A CONCEPTUAL MODEL OF FACTORS INFLUENCING INDIVIDUAL INVESTORS' INVESTMENT DECISION-MAKING PROCESS WITH INCLUSION OF BEHAVIOURAL FINANCE

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Abstract-
An investor expects to earn a return or capital gain from the investment whilst being aware of the risks involved. Howbeit, it is not only the investment's risk and return that affects the investor's preferences. Among various considerations, behavioural finance is one of the several pertinent factors that might affect an investor's choice as the metric of investors would manifest change with the insertion of this concept in investment decision-making. Investors' investing decisions, mostly, are less rational because they incorporate behavioural facets that might lead the investors to drift from rational decisions and effectuate behavioural bias. Present paper intents to proffer a conceptual model of factors influencing individual investors' investment decision-making with the inclusion of behavioural finance. The model would attempt to present the investment decision-making process in a simplified and comprehendible manner and could be used to bridge a gap between behavioural decisions and anomalies and market affairs.

Keywords: Behavioural finance, investment avenues, investment decisions, investors, preference.

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1 Introduction

Traditional financial theories assume that people are logical and that they carefully consider all the facts before making decisions, which is not true in practice. However, there are encounters of financial market phenomena that are challenging to explain using established market theories. In the 1980s, financial economists started to speculate about the chance that some market participants exhibit less rational behaviour. In the 1990s, the finance literature commenced highlighting the concept of "Behavioural Finance" which incorporates psychological explanations of market behaviour.

The term "behavioural finance" refers to psychologically oriented theories. It is an effort to comprehend how investors' behaviour is influenced by emotions and cognitive illusions. It emphasizes how investors evaluate information and take action on it to make investing decisions. This field elucidates that investors do not always make rational choices; rather, their decisions are systematically irrational. It investigates the psychological and sociological elements that affect how people- individually or in groups- make financial decisions.

Our preconceptions and impressions, which may not adhere to the standards of what can be called judicious, have some influence on many financial decisions. Behavioural finance focuses on such facets that play role in investment decision-making. Due to its unorthodox approach to understanding investment behaviour, the field of study has attracted attention. It is a growing discipline that paramounts attention on the psychology of financial practitioners' conduct (Merikas et al., 2004; Al-Tamimi, 2006). Studying behavioural finance has become a requisite because it illuminates the causes of market inefficiencies and demonstrates the impact of psychology on human behaviour. Researchers in this area of study have moiled to identify the behavioural biases typically displayed by investors and have also tried to offer solutions to overcome such biases. The pivot of behavioural finance is on how the investors perceive and behave whilst the plethora of information available to them in their investment decision-making process, highlighting that they don't always make rational financial judgments and that their behaviours lead them to choose differently.

Being the topic of intriguing interest as it manifests the investors' behaviour and prescribes the preferences' directions, there are multifarious studies in the field of behavioural finance, with the view of an investigation into the investment behaviour of individuals, considering changes over time or with the place and other factors. The paper takes into consideration such studies on various aspects related to investment decision-making and behavioural finance; that aid in the creation and presentation of the conceptual model pertaining to behavioural individual investors.

2 Objective

The objective of the paper is to provide a conceptual model that explains the investment decision-making process of individual investors with the inclusion of behavioural finance.

3 Research Methodology

The study is based on secondary data that is collected from research papers and online journals pertaining to individual investors' investment decision-making along with the various factors that influence their process of investment decision-making.

4 Important Facets Covered Under Behavioural Finance

Behavioural finance takes into account the prevalent points in real scenarios, which could be considered the limitations of traditional finance theories (Mellers et al.,1998). Some of the prominent ones are mentioned under.

4.1 Irrationality

Behavioural finance allows for irrational behaviour by individuals while making investment decisions. Howbeit, only the concept of rationality, which means that the investors always deploy their information wisely and effectively and analyze them objectively, is considered in conventional finance. Despite having access to various crucial pieces of information, investors, who are social beings with brains and hearts full of emotions, frequently act irrationally. They ignore the rationality approach and often become prejudiced (Ricciardi & Simon, 2000; Balaji, 2013; Gerrans, 2015; Pal, 2020).

4.2 Emotions in Investment

The significance of emotions in investment is largely disregarded by traditional financial theories. But behavioural finance gives space to emotions as investors are people with feelings; therefore, the importance of sentiment when making decisions cannot be downplayed, even in the area of investing.

4.3Information Imprecision

According to conventional finance, investors have access to all the information instantly. But in reality, this could not always be practicable since not all investors might have access to all information at once. Also, in the real world, rumours cannot be ignored.

4.4Significance of Experience

The decision-making of investors is undoubtedly influenced by and made judicious with experience. There is a difference between experienced investors and neophytes, which is, again, contrary to conventional finance.

4.5Demographic Factors

Such factors as age, gender, educational level, income level, etc., may have an influence on investment decision-making. And, behavioural finance does not disregard these factors.

5 Demographic Factors

These elements serve to describe the traits of an individual or population. When choosing an investing strategy, investors are influenced by a variety of variables. A surfeit of research has been conducted to determine the association between a person's demographic variables and investing preference. The whole portfolio management context would improve if an actual connection were developed. Demographic characteristics are simple to understand, simplifying and accelerating the conclusion about an investor's investment preferences.

Among other things, demographic parameters, including racial group, age, marital status, occupation and level of education and income are frequently employed. Numerous studies have been done to determine how demographic variables affect investment decisions, with inconsistent findings from one nation and one region to another.

5.1 Age

The easiest demographic to understand as well as one of the crucial factors, is age. It is among the most often used demographic factors for segmentation. Each age group showcases distinctive requirements and traits. And, various age groups ingest and react to different things, and individuals' tastes alter with age. Therefore, the demand for investment avenues or financial products to invest in might be dissimilar for people falling in different age brackets. When other factors are maintained constant, risk aversion is examined by researchers as having somewhat diminished with age (Wang & Hanna, 1997), and that older investors have better tolerance for risk (Gondaliya, & Dhinaiya, 2016). Contrarily, other studies discovered that investors' risk tolerance decreased as they aged. While some research works have shown no significant shifts in risk tolerance with respect to age (Al-Ajmi, 2008); Gumede, 2009; Anbar & Melek, 2010).

5.2 Gender

Another important category to segregate is gender. It is one of the demographic characteristics that is useful in distinguishing and categorizing (Bajtelsmit, & Bernasek, 1996). Every gender has distinctive traits that are particular and important in decision-making and would plump for certain preferences, which is quite normal. Ergo, it is indispensable that genders cannot have conflated needs and preferences. Considering emotional factors play a role, men and women have different orientations about risk (Loewenstein et al., 2001). When making financial decisions, for example, female investors are more risk-averse than male investors (Graham et al., 2002), and male investors are more risk-averse and more financially literate (Barber, & Odean, 2001).

5.3 Education

This variable conjectures that affluence and lifestyle are influenced by education. The mindset of people changes and evolves with ascending education, leading to a difference in investment preferences withal. The categorization is done under this variable, for considering investment avenues selection by individuals, generally start with higher education. Risk tolerance and education level are positively correlated (Graham et al., 2009). However, according to some researchers, there is no substantial correlation between education and risk tolerance (Gumede, 2009; Strydom et al. 2009).

5.4 Income

This is also a very straightforward type of demographic segmentation that can have a weighty impact on the investment avenues' selection and the portion of income to be invested. It has been noticed that wealthier individuals take on higher risks (Bernheim et al., 2001; Arano et al. 2010). Investors with higher income levels tend to have a more volatile portfolio (Barber & Odean, 2001).

5.5 Occupation

This factor may have an influence on investment choices. At times, occupation and income factors are used combined to further assist separate populations into distinct geographic areas, such as

cities, suburbs, and rural areas. Compared to those with lower occupational status, individuals with higher occupational status take greater risks (Roszkowski et al., 1993). It is regarded that people who earn their money through their own business or profession are better risk-takers than salaried ones (MacCrimmon & Wehrung, 1986).

5.6 Marital Status

A person's marital status decides his/her spending limits, savings and investments, as well as the type of avenues or investment opportunities picked out of the proffered lot. Some studies have shown that single individuals take greater risks than married people since the latter is responsible for both themselves and their dependents (Roszkowski et al., 1993; Lazzarone, 1996; Barber & Odean, 2001).

5.7 Family size

This is a demographic factor that has numerous variants. This is because of the number of family members and the age demographics of the family members (that is, children, adults, old-aged, etc.). The family size and type may dictate the need for specific types of investment requirements. The larger the family size, more would be the risk aversion (Lewellen et al., 1997).

5.8 Religion and Ethnicity

This demographic variable is regarded as sensitive. There have been some studies that discern the investment behaviour and pattern with respect to investors' religion and ethnicity, and findings have also been found to be in accordance with religious and group acceptance.

Apart from the above-mentioned demographic factors, there are various other variables, such as employment status, living status (home-owner or rented or lease), political affiliation, nationality, etc. that are viewed as important in decision-making, including investment-related decisions.

6 Types of Behavioural Investors and Biases

As every individual is different, their investment decisions and preferences might be different too. This paves the way for dissimilar investment behaviours exhibited by investors. Behavioural investors are grouped under four categories corresponding to their investment behaviours, and they are- Preserver, Follower, Independent and Accumulator. Different behavioural biases have been attached to each investor type to make it more simplified and comprehensible (Pompian, (2018).

6.1 Preserver

A preserver is a type of investor who prioritizes financial stability and money preservation over taking risks to increase wealth. These investors take losses very seriously and are custodians of their investments and assets. Due to their tendency to be cautious and their apprehension about making the wrong choice or taking on too much risk, preservers, more often than not, take their time making decisions and occasionally struggle to act on their investments. Rather, they favour delaying decisions and maintaining the status quo. They frequently are concerned about losing what they have already earned. Preserver biases are often influenced by emotion, that is, how they feel, instead of emphasizing cognitive factors, that is, how they think, because the priority is on financial security.

Wealth may also have an impact on preserver behaviour. Although this isn't always true, many wealth preservers intend to keep their riches, therefore they alter their risk tolerance after achieving their desired level of wealth. This is especially true for investors who have recently gone through a crisis that put their wealth in jeopardy (Pompian, 2012).

The biases that might hinder preservers from achieving their financial objectives are loss aversion, status quo, endowment biases (emotional biases), and anchoring and mental accounting (cognitive biases).

6.1.1 Loss Aversion

The majority of Preservers experience the pain of loss more than the satisfaction from getting gains. This is the core of loss aversion. This emotional bias inhibits individuals from selling losing investments, albeit they see little chance of a turning point. Retaining unprofitable investments made with the anticipation of a return has extremely adverse effects on portfolio performance, especially when investments continue to lose money for prolonged intervals.

6.1.2 Status quo

When presented with a range of options, this bias increases the susceptibility of people to select the one that keeps situations the same. People who are preservers prefer to maintain the status quo.

6.1.3 Endowment

This bias develops when people place a higher value on something when they own it and are at risk of losing it than when they don't own that asset

or investment and have the chance to acquire it. A common example of this bias would be a biased inclination towards an asset or investment held in the family for generations and, therefore, clinging to holding the property rights of that asset or investment.

6.1.4 Anchoring

This cognitive bias interferes with the processing of information. People typically start by visualizing some initial (like the purchase point), and default number—an "anchor"—when asked to generate an estimate, which they subsequently move up or down to evince new data and evaluation.

6.1.5 Mental Accounting

The final Preserver bias is mental accounting, in which people treat different amounts of money differently depending on how they mentally organize those amounts. Risk-averse passive preservers prefer to separate their assets into secure categories or accounts to keep them safe.

6.2 Follower

A follower investor acts passively and frequently shows little ability for or desire in managing money or investing. Additionally, followers often don't have their own investing views. Instead, individuals can decide to invest according to the advice of their friends, coworkers, or whatever investing trend is at the time. Considering they don't have their own investing views, Followers may respond differently when presented with the same investment proposal once already; in other words, the presentation might affect how they think and behave. Such investors frequently make decisions without taking a long-term strategy into account. When given professional advice, followers typically accept it and make an effort to understand financial scenarios.

Follower investors' biases are typically more cognitive than emotional, such as recency, hindsight, regret aversion, framing, and cognitive dissonance.

6.2.1 Recency

This is a tendency for individuals to more strongly recall and emphasize recent occurrences or considerations, and possibly deduce gauges where none are present.

6.2.2 Hindsight

This bias comes into the picture when an investor believes that investment results were foreseeable, although they were not. As a corollary, the excessive risk is accepted since it offers investors a spurious impression of safety and confidence when making investing decisions.

6.2.3 Regret Aversion

People who have this emotional bias put off making decisions because they think that whichever path they choose will turn out to be less benefiting than the ideal. Regret aversion might constrain investors from making overly cautious investment decisions. In case of loss incurred in the past, people could be hesitant to make prudent new investments, thereby, affecting long-term performance. In other words, it could be said that investment goals may be compromised by this conduct.

6.2.4 Framing

Follower investors exhibit this bias as they lack their own opinions about the investments, rather than following others' viewpoints and suggestions. So, the Followers react variably in diverse circumstances depending on the context in which options of investment are provided (framed). This simply means that they pay more attention to the presentation of the information instead of the information itself. Investors frequently ignore other factors by concentrating too narrowly on one or two components of a scenario.

6.2.5 Cognitive Dissonance

Cognitions are what psychologists refer to as attitudes, sentiments, convictions, or value systems. When various cognitions collide, such as when someone profoundly conjectures something merely to learn that it is untrue, they, instead of assuaging, attempt to inflate their uneasiness by preferring to disregard the facts and justifying their choice to do so. Even though they are aware that they should be evaluating the other investment rationally, Followers who are affected by this bias keep persistence in investing in an asset or fund they currently hold after it has declined.

6.3 Independent

Independent investors enjoy participating in the investment process and have their own thoughts about investing. Independents, in contrast to followers, are actively involved in the financial markets and may hold unusual opinions on investing. However, independents might not believe in adhering to a long-term financial plan. Having said that, many independents can and do follow an investment strategy to achieve their financial objectives. Independents are fundamentally logical and rational, and also

frequently base their choices on reason as well as intuition. When required, they are prepared to take chances and make quick decisions.
There are also negative aspects related to independent investors. Some might be influenced by biases, like, conservatism, availability, confirmation, representativeness, and self-attribution, which can thwart their efforts to accomplish objectives.

6.3.1 Conservatism
This bias is manifested when the investors refuse to consider fresh information and stubbornly hold onto an old opinion or forecast. Oftentimes, independent individuals act rigidly when confronted with recent information.

6.3.2 Confirmation
This happens when people seek information and assign high value to such information that supports their beliefs while ignoring or undervaluing facts that would cast doubt on their views. Investors that suffer from confirmation bias may only look for information that supports their ideas about a particular investment, rather than information that would challenge those claims.

6.3.3 Representativeness
This happens as a result of the processing of new information using an erroneous perceptual framework. Independent Individualists envision outcomes that are consistent with their own preconceived notions in order to render new facts simpler to absorb.

6.3.4 Self- attribution
This is a reference to the inclination to attribute success to natural abilities while attributing failure to external factors which are beyond their control.

6.4 Accumulator
An investor that is focused on collecting wealth and is confident in their ability to do so is the Accumulator investor. These individuals often have a track record of business success and have the self-confidence to succeed as investors as well. As a result, they frequently want to adapt their portfolio holdings and allocations to market dynamics and may not want to stick to a set strategy. Additionally, they seek to control or even influence the decision-making process, which may lessen the function of financial advisors. They are fundamentally risk-takers who are adamant that whatever course they follow is right. Also, they are quick at taking decisions. They are competing to win, unlike preservers (Pompian, 2008). They depend on themselves and desire to be the ones in control, unlike the followers. And unlike individual investors, they frequently go into the specifics as opposed to charting a course with only a portion of the necessary facts.
Although accumulators have a high-risk tolerance, their level of distress can be very high when failures occur. This pain could be brought on not just by a financial setback but also by a knock to their confidence along with the cognizance that they have little influence over how well their investments perform.

However, certain biases might affect some accumulators and reduce their ability to make successful investments, such as overconfidence, self-control, affinity, outcome, and illusion of control.

6.4.1 Overconfidence
This bias holds both cognitive and emotional components and is best delineated as unjustified confidence in one's own thinking and talents. Investors who are overconfident tend to overrate the strength of their judgments. Many Accumulators assert that they have above-average investment selection skills; however multiple studies have disproved this notion.

6.4.2 Self-control
This emotional bias portrays the predisposition to spend now rather than saving for the future. An investor with a high-risk tolerance and large spending tends to possess this bias.

6.4.3 Affinity
Affinity bias describes a person's proclivity to make irrationally unwise investing choices on the basis of how they think a particular investment will reflect their beliefs. Affinity-biased investors may invest in companies or businesses that provide services they find appealing, but they may not sufficiently consider whether those businesses' investing characteristics are sound.

6.4.4 Outcome
Investors make decisions focused on the outcome rather than the steps taken to get there with this cognitive and information processing bias. Investors might be steered to take extreme levels of risk under outcome bias with the sole view of gaining huge returns and no attention to the risk they are taking.

6.4.5 Illusion of Control

Under the illusion of control bias, investors assume that they can affect or even control investment outcomes when they actually cannot. The ideal method to manage an investment portfolio, according to Accumulators who are susceptible to this bias, is to make frequent adjustments.

7 Goals of Investors

An investor's conduct could be explicated as goal-oriented, implying that investors take decisions in order to accomplish both their goals. The general definition of a goal is an internal or mental picture of the desired or preferred condition (Austin & Vancouver, 1996). The likelihood that a specified goal is set, accepted, and implemented varies depending on individuals' abilities to intellectually understand the goal manifestation, evaluate the anticipated value of the set goal, choose and perform the required actions and identify and minimize any inconsistencies between the actual and the set goals (Custers & Aarts, 2005).

8 Emotions of Investors

Decisions are strongly influenced by emotions, and decisions can strongly influence emotions (MacCrimmon & Wehrung, 1986). Positive emotions have been found to boost creativity, facilitate the integration of information, and encourage diversity seeking, but they can also lead to an exaggerated belief in the possibility of positive occurrences and an underestimating of the probability of undesirable ones. Negative emotions encourage focusing inside and discourage searching for other options (Loewenstein et al., 2001). A study depicted that people have opposite emotions in the short run and long run (Gerrans et al., 2015). People are more likely to show guilt for their actions rather than their inaction in the short run; however, in the long run, they regret their actions (Gilovich & Medvec, 1995). Inadequate emotional learning can also result in poor choices like trying to make inordinate money through gambling (Damasio, 1996). As a result, both emotion and intellect are important in the decision-making process.

9 Risk- Return Profile of Investors

The risk an investor is willing to take decides the investments he/she would prefer. The risk involved and the returns offered by an investment are directly correlated; that is, the lower the risk, the lower or moderate would be the return and investments offering better returns would involve higher risk. Investors can be categorized into three categories on the basis of risk- risk averse, risk neutrals and risk takers. Risk-averse conduct is motivated by fear and anxiety reactions to risk as well as the repressed pain of past failures, whereas Risk-taking is prompted by the excitement of making more money (Camerer et al., 2005). The risk component is affected by demographic factors such as age, gender, etc. Male investors had a much higher tendency to take risks (Byrnes et al., 1999). The researchers also discovered changes in the gender gap that were affected by ageing. People's risk attitude is affected by their gender, level of education, age, and affluence (Donkers et al., 2001).

10 Time Horizon

While selecting the investment horizon, the frequency of revisions and modifications, along with planning, estimating and discounting, time is incorporated (Lovric et al., 2008). Setting the duration of investments is regarded as a useful approach. The time horizon in investing can be considered in three frames- short term, where goals tend to be for less than five years duration; intermediate term, where goals are set for a period of five to ten years and the value of the inceptive investment is viewed to increase with some experience in investing; and long term, covering goals which are cited for more than ten years (Smith, 2022). Depending on the requirements of the investors, the time frame or horizon is selected for investments.

11 Social Interaction

Any individual is a social being and wants to associate with a part or group of society, where information, perception, etc., are exchanged or shared. The social environment and interactions, thus, pull the strings when making any decision, which includes investment-related decisions as well. This happens, most commonly, through herding behaviour. The role of conversation in the spread of common views about financial markets has been highlighted (Shiller, 1990). As per a study, the majority of financial market participants purchased a specific stock and had their attention called to it via direct interactions (Shiller & Pound, 1989).

Herding has been described as logical and reasonable (Banerjee, 1992; Bikhchandani et al., 1992; Welch, 1992). However, it is considered to be irrational as well (Keynes, 1936). Investors tend to have a sense of security when they invest in accordance with other investors. In the financial market environment, herding refers to an investor's propensity to follow other people's investing

decisions, often not in a rational manner (Chiang et al., 2013; Pompian, 2012). Due to uncertainty and a deficit in information processing capacities, an investor chooses the same investment as the majority (Obeng, 2020). Similar to this, another research work claimed that investors who are more likely to engage in herding behaviour are those who have little knowledge, insufficient information, and low confidence in their opinions (Fernández et al., 2011). When the market is on either of the extremes, investors not only rely on their own understandings and decisions but also heavily on information shared about the market (Devenow & Welch, 1996). Information sharing in developing markets is partially responsible for the herding behaviour that exists among emerging markets (Chang et al., 2000). These are the effects of investors' herding tendency toward the markets on market efficiency. Investors' worry about failure may induce them to dismiss important information and begin to follow others (Shefrin & Statman, 2011). Investors act in a herd to maintain their image. When a decision made by an individual at his/her own discretion fails, he/she will feel a great deal of disappointment, but when several other investors' decisions fail, the regret is much less.

12 Market Factors

Scenarios prevalent at the moment or have occurred in the past have intimidating effects on the decisions pertaining to investments. The likelihood of slumps in the share prices, earnings from other investments and overall revenue creation could be very certain in some situations or happening of events. For example, negative news about a company may down surge its share prices as a corollary declining the investors' confidence to invest and even leading to the selling of such holdings. However, some investors' perspectives might induce them to buy the shares at a lower price, with the hope of gaining decently when the share prices rise again.

Schematically, circumstances such as regional and global economic transience phases, variations in exchange, inflation and interest rates, volatility risks and government sway investment decisions (Groww, 2022).

The currency rate risks state that the foreign currencies are expected to shrink in terms of value as the value of money pegged in foreign currencies increases, and the rate of return will immediately decrease once it is exchanged for the home currency. In other words, sinking exchange rates will lead to poorer investment returns.

An increase in the inflation rate erodes the purchasing power of the people and if it triggers a decline in the real value of the investment, that is, the return, even when being at the set percentage, decreases, the investor has been affected by the inflation rate.

Interest rate fluctuations are, typically, concerns for individuals invested in debt instruments. If the interest rate changes, so will the market value of the debt instruments. For instance, with an increase in the interest rate, there will be a drop in the value of fixed-income instruments. Also, the longer an investor holds the debt instrument, the more would be the interest rate risk.

Volatility risks relate to the investments in the equities of the companies. The value of a corporation's stocks moves in accordance with the performance of the business, which is influenced by macroeconomic considerations such as SEBI regulations, RBI stipulations, varying government mandates, the condition of the economy, etc.

The domination of the government over the markets is considerable (Balaji, 2013). The policies implemented by governments and their central banks have a significant impact on the financial sector. The government may constructively slow or make an effort to expedite national growth by raising and lowering interest rates, for instance. Various rules and regulations set forth by the governing bodies have a direct or indirect influence on investment decisions. Governments may vary the amount of investment that moves within and crosses the borders of the nation (inward or outward) by changing interest rates, tax rates, and the quantity of money that is accessible on the open market.

13 Information Available to the Investors

The information available about various facets that may have a bearing on investment decisions could relate to the past performance of the company, which includes a company's stock's performance. It is one of the most significant pieces of information that investors take into account when making investing selections (Obamuyi, 2013). They devote a considerable amount of effort to analyzing the stock's previous performance since it affects the anticipated returns (Mutswenje, 2009; Tavakoli et al., 2011). Both dividends and capital gains derived are included while making the

evaluation. Also, a company's annual report's aim ought to furnish investors, shareholders, and other interested parties with pertinent, valuable, and bona fide financial information about the performance and position of a company in addition to its forthcoming perspectives in order to facilitate judicious decisions by investors (Binh, 2014). In addition, a study culminated that individual investors prefer to make investments in those businesses that proffer complete financial transparency (Lawrence, 2013). Financial market quality, practical efficiency in the market and participants' interests are all impacted by information disclosure by the companies and those several factors should be considered when assessing the results of disclosure as well as while deciding the time and degree of disclosure (Goldstein & Yang, 2017).

In addition, information about the various investment avenues available to invest in is another important factor. When dispensed by an unbiased or independent source, such information weighs more. It is one of the key driving variables, according to investors in the Greek (Al-Tamimi, 2009) and UAE markets (Merikas & Merika, 2006). Internet (Kim & Verrecchia, 1991; Rubin & Rubin, 2010; Zhang et al., 2016), press coverage (Wu & Lin, 2017), advocate information (Baker, & Haslem, 1974; Merikas et al., 2004; Tun-Pin & Ming-Ming, 2011; Obamuyi, 2013), financial advisors (Ramnath et al., 2008), family members, relatives, etc. are several sources of copious information. However, rumours tend to reach a widespread in much less time but are still taken notice of by investors when making judgments (Fama et al., 1969), even if they do not believe the rumour's source and instead, they act as though it is news (DiFonzo & Bordia, 1997).

14 CONCEPTUAL MODEL ON INDIVIDUAL INVESTORS' BEHAVIOURAL INVESTMENT DECISION MAKING

A conceptual model is a framework that portrays a process. It comprises ideas that aid in knowing, comprehending, or simulating the subject the model presents. These models are based on generalizations. Conceptual models are frequently abstracts of real-world phenomena.

The following model, Fig. 1, describes the process of investment decision-making by individual investors whilst including the behavioural finance domain.

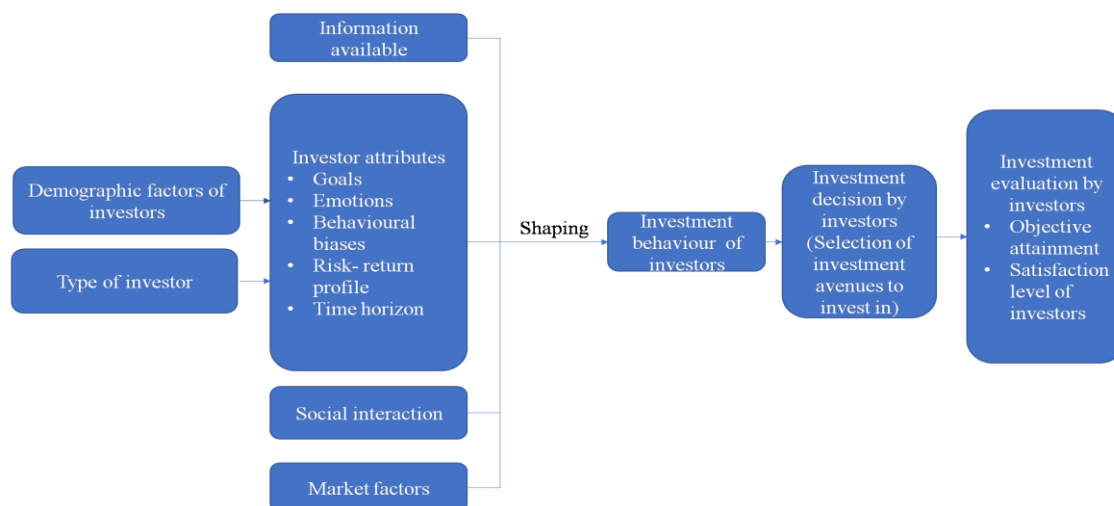

Figure 1: conceptual model on individual investors' behavioural investment decision making

An individual investor, sometimes known as a retail investor, is someone who makes their own investments, typically via a medium that could be a mutual fund, bank, or broker. They make investments to achieve their own investment objectives, such as saving for retirement, a child's education, or to increase their overall wealth and other personal priorities. Individual investors may be more likely to make emotional judgments since they invest their own money.

Fig. 1 indicates that an individual's demographic profile, along with the type of investor he/she is, affects his/her attributes relating to investing, like-emotions, goals- long-term or short-term, capital building, the safety of the principal amount, returns or stability of income, etc., behavioural biases, risk and return profile of the investor- which takes into account the risk attitude of the investor along with the desired return, the time period the investor is considering pertaining to investments.

Factors like the availability of information in the market, investors' attributes, social interactions-including herding behaviour and various market factors shape the investment behaviour of the individual investors, which helps in decisions relating to the selection of the investment avenues. However, the degree of importance of such factors might be deemed differently by different individuals; for instance, some investors may consider the information available to him/her and market factors to be with utmost priority, but there might be other investors who would pay attention to emotional aspects, therefore, the decisions by every individual investor would not comply with one another. That is, in accordance with the priorities with which these factors are viewed by the investors, the investment decision would be made. Once the decisions are taken, and investments are made, the investors, then, analyze their investments in order to interpret the judiciousness of their investment decisions. The assessment is, broadly, based on how well the objectives have been attained and the satisfaction level of the investors with the investments.

15 CONCLUSION

There are different types of individual investors who are prone to or possess various kinds of behavioural biases that have an influence on their investment decision-making process. And, it is not just the rational factors that have a bearing on the investment decisions but various behavioural aspects that pave the way to anomalies in the market. The paper showcases the investor to be in a constant process of changing and learning with respect to the demographic factors, social interactions, information availability and overall environment, that take in information, interpret it and act as they desire. Also, the investor scrutinizes the investment decisions and outcomes. The conceptual model simply, shows that the investment decision-making process is not as simple as one can perceive; its implementation might be elusive as a surfeit of factors (including the behavioural factors) control it. However, the presentation of the model is kept simple for comprehension by people in general.

The field of behavioural finance has gained attention because of the market anomalies that shouldn't have taken place if all the investors followed the traditional financial approach. The framework on individual investor behaviour seeks to condense and organize a portion of the huge array of information about investor behaviour that exists in the behavioural finance arena. It can provide the foundation for a more intricate and accurate depiction of investor behaviour.

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