CHAPTER 1
INTRODUCTION

Research Problem of the Study

“What is relationship between the investment behavior and personality traits of agreeableness, self-image, need for achievement and risk adaptiveness by taking various demographical factors of sample such as age, gender, education, income, religion and occupation etc. into consideration.”

To conduct this research effectively, a detailed survey of existing knowledge was conducted to bring the detailed description of different concepts, variables and other terms on the record of the research. So, forthcoming paragraphs in this chapter will give details of all the dependent and independent variables, theories, models and definition of concepts included in research to develop a comprehensive and complete knowledge about the research problem.

Personality

The most significant aspects of a person's psychological life are governed by personality. Personality explains a person’s moods such as happiness/sadness, smartness/dullness and energetic/static. In past years, ‘Personality’ has been defined in various different ways. A significant chunk of these definitions involve reference to mental systems viz. psychological aspects of thoughts, emotions and motives. All these definitions elucidate that personality comprises of pattern/operations in human mind, although the core factors may vary to some extent. Here are some definitions:

Personality means differences in individual characteristics related to behaviour, feeling and thoughts. It involves study of following two areas:

1) Understanding of differences in characteristics of individuals
2) Understanding how these characteristics interact and evolve the individual.

Gordon Allport (1961) has defined personality as an organization within the individual which is dynamic and determine his adjustments to the external surroundings.

As per Warren and Carmichael (1930), personality is an individual’s mental organization which encompasses multiple aspects of human nature such as intellectual level, temperament, moral values, attitude and skills acquired during the course of life.

Mayer (2005) considers personality as combination of psychological processes resulting from human characteristics such as thoughts, motives, feelings etc. Personality influences body behaviour, mental condition and social behaviour of the individual.

As per Carl Gustav Jung (1934), personality is nothing but supreme realization of one’s self. It is a source of courage in adverse circumstances, highest degree of freedom for self determination.

Ryckman (2004) defines personality as a set of characteristics – organized and dynamic, inherent in a person, which influences his or her abilities of motivation, behaviour, cognition in line with different situations.

From above statements, it can be concluded that personality is a combination of sum total of behaviour, traits, and inherent characteristics of individual. Literally speaking it is a force which gets things done. The degree of force may be less in some individuals while it may be
more in other individual e.g. a lawyer can confidently address legal issues whereas a teacher can easily address educational issues.

Another factor contributing to personality is IQ or intelligence quotient. At the time of job interview prospective employers are keen to know the grasping abilities and adaptiveness of the candidate. These skills are considered important because they enable the candidate in their personal growth and also significantly contribute to profitability of the company. In today’s world companies employ people with different backgrounds and cultures. Individuals coming from rural or urban areas will have different perspective for a particular situation. This makes it difficult to handle them. It becomes difficult to motivate these people to work if dealt in similar way. A particular task may not generate interest in all individuals primarily because of the different ways the order is perceived in such situations and personal relations assume importance. It is important for the supervisor to evaluate the mood and situation and then only assign work to individuals. A supervisor should value diversity and take action accordingly.

Personalities are distinctive. Each individual behaves differently in different situations. It is easy to observe different behaviour styles of different individuals.

**Dimensions of Personality**

Personality emerges from inner state of an individual and remains quite static throughout life. Personality includes the following fundamental features:

- **Abasement** - Feeling self responsible and lesser to others and experiencing nervousness.
- **Achievement** - Doing one's best in goal or difficult tasks and achieving credit.
- **Association** - Participating in companionship, sharing things with friends, and forming connections to them.
• Aggression - Attacking opposing points of view and expressing disagreement or condemnation of others openly.

• Independence - Doing as one chooses separately of others’ views and avoiding agreement.

• Change - involving in novel activities and fashions and liking novelty in one's life.

• Regularity - There is normally a definite pattern and regularity in behaviors. To elaborate, an individual acts in the similar or comparable ways in multiplicity of situations.

• Dissimilarity - Being agreeable to accepting the control of others and avoiding nonconformity.

• Supremacy - Being a person in charge who supervises or wields pressure over others.

• Fortitude - Remaining with a task until it is completed and being able to work without being un-attentive.

• Exhibition - Behaving so as to attract interest to one's self by appearance, communication, and behavior.

• Heterosexuality - Engaging in public activities with the reverse gender and being concerned in related matters.

• Impact behavior/ action – Not only does personality direct an individual’s movements and reactions; it also leads to definite actions.

• Varied expressions – Apart from behavior, personality is also reflected in opinions, feelings, close associations and other public communications.

• Neediness - looking for encouragement and support from others and be grateful for being aided when in need.

• Nurturance - Assisting those less opportune and giving ethical support to others.
• Orderliness - Systematizing one's work and habits and planning ahead methodically.
• Psychological/physiological - Personality comprises of psychological elements, and is also influenced by biological needs and mechanism.
• Sensitiveness - Examining reasons and putting oneself in other people's shoes in order to understand their behavior.

**Personality Theories**

Multiple theories on personality construct exist. Various approaches in psychology suggest different theories. Some of these main viewpoints on personality include:

1) **Type theories**

These theories encompass originating view points on personality. These theories highlighted that personality types are limited and same are linked to genetic influences. People are divided into different types based on their psychological characteristics resulted in different personality types.

This approach is basically theoretical in nature confirming extraversion and introversion as key psychological aspects in association with following interdependent psychological functions:

• Perceiving functions: sensing and instinct (real trust and sensory driven facts versus trust in theoretical concepts and imaginations)
• Judging functions: thinking and realizing (decisions based mainly on rationale versus taking into account the consequences on people).

Briggs and Myers introduced one more personality characteristic to determine an individual’s preference of judging/perceiving for interaction with the outside world. This was done by including questions which investigate an individual’s desire to arrive at conclusion or to have alternatives available.
Theory Type A and B: This theory was introduced by Meyer Friedman in 1950s. Friedman and co-workers introduced behavior patterns for distinguishing people personalities as 1) Type A and 2) Type B. Type A people were conceived as having strong and hard-driving personalities which exposed them to substantial risk of coronary illnesses being stress junkies. People, who were easier going, avoid competition and risk averse were characterized as Type B.

2) Trait theories

These theories perceived personality as the result of inner characteristics based on genetics. American Psychiatric Association mentions personality traits as enduring patterns comprising of individual perception, relation and thoughts about external surroundings and that manifest themselves in personal and social interactions.

Theorists usually assume a) traits do not change much over a period, b) individuals have different traits c) traits affect individual behavior.

Raymond Cattell's research proliferated a two-tiered personality composition with sixteen "principal factors" and 5 "derived factors."

Hans Eysenck theory was based on 3 traits only - extraversion, neuroticism, psychoticism. According to him these 3 were enough to portray human personality.

Lewis Goldberg on the other hand suggested personality model based on five key dimensions, This model was nicknamed "Big Five":

1. Openness to Experience: imaginative tendencies, self-governing, having interest in variety/practical, in compliance, and having keen interest in routine.

2. Conscientiousness: organizational tendency, cautious, disciplined versus carelessness, and spontaneous.

3. Extraversion: socializing tendency, enjoyment loving, friendly versus retiring, serious, and aloof.
4. Agreeableness: the propensity to be kindly, trusting, and helpful vs. hardnosed, uncertain, and unhelpful.

5. Neuroticism: the propensity to be peaceful, secure, and self-satisfied vs. nervous, unconfident, and self-pitying (Santrock, J.W., 2008).

Vocational model suggested by John L. Holland, usually known as the Holland Codes, insisted on 6 traits that guide people in selecting career goals. In this complex model, the six traits form six edges of a hexagon, with neighboring once more closely linked to each other’s than far ones. The model is broadly used in professional counseling.

3) Psychodynamic theories

These theories were based on the research of Sigmund Freud and highlighted the effect of unconscious mind on personality. Key theories included - Sigmund’s psychosexual stage theory, Erikson’s psychosocial stage theory. Psychoanalytic theories explicate human behaviour as a function of interrelation between various parts of personality. Freud, father of this theory, coined the term psychodynamic based on physics term Thermodynamics. Based on the principle of heat conversion into mechanical energy, he suggested that psychic energy could similarly be translated into behavior. Freud's theory places fundamental importance on active, unconscious psychological conflicts.

Freud segregated human personality into three noteworthy components:

**The id:** The id works according to the contentment principle, demanding instantaneous fulfillment of its needs despite the consequences of external environment.

**Ego:** The ego then ought to come out so as to practically meet the id needs and demands in conjunction with the external environment, conforming to the actuality principle.

**Super-ego:** The superego imposes moral decisions and social regulations on ego, thus allowing the achievement of id demands both practically and morally. The superego is a final
function for personality build up, and is representative of parental and social regulations framework during childhood.

According to Freud, dynamic interactions between above components lead to evolution of personality.

Freud projected five psychosexual phases of personality growth. Freud believed personality of an adult is linked with early childhood and to a large extent determined by 5 years of age. Experiences at juvenile stage make a significant contribution to adult personality as well as behaviour. Alfred Adler, Freud's associate, also agreed with Freud that experiences in childhood play an important role in development and believe that personality development is influenced by birth order. According to Adler, oldest set high targets for getting back the attention lost after the birth of younger siblings. Adler also believed that although middle children were not concerned about achieving fame yet they were competitive and ambitious so as to surpass achievements of the oldest. Adler considered the last born to be more reliable and social but still be the baby. As per Adler, although the only child in the family receives all attention and thus matures quickly, but still eventually ends up as dependent.

Another important theory in the personality domain was propounded by Karen Horney. Horney develop the concept of ‘real self” and ‘ideal self”. As per Horney all individuals have above two perceptions of themselves. The "real self" is how people actually are with consideration to personality, principles, and morals; but the "ideal self“ is a build people apply to their self to conform to public and private norms and objectives.

4) Behavioral theories

Behavioral theories define personality as an outcome of interaction among individual and external environment. Behavioral theorists emphasize on observability and measurability aspects of individuals’ behavior and reject approaches of inner thoughts. Behavioral theorists are B. F. Skinner and John B. Watson.
Behavioral theorists define personality based on the effect of outer stimuli on behavior. It represented a drastic shift from the conventional Freud’s approach. He developed a model which laid emphasis on the interaction of individuals with external surroundings. He highlighted that children perform rude activities because such activities attract attention that serves as a re-enforcer. He further elaborated his theory by stating that behavior of people is shaped by processes viz. operant conditioning. Skinner set forward a "three term contingency model" which analyzed behavior using the "incentive - Response - Consequence Model". The key question asked under this model is related to defining of circumstances under which the individual exhibits a particular behavior leading to a particular consequence. Richard Herrnstein elaborated this theory by taking into account attitudes and traits. Attitude development results when the response strength becomes stable in the presence of external stimuli.

5) Socio cognitive theory

In this type of theory, cognitions (e.g. expectations) especially those from people around, guide behaviour development. These theories lay emphasis on cognitive process of an individual viz. judgment and thinking.

Albert Bandura found that outside environment interacts and influences an individual’s memory and emotions.

6) Humanist theories

Humanist theories highlight the significance of individual desires (free will) and experiences in personality development. Humanist theorists are C. Rogers, Maslow. Humanistic psychology emphasizes on free will since it significantly affect individual behaviour. Accordingly, it takes into account subjective experiences in contrast to controlled and forced factors for behaviour determination. (Combs, Arthur W., and Snygg, Donald, 1949).
According to Maslow, features of self-actualizers include the following four main dimensions:

Awareness, Reality and problem centeric, Acceptance and Non-hostile humor

Maslow and Rogers concluded an individual’s view as active, imaginative and learning human being who responds to existing insights, relationships, and interactions. They oppose the dark, negative outlook Freud’s supporters and in contrast perceive humanistic theories as positive and progressive proposals which focus on the inclination of human personality towards development and self-actualization. This self will remain the key of its dynamic world. This self matures over a period of time, based on interactions with the outside world. This understanding lessens the feeling of hopelessness. Humanistic therapy takes information from the client about past experiences for analyzing its effect on present. Thus, individual experiences determine type of guidance required to be initiated by the therapist. This allows for a subjective approach.

**Personality Traits**

One might use words such as chatty, jolly, cold, unsystematic, irrational, logical, clever, shortsighted, playful, or pitiless to portray various people you know. Also, different behaviors continue with the person constantly over time and all the way through different situations. These constant patterns of behavior, termed as personality traits, are even over time, steady in different circumstances, and vary from one individual to another.

Researchers prepared a list of around 18,000 expressive terms from lexicon and studied them. Common factors were taken out and the end result is the “The Big Five Personality Factors” which resembles “Five Factor Model of Personality”. The American English form list out below five personality factors:

I. Agreeableness

II. Conscientiousness
III. Emotional Stability

IV. Extraversion/Surgency

V. Intellect

Gordon Allport suggested that each person had traits of various types:

- Cardinal Traits
- Central Traits
- Common Traits
- Individual Traits
- Motivational Traits
- Secondary Traits

Allport and Odbert (1936, cited in Funder, 2001) found 17,953 words to explain the manner people are psychologically dissimilar from each other (e.g. introverted, dependable, concise, apathetic, kind, careful, restless, etc.). All these words depict personality traits.

Trait approach tries to combine and formalize these traits in order to clarify and forecast behaviour. Research studies conducted over past several years have helped to identify with and build up a common terminology to express personality traits. Humans used words to express their ideas about fascinating aspects of the universe. Classification of traits is biased; hence different theorists label similar or same traits using dissimilar words.

Traits are unique qualities or characteristics of a person. Traits are a willingness to imagine or act in a comparable fashion in reaction to a range of different stimuli or circumstances.

In general, trait theory presumes that people vary on variables or proportions that are continuous. People are seen to differ in the amounts or quantities of a attribute rather than vary in the quality of their characteristics.
Traits are continuous and types are categorical.

<table>
<thead>
<tr>
<th>Category</th>
<th>Character</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Types</td>
<td>irregular, distinct, qualitative</td>
<td>Few</td>
</tr>
<tr>
<td>Traits</td>
<td>uninterrupted, degree, quantitative</td>
<td>Many</td>
</tr>
</tbody>
</table>

Idiographic Personality Traits and Nomothetic Personality Traits

Whether a trait subsists in all people to a greater or lesser level is intricate by different observations of the trait viewpoint.

There are two different observations as to whether all traits subsist in all people:

- **Idiographic**: people have only one of its kind personality compositions; thus some traits such as cardinal traits are more significant in understanding the composition of some people than others
- **Nomothetic**: people's distinct personalities can be understood as them having relatively greater or lesser degrees of traits that are constantly across people.

**Idiographic view**

The Idiographic view highlights that each person has only one of its kind psychological composition and that some traits are possessed by only one person; and that there are times when it is not possible to evaluate one person with others. This perspective also highlights that traits may vary in their impact from individual to individual.

**Nomothetic view**

The Nomothetic view, lay emphasis on comparability between individuals but sees people as distinctive in their mixture of traits. This perspective sees traits as having the same psychological meaning in everyone. The idea is that people vary only in the degree of every trait. This composes their distinctiveness.
The Many Personality Traits Approach

Some theorists come across at various traits at once when examining personality. They make an effort to identify the traits related to certain behaviours, thereby getting understanding of various behaviours as well as workings of personality. For example, a study conducted by Carver & Scheier in 2000 explored that young children rated as being emotionally unbalanced, rebellious, domineering, hostile, teasing, nervous, restless, and prone to stress were found (at age 14 years) to be more likely in using illegal drugs.

The Single Personality Trait Approach

- Many personality studies have explored the source, nature and impacts of single traits, such as openness. Funder (2001) focuses on three single traits such as meticulousness; self-monitoring and authoritarianism have received greater interest and have been the subject of examination in hundreds of studies.

Cattell’s 16 Personality Factors

Cattell viewed language as a helpful basis of information about personality. He lessened Allport and Odbert’s (1936) listing of 17,000+ words down to 4,500 words and then lessened these further to 171 trait names. Cattell then conducted factor analysis and the end result was his 16 personality factors:

- concrete reasoning and abstract reasoning
- deferential and dominant
- convenient and rule-conscious
- forthright and private
- group-oriented and self-reliant
- practical and imaginative
• reactive and emotionally stable
• relaxed and tense
• reserved and warm
• self-assured and apprehensive
• serious and lively
• shy and socially bold
• tolerates disorder and perfectionist
• traditional and open-to-change
• trusting and vigilant
• utilitarian and sensitive

**Three Personality Supertraits: Hans Eysenck**
Eysenck (1916-1997) assumed primarily that all people could be explained in terms of two super traits, which Eysenck supposed had a natural basis:

• Introversion-extraversion
• Emotionality-stability
• Psychoticism

**The Big 5 Personality Factors**
A strong agreement has come out since the mid-1980's about the number and character of personality traits. Five super-ordinate factors have come out, frequently referred to as the 5-factor model. Presence of these five factors is well hold up by a broad range of research.

Early verification sustaining a 5-factor model was in print by Fiske, in 1949.

The 5-factor model is generally measured by the NEO by McCrae and Costa (2003). The Big 5 according to the NEO are Agreeable factor, Neuroticism, Openness to Experience, Extrovert and Conscientious
**Personality Type of Different Investors**

Personality can play a significant role in building of an individual investor’s risk acceptance and return goals. Psychological profiling provides link between conventional theory of finance and the new emerging field of behavioral finance by placing personality traits vis a vis goals and limitations. Conventional finance focuses on objective measures of the circumstances of investors. Implicit assumption about investors are:

- Risk averseness (preference of certainty)
- Have expectations that are rational
- Integrate assets (evaluate the interrelation aspect of different investments in the portfolio)

Behavioral finance assumes that investors are:

- Loss reluctant
- Hold subjective expectations
- Segregate assets

To understand how the psychology of investor can get in the way with balanced investment strategy is of prime importance, as it can assist the investor to evade uncomfortable situations and also enable the investor to act logically in such circumstances.

Investors can be classified into 4 categories: logical, careful, eccentric and natural.

Logical investors tend to rely on concrete facts. They are more conventional, and correlate less sensitively to their assets. They are risk reluctant and take decisions on the basis of judgment.

Careful investors are loss reluctant, and may miss prospects due to indecisiveness. They show hesitation while taking guidance from others. They are more risk reluctant and make judgments based on sentiments.
Eccentric investors place high trust on hard work and insights and are self assured. They make efforts to obtain information from multiple sources, and will ensure reconciliation of discrepancies in the information over a period of time. They are self-assured of attaining positive results based on their efforts. They are ready to take risk and base their decisions on judgment.

Spontaneous investors are risk taking and make verdicts based on their emotions. They continuously regulate their portfolios, resulting in over managed portfolios giving high returns. (Financial Education, 2007).

**Personality Characteristics of Successful Investors**

The correct person must be able to think autonomously, and to be capable to identify and evade major risks. Personality plays a key role. Emotional permanence and an intense perceptive of human and institutional behavior are essential to long-term investment achievement. The person must also not be determined principally by money and must be committed to the long-term. Key traits of successful investors are following:

1. **Autonomous thinker**: Investor must be capable to think unlike from the mass on a usual basis.

2. **Emotional steadiness**: Flourishing investors think logically at all times, whereas others all around them are losing. Good investors are cool, balanced, and level-headed at all times.

3. **Self-assured**: Investor need to be self-assured to hold on to the positions or to buy more when investment trends are in opposition in the short-term.

4. **Long-term philosopher**: The majority of successful investors have been long-term primarily based thinkers that are eager to hold their positions for years to grasp success. Booming investors do not get too ravenous and take too much short-term risk. Good investors must be enduring.
5. **Passionate regarding investing:** Successful investors are obsessive about it and are always trying to learn more and constantly improve.

6. **Curious:** Professional investors are always trying to gain knowledge of more about how the world works, how the financial markets work, how few stocks and companies succeed and others don't. Inquisitive investors are always keeping up with what's innovative and what's altering in the world and in the markets.

7. **Good common-sense:** and a strong capability to conclude what's significant and what's not with consideration to each investment.

8. **Closely controlled:** Good investors attach to their investment beliefs, their approaches, and their investment plans. They pay concentration to details, stay expanded, and are steady in their approach. Generally these good investors also have a disciplined pattern of saving money and investing more on a customary basis as well. (Keith Tufte, 2008).

**Personality Traits Included in the Study as Independent Variables**

With the help of above given detailed discussion about personality, personality characteristics and personality traits one can understand the importance of personality, personality characteristics and personality traits for the exhibition of a typical type of behaviour. Present study has tried to understand the role of personality traits of agreeableness, self-image, need for achievement and risk adaptiveness towards investment behaviour under the affect of various demographical factors like age, gender, education, income, occupation and caste. Before understanding the cause and effect relationship of above stated variables, it is important to define and explain them conceptually. So, a brief description of all the dependent, independent variables and other factors which can influence them is given as under:

**Agreeableness**
Agreeableness belongs to the class of big 5 personality traits. An individual having higher degree of agreeableness is generally affectionate, sociable, and thoughtful. They usually view human nature positively. On the contrary, an individual with low degree of agreeableness generally puts own interests above others. They tend to be isolated, unsociable, and uncooperative.

Agreeableness reveals individual dissimilarities in concern with cooperation and social agreement. Agreeable people are thus empathetic, generous and of friendly nature and are always willing to help and keep others’ interests above self. Agreeable people also view human nature positively and are fundamentally truthful, well-mannered, and dependable.

Disagreeable individuals give high priority to self-centeredness than team efforts. Disagreeable people are generally indifferent with others’ welfare, and for that reason are unwilling to offer help. Sometimes their disbelief about others’ motives makes them to be distrustful, unsociable, and uncooperative.

Agreeableness is apparently advantageous for achieving and maintaining reputation. Whereas, agreeableness is not useful in circumstances that require hard or absolute objective decisions. Disagreeable can make people outstanding scientists, critics, or soldiers.

**Sample Agreeableness items**

- I can go up to any extent (legally/ illegally) for the help of my family members.
- I help my friends without expecting anything in return.
- I help people without any purpose.
- In my opinion success of a team depends upon how team members help each other.
- I am always ready to help others.
- My subordinates, peers and friends feel comfortable while working with me.
- I am a supportive person.
• Organization is always prior than self.
• We should always keep our promises.
• Everyone in my organization is trustworthy.
• I can rely on my subordinate’s skills.
• One can take decision on the information supplied by others.

Sample Agreeableness (negative) items

• Majority of employee will not complete their work in absence of their supervisor.
• In financial matters, I do not have faith on others.
• It is very difficult to handover the confidential assignments to others.
• In the present day honesty has no meaning.
• All the time it is not necessary to treat people fairly.
• We should personally check the assignments which are completed by others.
• We should complete our work ourselves because no one is dependable.
• Even If somebody is in tight corner or dire need, s/he should certainly take care of right and wrong.
• I always give preference to myself in comparison to others to get my assignment accomplished.
• One should not take much tension and botheration for the feeling of others.
• Wastage of organizational time and resources is a serious matter.
• Whenever I offer some services to others, I should get something for it.
• When I need a favour/ something, I always expect/ pressurize those, whom I have helped in the past.
• If somebody is in trouble, it is not necessary we should help her/him.
Agreeableness is tendency of being agreeable and cooperative in public situations. In modern-day psychology, agreeableness is among 5 major traits of personality formation, reflecting individual dissimilarities in concern for assistance as well as social harmony. People who have high degree of agreeableness are kindhearted, thoughtful, friendly, liberal, and helpful. They also consider human nature positively. They suppose that the majority of people are sincere, well-mannered, and reliable. People having low degree of agreeableness are usually less worried for others' well-being, report less understanding, and are for that reason less expected help others by using their resources. Their disbelief about other people's motives may cause them to be doubtful and unsociable. People with low degree of agreeableness tend to be analytical in their social interactions. They compete more likely than helping others. Agreeableness is treated as a super ordinate dimension; it groups particular personality traits that come together together statistically. There are exceptions, but in broad-spectrum, people who are worried about others also tend to help them out, and trust them. This trait of personality was in the beginning revealed in research using the method of factor analysis.

**Self image**

Self image is a mental perception of self by an individual, which generally opposes any kind of change. It portrays information about an individual in addition to the physical characteristics e.g. height and weight, that are apparent. These features are imbibed in an individual as a result of his personal knowledge acquired during the course of life or by accepting the established societal code of conduct.

**Self-concept:** Self-concept or self-identity is the mental and theoretical consciousness and continual regard that sentient beings hold with regard their own.

The term self-image has entered general practice. Originally referred to by psychologists, it was then taken up by psychoanalysts exclusive of actually being theorized. The self-image is
apparently the depiction that everyone has of themselves, in physical as well as physiological, sociological, and mental terms, envisaged through self assessment at various stages of growth and in various states of affairs.

**Self-Image:** The idea, formation, or mental picture one has of oneself.

Self-image is insight about oneself. It refers to multiple self impressions built up over a period of time. Individuals’ hopes and dreams, how a person think and feel? What has individual done throughout life and what were their aspirations? A positive self image gives individuals assurance in their opinions/actions. Whereas a negative image makes individuals unsure of their competencies and thoughts.

However, it's significant that self-image be both optimistic and realistic. In some situations an idealistic self image can be of disadvantage for example if the image is pessimistic. An occasional rare negative thought or self condemnation can persuade the individual to change and work hard for achieving success. Whereas, sometimes high degree of positive self image can be source of satisfaction, underachievement, and egotism. It is important to find the right balance between feeling optimistic setting practical goals.

It is significant, too, to make clear that the self-image also depends on how people see and evaluate others. People should possibly add to the notion of the self-image the feeling of capability that is the cognitive construction corresponding to the view that each of a person is subject to on the cognitive, societal, and physical levels, and the relational feeling of self-esteem.

A straightforward way to understand an individual’s self-image is the answer to question i.e. "What do you perceive people think about you?"

**Types of self-image**

1. Self image consequential from how the individual perceives himself or herself.
2. Self image based on perception of other people.
3. Self image based on individual’s perception how others perceive him/her.

Above types may or may not provide precise depiction of the individual.

Poor self-image may result from accumulated condemnations experience during childhood which in turns damages his self esteem. Poor self image may or may not be attributable to other people for example a person may receive frequent compliments from others about physical appearance but still this person may have poor self-image. Listening to internal voice and decisions is the first step to changing self-image and esteem. Self criticism enables an individual in altering his self-image and deciding ways of improving the same.

Many times key information related to the individual may not be available. This missing information may prove to be critical for formation of actual and correct self-image. For example, only an individual can tell the intent with which some of the acts were performed by him/her.

Individuals tend to form a self-image which is negative as a consequence of external environment for example alcoholic parents or family disputes, use of drugs.

**Need as A factor of personality**

Henry Murray (1893 - 1988) was active in building a theory of inspiration throughout the 1930s, 40s, 50s and 60s. Murray supposed that a need is a potentiality or willingness to respond in a particular manner under certain given state of affairs. It is a noun which means the fact that a certain trend is apt to happen again (Murray, 1938).

A major hypothesis of Murray’s theory was that behaviour is determined by an internal state of disequilibrium.

Murray categorized needs as being either:

- **Basic needs** (which are biologically based): food, water, air etc.
- **Derived needs** (which either develop from our biological needs or are natural in our psychological nature):
- attainment, acknowledgment, acquisition
- association, rejection
- supremacy, aggression, independence
- nurturance, cognizance

Murray supposed that stronger needs are articulated more often over time and lead to more powerful behaviour.

The main contribution from Murray’s was that he recognizes personality as being determined by the derived needs such as achievement, affiliation, dominance and nurturance. The degree to which each of these needs was felt by an individual formed their personality and conduct.

**Need for achievement**

Need for achievement is the aspiration to accomplish difficult tasks and to meet values of brilliance. Need for affiliation is the wish to be with others and have pleasant and gratifying relationships.

Both, need for achievement coupled with need for association, can be very important for any individual. They can work as a supervising force in a person’s life in many ways. A need for achievement gives a motivation to have a sense of achievement and a need for affiliation makes a person to be with different kind of people and have many different types of relationships. Both assist in gaining a sense of contentment in their own way.

People with high degree of need for achievement prefer tasks that are reasonably difficult for them. They are constant and do not give up till they have a sense of achievement. They are basically motivated. They do things for a sense of delight and satisfaction and not for extrinsic rewards like money.

People also prefer to have precise opinion about them. They are unambiguous about their strong points and weaknesses. They feature their performance to themselves rather than situations. They like to take accountability for their achievements as well as their failures.
They prefer to be unaccompanied or with likeminded people and also like to face challenges in their life.

Need for achievement (N-Ach) denotes an individual's aspiration for major success, skill mastering, power achievement, or attaining high targets. Originally Henry Murray used this term which denoted a set of actions. These include: "strong, protracted and recurring efforts for accomplishing tasks that are difficult.

Need for Achievement is linked to degree of task difficulty, an individual chooses. A person with low degree of N-Ach will opt for simple tasks, so as to reduce chances of failure, or very tough tasks, so that a failure may not result in embarrassment. On the other hand a person with high degree of N-Ach will choose reasonably difficult tasks, without any fear of social embarrassment.

Such people seek High level of autonomy in order to successfully accomplishing the challenging tasks.

Need for Achievement items:

- I wish that my life would be an ideal domestic life.
- I wish that I will be a favorite person for society.
- I wish that I will do a work, which requires strong efforts.
- I would like to solve the problems, which can provide me new experiences.
- I would like to solve social and economical problems of our country.
- I would like to solve very difficult questions and riddles.
- I feel very happy when others are happy.
- I feel very happy being center of attraction for others.
- I feel very happy on achievement of special success in my work.
- My strong desire is
• My strong desire is to become a great political leader.
• My strong desire is to become a famous social reformist.
• My strong desire is to do a special assignment.
• Aim of my life is to achieve a special attainment.
• Aim of my life is to acquire high status in society.
• Aim of my life is to serve my nation.
• I would like to praise those people who have attained good reputation in their field area.
• I would like to praise those people who have their own principles of life.
• I would like to praise those people who have devoted their life for serving others.
• I want to know how I can succeed in accomplishing the jobs at hand.
• I want to know the fair means for wealth accumulation.
• I want to know perfect means of acquiring salivation.
• Before starting a tough job, I will prepare a plan in detail.
• Before starting a tough job, I will imagine the expected hindrances.
• Before starting a tough job, I will take advice from others.
• As per my nature I do things for my friends.
• As per my nature I do only those tasks which require skills.
• As per my nature I keep things in a neat and well organized manner.
• Generally, I am eager to handle tough tasks
• Generally, I am eager to help aggrieved persons.
• Generally, I am eager to see new places, persons and things.
• I feel very hostile when my own people blame on me.
• I feel very hostile when I am ignored.
• I feel very hostile on my failure to achieve desired results.
• I like to complete the work in neat and clean manner.
• I like to complete the work better than others.
• I like to complete the work before the stipulated time.
• I like to read novels and do courageous tasks.
• I like to think about my future.
• I like to visit different places of world.
• I generally think to get honour like a leader.
• I generally think to do some great work in life.
• I generally think to help injured and diseased people.
• I want to do my work in well organized manner.
• I like to be loyal towards my friends and colleagues.
• I want to do my work best.

Aspiration Needs

• **Attainment**: Success, achievement, and overcoming obstacles.
• **Demonstration**: Actions those are outrageous and thrilling.
• **Acknowledgment**: Displaying success and enhancing social status.

Acquisitive Needs

• **Attainment**: Obtaining things.
• **Construction**: Creating things.
• **Order**: Organizing things.
• **Preservation**: Keeping things.

Command Needs

• **Abasement**: Confessing and apologizing.
• **Sovereignty:** Autonomy and confrontation.

• **Hostility:** mocking or attacking others.

• **Blame Avoidance:** Avoiding blame by following regulations.

• **Respect:** Cooperation with others.

• **Supremacy:** Controlling others.

**Affection Needs**

• **Association:** Spending time in company of other individuals.

• **Nurturance:** Care for others.

• **Play:** Enjoyment with others.

• **Elimination:** Rejecting other people.

• **Succorance:** Help or protection received from others.

**Information Needs**

• **Cognizance:** Seeking information and asking questions.

• **Exhibition:** Education others.

**Impact on Psychogenic Needs**

Each need is significant and complete in itself, but Murray supposed that needs may be interconnected in a way that one need can support or be in conflict with another. For instance, need for supremacy is contrary to the need for association resulting in high degree of controlling behavior which creates a gap with friends and family. Murray also thought that environmental factors play a role in determining how psychogenic needs are exhibited in behavior. Murray termed these environmental forces as presses.

**The Need for Achievement in Business**

Businesses ownership takes quite an amount of time contribution from the proprietor. Numerous businesses turn into a part of the owners’ family as a result of the total time
contribution. A business needs time, devotion, investment both financial and non-monetary, as well as essential fundamental awareness of the specific business. With all of the involvement and devotion along with the ups and downs as part of finding success it is tough to consider that anyone would want to jump into such a risky venture. Entrepreneurs must possess a need for accomplishment. Something inside of them wants to take the risk and make their idea become actuality. As individuals are risk-averse, the average human stays away from the vague situations.

Entrepreneurs should have a need for accomplishment and must acquire certain personality dimensions. They must be ready for a revolution and are willing to risk their livelihood in order to turn out to be an entrepreneur.

This is why all entrepreneurs must have a need for accomplishment. They must struggle toward success and don’t take no as an answer. McClelland was able to prove that the following characteristics were entrepreneurial traits that must be possessed by entrepreneurs:

- high need for attainment
- high need for self-government
- locus of control
- tolerance for uncertainty and;
- innovation.

**High need for attainment**

The business oriented individuals are full of life and highly motivated, and have inherent capability to work hard. They are full of activity, ambitious, dynamic, focused on achieving the targets. Their high levels of motivation result from need for attainment which manifests as desire for completing the tasks. An individual with high ‘need for attainment’ shows following characteristics:

- A strong assignment orientation;
• An optimistic outlook;
• Future oriented;
• Determination to achieve targets even in difficult situations;
• Effective time administration;
• Opinionated in defense of views;
• Orientation towards goals which are challenging but realistic;
• Reliance on own capability;
• Responsible and constant in pursuit of aims;
• Restlessness, ambitious and full of life;
• Results oriented;
• Ready to put efforts for task completion.

**High need for independence**

The business person has high motivation, full of life; takes lead, outline and perform tasks as per their style. They are self-governing, ambitious, and energetic and may reach top level or work individually.

A person with a high need for independence has following characteristics:

• Autonomy, prefer individual working;
• Willpower, strong willed and obstinate about their interests.
• Individualistic and does not come under group pressure;
• Leads by taking charge does not like taking orders;
• Prejudiced, have opinions as per their own thinking;
• Self expressive, goes by own way instead of working on projects of other people;
• Eccentric, and stands out different from others;
**Imaginative tendency**

The business persons are always anxious, have a creative approach to difficult situations and perceive life in different manner. Their inventive skills and desire for accomplishment enables them to expand ideas for generating innovative products and methodologies, e.g. cutting edge technologies, associations, arty outputs.

An individual with an imaginative tendency has following characteristics:

- Adaptable and uses personal resources for problem solving and completing projects;
- Change oriented and prefers innovation;
- Does not follow routines;
- Creative, is able to generate new ideas;
- Inquisitive and shows interests in new ideas.
- Instinct, is able to blend ideas and information, and has good guessing ability when required;

**Risk and business**

The business person is opportunistic and in search for new information and knowledge to assess its worthiness for pursuing the prospect after due diligence.

A planned risk taker has following characteristics:

- Influential, has ability to take action even in absence of complete information;
- Self-awareness with the capability to accurately evaluating their own ability;
- Logical, is good at analyzing the expected advantages or disadvantages of tasks;
- Goal-oriented, sets high but achievable goals;
- Effective management of information uses information to work out the possibility of being successful.
Sample Risk Adaptiveness Items

- I can invest in the shares which may not be showing increasing trend.
- I always invest in large amounts in few profitable but risky investment schemes/plans.
- Sometimes I invest in such schemes also, which ensures regular returns.
- I prefer to invest in shares in comparison to debentures.
- I do not prefer to invest only in regular return giving government saving schemes.
- I do not believe in long term investments.
- I can invest in the investment schemes which may give fluctuating returns.
- I always invest in shares.
- I frequently change my investment plans.
- According to me, greater the risk, higher the returns.
- If opportunity for investment is good, I can invest any amount.
- I like to invest in highly volatile share market.
- I invest in such shares which are presently at lowest of their rate and wait for hike in rate.
- If I find an investment scheme very attractive, I can invest even by selling my property.
- I can invest even in the schemes where rate of return is totally uncertain.
- Number of times I have earned money by taking lot of risk.
- I am always ready to take risk if there is some chance to earn.
- I always start a new business/job/work without ensuring profit/interest.
- I never consider pros and cons of alternatives and do not ensure my benefit before taking decision.
• I always want to work on new projects because there are more chances of high returns.

• There is no need of insurance to anyone.

• The overall return I get from my investment in equity is highly satisfactory.

• The shares of the company I always invest in need not necessarily have high market capitalization rate.

• My investment decision is not dependent on dividend pay-out ratio.

• I can arrange funds for investment even by borrowing.

• My investment decision is not dependent only on the current financial position of the company.

• I do not prefer to invest in such companies which issue shares at the price less than nominal value.

• I do not consider Price Earnings ratio and other such ratios of the company before investing in its shares.

• My investment decision in shares is not influenced by the extent of FII (Foreign Institutional Investment) in the country.

• My decision of investment is slightly/somewhat dependent on the goodwill of company in the market.

• I give more weight-age to company’s CSR (Corporate Social Responsibility) activities while investing in that company.

• Market movements and current economic indicators do not affect my investment decision.

• I rarely take advice of friends and experts before making any investment.

• I always prefer high return even with high risk.
• My purchasing and selling of shares is not dependent on market trend.

• Most of the time I do not follow others actions while purchasing or selling securities.

**Investment**

Various theories and philosophies define the term "investment" in multiple ways. Usage of this phrase can imply various perspectives. Though, these different definitions are more similar than distinct. In common parlance, employment of funds for generating more money/higher returns is investment. Few economists also explains investment in terms of saving generated through economical/postponed expenditure. According to monetary economic theories, investment is the exploitation of available resources to augment income/production-yield in future. Bank’s fixed deposit or purchases of machinery are categorized as investment since in both cases investors expect high income/returns. With regards to different industrial sectors the term investment may assume different meanings for example in the manufacturing sector investment means purchase of capital assets such as building, equipment and machinery. Whereas in the finance sector investment is characterized by utilization of money for purchasing of financial instruments e.g. stock, bonds etc. This investment practice is based on the assumption that markets will give positive returns in future. The differentiating characteristic of financial instruments is their liquidity aspect which is very high. The philosophy employed for evaluating the net worth of financial investment is termed as valuation.

However as per business economics, investment denotes an action in which the capitalist/producer buys an asset e.g. machinery, agricultural land, in anticipation of high future returns.

According to John Keynes investment implies employment of funds in real physical goods but not in financial instruments. (Gaurav Akrani, 2011)
Different Types of Investment

There are number of ways in which investment can be made and same are following:

**Independent Investment**

This type of investment has no correlation with income levels and is termed as autonomous investment. Investment under this category remains stable regardless of changes in the income level for example expenditure incurred on construction of residences, public welfare schemes, roads and other infrastructure. Such types of investments are normally made by Government.

**Stimulated Investment**

Investment whose volume changes with variation in income level is termed as stimulated investment. Stimulated Investment bears a certain correlation with income level. That means, with more money available at their disposal, entrepreneurs tend to employ large chunk of funds and vice-versa. With more disposable income spending increases resulted in increased investment in capital goods which in turn leads to higher production of consumer goods.

**Financial Investment**

This sub-category implies purchase of financial instruments for example stocks, bonds etc. However, the transfer of already purchased financial instruments from one person to another is excluded from the category of financial investment. Since it merely implies change in ownership of asset. Purchasing of new financial instruments have a constructive effect in the economy by generating employment opportunities through business expansion and ultimately leads to economic growth.

**Real Investment**

Investment for setting up of new factories, expansion of existing plants, and building of public amenities such as hospitals, roads, parks and schools come under this sub category. This type of investment increases employment opportunities, production capacity thus
leading to higher GDP growth of the country. This type of investment attracts significant interest because of its positive impact on employment opportunities.

**Deliberate and Planned Investment**

Strategic investment across different sectors of the country keeping in mind specific objectives is termed as deliberate/intended investment. Planned Investment is characterized by long term road map and insignificant returns.

**Spontaneous Investment**

Investment without any strategy or plan is termed as spontaneous/unplanned investment. This investment is characterized by randomness and absence of plan. Thus it can also be referred as unintentional Investment since no definite objectives are analyzed before investment.

**Gross Investment**

Gross Investment refers to the money utilized for building of new infrastructure for example construction of factory, purchase of machinery, set up of new plant etc. This represents cumulative investment capital items over a definite period.

**Net Investment**

Net Investment = Gross Investment - Depreciation over a definite time frame, normally on yearly basis. It is worth noting that a fraction of total investment is incurred for the replacement of worn out capital asset which should be deducted for calculation of net investment figure. (Gaurav Akrani, 2011)

A meticulous investor usually identifies the investment categories after reviewing the investment strategy, which in financial terminology called as capital decision making. Development of financial market has led to increased investment options.

Investors presume that above categories of investment shall provide them with positive revenue. However actual effect of these can be positive or negative depending on the variations of underlying factors.
Common mode of individual investments is via intermediaries who further invest this money in various investment alternatives. As a result these individuals have a claim on the mediator. It is general practice followed by mediators to have customized regulations for them. Some of the intermediaries:

- Banks
- Pension Funds
- Insurance Companies
- Investment Clubs
- Mutual Funds
- Collective Investment Schemes

Investment in the field of personal finance includes funds invested for buying of stock, combined investment plans and also investment in a risky capital asset.

<table>
<thead>
<tr>
<th>Investment in housing</th>
<th>Retirement Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Investment</td>
<td>Real Estate Investment</td>
</tr>
<tr>
<td>Financial Market Investment</td>
<td>Gold Investment</td>
</tr>
<tr>
<td>Land Investment</td>
<td>Equity Investment</td>
</tr>
<tr>
<td>Share Market Investment</td>
<td>Business Investment</td>
</tr>
<tr>
<td>Stock Investment</td>
<td>Portfolio Investment</td>
</tr>
</tbody>
</table>

**Investment Planning**

The key to maximize investment returns is formulating strategies and planning of resources in a best possible manner. Before arriving at a decision, the investor must carefully examine the pros and cons of such a plan. This necessitates a careful study of the factors affecting the financial market. In some cases individuals pool their resources for exploiting investment options available to high net worth investors. In the heart of financial planning lies the
question – how much and where to invest. After the investment decision is made, regular monitoring of performance is essential.

Key elements of investment planning are:

- Identification of available sources of funds
- Quantum of funds available
- Identification of investment options
- Risk – Return analysis
- Capital Budgeting decision
- Periodic monitoring of investment performance
- Portfolio upgrading

For proper investment planning it is important to formulate a winning investment strategy. The strategy generally encompasses a set of rules/regulations and takes into account the investors’ risk taking approach for example high net worth individuals are more likely to invest in risky propositions than others who prefer to invest in fixed return options which involves minimal risk. It is worthwhile to mention that most investors formulate a diversified portfolio in order to mitigate the risk.

**Need of investment** (Jose J, 2011)

- To keep the value of money at the time of inflation
- To get a good return from idle money
- To satisfy future financial goals
- Provide enough money for meeting uncertain future needs

**Investment Behaviour**

When investing, people are not always rational. This has led to evolution of a new field of study ‘behavioral finance’ which explains occasional strange behavior of investors.
Behavioral finance helps to predict the futuristic investment actions of individuals based on their personality traits.

Conventional economic theory focuses on the underlying belief that investors behave rationally. This forms the basis of efficient market hypothesis.

Although, other researchers have negated this assumption on the basis of evidence clearly indicating non-rational behaviour of investors. This evidence has led to behavioral finance which analyzes human emotions on investment decision making. Investment behaviour can be better understood with the help of various investment behaviour theories which are explained in the succeeding paragraphs.

**Regret Theory**

This theory analyzes the emotions of investors after making a wrong investment decision. Such investors do not sell off their investment to avoid embarrassment and regret. As such they become emotionally attached to the purchased asset.

The real issue that investors should ponder over is whether they are deriving any benefit with this asset and whether they would like to re-invest in this asset. A negative answer implies that there is a need to sell the same otherwise the investor is caught in a vicious circle of regrets.

Regret theory is also applicable for investors who find that the anticipated stock price has increased. Some conventional investors avoid the regret feeling by purchasing stocks in alignment with other investors.

**Prospect/Loss-Aversion Theory**

The theory was developed by Kahneman and Tversky in 1979. In general investors prefer low fixed investment returns in comparison to high risky returns.

Prospect theory found that investors showed varying emotions toward same quantum of gains and losses. Individuals exhibited high stress on incurring loss as compare to happiness from
same amount of gain. This theory clearly explains why investors do not sell off their losing stocks. Expecting a price hike investors assume risky portfolio. Another outcome of this theory is that investors hold on to their losing assets while selling their profitable ones. Primary belief is that losers may become profitable in near future. Investors often follow a prevailing investment trend which is a big mistake.

**Sample Investment Behaviour items**

- Your source of income is secure and regular.
- You invest regularly.
- Investment made by you brings sure returns.
- Most of the time, you invest from borrowings and pledging.
- Most of the time, your investment is from your income.
- You invest in variety of Stocks.
- You are a panic buyer or seller while investing.
- While investing, you adopt high risk and high return strategy.
- The overall return you get from your investment is satisfactory.
- The shares of the company in which you invest, has high market capitalization rate.
- Decision of your investment is based on the present financial status of the company.
- Most of the time you invest funds for long term.
- Your decision of investment is dependent on the goodwill of company in the market.
- Market movements and current economic indicators affect your investment decision.
- You always take advice of your friends and experts before making any investment decision.
Some important concepts to understand investment behaviour

Mental Accounting

This concept first named by Richard Thaler (1980), mental accounting attempts to describe the process whereby people code, categorize and evaluate economic outcomes. The tendency of individuals to assign happening in different chambers of the brain and the inherent difference between these brain chambers leads to greater influence on the individual’s behaviour than the happening itself. Classical example is an investor who is unwilling to sell his asset which earlier had high gain but can now offer only moderate gain. At the time of economic growth, when stocks are trading at high level, investors get used to high margins. However in times of economic lull, stocks trade at a lower level but the investor is unwilling to sell his asset at this time. This is because, the earlier prevailing high gains occupy one of their brain camber which prevents them from selling at lower margin.

Anchoring

Investors tend to believe that the current market prices are accurate due to non-availability of precise information. Another reason for the belief is because they give lot of credibility to market opinions and happenings which lead them to infer incorrect future trends which differ significantly from average values and probabilities.

In economic boom equity experts greatly influence individual investment decisions because the past returns become irrelevant for them.

Over/Under Reacting

At the time of rise in financial market, investors develop high hope that it will keep on rising up. On the contrary, in economic lull, investors feel negative. This leads to over reaction on occurrence of good events leading investors to purchase more than the optimal stocks. Similarly, after bad events investors under react and tend to sell off their assets.


**Overconfidence**

The inherent traits of individuals make them believe superior than their peers. Consequently, they consider their knowledge to be far more superior and mistrust their ability to tame the markets. But, in reality this does not happen which is confirmed by available evidences. Also, Overconfidence results in overwhelming trading leading to high trading costs and lower profits.

**The Prompt Investor Characteristics**

A calculative investor begins to start at an early stage and get pleasure in investment and remains happy with his present financial state. Main features of prompt investors are:

- Frequently makes adjustment in his/her investment portfolio.
- Invests regularly.
- Make investment in a diversified portfolio.
- Always concerned about weak points of investment plan.
- Keep losers for long time.
- Never take profits.

**The Unwilling Investor Characteristics**

The unwilling investor never get pleasure in making investment rather chooses to invest very less. Though, the unwilling investor is confident about returns and

- Has ensured enough retirement backup.
- Sells off investment whose returns are falling.
- Always invest in a diversified portfolio.
- Is not a market follower.
- Invests a small amount that too at a later stage.
- is not a regular investor, even if there is a capacity to do so.
• Does not frequently alter the portfolio.

**Characteristics of Competitive Investor**

This type of derives pleasure in investing but has the tendency to surpass the market. The investor is content with the prevailing situation and is:

• Confident about future assessment.
• Invest regularly.
• Start investing early.
• Tries to allocate maximum possible money in investment.
• Frequently adjusts portfolio.
• Holds losing assets for too long; thereby missing on profits.
• Does not diversify portfolio adequately.
• Is super confident and invests in hot assets.

**Characteristics of Unprepared Investor**

This type of investor put investing decisions on hold. The investor is not satisfied with prevailing financial scenario and post retirement savings backup and

• Lacks confidence in making investment decisions.
• Comprehends the significance of investment and is inclined to learn.
• Invests rarely and in a small amount and that too at a later stage.
• Holds losers too long.
• Does not consider expenses and taxes.
• Most of time allocates significant amount of money in a single asset.
• Does not realign portfolio regularly.
In case where the scenario is wrongly perceived, even rational thinking can lead to irrational decision making. Incorrect perceptions are caused by human biases which cause overemphasis on available information resulting in emotional attachment or discarding.

**Biases in Investment Behaviour**

These biases prevent objective evaluation and cause investors to make unexpected rational decisions. Following biases can significantly influence investing decisions:

- Availability
- Representativeness
- Overconfidence
- Anchoring
- Ambiguity aversion

**Availability bias**

Availability bias results from incomplete information available with the investors. Investors assign more weightage to the information in hand than the missing information.

**Representativeness**

Representativeness involves making investment decisions on the basis of Stereotypes. Under this, assets that give better returns at a later date generate optimism in investors whereas assets that give low returns generate pessimism.

**Ambiguity aversion**

Under ambiguity aversion, individuals show inclination towards familiar things rather than inexperienced things. There is no doubt that venturing into uncertain risky opportunities can lead to higher gains. However, some investors tend to stick to their past learning curve, which prevents them from diversifying their portfolio.
Framing

Gregory Bateson first introduced the framing concept in the year 1972. According to Bateson, a frame is a combination of interactive messages having temporal and spatial bonding. Framing defines how investors see different opportunities and take into consideration the context before decision-making. To further elaborate, framing involves the following:

1. Problem Imagination
2. Possible Solutions
3. Interrelation with other scenarios.

Loss aversion

Loss aversion indicates the tendency of an individual to strongly avoid losses against gain acquisition. In fact, psychological studies have revealed that the effect of loss is twice as strong as gain. For example, a person who suffers a monetary loss of 500 will feel twice more disgusted as compared to the satisfaction he derives on achieving the same quantum of gain. An investor who is loss averse may not be willing to take risk, which may lead to risk aversion, a situation when an investor analyzes a possible outcome comparing similar quantum of profits and losses.

Average risk taking personality

Safe, Watchful & Slow Investors

Safe, Watchful & Slow Investing personalities make investment decisions more on the basis of their emotions and feelings rather than on analysis. These investing personalities are comparatively touchier when about investment losses. These investors take time in making investment decisions and they care utmost care in using any “hot tips” from others. These investors would like to prefer investing more on debt linked investment options rather than on equity linked options. Because they have a low risk endurance limits, they prefer to stay away from the stock market.
Logical, disciplined and safe Investors
This type of investors a step more advanced than “Safe, Watchful & Slow Investors”. These investors have already developed their financial skills and are good in evaluating an investment options. But because they carry an inheritance “safe investing” psychology, they do not take higher risks. These investors will invest more on debt linked investing plans and less on equity linked plans. Their personality makes them a very good follower of Systematic Investment Plans (SIP). These investors will be good in generating average investment returns.

Better risk taking personality

Illogical, careless and quick Investors
These investors are quick in responding to “hot tips” as seen on news papers, televisions or even from a word of mouth. They are more emotionally driven rather than on logic and analysis. These are the type of investors who often get driven towards day trading of stocks.

Intelligent & Informed & Prompt Investors
This type of investor is ideal for investing community. They are not only well informed and quick in making investment decisions but are also very logical and analytical. They have great understanding of the whole business process hence making them realize the entry and exit point in equity linked investing. One of the best examples of this type of investor is the great Warren Buffett. 1.21 billion people (2011 census), more than a sixth of the world’s population. Demographic trends affect every sector of economy e.g. infrastructure planning, provision of healthcare and education. They have a significant role in shaping society.

Demographic factors included in the research
Demographic characteristics are facts about the makeup of a population. The demographics of India are remarkably diverse. India is the second most populous country in the world.

List of demographic factors:
Age
Education level
Family Size
Religion
City Size
Birth Rate
Life cycle stage

Income Level
Occupation
Race
Gender
Marital status
Death Rate
No. of children

Employment status

Above listed features explains most of the demographics. It was not possible to include all these demographical features in the study. So, the present study is limited to six demographical factors specifically age, gender, income, education, occupation and caste.

Personality traits referred to inherent differences which are deemed to be stable for most of life. These aspects remain constant. After explaining and understanding the different dependent, independent variables and other concepts which are included in the research, it is necessary to survey the status of knowledge available in the field area of study. So, the next chapter will give a detailed description of review of existing literature in the printed, electronic, vocal or any other form.