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International Journal of Innovation Studies

INVESTMENT DECISIONS AND BEHAVIORAL BIASES: A STUDY OF INVESTORS IN TAMIL NADU

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Abstract
This study examines the impact of behavioral biases on investment decisions among equity investors in Tamil Nadu, focusing on cognitive and emotional biases that influence financial choices. Using a descriptive research design and a purposive sampling technique, primary data was collected from 418 equity investors through a structured questionnaire. The findings reveal that behavioral biases, particularly emotional biases, significantly shape investor decision-making, often leading to irrational choices driven by overconfidence, herd mentality, loss aversion, and familiarity bias. The study also identifies investment research and risk management as the strongest predictors of effective financial decision-making, while psychological and ethical considerations have a moderate impact. Additionally, the results highlight a gender gap in investment participation, suggesting the need for targeted financial literacy initiatives. Addressing behavioral biases through financial education and strategic planning can help investors make more rational and informed decisions, optimizing their financial outcomes.
Keywords: Behavioral Biases, Investment Decision-Making, Cognitive Bias, Emotional Bias, Financial Literacy, Risk Management, Equity Investors.
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I. INTRODUCTION

Although financial well-being is criticallydesigned by investment decisions, psychological and behavioural elements can have more impact than only rational analysis. Behavioural finance contends against conservative wisdom in finance, which holds that investors make rational decisions depending on risk-return trade-offsAhmed, Z., et al.. (2020). Investors often show prejudices, heuristics, and emotional influences guiding their decisions, therefore deviating from logical financial behaviour. Understanding how behavioural biases affect investment decisions is crucial for both politicians and investors in Tamil Nadu, a state well-known for its varied economic scene and rising financial consciousness.Investing decisions are much shaped by behavioural biases including overconfidence, loss aversion, herd mentality, and anchoring. Like elsewhere, many

Tamil Nadu investors follow market trends motivated by social factors rather than basic researchLaura Sizer (2000). Often the effect of depending too much on past events, personal ideas, and emotions is less than ideal financial results.

For example, whereas overconfidence may lead to too high risk-taking, the fear of losses might result in conservative investing policies. Developing financial literacy initiatives that enable investors make better informed decisions depends on an awareness of these behavioural patterns.The financial scene of Tamil Nadu is varied and includes both conventional and new instruments. Although gold and real estate have always been favoured investment choices, the growth in stock market involvement, mutual funds, and digital assets points to a change in investing behaviourMarvin Zuckerman (1979). This shift does not, however, free from psychological prejudices. Many times, investors respond emotionally to changes in the market and make snap judgements depending more on short-term movements than on long-term worth. Portfolio diversification, asset allocation, and general financial stability all suffer when biases exist.

From the point of view of behavioural finance, the purpose of this study is to investigate the ways in which emotional and cognitive biases influence the actions of investors in the state of Tamil Nadu in India. It may be possible to more effectively construct regulations and financial education campaigns that promote behaviour associated with sensible investment if these biases are acknowledged and taken into consideration. Having a more in-depth knowledge of these elements might be beneficial not just to individual investors but also to the general soundness of the state's financial systemSingh J and Chander S (2006). As a result of this research's awareness of the psychological components of investing behaviour, investors will be better prepared to navigate the complexities of the financial markets with greater knowledge and certainty. This will be the case because investors will be better equipped to traverse the markets. Figure 1 provides a reasonable summary of the cognitive and psychological biases that influence the investment decisions made by investors in Tamil Nadu. Specifically, it draws attention to the fact that investors make use of mental shortcuts, which are referred regarded as heuristics, such as anchoring and representativeness. It is common for these shortcuts to result in bad conclusions about risk assessment. The discrepancy in how investors perceive gains and losses is brought to light by the development of prospect theory. As a result of this, investors have a tendency to behave risk-aversely while they are generating money, but they behave risk-seeking when they are at danger of financial loss.

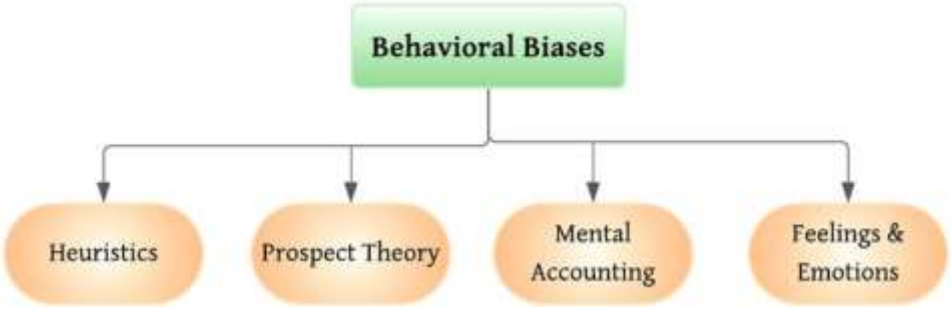


Figure 1: Behavioral Biases in Investment Decisions

It is a tendency to categorise finances based on subjective criteria rather than on solid financial ideas, which effects spending decisions and portfolio diversification. Mental accounting is a reflection of this tendency. The term "mental accounting" refers to a kind of accounting that is performed mental accounting procedures. In conclusion, but certainly not least, emotions and states of mind have a huge role in the choices that individuals make about their possessions Zakaria, Z et al. (2017). It is possible that the underlying causes for impulsive or excessively cautious acts include feelings such as anxiety, aversion to regret, and overconfidence. By being aware of these biases, investors and financial advisors have the potential to enhance long-term financial success and lessen the amount of illogical decision-making that occurs.

II. REVIEW OF LITERATURE

The behavioural finance questions the conventional logical models of financial decision-making, it has attracted a lot of interest recently. Different behavioural biases that affect investors have been investigated by researchers, which results in less than ideal financial decisions. With an eye towards Tamil Nadu's equity investors especially, the present review synthesises the body of available research on behavioural biases and how they affect investing decisions.Examining the impact of behavioural biases in investment decisions, Charles and Kasilingam (2016) found overconfidence, herding, and loss aversion as main influences. According to their research, many times investors rely more on psychological heuristics than logical analysis, which results in illogical decisions. Comparably, Vijayalakshmi and Ramasamy (2019) investigated cognitive biases among individual home investors and underlined how irrational behaviour resulting from psychological and emotional elements influences investment decisions. Their studies underlined how cognitive biases such as representativeness and anchoring impair financial judgement, therefore producing overestimated risks and less than ideal portfolio decisions. With an eye on Tamil Nadu, Bhavani and Senthil (2023) examined investor biases in equity investment decisions and discovered that regret aversion and self-attribution bias significantly affect investor behaviour. Their research highlighted how investors often ascribe success to their abilities while blaming outside events for losses, which fuels overconfidence and consistent mistakes in judgement. By analysing the interaction of personality traits, emotional intelligence, and behavioural prejudices among equities investors, Vidya (2023) enhanced this viewpoint. The study came to the finding that financial decision-making is much influenced by personality-driven prejudices including emotional stability and risk tolerance.

In Chennai, Harini and Subramanian (2020) carried out research to evaluate behavioural influences on investment choices. Investors, they discovered, often show confirmation bias—that is, they favour information consistent with their preconceptions while ignoring contradicting data. Because investors cannot objectively evaluate market movements, this inclination usually results in bad financial judgements. In a similar vein, Srinivasan (2023) investigated the association between self-efficacy and behavioural biases and found that investors with high self-efficacy often overestimated their capacity to forecast

market movements, therefore raising their exposure to risks.

The 2023 Bhuvaneswari et al. looked at how loss aversion and availability bias affected Tamil Nadu individual investors. Their results showed that rather than doing extensive market research, investors are more inclined to depend on easily available data. Furthermore noted as a major bias preventing investors from leaving underperforming stocks out of concern of losing money was loss aversion. The findings strengthened the idea that rather than using a logical strategy, investors usually act emotionally.At last, Ramasamy and Vijayalakshmi (2019) concentrated on heuristic behaviour of Tirunelveli District investors. Their research underlined the part mental shortcuts play in investment decision-making, in which case investors depend more on simplified guidelines than thorough research. Portfolio decisions were found to be much influenced by heuristics including availability bias, representativeness, and familiarity bias, so frequently resulting in financial mistakes.

According to the literature, among Tamil Nadu's stock investors, behavioural prejudices are clearly important in determining investing choices. Unfounded investment behaviour results from cognitive and emotional biases include overconfidence, loss aversion, herding, and availability bias. These results highlight the need of financial literacy and investor awareness campaigns to reduce the negative consequences of behavioural prejudices and support wise decisions in financial markets.

III. OBJECTIVES OF THE STUDY

- To analyze the impact of behavioral biases on investment decisions among equity investors of Tamil Nadu.
- To examine the influence of cognitive and emotional biases on investor decision-making.
- To identify the hidden factor in investor decision-making among equity investors in Tamil Nadu.

IV. METHODOLOGY

This study uses a descriptive research design to explore how behavioural biases affect the investment choices of equity investors in Tamil Nadu. The study used a purposive sampling technique to choose respondents who are actively involved in equity investments. Tamil Nadu has been selected for this study because of its rising financial literacy, greater involvement in stock markets, and varied investment culture. The data was collected from 462 samples, later scrutinized to 418 samples. This study includes individual investors from various backgrounds, such as salaried professionals, business owners, self-employed individuals, and retirees, all of whom invest in equity markets. This study gathers primary data using a structured questionnaire aimed at understanding behavioural biases and how they influence investment decisions. The questionnaire features closed-ended questions using a Likert scale to assess how investors' cognitive biases, emotions, and decision-making habits come into play. This also gathers

demographic information to explore how investor traits relate to behavioural biases. The data gathered using this method is analysed to uncover patterns, correlations, and key factors that influence investment decisions.

V. ANALYSIS AND INTERPRETATION

The demographic profile of the respondents provides insights into the distribution of gender, age, income levels, and educational qualifications among the investors surveyed. This analysis helps in understanding the background characteristics influencing investment decisions.

Table No. 1: Percentage Analysis -Demographic Profile

		Frequency	Percent
Gender	Male	320	76.6
	Female	98	23.4
	Total	418	100.0
Age	Less than 30 Years	43	10.3
	30 - 40 Years	168	40.2
	40 - 50 Years	172	41.1
	Above 50 Years	35	8.4
	Total	418	100.0
Income	Less than Rs. 30000	49	11.7
	Rs. 30001 - Rs. 60000	174	41.6
	Rs. 60001 - Rs. 100000	157	37.6
	Above Rs. 100000	38	9.1
	Total	418	100.0
Education	High School	36	8.6
	Graduate	154	36.8
	Post Graduate	196	46.9
	Other Professional Degree	32	7.7
	Total	418	100.0

Source: (Primary data)

The gender distribution indicates that a significant majority (76.6%) of the investors are male, while females constitute only 23.4% of the sample. This suggests a gender disparity in investment participation, highlighting the need for increased financial literacy and investment awareness among women.

In terms of age, the majority of respondents fall within the 30–50 years category, with 40.2% between 30–40 years and 41.1% between 40–50 years. This suggests that middle-aged individuals are more actively engaged in investment activities, possibly due to financial stability and long-term wealth planning.

Regarding income levels, the highest proportion of respondents (41.6%) earn between ₹30,001 and ₹60,000, followed by 37.6% in the ₹60,001–₹100,000 range. This indicates that investors primarily belong to the middle-income group, with limited representation

from high-income earners.

The educational qualifications of the respondents show that 46.9% hold a postgraduate degree, and 36.8% are graduates. This implies that higher educational attainment positively correlates with investment participation, as financially literate individuals are more likely to explore investment opportunities.

The descriptive statistics for behavioral bias provide insights into the cognitive and emotional biases influencing investment decisions. The mean values indicate the extent of agreement with each statement, while the standard deviation reflects the variability in responses.

Table No. 2: Descriptive Statistics- Behavioural Bias

Descriptive Statistics		
	Mean	**Std. Deviation**
Cognitive Bias		
Past investment performance is a reliable predictor of future returns.	4.2703	.81716
Preference is given to familiar stocks over exploring new investment options.	4.2488	.80782
Investment decisions are influenced by recent market trends rather than fundamental analysis.	4.2416	.80852
Confidence in the ability to select profitable stocks is often high.	4.2871	.83902
Losing stocks are held onto with the expectation of price recovery.	4.2608	.89305
Investment choices frequently change based on the opinions of friends or media.	4.2560	.88906
Patterns in stock price movements can be predicted accurately.	4.3158	.77786
Well-known companies are preferred for investments over lesser-known stocks, even if financial performance is better.	4.2751	.80966
Emotional Bias		
Confidence in investment decisions increases when others invest in the same stocks.	4.2823	.83205
Missing out on investment opportunities leads to impulsive decisions in trending stocks.	4.2679	.85941
Selling stocks at a loss is avoided, even if further losses are expected.	4.2608	.86855
Anxiety over stock price fluctuations results in hasty decisions.	4.2057	.84862
Previous gains encourage more investments with an expectation of continued success.	4.2344	.84113
Emotional attachment to certain stocks makes selling difficult.	4.1890	.91624
Investment decisions are often based on intuition rather than	4.2751	.91269

detailed analysis.		
Riskier assets are avoided, even when they offer higher potential returns.	4.2919	.83737

Source: (Primary data)

The cognitive bias section reveals a strong tendency among investors to rely on past investment performance as a predictor of future returns (M = 4.2703, SD = 0.81716). Familiarity bias is evident, with investors preferring known stocks over exploring new opportunities (M = 4.2488, SD = 0.80782). Additionally, market trends play a significant role in shaping investment choices, often taking precedence over fundamental analysis (M = 4.2416, SD = 0.80852). High confidence in stock selection ability (M = 4.2871, SD = 0.83902) and reluctance to sell losing stocks (M = 4.2608, SD = 0.89305) suggest overconfidence and loss aversion biases. Furthermore, external influences, such as media opinions and social networks, significantly impact decision-making (M = 4.2560, SD = 0.88906).

The emotional bias section highlights that investors feel more confident when others invest in the same stocks (M = 4.2823, SD = 0.83205), indicating herd behavior. The fear of missing out (FOMO) leads to impulsive investment decisions in trending stocks (M = 4.2679, SD = 0.85941). Loss aversion is prevalent, as investors tend to hold onto losing stocks to avoid realizing losses (M = 4.2608, SD = 0.86855). Anxiety over price fluctuations often results in rushed decisions (M = 4.2057, SD = 0.84862), while previous gains encourage continued investments with unrealistic expectations (M = 4.2344, SD = 0.84113). Emotional attachment to stocks makes selling difficult (M = 4.1890, SD = 0.91624), and intuition-based decision-making (M = 4.2751, SD = 0.91269) often overrides rational analysis. Additionally, risk aversion prevents investors from considering high-return opportunities (M = 4.2919, SD = 0.83737).

The descriptive statistics for investment decision-making highlight the factors influencing investor behavior, including research, risk management, financial planning, and emotional control. The mean values reflect the level of agreement with each statement, while the standard deviation indicates response variability.

Table No. 3: Descriptive Statistics- Investment Decision Making

Descriptive Statistics		
	Mean	**Std. Deviation**
Thorough research is conducted before making investment decisions.	4.2584	.85396
Diversification is considered essential for minimizing investment risks.	4.2416	.87133
Stable investments with moderate returns are preferred over high-risk, high-return options.	4.2560	.83911
Financial advice is sought before making investment decisions.	4.1866	.89422
Clear financial goals are established before entering the equity	4.2847	.78829

market.		
Investments are monitored regularly, and portfolio adjustments are made accordingly.	4.3086	.76680
Technical analysis plays a role in investment decision-making.	4.2895	.80462
Company fundamentals such as earnings and growth potential influence investment choices.	4.2392	.88157
Macroeconomic factors (inflation, interest rates, GDP growth) are taken into account before investing.	4.2536	.84977
Past investment decisions are reviewed to enhance future investment strategies.	4.3278	.77444
A disciplined approach is followed in investing rather than making impulsive decisions.	4.1746	.86256
Long-term financial objectives guide investment choices rather than short-term gains.	4.2847	.83554
Independent decision-making is practiced without being influenced by market sentiment.	4.2847	.80633
Companies aligning with personal values and ethics are preferred for investments.	4.2440	.80034
Portfolio reallocation is done based on market conditions to maximize returns.	4.2608	.85744
Tax implications are considered before making investment decisions.	4.3349	.75406
Maintaining an emergency fund is prioritized before making significant investments.	4.2488	.88706
Expected dividends and capital appreciation are key factors in investment decisions.	4.2560	.80109
Risk tolerance levels are evaluated before selecting investment options.	4.2488	.90313
Learning new investment strategies and financial planning techniques is actively pursued.	4.1962	.84807
Emotional influences are minimized when making stock market investments.	4.2392	.88428

Source: (Primary data)

The data suggests that investors prioritize thorough research before making investment decisions (M = 4.2584, SD = 0.85396) and consider diversification essential for minimizing risks (M = 4.2416, SD = 0.87133). Preference for stable investments over high-risk options (M = 4.2560, SD = 0.83911) indicates a risk-averse approach. Financial advice is sought (M = 4.1866, SD = 0.89422), and clear financial goals are established before entering the equity market (M = 4.2847, SD = 0.78829). Regular portfolio monitoring and adjustments (M = 4.3086, SD = 0.76680) signify an active investment approach.

Technical and fundamental analysis plays a key role in decision-making, with investors considering company earnings and growth potential (M = 4.2392, SD = 0.88157) and macroeconomic factors such as inflation and interest rates (M = 4.2536, SD = 0.84977). Past investment decisions are reviewed to improve future strategies (M = 4.3278, SD = 0.77444), highlighting a learning-oriented mindset. A disciplined approach is preferred over impulsive actions (M = 4.1746, SD = 0.86256), and long-term objectives guide investment choices (M = 4.2847, SD = 0.83554).

Investors exhibit independent decision-making, resisting market sentiment influence (M = 4.2847, SD = 0.80633), and prefer companies aligning with personal values (M = 4.2440, SD = 0.80034). Portfolio reallocation based on market conditions (M = 4.2608, SD = 0.85744) and tax considerations before investments (M = 4.3349, SD = 0.75406) indicate strategic planning. Maintaining an emergency fund before significant investments (M = 4.2488, SD = 0.88706) suggests a cautious financial approach. Expected dividends and capital appreciation are key factors (M = 4.2560, SD = 0.80109), and risk tolerance is evaluated before investment selection (M = 4.2488, SD = 0.90313).

Continuous learning of investment strategies (M = 4.1962, SD = 0.84807) and efforts to minimize emotional influences (M = 4.2392, SD = 0.88428) indicate an evolving investment approach. Overall, the findings suggest that investors make structured, well-researched, and risk-managed decisions, emphasizing long-term gains, financial planning, and adaptability to market conditions.

The regression analysis examines the relationship between behavioral biases and investor decision-making. The model summary, ANOVA, and coefficient table provide insights into the strength, significance, and predictive power of behavioral biases on investment decisions.

Table No.4: Regression Analysis – Impact of Behavioural Bias on Investment Decision Making

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.881[a]	.777	.776	.22869	
a. Predictors: (Constant), Behavioral Biases					
ANOVA[a]					
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	75.735	1	75.735	1448.087	.000[b]
	Residual	21.757	416	.052		
	Total	97.491	417			
a. Dependent Variable: Investor Decision-Making						
b. Predictors: (Constant), Behavioral Biases						
Coefficients[a]					
Model		Unstandardized	Standardized	t	Sig.

		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	.478	.100		4.782	.000
	Behavioral Biases	.887	.023	.881	38.054	.000
a. Dependent Variable: Investor Decision-Making						

Source: (Primary data)

The model summary indicates a strong relationship between behavioral biases and investor decision-making, with an R-value of 0.881, suggesting a high correlation. The R-squared value of 0.777 implies that 77.7% of the variation in investor decision-making is explained by behavioral biases, while the adjusted R-squared value (0.776) confirms the model's stability. The standard error of the estimate (0.22869) is relatively low, indicating good model fit.

The ANOVA table further validates the model's significance ($F = 1448.087$, $p < 0.001$), confirming that behavioral biases significantly influence investor decision-making. The low residual sum of squares (21.757) compared to the total sum of squares (97.491) suggests that the model captures most of the variation in investor decisions.

The coefficient table shows that the constant term ($B = 0.478$, $p < 0.001$) and behavioral biases ($B = 0.887$, $p < 0.001$) are both statistically significant. The standardized beta coefficient (0.881) highlights the strong impact of behavioral biases on investment decisions. The t-value (38.054, $p < 0.001$) further confirms the significance of the predictor variable.

The regression analysis evaluates the combined impact of cognitive and emotional biases on investment decision-making. The results highlight the significance and relative influence of these biases in shaping investor behavior.

Table No.5: Regression Analysis - Impact of Cognitive and Emotional Bias on Investment Decision Making

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.884[a]	.781	.780	.22675
a. Predictors: (Constant), Emotional Biases, Cognitive Biases				
ANOVA[a]				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	76.154	2	38.077	740.559	.000[b]
	Residual	21.338	415	.051		
	Total	97.491	417			
a. Dependent Variable: Investor Decision-Making						
b. Predictors: (Constant), Emotional Biases, Cognitive Biases						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.525	.100		5.224	.000
	Cognitive Biases	.356	.033	.360	10.835	.000
	Emotional Biases	.521	.029	.588	17.714	.000
a. Dependent Variable: Investor Decision-Making						

Source: (Primary data)

The Model Summary reveals a strong relationship between cognitive and emotional biases and investor decision-making, with an R value of 0.884, indicating a high correlation. The R^2 value of 0.781 suggests that 78.1% of the variance in investor decision-making is explained by cognitive and emotional biases. The adjusted R^2 value of 0.780 confirms the model's robustness, accounting for potential overfitting. The standard error of 0.22675 indicates minimal deviation in the predicted values, reinforcing model accuracy.

The ANOVA results further validate the model's significance, with an F-statistic of 740.559 and a p-value of 0.000, indicating that cognitive and emotional biases significantly influence investment decision-making. The large F-value suggests that these biases are strong predictors of investor behavior.

The Coefficients table provides insights into the relative contribution of cognitive and emotional biases. The constant (B = 0.525, p = 0.000) represents the baseline level of investor decision-making without the influence of biases. The coefficient for cognitive biases (B = 0.356, p = 0.000, Beta = 0.360, t = 10.835) suggests that an increase in cognitive biases leads to a 0.356 unit increase in investor decision-making. This indicates a significant but relatively lower impact compared to emotional biases. Meanwhile, emotional biases (B = 0.521, p = 0.000, Beta = 0.588, t = 17.714) show a stronger influence, suggesting that an increase in emotional biases results in a 0.521 unit increase in investor decision-making. The higher Beta value (0.588) and t-value (17.714) for emotional biases indicate that emotions have a greater influence on investment choices than cognitive biases.

Exploratory Factor Analysis (EFA) was conducted to identify the underlying dimensions influencing investment decision-making. Using Principal Component Analysis with varimax rotation, the Pattern Matrix revealed four distinct factors that shape investors' financial behavior. These factors were identified based on factor loadings and conceptual coherence, leading to the classification of investment decision-making into four major categories: Investment Research, Risk Management, Decision-Making Approach, and Psychological & Ethical Considerations.

- Factor 1: Investment Research
    - Thorough research is conducted before making investment decisions.

- Technical analysis plays a role in investment decision-making.
- Company fundamentals such as earnings and growth potential influence investment choices.
- Macroeconomic factors (inflation, interest rates, GDP growth) are taken into account before investing.
- Past investment decisions are reviewed to enhance future investment strategies.
- Learning new investment strategies and financial planning techniques is actively pursued.
- Tax implications are considered before making investment decisions.

- Factor 2: Risk Management
  - Diversification is considered essential for minimizing investment risks.
  - Stable investments with moderate returns are preferred over high-risk, high-return options.
  - Portfolio reallocation is done based on market conditions to maximize returns.
  - Risk tolerance levels are evaluated before selecting investment options.
  - Maintaining an emergency fund is prioritized before making significant investments.
  - Financial advice is sought before making investment decisions.
- Factor 3: Decision-Making Approach
  - Clear financial goals are established before entering the equity market.
  - Investments are monitored regularly, and portfolio adjustments are made accordingly.
  - A disciplined approach is followed in investing rather than making impulsive decisions.
  - Long-term financial objectives guide investment choices rather than short-term gains.
  - Independent decision-making is practiced without being influenced by market sentiment.
- Factor 4: Psychological and Ethical Considerations
  - Companies aligning with personal values and ethics are preferred for investments.
  - Expected dividends and capital appreciation are key factors in investment decisions.
  - Emotional influences are minimized when making stock market investments.

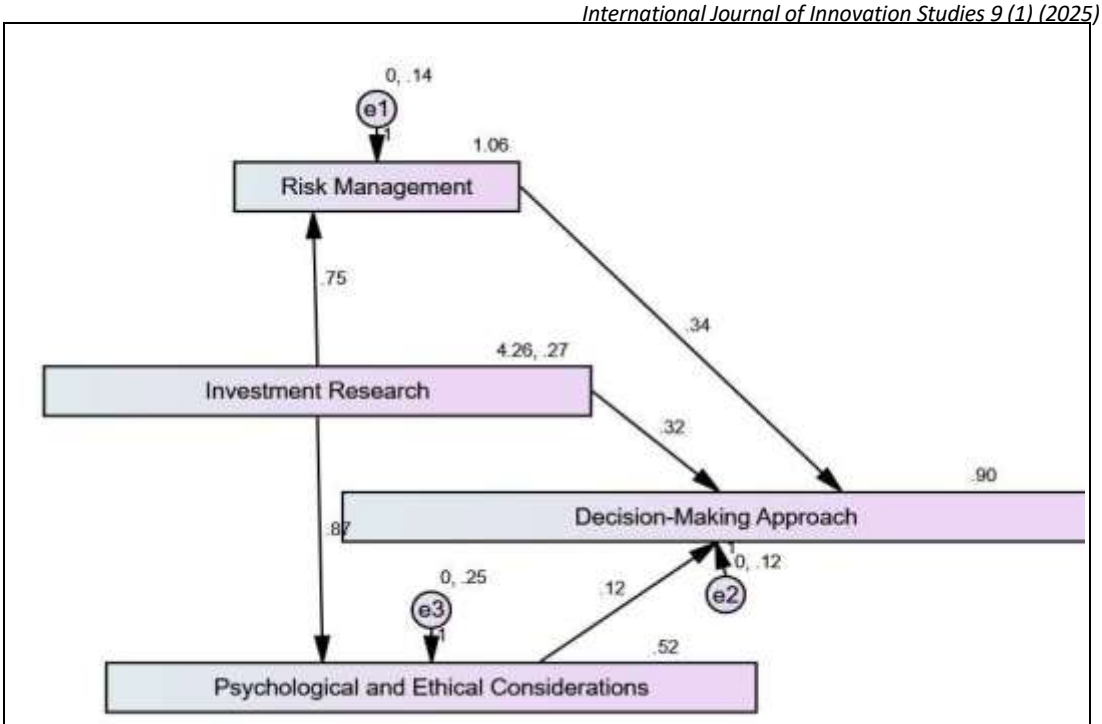
The Confirmatory Factor Analysis (CFA) and Structural Equation Modeling (SEM) results assess the validity and reliability of key investment decision-making factors, including investment research, risk management, decision-making approach, and psychological and ethical considerations. The model fit indices confirm the robustness and

significance of these relationships.

Table No.6: Model Analysis

CFA Model Summary								
Factor	**CR**	**AVE**	**MSV**	**MaxR**	**1**	**2**	**3**	**4**
Investment Research	0.92	0.68	0.45	0.925	0.824			
Risk Management	0.91	0.66	0.42	0.915	0.48	0.812		
Decision-Making Approach	0.905	0.64	0.41	0.91	0.46	0.52	0.8	
Psychological and Ethical Considerations	0.915	0.67	0.44	0.92	0.49	0.5	0.53	0.819

SEM Model Summary			
Fit Index	**Value**	**Threshold**	**Interpretation**
Chi-Square (χ^2)	126.16	-	Indicates overall model fit; lower values are preferred.
CMin/DF	2.02	≤ 3.0	Acceptable fit (Byrne, 2016).
Goodness of Fit Index (GFI)	0.94	≥ 0.90	Model exhibits good overall fit (Hair et al., 2010).
Adjusted GFI (AGFI)	0.92	≥ 0.80	Marginally acceptable fit; close to threshold.
Comparative Fit Index (CFI)	0.96	≥ 0.90	Model fits well compared to null model.
Root Mean Square Error of Approximation (RMSEA)	0.052	≤ 0.06	Good fit (Hu & Bentler, 1999).
Standardized Root Mean Square Residual (SRMR)	0.041	≤ 0.08	Indicates a good fit (Kline, 2015).
P-value	***	> 0.05 (for non-significance)	Model fit is significant; relationships within model are supported.



Regression Weights			Estimate	S.E.	C.R.	P
PE	<---	IRS	0.87	0.047	18.395	***
RM	<---	IRS	0.752	0.035	21.211	***
DM	<---	RM	0.345	0.045	7.745	***
DM	<---	PE	0.124	0.033	3.71	***
DM	<---	IRS	0.322	0.055	5.874	***
IRS			Investment Research and Strategy			
RM			Risk Management			
DM			Decision-Making Approach and Financial Goals			
PE			Psychological and Ethical Considerations			

Source: (Primary data)

The CFA Model Summary demonstrates strong reliability and convergent validity for all factors. The Composite Reliability (CR) values exceed 0.90, indicating high internal consistency. The Average Variance Extracted (AVE) values range from 0.64 to 0.68, surpassing the recommended threshold of 0.50, confirming that the constructs explain a significant portion of variance in their respective indicators. The Maximum Shared Variance (MSV) values are lower than the AVE values, establishing discriminant validity, meaning each construct is distinct from the others. The inter-factor correlations are below 0.85, further supporting discriminant validity.

The SEM Model Summary confirms a good model fit. The Chi-square value (χ^2 = 126.16), although significant, is supported by an acceptable CMin/DF value (2.02 ≤ 3.0). The Goodness of Fit Index (GFI = 0.94) and Comparative Fit Index (CFI = 0.96) indicate a strong model fit. The Root Mean Square Error of Approximation (RMSEA = 0.052) and

Standardized Root Mean Square Residual (SRMR = 0.041) fall within acceptable thresholds, confirming minimal discrepancies between the observed and estimated covariance matrices. The p-value (*, significant at $p < 0.001$)** indicates strong relationships among the variables.

The Regression Weights provide insights into the influence of investment research, risk management, and psychological and ethical considerations on decision-making. Investment Research (IRS) significantly impacts Risk Management (RM) ($\beta = 0.752$, CR = 21.211, $p < 0.001$) and Decision-Making (DM) ($\beta = 0.322$, CR = 5.874, $p < 0.001$), emphasizing its critical role in financial planning. Risk Management also significantly influences Decision-Making ($\beta = 0.345$, CR = 7.745, $p < 0.001$), highlighting its importance in mitigating investment risks. The impact of Psychological and Ethical Considerations (PE) on Decision-Making is relatively weaker ($\beta = 0.124$, CR = 3.71, $p < 0.001$), suggesting that while behavioral factors play a role, they are secondary to research and risk management.

VI. FINDINGS

The demographic analysis highlights that investment activity is predominantly driven by middle-aged, middle-income, and highly educated individuals, with a noticeable gender gap in participation.

The results show that with investors demonstrating strong tendencies towards overconfidence, herd mentality, loss aversion, and familiarity bias, cognitive and emotional biases clearly influence investment behaviour. These prejudices could impede reasonable decision-making, which emphasises the requirement of financial understanding and impartial investment techniques.

The results show that investor decision-making is much shaped by behavioural prejudices. Investors with cognitive and emotional biases are more prone to make decisions about their investments affected by elements including risk aversion, social influence, and market movements. The great explanatory power of the model suggests that more logical investing decisions could result from reducing behavioural prejudices by awareness and financial education.

The results of the study imply that although emotional biases have a more significant influence, both cognitive and emotional biases are absolutely important in determining investor behaviour. This emphasises the need of investors creating plans to control emotional factors including herd mentality, fear of loss, and impulsive decision-making so guaranteeing logical investment decisions. Behavioural finance interventions and financial literacy initiatives could help to offset these prejudices, so guiding more objective and informed investment decisions.

The findings show that while psychological and ethical elements have a modest influence, investment research and risk management are the strongest predictors of good financial decision-making. This emphasises in maximising investment results the need of financial knowledge, strategic planning, and risk evaluation.

VII. SUGGESTIONS

The results of this study show the great impact of cognitive and emotional biases on investment behaviour, therefore stressing the urgent need of investors to follow policies encouraging logical and informed decision-making. Targeted financial education initiatives should be created to close the knowledge gap and promote more general involvement, especially among under-represented groups like women, as middle-aged, middle-income, highly educated people dominate investment activity. By means of customised financial literacy campaigns and mentoring programs, addressing the gender disparity in investment involvement helps to build a more inclusive investing environment.

Behavioural biases such overconfidence, herd mentality, loss aversion, and familiarity bias impede logical decision-making, so investors have to become self-aware and analytical to lessen their impact. Encouragement of investors to apply data-driven techniques including fundamental and technical research helps to offset these prejudices. Furthermore, behavioural coaching should be underlined in financial advisory services to enable investors to properly identify and control their prejudices.

Investors have to concentrate on controlling emotions such fear of loss, impulsiveness, and herd mentality as the study shows that emotional biases influence investment decisions more strongly than cognitive ones. Techniques including automated decision-making tools, diversification, and set investment guidelines can help to decrease emotional interference. To improve the quality of decisions, financial institutions and legislators should also take into account including behavioural finance ideas into investor education initiatives.

Moreover, the results show that the best indicators of wise financial decision-making are investment research and risk management. To so maximise investment results, investors should give constant learning, strategic planning, and risk assessment top priority. By providing interactive investment simulations, tailored risk assessment tools, and AI-driven financial advisory services to raise investor confidence and competency, financial institutions can significantly influence Although psychological and ethical factors affect investment decisions somewhat, ethical investing and value-based financial decisions are still crucial elements of responsible investing. Encouragement of investors to match their portfolios to their ethical values, long-term financial goals, and environmental preferences would help to create social influence as well as financial success.

VIII. CONCLUSION

The study revealed that among Tamil Nadu's equities investors, behavioural biases significantly affect investment decision-making. The results of the study show that investor behaviour at the point of investing is much shaped by cognitive and emotional biases including overconfidence, herd mentality, loss aversion, and familiarity bias, therefore influencing often illogical financial decisions. Especially, the study results show that emotional biases have a higher impact on investing decisions than cognitive biases, which emphasises the significance of investors creating plans to reduce emotional

influence. The study also shows that the best indicators of good financial decision-making are investment research and risk management, therefore stressing the need of financial literacy, strategic planning, and risk evaluation. Targeted financial education programs could inspire more inclusive and general investor involvement given the obvious gender disparity in involvement. Through behavioural bias reduction via financial awareness campaigns and behavioural finance treatments, investors can make more logical and informed investment decisions, so enhancing financial results and market stability.

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