10. **Implications of the Study**

With so much happening on the other side of the globe, we are yet to gain the required momentum in the field of behavioral economics. It is expected from Indian researchers that they not only produce confirmatory studies related to researches around the globe; they also have to cover behavioral dynamics of Indian investors in such a way that they add newer observations to the field of behavioral economics and finance. Various dimensions of Behavioral finance related to its breadth and depth remain uncovered in Indian scenario and a lot remains to be done to reach at that level where we could produce behaviorally sound economic policies and behaviorally optimum portfolios.

This study presents its usefulness in the fields of academics, policy design, advisor and client relationship and investor education. While the utility of this research related to the field of academics is discussed in detail in previous chapter (Scope of Further Research), in this chapter focus is on the implications related to policy design, advisor and client relationship and investor education.

This research work elaborates the reach of 17 behavioral biases into the world of Indian investors. This information is available with further elaboration related to demographics and personality of investors, hence this information itself has a lot of value for policy level decisions. Irrationality is expensive for investors, and of those investors belonging to rural background, where income of households is unstable and financial cushion is thin for majority of them, irrationality may have huge impact. Hence, each bias comes with a cost for investor and governments willing to increase the wealth of their citizens should not simply ignore them.

Jalan & Ravallion (2001) discuss how due to behavioral reasons, poor rural households hold one quarter of wealth in unproductive forms while rich rural households avoid doing so. Such researches indicate that primarily it is necessary for governments to learn behavioral patterns...
of investors, secondarily, governments need to learn how these behavioral patterns turn to asset allocation and finally government needs to introduce remedial measures either in the form of financial instruments, services and education.

Adding to above research, Bauer, Chytilová, & Morduch (2012) suggest that microcredit not only acts as an effective financial instrument for Indian rural investors, it also develops new forms of discipline in them. The research suggests that financial policies may help in addressing behavioral biases of investors, but to do so, it is necessary to know the behavioral patterns of the investors which have been reported in breadth and depth in this study.

As it is established that biases come with their costs, and education can be an effective way to reduce biases and hence the losses which individuals register. With a little additional research over the results reported here, various investor education initiatives can be designed. For Example, this study has reported high availability bias in rural areas, government may hence focus upon educating investors with possible easily available sources of information that are valid and can be relied upon; in addition to sharing information about knowledge resources, governments can focus upon providing the relevant content in an easily accessible manner for improving investment decisions of rural investors, this way they can play with a bias in favour of investor.

Looking at the high rates of demonstration of behavioral biases, it is necessary to include the field of behavioral economics and finance in relevant education courses. Also, investing as an activity is imbibed into the lives of earning households, this suggests investor education for behavioral biases has high importance across levels. Barnard (2009) suggests that investor education programs for elderly investors related to fraud prevention were ineffective as the programs did not consider the behavioral biases of elderly investors. Hence biases and their relationship with investor demographics is of high importance for designing relevant investor education programs.
Pompian and Longo (2005) discuss the importance of behavioral biases in suggesting optimal portfolio for clients. However, advisors have historically undermined client relationship as their prime focus had been earning brokerages, Hackethal, Haliassos, & Jappelli (2012), report that advised accounts had lower risk-return trade-offs and their net return were below the average, thanks to high turnover, trading costs and commissions. It is time that advisors take their clients seriously and restore their faith in the system.

Due to lesser importance given to client welfare and higher importance given to business that clients bring with them, client-advisor relationship never seriously took off, this is supposedly reason for lower importance given to investigation of behavioral aspects of a client. However, behavioral finance is making its way into practice, as presented in the literature review, there are models which suggest the kind of counselling an advisor must do based upon wealth and bias type of investor, Pompian (2008) also presents relationship between advisor-client relationship and personality type of investor. This study not only connects biases and big five personality traits, it can also help advisors to predict certain biases of advisors based upon their simple demographics like gender and residence. Ability to predict biases of clients based on easily observable demographics and a two-minute questionnaire on personality traits can provide an easy start for prospective client and advisor interaction.