Review of Literature:

Rajarajan (2000) in his study revealed that there was an association between the lifestyle clusters and investment related characteristics.

Russell J. Fuller, (2000): provides a general discussion of behavioral finance and presents some insights from this field that apply to the problems plan sponsors face when evaluating and selecting active equity managers.

B. Wade Brorsen and Kim B. Anderson (2001): The old model of extension marketing programs assumed inefficient markets, asymmetric information, and producer ignorance. Extension education programs were geared toward increasing producer incomes with outlook information and by educating them on how to use futures and options. There is a more recent body of theory called behavioral finance that may have some implications for extension marketing programs. This theory suggests that many people are not completely rational in an economic sense because people tend to make psychological mistakes.

Stephen A. Ross & Franco Modigliani (2002) concluded that the efficient market hypothesis and even the concept of no arbitrage (NA) have come under strenuous attack by a group who advocate what is called behavioral finance. The neoclassical theories rely on the abilities and greed of at least some smart and well financed investors and they concern themselves with the behavior of markets not of individuals. For individuals we have developed a normative portfolio theory to assist them when they are tempted to stray from rationality.

K.Santi Swarup (2003) studied on the decisions taken by the investors while investing in the primary markets. In her study she indicated that investors give importance to their own analysis as compared to their broker’s advice.

Kremena Damianova(2003) The selection and monitoring of hedge fund managers require competence and skills beyond a simple risk-return analysis. In particular, fund of hedge fund experts are required to select and interpret the relevance of a large amount of descriptive information in order to evaluate the skills of hedge fund managers. The study showed that professionals perform these tasks using simple heuristics. Thereby they tend to develop a biased perception of randomness and change their preferences in context dependency.

Annette Vissing-Jorgensen (2004) The most influential work on price patterns within the behavioral finance literature has concerned initial under reaction and (in some cases) subsequent overreaction of prices to new information. direct evidence on investor beliefs and actions is
valuable for determining whether assumptions made in behavioral asset pricing models are valid, and thus for determining which (if any) of the models are convincing explanations of the facts they set out to explain.

Louhichi Wael (2004) examined the market behavior around the times of annual earnings announcements made in the Paris Bourse to study both the informational role of accounting numbers and the intraday speed of adjustment of stock prices to new information.

Arvind Ashta, Sujata Patil, Gilles Seguin (2005) Classical financial economics was generally based on free competition, perfect information, efficient markets, rational utility maximizing individuals and profit maximizing firms. In the last few years there has been a paradigm shift to more realistic assumptions such as non-rationality, non-profit maximization and imperfect information, although classical economists feel that these non-rational behavior cancel out. Within the broad area of behavioral economics, as it has been termed, there is a sub-field of behavioral finance, dealing essentially with behavioral and cognitive issues in market finance and with inefficient markets. As an offspring, there is an emerging field of behavioral corporate finance, which is primarily applying behavioral finance findings to the corporate world.

Priscilla Liang & Thomas D. Willett (2005)
It has frequently been argued that financial markets behaved irrationally during the Asian and Russian Crises resulting in damaging speculative attacks on innocent victims. This paper tests four popular hypotheses about the behavior of stocks and bonds indices of the Asian crisis countries and finds that these behavior claims do not fit the data during the Asian crisis. However, the paper does find some supporting evidence for the later Russian crisis.

Robert Bloomfield (2006) Behavioral finance began as an attempt to understand why financial markets react inefficiently to public information. One stream of behavioral finance examines how psychological forces induce traders and managers to make suboptimal decisions, and how these decisions affect market behavior. Another stream examines how economic forces might keep rational traders from exploiting apparent opportunities for profit.

K.C. Tseng (2006) The principal purpose of this study is to piece together the important development and contributions by efficient market hypothesis, bounded rationality, behavioral finance, neurofinance, and the recently introduced adaptive market hypothesis. When monthly and daily data for S&P 500, DJIA, and NASDAQ indexes were analyzed from 1971 to 2005, the
author found long string of positive and significant autocorrelations and great volatility, which were not consistent with the efficient market hypothesis.

**T. Heidorn and T. Siragusano (2006):** The management of currency risk and its impact on portfolio returns is a widely discussed subject in the finance market community. More and more articles recommend the management of currency risk by an active Currency Overlay Management. First we shortly define currency risk. Then we introduce some basic behavioral finance concepts.

**Martin Sewell (2007):** Behavioural finance is the study of the influence of psychology on the behavior of financial practitioners and the subsequent effect on markets. Behavioural finance helps explain why and how markets might be inefficient.

**Yash Pal Davar and Suveera, Gill (2007):** in their paper on investment decision making revealed that the class of investors (undoubtedly) with growing age develop maturity and experience for making decisions about the usage of their surplus and available funds in the light of overall economic needs of family.

**Francesca Gino & Gary Pisano (2007):** concluded that that behavioral biases and cognitive limits are not just noise; they systematically affect (and often distort) people’s judgment and decision-making. They identified two main areas for intellectual value added by behavioral operations. First, a behavioral approach to OM can lead to a better understanding of underlying drivers of operating system performance second; a behavioral perspective can lead to a better identification of appropriate management interventions.

**Barbara Alemanni, Alonso Peña, Giovanna Zanotti(2007):** investigate some implications of the tenets of behavioral finance on the pricing of financial derivatives. Then used the resulting “behavioral version” of the Black-Scholes equation to price market quoted options. As an empirical test we have calibrated three-month market-quoted call options on the Standard & Poor’s 500 index (SPX) at the Chicago Board of Options Exchange (CBOE) during the period January to December 2007.

**Szyszka Adam (2008):** in his study on efficient market hypothesis to behavioral finance analyzed how investors psychology changes the vision of financial markets. He found that investors are not always able to correctly value the utility of decision alternatives, cannot update and estimate probability and events and do not diversify properly.

**Vanita Tripathi (2008):** examines the perceptions, preferences and various investment strategies in Indian stock market. Study reveals that investors use both fundamental as well as technical
analysis while investing in Indian stock market. Most of the respondents strongly agree that various company fundamentals (such as size, book to market equity, price earnings ratio, leverage etc.) significantly influence stock prices and hence addition of these factors in asset pricing model can better explain cross sectional variations in equity returns in India.

Shahin Shojai, Capco & George Feiger, (2009) focused on the world of mergers and acquisitions. They examined asset pricing, supposedly one of the most important contributions of the finance discipline to the world of economics and business. Indeed, the entire field of finance is reliant on the assumption that assets can be correctly priced.

Gaurav Kabra, Prashant Kumar, Mishra, Manoj Kumar Dash (2010) from the study concluded that modern investor is a mature and adequately groomed person. In spite of phenomenal growth in the security market and quality Initial Public Offerings (IPOs) in the market, the individual investors prefer investments according to their risk preference. A majority of investors are found to be using some source and reference groups for taking decisions. Though they are in the trap of some kind of cognitive illusions such as overconfidence and narrow farming, they consider multiple factors and seek diversified information before executing some kind of investment transaction.

Shlomo Benartzi (2010) careful consideration should be given to how we can integrate the concept of fairness into the design and presentation of retirement income solutions. To best understand how and why individuals make decisions about their finances, and in particular, their retirement, we must consider the behavioral factors behind those decisions before we can even begin to address the more technical and product-specific dimensions of retirement.

Syed Tabassum Sultana (2010) concludes that the individual investor still prefers to invest in financial products which give risk free returns. This confirms that Indian investors even if they are of high income, well educated, salaried, independent are conservative investors prefer to play safe. The investment product designers can design products which can cater to the investors who are low risk tolerant and use TV as a marketing media as they seem to spend long time watching TVs.

E. Bennet, Dr. M. Selvam, Eva Ebenezer, V. Karpagam, S. Vanitha (2011) concluded that the average value of the five factors, namely, Return on Equity, Quality of Management, Return on Investment, Price to Earnings Ratio and various ratios of the company influenced the decision makers. Further, other five factors, namely, recommendation by analysts, Broker and Research
Reports, Recommended by Friend, Family and Peer, Geographical Location of the Company and Social Responsibility were given the lowest priority or which had low influence on the stock selection decision by the retail investors.

Azwadi Ali (2011) in his study showed interest in examining the relationships between individual investors perceived financial performance of companies and their trading intentions, and the mediating effect of companies images on the relationships.

Giridhari Mohanta & Dr. Sathya Swaroop Debasish (2011) studied that investors invest in different investment avenues for fulfilling financial, social and psychological need. While selecting any financial avenue they also expect other type of benefits like, safety and security, getting periodic return or dividends, high capital gain, secured future, liquidity, easy purchase, tax benefit, meeting future contingency etc.

Keunsoo Kim & Jinho Byun (2011) concluded Behavioral finance encompasses research that gives up the traditional assumptions of expected utility maximization with rational investors in an efficient market. It is defined as the application of psychology to financial decision making and financial markets. Behavioral finance and its applications in related fields including marketing, operations management, and organizational behavior will be broadly appreciated.