Dissertation submitted in partial fulfilment of the requirements for the degree of MBA in Finance at Dublin Business School

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“The key differences in financial investment behaviour between institutional and private investors in financial markets.”

Figure 1: Investment Process - Roller Coaster of Emotion

Source: Credit Suisse

Figure 2: Investment process, (Lin, 2014)
DECLARATION

‘I declare that the piece I have submitted to Dublin Business School as my Dissertation on the above mentioned topic for the award of MBA in Finance is the result of my own work i.e investigations, research, editing, writing and compilation except where stated otherwise, in which case it is clearly acknowledged by references accredited to the authors. Furthermore, I declare that this work has not been submitted for any other degree.’

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This dissertation would not have been completed in a timely manner without the constant support and guidance of my supervisor Mr. Heikki Laiho. I would like to take this as an opportunity to offer my sincere gratitude for his mentorship. Throughout my entire dissertation journey, his extensive knowledge on Behavioural Finance, motivation and understanding had made it such a delight and inspiration to work with.

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I want to take a moment to acknowledge the DBS librarians that knew were all the books would be and the school’s library for being open at late hours to cram long and hard sessions.

This work would not be half of what it is if it was not for the constant love, support and encouragement of my family who is situated all the way across the globe from me.

Most importantly, I would want to thank God for giving me a positive mind-set and the will power to keep going to finish what I started.
ABSTRACT

The purpose of this research is to locate, investigate and elucidate the differences in the financial investment behaviour of two types of investors i.e. the institutional investor and the private investor, more specifically those based in Ireland. Institutional investors given their access to resources, established practices, and by the virtue of being a large investing entity has certain advantages over private individual investors in the market place. The former can take advantage of algorithms, economies of scale, access to internal analytics, and a larger support structure both internally and in terms of access to external service providers in order to compete in the world of investing; the latter however can be more agile, invest for the longer term, and has a lower risk of investing based on a herd mentality. As much as an algorithm-driven analytical investment strategy plays an important role in investment planning decision-making, emotions are a salient and differential component in both kinds of investor’s decisions. Understanding and quantifying this component is of critical importance to individuals, organizations and researchers in this field of study. The aim of gaining knowledge on the differences in their financial investment behaviour will help improve our understanding and help quantify the extent and role that emotions, herd mentality, and organisational structure have on investment decisions that are not always made rationally. An aim of this work is to establish, elucidate and qualify the behavioural tendencies and biases and their link to associated investment decisions, once informed of such, this will lead to an improved understanding of investment psychology and relationships and ultimately a better investment performance. In this research, qualitative analysis is used via interviews to compare and contrast differences in the responses of the institutional investors vs the individuals as it relates to different aspects of the study; bias is mitigated by the random sampling of those aspects.

In summary, once investors are informed of the various aspects of this research and its implications for investment strategy, it will help with the general goal of greater stability in financial markets by allowing investors take more controlled and informed decisions. Improving investment emotional intelligence can in the long-run help navigate investment decisions more efficiently, with greater effectiveness and clarity.

Keywords: Behavioural Finance, Institutional vs Private investors, Psychological theories
CHAPTER 1: INTRODUCTION

As it pertains to the effective and efficient utilisation and allocation of monetary funds and investing, we as human beings are not as rational nor as analytical as we would like to believe. Emotions, beliefs, cultural traits, institutional bias and heretofore successful investment strategies can have an impact over and above logic and analytical reasoning as key drivers of critical planning decisions for investors (White, 2016).

The field of Behavioural Finance advocates psychology-based theories to identify and understand the extent to which people can make certain apparently irrational and non-optimal financial decisions in the stock and bond market that can be directly attributable to behavioural, cultural, psychological and sociological aspects. It is a growing area of study and is establishing a renewed importance in understanding, optimising and mitigating investment decisions in the investing world. Cognitive dissonance which is the disconnect between existing beliefs that can be established by organisational culture, hiring re-enforcement, cultural as well as philosophical institutional bias confirmation can lead to a cognitive dissonance when there is new data or analytical results that is a break from or contradicts those core beliefs. This is a key reason why individuals and institutions sometimes do not make decisions they are retrospectively expected to make or that the market as a whole would make.

Psychological studies have revealed and quantified that there is three times more of an emotional impact when losing money on a given investment as compared to the impact of earning money via a successful strategy (Chaudhary, 2013). This depicts and illustrates how important it is to be aware of the strong correlation between emotions and other biases with apparently irrational and non-optimal investment behaviour. This can have an impact with respect to making decisions in the financial markets due to adverse emotional, cultural and organisational biases; this biases can be conscious or unconscious and their manifestation can go undetected and unaddressed.

Figure 2: Emotional cycles of investing, (Greg, 2015)
This study will help to facilitate a more nuanced psychological and sociological view of investors as more ‘normal’ as opposed to the traditional logical decision maker making rational decisions in light of perfect knowledge; investors can sometimes make apparently irrational cognitive errors that can lead to bad investment decisions and outcomes. In this work we will consider broadly two kinds of investors, the institutional investor and the private investor. Institutional investors given their access to resources, established practices, and by the virtue of being a large investing entity has certain advantages over private individual investors in the market place. The former can take advantage of algorithms, economies of scale, access to internal analytics, and a larger support structure both internally and in terms of access to external service providers in order to compete in the world of investing; the latter however can be more agile, invest for the longer term, and has a lower risk of investing based on a herd mentality (LLC, 2017).

As much as an algorithm-driven analytical strategy plays an important role in investment planning decision-making, emotions are prevalent and apparent in both types of investor decisions, which is of significant importance and insight to individuals, institutions and researchers in this field. It has been established that individual emotional state has a quantifiable effect on investment decisions and resultant outcomes, and more broadly has a discernible behavioural effect on the stock and bond market (Durand et al., 2013).

Making a decision under the influence of a prevalent bias or a combination of different behavioural biases such as mental accounting, regret aversion, overconfidence, anchoring and many more for both groups of investors could potentially earn sub-optimal long-run returns in aggregate. This paper investigates how the power and resource disparity, cultural, social and institutional differences can have an impact with respect to the two categories of investors and how in the long run the factors are more prevalent for private investors than the institutional investors. Potential mitigating solutions for both groups will be explored in terms of how inducing an acknowledgement and awareness of the effect of such biases will help provide more control and stability from a decision making perspective in the longer term, furthermore checklists and cognitive tools can further ameliorate the adverse impact of the unconscious biases (Jain, 2011).

The Irish financial markets have been growing at a steep and steady pace over the last decade through to August 2019. However if one considers a period of 20 years that includes the financial crisis there have been extreme and erratic swings between peaks and troughs on the chart; a hypothesis of this thesis is that one cannot discard nor discount behavioural biases being a driving factor behind it.
According to a survey in June of 2013, investment companies in Ireland set trading rules to help traders to mitigate emotion. For example, an institutional investor could set up a rule to exit a position on a trade if it falls more than 7% from its original value, this is in effect to mitigate against traders doubling down on losing stocks in order to avoid acknowledging or realising an emotionally discomforting loss. This is precisely the behaviour that led to a $2 Billion USD loss in the UBS rogue trader scandal in 2011. It is believed that by making these rules, it would help to negate bias at the time of trade to foster stable growth and earnings (Lunn, 2013). It is believed that due to the lack of such institutional constraints on Private investors, they are therefore more susceptible to trading on emotion and or not acknowledging or putting in place the structures to attenuate cognitive biases.
Aims

The aims/prime motive behind this thesis is to address: firstly the behavioural aspect of the different biases prevalent in both investor groups that are making financial decisions in the Irish Market; Secondly, to find and expose similarities in biases within the same group of investors and differences between the two groups by identifying and applying psychological theories to explain these behavioural differences; Thirdly, If they are informed and aware of the determinants of their sub-optimal investment behaviour through psychologically explained theories, it would help diminish the impact of major pitfalls and work to improve stability in the market (this in turn will close the disparity and inequality of the power and resource distance between institutional and private investors) through helping investors make emotionally intelligent and controlled financial decisions.

There is a power distance in terms of knowledge and analytical availability between the two groups due to the limited financial and report information accessible to individual investors; this creates differences in the thought process before investing for both groups. Private investors may not have all necessary data to act with perfect knowledge for financial decision-making. It can be argued that it would induce the individual investor to be less rational (without perfect information) as compared to institutional/corporate investors leading them to make ‘rushed’ decisions (Deshmukh and Joseph, 2016). Conversely individual investors can be considered to be less susceptible to a herd mentality, institutional confirmation bias and can potentially invest more for the longer term. A
concept known as ‘chasing returns’ is something subjects (the private investors in this study) face in the real world and is something that will be discussed in depth during the later portion of this study.

| Aim 1: | To educate all on the behavioural tendencies in investing decision-making prevalent in both investor groups in Ireland. |
| Aim 2: | Find similarities of biases within a group and differences between the two groups using psychological theories. |
| Aim 3: | Improving awareness of this would help avoid major dips/ pitfalls and make them feel more controlled while investing to achieve market stability in the long run. |
| Aim 4: | To understand fully the actions of the idealized ‘economic man’ (Homo Economicus). |

Table 1 Aims of Study

Rationale
The concept of behavioural finance is a new and expanding field of study, encompassing a diverse and complex trichotomy of phycological, sociological and organisational aspects to the investment, banking and trading world. Existing studies in the field have led to further questions and explorations as the scope of the impact that behavioural aspects have on finance and decision making in markets are beginning to be understood. This scope and impact highlights the need for further investigation in this field as it has a remarkably strong impact on investor’s everyday financial decisions both directly and indirectly (Leppinen, 2013). The future of investing will flourish by understanding the fluctuations in the financial markets due to different biases and will help ameliorate any dips in the future.

The author of this dissertation belongs to the private investor category. Examining biases from her own perspective and finding similarities with other similar investors in the group and differences with the institutional ones would provide consequential and informative knowledge to any future investing choices. Studying the correlation between investment decisions with behavioural theories may ease distortions in the financial markets as a going concern.

Financial theories such as Capital Asset Pricing Model (CAPM), Efficient Market Hypothesis (EMH), Rational Expectations Theory, Homo Economicus and many more have an assumption that for
the most part, the market exhibits behaviour that is predictable as well as rational (Ţiţan, 2015). These theories and hypotheses have been successful at helping to explain and forecast certain financial events that have taken place, however they have failed to acknowledge that the market is indeed disorganized to its core and that its participants, the institutional investors and the private investors behave in ways that are difficult to predict (irrationally). These theories suggest that investors are well informed, have access to all available information and as a result stay clear of exploitation. However, theory and practice reveal a disjunction that is not easily explained. These financial theories have major shortcomings in terms of not accounting for, quantifying nor qualifying apparently irrational investment behaviour in the real world. This study will take into consideration previous behavioural theories to explain the differences of human emotion behind the two investor groups as the acting variables that will add a deeper understanding to the investment market and their stock anomalies. It will explain new areas in the field of stock market behaviour, the power and resource distance between the two investor groups and will help to bridge the gap between the assumptions of a rational market to elucidate the potential reasoning behind the stock anomalies e.g. human emotion and behavioural biases.
CHAPTER 2: LITERATURE REVIEW

There are numerous related and tangential areas of research that are analogous to the purpose of this research. The themes outlined herein are literature that will illuminate our understanding as it relates to its core aspects.

Behavioural Finance Theories that influence Individual Investor’s Decision-Making

Research and theories into finance has been in rapid development throughout the last century, significant among those is the modern portfolio theory (MPT) developed in the mid-fifties by Harry Markowitz. An objective of these theories was to bring impartial rules and a mathematical based approach to market behaviour that is driven by individual investor decisions. These market based rules were typically situated at a higher market granularity than the fine individual investor granularity and as such had limited impact in helping individual investor decisions that were more affected by psychological or sociological bias. In the finance world, there has been a general tendency to standardize assumptions around market participants which in turn ignores individual differences, emotion and behaviour.

Individual investors are human and as such they are social animals that have distinctive psychological, environmental, ecological and social contexts, all of whom affect behaviour, emotion and ultimately the decision making process. Therefore one shouldn’t expect humans to make decisions with full objectivity. This is how behavioural finance brings a new and unique perspective to financial theories. Behavioural finance notates that the social, emotional and sensory system states of humans are determinant factors driving investor decisions. Due to this, it is expected that this specific field of enquiry will grow in importance in the field of finance as a going concern (Yusuf, 2015).

Concept of Behavioural Finance

Behavioural Finance as a concept has become common, widespread and an accepted norm in recent years; this is in part due to established literature and research into its state of affairs within the industry. However it is apt to state that forms of behavioural finance have been applied to markets since those markets were formed, it is only in recent decades that it has been defined, investigated and formalised. The established rules of behaviour Finance are supported by psychological and sociological scientific discipline and investigation [4]. Exemplars of these rules are: risk theory, regret and need of comprehension, holding on to an inspiration, over confidence, over reaction and want of reaction, breakup impression, gambling behaviour and speculation, charmed thinking, imaginary number thinking, involution in an individual, socio-cultural influence and international cultivation. Behavioural Finance illuminates how an investor can interpret the market so as to build a finance conclusion that is supported by data and therefore tailor or vary their investing determination. Activity
Finance has developed in light of increasing interest in how social science and psychological theories can be applied to the market to explain behaviour not predicted by established economic and market theories. One of the driving factors in investing effectiveness is informed decisiveness in decision making; activity finance advances the investigation into the influence of emotions and their impact on investment decisions. With traditional approaches to monetary analysis, first a model is theorised, then the validity of the model is tested with a simulation which is an established experimental method for assessment; in contrast with the activity Finance approach, theories are formalised and tested against the behaviour of the market, in light of this feedback and iterative process a framework is then developed to codify and establish the activity pattern. This framework is not a conceptual predictive model of how people and participants in the market should behave, rather it an observation and codification of how they do behave. Established financial literature has numerous theories that invoke concepts that attempt to maximise expected returns using the effective market hypothesis; however there are numerous examples of where these theories fail to work or predict actual investor or market behaviour. Activity Finance has emerged as a field within behavioural finance to help address this conceptual gap by investigating how emotions, social and psychological context have an effect on the investment decision making process (Chen, 2011).

The approach of behavioural finance theories

In this section, we will examine and review behavioural finance theories and contrast the same theories with classical approaches. The oldest publications of Cohen, Zinbart and Zeikel ) and chemist powerfully advocate that since the issues of market pricing aren't related to the actual strategy but to the actual story of the company and stock, therefore it's not necessary to interpret capitalist behaviour via behavioural finance theories. Furthermore, in EMH theory all stock and bond prices replicate all the accessible data and knowledge as it relates to society's assets. Since the prices of the mercantile establishment deviate from their elementary values, it's logical to assume EMH may not encompass all facets of investment. Henry M. Robert J. suggests that the economical mercantile establishment theories as being likely incomplete; He proposes that further theories are needed to interpret capitalist behaviour and money markets. Activity finance theories are applied to understand the divergence of the actual value of a certain certificate supported by company cash entropy and so the value thereby determined by participants (Kıyılar and Acar, 2009).

Hott suggests that the decisions by one capitalist are affected by the choices of other influential capitalist due to social status or perceived competence in the field. Therefore, all the investment decisions reflected by market behaviour that are not solely supported the money information of a specific corporation and are to be understood and augmented via sociable Hypothesis. According to a
survey involving 31 Scandinavian securities industry participants and 213 university students, there is a major distinction that can be made in terms of the flexibility displayed between an educated and an uneducated investor. The survey discovered that students have a bent of anchoring once it concerns their long stock expectations. Anchoring Theory is applied when an investor values recent entropy over a company's historical information. Uneducated capitalists are the most probable to possess an anchoring propensity. The data used for determination and decision making is often gained from unofficial sources (magazines, internet sites etc.). Finkelstein and Greenwald notate that a plurality of real numeral behaviour can be explained by this phenomena. The common recommendation for an investor is to buy low and sell high. However, average investors have a tendency to do the opposite; they generally follow trends in the industry, but then hesitate to act when the market reacts in a manor not consistent with the theories garnered from media sources. Once this happens an average investor tends to hold on to their value losing security. An experienced investor would sell in order to lock in the gains of a prior trade once the stock dips below a specific criteria. This type of thinking and proven rules helps the experienced and educated investor improve their investment value over the long term. The example accurately depicts gregarious activity by the average or novice investor. Buying stocks based on market trends or on the basis of a herd mentality is generally considered to be a losing strategy longer term; This type of behaviour will not increase the value in a stock portfolio. The inevitable outcome of such behaviour is consistent over a sufficiently long period of time. Investors who are unsure of their position or determination of why they bought a stock tend not to act with decisiveness when market conditions that invalidate certain theories change (John R. Major).

In keeping with theories suggested by Sudhir Singh and Ranjit Singh the illogical disposition of maintaining a value-losing proposition can be understood via the sorrow risk. This is in keeping with sadness Antipathy, an investor will avoid the painful feeling of realising losses. Therefore, they struggle to maintain their market value by avoiding changing their assets into money or a more liquid or stable asset. When creating sub-optimal asset funds selections an investor might avoid stocks or companies that have performed poorly or caused them losses within the past; Regret Aversion is usually coupled to gregarious Hypothesis. In keeping with Welch, they surmise that some novice investors have a major correlation with the recommendations of those they perceive to be more experienced or who can explain a value proposition in the simplest of terms. He conjointly notes that a commentator that is versed as a figure of speech authority can have a major impact on the actions of other novice investors. Explaining investments in terms of past gains tends to create a false sense of certainty of the investment strategy. Ranjit Singh proposes Prospect Theory to interpret this sort of capitalist behaviour. In keeping with Prospect Theory an experienced investor places a unique value on gains rather than losses. It has been established that investors don’t experience gains emotionally in the
same manner as they experience losses, the feeling of distress caused by a loss is more acute. Analysis has shown that novice investors take more risks to forestall losses rather than to achieve profit.

In 1912, Selden wrote Investor’s financial behaviour in historical perspective

Existing classical theories and research of the securities market is generally based upon the premise that the movements of prices in the cash marketplace are determined by the mental interpretation of the investment and commerce of the investor to a large extent. It was in 1957, that speculation regarding psychological impact on markets emerged, more specifically the concept of cognitive dissonance was introduced by Leon Festinger and looks to have had a significant impact in our understanding of the psychological processes involved in decision making. In 1964, Pratt expanded our understanding of risk aversion along with providing metrics and methods to quantify the same. In 1968, Raiffa and Raiffa expanded our understanding of behavioural decision theory, challenging established understanding about the driving forces behind decision making. In 1973, Tversky and Kahneman presented and illuminated on the availability heuristic, this relates to the mental psychological shortcuts that people use when evaluating decisions in terms of understanding the important components of such decisions, e.g. recent news tends to affect current opinions on a range of subjects more so than information or news that is less recent, immediate memory recall has an outweighed impact in terms of associating importance of the memory.

Individual investor issues and their relation to behavioural finance theories

The first widely referenced articles covering and illuminating on the psychological aspects of finance were printed 1979. However, the concepts relating to behavioural finance theories and hypotheses have remained comparatively unknown in the broader industry. It has generally been the case that there has been a reliance on the part of economists with the Efficient Market Hypothesis for an extended time and practitioners have only recently turned to other theories to explain irrational aspects in investment decision-making behaviour (Weinberg, 2005:1). A number of journalist and researchers have studied the apparently illogical aspects of decision making in marketplaces. Several of those journalists have proposed behavioural finance theories to clarify the apparent illogical decisions of some investors. However, their interpretations and reliance on what theories explain what phenomena is not without disagreement. The following section concentrates on the distinctive and most important issues that individual investors face. It further discusses the relation of their interpretation of how the four behavioural finance theories can be used for deciphering apparently illogical and irrational decision making of investors.
Major issues of individual investors

According to Jing Chen (2011) individual investors are more likely to suffer from additional issues and biases when trying to form a determination as it relates to their investment decisions, positions and fund allocation, when compared to a larger entity. Larger funds and institutions have additional resources, established practices and culture that can help to navigate market entropy as it relates to their investment targets and goals. The ability to process the volume of monetary and company information can be a difficult process for a smaller individual. Therefore, the individual investor faces numerous additional problems and limitations in contrast with institutional investors. Individual investors may not have all relevant information for fast, informed and logical decision-making. The aggregate of cash of information regarding money instruments is significant (Lu, 2010:485). Finkelstein and Greenwald (2009:48) state that it's not solely the dearth of crucial knowledge that's affecting individual investors; uneducated and inexperienced investors that display emotionally related attributes of impatience and impulsiveness has grown significantly over time. Consistent with their analysis, the fund holding periods of subjects declined from .75 years to two .4 years between 1992 and 2000. This phenomena and development has been given the name "chasing returns". Rather than following a conventional investment plan, investors that exhibit this phenomena tend to act irrationally and invest primarily in markets that are considered to be trendy or that are in vogue. It is because of this trend and the sub-optimal outcomes that it generates, it's necessary to acknowledge expertise as an important issue affecting the individual investors’ decision-making process. Experienced and institutional investors that invest for the longer term tend to consider good governance in a company as a pre-requisite to any investment decision activity as a very important issue in terms of evaluating a company’s longer term future development. Polak notes that a minority of monetary theories acknowledge an experienced investors ability to navigate significant market entropy with greater efficiency. He makes the point that the cases of individual investors being mislead by missing, incorrect or false data is increasing. Cohen, Zinbart and Zeikel suggests that the necessary competency of an investor is much deeper than the correct application of monetary information and or classical investment theory. They clarify the importance of deciding one’s investment objective and state that individual investors have difficulty articulating their investment objective with clarity and consistency. In their theory a private investor oftentimes demonstrate a trust in intellectual ability over having set objectives and a specified risk strategy. This can often lead to mistakes of implementation and execution without a clear and set strategy. For a disciplined investor there is a tendency to set a clear strategy, rules of engagement, a clear set of objects and a risk assessment. This is all done to safeguard the portfolio from volatility and to re-use existing methods that can
automatically gain insight into the performance and behaviour of specific types of companies. This is
difficult in theory, but in practice this is a route not followed by a typical individual investor. This is
consistent with the work outlined earlier there are various factors that can lead to a bad error of
judgement for individual investors and that can then lead to sub-optimal returns on investment. In
research by Ibo Welch, it is stated that some investors rationalize their decision making criteria on the
basis of other market participants behaving in the same rational manner, this is set as their axiom for
market behaviour. However trying to rely on other investors decision-qualification creates a false
sense of security system for investors. It further suggests that an alternative is to base decisions on
the value a stock or company brings to the end user through its products and services. Ranjit Singh
claims that there are a pair of common mistakes that are attributable to investors. The first relates to
the irrational influence of memory on the process of valuing losing securities as opposed to profitable
ones. The second is the excessive and wide proliferation of security measures. Sudhir Singh half
disagrees with the prior assertions. The author suggests the foremost misunderstanding of an
uneducated and experienced capitalist is to accept the most recent data received (Leppinen, 2013).
This type of information is sometimes found from magazines and trade publications and should be
discarded. One important insight on irrational investment conduct is to query the decision-qualification of investors once they have implemented their investment decisions. Irrational behaviour
by inexperienced investors can be demonstrated by abrupt changes of direction, the low frequency of
changing assets into cash; inexperienced Investors have a predilection to avoid the painful feeling of
an investment opportunity passing or realising and accepting losses.

Conclusion:
In conclusion, the previously conducted research in this explorative field of study all suggest that the
financial investment behaviour goes beyond just EMH and that human emotion can affect the
investor’s ability to make sound financial decisions. Acar found that from 1991-2010, the average stock
fund return is 9.9% annually whereas the average individual investor return is at 3.8% annually, which
is a significant difference. The ability to mitigate and put in place rules and practices to regulate one’s
emotions starts with being aware of them and avoiding sub-optimal investment behaviour. A
multitude of factors affect institutional/private investor’s emotions such as regret theory, mental
accounting, prospect/loss aversion, under/over reaction, overconfidence and anchoring which affects
more private than institutional investors as they very rarely have access to or can analyse efficiently
up-to-date or new information to make their decisions. It is necessary to conduct this research so as
to implement an investment strategy to combat any pitfalls that may occur due to lack of judgement
or control of emotions (Phillip, 2017). The financial theories as explained above have major
shortcomings in terms of not accounting for irrational investment behaviour in the real world. This
study will take into consideration the human emotion of the two investor groups as the variable that will add a deeper understanding to the investment market and their stock anomalies. It will explain new areas in the field of stock market behaviour, the power distance between the two investor groups and bridge the gap between the assumptions of a rational market to a better understanding of the reasoning behind the stock anomalies i.e., human emotion.

After taking a detailed look at previous work by authors in this field of study, it is evident that there have been research into the psychology behind investing in stock markets. A few have even outlined the biases that individual investors have. What is currently missing is a more in depth review into the behavioural tendencies of the institutional investors while making investing decisions with a comparison to that of individual investors. This study carried out will help provide more insight into those tendencies as well as draw a comparison between the investor groups. Interestingly, with the research being conducted in the geographical area of Ireland it helps facilitate a deeper and focused study into the subjects in the context of what is taking place in the Irish markets. This topic and comparative analysis hasn’t been probed into detail a priori, therefore this study piece will primarily focus on this aspect.
CHAPTER 3: RESEARCH METHODOLOGY

This chapter outlines the research methodology used in order to rigorously and impartially investigate the general research hypothesis and its constituent aims. It was intended that the methodology itself would help to address and remove bias through the use of current best practice and sound decision making processes. The research study adopted a qualitative analysis as the most suitable approach for the research methodology since the core hypothesis is defined by human emotions and how they can influence stock market based decisions of investors and is more subjective in nature. While this research does start with a base hypothesis, an inductive approach where theory follows observation and data was considered with a view to broadening the impact and reach of the work. As an exemplar during the interview process, open ended and overly broad questions were added in the search for a pattern and to form explanations, theories and conclusions. This approach was used as an tool to provide increased freedom in terms of an ability to discern from actual sources what affects their investment decision making process without having rigid goals or aims at the outset. This is in contrast with, but complementary to, the deductive approach used to prove and evaluate the hypothesis via observation and analysis (Goddard, W. & Melville, 2004). This overall complementary strategy envisioned herein is designed to suit the aims and objectives of this study. This was done to help understand the decision making processes of the object of the matter systematically and exploratively; furthermore this was conducted in the context of a case study in this dissertation (PressAcademia, 2018).

The choice and suitability of a case study based approach was taken given several factors: the time sensitivity, the existing and contrasting philosophies at play and existing behavioural findings as outlined in the literature review. Its descriptive nature provides a basis to conduct an in-depth investigation of individual investors as well as institutional investors, in order to explore the causality of underlying principles, ‘causes’ such as biases and ‘underlying principles’ such as stock anomalies. The dominant underlying research philosophy selected is Interpretivism. It places emphasis on the integration of human interest as it relates to the study being carried out. It takes into consideration that every individual is different and that as such they cannot be studied the same way physical things are. The purpose and aim of this philosophy is to aid in creating a new and better understanding into the social aspects of human beings in their journey (Saunders, Lewis and Thornhill, 2015). The institutional/private investors have different socio-economic, ecological and environmental aspects that can affect their decision making behaviour in different ways. This can include aspects of their culture, their ethnic background, language and more. Conducting the interviews in light of this knowledge and mitigating of any bias helped ensure validity with the interpretation and verification of results.
The data was collected via iterations of open-ended interviews with the subjects that were located within the geographical boundaries of Ireland. The group of subjects were between 25 to 50 years of age. This process helped collect, evaluate and analyse information with the resultant insights being grouped into proposed theories to explain the differences in biases and decision making processes between the investor groups. To further understand the research methodology, this chapter is broken down into six separate sub headings:

**Participants**

The type of sampling for selecting subjects during the data collection stage was based on ‘Simple random sampling’, where investors from both groups were chosen randomly in no particular order (Bhat, 2007). This helps to negate any bias in the study and foster verifiable, reproducible and accurate results from both sides. The study involves investors selected from both groups, private investors as well as institutional investors. The decision to create a sampling of a cohesive small group of people was for multiple reasons, for example, since it is a collective case study the subjects can therefore be studied and analysed in greater detail in order to carefully understand the decision making process and apparent behavioural attributes taking place in the most complete way as is possible. A further constraint or consideration is that it was too financially burdensome given available resources to complete over a larger group which limits the potential for statistical verifiability and re-producibility, further constraints included the time horizon for the research which further limited the ability to conduct the study over a larger population. It became apparent upon analysis of the data that the segregation of the two groups in terms of the attributes, thinking and qualities and manifested itself in the behavioural tendencies of the individual groups.

The target research population within Ireland and between the age group of 25 to 50 is where the majority of monetary funds are being utilized for investment purposes. It is desirable to be within this demographic despite the increasing importance of over 50 investors and participants (the U.S Centres for Disease Control and Prevention (CDC) and the Administration on Aging (AOA), by 2040 the world’s old age population is going to increase to almost 21.7% (CDC, 2003)); the reasoning is to mitigate any bias in terms of investment decisions being biased in favour of lower risk due to impending retirement and pension decisions. For those investors that are below 25, we wish to remove any bias from decisions that are made by participants that are new to the investment world and whom are learning how to best structure their finances and investments. Between that age group, participants are perceived to invest with a sufficient level of knowledge, experience with a similar outlook for both groups, this is why it is the ideal research population.
Seven participants from each group were selected at random to represent subjects in this study. Participants from the investor groups were contacted and selected at random through LinkedIn, company websites, investor’s business daily club, and through investor relations contact information. The private investors were either known associates of the author, or that were joined the TICN the investment club network based in Dublin. All investors from both groups are currently residing and investing in Ireland. In many cases contact and participation was via reaching out through an online forum to facilitate meeting and engaging new investors in order to be a part of the study, and to have open and informative discussions (MeetUp, no date). The gender split was unbiased and selected at random. There was a 3:4 ratio of female to male in the study.

The age range of study is 25-50 years.

The mean age range of the study is 37.5.

<table>
<thead>
<tr>
<th>Participant’s name</th>
<th>Investor group</th>
<th>How they were recruited</th>
<th>Work</th>
<th>Education qualifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tony O’Callaghan</td>
<td>Institutional investor</td>
<td>LinkedIn</td>
<td>Works as an investor for State Street Global Advisors Ireland</td>
<td>Tech Graduate</td>
</tr>
<tr>
<td>Sean Kelly</td>
<td>Institutional investor</td>
<td>Investor’s business daily club</td>
<td>Works as an investor for Goldman Sachs</td>
<td>Business Graduate</td>
</tr>
<tr>
<td>Helen Murphy</td>
<td>Institutional investor</td>
<td>Company website</td>
<td>Works as an investor for Irish Life Investment Managers</td>
<td>Business Graduate</td>
</tr>
<tr>
<td>Jacob Sullivan</td>
<td>Institutional investor</td>
<td>LinkedIn</td>
<td>Works as an investor for Amundi Asset Management</td>
<td>Business Graduate</td>
</tr>
<tr>
<td>Sinead Riley</td>
<td>Institutional investor</td>
<td>Investor relations</td>
<td>Works as an investor for IDA Ireland</td>
<td>Business Graduate</td>
</tr>
<tr>
<td>Name</td>
<td>Type</td>
<td>Platform</td>
<td>Role/Position</td>
<td>Education</td>
</tr>
<tr>
<td>---------------------</td>
<td>-----------------------</td>
<td>----------</td>
<td>-------------------------------------------------------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Vijay Chacko</td>
<td>Institutional investor</td>
<td>LinkedIn</td>
<td>Works as an investor for IDA Ireland</td>
<td>Tech Graduate</td>
</tr>
<tr>
<td>Niamh Lynch</td>
<td>Institutional investor</td>
<td>LinkedIn</td>
<td>Works as an investor for Merrion Investment Managers</td>
<td>Business Graduate</td>
</tr>
<tr>
<td>Joseph Welsh</td>
<td>Private investor</td>
<td>TICN</td>
<td>Works as a Business Analyst at Ernst and Young</td>
<td>Business Graduate</td>
</tr>
<tr>
<td>Jack Cunningham</td>
<td>Private investor</td>
<td>Friend</td>
<td>Works as a business intern at Deloitte</td>
<td>Business Graduate</td>
</tr>
<tr>
<td>Martin O’ Neill</td>
<td>Private investor</td>
<td>Friend</td>
<td>Works as a Marketing head at LinkedIn Corporation</td>
<td>Business Graduate</td>
</tr>
<tr>
<td>Varsha Jacob</td>
<td>Private investor</td>
<td>Sister</td>
<td>Works as a Software Developer at IBM</td>
<td>Tech Graduate</td>
</tr>
<tr>
<td>Nishant Koshy</td>
<td>Private investor</td>
<td>LinkedIn</td>
<td>Web developer at Aphix Software Ltd</td>
<td>Tech Graduate</td>
</tr>
<tr>
<td>Lisa James</td>
<td>Private investor</td>
<td>Friend</td>
<td>Housewife</td>
<td>Business Graduate</td>
</tr>
<tr>
<td>Jenna Condon</td>
<td>Private investor</td>
<td>MeetUp (Investment club)</td>
<td>Works as a Customer Service supervisor at VHI Insurance</td>
<td>Business Graduate</td>
</tr>
</tbody>
</table>
Design

The area of study of this comparative based research is derived from elemental psychological and sociological aspects of the human mind, particularly with respect to how decisions are made in particular contexts and their profound impact specifically on financial investment decisions. This means that the primary research will rely on qualitative analysis to derive conclusions from a psychological perspective in order to ascertain the aspects and degree of different behaviour between the two really is and the effect and influence that has manifested in the power distance dynamic in the market. The reason why emphasis is attributed to qualitative research methodology over quantitative is due to the infancy of the behavioural economics field and aspects of such are still more in the exploratory research stages; the use of open-ended questions facilitates the participants in the study to answer with a higher degree of freedom than is available from the use of purely quantitative methods. This qualitative information will be critical in assessing the conclusions of this thesis (‘qualmethods.pdf’, no date). The philosophy is the belief/assumption in which research about a particular phenomenon is collected, analysed and adopted. In this research, Interpretivism is followed to create a better understanding into social aspects of human beings. The strategy used to study the investors differences is thematic analysis which includes a bit of grounded theory (Komori, 2009). By gaining vital information from the data collection instrument i.e., the interviews, the information can then be grouped into broader patterns from which themes can form to explain the differences in biases.

Materials & / Apparatus

The subjects were asked 10 highly distinctive and open-ended questions. Each intended to incite answers that could lead to alternative theories that could help to explain behavioural tendencies while investing in financial markets in Ireland. These questions were designed to target findings in different interesting behavioural studies. The software Raven’s eye was utilised to help predetermine the interview questions. The computer used was a Microsoft Surface pro. A software tool called ‘Transcribe’ was used to assist with the conversion of audio into a text file; this is an audio player that’s integrated with a text editor on the same screen (Dwyer, 2014). Once the audio had been transcribed, it was ready for codification, theme identification and data analysis. Interview questions, debriefing sheets and consent forms were printed and provided to the subjects so as to inform them on what was going on the whole time to keep them comfortable all through the interview. Water bottles and a small keychain was given as a token of appreciation for their time and effort to partake in the interview.
Sample questions from the interview:

<table>
<thead>
<tr>
<th>Question 1:</th>
<th>How often do you buy and/or sell stocks in the market?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question 2:</td>
<td>How would your family/friends describe your attitude towards taking financial risks?</td>
</tr>
<tr>
<td>Question 3:</td>
<td>Would you persist in investing in a stock even though it is clearly underperforming due to the large amount of funds and time you have already invested in the past?</td>
</tr>
<tr>
<td>Question 4:</td>
<td>Do you hold on to a stock if it is facing a small loss in value to avoid the feeling of regret?</td>
</tr>
</tbody>
</table>

Note: Information sheets, debriefing sheets, interview questions, consent forms and the ethics form are available in the appendices portion of the dissertation.

Procedure

Each interview was 25 minutes long keeping it time efficient and sensitive. The interview rounds took place over the span of two weeks in Mid-July. Each subject had the same debriefing at the start that included an overview of what the study was about, how long the interview would be, the privacy policy, the participants right to withdraw at any point in the process for any reason and was requested to carefully read the consent form before signing. Details on this form included information regarding the subjects right to leave or abstain from answering if the interview or process felt uncomfortable. They were made aware of the recording and that their answers would be used for further analysis after the study. A round of 10 open ended questions were asked to the subjects so as to foster effective communication between the subjects and the researcher. A bottle of water was available on the table. At the end of the interviews, subjects were given a token of appreciation and time to ask any questions they had in mind.

Ethics

Research that is conducted on human beings must meet certain ethical requirements, the level of which is determined by the potential risk (physical, social and psychological) to the subjects. Since this research is investigating human behaviour and emotions, it is potentially more sensitive. All facets of this research must respect those that have participated in it as well as having explicit procedures in place to avoid any harm directly or indirectly caused.
Respondents should not be treated as just means to the end, but be treated with utmost understanding and respect. The ethical principles guiding this research will stress on two very important points a) do good i.e, beneficence and b) do no harm which is also known as non-malfeasance (Ethics Network, 2009). The five principles adopted during conducting this study so as to avoid any criticism and losing valuable time are:

**Principle 1: Minimizing the risk of harm:** The number one ethical principle undertaken is to ascertain that the risk involved to the participants whether physical, psychological, social, invasion of privacy or others should be kept to the bare minimum. The interview phase with private/ institutional investors was important for seeking sensitive information about their financial investment behaviour patterns and how they behave in the market. This is why ensuring participants are safe from any risk is of critical importance in order to gather true and reflective information. This was done by obtaining informed consent from participants, agreeing on confidentiality of information, avoiding deceptive research practices, providing participants the right to withdraw from the research process at any point and without having to provide a reason.

**Principle 2: Obtaining informed consent:** Participants were made aware of the nature of the research-taking place, how their data would be used and what was required of them. They were volunteering to take part and were not forced or deceived into participation. Ethically speaking, they were informed about the methodology in place and the process for withdrawing consent.

**Principle 3: Protecting anonymity and confidentiality:** The nature of the information being collected is sensitive which is why an important concept of research ethics is surrounding protecting the anonymity and confidentiality of the research participants where requested, institutional/private investors. The permission was freely given (both oral and written) by those involved if their confidential information is disclosed.

**Principle 4: Avoiding deceptive practices:** Participants after corresponding with them communicated that they did not feel at any point throughout the interview process that they were deceived into participating in the research process.

**Principle 5: Providing right to withdraw:** At any stage during or after the research process, the participants have the right to withdraw without having to provide a reason for that withdrawal. The ethics form provided was in clear English text and was explained to them in person, there was no obligation nor pressure on participants to agree or sign. All participants were made aware of their rights under the consent form (Aerd, 2012). Participants were informed that in the case of publication
it may not be possible to remove already published information, but that the authors will make every attempt within their power to comply with their wishes.

Neither of the participant groups were treated differently. There was fairness and impartiality during the process of conducting the open-ended interviews with each group having the same questions in order to mitigate any bias.

Data analysis (qual)
Qualitative research analysis was used over quantitative data analysis in order to analyse and answer the research question as it facilitated the ability to pin-point, categorize and localise the theories associated with the biases of different investors to help explain the stock anomalies. Qualitative data analysis is enabled via the acquisition of non-numerical data that cannot be measured in the manor normatively associated with quantitative methods and is a product of various and established research strategies. It is widely used to explain and elucidate on social and psychological phenomena (Coffey and Atkinson, 1996). To infer reasonable and accurate conclusions, data (in depth interviews with pre-determined questions, checklists and ontological reference points) was firstly observed and recorded via manual notes and recording devices. Given the different attributes and biases, data was then reviewed, categorized and analysed (Adi, 2018). Following on from the categorisation and analysis, it was important to determine and document the frequency of apparent behavioural traits/characteristics, and then to associate and aggregate the data to group traits that institutional investors have versus private investors. This is used to draw a contrast between the two distinct groupings. This data is then used to infer how the investor interprets their emotions to be and what are their associations to particular topics. This provided the knowledge and insight required to then understand and deal with grouping biases according to underlying theories. To aid with the qualitative data analysis study, a reflective journal was made keeping all the reflections undertaken during this research.

Limitations:
A common crucial limitation between carrying out primary as well as secondary research is the limited resource factor both in terms of time and personnel. A further key limitation that is an opportunity to further improve the study is to have a larger targeted research population in order to garner further theories or to validate and evaluate theories from observation and analysis. Further limitations include gaining access to market participants, the inducement to participate, the level and quality of access. Other limitations include the infancy of the field of study in general more specifically as it relates to the cross-pollination and mapping of fields from sociology, psychology, ecology and environmental context to finance. For this reason a lot of research in behavioural finance is still explorative in nature.
Many advocates claim that the market efficiency theory remains the most effective at examining and predicting market behaviour. Researcher Eugene Fama makes the assertion that the collection of anomalies afflicting the market as a going concern cannot be explained by market efficiency (Fama, 1997). This advocacy shows that there is still work to be done to facilitate acceptance of adoption of psychological, behavioural and social models by researchers who are biased towards the EMH and other traditional theories. A further potential limitation is the authors personal bias as a market participant and researcher which needs to be mitigated and questioned at every point in the analysis and study.

It is crucial the researcher is aware of the various limitations applicable to the methodology involved when collecting the data and the constraints that cannot be overlooked when dealing with the respective research subjects before the actual commencement of any of the research methods. There is the possibility and probability that some interviewees may have provide biased and unrealistic information to ensure that they do not look bad, or that the interviewee does not feel comfortable giving an honest self-reflective assessment or that the interviewee may not have the emotional intelligence or capacity to understand what they are feeling and why throughout the process of a trade. Further limitations pertain to the psychological state of mind of the individual, and whether their perception and sense of self image affects their ability to provide honest and dis-passionate answers. This might result in the credibility of the research being affected, however such biases can be mitigated by ensuring participant privacy, with respect to their responses and identity association with those responses, and ensuring that the questions and environment is non-judgemental, participants need to be assured that this is not a test or examination, that there is no wrong answer. Another problem with the interviewing process was that may some interviewees may have been unforthcoming with their responses, specifically those that are perceived to be of a personal nature. Finally, corporate level restrictions may require permission and consent at high levels in certain multinational corporations and among other organizations is a significant limitation the participation of certain higher-level investors.
CHAPTER 4: RESULTS

In this chapter there will be a discussion and in depth analysis of the results of the qualitative study conducted that will outline the extent and nature of the differences in financial investment behaviour between the two-investor groups exist, and whether such differences can be attributable to behavioural models. The round of interviews were conducted with the purpose of addressing each research theme/bias and answering the key objectives related to the study. The results will be discussed herein with the intent of new findings and ultimately drawing out conclusions to the main research question after reflection and analysis. The questions asked during the interview rounds were carefully and strategically designed to tackle each difference that may exist so as to achieve the research objective and meet the aspiration of answering or addressing the main hypothesis. A total of fourteen interviews were conducted i.e., seven institutional subjects and seven private subjects. Both groups were asked the same set of questions to facilitate comparisons and to analyse their responses to each of them. The subjects were chosen at random and are from various different backgrounds to help negate any partiality or bias.

Thematic Analysis:

This study was conducted with the help of the thematic analysis framework, which is a method for identifying, analysing and interpreting patterns i.e., the themes within the data. It helps in analysing various aspects of the research topic by organizing the minimal data set in rich detail (Braun and Clarke, 2006). One of the main benefits of using thematic analysis is that it gave the study theoretical freedom in terms of flexibility to help provide a rich and detailed account of events (data) in the most clear, concise and sound way possible. Thematic analysis was chosen as a facilitator in order to highlight the similarities within the same group of investors and differences between the two groups across the available data set by enabling psychological interpretation. It helps the observer to better understand in detail the investors everyday behavioural experience while investing and trading in the market. Interviews are recorded, transcribed and are then finally coded. These codes transition into set themes, that were decided based on the aims and goals of the research. Each theme was then fully summarized and analysed. Finally, there was an interpretation and mapping done in relation to the research question.

Coding of data:

The data was coded according to Braun and Clarke’s step by step guide that in the end will help report content and patterns of themes from the available data. The process begins after transcribing all the interviews into textual form which facilitates looking for patterns of meaning. In this study, a more
A comprehensive inductive approach was taken in terms of the thematic analysis by not engaging with literature initially to broaden the analytic field of vision and facilitate flexibility in the judgement of themes to explain the research question and data. This process did not necessitate the following of a structured start to finish process and instead focused more on back and forth iterative process relating to the movement of data collected.

The steps of coding the data is as follows:

1. Familiarisation with the available data:

The first step taken was to code the volume of data collected including transcribing the recordings/case notes taken during the interviews. It was important to be familiarized with all areas of the data. Everything from the first greeting of each subject to their ‘long pauses’, ‘mmms’, ‘deep breaths’ and to the goodbyes were noted for analysis. This was important information for the researcher to examine in terms of the behavioural differences between the two groups of investors. Transcription even though a lengthy and time-consuming process that took over three hours for each interview, provided the much-needed foundation to conduct the subsequent analysis.

2. Initial code generation:

After the transcription of the data, the text was then analysed in depth back and forth to identify initial interesting codes. It was necessary to organize the available data into meaningful groups (codes) to help develop themes for the next step of analysing data. This was done manually without the help of a software program as it was important not to bias the potential grouping by decisions encoded in the software solution, and secondly to facilitate the serendipitous discovery of themes. Codes were highlighted from the text and brought together matching them with the data extracted. A broad code was selected for as many themes/patterns that needed to be carried out in the study. Here, in the given table, data extracted is paired with the initial codes, which is then later further transitioned into different themes explaining the various biases.

<table>
<thead>
<tr>
<th>Data extract</th>
<th>Codes applied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject 1: “Oh, I believe the stock market never sleeps and so do I. I engage in buying and selling on an intra-day basis.”</td>
<td>Stock market never sleeps.</td>
</tr>
<tr>
<td></td>
<td>Engage in buying and selling stocks very often.</td>
</tr>
<tr>
<td>Subject 2: “I’m always looking to invest, so I’d say weekly for sure.”</td>
<td>Enjoys taking risks.</td>
</tr>
<tr>
<td>Subject 3: “If I’m not sleeping, I am trading, so I’d say very often.”</td>
<td>Subject 4: “<em>Laughs</em>, they would say I am a high risk taker and love a challenge.</td>
</tr>
<tr>
<td>Subject 5: “Moderate to high risk taker.”</td>
<td></td>
</tr>
<tr>
<td>Subject 1: “If the economic conditions remain more or less the same, I would still assume a positive outlook on the apple stock in three months time.”</td>
<td>Positive outlook on stock in future. Based on predominant assumptions about stable economic conditions.</td>
</tr>
<tr>
<td>Subject 2: “I would make the assumption that the market of the product will remain robust that in three months time there should be additional value.”</td>
<td></td>
</tr>
<tr>
<td>Subject 1: “I would take advice from the specialists in my team before making that decision.”</td>
<td>Cautious of letting go.</td>
</tr>
<tr>
<td>Subject 2: “It is a value play which in that case, since the market overreacts to good and bad news...... and would not correspond to a company's long-term fundamentals and I would look to stay on.</td>
<td>Value play or value trap.</td>
</tr>
<tr>
<td>Subject 1: “Really would depend on the market conceptions, but I personally would believe past performances do have some sort of indications to future results.”</td>
<td>Believes it is an indicator for future results. Uses past performances as basis for investing in present.</td>
</tr>
<tr>
<td>Subject 2: “I think it is an indicator as stocks run in cycles.”</td>
<td></td>
</tr>
<tr>
<td>Subject 3: “I do look at past performances to sway my decisions in investing if that answers the question.”</td>
<td></td>
</tr>
<tr>
<td>------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Subject 1: “I definitely do. I hate losing even if it’s a small amount.</td>
<td></td>
</tr>
<tr>
<td>Subject 2: “Definitely, one hundred percent hate it.”</td>
<td></td>
</tr>
<tr>
<td>Subject 1: “No, I don’t think it would be that easy. I would have to make sure it is the right call before moving.”</td>
<td></td>
</tr>
<tr>
<td>Subject 2: “I’m not going to simply give up on a stock because it is underperforming for a bit when I have spent so much on it already, I would hold on to see what comes in the market.”</td>
<td></td>
</tr>
<tr>
<td>Subject 1: “Very risk-averse.”</td>
<td></td>
</tr>
<tr>
<td>Subject 2: “Conservative with the odd bold decision.”</td>
<td></td>
</tr>
<tr>
<td>Subject 3: “I try being objective but my heart takes over”.</td>
<td></td>
</tr>
<tr>
<td>Subject 1: “If the stock is flourishing and people are swaying towards it, why wouldn’t I invest in it?”</td>
<td></td>
</tr>
<tr>
<td>Subject 2: “but I may buy into it if it seems to be doing well. I would be curious why it is doing well, however I would have very limited resources to figure out why.”</td>
<td></td>
</tr>
<tr>
<td>Subject 1: “No, not really…dabble in a bit of googling.”</td>
<td></td>
</tr>
<tr>
<td>Difficulties in accepting even small losses.</td>
<td></td>
</tr>
<tr>
<td>Difficulty to let go due to large amounts of time, money and efforts previously invested.</td>
<td></td>
</tr>
<tr>
<td>Cautious in terms of financial risk taking.</td>
<td></td>
</tr>
<tr>
<td>Thinks with heart more than head.</td>
<td></td>
</tr>
<tr>
<td>Follows people doing well.</td>
<td></td>
</tr>
<tr>
<td>Due to lack of full available financial information to make efficient decisions.</td>
<td></td>
</tr>
<tr>
<td>Tries to simplify their rationale for investing.</td>
<td></td>
</tr>
</tbody>
</table>
3. Searching for themes:

The next step after the different codes are identified across all available data was combining these codes to form overarching themes, which can then be used for reporting and concluding (Group, 2016). For this study, tables were used as visuals to organise each theme from the available codes. It is the start of the interpretive analysis section of the study. The researcher alluded to the relationship between the various codes and further divided and formed themes. For example: The code “Engages in buying and selling stocks very often and enjoys taking many financial risks,” translated into one of the main themes “Overconfidence of Investors.”

4. Reviewing themes:

This step is important in order to ensure that there is viable and sufficient data available to support the discussion of a theme. If not, the theme should be discarded. During the categorization of each theme, the identification and distinction between each was made clear. Some themes illustrated biases particular to the institutional investors while other themes depicted private investor biases.

5. Defining and naming the themes:

A theme name was then carefully selected to represent each interest in the study. It helps give the reader a sense of what the theme is about once they continue reading it. Names were made clear, concise and appropriate.

6. Producing the report:

This step was necessary to ensure validity and accuracy in the study and outlined the hierarchy of themes in relation with each other. This was done in close relation to the research question of this study.

Main themes:

For ease of understanding, the analysis will be broken down into eight major themes. Each question asked during the interview stage integrated an assortment of responses from the different groups of investors and was categorized and evaluated into different biases to for further
understanding/learning about their financial investment behaviour. Responses were collected, compared and initial codes were generated. From those codes, through observation and filtering, these main themes were examined.

<table>
<thead>
<tr>
<th>Codes:</th>
<th>Themes:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock market never sleeps.</td>
<td>Theme 1: Overconfidence in investors.</td>
</tr>
<tr>
<td>Engage in buying and selling stocks very often.</td>
<td></td>
</tr>
<tr>
<td>Enjoys taking risks.</td>
<td></td>
</tr>
<tr>
<td>Positive outlook on stock in future.</td>
<td>Theme 2: The anchoring trap.</td>
</tr>
<tr>
<td>Based on predominant assumptions about stable economic conditions.</td>
<td></td>
</tr>
<tr>
<td>Cautious of letting go.</td>
<td>Theme 3: Emphasis on mental accounting.</td>
</tr>
<tr>
<td>Value play or value trap.</td>
<td></td>
</tr>
<tr>
<td>Believes it is an indicator for future results.</td>
<td>Theme 4: The tendency to chase trends.</td>
</tr>
<tr>
<td>Uses past performances as basis for investing in present.</td>
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<tr>
<td>Difficulties in accepting even small losses.</td>
<td>Theme 5: The fear of even the smallest loss and the sunk cost fallacy.</td>
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<td>Difficulty to let go due to large amounts of time, money and efforts previously invested.</td>
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<td>Cautious in terms of financial risk taking.</td>
<td>Theme 6: Familiarity and risk averse perception.</td>
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<td>Thinks with heart more than head.</td>
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<tr>
<td>Follows people doing well.</td>
<td>Theme 7: Influenced by the herd.</td>
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<td>Due to lack of full available financial information to make efficient decisions.</td>
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Theme 1: Overconfidence in investors.

The first theme is centred on the overconfidence bias some investors depicted in their responses. This theme emerged more commonly within the institutional than the private investors group. Investing in stocks was influenced by habitual behaviour or incorporated into part of their daily routine as one subject, Mr. Vijay Chacko an investor for IDA suggested when asked how often they buy/sell stocks:

“Oh, I believe the stock market never sleeps and so do I. I engage in buying and selling on an intra-day basis.”

Other institutional subjects were also quick to respond saying, “I invest weekly”, “twice in a week, I keep busy”. The more overconfident the subjects were the more it became apparent that it could be linked to how their friends/family members in another question would describe their attitude towards financial risks. A subject chuckled when asked this and responded, “They would say I am a high-risk taker and love a challenge.” A prior study has noted that the more confident the investor is, the more likely he/she is trading frequently and takes a lot more risk.

This bias seemed to affect the institutional investors by a more significant degree as compared to the private investors as this bias comes with a tendency to believe that they have an edge over others and have more skills as an investor and that status is reflected by having access to a large amount of funds. The more cautious investors i.e. the private investors do not suffer from this bias as they are seen to invest less often. Multiple subjects suggested this when queried as to how often they buy/sell stocks, “Every three months whenever I have any disposable income.”, “Maybe monthly, really depends on if I have any additional income to spare.

Theme 2: The anchoring trap.

Six out of seven institutional investors when asked what their predisposition would be on a particular stock in three months’ time if the same it was flourishing at present, had the belief that there would be additional value or a positive future for the stock. This was evident by a response given by a subject, “I would make the assumption that the market of the product will remain robust that in three months time there should be additional value.” Or “If the economic conditions remain more or less the same, I would still assume a positive outlook on the apple stock in three months’ time.” This would stem from...
from the bias or trap of ‘anchoring (CFI, 2011).’ It happens when people rely on information given in hand like the stable economic condition at present that apple is doing seemingly well to judge the future of the stock. They look to build their sense of value based on the anchor that it is flourishing at present.

Interestingly and in contrast, when asked the same question on the same particular stock four out of seven private investors note that they are not sure how a will perform in the market in three months’ time because of the volatility of the market, which shows that this anchoring bias is not predominantly present in their mental state.

Theme 3: Emphasis on mental accounting.
A key theme to emerge was the bias surrounding mental accounting. Question five pertaining to whether the subject would let go of a stock they have owned for several years that performed well in the past, however underperforming in the present sought to examine this particular bias. Throughout the data set it was observed that the institutional investors were cautious in terms of letting go of the stock with this criteria. This was clearly seen in a few of the subjects responses like, “I would take advice from the specialists in my team before making that decision.”, “I would stay on in case of value play”.

These investors looked at holding on to the stock on various accounts like needing time to consult with the specialists in their team or considering whether it has a value play. While analysing their behaviour during the encounter, a stock that has earned them a lot in the past or an inherited stock will always have a special place emotionally which is why they look to still invest in that particular stock even if it may underperforming now. This is where the bias of mental accounting emerges.

This was more evident in institutional investors than private investors. Private investor subject Joseph Welsh said, “I would probably do some research and see what other stocks are flourishing at the current time to repurpose the amount.”

Mental accounting often leads investors to make very impractical and irrational decisions. A concept introduced by Richard Thaler in 1945 is still prevalent among top institutional investors in Ireland.

Theme 4: The tendency to chase trends.
This theme deals exclusively with the chasing trends factor. Question 3 of the interview rounds relates to the tendency of chasing trends. A majority of private investors in this study when asked how they feel towards the tagline, ‘Past performances is not an indicator of future results’, answered that they
do indeed look at past performances while investing in different stocks at present. This was not as prevalent in institutional investors, e.g. one investor noted that they “One Hundred percent agree with that tagline.”

One of the subjects from the private investor grouping stated, “I do look at past performances to sway my decisions in investing if that answers the question.” Another said, “I think past performance is an indicator as stocks run in cycles.” While some were saying it depends if it is a bull or bear market but either ways, it is some sort of indication.

This bias is arguably one of the strongest biases out there. Although this tagline is used as a disclaimer everywhere, private investors like in the case of this study believe that they can predict future results by studying the past. By detecting patterns, they fall into the pit of believing in their validity. This bias in private investors fails to look at how random and disorganized the market really is at its core. Institutional investors given their responses, have a better appreciation of this and tend to stay clear of chasing trends, and focus on current facts and information available to them at present.

Theme 5: The fear of even the smallest loss and the sunk cost fallacy.
This next theme discusses the relation of one bias with a fallacy that majority of the private investors have. Questions 4 and 9 in the interview prompted responses, which aided to developing a relation between this bias and fallacy, which was present more in private investors as opposed to institutional investors.

Most of the private subjects when queried if they would hold on to a stock if it is facing a small loss in value to avoid the feeling of regret answered in a manner that suggested they have regret bias which is the fear of loss. This was evident in responses like, “Definitely, one hundred percent.” or “I hate losing even if it’s a small amount.” This sort of irrational thinking is what leads to falling into a financial pitfall. By not selling even at a small loss, they hold on to the feeling of not having to deal with regret.
It is clearly seen from the table and from the interview responses that subjects have a very high fear of loss. They seem to cling on to a decision in the hope that it would make them money again. Institutional investors do not face exhibit this bias as their motto generally is that sticking to high risk will reap them high reward, so a small loss will not phase them.

This leads to the fallacy known as sunk cost fallacy that these investors also face. When asked if they would persist in investing in a stock even though it is clearly underperforming due to the large amount of funds and time they have already invested in the past, a subject responded, “No, I don’t think it would be that easy. I would have to make sure it is the right call before moving.” Another interesting response read, “I’m not going to simply give up on a stock because it is underperforming for a bit when I have spent so much on it already, I would hold on to see what comes in the market.” As a reader one can clearly see the tendency to continue this endeavour solely due to the time, money and effort poured into this stock. This forms as a result of an irrational economic view. Making investment decisions based on past expenditure due to fear of regret/loss or being simply unwilling to make the change can result in poor outcomes. The private investors are not seeing the bigger picture in mind unlike those subjects that belong to the institutional group.

Theme 6: Familiarity and risk averse perception.

This next theme involves the discussion of the closeness of the risk averse and familiarity bias. There was a question from the interview rounds, which asked subjects how their friends/family would describe their attitude towards taking financial risks. The institutional investors seemed to be more
confident with their comments as well as positive behavioural ques such as light chuckles and smirks. They answered to be in the category moderate to high risk takers while private investors remained quite reserved while answering stating that they were more risk-averse and conservative. This is where this bias plays a huge role in their thinking. It was evident with subjects responses such as, “Oh, very risk averse. I would say more conservative but at the odd time be brave and take a risk here and there.” and “conservative in taking risks” that this bias is very much prevalent in private investors. This bias causes them to put more weight on bad than good news. They often stick to safe investments while in reality living in a bull market, which is very much alive, is causing them to miss the rally due to the fear of anything bad happening.

This bias is closely related to another known as the familiarity bias in which private subjects were seen to be making more subjective decisions as compared to institutional ones that made decisions that are more objective. This bias is very common, as investors usually prefer stocks that they have somewhat of familiar connection to rather than a stock that is relatively new. The familiarity bias helps rule out any danger in the minds of the investor in investing in new stocks (McAndrews, 2017).

Figure 5 Risk aversion in reality (Jubi, 2018)

Theme 7: Influenced by the herd.

The seventh theme of this study is based on the herd mentality bias. Question 7 was designed to elicit whether the respondents would consider investing in a stock that other known investors were actively investing in; the responses for the two groupings indicated that private investors were generally swayed or influenced by a herd mentality, whereas the responses of institutional investors showed that they would not be swayed and follow the herd.

Private investors responds suggest that they do tend to copy and follow the herd as a feeling of safety in the majority (wisdom of crowds) as seen in one subject’s answer, “If the stock is flourishing and people are leaning towards it, why wouldn’t I invest in it?” These investors are largely influenced by
emotion and instinct over the belief in the validity of following their own intuition or conducting their own market analysis (CFI, 2017).

Institutional investors are seen have a stronger preferences to conduct their own independent analysis before investing in that particular stock which suggests that they are free of this bias. This was clearly depicted in the response of a subject that said, “No, I would actually be particularly cautious of this investment. It may be a trend or a publicly inflated in a bubble waiting to explode. I will not buy if I do not understand it, period.” Another said, “I’d have to conduct my own research before buying in”.

**Theme 8: The heuristic approach as a mental short cut.**

The last theme focuses on mental short cuts used in investing. This bias is known as heuristic simplification bias. Private subjects when asked if they conduct their own financial research besides what is already broadcasted in media responded predominantly no when compared to institutional investors.

Subjects from the private group has answers such as, “Not really much, just what is in the news”, “I dabble in a bit of googling is all.” It is clear that that they take mental shortcuts in order to make judgements and decisions quickly and efficiently. However, this results in the cognitive bias. Fast and decisions made in haste typically tend to be reckless and have a high risk of error. This leads into subthemes such as stereotyping and prejudice because decisions due to mental shortcuts with the limited research done induces the investor into classifying and categorizing that can create stereotypes that are not in tune with reality (Kendra, 2019)

One institutional investor stated, “Yes, absolutely all channels are exhausted to conduct financial research. My team puts together all relevant information for me to review.” Another investor mentioned, “Yes, I do to get the best deals and make the best decisions, you need all possible information, not just that which is broadcasted heavily on the news.” This suggests that they do not take mental short cuts in making decisions.
Figure 6 Key differences in the financial investment behaviour themes
CHAPTER 5: DISCUSSIONS AND FINDINGS

In this section, all the interpretations and relevant findings from conducting this analysis is going to be explained in detail. The aims of conducting this study was to firstly elicit, outline and address the behavioural biases existing in both groups of investors that partake in making financial decisions in the Irish Market. Secondly, a further aim was to expose similarities within the same group of investors and differences between the two groups by understanding the prevalent biases and their manifestation. The Third and most important motive behind the study is, if investors are aware and informed of their own sub-optimal investment behaviour and have the processes and tools in place to mitigate such behaviour, it would help reduce the impact of major pitfalls and improve stability in the financial markets by helping them make emotionally intelligent and controlled financial decisions. If they are unaware that these biases exist perhaps at a subconscious level, they may not be able to overcome them and make financially sound decisions. These were the prime motives and aims that the study intended to address.

The results were able to address and facilitate the aims of the study in all aspects from showing prevalent biases that exist in the two groups of investors in the Irish Financial Market that were elicited from the responses of subjects during the interview stage. These biases included overconfidence, anchoring, herd mentality, heuristic simplification and many more. The participants who were selected at random were queried the same set of questions and their responses were segregated into similarities within the group and differences between the groups i.e. the institutional vs the private investors. A number of cases showed that the majority of the institutional investor responses tended towards having that particular bias as in the case of ‘the overconfidence bias’, when asked how often they engage in buying and selling of stocks, almost the whole set of investor subjects said very often weekly and even on an intra-day basis. Their perception is that with higher risk comes higher returns, hence this seems to suggest why they invest more frequently in comparison with private subjects who mostly stated that they only when they have disposable income. These biases can cause irrationalities in the context of making financial decisions, which can often lead to pitfalls in investing. Another interesting finding that helps to achieve the general hypothesis of the study was an observation made during the interview rounds. It seemed that the institutional investors were clearer, concise, quick and even chuckled with some of their responses as compared to the private investors, which could be due to the underlying reasoning of their status as investors and that they feel that they are highly skilled and able with their decision-making. However, after conducting the analysis of the study, it was made clear that even the institutional investors do suffer from biases and fallacies like overconfidence,
anchoring and even mental accounting. Another important finding is the differences in the amount of biases found between the two groups. It was found that private investor subjects generally suffer from more biases than the institutional ones. The ratio between the behavioural biases of the institutional and the private investors was 3:5. This could be due to several reasons all stemming from the obvious power distance between the two groups. Another reason could allude to the inequalities in the distribution of and access to financial information. The use of artificial intelligence and algorithms has helped to reduce the impact of behavioural tendencies in the case of the institutional investors. The private investors do not have access to these resources, which is why they tend to be more prone to being under the influence of these biases.

Once investors are made aware of these biases, the investors can take steps to prevent or overcome them and make better and more controlled financial decisions. The market inefficiencies are natural, as it comprises of humans making decisions or computers programmed by humans. However, there can be steps taken to minimize these inefficiencies. The first way to overcome bias is to trade less and invest more, understanding that there is far more information and better data all around the world and knowing that intuition is not always right and to stick to building wealth gradually and not overnight. Secondly, set trading rules that never change. For example, if a stock trade loses 7% of its value, exit the position. If the stock rises above a certain level, set a trailing stop that will lock in gains if the trade loses a certain amount of gains. Make these unbreakable rules and do not let one’s self trade on emotion. Thirdly, recognize and understand that financial information that has been
broadcasted is only one channel and cannot be one’s way of a mental shortcut in financial decision-making and judgement. Evaluate and carry out independent research which may reveal lucrative trades that were not spotted or highlighted in the media. Fourthly, if one believes in past performance being a dominant indicator, then one should reflect as this is a bias that has been codified and has likely already been exploited by the market. Warren Buffet is a exemplar of such an exploitation, for example he has stated in the past to buy when others are fearful and sell when they are confident; this approach has been used by Mr Buffet for years to exploit and profit from herd mentality (Tilson, 2005). Fifthly, in order mitigate these unprofitable and potentially destructive biases, use a spreadsheet to calculate risk/reward on a particular investment. Once a threshold is set, it will be easier to objectively make more controlled financial calls and not deviate from them. Setting externalised and enforced rules will help mitigate any biases that come in the way of increasing returns. A good investor either private or institutional should always prepare himself or herself for the risk of a loss on any investment.

The last and final lesson would be for individual investors in particular to diversify the portfolio to minimise risk; institutional investors have the ability to be more focused in terms of stock selection due to the increased resources, knowledge and tools in their portfolio. As the saying goes, ‘Never put all eggs into one basket.’

This study fits into and complements existing literature and research in the field of Behavioural Finance. In the literature review chapter, it was discussed that previous studies has been carried out on the behavioural tendencies of investors however; they were discussed and conducted in isolation and not in comparison of the two-investor groups. Furthermore, the prior studies failed to incorporate the behavioural aspects of both groups investing in the market. This comparison has laid the foundation for future study in terms of increasing awareness of the different biases that exist between the groups, the level of this difference, and ways to mitigate it. Future studies can pick the same variables and thematic analysis over a bigger sample population to further understand and evoke more information about this phenomenon. Finally this work suggests that the level of differential biases between the two groups of investors would reduce if both groups had access to the same amount of resources in terms of AI, Algorithms and information so as to bridge the overall power distance between them. This study helps to pave the way to facilitate future studies in this field.

This research if it had access to more resources and had less time constraints, would have had a bigger sample population to conduct the analysis on. This would be considered an area of constraint on the potential applicability of this work. However, this can be looked to as an area to work on and build in the future of this field. More steps could be taken to advice the investors on the biases and to take
the necessary steps to overcome them while making financial decisions. One of the positives from this study is that it has covered all grounds in order to achieve the hypothesis. Differences were found between the two groups as well as very similar responses within the group as well. This could be due to the power distance, differences in status, education background, social influence and more. This study went to the essence of these problems and will potentially lead to real-life implications in term of improving investment behaviour. These will range from being self-aware that these biases exist to countering them by setting objective and enforceable trading rules.
CHAPTER 6: CONCLUSION

The research findings in this study suggest that there are key differences in the behavioural biases between institutional and private investors that cause disruption and distortions in the stock market. After reviewing this study, one can conclude that these biases exist and that they can have a significant impact on market participants; this is step one in the process of ameliorating or rectifying market inefficiencies caused by such biases. Even though behavioural biases cannot be eliminated from market activity and the market will not become rational overnight, a key objective is improving our understanding of how to overcome and mitigate biases by setting strict objective trading rules to follow that can help minimize their effect on trading activities as well as avoid the major pitfalls that human emotions can cause. This study was conducted with the intent of being a stepping-stone in progressing this field to the point where these behavioural tendencies will be routinely incorporated into economic and financial behaviour models. Once awareness of these biases become more commonplace in analysis and decision making it can help locate mispriced assets, make controlled investment decisions using psychology and help institutional investors manage their investment corpus. It was evident in the study that even with the availability of significant resources directly accessible to institutional investors; they still face significant behavioural biases but to a diminished degree to what private investors experience. In the end, general awareness of this topic will help both these groups of investors make better informed and more controlled financial decisions in the market.
CHAPTER 7: REFLECTION

This thesis is an accurate reflection on my masters experience and has taught me numerous ideas, concepts and methodologies. Some of the theories that I’ve encountered in the course as based on the Honey, Mumford and Kolb reflection learning model. An example of the philosophies that influenced the course of my writing include the reflective, theorists and pragmatic. An exemplar diagram of the coherence and purpose of these approaches is illustrated in Figure 8.

Reflection on the Thesis

I was pragmatic in the approach in order to test, evaluate and illuminate new innovate psychological and sociological theories about behavioural finance within the context of traditional financial theories and models. I use the research strategy of interpretism to understand and evoke findings, opinions and existing biases of my research subjects (individual and institutional investors). These observations and analysis of alternative theories facilitated the conclusions and discussion on the main thesis hypothesis.
A pertinent question to ask is why this field of research, why this hypothesis? This research question is at the forefront of new and emerging field of financial theories that are being applied to financial markets via a cross-pollination of financial knowledge acumen with psychological, sociological, ecological and environmental theories.

Conducting the interviews for the qualitative analysis facilitated my personal curiosity for financial markets, investment strategies and helped to gain an understanding into the minds, emotions and feelings of financial traders from big institutional investors to smaller individual investors.

**Reflection on MBA**

I choose this MBA program in order to gain an understanding of and expertise in the finance industry. I have a personal interest and fascination with this field being an individual investor with many friends and acquaintances that work in this field of study. This course encouraged by critical and analytical thinking, improved my scientific rigor, and helped me understand the process and methodology that goes into establishing and proving out a hypothesis.

Conducting this work helped to open my understanding to a new world view, it helped to illuminate my conceptualisation of the field of finance and the exciting new directions that it is going in, informed by sociological, psychological, ecological and environmental theories already established in tangential fields. The lectures I had were the perfect grounding for my knowledge and understanding, and put in place a platform for my future career prospects.

I improved my presentation and communication skills, developed my interpersonal skills along with gaining an understanding of emotional intelligence not just in the context of its emerging role in behavioural finance.

**Self-assessment:**

I took the research hypothesis and broke it down into its constituent parts, the aims, the subject areas to cover, the research methodologies that would apply. From that break down I think planned out the work in a Gantt chart outlining my expected week to week progress, along with task lists per day.

It has been a challenging and informative process of self discovery, in terms of the knowledge learned, the research methodologies that I have put into practice. There has been a significant improvement in my verbal and written communication, the knowledge that I have gained with respect to how to structure research questions, and how to validate and verify through established practices. My time management skills have improved and I’m a more disciplined and detailed planner in terms of how to
manage a project. It has further given me the confidence and courage to talk to and work with senior people in the field.

Own-learning

I have learned a multitude of skills, and have gained knowledge from the numerous diverse aspects of finance. This work has opened my eyes to the multi-faceted aspects of behavioural finance which is at the cross-roads in terms of the cross pollination of theories from psychology, sociology and ecology and environmental context to the field of finance.

It was illuminating to gain an insight with actual market participants that helped my own understanding in terms of how the accumulation of knowledge gained from the course can be translated into practice. This will be vital in my career going forward as I see the value that the knowledge from the course and study has given me, along with how it can be used on a day to day basis with some of the biggest institutional investors in the industry.

Institutions are at the very beginning of the application of behavioural finance and its application to the workflows and day to day practices of their investors. The knowledge that I have accumulated through this research will provide me with an advantage to help share the direction of any institution that I join in future. This course and work has put me at the forefront of emerging trends in the industry and will therefore act as a springboard for my career. I am grateful that the Dublin Business School has such a forward and progressive approach to learning, research and development.

Research Time plan

The research work was conducted from June to August inclusive. A number of issues were encountered but the most dominant factor was gaining and scheduling access to institutional investors in order to participate in the study.

The follow is a Gantt chart of my research plan, including my intermediate timelines and expectations.
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<th>ACTIVITY UNDERTAKEN</th>
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<tr>
<td>Launch month: Jan 18, 2019</td>
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<td>Month: Jan, February, March, April, May, June, July, August</td>
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<td>Week beginning: 12, 19, 26, 30, 7, 14, 21, 28, 4, 11, 18, 25, 2, 9, 16, 23, 30, 6, 13, 20</td>
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<tr>
<td>Research and finalize research questions (introduc. to topic)</td>
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<td>Conduct literature search</td>
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<tr>
<td>Write and finalize literature chapter</td>
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<tr>
<td>Research and decide on methodology</td>
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<td>Write final methodology chapter</td>
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<td>Ethical approval process</td>
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<tr>
<td>Meet with supervisor</td>
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<td>Develop data collection tools</td>
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<td>Refine and edit data collection tools</td>
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<tr>
<td>Test data collection tools</td>
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<td>Contact suitable respondents for research investigation</td>
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<td>Data Analysis</td>
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<td>Write/find final results chapter</td>
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<td>Write/find discussion, conclusions &amp; theories</td>
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APPENDIX: A Interview Questions

Q1. How often do you buy and/or sell stocks in the market?

Q2. What would your interpretation/assumption be on the Apple stock in three months, if say the stock is flourishing at present?

Q3. How do you feel towards this particular tag line, ‘Past performances is not an indication of future results’?

Q4. Do you hold on to a stock if it is facing a small loss in value to avoid the feeling of regret?

Q5. A stock you have owned for several years has done you extremely well in the past, however it is underperforming in the recent years, will you be willing to let go of it?

Q6. How would your family/friends describe your attitude towards taking financial risks?

Q7. Other investors and people you may know are swaying towards a particular investment, would you consider investing in the same stock?

Q8. Do you go out of your way to do your financial market research i.e, gather all possible financial news from all different channels or just focus on making your decision based on the news that is broadcasted in the media?

Q9. Would you persist in investing in a stock even though it is clearly underperforming due to the large amount of funds and time you have already invested in the past?

Q10. Do you believe that you will act objectively and move stocks when the information given suggests clearly to? (Investment Planning Questionnaire Survey, no date).

Interview transcript (Samples):
Institutional investors:

Interview 1:

Interviewer: Vinitha Mary Jacob, Masters student at Dublin Business School

Interviewee: Vijay Chacko, works as an investor for IDA Ireland

Interview Setting: The interview was conducted at 3:30 PM on Wednesday afternoon in Coffee Bean.

Affiliation with interviewee: Reached out to him on LinkedIn.

(Start of Interview)
Interviewer: How often do you buy and/or sell stocks in the market?

Interviewee: Oh, I believe the stock market never sleeps and so do I. I engage in buying and selling on an intra-day basis.

Interviewer: What would your interpretation/assumption be on the Apple stock in three months, if say the stock is flourishing at present?

Interviewee: If the economic conditions remain more or less the same, I would still assume a positive outlook on the Apple stock in three months time.

Interviewer: How do you feel towards this particular tag line, ‘Past performances is not an indication of future results’?

Interviewee: I one hundred percent agree with this statement.

Interviewer: Do you hold on to a stock if it is facing a small loss in value to avoid the feeling of regret?

Interviewee: I believe in the concept of ‘floor and ceiling’. If the stock I bought has fallen below the ‘floor margin, I will immediately sell it and repurpose the capital towards another investment to try to makeup that loss in the future.

Interviewer: A stock you have owned for several years has done you extremely well in the past, however it is underperforming in the recent years, will you be willing to let go of it?

Interviewee: I would let go of the stock unless it is a value play which in that case, since the market overreacts to good and bad news, resulting in stock anomalies that it would not correspond to a company’s long-term fundamentals and I would look to stay on. However, would need to check with my advisor to make sure it is indeed a value play not a value trap.

Interviewer: How would your family/friends describe your attitude towards taking financial risks?
**Interviewee:** *laughs* they would say I am a high-risk taker and love a challenge.

**Interviewer:** Other investors and people you may know are swaying towards a particular investment, would you consider investing in the same stock?

**Interviewee:** No, I would actually be particularly cautious of this investment. It may be a trend or publicly inflated in a bubble waiting to explode. I will not buy if I will not understand it, period.

**Interviewer:** Do you go out of your way to do your financial market research i.e, gather all possible financial news from all different channels or just focus on making your decision based on the news that is broadcasted in the media?

**Interviewee:** Yes, absolutely all channels are exhausted to conduct financial research. My team puts together all relevant information for me to review.

**Interviewer:** Would you persist in investing in a stock even though it is clearly underperforming due to the large amount of funds and time you have already invested in the past?

**Interviewee:** I would consult the market risk department and if they think it’s time to go, it is time to go. I am not going to keep investing in something that is not giving me returns.

**Interviewer:** Do you believe that you will act objectively and move stocks when the information given suggests clearly to?

**Interviewee:** I will move if information suggests to.

**Interviewer:** Thanks for your time in answering these questions and taking part in the study. It is beyond appreciated.
Interview 2:

Interviewer: Vinitha Mary Jacob, Masters student at Dublin Business School

Interviewee: Sean Kelly, works as an investor in Goldman Sachs.

Interview Setting: The interview was conducted at 11:30 AM on Tuesday afternoon in Goldman Sachs’s reception area.

Affiliation with interviewee: Reached out to him during an Investor’s business daily club seminar.

(Start of Interview)

Interviewer: How often do you buy and/or sell stocks in the market?

Interviewee: I invest weekly.

Interviewer: What would your interpretation/assumption be on the Apple stock in three months, if say the stock is flourishing at present?

Interviewee: I would make the assumption that the market of the product will remain robust that in three months time there should be additional value.

Interviewer: How do you feel towards this particular tag line, ‘Past performances is not an indication of future results’?

Interviewee: I’d agree with it as these days the markets are so volatile that past performances cannot be appropriate indicators.

Interviewer: Do you hold on to a stock if it is facing a small loss in value to avoid the feeling of regret?

Interviewee: No, I’d cut my losses immediately as sentiment wouldn’t affect my decision as it may even go down further if I do hold on to it. Plock it off straight away.
Interviewer: A stock you have owned for several years has done you extremely well in the past, however it is underperforming in the recent years, will you be willing to let go of it?

Interviewee: I would take advice from the specialists in my team before making that decision.

Interviewer: How would your family/friends describe your attitude towards taking financial risks?

Interviewee: Moderate to high-risk taker.

Interviewer: Other investors and people you may know are swaying towards a particular investment, would you consider investing in the same stock?

Interviewee: Not necessarily as the majority isn’t always right and I’m not one to follow the herd.

Interviewer: Do you go out of your way to do your financial market research i.e, gather all possible financial news from all different channels or just focus on making your decision based on the news that is broadcasted in the media?

Interviewee: I would keep an eye on the stock market see what the indicators are and read the publications.

Interviewer: Would you persist in investing in a stock even though it is clearly underperforming due to the large amount of funds and time you have already invested in the past?

Interviewee: No I would be practical and take the appropriate steps if there is a risk that I would lose value in the long-term to deal with it.
Interviewer: Do you believe that you will act objectively and move stocks when the information given suggests clearly to?

Interviewee: Objective I would say.

Interviewer: Thanks for your time in answering these questions and taking part in the study. It is beyond appreciated.

Interview 3:

Interviewer: Vinitha Mary Jacob, Masters student at Dublin Business School

Interviewee: Jacob Sullivan works as an investor at Amundi Asset Management.

Interview Setting: The interview was conducted at 1:30 PM on Monday afternoon during lunch at Starbucks.

Affiliation with interviewee: Reached out to him on LinkedIn.

(Start of Interview)

Interviewer: How often do you buy and/or sell stocks in the market?

Interviewee: Very often at least twice a week.

Interviewer: What would your interpretation/assumption be on the Apple stock in three months, if say the stock is flourishing at present?

Interviewee: It all depends on product launch and the economic changes at three months time.

Interviewer: How do you feel towards this particular tag line, ‘Past performances is not an indication of future results’?

Interviewee: True, one hundred percent.
Interviewer: Do you hold on to a stock if it is facing a small loss in value to avoid the feeling of regret?

Interviewee: I would sell to minimize further loss.

Interviewer: A stock you have owned for several years has done you extremely well in the past, however it is underperforming in the recent years, will you be willing to let go of it?

Interviewee: If the reason for underperformance is simply temporary due to stock market fluctuations or regulatory changes, I would hold on to the stock in the market, else in the other case let go if it is unable to bring me any returns in the future. In any case, a detailed investigation will take place to determine that.

Interviewer: How would your family/friends describe your attitude towards taking financial risks?

Interviewee: Definitely a pro risk taker.

Interviewer: Other investors and people you may know are swaying towards a particular investment, would you consider investing in the same stock?

Interviewee: I would not buy into hypes as they are all short lived.

Interviewer: Do you go out of your way to do your financial market research i.e, gather all possible financial news from all different channels or just focus on making your decision based on the news that is broadcasted in the media?

Interviewee: Yes, I do to get the best deals and make the best decisions, you need all possible information, not just that which is broadcasted heavily on the news.
Interviewer: Would you persist in investing in a stock even though it is clearly underperforming due to the large amount of funds and time you have already invested in the past?

Interviewee: Move on and keep diversifying the portfolio to maximize returns.

Interviewer: Do you believe that you will act objectively and move stocks when the information given suggests clearly to?

Interviewee: Very objective. Sentiments do not phase me in the place of work.

Interviewer: Thanks for your time in answering these questions and taking part in the study. It is beyond appreciated.

Private investors:

Interview 1:

Interviewer: Vinitha Mary Jacob, Masters student at Dublin Business School

Interviewee: Joseph Welsh, works as a Business Analyst at Ernst and Young

Interview Setting: The interview was conducted at 10:00 AM on Thursday afternoon in Starbucks.

Affiliation with interviewee: Met on TICN.

(Start of Interview)

Interviewer: How often do you buy and/or sell stocks in the market?

Interviewee: Every three months whenever I have any disposable income.

Interviewer: What would your interpretation/assumption be on the Apple stock in three months, if say the stock is flourishing at present?
Interviewee: Stay on parity.

Interviewer: How do you feel towards this particular tag line, ‘Past performances is not an indication of future results’?

Interviewee: Depends on the market. *breathes deeply*
If it is in a bull market the stock can flourish and if it is in a bear market, the stock could lose money. Really would depend on the market conceptions, but I personally would believe past performances do have some sort of indications to future results.

Interviewer: Do you hold on to a stock if it is facing a small loss in value to avoid the feeling of regret?

Interviewee: No, I would sell the stock immediately if it is losing substantial amount of money, but if it is only a small stock I would hold on a bit longer to see if the market will become favourable again.

Interviewer: A stock you have owned for several years has done you extremely well in the past, however it is underperforming in the recent years, will you be willing to let go of it?

Interviewee: Depends on market sentiment, I would probably hold on for another while and do some research and see what other stocks are flourishing at the current time to repurpose the amount. But, I would hold on for a bit before selling.

Interviewer: How would your family/friends describe your attitude towards taking financial risks?

Interviewee: Very risk-averse.

Interviewer: Other investors and people you may know are swaying towards a particular investment, would you consider investing in the same stock?
Interviewee: Have to do my own market research, but I may buy into it if it seems to be doing well. I would be curious why it is doing well, however I would have very limited resources to figure out why.

Interviewer: Do you go out of your way to do your financial market research i.e, gather all possible financial news from all different channels or just focus on making your decision based on the news that is broadcasted in the media?

Interviewee: I do research on Bloomberg terminals.

Interviewer: Would you persist in investing in a stock even though it is clearly underperforming due to the large amount of funds and time you have already invested in the past?

Interviewee: I would move on hopefully and try to diversify my portfolio.

Interviewer: Do you believe that you will act objectively and move stocks when the information given suggests clearly to?

Interviewee: Purely subjectively, cannot take my heart out of decision-making.

Interviewer: Thanks for your time in answering these questions and taking part in the study. It is beyond appreciated.
Interview 2

Interviewer: Vinitha Mary Jacob, Masters student at Dublin Business School

Interviewee: Jack Cunningham, works as a business intern at Deloitte.

Interview Setting: The interview was conducted at 10:30 AM on Monday morning in Coffee Bean.

Affiliation with interviewee: Friend

(Start of Interview)

Interviewer: How often do you buy and/or sell stocks in the market?

Interviewee: Maybe monthly, really depends on if I have any additional income to spare.

Interviewer: What would your interpretation/assumption be on the Apple stock in three months, if say the stock is flourishing at present?

Interviewee: I say if they launched a new product, their stock price will only rise in three months time.

Interviewer: How do you feel towards this particular tag line, ‘Past performances is not an indication of future results’?

Interviewee: I think it is an indicator as stocks run in cycles.

Interviewer: Do you hold on to a stock if it is facing a small loss in value to avoid the feeling of regret?

Interviewee: Definitely, one hundred percent.

Interviewer: A stock you have owned for several years has done you extremely well in the past, however it is underperforming in the recent years, will you be willing to let go of it?

Interviewee: I would hold on to it with the hope it would rise in the future.
**Interviewer:** How would your family/friends describe your attitude towards taking financial risks?

**Interviewee:** Oh, very risk averse. I would say more conservative but at the odd time be brave and take a risk here and there.

**Interviewer:** Other investors and people you may know are swaying towards a particular investment, would you consider investing in the same stock?

**Interviewee:** I would look at past performances first and then judge from there.

**Interviewer:** Do you go out of your way to do your financial market research i.e, gather all possible financial news from all different channels or just focus on making your decision based on the news that is broadcasted in the media?

**Interviewee:** I dabble in a bit of googling. Nothing much really than what is put out there on the economist or financial times.

**Interviewer:** Would you persist in investing in a stock even though it is clearly underperforming due to the large amount of funds and time you have already invested in the past?

**Interviewee:** I'm not going to simply give up on a stock because it is underperforming for a bit when I have spent so much on it already, I would hold on to see what comes in the market.

**Interviewer:** Do you believe that you will act objectively and move stocks when the information given suggests clearly to?
Interviewee: I try to be objective, however I would be lying if I said I haven’t made decisions following my heart.

Interviewer: Thanks for your time in answering these questions and taking part in the study. It is beyond appreciated.

Interview 3:

Interviewer: Vinitha Mary Jacob, Masters student at Dublin Business School

Interviewee: Jenna Condon, works as a customer Service Supervisor at VHI Insurance.

Interview Setting: The interview was conducted at 5:30 pm on Friday at Woodstock Café.

Affiliation with interviewee: Met at MeetUp (An investment club)

(Start of Interview)

Interviewer: How often do you buy and/or sell stocks in the market?

Interviewee: When I think the market is doing well.

Interviewer: What would your interpretation/assumption be on the Apple stock in three months, if say the stock is flourishing at present?

Interviewee: If it is doing well at present, I’m sure it will be the same at three months time.

Interviewer: How do you feel towards this particular tag line, ‘Past performances is not an indication of future results’?

Interviewee: I do look at past performances to sway my decisions in investing if that answers the question.

Interviewer: Do you hold on to a stock if it is facing a small loss in value to avoid the feeling of regret?
**Interviewee:** I definitely do. I hate losing even if it’s a small amount.

**Interviewer:** A stock you have owned for several years has done you extremely well in the past, however it is underperforming in the recent years, will you be willing to let go of it?

**Interviewee:** I would not, I wouldn’t give up on it if it has performed well in the past. I am sure it will perform well again in the future.

**Interviewer:** How would your family/friends describe your attitude towards taking financial risks?

**Interviewee:** Risk averse mostly but sometimes I am reckless in taking financial decisions.

**Interviewer:** Other investors and people you may know are swaying towards a particular investment, would you consider investing in the same stock?

**Interviewee:** If the stock is flourishing and people are swaying towards it, why wouldn’t I invest in it?

**Interviewer:** Do you go out of your way to do your financial market research i.e, gather all possible financial news from all different channels or just focus on making your decision based on the news that is broadcasted in the media?

**Interviewee:** No, definitely whatever is just broadcasted I would follow.

**Interviewer:** Would you persist in investing in a stock even though it is clearly underperforming due to the large amount of funds and time you have already invested in the past?
Interviewee: No, I don’t think it would be that easy. I would have to make sure it is the right call before moving.

Interviewer: Do you believe that you will act objectively and move stocks when the information given suggests clearly to?

Interviewee: Very subjective in my decisions.

Interviewer: Thanks for your time in answering these questions and taking part in the study. It is beyond appreciated.
APPENDIX B: Ethics Information

Researcher’s name: Vinitha Mary Jacob

Submission Date: 26/09/2019

Research Title: What are the key differences in the financial investment behaviour between institutional and private investors in the financial markets?

Description of research: Importance of gaining knowledge on the differences in their financial investment behaviour will help educate everyone that investment decisions are not always made rationally and that emotions do control how the market moves. Once made informed about the theories about human emotion that create the behavioural tendencies/biases, it can be evident on if institutional and private investors are distinctly different in their investment behaviour or if anything relates or overlaps with each other. Once they are made aware of this research, it would pave way for greater stability in the financial markets by taking more controlled decisions. Being more in tuned with one’s feelings in the long-run can help them navigate through what has to be done i.e, investing more efficiently than not being aware of how they are feeling before taking that particular decision.

Population of interest: The focus group of this research is a collection of individuals who are private and institutional investors. It is a sampling of a cohesive small group of people as it is too expensive and time-consuming to conduct it over a large population. The targeted research population is within Ireland and between the age group of 25 to 50 where maximum of monetary funds are being utilized to invest.

Sample of interest: There are far less to spend money, which is why the top limit is at 50 years. Below 25, individuals are still new to the work world and are learning about how to handle their finances. Between that age group, they are seen to invest their savings, which is why they will be ideal as the research population.

Primary Research - Data Management

Is the data anonymized – how is this done?

Yes it is anonymized and is done on the basis of thematic analysis.
How is data confidentiality maintained?

There is a signed privacy notice and agreement between the researcher and subjects.

Where will the data be stored?

Data is recorded and stored in personal notes.

When will the data be destroyed?

The day after the time period for appeal-of-grade period has expired.

Specific Ethical Considerations

Detail any aspects specific to your proposal that will require further ethical approval e.g. interaction with under-18 year-olds, experiments requiring deception, anything that might cause respondents any distress, etc.

The information consent form has a section discussing if the participant is not comfortable anymore, he/she can withdraw from the research process at any stage for any reason.

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<thead>
<tr>
<th>Student Signature:</th>
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<th>26/08/2019</th>
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Materials used:

Transcribing tool available at [https://transcribe.wreally.com](https://transcribe.wreally.com)
APPENDIX C: Debriefing Sheet

Debriefing Sheet/Information sheet, (UMA, 2015)

Thank you for taking time out to participate in this study. I hope this experience is pleasant and informative to you. This form provides a little background of the research you will be partaking in. Please feel free to ask any questions on any aspect of the interview conducted whenever you feel.

You have just participated in a research study conducted by Ms. Vinitha Mary Jacob, Postgraduate Student at Dublin Business School.

While reaching out to you, you were informed that the study is to find out the key differences in the financial investment behavior between institutional and private investors. Answers you provide will be used to form biases to foster conclusions of the study. The interview will take no more than 25 minutes of your time.

As this participation in the study is voluntary, if you wish at any time to withdraw from any point during the interview please do let the researcher know and any record of information thus far will not be used in the study. If by any chance you were made feel uncomfortable to answer any particular question, you may opt out of doing so.

The data that is collected is just to use for this study and will be destroyed after the day after the time period for appeal-of-grade period has expired as per our privacy notice.

Your comments will be much appreciated. You could if you wish keep the debriefing sheet for records with you, or leave it on the table after the interview.

If you have any questions about the research conducted during or after, please feel free to contact me at Phone no.: +353 899659592 or via Email: vinithajac@gmail.com or my supervisor Mr. Heikki Laiho who oversees this whole study via Email: heikki.laiho@dbs.ie.
APPENDIX D: Informed Consent Form

INFORMED CONSENT FORM

PROJECT TITLE:

The key differences in the financial investment behaviour between institutional and private investors in the financial markets.

PROJECT SUMMARY:

Importance of gaining knowledge on the differences in their financial investment behaviour will help educate everyone that investment decisions are not always made rationally and that emotions do control how the market moves. Once made informed about the theories about human emotion that create the behavioural tendencies/biases, it can be evident on if institutional and private investors are distinctly different in their investment behaviour or if anything relates or overlaps with each other. Once they are made aware of this research, it would pave way for greater stability in the financial markets by taking more controlled decisions. Being more in tuned with one’s feelings in the long-run can help them navigate through what has to be done i.e, investing more efficiently than not being aware of how they are feeling before taking that particular decision.

By signing below, you are agreeing that:

(1) You have read and understood the Information/ Debriefing sheet,

(2) Questions about your participation in this study have been satisfactorily answered,

(3) There are no potential risks involved,

(4) You are taking part in this research study voluntarily.

Participant’s signature  
Participant’s Name

_________________________________  ______________________________________

Researcher’s Name  
Researcher’s Name signature

_________________________________  ______________________________________

Date:
APPENDIX E: Supervisor Dissertation Meetings

Name of Student: Vinitha Mary Jacob

Student No.: 10503930

Name of Supervisor: Heikki Laiho

Location of Meeting: 2nd Floor Castle House, DBS reception

Issues addressed during meeting:
Research methodology, thesis structure, literature to be considered.

Action Agreed:
A number of literature documents and areas of study were agreed, I restructured the thesis and methodology in line with the advice and input of my supervisor.

Overall Summary:
I had a total of 2 meetings in person with my supervisor; this helped to address any doubts and items I needed to clarify about the process and overall progress of the dissertation. Further interactions were via email, due to travel and family commitments.

Meeting my supervisor was very useful in terms of understanding how to structure the dissertation, how to form the research methodology. He was able to give me ideas and feedback about how to put together a framework to follow in terms of starting and executing the dissertation.

I kept my supervisor up to date about the progress status of my dissertation including how the sample population was contacted.

My supervisor was supportive throughout and helped with all queries. Overall, the meetings and correspondence proved to be very useful for the purpose of assisting and completing my thesis.
REFERENCES:


