Abstract:
Behavioural finance acknowledges that decisions are irrational. The decisions taken by the individual are not consistent all the time. The reason for inconsistent decisions is due to investor awareness – outcome of adding up of surplus knowledge with respect to investments and differential preferences based on the return expectancy and risk taking capacity of individuals. Prior to decision making, investor undergoes processes. These combinations of factors i.e., irrationality and psychological variations have definite effect on decision making process – therefore which influences decision in turn. Thus, decisions can be broadly classified as - affective, experiential and deliberate which varies with the individual decision making knowledge with respect to investment approaches. Deliberate decisions are subject to intentional, effortful, conscious, purposeful, calculated and well planned decisions (rational). Whereas, experiential and affective decisions are based on dependence technique i.e., use of rules of thumb – employing mental shortcuts in making investment decisions. Here, in the present context- this paper is attempting to focus and summarise individual differences between rational and irrational decisions taken by investors with respect to investments. In order to test statistically, purpose of research is set to attain by research questions, objectives followed by hypotheses, methodology with relevant tools for analysis.

Keywords: Heuristics, Deliberate, Behavioural Finance and Irrationality.

References:


