds of goods have been described: what might be called visceral satisfactions, closely associated with the consumption of a concrete object and usually in the service of an obvious biological need; and more subtle satisfactions, such as [acquisition of] knowledge…Quantitative description of the value of concrete objects became the science of economics. By restricting its attention to goods that trade in cash market, this discipline has been able to describe striking regularities in how we value these goods. For all the usefulness this may have had, it has tended to create a self-contained body of procedures without reference to the motivational processes that actually determine value.’

Simon (1990) emphasize the importance of psychological behaviour in decision making. They also emphasize the importance of human evolution and learning in the development and understanding of strategic contexts and principles that may seem irrational in the narrow standard economic model.

Shimp (2003) reported that a free sample had influence on consumer’s buying behavior while Gilbert and Jackaria (2002) have shown otherwise. Free sample was positively related to immediate sales of that particular (Lammers, 1991).

Lease and others conducted a survey of individual investors in 1972 to find out who the potential investor is, how he makes his decisions, how he deals with his broker, what his portfolio consists of and how well he has done as a portfolio manager. A sample of 3000
individuals was selected, stratified according to the geographical distribution of all
American share holders as reported by the NYSE surveys. According to the survey report
(1974) the individual investor has to be primarily a fundamental analyst who perceives
himself to hold a balanced, and well diversified portfolio of income and capital appreciation
securities. He asserts that he invests predominantly for the long run and is prone to use one
of the broad based market indices as the bench-mark by which to judge his personal
investment performance results. Long-term capital appreciation is the paramount investment
concern with dividend income and intermediate-term gains running distance second.

Mohana Rao (1998) made a survey of Mutual funds to address the following issues:

(a) Which mutual fund is popular amongst the investors?
(b) Which factors govern the choice of a mutual fund organization?
(c) What type of scheme/schemes are preferred by households?
(d) Which type of financial asset is opted by investors?
(e) How are mutual funds helping to enhance capital market activities in India?

Following conclusions were reached by him:

(a) The top most popular mutual fund amongst investors is Unit Trust of India followed by
State Bank of India Mutual Fund and Canbank Mutual Fund.
(b) The most popular financial asset preferred by the respondents is UTI products followed
by debentures and products of mutual funds.
(c) The most important factors of choice for a mutual fund organization is ‘investors
service’ followed by income-cum-growth and tax benefits and capital appreciation.
(d) A vast majority of respondents agreed that mutual funds are desirable and necessary for
growth of Indian capital and money markets.
(e) Majority of respondents showed their willingness to invest their savings in private sector
mutual funds.

Paranjape (1992) made a study of investors’ preference on rights issues made by corporate
bodies. It revealed that only a little more than 20 per cent of the investors always applied for
rights in the past. Roughly an equal number participated depending on the availability of
funds. The remaining did so only after evaluating the merits of the offer, either by
themselves or on the
basis of advice from experts. Investors generally go by the future prospects of a company, its overall standing and the merits of the offer. However a small number are likely to base their decision on the state of the market as well.

Rangarajan (1998) in his paper put forward a valid view regarding the major issues to be addressed in order to strengthen the functioning of Indian Capital Market. He held that effective and efficient capital market required a stable and sturdy infrastructure of payment, settlement and clearing system and setting up of depositories. This infrastructure is the life-line of the securities market as it helps market participants to exercise economic choice by prompt and credible transfer of value.

SEBI (1996) made an analysis of income and expenditure of 100 schemes of 15 Mutual Funds and 13 Asset Management Companies. The report revealed that it was difficult to establish any correlation between expense ratio of similar type and size of scheme within the same mutual funds or across mutual funds, the profitability of an Asset Management Company (AMC) or Return On Net Worth (RONW) to the corpus managed by a fund and its years of existence. Schemes of same size and type have varied expense ratio, income ratio, AMCs which manage more assets, earn a larger income but RONW for them may be lower than one which manages a smaller corpus. All this understates the state of affairs of the mutual funds and fund manager and raises concerns about the need for a greater degree of introspection on the part of the AMCs to get their houses in order.

Marshall (2003) defined personal selling as the personal communication of information to persuade a prospective customer to buy something – a good, service, idea or something else, while Jennifer Rowley (1998) defined personal selling as face-to-face interactions with one or more prospective purchasers, for the purpose of making sales. This is common within the business-to-business marketing transactions in the information industry, where sales representatives, often also with a support function, are common.

Sales promotion is an increasingly important and integral part of marketing mix in most industries. Blattberg and Neslin (1990) describe sales promotion as an action-focused marketing event, whose purpose is to have a direct impact on the behavior of the firm’s customers. According to Srini S. Srinivasan and Ralph E. Anderson (1998), sales promotion designed to motivate consumers or the trade to purchase a product immediately
and/or in larger quantities by lowering the price or adding value. Rebates, like coupons, offer value to purchasers typically by lowering the customer’s final cost for acquiring the product. While rebates share some similarities with coupons, they differ in several keys aspects. First, rebates are generally handed or offered (e.g., accessible on the Internet) to customers after a purchase is made and cannot be used to obtain immediate savings in the way coupons are used (so-called “instant rebates”, where customers receive price reductions at the time of purchase, have elements of both coupons and rebates, but for our purposes we will classify these as coupons due to the timing of the reward to the customer).

Second, rebates often request the purchaser to submit personal data in order to obtain the rebate. For instance, customer identification, including name, address and contact information, is generally required to obtain a rebate. Also, the marketer may ask those seeking a rebate to provide additional data such as indicating the reason for making the purchase (Julian J. & R. Mullin, 2003.)

Guiso and Jappelli (1999) studied the profile of 8000 Italian households for the period 1989-1995, studied the heterogeneity of portfolio among the households and found that wealth, college education and index of financial information had significant positive effect on the ownership and share of risky assets, while age showed a hump shaped profile.

MacGregor, Slovic, Berry and Evensky (1999) focused on how the financial decision-making process is linked to various aspects of investments/asset classes, specifically experts perceptions of returns, risk, and risk/return associations. A survey was mailed to financial advisors in which, the 265 participants that responded were asked to provide their assessment of a series of 19 asset classes with 14 specific variables. The main findings revealed with the utilization of multiple regression analysis with perceived risk as the dependent variable revealed that three significant factors (worry, volatility, and knowledge) explained 98% r-square of the experts risk perception

A recent study illustrates several common themes that have emerged from research on financial literacy. Agarwal et al. (2010) note that a considerable body of evidence suggests that many Americans lack financial literacy based on their ability to perform basic numerical tasks, financial literacy levels vary across demographic groups, and low financial literacy is correlated with negative financial behaviors. The authors suggest that financial
counseling can help individuals develop better financial practices, thereby improving their long-term financial security. This conclusion, namely that financial counseling and financial literacy interventions are promising ways to improve individuals’ financial security, is a common refrain among researchers and policymakers interested in improving Americans’ financial literacy. The current paper examines how financial advice fits within broader efforts aimed at improving consumers’ financial security.

In the boldly titled paper ‘Financial Advisors: A Case of Babysitters?,’ Hackethal et al. (2010) carefully examine the role of investment advisors. This study controls for selection effects, as individuals who use advisors likely differ from individuals who do not use advisors in ways that also affect financial outcomes. Clients who used financial advisors had lower average returns and were more likely to incur substantial losses on their investments. Furthermore, working with a financial advisor was not associated with better market timing or diversification strategies, and financial advising was linked to more trading, higher turnover, and higher trading costs. Thus, the results provide no evidence that financial advising is worth its added expense.

Concerning the take-up of financial advice, Hackethal et al. (2010) find that advisors are less likely to work with investors who are younger, who have fewer assets, and who are less financially sophisticated. Because financial advice is associated with negative outcomes, these groups may in fact benefit from their lesser use of financial advising. The authors strongly caution against policies that support financial advising as a substitute for promoting financial literacy more broadly. Nonetheless, the authors concede that investors may well understand the true costs of financial advising, and that they may simply value their own time and effort more than the fees and poorer portfolio performance associated with financial advice. Other studies have also concluded that financial advice does not improve investment performance (see Hackethal et al. 2010; Jansen et al. 2008; Kramer and Lensink 2009; Kramer 2009).

More recently, Horn et al. (2009) utilize a change in German tax withholding laws to test whether investors make investment mistakes by purchasing newly tax-disadvantaged assets. This natural experiment indicates that financial advice helps clients avoid tax mistakes. The authors suggest that this finding may be attributable to the fact that tax consequences are one of financial
advisors’ core competencies. However, Horn et al. (2009) failed to incorporate selection processes into their analysis, so the possibility of endogeneity between using an advisor and already being less prone to making tax mistakes cannot be ruled out. Haslem (2010) matched advisor accounts to nonadvisor accounts, concluding that fee-only advisors who recommend index funds may in fact add value to investors’ portfolios that exceed the fees they charge.

Bhattacharya et al. (2010) conducted an experiment with a European brokerage bank. The bank randomly selected about 8,000 customers out of several hundred thousand active customers for participation in a new no-cost advice service. About 380 customers opted to participate. Customers who accepted the free advice offer were more likely to be male, older, and wealthier. Participants also tended to have longer relationships with the bank and to make more trades per month than the control group. The authors concluded that customers who signed up to receive advice were among the bank’s most financially sophisticated customers. The authors measured customer returns after participating customers received advice, finding returns for customers in the advice program were only slightly higher than returns for customers who did not participate in the program. However, many advisees did not utilize the advice they received. The authors also found that although returns did not improve for the average advisee, they did improve for the average advisee who followed the investment advice. Furthermore, the advice appeared to be most beneficial for investors with the least financial sophistication. The authors conclude that investors who could benefit substantially from financial advice are less likely to seek advice.

A number of studies consider the impact of stock recommendations made through cable news shows, magazine columns, and semiprivate mailing lists. For example, Womack (1996) analyzed data from First Call, a database of daily commentaries from portfolio strategists, economists, and security analysts that is sold to professional investors. The author concludes that buy or sell recommendations have a substantial impact on stock prices both immediately and over several months (Womack 1996).

Lim and Rosario (2010) review the stocks mentioned on CNBC’s Mad Money. The authors look at the host’s (Jim Cramer) endorsements and rejections of stocks that are either
advocated for by the host or mentioned by a caller. The authors find that effects are higher for the hosts recommendations than caller recommendations (Lim and Rosario 2010).

**A study by Keasler and McNeil (2010)** also looks at Cramer’s recommendations. The authors find uninformed investors do make decisions based on Cramer’s recommendations, often not tied to information involving the actual value of the stock. Additionally, the authors find that a portfolio composed only of Cramer’s buy recommendations does not generate positive long term returns (Keasler and McNeil 2010).

**Herbert and Turnham (2010)** asked focus group participants about where they receive financial information. The most common source was from friends and family members, who individuals relied on due to ‘expedience and trust.’ The second most common source was segments from television shows including local newscasts, the Oprah Winfrey show, and CNN. Some participants mentioned finding financial information on the Internet. Other information sources included employers, banks or credit unions, and churches.

**Geetha and Ramesh (2011)** conducted a research in India on people’s behavior about investment preferences. There were lot of options for investment like equity, mutual bonds, company funds, gold/silver, bank deposits, real estate and life insurance etc. But people prefer them according to their choices which were most appropriate and suitable for them. This studies show that how people plan to their investment to meet their objectives and goals. Questionnaire was used to conduct the research and the sample size of this study is 210. They check people preferences according to their age, income, education, savings and gender. This study find that the people were not properly aware to the investment options, they have lack of knowledge about risky and less risky securities.

**The other study conducted in Coimbatore District by R. Sreepriya and P. Gurusamy (2013).** They conducted research on subject investment pattern of salaried persons. According to this research paper salaried persons always invest to secure their money for making useable for their future to meet various expenses. They preferred increments on their investments but they were possessive about their investments rather than high returns or gains on investments. These preferences vary to another because every individual don’t maintain equal level of investments, savings, needs and returns. The sample size of this
study is 150 and data was collected by using primary ways like questionnaire and surveys. The secondary data collected by using internet, journals and research articles. The investment securities are equity, municipal bonds, corporate bonds, real estate, gold post offices and bank deposits. They measure investment level according to educational qualification.

**The research study of Elisa C., Gloria G. and Ugo Rigoni (2012)** was experimental, which conducted by the help of Laboratory of Experimental Economics of Ca’ Foscari University of Venice. This research paper focused on financial education of individuals to getting proper knows how about investment in securities and measuring their risk level. Proper education is necessary for individuals to make diversify investments. Individuals who don’t have high income depend on their investments so they are required to allocate their assets properly for diversified portfolio. 200 questionnaires were used for collected data of research study. The results of this research study clearly describe that financial literacy had positive relationship with risk level of individual persons. It’s also described that proper education cause’s low risk securities investment. This study recommends that government should started financial education programs to give proper awareness to the individuals for investment.

**Juuso L., (2010)** research about demographic variables such as sex, age, income, education and marital status with the behavior of the investors. How they change and how much investors follow the advice about investments from their advisor and banks. In this research the trading activities of investors were analyzed for a specific time. The research conducted by filling the questionnaire which checks the investor risk level according to their demographic variables. The sample selected for research study is 910 Finnish banks customers. The findings of the research told that some customers don’t follow the advices of their banks and some followed. This research also explained the reasons of this behavior. Their behavior was affected by their demographic variables.

This research was conducted in **Rajasthan by Dr. Dhiraj J. and Mr. Nikhil M. (2012).** They investigated the investment decisions of individuals with demographic variables (age, gender, income, qualification, occupation and marital status). They used chi square test and correlation for data analysis and the sample size of the study was 200 respondents. They
find negative correlation with them. But there was positive correlation between knowledge, income level of investors of different cities. There was no significant relationship between gender on investment decisions in this study. This study of Shikha B. and Rahul S. in Selected Cities of Rajasthan State. The purpose of their research study was to analyze the influence of factors on investment decision making. The sample cities of Rajasthan State was Udaipur, Jodhpur, Ajmer was Baswara. They used questionnaire of two subscales for collecting data. They used SPSS 15.0 for calculating regression on data. They find out that factors that affect of difference in perception of investor decision on the basis of age, gender, occupation and income group.

**This research paper of USA written by Inga C., Michael A. and Barry T. (2008).** In it some behavioral biases were discussed. Individuals were prevented by many cognitive and emotional biases during investment decision making which were harmful for assets or investments of individuals. The sample of this study is students of business or behavior finance. They investigated the cognitive biases on them and told that how much education is important to take right decision or to solve these biases. This research paper enhances the need of education because without it investments become sour and causes material losses.

**According to Tripathi (2008)** Investors use both fundamental as well as technical analysis while investing in Indian stock market. They strongly agree that various company fundamentals significantly influence stock prices in India. The most worthy investment strategies in Indian stock market are buying stocks for which some good news is expected, buying stocks which are expected to announce bonus issue, momentum strategy, size strategy and following investment behavior of FIIs. The widely used investment strategies in Indian equity market are size based strategies, momentum strategies, following FIIs investment behavior, buying stocks on the basis of 30 days moving average and buying stocks on the basis of the relative strength index. It was also noticed that there is a substantial change in investment strategies used by active investors in Indian stock market over the past five years. In a nutshell, there has been a shift from purely technical analysis based strategies on the one which involves both fundamental and technical analysis. Moreover the investment horizon of investors has also reduced due to higher volatility.

**Ducassy and Jeannicot (2008)** studied the impact of CSR information on investor behavior. The study was conducted for a period of three years where a sample of 50
companies was analyzed and to represent the CSR part, the social reporting rankings generated by an independent body were used. The result revealed a market response to this ranking and a significant impact was observed for those companies that have risen or regressed the most in rank from the previous year. Thus the importance that the investors attribute to companies CSR dynamics was proved.

Abdelkarim et al (2009) investigated the perception of users regarding the availability, adequacy, and usefulness of information disclosed in the financial reports of companies listed on the Palestine Securities Exchange (PSE). The availability, adequacy, and timeliness of relevant information about marketable securities are important for both pricing efficiency and market confidence. The investors must be fully informed of relevant facts to make sound judgments about the value of securities. The Palestinian economy suffers from limited resources and poor quality of small and medium family enterprises. Therefore, it is important to have an efficient capital market to attract foreign capitals, to gather the Palestinian savings, and to help local and foreign investors in making investment decisions. The primary objective was to assess the extent that users perceive information disclosed in the financial reports by companies listed on the PSE as available, adequate, and useful to their investment decisions. It was also examined that whether multi-groups of investors have the same investment decision criteria within the different characteristics (qualification, experience, industry, and the amount of money invested).

Robert J. Shiller (1993) reported that many investors do not have data analysis and interpretation skills. This is because, data from the market supports the merits of index investing, passive investors are more likely to base their investment choices on information received from objective or scientific sources.

Madhusudhan V Jambodekar (1996) conducted a study to assess the awareness of MFs among investors, to identify the information sources influencing the buying decision and the factors influencing the choice of a particular fund. The study reveals among other things that Income Schemes and Open Ended Schemes are more preferred than Growth Schemes and Close Ended Schemes during the then prevalent market conditions. Investors look for safety of Principal, Liquidity and Capital appreciation in the order of importance; Newspapers and Magazines are the first source of information through which investors get
to know about MFs/Schemes and investor service is a major differentiating factor in the selection of Mutual Fund Schemes.

**Anniika Sunden (2003)** using National Social Insurance Board (NSIB) survey of 1000 Swedish individuals of 2003 analyzed the impact of information and education initiative of pension reform on households. She showed that the information and education initiative by the Swedish Government had some success in increasing knowledge about the reformed system. At the same time, participants also reported that they needed more information and hence felt that it is equally important to design pension plans to make it easy for the participants to understand and use them.

**Indian Investor Economic Foundation (IIEF-2002)** survey, surveyed 1832 Indian respondents in July 2002, to assess the knowledge, attitudes and behaviors of individuals towards retirement, saving, risk, investments etc. It concluded that it might be appropriate to assume that a quantum improvement in financial knowledge among individual investors’ would result in continued voluntary participation in the new pension system.

**Bernheim et al (1996)** analyzed the effect of employer sponsored retirement education on household saving behaviour using a cross sectional study of 2055 U.S. respondents aged between 30 and 48 which was surveyed during November 1994. They showed that employer-based retirement education in the work-place strongly influenced household financial behaviour in the form of increased total retirement wealth, retirement saving and participation in 401(k) plan.

**Bayer et al (1996)** analyzed the impact of employer sponsored retirement seminars on retirement saving, using survey’ data from 300 U.S. firms (which sponsored pension plan to their employees) for the period 1993 and 1994. They found that employer sponsored retirement seminars are significantly associated with higher rates of 401(k) plan participation and contribution rate.

**Jawahar Lal (1992)** presents a profile of Indian investors and evaluates their investment decisions. He made an effort to study their familiarity with, and comprehension of financial information, and the extent to which this is put to use. The information that the companies provide generally fails to meet the needs of a variety of individual investors and there is a general impression that the company's Annual Report and other statements are not well received by them.
Subhash Chander and Ashwani Kansara (1994) have surveyed the perceived significance of the information contained in the abridged prospectus attached to the application form for shares / debentures of companies. For an existing company, the information necessary for investment decisions could be obtained from newspapers, magazines, annual reports, prospectus etc. But for a new company, abridged prospectus is the main important document, which provides information for investment decisions. The study shows that the majority of investors are casual investors. The investors regard abridged prospectus as well as the investment journals as the prime source of information for their investment decisions. Investment decisions also depend upon unofficial premium quoted in business magazines, expert analysis, market trends, political considerations, etc.

Yalawar Y B tries to find the dynamism of the debt market instruments in comparison with stock exchanges. The economic development of the country is very much dependent on the effective functioning of the stock exchanges. Stock exchanges give a sort of confidence for the investors and induces them to diversify their funds in the stock market. This leads to the capital accumulation for both the government sector and private sector which in turn facilitates the increased productivity. The investors are relieved from the burden of marketability of their investments with the professional services rendered by the stock exchanges. The stock exchange makes a detailed analysis of various factors relating to ups and downs prevailing in the economy of the country which helps every investor to decide about the right time for investment in the stock market. It promotes investors towards the active and continuous trading of securities. When trade through the stock exchanges the investors are confident that their investments are safe and stock exchange acts as a performance inducer of the various issuances. The stock exchanges help the investor to identify the right issuer and it acts as an information broadcasting agent for both the issuer and the investor group. It is a self-regulating entity professionally managed by a team of experts.

Rao Narayana K V S S & Bhole L M in their revealing attempt about the need for the investment information reports that the reliability as an important factor on prioritizing the information source. There exist extensive sources of information for the investors to collect the details about the available investment issuances. Most investor’s first choice to know about the market condition is the information provided by the stock exchanges. A group of
investor makes their own analysis about the conditions prevailing in the market. They consolidate the information about the performance of a particular industry, performance of a particular company they prefer to invest in and other relevant details about market.

Advertisements about the new issues given in the news paper also are considered as one of the source for investment. Some investors consult with their friends with regard to the selection of their investment participant in their portfolio. Information from the stock brokers is considered as most reliable source, since the stock broker updating themselves with the daily happening of the market conditions. Moreover stock brokers deal with more number of clients from which they could able to gain more practical and up to date knowledge about the stock market conditions.

**Groth John, C., Wilbur G. Lewellen, G. Schlarhaum and Ronald C. Lease, (1984)** made an attempt to probe into the capabilities of those entities that purvey investment recommendations to individuals who opt to participate directly in the market by managing their own portfolio. They have pointed out that brokerage house recommendations to its individual customers during 1960s suggested that they were genuinely valuable. Abnormal returns were associated primarily with buy, rather than sell recommendations.

**Brennan M.J (1998)** in his article entitled, "The individual investor", focused his attention on several phenomena that arose from the limited information possessed by individual investors. He also studied the source through which investors received information about securities. He also tried to find out the extent of information disseminated by brokers. An individual investor who did not possess expert knowledge of finance markets has to venture unaided into the treacherous waters of the market primarily for securities guided perhaps by the sometimes unreliable advice of friends or stock brokers.

**Zvi Bodie and Dwight Crane (2000)12** in their article, entitled; "Personal investing: Advice, theory and Evidence" made an attempt to know whether the advice available to individuals from newspapers, magazines and then providers of financial products were in agreement with economic theory and to examine the actual behaviour of a group of survey respondents to see whether they behaved in accordance with the advice. The results of the study revealed that the survey respondents were better informed and more experienced about investing than their counterparts at other places of employment who might not have
had similar exposure. The percentage of equity in total financial assets declined with age and rose with wealth controlling for the effects of age and wealth, there were still substantial differences among individuals in the fraction of their total assets invested in equity.

**Panda K. Tapan, and Tripathy, N.P., (2008)** carried out a study entitled "Recent Trends in marketing of public issues; An Empirical study of investors perception" with an aim to identity the investors awareness and attitude towards public issues. Information from 125 investors covering the salaried and business class people who belonged to the city of Bhuvaneshwar was obtained through a questionnaire. The data collected were analysed through simple percentage and weighted average. It was found that a majority of the investors (83.90%) used newspaper as the sources of information. Financial journals and business magazines are ranked next to newspaper. A large number (63.30%) of investors were of the opinion that they were not in a position to get the required information from the company in time. A sizable number of investors were found to face problems while selling securities with regard to the factors associated with investment activities, "safety" occupied the first rank and the factor 'regular return' stood second. Equity shares were preferred by the investing public only for its higher rate of return.

**Sant and Zaman (1996)** pointed out that the media played a significant part for retail investors and also at the margins of the mutual funds market. Private investors are highly dependent on additional comments and share-tipping in financial news columns because they have little time or specialist knowledge to make considered decisions. News media was either the only source of information for a particular investor or there were few alternative source of information on a particular stock. The retail investors reacted much more to media information than professional investors.

**Subhash Chander and Jaspal Singh (2006)** studied the preference of investors, the study revealed that, investor’s decision to invest in a particular mutual fund is affected by different sources from where information about working of that fund becomes available to investor, they also opined that the occupation groups differ significantly in their perception about the returns received from the mutual fund.
Sorescu and Subrahmanyam (2006) provide evidence that investors focus on the content of analyst recommendations, and do not much consider the skill of the person making them, which suggests that they may also be open to peer influence.

Lakshmi.R, (2009) studied the investor servicing factor. It shows that the investors in mutual funds place quality of service very high among the attributes, something even above returns. It is thus in the fund managers, marketing interest to ensure that investor service commitments are well executed. The entry of foreign fund managers brings to the capital market a new level of service.

Dnyandeo V. Ingle (2010) pointed the strategy for the selection of mutual fund is, while invest in mutual funds the investor should read the research reports supplied for each mutual fund scheme and study the graphs and compare each portfolio’s published results with the results that were achieved by the investor’s portfolio manager.

In Raybum's study (1978) it was suggested that the purpose of the advertising and promotional functions is to create demand for the bank's services and to build and maintain goodwill towards the organization.

Subba Rao (1982) conducted a study to find out the influence of different media of advertisement and different forms of personal selling on the deposit mobilization of commercial banks both in urban and rural areas. The study suggested that the medium of English News papers need not be used widely as its impact is very little on urban customers and it is almost negligible on rural depositors. Personal selling or direct contact has been suggested as the best method, since it educates the potential rural customers into the bargain.

Singh J D (1983) in his study examined the trends in bank advertising in the seventies in India. The study revealed that the bank advertisements were created seemingly for the sake of advertising rather than for creating the market or serving the customer satisfactorily. There is lack of professionalism in bark advertising and marketing. Suggestions were made to give stress on 'positioning the bank' rather than on selling the product identification and prediction of customer requirements

Ashok Kumar (1991) made an attempt to review and assess the extent of application of marketing concepts and techniques in the banking sector. It has been recommended that while formulating marketing strategy, a bank should focus attention on consumer
sovereignty, on the attitude, responsiveness and personal skills of their staff, on revitalizing the marketing department, on top management support to the marketing department, and on participation of marketing personnel in key bank decisions. Efforts should be made by the banks to understand and estimate the attitude and perceptions of their customers as accurately as possible to enable them to plan the market segments and design service offerings to suit their customer.

Srivastava (1995) in his paper highlighted the need for efficient marketing of public issues because of the transformation of new issue market from sellers’ market to buyer dominated market as the geographical and demographical range of investors has widened. According to him, the process of public issue marketing starts with the selection of the issue by the merchant banker. Then the merchant banker plays the role of a guide for the appointment of underwriters, brokers and an expert advertising agency. The researcher has listed the current practices in public issue marketing which include the application of data base marketing research, direct approach to investors (like insurance, UTI), seeking services of marketing experts as issue specialists, branding the issues like mutual funds, and effective advertising through extensive and intensive use of media. The author concluded that the future dimensions of public issue marketing will include the after sale service to investors and giving instant services of selling.

Kailani (1998) in her research work examined the marketing strategies and performance of merchant bankers during the period 1990-91 to 1997-98. The study was based upon 77 merchant bankers. The researcher evaluated the performance of merchant bankers by taking into account of both qualitative and quantitative dimensions. While qualitative factors included skill in issue management and quality of personnel and services to the clients, the quantitative factors included number and amount of public issue handled and the activity profile of merchant bankers (fund based or non fund based). The variables taken for quantitative evaluation included projected and actual sales, profit before interest, depreciation and taxes, profit after tax and earnings per share. The study found that the role of merchant bankers had become more diverse after the setting up of SEBI. Post liberalization era up to 1995 saw a number of small financial companies entering into merchant banking business because of low entry barriers. Consequently, bad quality issues were sold in large numbers. Further, high concentration of merchant banking business was
found among the top ten merchant bankers and only six merchant bankers provided all the post issue services. The author recommended for fixing the responsibility for fulfillment of promises made in the prospectus, improving the quality of disclosures in IPOs, need for grading the prospectus, mandatory participation of merchant bankers in the project and rating of merchant bankers.

Qumar (1998) analyzed the non fund based financial services by the leading public sector banks (PSBs) in the field of merchant banking for the period 1993-94 to 1997-98. According to the author, the public sector banks entered in merchant banking business on the recommendations of Banking Commission 1972 and dilution of foreign equity of large number of foreign companies operating in India. He analyzed the role played by public sector banks in handling the number and amount of issues as lead manager, co manager, underwriter, adviser, banker to issue and the project appraiser.

The author concluded that there should be reforms in the existing legal system relating to financial services of PSBs, as frequent changes in guidelines had adversely affected the financial services of PSBs. The author pointed out that limited range of merchant banking activities, inferior quality of services and lack of trained and skilled personnel were the reasons for declining trend in the merchant banking business with public sector banks and suggested a close touch with the economy and developments in capital market and more competitive and technical bank officers for improvement in the merchant banking services by banks.

Guner (1999) in his paper analysed the relationship between underwriters (lead manager)’s reputation and IPO under pricing in the Istanbul Stock Exchange (ISE) in Turkey. The authors attempted to compare the findings of various studies on US market that the IPOs managed by prestigious underwriters resulted in lower amount of under pricing in short period, with that of emerging markets. The sample for the analysis consisted of 180 IPOs that took place at ISE during the period from 1993 to June 1999. The study used both traditional and extended model for establishing the relationship based on the given characteristics of the IPO.

The application of the traditional model on the IPOs in Turkey found no relationship between initial day IPOs returns and the underwriter reputation regardless of which reputation measure is used. However, a positive relation was found between the initial day
IPO returns and 15 day return on the market index before the first day of trading. However, after controlling the factors that are important in determining the price of an IPO in an emerging market, a complex relationship between underwriter reputation measures and IPO returns was documented in the study. In the extended model also, the study found a negative relationship between the IPOs return and the underwriter reputation because these underwriters were well known to the investors. The researcher further found a positive relationship between the volume of IPOs handled by a particular underwriter and the initial day IPO return.

The variables having significant positive impact on the IPO under pricing in Turkey were found to be the age of the issuing company and the relations of the IPO firm and the underwriter. When underwriter was not related to the IPO firm, investors had a greater confidence in the certification of the IPO price. The researcher concluded that the underwriter reputation and the initial day return findings in USA markets should not be extended to emerging markets without any modification.

Findlay (2002) and others in their paper discussed some considerations involved in implementing Customer Relation Management (CRM) in the field of investment banking. They were of the view that increased competition and shrinking margin had forced investment banks to rethink their fundamental approach to client management and redesign their coverage strategies by use of information technology.

The author was of the view that investment banks must respond quickly to the pressures from their clients to improve client management process and systems as the clients regarded investment bankers as the ‘core providers of services’. Selecting and managing the right client set, determining the products and services, reducing the cost of coverage and co-ordination of multi product, multi country relations are the CRM challenges before the investment bankers.

For the implementation of CRM system, the author recommended the global understanding of each client’s situation, creation of new and sophisticated financial instruments, sharing of qualitative and quantitative information with the clients and the feedback from the clients.

Sharma (2005) in her research paper studied the marketing effectiveness in merchant banking services in India. According to the researcher, the liberalization process in India has led to major developments in the industrial sector to make India a truly formidable and
globally competitive industrial power and consequently, the merchant banks have emerged as an important intermediary in the financial market.

The study aimed to analyse the relevance of marketing mix in the merchant banking services and to make a comparative analysis of its effectiveness of public as well as the private sector merchant banks. The researcher found that the ‘people’ was the most important component of marketing mix followed by product, price, promotion and place respectively. The results also showed that private sector merchant banking had more effective and efficient marketing mix as compared to public sector merchant banks.

Unbalanced service mix with the dominance of issue management, inadequate quality of services, inadequate distribution network and inadequate promotional measures were found to be the major deficiencies which hindered the marketing performance of merchant banks in India.

Arnold and Moizer (1984)10 in their article titled “A Survey of the Methods used by the U.K. Investment Analyses to Appraise the Investment in the Ordinary Shares”. The respondents in this study were the investment analysts and not the investors. The study opined that investment analysts are both investors in their own right and also advisers to other institutional and individual investors. Arnold and Moizer found that the principal share appraisal technique used by investment analysis was fundamental analysis. Although some of the principles of technical analysis like price earnings ratio and dividend yield were used for appraisal, none of them mentioned that they used technical analysis. The most influential sources of information according to investment analysts perception were found to be the company’s annual profit and loss account, balance sheet and its interim results.

Bhagawati Prasad, Subhas, M.S. (1991) in their study entitled, “Problems faced by the Investors” have examined the problems faced by the investors by surveying 200 small investors. The study reveals that majority of the investors in the middle income group were very active. High returns motivated them to invest in capital market and majority of the share holders were not satisfied with the content of published information.

Radha V. (1995)23 in her study titled “A Study of Investment Behavior of Investors of Corporate Securities” have examined the investment plan of corporate security investors in Tamil Nadu. The analysis revealed that the largest segment of the sample was constituted by young generation investors. They were generally better educated and male investors
were reported to have dominated the investment scene. Salaried group investors were reported to have dominated the share ownership position. Most of the investors intended to divert a part of the savings safely in fixed income securities, so that they could make use of the balance in speculative activities. While probing the pre-investment behaviour and investment objectives, it was found that investors formed certain primary objectives and gave importance to them while making investment plans. Capital appreciation was considered as the most important objective. The success of the investment decision depends upon the successful performance of industry. Hence all information relating to the industry was helpful for making investment decisions.

Dash R.K. and Panda J. (1996) in their article captioned “Investors Protection and Analysis” critically examined the need for investors protection. They found that unincorporated bodies and Nithis whose deposit acceptance activities did not come under the guidelines of the Reserve Bank of India shook the investors’ confidence for the past several years. They stated that the poor growth level, dearth of innovative schemes, poor marketing and unsatisfactory servicing etc., were the reasons for the low level of confidence. They strongly emphasized the importance of installing the confidence in the minds of the investors.

Raj, M.S. et.al., (1998)32 in their article ―Financial Behaviour of an Investor” found that the investment experience of the respondents is not uniform. Investment decisions generally were taken by the respondents themselves. The alternative sources contributing to investment decisions such as advice, information are available through friends/relatives; consultants and media were not so significant. The factors which motivate investment decisions are safety, liquidity, convenience and price differences. For precautionary and contingency purposes a tendency of preferring safe securities such as cash and bank deposits was shown by the sample households.

Madhumathi.R (1998) in her study entitled “Risk Perception of Individual Investors and its Impact on their Investment Decisions” examined the risk perception of 450 individual investors, selected at random from major metropolitan cities in India, dividing them into three groups as risk seekers, risk bearers and risk avoiders. The major findings of the study revealed that majority of the investors were risk bearers and they had the tendency to use the company’s performance as a basic factor to take investment decisions. They also
depend on the advice of share brokers and investment consultants. The risk seekers generally took decisions based on market conditions, industrial positions and social changes. They relied on newspapers and reports for information. Risk avoiders did not have any specific traits. They were very objective and looked for facts and certainty in their investment decisions. They relied on the advice of their friends and relatives.

An All India Survey (1998) titled “Household Investors” Problems, Needs and Attitudes conducted by The Society of Capital Market Research and Development revealed the fact that majority of the retail investors lost confidence in various agencies like SEBI, credit rating agencies etc. A cross section analysis showed that 79 per cent of investors had low confidence or no confidence in company management, 55 per cent in SEBI, 64 per cent in auditors and 78 per cent in share brokers. The study noticed a significant shift of investors from equity shares to high quality of domestic financial instruments. However, bonds were still far behind shares in terms of market penetration.

An important note was that a majority of retail investors were not influenced by credit rating and also expressed their confidence in these agencies. On a question about the future investment strategies, 57 per cent investors indicated that their intention was to invest in UTI units in the next 12 months. At the same time, many of the retail investors indented to reduce their holdings in equity investments. This study was the third in the series from the society and earlier surveys of such types were conducted in 1990 and 1992 respectively.

Durga Bhavani and Samatha (1999) in their article titled “Media habits of shareholders – a Survey” concluded that majority of the respondents depends on the print media for their share transactions. Among the print media, Business Newspapers followed by Regional and National newspapers were the main sources of information for the respondents. Education and Economic status have a partial impact on the investments made by the respondents.

N.Yesodha Devi, et.al., (2008) in their article titled “A Study on Investment Behaviours of Salaried Persons in Coimbatore City” stated that the response of the salaried income group towards various savings schemes and investment is poor. Their intention is tax savings and for this, their preferences are provident fund and life insurance policies. Steps should be taken to create awareness among the investors about other savings schemes and investment avenues. The advertisements for various investment schemes are not adequate as
a majority of the respondents aware of the various schemes only through friends and relatives. Therefore it is recommended to various financial institutions to adopt a broad advertising strategy in order to enable the investors to know the details of the various investment schemes. Majority of the respondents have not preferred to invest their savings in UT1 and Mutual funds which are the latest investment schemes and hence the government should take appropriate steps to persuade the investors to invest in the above schemes.

**Lusardi and Mitchell (2005)** found that only about half of a nationally representative sample of respondents aged 50 and older were able to answer simple questions about compounding interest and inflation. Furthermore, Lusardi and Mitchell (2005) observed a relationship between financial education and financial planning such that respondents who were more knowledgeable about financial information were also more likely to have engaged in financial planning. As Olsen and Whitman (2007) note, a lack of financial knowledge can result in poor investment decisions.

Lusardi and Mitchell’s (2005) finding that greater financial knowledge and participation in financial planning were positively related underscores the connection between information, intentions, and behavior. Included in Lusardi and Mitchell’s questionnaire were questions about participants’ financial preparations for retirement: whether the participants had ever calculated how much they would need to save for retirement; whether they had ever developed a retirement savings plan; and what tools they had used to plan for retirement (e.g., online calculators or worksheets). As mentioned above, Lusardi and Mitchell also included in their questionnaire a financial literacy measure, aimed at assessing respondents’ awareness of fundamental financial concepts needed to implement economic action plans in support of financial well-being. Results from the financial literacy assessment suggested that many individuals do not have adequate knowledge to engage in sound financial planning. But, could this lack of knowledge prevent people from even *attempting* to plan for retirement?

Research indicates that most people rely on a wide range of information and advice services when researching financial decisions or trying to gain financial knowledge. They have different preferences for sources of information and delivery channels.

**As to sources of information, the 2008 ANZ survey found that:**
27% of respondents wanted information to be available from financial institutions;  
23% wanted information from government bodies, in particular about superannuation (31%), tax (36%), budgeting (27%) and investment (18%);  
9% wanted information through formal courses, such as TAFE; and  
5% wanted information from a financial adviser or planner.

ASIC’s research into investor behaviour has also found that, when making decisions, investors draw from a wide range of information and advice sources. The top five sources used by investors were:

- financial institution/bank/building society/credit union (18%);  
- friend or family member (17%);  
- professional financial adviser (15");  
- daily newspapers (14%); and  
- internet (11%).

As to the top five preferred delivery channels, the 2008 ANZ survey also found that they were:

- the internet (38%);  
- books on finance (15%);  
- newspaper or magazine articles (14%);  
- television/radio advertising (8%); and  
- personal, face-to-face contact (7%).

Terrance examined the behaviour of individual investors and found them exhibiting disposition effects, that is, they realize their profitable stocks held as investment at a much higher rate than their unprofitable ones. The disposition effect is found to influence market prices; yet its economic significance is likely to be the greatest for individual investors.

Vinayakam and Charumathi (1995) in their study observed that equity cult had spread to different parts of the country and millions of Indian investors invested their savings in the booming stock markets. What was once considered as the exclusive game of the rich and privileged class is now becoming a matter of day interest for millions of middle and low income groups of investing public in India.

In spite of such widespread interest of Indian investors in shares, investment knowledge is very much lacking in them. This is evident from the fact that most of them usually get
attracted towards the stock exchanges like moths to a candle in periods of boom and rising prices in a bid to become rich quickly. When the boom bursts and a depression sets in, most of such new entrants prove a menace to themselves and to the general public ultimately.

**Scheinkman and Xiong (2003)** analyse the interaction of overconfidence and short sale constraints. They show that agents with positive information may be tempted to buy overvalued assets because they believe they can sell that asset to agents with even more extreme beliefs. With short-sale constraints, negative sentiment is sluggish to get into prices, and this can lead to asset pricing bubbles.

**Hong et al. (2006)** show that such phenomena can be exacerbated if assets have limited float (i.e., if a large number of shares are locked up with insiders who face selling restrictions.

**Hirshleifer and Teoh (2003)** model the notion that individual investors may have limited attention spans and this may cause them to miss certain important aspects of financial statements (e.g., stock options) that are disclosed subtly and not directly. This may cause dramatic valuation shifts when full and direct disclosure is made.

**Bernardo and Welch (2001)** show that overconfidence in an economy is beneficial because increased risk taking by overconfident agents facilitates the emergence of entrepreneurs who exploit new ideas. Can psychological arguments about investor biases be tested in an *ex ante* manner?

In a recent attempt to do this **Sorescu and Subrahmanyam (2006)** test the argument of **Griffin and Tversky (1992)** that agents overreact to the strength of a signal (e.g., the warmth of a recommendation letter) and underreact to its weight (the letter-writer's reputation). Using analyst experience and the number of categories spanned by analyst revisions as proxies for weight and strength, respectively, they find some support for this hypothesis. This type of approach appears to have promise, but much work remains to be done along these lines.

The rapid changing promotion element of the international marketing mix contains more than branding and advertising. The promotion element has constraints from the internal situation and the international environment (Claudio Vignali, 2001).

Promotion is a form of corporate communication that uses various methods to reach a targeted audience with a certain message, in order to achieve specific organizational
objectives. Nearly all organizations, whether for-profit or not-for-profit, in all types of industries, must engage in some form of promotion. Promotion is used by organizations to communicate with customers with respect to their product offerings. In this sense, promotion is one side of the communication process with customers.

Ken Peattie and Sue Peattie (1994) stated that promotions, in general, have been shown to affect directly on consumers in a variety of ways: leading to remitted purchasing (Doyle and Saunders, 1985), brand switching (Vicassim and Jain, 1991), increased volume of purchasing (Gupta, 1998).

Kotler and Keller (2006) defined direct marketing as the use of consumer-direct (CD) channels to reach and deliver goods and services to customers without using marketing middlemen. It allows marketers a more direct response from consumers (generally an order), allows marketers to better target niche markets, and allows marketers to sell a product without the expensive and lengthy process of getting it into traditional channels.

Mansoor and Ishaq (2006) stated variety tools of direct marketing which are through e-mail, mobile phone, internet, billboards, television, mail, radio, telephone, newspaper, and magazines. The use of mail, telephone or other non-personal contact tool was to communicate with or solicit a response from specific customers and prospects. Mail shots and leaflets, inserted in professional magazines, are used to promote information products.

According to George S. Low and Jakki Mohr (2000), advertising can be viewed as a relatively higher-risk or higher-return strategy. Jennifer Rowley (1998), George S. Low and Jakki J. Mohr (2000) defined advertising as any paid form of non-personal presentation and promotion of ideas, goods or services by any identified sponsor. The pages of professional newsletters and magazines are common avenues for advertising information products.

Rosemary Burnley (1998) stated that publicity is a major tool of “proactive public relations”. In other words, it is offensively rather than defensively oriented and opportunity seeking rather than problem solving. Like advertising and personal selling, the fundamental purposes of marketing-oriented publicity are to create brand awareness, enhance attitudes towards a company and its brands, and possibly influence purchase behavior. Companies obtain publicity using various forms of news releases, press conferences and other information dissemination. News releases, concerning new products, modifications in old products, and other newsworthy topics, are delivered to editors of newspapers, magazines
and other media. Press conferences announce major news events of interest to the public. Photographs, tapes and films are useful for illustrating product improvements, new products and advanced production techniques (Rosemary Burnley, 1998).

Understandably, all forms of publicity are subject to the control and whims of the media, but by disseminating a large volume of publicity materials and by preparing materials that fit the media’s needs, a company increases its chances of obtaining beneficial publicity. Program designed to promote and/or protect a company’s image, or those of its products, including product literature, exhibitions and articles about organizations’ products in professional or in-house newsletters. Both practitioners and academicians recognized that personal selling effectiveness has become vital to the success of banking institutions.

Hemanth. P.K (2011) has conducted a survey among Indian investors and he found that majority Indian equity investors tend to invest on equity investments through Mutual Fund schemes. He stated that they believe that management of equity investment is not a child’s play and hence it is better to trust the experts.

Further, in another study conducted by Srivastava.V. (2012) on investment attitude of Indian equity investors, it is found that Indian equity investors have a firm belief that in the long run equity investments will undoubtedly offers higher return than other investment alternatives and as a result, despite of the Indian stock market crash in 2007, many new equity investors have made investments in subsequent years.

Thaler Richard (1999), stated that most of the investors who put a high value on their investments, seek professional’s or expert’s advice before they make up their mind. He further stated that, in some cases, even the most experienced investors are also consulting others not just for the reason that they are investing large amount of money but for they place value on their investments.

Another interesting phenomena is observed by Ritter Jay (2003), was that most of the investors who are placing value on their investments have certain target price in their mind to enter and exit in the market. Whenever their target value is achieved, they immediately take the action which was predetermined. They do not regret later when they come to know that the price of the security has raised after their sale. Investors who are placing value on their investment spare time to track the performance.
Role of friends on any individual is inseparable. They influence on even most of the crucial personal issues of individuals that include one’s own marriage, children marriage, purchase of house and almost every issue (Shilpa Y.S.L 2000). In the case of most of the first time investors, they are introduced to the investment world by their friends, Rao.C.J.(2010).

Similarly, Chan, Y. and L. Kogan (2002) concluded that normally friends are the main source to draw inspiration and motivation especially while doing any adventurous activities. This is especially true in the case of investment decision. Whenever investors are making investments on such assets which are associated with risk, they tend to approach their friends to get mental support from them by getting their approval so that they can feel that they are doing nothing wrong.

In a research conducted by Samantha (2010) on effect of friends on the investment decisions of individuals, she conducted a survey in USA among 500 respondents and she found that some are investing just because their friends are also investing. Their objective is not just earning good returns on their investment, but to be in association of their friends.

Gali J (1994) found that it is quite common among the investors to copy the investment decisions of their friends, who are having good knowledge of investments. He further mentioned that this tendency of copying friends is relatively high among the first time and new investors.

Most of the people get the awareness about any product through the media. In a survey conducted by Lakshmi C.N (2003), it is found that media is playing a larger role than any other source of information that is influencing consumer buying decision making process. She stated that media is not just creating awareness among public but also playing a vital role in terms of providing them required knowledge.

This point is further supported by Kim, K.A., and John R. Nofsinger (2007) who have conducted a research in Japan to understand investor behavior. They found that Tele Vision media in Japan is telecasting various investor education programmes that are in turn impacting investor decision making process.

Professional Advice

Tapia and Yermo (2007) conclude from their review of mandatory individual account pension schemes that, in general terms, international evidence appears to reveal a preference
among plan members towards equity funds. They note, however, that this is due to the professional advice that members receive. Recent UK survey data indicates that around 50 per cent of private pension purchasers received advice pre-purchase, where an adviser either recommended a product or recommended a product and went on to arrange a sale (Finney and Kempson, 2008).

The quality of financial advice that consumers receive has, however, been called into question by a number of research studies. UK consumer research (both qualitative and quantitative) has highlighted disparities between consumer and adviser definitions of ‘low risk’ (Conquest Research Limited, 2004) and the risk involved in different investment products (Diacon, 2002).

Mystery shopping among 50 firms offering financial advice found that just over a quarter of firms established customers’ attitudes to risk ambiguously, and a few did not establish it at all (Financial Services Authority, 2006).

In Australia, shadow shopping in relation to superannuation schemes highlighted that in some cases advice was not appropriate for the customers’ needs in some way, or the adviser had not made sufficient enquiries to assess appropriateness. Where advice was provided on switching investment funds, in about a third of cases it was assessed that there was clearly or probably not a reasonable basis for the advice. The main problems involved advice to switch to higher-fee funds with no countervailing benefits or the loss of important insurance cover through fund switching (Australian Securities and investments Commission, 2006).

Verma, P (2012) found that awareness of various equity oriented securities among Indian investors is increasing due to various investor education programmes conducted by Securities and Exchange Board of India (SEBI) and Association of Mutual Funds in India (AMFI). He stated that, due to the increased awareness about equity oriented securities, the number of new investors is growing at a healthy rate in India. He further stated that, increased awareness is also motivating the equity investors to acquire knowledge on various investment strategies and risk minimization techniques.

Evidence from the US and the UK supports the notion that individuals lack the knowledge and understanding to make pension investment choices. Clark and Strauss (2008) cite evidence from the US that calls into question the ability of pension plan participants to make decisions that are consistent with their long-term financial needs, because of lack of
financial knowledge and understanding. In a survey of US employers offering 401(k) plans, 80 per cent of employers reported that their employees were confused about ‘where to invest/what fund to use’ and 55 per cent reported that employees were confused about how much to save for retirement (Deloitte, 2008).

Qualitative research carried out in the UK indicates that (with some exceptions) consumers generally find choice in pension schemes confusing and feel ill-equipped to make decisions about the sorts of funds they should invest in, without first seeking professional advice (Bunt et al., 2006). For some groups (low income and those without pension provision), even in the case of making a choice from a shortlist, reservations about making a provider choice persisted (Hall et al, 2006).

A survey carried out in one UK company found that knowledge and interest in pensions and investment choice was low among members of its occupational pension scheme; scheme members who had received financial advice exhibited more interest and knowledge, however (Byrne, 2007).

Other qualitative research with UK workers eligible to join an employer pension scheme found that pension purchasing decisions were generally characterized by confusion and apathy, with decisions taken in a way that was neither completely rational or completely informed (Harrison et al., 2006).

Infrastructure like Internet and Mobile telephony coupled with lending by financial institutions play a significant role in impacting investment decisions. Rao Y.K (2009) conducted a study in India and found that internet and mobile telephone played a significant role in increasing the number of investors to a greater volume. He further stated that as most parts of rural India is also having good internet connectivity, sooner or later, the number of village and sub-urban investors will match the number of urban investors.

Similarly, Srivastava .V (2011) did a research in analyzing the role of technology in mobilisation of funds by Mutual Fund companies in India. She identified that the technology used by Asset Management Companies (AMCs) of Indian Mutual funds is helping the investors to be able to invest, redeem and switch from one scheme to the other by using internet and mobile telephony has helped the industry to improve the participation rate by mutual fund investors.
Further, Ahmed, Answer S, et al (2012) stated that online trading is not just increasing the number of investors, it is also helping them to experiment with new concepts like algorithm trading and high frequency trading.

Johnson & Powell (1994) explore differences in the decisions taken by individuals with managerial education. They find that males and females in this subpopulation display similar risk propensity while investing on equity oriented securities. Although this finding cannot be generalized to the total population, it may indicate that educational background plays an important role in offsetting gender differences in risk taking.

In a more general context, based on the Panel Study of Income Dynamics, Haliassos & Bertaut (1995) find that sex has no effect on an equity investor’s decision to hold stocks. Also the results of a recent study by Keller & Siegrist (2006) based on a representative survey of private households in Switzerland show that females have the same willingness to invest in stocks as males. Nonetheless, the above mentioned literature is significantly outnumbered by studies claiming that gender matters. It is argued that female investors are less willing to hold risky assets and, conditional on decision to hold them, invest a smaller share of their wealth into these assets than their male counterparts. One of the early studies representing this view is conducted by Hinz et al. (1996). Using data on investment decisions of 500 participants of a defined contribution plan in the USA, they find that men are more likely to hold risky assets than women and that the percentage of wealth invested by men in these assets is higher than that invested by women.

Similar evidence is provided by Animisha (2008), who show that Indian males invest a higher fraction of their financial wealth in stocks, while women prefer safer assets such as Gold and saving accounts. Hemalatha & Padmaja (2009) found that Indian women are investing less on equity shares and more on Gold. According to them, the reason for investing on equity shares is a purely investment decision, but while investing on gold, Indian women tend to think more on social recognition than as an investment product.

In another study conducted by Sumathi N (2011) on the investment psychology of Indian women investors, she made the following observations.

1. Most of the Indian women are investing on either Public Sector Enterprise equity shares or the companies in which, herself of her family members are working.
2. Some of them are investing on Equity Linked Saving Schemes (ELSS) to get tax exemption as their first priority and wealth generation as second priority.

3. Most of the Indian working women are not investing on equity as they feel that they do not have require knowledge to understand the equity markets or due to discouragement by family members, though they are interested in investing on equity oriented securities.


Efficient Market Hypothesis lost prestige among scholars and financial markets with the emergence of Behavioural Finance in the early 90s. The theory of the impact of human behaviour on investing decision making emerged not as a supplementary assumption, but as a contradictory and surrogating approach. In Shefrin’s (2001) terms, Behavioural Finance is ‘the study of how psychology affects financial decision making and financial markets’, and, according to Thaler (1993) it is ‘simply ‘open-minded’ finance’. Endorsed by other disciplines, such as Statistics, Mathematics, Sociology, Psychology, Anthropology, Behavioural Finance attempts to describe how human psychology, and in particular, human behaviour, affects investing decision making. Sewell (2005) states that ‘Behavioural finance is the study of the influence of psychology on the behaviour of financial practitioners and the subsequent effect on markets’. In this respect, some financial effects are likely to depend upon the investors less rational behaviour (Barberis, 2007), which results from biases, psychological variables, and heuristics. Investors are not optimal decision makers, on account of the psychological processes affecting their financial-investing decision making (Alexakis.& Xanthakis, 2008).

Stock markets were first associated with human psychology in 1912, when Selder published his work ‘Psychology of the Stock Market’. However, the forefathers of BF are the prominent psychologists Kahneman and Tversky, who advocate that heuristics and biases affect judgment under uncertainty (1974) and formulated Prospect Theory in their work ‘Analysis of Decision under Risk’ in 1979. Thaler has also contributed to the establishment of the new emerging paradigm and, in his work ‘Mental Accounting and Consumer Choice’ (1985), suggested that Prospect Theory be the basis of an alternative descriptive model.
Subsequently, interest in investors’ psychology and behaviour increased and generated a great number of studies and works, which established BF as the dominant paradigm in finance. Survey research in Poland with 30 investors and 30 advisors gives a more detailed view of the role of communication in market decision-making. In this study, 57% of respondents answered that they sometimes make decisions on the basis of information from others, and 10% responded that they do so often or in every case. Communication is especially important when confronted with novelty: 93% of respondents answered that, at least sometimes, they seek information from others when something new is happening in the market. Social communication appears also to be an important way of dealing with contradictory information: 79% at least sometimes communicate with others to check contradictory information.

Although the frequency of communication does not significantly differ between investors and advisors the information received from others has more impact on decision-making by investors than advisors. Investors more often than advisors admitted that they take into account the information from others when making decisions and more often change their decisions in consequence of information received from others. Public media press, TV, and radio were indicated as the most significant sources of information. Internet portals and direct communication with others were also indicated as important sources. Internet discussion groups were indicated to be a much less important source of information.

Interacting individuals create shared reality in almost any domain of social life. What is specific to shared reality in the market context is that individuals also interact indirectly through indexes. The activity of an individual is reflected in price movements. Other individuals observe these price movements. By reacting to changes in prices with their decisions to buy or sell individuals’ further affect prices. Price dynamics of markets is thus driven by massive feedback loops where the decisions of individuals drive price changes that affect the decisions of other individuals.

Strategies of individuals play a crucial role in determining how current patterns of changes affect further changes, i.e., in establishing the nature of the feedback loops in financial markets. Beliefs about market dynamics underlie individual strategies. The strategies of players may directly influence their decisions, or they may be implemented by computer programs that are increasingly used for trading. The observed dynamics of the market may
either reflect a dominant strategy among the players, or emerge from a combination of different strategies. Common features of strategies are likely to cause large swings in the market if the pattern of price changes that is present in a large proportion of strategies occurs in the market.

This is due to synchronization of the large number of decisions in the market. Synchronization may be especially pronounced when the decisions are made by computer programs that use the same rules. Technical analysis is used in an attempt to predict price changes following a specific pattern of changes. Interestingly, since technical analysis is used as the basis for making financial decisions, it may become the basis for strategies of individuals and affect the dynamics of the market.

Wagner (1941) in his article titled, —Advertising and the Business Cycle studied one of the most difficult and controversial problems of marketing. Although his analysis is handicapped by important weaknesses in the available data and particularly in statistics on the volume of advertising, the conclusions he reaches are of interest to many workers in this field. The author in making a comparison of advertising and the business cycle, attempted to compare changes in advertising volume with changes in comparable indices of business conditions.

In general conclusion, it appears that it was a wise policy from the short-time point of view for most companies to follow the business cycle in determining their advertising appropriation, increasing their efforts when sales were easy to obtain and decreasing their efforts when sales were difficult to obtain. The long range point of view, although not covered in this study, may not have upheld the wisdom of this policy from the firm’s standpoint and especially from the viewpoint of society as a whole.

Weber (1963) in his research paper titled, —Can Results of Sales Promotion be Predicted? observed that there is a widespread viewpoint that this problem can be solved in the same way as many other research problems, through the controlled experiment. This viewpoint is based on the assumption that promotion is a separate entity, that it can be separated from other interrelated factors – the product that is to be promoted, the appeals used in promotion, price, etc. This theory was substantiated during a two years project of the Department of Agricultural Economics of the College of Agriculture of the University.
of Idaho, working in co-operation with the American Dairy Association in trying to
determine the effectiveness of advertising in increasing sales of dairy products. University
personnel worked with one dairy in each of two markets, designing and carrying out
different types of promotions; sales of the particular firm and the market as a whole were to
be measured periodically and analyzed to determine what effect the promotions had on
sales. But the work never reached the analysis stage because of the unforeseeable and
unmeasurable factors affecting sales in the workaday world. Of necessity reported here are
only those factors which were recognized to have an effect on sales.
(a) General Economic Conditions

(b) Local Market Conditions

(c) Competitive Reactions

(d) Factors within the Firm

The conclusion drawn from this two year study is that an objective, quantitative evaluation
of the effectiveness of promotion cannot be made because the scientific tools of research do
not lend themselves to the solving of the problem. The answer to the effectiveness or non-
effectiveness of promotion lies in psychology, not economics. A full page ad in a magazine
can motivate us to look at something with the idea of buying it, while another leaves us
unmoved. The product, the advertising message, and the skills of individuals involved are
all a part of —promotion and vary greatly from situation to situation. —Promotion cannot
be separated out as an entity but is a composite of many other factors. Promotion is an art,
not a science.

Adler (1963) in his research paper titled, —Sales Promotion Effectiveness can be
Measured taking the issue with Weber‘s views asserts that the effectiveness of sales
promotion activities can indeed be determined, and that experimental methods can be
utilized. In his article, Weber (1963) questioned whether the results of sales promotion can
be predicted. However, he did not draw distinctions between the various kinds of sales
promotion activities which can be engaged in. Weber took sales as the criteria by which to
measure sales promotion and there is nothing wrong with this. Sales volume is indeed the
ultimate criterion of sales promotion value. But there can be many other criteria of
effectiveness which are valid. The yardsticks used for measuring one sales promotion
activity differ from those for another activity. But the problem is not as hopeless as Weber
indicated. The researcher through his plan investigated that the effectiveness of many sales
promotion activities can be measured and predicted, although of course, various
methodological difficulties must be overcome. Just as objectives vary, criteria of
effectiveness vary with them. Controlled market experiments are feasible, provided the
study design is adequate in scope and sample to allow for unfavorable conditions.

Simon (1966) in his study titled: A Simple Model for Determining Advertising
Appropriate points towards estimated profits. In the application of the algorithm to
Palda's Lydia Pinkham data, the researcher did not consider the cost of merchandise, and
hence, the profits from advertising are overestimated. Palda figured that all out-of-pocket
variable costs except advertising were approximately 25 per cent of the selling price.

Greyser and Bauer (1966) in their study titled, —Americans and Advertising : Thirty
Years of Public Opinion revealed remarkable stability in basic feelings about advertising
and its major institutional elements over the past thirty years. Although there is a general
paucity of data from which to generalize, opinions are examined in perspective on issues
such as the public's general favorability toward advertising, advertising and the economy,
advertising as a persuader, truth and standards of advertising and advertising's effect on
prices. At least two conclusions can be drawn from examining the data on advertisement's
effect on prices. First, in studies a majority of the public believed that advertising costs
result in increased consumer prices, although there are exceptions. Second, the American
Association of Advertising Agencies' (AAAA) study shows a slightly higher percentage of
the public saying that advertising results in higher prices than saying lower prices.

Despite variations in question wording and samples, there seems to be no reason to believe
that Americans are particularly more, or less, critical of advertising today than they have
been in the past. The general stability of opinion over time is marked, with respect to both
favorable and unfavorable attitudes.

Friedland (1977) in his research paper examined the relationship between advertising and
concentration for two reasons. First, if advertising increases concentration, one may choose
to pass legislation which will stave off this process. Second, advertising may be responsible
for the observed increases in concentration in consumer goods industries. This paper infers a relationship between advertising and sales for firms of different sizes in an industry.

**Netter (1982)** in his empirical study on excessive advertising examined the effects of advertising in a new manner which hopefully sheds some light on the effects of advertising on resource allocation. An examination of the relationship between a firm's own advertising effectiveness and the advertising of its competitors is the appropriate method for determining whether advertising can reach excessive levels.

A closer analysis of the relationship between advertising and sales and profits, reveals that advertising is an input used to sell products so that a firm can earn profits. Therefore, factors that can influence the returns from advertising are also some of the determinants of sales and profits. The relationship between advertising and output and profit is similar to the relationship between production inputs and output and profit. Advertising stimulates sales to create profits.

Further, the author examined the relationship of firm and industry advertising with firm sales and profits. The results indicate that among firms producing consumer goods, particularly, non-durable, competitive advertising may be mutually destructive. He found that while the direct effect of industry (competitors) advertising on an individual firm is not strongly positive or negative, it does reduce the productivity of advertising of the individual firms in the industry.

The results have several implications for the relationship between advertising and welfare. The evidence suggests that in some markets firms engage in advertising that does little more than cancel out the advertising that has escalated to this point are wasted, since this type of competition does not benefit consumers.

**Hirschey (1982)** in his article titled, *—Economies of Scale in Advertising* used a flexible quadratic model to generate sales elasticity estimates for own advertising, competitor advertising and media concentration. This paper extends the inquiry into the competitive implications of advertising by focusing on the economies of scale in advertising issues covering the broad spectrum of US industry. The research effort is motivated by a desire to reduce the paucity of information on scale advantages in advertising by considering the
relationship between advertising and sales for a large number of firms across a broad spectrum of industries.

The researcher concludes that despite significant academic and obvious public interest in the question, little direct evidence on the general magnitude of economies of scale in advertising has emerged in the economics literature. Through estimation of a flexible quadratic model, sales elasticity estimates for own advertising, competitor advertising and media concentration were engaged. On the basis of these estimates, moderate economies of scale in advertising are indicated for firms at the highest end of the advertising per firm distribution. Interestingly, these firms are found only in the cereals, cigarettes, pharmaceuticals, soaps, Financial Services Firms, shaving instruments and motor vehicle industries. No advertising economies, however, are obvious for the levels of advertising common across the broad spectrum of US industry. Phase findings provide a valuable new perspective to previous analysis of economies of scale in advertising. It appears that advertising economies are localized rather than general phenomenon. In any event, it appears that economists may have overestimated the magnitude of harmful competitive consequences due to economies of scale in advertising.

Singh (1985) in his doctoral work studied the role of advertising in oligopolistic markets. The issues taken up for the study include: (i) Why do firms advertise?, (ii) Are consumers influenced by advertising?, and (iii) Does advertising impact the prices of products and profits thereof?

He has observed that advertising has an insignificant effect on the sales and profits of the product. His observations indicate the rat chat nature of advertising in oligopoly markets and the rules of thumb policy followed by firms for deciding advertising appropriations. Since the study is confined to a single industry and the single product, hence it is contextual in character.

Hardy (1986) in his article, examined the differences between sales promotions that achieved their objectives and those which did not. The author has directed promotion managers to the key variables to be monitored and managed. Although thousands of manufacturer sales promotions are conducted each year by North American package goods companies, promotion managers frequently are dissatisfied with the impact of these
promotions. This exploratory research identifies the major factors associated with achievement of the promotion’s objectives.

This exploratory research examined 216 sales promotions, employing both quantitative and perceptual data on each sales promotion. The power of the survey design was that the variables contributing to successful achievement of promotional objectives were identified and quantified. Regression analysis identified significant variables related to the successful achievement of trade and consumer promotion objectives. Greater sales force (trade) support is the main common correlate of successful promotions. The key success factors for consumer promotions are different from the key success factors for trade promotions. Most importantly, factors such as sales force support, promotion period, dual promotion, and level of incentives are within the control of the product managers. If the Trade becomes increasingly concentrated product managers will have to focus increasingly on trade customers and less on products. They will have to tailor sales promotions to fit the competitive strategies of large customers. In order to create these specialized sales promotions, product managers will have to get closer to both the customers and the sales force. The results of this study seem to indicate that more attention should be paid to the variables of sales force support and trade support.

*Bajracharya (1986)* in his doctoral study titled, "Marketing Strategies in Public & Private Sector Manufacturing Industries: A Comparative Study" explored that the growing importance of marketing in the present day era is basically due to its impact on the success or failure of an enterprise. Marketing means to identify unfulfilled human needs, convert them into business opportunities and create satisfaction for others and profit for themselves. Marketing strategies in all domains viz. product, price, place, promotion and planning have to be proper, sound and comprehensive. The present study aims to enquire into the strategic marketing management in consumer goods manufacturing industries. The problem area of the study can be stated as to make an empirical evaluation of marketing strategies as being developed and implemented by selected consumer goods manufacturing industries and to assess their effectiveness. The researcher concluded that most of the enterprises in the selected industries have erratic and fluctuating sales and market share trend. In cigarette and textile industries, public sector has been able to improve its share in comparison to the private sector due to more successful efforts and quality levels. In shoe
industry, the public sector unit has been unable to create a distinct brand/product image, inability to position its product have led it towards poor financial performance. In view of the ad hoc product strategies being adopted by various enterprises, it is highly essential that they adopt proper product planning and strategies. Enterprises in both public and private sectors have been typically myopic (outdated). Enterprises need to adopt integrated and innovative strategic approach responsive to ever-changing market needs — both domestic and international. So, it is high time for both public and private enterprises to follow market-oriented strategic management approach before any serious competitive threats emerge.

Koirala (1987) in his doctoral work titled, "Sales Promotion Policies and Practices in the Manufacturing Industries of Nepal" explored that sales promotion has been popular in all types of enterprises including manufacturing, transport, insurance and service industries. Sales promotion techniques may differ according to the type of product under consideration. A manufacturer of durable goods may not be directly involved in a sales promotion offer that is offered through channels.

Sales Promotion is a supporting activity to influence the consumer behavior and to attract the buyer. Advertising is used to create awareness, image and attitude; and sales promotion is aimed at specific action. Advertising is used to build long-term brand preference and sales promotion for the decision to buy. Sales promotion is a supporting activity to influence consumer buying and to attract them, whereas personal selling aims at selling and makes efforts to match selling with buying. The present study identified and examined the promotional policies and practices followed by consumer goods industries in Nepal.

The researcher concludes that the Promotional incentives could be very useful means of communication in the affective stage of consumer behavior in Nepal. But these were not being offered in appropriate manner through retailers. Retailers were neither knowledgeable nor capable of motivating consumers. The effect of consumer deals on market share was negatively significant at 25 per cent level. The effect of advertising on market share was insignificant. Consumer response to advertised goods was estimated at 78.40 per cent. However, advertising was necessary as a vehicle of information in sales promotion. Samples were offered to consumers mostly at the introduction stage. Coupons were offered by a few companies at the introduction, growth and maturity stages. Contests and
sweepstakes are considered to be suitable at the introduction and maturity stages. Its effect on market share was negatively significant at 50 per cent level.

Kalwani et al. (1992) in their experimental study on consumer price and promotion expectations investigated that in marketing, the study of the impact of price expectations on consumer choice behavior has begun to receive increasing attention in recent years. Introducing a product at a lower than regular price and then raising the price afterward to its regular level has been shown to have an adverse effect on subsequent sales. The reason is that consumers come to adopt the low introductory price as a reference and consider the regular price to be unacceptably greater than the price they expect to pay. The researchers investigated the impact of price promotions on consumers’ price expectations and brand choice in an interactive computer controlled experiment. They assessed the significance of the dynamic or long-term effects of a sequence of price promotions. Specifically, their objectives in the experimental study were: (1) to investigate the effects of different price promotion frequencies and depths of price discounts on the brands ‘expected prices; and (2) to test the impact of price promotions on brand choice, as mediated by consumers ‘expectations, in a controlled experimental setting.

(a) Their findings from the tests of two hypotheses pertaining to the impact of exposure to price promotions on consumers ‘price expectations reveal that the impact is significant. However, their experimental findings do not suggest rejection of the hypothesis that the brands‘ expected price is linear function of the price promotion frequency and the depth of price discounts at conventional significance levels.

(b) Their findings on promotion expectations suggest that unfulfilled promotion expectation events among consumers who have come to expect promotions on a brand because of frequent exposure to them will have an adverse impact on the brand.

(c) Further, the authors find that consumer expectations of both price and promotional activities should be considered in explaining consumer brand choice behavior specifically, the presence of a promotional deal when one is not expected or the absence of a promotional deal when one is expected may have a significant impact on consumer brand choice.


70
Works of Lodish et al. (1995). The author summarizes the results of 23 advertising versus no-advertising split-panel experiments conducted by Frito-Lay, Inc. over a four-year time frame, all within the snack foods category. The study powerfully replicates and modestly extends the findings of Lodish et al. demonstrating the practical utility of their conclusions. Cable, radio, and outdoor advertising were not manipulated as a part of this experiment. Across four years of testing, 57% of television commercials (12 of 23 advertisements) demonstrated sizable volume increases among advertised households compared with a matched no-advertising control group. Across the 12 advertisements that drove sizable volume changes, the average gain in sales volume between the two experimental conditions was 15%.

Percentage of advertisements has shown significant volume increases over no-advertising control groups. Results are classified according to product and brand characteristics, that is, base brand advertising versus news advertising; big brands versus smaller brands. One additional finding deserves mention.

The sales volume effects of the advertisements tested, if they showed a sizable effect within the first year showed that effect within six months in every case. These results also support the prior finding that the effects of advertising occur quickly. Of the 12 advertisements showing a significant sales effect sometime during the 12 months of the experiment, all but one showed that effect within the first three months of the beginning of the media plan.

Von der Fehr and Kristin (1998) through their article titled, Persuasive Advertising and Product Differentiation suggested that persuasive advertising may affect consumer preferences. The analysis suggests that a positive relationship between equilibrium levels of advertising and (inherent) product substitutability is consistent only with advertising that increases perceived product differences.

What motivated their initial interest in this topic were the seemingly very high levels of advertising in some industries in which the degree of (inherent) product differentiation appears to be low. From this perspective, cases in which equilibrium levels of advertising are decreasing in the degree of product differentiation are of particular interest. Clearly, an important role of advertising (especially persuasive advertising) is to increase aggregate demand.
Their results suggest that in industries in which products are fairly similar, firms will aim their marketing and advertising efforts at heightening—perceived product differences. Casual observation suggests that there may be some validity in this point; say, the soft drinks and beverages industries to differentiate the packaging of products and to focus on these differences in advertising campaigns. Indeed, if the product does not lend itself to true differentiation, advertising becomes the necessary medium for influencing demand. This would suggest that advertising and differentiation are substitutes in some larger marketing decision.

*Bajracharya (1998)* in his doctoral work titled, "Regulation of Unfair Advertising Practices in India and Nepal" investigated that advertising provides the consumers with the information they may use to make intelligent choice. If a little information is dangerous, misinformation can be disastrous. There is a consumer deception if choice is based on untruths, half-truths deceits and misleading comparisons.

The concept of unfair advertising in the Indian context has been defined in the Monopolistic and Restrictive Trade Practices (MRTP) Act, 1969. The analysis undertaken by the researcher of prevailing legislative measures in the two countries has revealed that India is better equipped than Nepal in protecting consumers from the evil of unfair advertising practices. The relevant legislations in India are comprehensive, Nepalese legislations are fewer in number and are seriously lacking in comprehensiveness. The review of cases of unfair advertising practices in India has revealed that consumers are the main victim of loss or injury from unfair advertising practices. However, in Nepal, not even a single case of advertising has been reported under any of the law Journals. Hence the prevalence of unfair advertising practices and consumer deception was studied on the basis of primary survey in Nepal.

*Verma (1998)* in his doctoral thesis titled, "Role And Effectiveness of Marketing in Indian Companies" investigated that marketing concept is at the heart of modern marketing thought. It has attracted a great deal of attention of academicians as well as business managers. The business managers are repeatedly urged to adopt and implement marketing ideas.
For a marketing-oriented company, the important components are: first, top management has an important role to play in the creation of marketing state of minds; second, marketing adoption requires integration and co-ordination at two levels. Finally, in order to make all this work, professional and executive skills of a high order must be utilized. Market orientation in any company may come in various forms and degrees. Market-oriented is cost effective in spite of any possible short-term moderating effects of the environment.

The data generated in the study was used to discover the level of marketing orientation in different groups of Indian companies. The Indian companies were found to be 'stuck in the middle'. That is, they are neither highly marketing driven nor they are completely devoid of marketing. The consumer goods companies are likely to be more marketing-orientated than industrial marketing companies followed by the services marketing companies. On the other side, multinationals were found to be the most marketing-oriented followed by private and public sector companies. The multinationals seem to be well equipped to take on the challenges of liberalized marketing environment more than the other group.

*Bhullar (2000)* in her doctoral study made an investigation to find the relevance and effectiveness of portrayal of women in advertising in India. Advertising is an all-pervasive, forceful entity, slowly changing our lives. It is an integral part of every form of media, right from billboards to internet. Basically, advertising is a marketing tool. Advertisers have been charged with portraying women in narrow, out of date and disparaging fashion. The changing role of women in society has created a challenging task for advertisers, i.e., how to portray women in advertisements. Consumer surveys have consistently reported that younger, more highly educated and modern women are more critical of women's role portrayal in ads. Two instruments by which women's portrayal in ads may improve are self-regulation and legislation. The findings of this research study and discussion reveal that women's role portrayals were found to influence the success of advertising copy especially strongly when target audience is considered. Ads that are liked generate more positive attitude towards the brand as well as purchase intention, resulting in increase in sales.

The study concluded that advertisements depicting women influence their targets via perceptions regarding the role illustration. Ads which are more liked are definitely more successful in inducing purchases than ads which are disliked. The kind of woman portrayal,
i.e., successful in ads depends on the product being advertised and the segment of respondents being targeted. Portrayal of woman in non-sexy/ non-glamorous roles, namely, the role of a mother, working woman and that of a housewife, are more liked. Mother's role, portrayal of a housewife is comparatively more liked by the older consumers. Further, men more than women like sexually suggestive illustrations, but that too only when they are relevant to the product being advertised and when such themes are used in moderation.

*Khan and Chaturvedi (2006)* studied the promotional strategies of mobile phone service providers in India. The Govt. of India's decision to liberalize the telecom sector in 1994 transformed the entire telecom industry with many private companies entering into the sector. By the year 2000, stiff competition between the players in the cellular market prompted each player to formulate more novel strategies in order to retain their market share. With the ever-increasing globalization and expanding business activities, cell phones become a necessity for businesses. The younger generation also began to flaunt the cell phone as a status symbol. Soon cell phones were being used not only as a tool for communication but also a source of entertainment. In the year 2000, Airtel formulated an advertising campaign which was arguably the first of its kind from the cellular service sector. Airtel felt that celebrity endorsement was a suitable way to promote the brand and an effective tool for expanding market share, Magic Hai To Mumkin Hai (Everything is possible with ‘magic’). The year 2002, also saw the launch of BSNL's cellular service. Being state owned, BSNL had the advantage of easy access to various regions. Festivals and special occasions were times when cellular service providers offered a range of schemes.

According to AdEx India® the cellular service industry figured at the 5th position in the list of Top 10 spenders in print and television advertising in 2004.

*Chirayath (2006)* in her research paper titled, "Brand Awareness and Consumer Buying Behaviour in GSM Mobile Sector" has attempted to find out the brand awareness and consumer buying behavior with regard to GSM mobile of LG in Ranchi, the capital of Jharkhand. Revolution-India is expected to have 100 million Global System for Mobile Communication (GSM) subscribers by 2007-08 as compared to 26 million subscribers as on March 2004, according to Global Mobile Suppliers Association (GSA). The study becomes more relevant and significant because LG is new to GSM phone sector. Chirayath conducted a study in 2003 with the following objectives: (i) To find out the influence of
media on consumer buying behaviour with regard to LG_GSM mobile phone, (ii) To find out the buying behavior of different segments of population based on income, age, occupation and education with regard to GSM mobile. The study revealed that 50 per cent of the respondents purchased their handsets as suggested by their friends. Friends have influenced much more than TV and newspapers; hence reference buying is a predominant factor. An attempt was also made to know how various factors considered by cell phone users for purchasing their handsets are being ranked. Majority of the persons contacted have given preference to price factor.

*Chinnadurai and Kalpana (2006) in their research paper titled, —Promotional Strategies of Cellular Services: A Customer Perspective* investigated that major driver of social changes, which shapes the possibilities and conduct of business, is technology. Every business whether it is manufacturing or service faces large amount of problems in marketing their products in the modern business world. The main objective of this research is to study the customer awareness, customer ideas and preference about promotional tools.

If advertising has indirect impact, sales promotion has direct impact on consumer. Public relations and personal selling are tools that may not provide direct impact but will bring a positive psychological reaction of consumers towards the product. It is found that majority of the customers came to know about the cellular services through TV advertisements. The study also revealed that the sales promotion offer introduced by cellular companies have influenced the customers to purchase and avail cellular services. It is pertinent to note that as per the customers' opinion, the promotional strategies of cellular companies are more sales-oriented rather than customer-oriented. Like that of manufacturing organizations, service organizations also face problems of marketing. The service organizations including cellular companies have to use promotional strategies such as advertising, sales promotion, public relations and personal selling. The use of single promotional tool or combination of tools is normally determined by various factors such as market conditions, market forces, behavioral pattern of consumers, etc.

*Biwalkar (2007) in her article titled, —Advertising : Think Again* investigated that in the past few years, the ad-arena has undergone a sea change. The means of communication have expanded and multiplied. In this hyper productive market, a new product is launched
almost every day. This change and rise in awareness among consumers is witnessed across all socio-economic strata, regions and towns. The Indian advertising sector has had a flat growth rate of 10-12 per cent per annum in the past two years. According to Ad Ex India, ad spend was Rs. 16,300 crore as compared to the previous years Rs. 13,200 crore. It’s a race that everyone runs. If the consumer is sprinting, media and technology follow at a close dash. Observers are of the view that managing advertising in a dynamic world is far more complex than doing so in a constant one. —Agencies are still following the old fashioned creative model run by yesterday’s mindsets, says Josy Pauls, national creative director of J. Walter Thompson (JWT). Talented people are the fulcrum of any creative process. If medium is the message, the industry may well keep checking its inbox for mail from the new technologies. The last century tested and expanded the limits of the advertising world; the new century may change it beyond recognition. The challenge before the Indian advertising industry is what it is supposed to do routinely everyday; rethink. It seems advertising indeed needs quite a few young Turks.

**THE BEHAVIOR OF INVESTORS**

It has long been recognized that a source of judgment and decision biases, such as time, memory, and attention are limited, human information processing capacity is finite. Therefore, there is a need for imperfect decision-making procedures, or heuristics (Simon, 1955, Tversky and Kahneman, 1974).

Hirshleifer (2001) argues that many or most familiar psychological biases can be viewed as outgrowths of heuristic simplification, self-deception, and emotion based judgments.

**Study done by Kent, Hirshleifer and Subrahmanyan (2001)** found the evidence for systematic cognitive errors made by investors and these biases affect prices. According to Kent, et al. (2001), the most common behavior that most investors do when making investment decision are (1) Investors often do not participate in all asset and security categories,
(2) Individual investors exhibit loss-averse behavior,
(3) Investors use past performance as an indicator of future performance in stock purchase decisions,
(4) Investors trade too aggressively,
(5) Investors behave on status quo,
(6) Investors do not always form efficient portfolios,
(7) Investors behave parallel to each other, and
(8) Investors are influenced by historical high or low trading stocks.

**_Investors often do not participate in all asset and security categories_**

**According to Kent et al. (2001),** investors tend to focus only in stocks that are ‘on their radar screens’. That is related to familiarity or ‘mere exposure’ effects, e.g, a perception that what is familiar is more attractive and less risky. According to Kent et al., their findings were consistent with Blume and Friend, (1975) on the study of participation of U.S stock market, where they found that many investors entirely neglect major asset classes (such as commodities, stocks, bonds, real estate), and omit many individuals securities within each classes. The same situation occurred for ‘Kelantanese’ investors where they are strongly biased in choosing stocks and choose only stocks that are highly popular (Nik Maheran et. al., 2003).

**_Individual investors exhibit loss averse behavior_**

**Kent et al. (2001)** also noted that the stocks that investors choose to sell subsequently outperform the stocks that investors retain. According to them, home sellers also appear to be loss-averse in the way that they set prices. They are reluctant to sell at a loss relative to past purchase price. This helps to explain the strong positive correlation of volume with price movement. This finding was consistent with the theory of Odean (1998) who showed that individual investors are more likely to sell their winners than their losses.

**Tversky and Kahneman, (1991)** also noted that these psychological effects explain the disposition effect, as confirmed by several studies of behavior in field and experimental markets, that is investors are more prone to realizing gains than losses

**_Investors use past performance as an indicator of future performance in stock purchase decisions._**

Investors frequently based their decisions on historical performance of stock prices using so call ‘technical analysis’. This relates to a tendency to judge likelihood based upon naive comparison of characteristics of the event being predicted with characteristics of the observed sample (Representativeness). This suggests that investors will sometimes extrapolate past price trends naively.
**Investors trade too aggressively**

Kent et al. (2001) found that investors are overconfident in their decision making process. Consistent with overconfidence, traders in experimental markets do not place enough weight on the information and action of others and they also tend to overreact more to unreliable than to reliable information. Stronger support for overconfidence is provided by evidence suggesting that more active investors earn lower returns as a result of incurring higher transaction costs (e.g., DeBondt and Thaler, 1995). Odean (1999) noted that males trade more aggressively than females, incur higher transaction costs, and consequently earn lower (post-transaction) returns.

According to Kent et al. (2001), Barber and Odean (1999) find that investors who have experienced the greatest past success in trading will trade the most in the future. This evidence is consistent with self attribution bias, meaning that the investors have likely attributed their past success to skill rather than to luck.

**Investors behave on status quo**

Kent et al. (2001) found that investors gave limited attention and processing power to their decision-making. This is due to their status quo since they interpreted that the status quo option is an implicit recommendation. Therefore according to Kent et al., their findings were consistent with Madrian and Shea (2000) where they found that investors are subject to status quo bias and tend to stick to their prior decisions in their investment decisions.

**Investors do not always form efficient portfolios**

More generally, Kent et al.(2001) found the evidence that investors sometimes fail to form efficient portfolios. Several experimental studies examined portfolio allocation when two risky assets and a risk free asset and returns are distributed normally. People often invest in inefficient portfolios that violate two-fund separation.

**Investors behavior is parallel to each other**

This phenomenon, called herding, is consistent with rational responses to new information, agency problems or conformity bias. Herding behavior has been documented in the trading decisions of institutional investors, in recommendation decisions of stock analysts (Welch, 2000), and in investment newsletter (Graham, 1999).
According to Kent et al. (2002), people tend to behave parallel with each other, regardless of whether the decisions are smart or not.

_Investors are influenced by historical high or low trading stocks._

According to Kent et al. (2001), investors were very much influenced by historical performance of the stock price. These findings were consistent with Daniel, Hirshleifer, Teoh (2002) where they suggest that investors may form theories of how the market works based upon irrelevant historical values, somewhat analogous to making decisions based upon mental accounting with respect to arbitrary reference points. This also relates to the idea of anchoring suggested by Tvernsky and Karneman (1974) where investors set an initial value for future prices.

**THE PSYCHOLOGY OF INVESTORS**

Since a generation ago, stock market analysts have come to recognize that psychological factors can play a more crucial role in determining the direction of the share prices. However studies have found that psychological factors alone cannot send the share price to the “moon” and then push them down to the “Precipice”. Economic factors, as well as political factors also play a crucial role in determining the share price.

Kahneman (1974) pointed out that people are prone to “cognitive illusions”, like becoming rich and famous or being able to get out of the market before a bubble breaks. People exaggerate the element of skill and deny the role of chance in their decision making process. People are often unaware of the risk they take. Add loss aversion to the mix and it is no wonder the average investor panics in a market downturn, a time perhaps to buy rather than sell. According to him, human beings are born optimists. This is precisely the reason why the casino is crowded twenty-four hours a day with luck-seekers. It is the optimistic human nature that tempts investors to buy stocks and shares when their market prices have reached historic high. At this euphoric market condition, investors should be selling their stock and shares.

Kent, Hirshleifer and Siew (2002), in their study found that research on the psychology of investors was done by looking at the relationship between stock returns and variables on factors such as the weather (Hirshleifer and Shumway, 2001), biorhythms (Samstra, Kramer and Levi, 2001) and societal happiness (Boyle and Walter, 2001). These diverse
investigations are motivated by emerging theories in psychological economics on visceral factors and the “risk-as-feeling” perspective.

Visceral factors are the wide range of emotions, moods and drive states that people experience at the time of making decision. The “risk-as-feeling” perspective argued that these visceral factors could affect, and even override, rational cogitations on decisions involving risk and uncertainty. This creates predictable patterns in stock returns because people in good moods tend to be more optimistic in their estimates and judgments than people in bad moods (Wright and Bower, 1992, in Kent et al, 2002). In relation to stock pricing, the optimistic or pessimistic judgment about the future prospects from the business direction are widespread, stock prices should be predictably higher at times when most investors are in good moods than times they are in neutral or bad moods.

It was found that weather variables affect an individual’s emotional state or mood, which creates a predisposition to engage in particular behavior. It is also found that people have mood variations based on the seasonal variations in the hours of sunlight in the day; the so-called Seasonal Affective Disorder (SAD) (Rosenthal, 1991 in Kamstra, Kramer, and Levi, 2001).

Kent et al. (2002) in the study of investors psychology also found that it is particularly important to note that the fast movement of prices of the stocks and shares in the stock market is largely due to the investors’ perceptions such as (i) investors’ perceptions of the stochastic process of asset prices; (ii) investors perceptions of value; (iii) investors perception on the management of risk and return; and (iv) investors trading practices.

Perceptions of price movements

In the equity markets, investors have tried to spot trends and turning points in stock prices. It is the ‘art of technical analysis, a model used to identify trend changes at an early stage and to maintain an investment posture until the weight of the evidence indicates that the trend has reversed. Investors’ sentiment is found to depend on market performance during the last 100 trading days, possibly much longer. The evidence overwhelmingly shows that people’s subjective probability distributions are too tight, particularly, for difficult tasks like predicting stock prices.
Tversky and Kahneman (1974) suggest that the overconfidence results from forecasters anchoring too much on their most likely prediction. Moreover, according to De Bondt (1993), past price level is their anchor and representativeness.

_ Perceptions of Value_
Perceptions of value depend on mental frames that are socially shared through stories in the news, media, conversation, and tips from friends or financial advisors (Shiller, 1990). Many people cannot distinguish good stocks from good companies. Thus, companies that appear on the cover of major business magazines are seen as excellent investments while companies that report losses seem inherently unattractive. On average, highly reputed companies seem overpriced.

According to De Bondt (1998), the underlying problem is that too many people are short-term orientated and ‘judge a book by its cover’. Therefore, their valuation always leads to mispricing.

_ Managing risk and return_
Studies found that small individual investors avoid the danger of risk by keeping hefty portion of their financial wealth in risk-less assets even though equity shares offer more impressive long-run return. This is usually related to risk averse individuals. However, it is commonly believed that ‘aggressive investors’ ought to hold a higher ratio of stocks.

_ Trading practices_
Many investors have a psychological disposition to realize gains on past winner stocks early and an aversion to realize losses. Traders use a variety of rules and commitment techniques to control emotion. Many individuals trade shares on impulse or on random tips from acquaintances, without prior planning. One reason is that people are unjustifiably optimistic about almost everything that concerns with their personal life (Weinstein, 1990 in Kent et al., 2002).

Another problem, mentioned earlier, is that trader sentiment trails the market. As a result, investors are inclined to buy shares in bull markets and sell shares in bear markets. Finally, reference points play a major role in trading behavior. They are performance benchmarks. The original purchase price can be their salient reference point.
**INVESTING STYLE**

From the observation of Kelantanese investors, Nik Maheran et al. (2003) found that most of them usually make their first purchase based on the recommendation of a relative or friend. This first trade is usually for a small amount of shares. If it is successful, the person typically follows the friend’s or relative’s next recommendation and buys more share than the first time.

Eventually this cycle comes to an abrupt end when the person losses a substantial portion, if not all, of the money invested. This finding is consistent with the previous research showing that a rational, long-term investment plan is often undermined by the desire for quick profits. Indeed, investing in shares is usually less exciting than speculating them. For the average investor, a long-term view will usually involve less anxiety and less need to follow the investment daily.

Peterson (1999) pointed out that the behavior of the investors when making investment decision is “Buy on the rumor and sell on the news” (BRSN). According to the EMH theory, investors quickly price security-relevant news. For the BRSN pattern to represent price inefficiency, news about the positive future event must have a delayed impact on investing behavior. News about future events is often more rapidly disseminated and widely publicized as the events approach in time.

Hameed and Ting (2000) found from the evidence of Malaysian market that the returns from a “contrarian portfolio” strategy are positively related to the level of trading activity in the Malaysian securities which involves buying and selling stocks when they become relatively under and over valued.

Some other literary works there were reviewed are summarized below:

Hoffmann, Shefrin and Pennings (2010) analyze how systematic differences in investors’ investment objectives and strategies affect the portfolios they select and the returns they earn. The analyses in this study draw on transaction records of a sample of clients (65,325 individual accounts with over nine million trades from January 2000 until March 2006), from the largest online broker in The Netherlands. The data were obtained through an online questionnaire. The results might be useful for policy makers. It is found that
investors who rely on fundamental analysis have higher aspirations and turnover, take more risks, are more overconfident, and outperform investors who rely on technical analysis. Our findings provide support for the behavioral approach to portfolio theory and shed new light on the traditional approach to portfolio theory.

Chandra (2008) explored the impact of behavioral factors and investor’s psychology on their decision-making, and to examine the relationship between investor’s attitude towards risk and behavioral decision-making. The research was based on the secondary data. Through this research, the author finds that unlike the classical finance theory suggests, individual investors do not always make rational investment decisions. The investment decision-making is influenced, largely, by behavioral factors like greed and fear, Cognitive Dissonance, heuristics, Mental Accounting, and Anchoring. These behavioral factors must be taken into account as risk factors while making investment decisions.

Chira, Adams and Thornton (2008) aimed at studying the cognitive biases and heuristics, which, the business students are subjected to. The main purpose of the study was to look at how influenced the students are, by biases, heuristics, and framing effects. The behavioral survey was administered to a sample of sixty-eight students at Jacksonville University in USA during November 2007 by administering a questionnaire and collecting empirical evidence about both undergraduate and graduate business students’ own perceptions of bias. The findings concluded that students are less disposed to make the mistake of being overly confident and optimistic when there is more objectivity involved in making the assessment. Students did not display illusion of control tendencies and a tendency to be subject to the familiarity heuristic.

Sairafi, Selleby and Stahl (2008) in their study ‘Behavioral Finance- a Student Perspective’ examined the characteristics of investment interested business students and their decision-making process and choices from the perspective of behavioral finance. The research holds an abductive approach and is based on qualitative data. Data collection was done through an Internet-based questionnaire. In the study, herd behavior was found to be the most evident behavioral factor. This paper found that the behavior of respondents in the chosen population was best described as “student behavior”; a somehow irrational behavior explained by the learning process in which business students exist.
**Cipriani and Guarino (2008)** studied herd behavior in a laboratory financial market with financial market professionals. The study combines the advantage of the controlled experiment with that of observing the behavior of professionals, who are engaged in the day-by-day activity of trading, pricing and analyzing financial assets. This study compares two treatments, one in which the price adjusts to the order flow so that Herding should never occur, and one in which event uncertainty makes Herding possible. In the first treatment, subjects herd seldom, in accordance with both the theory and previous experimental evidence on student subjects. In the second treatment, the proportion of Herding decisions increases, but not as much as theory suggests; moreover, contrarianism disappears altogether.

**Waweru, Munyoki and Uliana (2008)** surveyed the institutional investors at the Nairobi Stock Exchange. The work investigated the role of behavioral finance and investor psychology in investment decision making. The study established that behavioral factors such as Representativeness, Overconfidence, Anchoring, and Gamblers’ Fallacy, Availability, Loss Aversion, Mental Accounting and Regret Aversion affected the decisions of institutional investors operating at the Nairobi Stock Exchange.

**Maheran, Muhammed and Ismail (2008)** intended to investigate the relationship between investment decision making of an investor and their rationality in investing in the Malaysian capital market. The findings of the study indicate that the economic condition and frame of references influence investor decision-making behavior. The study concluded that Malaysian investors are partially rational in their decision-making.

**Cianci (2008)** in her study conducted an experiment with 78 graduates as substitutes for real investors and results suggested that investors made higher relevance ratings and lower investment attractiveness ratings while provided with simultaneous negative information in comparison with sequential negative information(consistent with phenomena of multiple loss aversion and loss buffering). Investors’ relevance and attractiveness ratings were higher when positive information was provided sequentially (consistent with gain savoring). The study categorized investors as current and prospective. It was examined how they evaluate positive and negative information presented sequentially or simultaneously aimed to determine whether these results can be generalized to apply to investment related information and whether investor status affects this evaluation.
Grou and Tobak (2008) studied the behavioral patterns exhibited by investors in risk situations, which offered multiple choices. Two behavioral effects known as illusion of control and ambiguity aversion were studied. Through a total of eight experiments in which there were 196 student participants, conducted at the Catholic University of Brazil was shown that investors tend to exhibit these phenomena while making financial risk decisions. Decisions made by students showed that they had the illusion of control—where they thought they have better control over random events than they actually had, if there was any. However, they were not willing to pay a slight price to take advantage of this control they felt they had. To test ambiguity aversion, students were made to choose between known and unknown distributions in four experiments under various settings. Results showed that invested proportions were significantly higher in known distributions. Even though students exhibited ambiguity aversion, not many were willing to pay a price to reduce or eliminate the ambiguity.

Oehler et al (2008) in their study analyze the composition of 102 funds whose assets exceed EUR100 Million in each year, actively managed by five biggest German mutual fund companies by hand collecting data from annual reports in the period 2000-2003 and come up with convincing empirical evidence of home biased portfolio selection in this duration. Three possible reasons for this behavior are listed: lower transaction costs, better hedging possibilities and advantageous information asymmetries. They find that mutual funds that are sold to private investors show high home-biased composition, but these funds invest heavily in equities from other European countries (“they term it as Europe bias”), larger funds showed more home bias than smaller and medium sized funds; and portfolio comprised by funds with global investment strategies rarely exhibits home bias, while portfolios with geographically focuses strategies deviate from optimal portfolio composition. They try to find if the local bias is driven by private investors or fund managers and results indicate that home bias are driven more by private investor demand rather than by mutual fund managers. They have also mentioned that the home bias in 2000-2003 is significantly lower than what was seen in the data from 1990s.

The rise of behavioral finance is particularly striking because, until recently, financial theory bet all its chips on the belief that investors are too rational to ignore observed historical patterns— the "efficient markets hypothesis." Early heretics like Shiller (1981),
who argued empirically that stock price swings are too volatile to reflect only news, and DeBondt and Thaler (1985), who discovered an important overreaction effect based on the psychology of representativeness, had their statistical work "audited" with special scrutiny (or worse, were simply ignored). In 1978 Jensen called the efficient markets hypothesis "the most well established regularity in social science." Shortly after Jensen’s grand pronouncement, however, the list of anomalies began to grow.