CHAPTER – VI
FINDINGS, SUGGESTIONS AND CONCLUSION

6.1 INTRODUCTION

The researcher has presented that primary data analysis in the earlier chapter. In this chapter the researcher has presented the findings based on the interpretation of the primary data and has also incorporated suitable suggestions that emerged through these findings. The researcher has also covered scope for further researcher that came to his mind while pursuing this research.

6.2 FINDINGS

a) It is revealed that 81.25 per cent of the respondents stated that they do not have awareness about behavioral finance.

b) It has been found that 69.91 per cent of the investors seek other’s opinion to take their financial decisions. It means the majority of the investors are not confident about their decision and for which they solicit other’s opinion.

c) It has been generally observed and found that IT employees do formulate financial plan either formal or informal manner and that by and large they do execute it.

d) It is found that 79.89 per cent of the respondents had incomplete information while taking financial decision which is not a sound way of taking financial decision.

e) It has been found that 35.02 per cent of the investors who solicit references for taking financial decisions do not check the reliability of the references. Thus they are being exposed to risk.

f) It is found that 71.26 per cent of the references sought by the investors turned to be of little value. This might perhaps be the outcome as the referee does not
provide the logic or the rationale for their recommendations. Here the researcher feel that the investors should insist on the referees to give rationale for their recommendations so that in course of time the investor gets enlightened and in the future they may also apply the same rationale.

g) It has been found that 79.89 per cent of the respondents follow the financial plan they have formulated. It is a good sign

h) It has been found that 67.94 per cent respondents either every time or almost every time obtained additional information required for taking a financial decision. This is a welcome sign. Those who are not following this system under take risk.

i) It has been found that 61.27 per cent of the respondents take financial decisions without having with them complete information about the prospective investment. This is quite alarming. These investors certainly run a risk.

j) 36.67 % respondents take investment decisions with gambling approach while 29.33% respondents almost never resort to gambling approach to investments. 63.25% reported that they never /almost never take financial decision with gambling approach

k) Almost 50% of the respondents take their financial decisions on the basis of hearsay or unsolicited advice.

l) 68.80 per cent of the respondents either every time or almost every time take investment decisions under pressure from their colleagues. The percentage is quite alarming.

m) 74.47% respondents seek either every time or almost every time someone’s recommendations for taking financial decisions. It does reflect on the investor’s ability to decide.
n) It is unfortunate that hardly 28.48% of the respondents cross check the data obtained by them from various sources. It means those who blindly investment on the basis of the uncross checked information expose themselves to risk.

o) It has been found that the percentage of overconfident respondents is quite high at 52.89%. The investors in their own interest should shade away their overconfidence and take decisions only after weighing the normal parameters for investment.

p) 26.26% respondents get expected returns while the rest 73.73% reported that they do not get the expected return. It means there is a ground for improvement in financial decision making.

q) 67.94% respondents get quickly attracted to the new information about investments and they do use this information while taking financial decisions.

r) 28.72% of the respondents do study the newly available investment information before taking financial decision. However, it was a matter of concern when 62.14% respondents reported that they almost never study such information exposing themselves to greater risk.

s) 77.30% of the respondents have reported that every time they expect maximum returns from their investment. This percentage too high. The investors should have reasonable expectations from their investments which are based on the outcome of the trend analysis that they have conducted.

t) 70.15% of the respondents have stated the outcome of following the opinions of someone have mostly resulted in either always non-profitable or sometime non-profitable. It means the financial decision makers should cross check the opinion given by someone and only on getting convinced then they should take their own decision. They should not follow the opinion blindly.
u) It is found 67.68% of the respondents have stated that their own independent financial decisions have proved to be either always or sometime profitable. This observation indicates the limitations of taking financial decisions on someone’s advice/opinion/recommendations.

v) It has been found that 67.44% of the respondents have rigidly followed their mentally fixed financial plan and that has resulted in either marginal or no gains. Therefore, what is needed is that the financial decision makers should have some amount of flexible approach while taking financial decisions.

w) It was found that when financial decision makers do not take financial decisions abruptly / hurriedly they stand to get profitable effect.

x) 66.70% of the respondents have responded that they get either always profitable or sometime profitable effect when they take decisions without consulting anybody.

y) It is found that 69.29% respondents have reported that they use tossing method and get always / sometimes non-profitable effect. It clearly means the financial decision maker should not take financial decisions using tossing method which may land in adverse effect.

z) The data points out that 60.32% of the respondents have stated that they get always or sometimes profitable effect when they follow sound principles of financial decisions.

aa) It is found that 65.63% of the respondents have reported that when they take financial decision on hearsay basis they always or sometimes land in non-profitable effect. It clearly indicates that the financial decision makers may listen to the other’s suggestions but take their own decision applying sound principles of making financial decision.
bb) It has been revealed that 64.48% of the respondents have reported that when they take financial decision discounting the hearsay they stand to get always / sometime profitable effect. This makes it amply clear that the decision maker should ascertain the authenticity of the information which is beneficial for him.

cc) The data reveals that 64.37% of the respondents have stated that whenever any financial decision is taken in overconfidence the effect is non-profitable. This means one should avoid overconfidence in taking financial decisions.

dd) It has been revealed that 66.33% of the respondents have stated that when they take financial decision in the normal course avoiding overconfidence, they get either always or sometimes profitable effect. This is in line with the normal expectations of avoiding extremity in using the confidence level in taking financial decisions.

ee) It was found that 72.74% respondents have reported that whenever they take investment decision carrying an element of overreacting they get either always / sometimes non profitable effect. It means the investment decision maker should take care to see that no financial decision is taken wherein the overreaction attribute plays a dominant role.

ff) It was found that 65.22% of the respondents have reported that they get always or sometimes profitable effect if they avoid taking investment decision without overreaction.

gg) It was found that 67.44% respondents stated that they always or sometimes get non-profitable effect. It means always expecting maximum profit is not possible. It is likely that non-fulfillment of expectation may result in frustration also. To avoid possible frustration the investment decision maker should always have reasonable / modest expectation from his investment.
hh) The data reveals that 66.94% respondents stated that they get always or sometimes profitable effect. If the financial decision maker keeps moderate expectation of return, it is likely that he will be happy. Expecting maximum return all the time may land him always or sometimes non-profitable effect.

ii) It is found that, the above data reveals that 10.23% respondents state that they get always successful result, while 12.57% state that they sometime get successful result. 28.48% respondents state they get always failure result while 48.70% say that they sometime get failure result. It means that majority of the respondents (77.18%) have responded that they get negative result on obtaining other’s opinion.

jj) Here again the data presented above indicates that 15.90% respondents always get successful result, while 13.44% get sometime successful result. 30.33% of the respondents get always failure result while 40.32% get sometime failure result. It means the majority is of the respondents (70.65%) get failure result on predefined financial plan which the financial decision maker has in his mind.

kk) It is found that 17.38% respondents state that they always get successful result while 18.37% state that they get sometime successful result. Those who get always failure result account for 25.15% while 39.08% state that they sometime get failure result. If we club the percentage of always failure and sometime failure we get 64.23% respondents have given negative feedback.

ll) 16.15% respondents stated that they get always successful result while 19.23% state that they get sometime successful result. 34.27% respondents stated that they always get failure result while 30.33% state that they get sometime failure result. It means that those who get always failure and sometime failure account for 64.60% which is a majority.

mm) The data reveals that 10.72% stated that they get always successful result while 18.98% stated that they sometime get the successful result. 43.03%
respondents stated that they always get failure result and 27.25% stated that they sometime get failure result. It means 70.28% of the respondents have responded negatively.

nn) The data reveals that 14.05% respondents get always successful result, while 11.46% stated that they sometime get successful result. 34.77% of the respondents reported that they always get failure result, 39.70% stated that they sometime get failure result. Needless to say that the majority of the respondents (74.47%) have responded in a negative manner.

oo) 15.65% respondents stated that they always get successful result while 20.71% stated that they get sometime successful result. 35.01% respondents stated that they always get failure result while 28.60% stated that they get sometime failure. It means 63.61% of the respondents have stated that they either always or sometime get failure result.

pp) It has been observed that in majority of the cases (64.64%) the expectations of the financial decision makers get failure result where the financial decision maker expects maximum returns. This is a case of irrational thinking.

6.3 SUGGESTIONS

a) The concept of Behavioral finance is of recent origin. The IT employees who are active in financial investments should get themselves acquainted with this new concept in order to have sound investments.

b) The financial decision makers should have all the relevant information needed for taking a financial decision. Therefore, the decision makers should obtain all the information required for taking a financial decision, before making a decision.

c) The researcher is of the view that since the investor is taking a financial decision he/she should acquire adequate confidence and only in rare cases other’s opinion be solicited. Therefore, there is plenty of scope for the
investors to acquire adequate knowledge about the care to be taken while investing. The prime consideration in the financial decision should that while making investments the investor should take only calculated risks to protect his/her interests. Now a days in urban and metropolitan areas there are short duration courses for investors.

d) The investors who make reference for other’s opinion for taking financial decisions should invariably ascertain the reliability of the references. In fact it is in their own interest. Over reliance on any reference is also risky. The reference may not be deliberately misguiding the investor but at times it may so happen that he might not have adequate information about the organization or the project or the investment opportunity in which the investor wants to invest. The investor should not take it for granted that the reference has all the requisite data to guide the investor properly.

e) The investors should insist on the referees to give cogent reasons or justification for their recommended course of action. This in turn will enable the investor to get himself educated whenever such issues occur in his investment decisions.

f) It is suggested that investors should try to have a scientific approach to their investment decisions rather than taking financial decisions with gambling approach.

g) Taking financial investment decision under someone’s pressure is not a sound practice. One should analyze the position applying certain parameters and then take a decision. Acceding to the pressure reflects on the weakness of the investor. For this purpose the investor may solicit advice from some expert and then decide.

h) Those investors who want to be active players in the investment market should undertake proper study of the investment proposals and cultivate habit of taking their own decisions rather than depending upon someone’s
recommendations every time or almost every time. In the metropolitan centres like Mumbai, Pune, etc. there are classes conducted by expert to impart proper training. These classes are also held on the weekend days so that the employed investors should consider it as an opportunity to reduce reliance on the someone’s recommendations.

i) In fact the investors should cultivate habit of studying the investment proposals comprehensively in which the information received from any source is not accepted blindly but before taking the decision the correctness of the information is confirmed by cross checking with some reliable source.

j) So far return on investment is concerned the data has revealed that the IT employees accounting for 73.73% say that they are not getting the expected return on their investment. This situation certainly calls for improvement in decision making. In fact this research has showed the various causes which are responsible for this state of affair. If the investing IT employees take proper care as is explained through the rationale of each of the question, the position can well be improved. Therefore, the need of the hour is that the investing IT employees should introspect and take a review of their earlier decision and be guided by sound principles of investing.

k) The investors should learn over a period of time about the level of expectations from their financial decisions. They should carry out trend analysis of the proposed investment area and then have a reasonable approach in framing their expectation. This approach will save them from demotivation.

l) In order to instill a sense of discipline the investor should formulate a financial plan and as far as possible should try to execute it religiously. If there is any deviation for any valid justification it should be diarized which in future course may enable them to reconcile their decision while introspecting.
m) It is suggested that every investor should base his financial decision on certain vital information and if any of the information is inadequate it will be appropriate to obtain such information and then take the financial decision, whether it is relating to investment in stocks or in property or in the commodity market or elsewhere.

n) It is suggested that the investors should, in order to avoid the risk in the investment decision should obtain all the relevant information about the prospective investment. Financial decisions taken on the basis of the inadequate / incomplete information may land the investor in difficulties.

o) It is suggested that the investors should follow sound practice of taking financial decisions. Before investing they should study the investment proposal thoroughly and then take financial decision.

p) It is suggested that the investors should shed away their overconfidence while taking investment decisions. This needs to be practiced consciously.

q) It is suggested that the investors should study the new investment information and then take an appropriate decision without blindly following it without testing.

r) It is suggested that the financial decision makers may develop a habit of cross checking the opinions/recommendations given in regard to the investments by someone known or unknown or so called experts in the field before taking a financial decision. They should always remember that in following someone’s advice blindly the investor takes a risk and in that the investor cannot blame the person giving recommendation/opinion. The investors should take cautious approach on such advices.

s) Although it has been observed that on majority of the occasions the independent financial decisions have proved to be successful, one should not be averse of seeking someone’s advice/opinion only when the financial
decision maker is in two minds. However, the advice or opinion or recommendation should be cross checked and only on self-convincing financial decision may be taken.

t) The outcome of the rigidity in taking financial decision has resulted in either marginal or no gain to the financial decision maker in majority cases. Therefore, it is suggested that the financial decision maker may have to inculcate some amount of flexibility in taking financial decisions.

u) Considering the result obtained from the respondents that when they take financial decisions coolly it is suggested that the financial decisions makers should always prefer to take financial decisions keeping cool state of mind.

v) As has been observed that use of tossing method in taking financial decision leads to always non-profitable or sometimes non-profitable. It clearly means that the financial decision maker should follow sound principles of financial decisions which do not have any room for tossing method. Therefore, the researcher would like to suggest that the financial decision makers while taking financial decisions should be careful and take the decisions using logical method.

w) It is suggested that the financial decision makers should not trust the market feelers, bubbles blindly. The financial decisions should always confirm authenticity of the received information and then take appropriate decision.

x) It is suggested that the financial decision makers should consciously avoid taking financial decisions in overconfidence to safeguard their interest.

y) Taking into account the outcome of financial decisions taken with the overreaction attribute are always or sometimes result in non-profitable effect, it is suggested that the financial decision makers should consciously avoid overreaction in the decision making process.
z) It is suggested that the financial decision maker should keep modest/reasonable expectations of returns to avoid possible frustration when the expectation of maximum return is not fulfilled.

aa) From the finding it is revealed that the outcome of obtaining others opinions is on majority of the occasions is negative. This leads to the suggestion that the financial decisions makers should not blindly follow the opinion of the others but get it cross checked and then take own decision.

bb) The outcome of following predefined financial plan without evaluating it at the time of making financial decision has on majority occasions turned out to be either failure or sometime failure. It means failure rate is more. It is therefore, suggested that the financial decision maker should have a flexible approach and as the circumstances go on changing he should have re-evaluation of the decision and should be flexible in his approach to suitably amend his predefined financial plan if the circumstances so warrant.

cc) It is observed that even though the financial decision maker gets information support from others strengthening his pre-decided proposal, the result usually/sometime obtained is negative. This clearly indicates the need to have a studied decision without giving much weightage to the information support obtained blindly. Therefore, it is suggested that the financial decision maker should not give undue weightage to the information received from others’.

dd) Taking financial decision adopting tossing method is certainly a crude method which clearly indicates that the decision maker is in two minds. The outcome that this study has shown is that on majority occasions failure is the result and hence it is suggested that the financial decision maker should not take financial decisions using the tossing method.

e) In view of the fact that 70.28% of the respondents have negatively responded, it is crystal clear that the financial decision makers should not merely copy the group’s decision. It is likely that such following the group may land in failure.
ff) 74.47% respondents have responded that they get either always failure or sometime failure result. Therefore, it is necessary that the financial decision makers should not be overconfident while taking financial decision. They should coolly weigh the pros and cons and take the decision. Not only in respect of financial decisions, but also in any other aspect overconfidence is harmful.

gg) It is suggested that the new information received should not be used while taking financial decision without ensuring its correctness; otherwise one is sure to land in difficulties.

hh) It is suggested that the financial decision makers should avoid irrational thinking and do not expect maximum return as originally envisaged. This attitude will have to be consciously developed.

6.4 ATTAINMENT OF OBJECTIVES

On carefully going through the entire process of this research the researcher has been able to study the research topic thoroughly. While looking back the researcher has a sense of satisfaction of fulfilling all the objectives originally set out while preparing the research proposal.

6.5 SCOPE FOR FURTHER RESEARCH

The researcher has studied the behavioral finance with reference to the employees of the IT sector. The researcher is of the view that the following areas relating to the behavioral finance can be explored for research purpose.

1) Study of the behavioral financial decisions of the other than IT employees or a cross sectional employees or the general investors.

2) Impact of Gender on the behavioral financial decisions of the investors.

3) Study of rural / urban investors and the impact of behavioral finance on their financial decisions

4) Study of impact of behavioral finance on the multidisciplinary approach in investment.
6.6 CONCLUSION

Behavioral Finance tries to explain and improve investor’s awareness regarding the emotional factors and psychological process of individuals and entities that invest in financial markets.

All financial decision makers face the same biases and emotions that contribute to poorly founded decisions. Through experience, many great investors have recognized the behavioral biases that affect financial decisions, and have used that knowledge to spot opportunities, as well as to develop strategies to help prevent them from making the same mistakes. As for avoiding errors, the techniques employed by many managers, financial decision makers and investors are valuable to consider.