

Financial Behaviour

Understanding Role of Social Media in Investor Reactions

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DECLARATION OF OWNERSHIP

I, Naresh Reddy Bollampelly, declare that the work contained in this dissertation is entirely my own and that all sources used have been acknowledged as required by the college.

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Abstract:

The study has been prepared to establish the effect of news from social media websites on the financial decision of investors. Taking into account the research by different researchers, the researcher has tried to establish the hypothesis of stale news by Tetlock. The continuation of the same theory had been published in paper earlier this year establishing the relation between the Twitter comments and the volume of stock traded.

1. Introduction

“People everywhere confuse what they read in the newspaper with news.” – A.J. Liebling

Financial behaviour has been studied but the effect of news and social media news has not been covered to a great extent. The first research of news involved in the financial behaviour started in 2008 when Tetlock studied the concept of Stale news. The researcher undertakes the study to identify how financial news in the social media has made decision making difficult.

Financial behaviour can be said to be the study of understanding the decision making of people in financial matters. There has been research in the subject more than half a decade. What is a research conducted in this segment only show what decisions are to be taken? The intention of this study is to understand why do decisions are taken and what are the possibilities which lead up to the decision. This study also tries to understand what effect the financial decision has on investors.

The benefit of this study is that the Circle of decision-making and the formation of bias in the person can be understood. Decisions taken apart from when they are financial different from financial decisions. The monetary aspects make people think a little more than what they usually would. Most people when making investment decisions try to understand the best possibilities and then invest. The investors put on their smart hat. Trying to make the right decision the investor starts learning new tricks. Financial behaviour has given author of this study an opportunity to read about many other such research.

Financial behaviour when compared to other fields of study is relatively new. Emotion and psychology influence human decisions even in financial matters. Emotions and psychology causes us to be more unpredictable. The combination of behavioural and cognitive psychology with conventional economics and finance can provide an explanation for the decisions taken by irrational investors.

Most of the theories in the financial behaviour segment have taken into account that human beings will take rational decisions. This assumption has been condoned by psychology. There is no way a human being's decision can be understood in any scenario. A perfect rational scenario for decision making tablets to understand most of the Logical theories. Early studies showed that the capital asset pricing model and the efficient market hypothesis were correct. Later anomalies in these theories has been noted.

Ideal situations could be explained by these theories but the real world was too much of a mess for these theories to handle. Among human beings are we note many not so ideological decisions. We tend to follow the most successful person. In this assumption human beings have forgotten that they are following the human being who is prone to irrational behaviour sooner or later. The most mysterious part for these theories was the equity premium puzzle. Logically the higher the risk the greater the Returns but in the real world government bonds received a real return of 3 to 4% compared to conventional stocks which issued 6 to 8% more.

Financial behaviour is an interesting topic for the author. He has always wanted to know the choices that people have taken and why? The interest in this topic had been from a very long period like his childhood. His mother being an investor taught very little about subject. This made the author even more curious. Every decision made by a person comes with experience or inexperience. This decision will lead to a future experiences and the circle continues. The topic involves understanding of how and what is required for decision making. In this study we start to understand where information comes from. How information has changed in its approach to the investors? What information that investors has been reading and to an extent why he considers this information important? This is also talks about why investors take the decisions they do?

Upon review of the decisions the reaction of investors will help ascertain the future bias. In the study we are going to see literature which will lead to understanding the basis for decision making. We first introduced the concept of financial news and social media for news. Then we try to understand what gets the attention of investors. Human biases then discuss to understand what are the reasons for most decision-making. The technology in today's world has got information to the people anywhere. Financial news in social media has made decision-making both easy and difficult for many investors. News on opening are bought to the people in the same way. The researcher tries to establish the social media pressure on investors and how decisions are inadvertently made.

“The stale information hypothesis predicts that return reversals after news will be larger when there is more old information about the firm.” – Stale news hypothesis by Paul C Tetlock. The research by Tetlock talks about how the information is being disseminated at a quicker rate and with greater impact and volume. The human cognitive ability is finite and can only comprehend a certain extent of the news. The investors would at some point or the other get confused with the current news, treat the old news as new news and respond causing financial loss to the investor. The study done in an oxford journal shows how the volume of stock traded for the news that had been followed in Twitter increased or decreased. In other words, the volume of stock traded varied based on the reaction of the investors.

The research is surrounded around the following question to help facilitate confirming the hypothesis.

- How do individual investors access general financial news?
- How do individual investors access news specifically relate to their investments?
- What factors (in the news) attract their attention?
- What factors (in the news) influence their decision (buying &/or selling) making?
- Has social media & non-traditional financial web sites increases their access to timely financial news?
- Have the social media & non-traditional web sites changed their decision making process?
- Do individual investors feel more news (information) empowers their decision making?
- Do individual investors feel more news (information) creates more noise in their decision making?
- Do individual investors feel more news (information) compounds their behavioural bias? For example: Overconfidence &/or Confirmation biases.
- Do individual investors feel they overact or underact to news flow?

2. Literature Review

In this paper, the author is trying to ascertain what the financial world has become for financial investors. The author is not trying to scare the investors however to look at the decisions and data available to make the required course correction. The variations of what information, choices and news that has come to the investors and a small portion of what to look out for is given in this paper. The financial world as we know it has become very complicated. The money making process that used to be considered, by purchase and sale of stocks for easy money, has grown devastating impossible to estimate. This paper has been made to understand those reasons and establish a connection as to what is expected and how to deal with such a situation.

A study in to what individual investors have been losing out on has been studied in America. From the 1996 report from Securities Industries Fact book 1997, approximately 47% of equity investments in the United States were held directly by households, 23% by pension funds, and 14% by mutual funds. The 10 years' report publish in Dalbar's Quantitative Analysis of Investor Behaviour (QAIB) shows that annualized return for an average investor is 0.6% over 10 years, 0.7% over 20 years, and 0.7% over 30 years. Other article shows that most stocks in the market are underperforming by European standards. To understand the reduce in the average, we need to understand as many of the reasons as possible.

News has changed from paper to electronic media over the past few decades. The truth as to the news as a segment into every form of electronic communication in a more interesting manner. Johan Galtung and Marie Holmboe Ruge (1965) had published a paper on the news values. This became a very important set of values that had been consider to publish a story in the news segment. These values were: Frequency, Threshold, Unambiguity, Cultural Proximity/Meaningfulness, Consonance/Correspondence, Unexpected, Continuity, Composition, Reference to elite persons and nations, Personalisation, Negativity, Competition and Exclusivity, Co-optation, Predictability, Time constraints and Logistics. Each of these values has their own reason. The story published based on these values would have a different outcome. These news values helped set up a process of 'Gatekeeping' to ensure only stories that made value to news, made it into the news.

News today has been updated based on the applicable technology. The Internet Revolution has brought about any changes that have been updated into the new segment. News used to be a one-way platform that journalist used to get stories and get that information do the people. The Internet was initially a one-way street were people who could put the information in needed a certain qualification, mostly coding. The segment which people easily understood was that people who have the stories would get them printed into the news. This news was again brought forth to the Internet by the people with the required skill set. This was the dawn of Internet been called the web. News replicated the printed Media and therefore had the same stories. Everyone up to this point have the same news in the printed Media and online.

In the late 90s and early 2000s Internet changed. There was a two-way stream of information. People could give their views and opinions on what they felt was correct or wrong. This was called web 2.0. This is a period where the Internet became useful to people without the skill set of coding. Websites with the options to help individuals began. It eased the communication process for individuals by removing the time and monetary concern. Email, messenger, blogs and other forms of communication using the Internet became very important. People no longer had to use post to write a letter, in fact the postal system had

become a thing of the past. The new generation youngsters seeing these advantages started using the internet as a means to reduce cost and increase the efficiency of time. Among the first social websites were Six degrees, Orkut after which others started popping up.

The next stage of the web 2.0 adaptation introduction Facebook YouTube and Twitter. The information or opinion that an individual wanted to give was seen by many people at the same time. The growing online newsreaders can be understood number of people who claim to read the news from social media websites. In 2009, Twitter's monthly crowd increased by 200%. Most of the stories still originated from conventional journalists and columnists. The story still varied from conventional news that the standard press brought to the people. where Twitter get simple messages from and by the readers, YouTube allows people to post videos in the same manner.

At one point of time YouTube and Twitter had the same top stories. getting the news is one half of the story and getting the attention is the other. When considering the attention of people and the attention of investors there are two signals to understand. The general attention of newsreaders is very small. The traditional Media had headlines and stories. If the headlines interested someone they would read the story. Nowadays the headline and the story is it required to be published into a paragraph or two. In Simple Words a snack sized bite.

Individual investors' attention however is based on the concept of making money. The consideration is rare asset. Every individual investor has a certain choices considered for investing into. The Choices may base on basic utility or otherwise. Though a lot of choices are given to every individual investor but based on their considerations, they will purchase the considered variety of stocks. Balanced financial experts understand their past failures consequently making changes but investors who make decisions in the spur of the moment.

Financial experts would be able to consider stocks that are both beneficial in monetary and passionate terms. Speculators on the other hand try to understand how investors behave in order to plan indistinguishable deals. There for the attention of proper financial specialist is a rare asset. Financial institutions and foundations use computing to understand choice and consideration. When using computing there is restraint do you say certain criteria or specific division for search. Investors can also use such a method of Computing along with pre-choice criteria's, they do not like to do so. The most understood for choice of individual investors in purchasing stock in bulk is when the stock is seen in the news.

News has a strange way as it is sometimes difficult to decipher for individual investors. David most likely be a strange dynamic off exchange volume of stock in the market because of such strange news. Specialist speculators understand this and therefore make an offer when most individual investors are purchasing and purchase when most individual investors are selling. The specialist speculators can be considered as market makers. To understand the consideration of individual investors we need to see the number of theories applicable. The below mentioned are some of the theories.

Regret Theory: the individual's response based on his experience of a mistake in judgement. This may be due to cost or to maintain a strategic distance for making the same mistake again. They may also be ashamed of revisiting experience of awful speculation.

Theory of mental accounting: events are placed into separate mental compartments and the difference between each effects to conduct more than the event. This theory states that people are more focused by the possible misfortune than the possibility of profits.

The neural information Theory: financial specialist response to corporate events seem to give less than necessary importance to the data that has already been provided by the companies.

The accounting information Theory: connection specialist use accounting information that is already available and try to forecast what is possible, they consider this very important for speculators. The total Stock Exchange being companies have a cost and profit unpredictability essential to understand the risk taken by these people.

Self-image or firm image coincidence: the importance of yearly reports to corporate shareholders to understand the company has good moral and ethical values. To associate with some companies and their image is the main consideration.

The advocate recommendation: Investors reactor examiners proposal by holding, offering or selling a proposal and to analyse their influence of conduct. More special issues ideal proposals by weighing other financial data.

Personal financial needs Theory: rational recommends when unfavourable future da stock should be offering paying respect to the current profit or loss. In Simple Words taking the current position of profit or loss and if undesirables cutting their losses.

Can all of this be considered when there is loss or profit? Why would a person any reaction the decisions they have taken? Efficient market hypothesis has been scrutinised in the past few decades. So why is there a reaction to understand this you see the two different kinds of reaction; under reaction and over reaction. Over reaction: A research paper by De Bondt and Thaler (1985) broke down month to month returns for stocks in the NYSE for the period somewhere around 1926 and 1982. Stock that did not fare well for a 3 to 5-year period did better in the next 3 to 5 year and the other way around.

The perception in the context is the important part to be noticed. When people considered that they had reacted to a stock in a certain way and tried to change based on the undervaluing or overvaluing of stock, the stocks would react accordingly. Bringing about a change in the perception of the investors. This study was conducted during a period before news became electronic. Lakonishok, Shleifer e Vishny (LSV) (1994) recorded that "Worth Strategies" were gainful and connected this outcome with the "eruption theory". This was the concept that Blue-chip stocks had to keep doing better vs second rate stocks which would vary. Under reaction: first bring out the concept were Jegadeesh and Titman (JT) (1993), also using stocks from NYSE and AMEX. The behaviour of conservatism has been accounted to for this paper. The under reaction causes over compensation and thereby the stock value rises and decreases within a certain interval of months.

The main article leading this paper is 'Social media, news market and the stock market' by Peiran Jiao, Andre Veiga and Ansgar Walther. In this article the authors have decoded the relation between, news, tweets and stock prices. The 'stale news' hypothesis was given by Tetlock (2007) which stated that old news was treated as new news and acted upon. The inference of which came from a clear event in 2008 where the old news of an airline was

published and stock prices fell and later recovered to an extent. The research clearly states that the tweets on financial news have had an effect on the actual stock price though the news had hit only one. The actual news has been commented upon and tweeted, which make other investors think that the news has a greater weightage than is. The effect of twitter on financial news has come to a point where other news channels and website quote the twitter effect.

Social media and news website had started after the studies into overreaction and under reaction. There are many websites for financial news. Tip'd Finance News, PF Buzz, Reddit, etc are some of sites for general financial news. Feed the Bull, Value investing, etc are sites where an investor can contribute. Wesabe and Moneystrands are among website which help in financial planning. LinkedIn, Voyant, etc are some sites which can help advancing financial skills. Can the electronic news media and support system provided there in can help any person become financial expert? The financial web can be accounted as different websites and the information available in them. When the information available is understood properly and then acted upon, the investor can be called a specialist. Even such specialists come from experience and does their experience hinder their outlook towards getting the highest profits possible.

In a book by Baker and Nofsinger, 2010 about Behavioural finance, safe players, open books, money dummies, and risk-seekers are four types of investors. The experience of the persons has led to this behaviour of the investors. Investors who believe in altruistic values are less gamblers. These segments cover most behaviours except the gender and demographics. The female investors are found to be less of gamblers than their male counterparts, as men are more materialistic [Olsen & Cox, 2001].

The paper is set to show a glimpse of what the investors are facing in the financial world. News as a whole has changed the way people think and behave. News lost its exclusiveness and can be made by anyone. The person's abilities and disabilities (Biases) can be helpful to be introspective. The demographics of his immediate surrounding and the basic behaviour of investors surrounding that investor. The investors inferences from his peer group and how not to succumb to it and instead use the data available to him to make the correct choice. These finding show how investors should be vigilant about their immediate surrounding, demographics and own abilities and disabilities to be more profitable.

2.1 Literature Introduction

“Individual investors over react to stale news and information, exerting temporary pressure on asset prices” was the hypothesis given by Paul C Tetlock in his paper ‘All the News That’s Fit to Reprint: Do Investors React to Stale Information?’ in November 2007. In an efficient market investors react to news as soon as the news is available. There is a reversal to this state at least partially soon. This shows how an asset price is determined. The echo chamber effect created by social media and other such news chambers has shown a different model of reaction by the investors. The impact of the redundant information, noticed during the research of this paper, was that the investors often overreacted and the reversal of the state took longer if at all. This causes the asset prices to show up differently than actually presumed.

2.2 Traditional news sources

"Weakness of attitude becomes weakness of character" – Albert Einstein

The paper written by Johan Galtung and Marie Holmboe Ruge (1965) for News Values list is considered a very important article to most journalist. The 'gatekeeping' process ensure that valid stories go through. Galtung and Ruge News Values: Frequency, Threshold, Unambiguity, Cultural Proximity/Meaningfulness, Consonance/Correspondence, Unexpected, Continuity, Composition, Reference to elite nations, Reference to elite persons, Personalisation, Negativity, Competition and Exclusivity, Co-optation, Predictability, Time constraints and Logistics. How these different aspects of an event increase the chance of the story being selected as a news story by journalists. News value has been an important concept in the study of journalism and communication to explain gatekeepers' choices in a media world of scarcity. Johan Galtung and Mari Ruge's paper was presented at the First Nordic Conference on Peace Re-search, which took place in January 1963 in Oslo. Originally published in 1965 and extracts have subsequently been printed in many edited collections (Tunstall, 1970; Cohen and Young, 1973, 1981; Tumber, 1999).

News today is progressively a mutual, social affair. Half of Americans say they depend on the general population around them to discover at any rate a section of the news they have to know. About 44% of online news readers get news no less than a couple times each week through messages, programmed redesigns or posts from long range informal communication destinations. In 2009, Twitter's month to month crowd expanded by 200%. While most unique reporting still originates from conventional columnists, innovation makes it progressively feasible for the activities of natives to impact a story's aggregate effect. The stories and issues that addition footing in online networking vary significantly from those that lead in the standard press. They also additionally contrast significantly from each other. Of the 29 weeks that we followed each of the three social stages, online journals, Twitter and YouTube had the same top story just once. That was the week of June 15-19, when the dissents that took after the Iranian decisions drove on each of the news. Every online networking stage additionally appears to have its own particular identity and capacity. In the year examined, bloggers inclined toward stories that inspired feeling, concerned individual or gathering rights or activated ideological energy. Frequently these were stories that individuals could customize and afterward partake in the social discussion – now and again in profoundly divided dialect. What's more, dissimilar to in some different sorts of media, the participants here do not incline firmly to the other side or the other. Indeed, even on stories like the Tea Party dissents, Sarah Palin and open backing for Obama both traditionalist and liberal voices come through firmly. On Twitter, by complexity, innovation is a noteworthy centre – with an overwhelming noticeable quality on Twitter itself – while legislative issues assume a much littler part. The mission is essentially about going along vital – regularly breaking – data in a way that binds together or expect shared qualities inside the Twitter people group. Also, the breaking news that bested all else crosswise over Twitter in 2009 concentrated on the dissents taking after the Iranian race. It drove as the top news story on Twitter for seven weeks consecutively – an accomplishment not came to by some other news story on any of the stages examined.

YouTube has still different qualities that set it apart. Here, clients don't regularly add remarks or extra bits of knowledge however rather participate by selecting from a large number of recordings and sharing. Somewhat accordingly, the most watched recordings have a solid feeling of luck. They arouse interest and interest with a solid visual request. The "Hey you

must see this," attitude rings solid. Clients likewise incline toward a much more extensive global blend here as recordings rise above dialect hindrances in a way that composed content cannot. Instead, online networking tends to home in on stories that get substantially less consideration in the standard press. Furthermore, there is little confirmation, in any event now, of the conventional squeeze then grabbing on those stories accordingly.

2.3 What gets Individual Investors Attention

General attention Span:

In a study conducted by a joint effort between the Associated Press, the American Press Institute (API) and NORC at the University of Chicago called 'Social Media Isn't Replacing Traditional News Outlets at All', takes a look in to 'personal news cycles'. Start-ups like Circa are dependent on the fact that people prefer their news updates delivered in snack-sized bites. Others, like Ezra Klein's near future venture Vox, are betting big on readers who might want to go to deep into tricky and complicated subject matter, like the crisis history of Ukraine. A new survey, however, unearthed some interesting data regarding the interests of our news readers: Readers don't really care about what organization they're getting their news from, or where they are reading this information; what is necessary, really, is the news itself. 03.17.14

With an ever-growing number of social media news websites and applications, "news" is disseminating faster than ever. The fact being, 28% of people claim to get their news from social media. Turning to social media for breaking news is becoming the norm.

Individual Investors Attention:

In settling on a choice, they first select which choices to consider and after that choose which of those choices to pick. Consideration is a rare asset. At the point when there are numerous options, choices that pull in consideration will probably be considered, henceforth more or less likely to be picked, while choices that don't draw in consideration are frequently overlooked. In the event that the striking qualities of a choice are basic to their utility, consideration may serve us well. If not, consideration may prompt imperfect decisions. They test the recommendation that individual financial specialists will probably purchase as opposed to offer those stocks that catch their consideration.

They place this is so since consideration influences purchasing—where financial specialists seek crosswise over a large number of stocks, more than offering—where speculators for the most part pick just from the few stocks that they possess. While every financial specialist does not purchase each and every stock that snatches his consideration, singular speculators will probably purchase consideration getting stocks than to offer them. They give solid proof this is the situation.

While, in principle, financial specialists confront the same inquiry issue when offering as when purchasing, practically speaking, two elements alleviate the quest issue for individual speculators when they need to offer. In the first place, most individual financial specialists hold generally couple of normal stocks in their portfolio. Second, most individual speculators just offer stocks that they officially own; that is, they don't offer short. Thus, financial specialists would be able to consider the benefits—both monetary and passionate—of offering every stock they possess.

Balanced financial specialists are liable to offer their past failures, consequently putting off charges; behaviourally spurred speculators are liable to offer past winners, accordingly delaying the misgiving connected with understanding a misfortune (Statman and Shefrin, 1985); hence, to a huge degree, while singular financial specialists are worried about the future returns of the stocks they purchase, they concentrate on the past returns of the stocks they offer. Their contention that consideration is a central point deciding the stocks singular financial specialists purchase, however not those they offer, does not make a difference with equivalent power to institutional speculators. There are two purposes behind this:

1) Unlike individual financial specialists, foundations frequently confront a critical pursuit issue when offering. Institutional speculators, for example, mutual funds, routinely undercut. For these financial specialists, the quest set for buys and deals is indistinguishable. What's more, even establishments that don't undervalue face significantly a larger number of decisions when offering than do most people, essentially in light of the fact that they possess numerous a bigger number of stocks than do generally people.

2) Attention is to as rare an asset for institutional financial specialists as it is for people. Institutional financial specialists give more opportunity to hunting down stocks to purchase and offer than do generally people. Foundations use PCs to contract their hunt. They may restrain their pursuit to stocks in a specific division (e.g., biotech) or meeting particular criteria (e.g., low cost to-income proportion), along these lines diminishing consideration requests. While people, as well, can utilize PCs or pre-choice criteria, all things considered, they are more averse to do as such. A consideration for obtaining certain stocks occasion in bulk is more likely to be accounted for in the news. Financial specialists' consideration could be pulled in through different means, for example, talk rooms or informal, however an occasion that draws in the consideration of numerous speculators is normally newsworthy.

Nonetheless, news stories are not all made equivalent. Significant system reporting of the arraignment of a Fortune 500 CEO will draw in the consideration of a huge number of financial specialists. While a normal organization public statement might be seen by few. Their recorded news information—from the Dow Jones News Service—don't let us know what number of financial specialists read every story, nor do they rank every story's significance. They construe the range and effect of occasions by watching their impacts on exchanging volume and returns.

Exchanging volume in the association's stock is liable to be more noteworthy than regular when news around a firm achieves numerous speculators. Obviously, this won't as a matter of course be the situation. Perhaps financial specialists will remember this news to be unimportant to the association's future profit and not exchange, or speculators will all translate the news comparably and not exchange. Be that as it may, critical news will regularly influence financial specialists' convictions and portfolio objectives heterogeneously, bringing about a bigger number of speculators exchanging than is normal.

In the event that an irregular number of financial specialists exchange a stock, it is almost redundant that an uncommon number are paying consideration on that stock. In any case, high strange exchanging volume could likewise be driven by the liquidity or data based exchanges of a couple of expansive speculators. Their outcomes are as solid, or more grounded, for huge capitalization stocks. Irregularly exchanging volume for these stocks is unrealistic to be driven by just a couple of financial specialists. In this way, extensive

exchanges by a couple of financial specialists may add clamour to their estimations yet are unrealistic to drive the outcomes. Essential news around a firm regularly brings about huge positive or negative returns.

Some news might be hard to decipher and bring about strangely dynamic exchanging without much value change. In any case, when there is a major value move, it is likely that whatever brought moving likewise gotten financial specialists' consideration. What's more, notwithstanding when cost is reacting to private, not open, data, huge returns will frequently, all by themselves, draw in consideration. For each purchaser, there must be a vender. Along these lines, on days when consideration driven financial specialists are purchasing, a few speculators, whose buys are less subject to consideration, must offer. They expect in this manner that expert speculators overall (comprehensive of market makers) will display a lower propensity to purchase, as opposed to offer, on high consideration days and an opposite inclination on low consideration days. (Special cases will emerge when the occasion driving consideration agrees with the buy criteria that a specific expert financial specialist is seeking after.)

As anticipated, individual financial specialists have a tendency to be net purchasers on high consideration days. For instance, financial specialists at the huge markdown business make almost twice the same number of buys as offers of stocks encountering surprisingly high exchanging volume (e.g., the most astounding five percent) 5% and about twice the same number of buys as offers of stocks with a to a great degree poor return (lesser than five percent) the earlier day. The purchasing conduct of the experts is minimum affected by consideration.

2.4 Factors in the investment decision

Investments are another method of savings but when the saving do not increase or produce certain profits we will need see how a difference can be made to get profits. The process for this will need the study to understand the different theories of investing behaviour. These theories state what makes an investors take certain decision. Each of these theories can relate to any and all investors in different circumstances.

A. Theories of Investors' Behaviour

1 Regret-Theory

It manages the interested response of individual's experience subsequent to acknowledging they've made a mistake in judgment. Confronted with the possibility of offering a stock, financial specialists turn out to be candidly influenced by the cost at which they acquired the stock. In this way, they abstain from offering it as an approach to maintain a strategic distance from the misgiving of having made an awful speculation, and in addition the shame of reporting a misfortune. Lament hypothesis can likewise remain constant for financial specialists who locate a stock they had considered purchasing yet did not went up in quality. A few financial specialists maintain a strategic distance from the likelihood of feeling this misgiving by taking after the tried and true way of thinking and purchasing just stocks that others is purchasing, legitimizing their choice with "others is doing it"

2. Theory of Mental Accounting: It tells that people tend to place specific past events into mental boxes, and the distinction between these compartments now and again affects our

conduct more than the replicating of that past event. A case of mental bookkeeping is best outlined by the dithering to offer a speculation that once had huge additions and now has an unassuming increase. Amid a financial blast and buyer market, individuals get usual to sound, though paper, picks up. At the point when the business sector revision, greatly reduces the financial specialist's total assets, they are more reluctant to offer little net revenue. They make mental boxes for the additions they once had, making them sit tight for the arrival of that profitable period (Thaler, 2001).

The recommendation from this theory is that individuals show a different level of feeling towards picks up than towards misfortunes. People are more focused by forthcoming misfortunes than they are glad from equivalent increases. A speculation guide won't as a matter of course get overwhelmed with calls from her customer when she's accounted for, say, a \$500,000 pickup in the customer's portfolio. Yet, you can wager that telephone will ring when it posts a \$500,000 misfortune. A misfortune dependably seems bigger than an addition of equivalent size - when it dives deep into our pockets, the estimation of cash changes.

Prospect hypothesis additionally clarifies why speculators clutch losing stocks: individuals regularly go out of their way to stay away from events replicating experiences of misfortunes than to recognize the differences. Therefore, speculators enthusiastically stay with a risky stock position, believing the cost will skip back. Speculators on a losing streak will carry on in a comparative design, bending over wagers in an offer to recover what's now been lost. Along these lines, regardless of our judicious craving to get an arrival for the dangers we take, we tend to esteem something we claim higher than the cost we'd typically be set up to pay for it.

The misfortune loathing hypothesis focuses to another motivation behind why speculators may hold their failures and offer their victors: they may trust that today's washouts may soon beat today's champs. Speculators frequently commit the error of pursuing business sector activity by putting resources into stocks or subsidizes which collect the most consideration. Research demonstrates that cash streams into elite shared supports more quickly than cash streams out from assets that are failing to meet expectations (Kahneman and Tversky, 1979)

It says that financial specialists get idealistic when the business sector goes up, accepting it will keep on doing so. On the other hand, financial specialists turn out to be greatly sceptical in the midst of downturns. An outcome of mooring, putting a lot of significance on late occasions while disregarding authentic information, is an over-or under-response to market news which results in costs falling a lot on terrible news and rise a lot on uplifting news. At the crest of idealism, financial specialist avarice moves stocks past their inherent worth (Hong and Stein, 1999).

It says that individuals for the most part rate themselves as being above normal in their capacities. They likewise overestimate the exactness of the knowledge they have and their ability to respect others. A lot of financial specialists trust they can reliably time the business sector. In any case, as a general rule there's a staggering measure of proof that demonstrates generally. Carelessness results in abundance exchanges, with exchanging costs marking benefits, (Tapia and Yermo, 2007).

3. The Neutral-Information

Kadiyala and Rau, (2004) researched financial specialist response to corporate occasion declarations. They presumed that financial specialists appear to under-respond to earlier data and additionally to data passed on by the occasion, prompting distinctive examples. The behavioural account writing has proposed two opposing models of nonsensical financial specialist conduct. In the main model, speculators tend to blow up to data, prompting an example of long term return inversions when firms declare corporate occasions, for example, new issues of stock. In the second model, financial specialists underreact to data, prompting long term return continuations when firms report corporate occasions, for example, open-pie of the pie repurchases or money financed delicate offers. Behavioural models have been seen with incredulity somewhat in light of the fact that they don't accommodate why financial specialists apparently overcompensate to a corporate occasion, for example, a prepared value offering, while appearing to underreact to an occasion, for example, an offer repurchase. Case in point, Fama, (1998) contends that behavioural models can't clarify the long run irregular return proof subsequent to the eruption of financial specialists to a few occasions and under reaction to others infers that, by and large, speculators are fair in their response to data.

Loughran and Ritter, (1995) contend that financial specialist overcompensation clarifies the negative long-run irregular returns taking after a prepared value offering (SEO), a conclusion in view of the great past execution of firms declaring a SEO. Ikenberry et al, (1995) contend that speculator under reaction clarifies the positive long-run anomalous returns taking after an offer repurchase, a conclusion taking into account the data passed on by the offer repurchase itself. Absence of confirmation for a typical behavioural clarification supports (Fama's, 1998) contention that, by and large, financial specialists are fair in their reaction to data. Merikas et al., (2003) received a changed survey to dissect elements impacting Greek speculator conduct on the Athens Stock Exchange. The outcomes demonstrated that people construct their stock buy choices in light of monetary criteria joined with other different variables. The outcomes likewise uncovered that there is a sure level of connection between the variables that behavioural account hypothesis and past observational confirmation recognize as the impacting components for the normal value financial specialist, and the individual conduct of dynamic speculators in the Athens Stock Exchange (ASE) affecting by the general patterns winning at the season of the study in the ASE.

De Bondt et al., (1985) distributed a paper about behavioural money in which they asked the accompanying inquiry: "Does the stock exchange overcompensate?" the article offered proof for the theory that psychological inclination (financial specialist over-response to a long arrangement of terrible news) could deliver unsurprising mispricing of stocks exchanged on the NYSE. Phau and Poon, (2000) clarify that various components impact the decision between a retail location and in-home shopping techniques, for example, mail request, phone request and the Internet. These impacts incorporate financial and demographic elements, item sort and appropriation strategies, saw buy hazard, individual attributes and qualities and additionally shopping or conveyance time.

4. The Accounting-Information

Cook and Haslem, (1973) contend that financial specialists are fundamentally worried with assumptions about the future, considering income projection and recorded information to be of high enthusiasm to speculators. Then again, examine by Lee and Tweedie, (1975, 1976, and 1977) uncovers that the overall population confronts issues in comprehension budgetary reporting in the corporate area. Blume and Friend, (1978) give confirm that both cost and profit unpredictability are the essential measures of danger utilized by people, while

Schlarbaum et al., (1978) contrast people's execution and that of expert asset chiefs and find that the previous show extensive expertise in their venture basic leadership. Lease et al., (1974) depict people as "financial specialists" instead of "dealers" since they are long haul minded and give little enthusiasm to fleeting yields. Also, Lewellen et al., (1977) uncover that financial specialists' principle wellspring of data is through major or specialized examination. Antonides and Van Der Sar, (1990) contend that the apparent danger of a venture is lower if an advantage has as of late expanded in worth, predictable with (Blume and Friend's, 1978) discoveries.

Nagy and Obenberger, (1994) explored the degree to which a posting of 34 variables impact shareholders' recognition, and give proof of a part to a blend of monetary and non-budgetary variables. Fisher and Statman, (1997), depending on general understanding that the speculation choice is an intricate one, propose that financial specialists are not just worried about danger and return when purchasing offers, additionally a few different parameters mulled over.

5. The Self-Image/Firm-Image Coincidence

Epstein, (1994) analysed the interest for social data by individual financial specialists. The outcomes show the handiness of yearly reports to corporate shareholders. Moreover, a dominant part of the shareholders studied likewise need the organization to give an account of corporate morals, worker relations and group association. Behavioural models proposed by Daniel, Hirshleifer and Subrahmanyam, (1998) and also Hong and Stein, (1999) additionally foresee short-run return continuations and long-run return inversions. Daniel et al. contend that educated financial specialists are careless about the private sign they get around a stock's worth. One-sided self-attribution strengthens their arrogance when open data is in concurrence with their private data. At the point when open data is not in concurrence with their private sign, one-sided self-attribution prompts release of the data as clamour.

B. The Advocate-Recommendation

The speculator who as of now holds a stock may react to an examiner proposal in one of four ways: the financial specialist may hold stock on an offer suggestion, the speculator may offer stock on a hold proposal, the speculator may hold stock on a hold proposal, or the financial specialist may offer stock on an offer suggestion. Earlier bookkeeping research has analysed how the sort of expert and the way of the investigator report influence financial specialist conduct, (Francis and Soffer, 1997). They found that on account of the presence of motivations for experts to issue ideal proposals, financial specialists weight other data in the examiner report all the more intensely when they watch a purchase instead of an offer suggestion. This variable incorporates buy suggestions from financier houses and individual stock agents. Proposals from companions or colleagues possibly stacked on this variable also. Malmendier and Shanthikumar, (2003) attempted to answer the inquiry: Are little financial specialist's innocent? They found that expansive speculators produce anomalous volumes of purchaser started exchanges after a positive suggestion just if the expert is unaffiliated.

Little traders apply irregular purchase weight after every single positive suggestion, including those of associated experts. Krishnan and Booker, (2002) dissected the elements impacting the choices of speculator who utilize investigators' proposals to arrive at a transient choice to hold or offer a stock. The outcomes show that a solid type of the investigator rundown

suggestion report, i.e., one with extra data supporting the examiners' position further, lessens the aura mistake for additions furthermore decreases the attitude blunder for misfortunes.

C. The Personal-Financial-Needs

Prospect hypothesis suggests that specific results are overweighed in respect to indeterminate results and that the worth capacities are diverse for additions and misfortunes, (Shefrin and Statman, 1985); (Weber and Camerer, 1998). Sane rationale recommends that when confronted with a stock with unfavourable future desires, people ought to offer the stock paying little respect to their present increase or misfortune condition. Be that as it may, earlier research on sunk expenses and heightening of duty demonstrates that individuals can get to be stuck in losing blueprints even to the point of tossing great cash after terrible (Arkes and Blumer 1985; Brockner 1992; Staw and Hoang 1995). Accordingly, people may like to hold a losing stock and bet on the future instead of offering and assuming a beyond any doubt misfortune and may even get to be more dedicated to holding the stock.

2.5 Investors under & overreaction to news

In the previous two decades a few studies highlighted the event of monetary wonders scrutinizing the legitimacy of Efficient Markets Hypothesis, EMH of Fama (1970). There is currently broad proof that it is conceivable to anticipate future profits for the premise of past returns. Serial relationship in returns is opposing proof to the EMH (irregular walk) speculation and combined with episodic confirmation of heuristic practices by financial specialists, challenges the supposition of discerning value setting. "Overreaction" and "under reaction" conduct is among those peculiar marvels. Given that the examination of these truths comprehends value development in money markets, it has pulled in light of a legitimate concern for business sector experts and lead to the usage of venture methodologies to investigate these peculiarities.

Over Reaction:

The original chips away at "eruption" were by De Bondt and Thaler (BT) (1985 and 1987). Utilizing an example of stocks recorded on the NYSE, De Bondt and Thaler (1985) broke down month to month returns for the period somewhere around 1926 and 1982. They demonstrated that stocks that have enlisted the most minimal returns ("losers") over the past three or five years (the perception time frame) improved amid the accompanying three to five years (the test time frame) than those that beforehand had the most noteworthy positive return ("winners"). This contrarian procedure yielded an irregular business sector balanced return of 24.6% for the arbitrage portfolio.

These consequences of continuous bad connection for 36 months are conflicting with the feeble type of the EMH of Fama (1970) and can be pushed by over the top positive thinking as depicted previously. Amid the most recent 15 years, a few studies approached with option or correlative clarifications for the fruitful execution of systems based upon the inversion impact in returns, recommending the watched unusual returns would come about, for instance, from inclinations in processing returns or inappropriate hazard conformity.

New refined philosophies permitted setting up the heartiness of the discoveries in BT (1985). The more vital commitments were: - Chan (1988): the creator proposed another strategy to

gauge the business sector hazard past CAPM, permitting time-fluctuating betas; - Zarowin (1989 and 1990): the creator contended that the aftereffects of De Bondt and Thaler (1985, 1987) could be sullied by the "Size-Effect" and/or the "January-Effect"; - Conrad and Kaul (1993): the creators recommend amending for microstructure inclinations (offer ask skip) in the technique utilized for returns figuring, particularly when long stretches were investigated. Regardless of these and different reactions, the outcomes got by De Bondt and Thaler (1985) for the US business sector were affirmed for different markets: Power, Lonie and Lonie (1991) and also Campbell and Limmack (1997) introduced comparable confirmation for the UK; Da Costa (1994) in Brazil; Alonso and Rubio (1990) in Spain; and Mai (1995) in the French business sector.

Simultaneously, Lakonishok, Shleifer e Vishny (LSV) (1994) recorded that "Worth Strategies" were gainful and connected this outcome with the "eruption theory". These researchers found that stocks which had done well in the past and were required to perform well later on (Blue-chip stocks) acquired second rate returns against those stocks that had poor past execution and were relied upon to have a poor future execution (the "worth stocks"). Utilizing a specimen of stocks recorded on the NYSE and AMEX, for the period somewhere around 1963 and 1990, the writers framed portfolios gathering the stocks on the premise of BTM ("Book-to-Market"), and measure the profits of the principal decile ("Blue-chip stocks") contrasted and those for the last decile ("esteem stocks") for 60 month-time after the portfolio growth.

There are three principle results in Lakonishok et al. (1994). To start with, the arrival of the "quality portfolio" beat by 10%/11% a year the "charm portfolio" (somewhere around 8% and 9% on a size-balanced premise). Second, the unrivalled execution of "quality stocks" couldn't be clarified by danger. At long last, different tests shed extra light on the joined discoveries of JT and BT. Specifically, LSV analysed the development rates of central variables, for example, deals and income change between the period preceding portfolio arrangement and the period after that. They found that those development rates were predominant for marvelousness stocks before the arrangement time frame, however were second rate 2 to 5 years after that, recommending that financial specialists erroneously extrapolated the development rates of essential values, for example, the deals, "overreaction", and progressively continued the "under reaction", altering their desires and pushing the costs back to the characteristic qualities.

Under reaction

The first researchers in this subject were Jegadeesh and Titman (JT) (1993), to allude the example of under reaction in returns. Utilizing a specimen of stocks recorded on the NYSE and AMEX, for the period somewhere around 1965 and 1989, they dissected a few portfolios that included stocks in view of the arrival earned amid the previous months and that were held for a certain number of months. Jegadeesh and Titman (1993) demonstrated that that this overabundance return couldn't be clarified as far as CAPM danger since the post-positioning beta of the "champ short loser" portfolio was negative - or by then becoming a danger, size, serial covariance or lead-slack impacts. Further the creators measured the distinctions as reasonable exchanges for the champ and loser portfolio around the quarter profit declaration dates, and found that, in the initial 6 months, winner stocks had a superior execution than washout stocks.

This outcome is reliable with Bernard (1992), that demonstrated normal returns around the quarter income declarations are decidedly critical, after positive profit ("the institutionalized startling profit") in the past quarter. Bernard (1992) and Jegadeesh and Titman (1993) claim that this proof backing the speculation of "under reaction". Behavioural money contends that this conduct could be driven by "conservatism" as recommended in Edwards (1968): traditionalist speculators underweight and gradually prepare the new data that is thusly step by step joined into costs. A few exact studies tested the under-response contention for clarifying the watched force impact in returns and proposed a battery of option hypotheses². The fundamental contending speculation is that energy would likewise happen as a consequence of eruption.

The discoveries of Chan, Jegadeesh and Lakonishok (1996) are reliable with "under reaction" by financial specialists, since they watch, at the same time, "force" and a "continuation" pattern in profit shocks around the declaration dates. However later works have attempted to show the nearness of an "overcompensation" design in "force", Daniel, Hirshleifer and Subrahmanyam (1998), designed model.

Cooper, Gutierrez and Hameed (2003), considering the "condition of the business sector" as an intermediary for financial specialist assumption and for hazard avoidance, found that the "energy" benefits just happened when the business sector was "bullish", which could be supportive of the "eruption speculation". The reason is that financial specialists are careless about their private data and blow up to it. In "up-business sectors" this slant, connected with "self-attribution inclination", creates elevated amounts of pomposity.

The expansion in presumptuousness would produce force first and final later overcompensation. Utilizing a US test, for the period somewhere around 1926 and 1985, they found that the force benefits in positive business sector returns were 0.93%, though in negative business sector returns, there were misfortunes of 0.37% and measurably inconsequential. The outcomes were likewise strong to the presentation of CAPM and Fama and French (1993) three-variable model.

Likewise, Lee and Swaminathan (2000) inspected the relationship between the impact of news and volume traded after. The volume would intermediary for the level of speculator enthusiasm for a stock. On the premise of the first consequences of JT (1993), they find that the "momentum premium" is higher for stocks with high volume both for the "winner" and the "loser" portfolios. A methodology of purchasing high volume winner's stocks and offering high volume losers stocks yielded unrivalled returns when contrasted and the basic value energy system.

2.6 Historically poor performance of individual investors

“The investor’s chief problem—and even his worst enemy—is likely to be himself.”

Benjamin Graham

In 1996, approximately 47 percent of equity investments in the United States householders held directly, pension funds were 23 percent, and 14 percent by mutual funds (Securities Industry Fact Book, 1997). Financial economists have extensively analysed the return performance of equities managed by mutual funds. There is a good amount of research on the performance of equities of the pension funds. Unfortunately, there is insufficient research on the performance of returns on equities held directly by households, despite their large ownership of equities.

In a Forbes article from April 2014 (Dalbar's Quantitative Analysis of Investor Behaviour, QAIB), explaining the low return on average investors being both the poor choices of investors and their inability to account for inflation. In the below chart Annualized returns, include the rate of returns of some major players in the stock market. The Average investors as can be seen is at 0.6% an absolute very low.

Our analyses also allow us to test two competing theories about trading activity. Grossman and Stiglitz (1980) argue that investors will trade when the benefit of doing so is equal to or exceeds the cost of the trade when they used a rational expectation framework. In contrast Odean (1998b) Gervais and Odean (1998), and others develop theoretical models of financial markets where overconfidence of investors cost them. These overconfidence models predict that investors will trade to their detriment.

2.7 Social media & new financial web sites = The Financial Web

Two segments for this part of the literature are the what sites that are now prevailing at the top and the basic strategies.

A. Online networking is quick turning into a decent approach to get great data about what is going on in the realm of account. You can get snappy access to excellent data, the most recent advancements and accommodating insights when you pay consideration on what is being dispersed over online networking channels. Here are 25 valuable online networking Web destinations for budgetary experts:

General Finance News

These online networking Web locales offer news on an assortment of subjects, permitting you to rank stories and offer with your informal organization. You get a truly smart thought of the day's features.

1. Tip'd Finance News is one of the chief online networking Web destinations for accounts. Classifications cover various venture divisions, and also business, individual money and land. One of the best places to see what is happening around the Web in the realm of cash and back.
2. PF Buzz gives a gander at accounts, with an individual fund turn. Vote on articles you believe are elegantly composed, and discover what is setting the monetary world swirling.
3. Reddit, Financial Planning offers a particular Reddit classification only for monetary arranging issues. The supporter rundown is developing, and the entries to this specific Reddit give accommodating bits of knowledge and some incredible articles from around the monetary blogosphere.
4. Mixx label "money" permits you to stay up with the latest on current subjects of dialog in the business and account world.
5. Twinancial brings individual money tweets from around the globe right to you. Need to get thoughts, interface with other money related experts and simply stay on the up and up?
6. Wisebread offers awesome substance on fund and news from an assortment of benefactors. Furthermore, the site has a gathering where you can collaborate with different individuals, and day by day bargains.

Contributing

The possibility of social contributing has truly gotten. You can include yourself in various groups that permit you to exploit aggregate information with a specific end goal to settle on securities exchange choices.

7. FeedTheBull gives news, recordings, Q&A and a group of clients intrigued by securities exchange news, and in addition other budgetary news. Utilize the bullish vote catch (amusing to do), and join frequently energetic dialogs about the share trading system issues of the day.

8. Value Investing News gives its individuals a little bend. Not just do you appreciate the advantages of group for your speculation news, however you additionally get an offer of the AdSense income from the Web webpage. You can offer stories higher and lower, and you can give surveys of new stories. Utilize the Zacks.com screener on the site to help you discover genuine worth stocks.

9. Stockpickr puts the enchantment of aggregate thoughts to work for speculators. Offered through TheStreet.com, Stockpickr is created by people who realize what they are doing. Take after expert and spotlight portfolios, and make your own portfolio in view of what works. Perused news, and get supportive insights on the most proficient method to improve as a financial specialist.

10. SocialPicks is another social contributing Web webpage that gives the chance to you to gain from your contributing associates. You can take after what others say in regards to their most loved tickers, and also monitor what is being said on Twitter.

11. Wikinvest gives the Wikipedia rendition of the stock exchange. Itemized data on noticeable organizations is incorporated, alongside bearish and bullish contentions from Wikinvest individuals. See point by point stock outlines, and read the most recent on various venture segments.

12. Covestor gives you the opportunity to take after expert financial specialists. Construct your believability, and individuals may even start to take after your stock exchanges! Portfolios that perform well are positioned, and you can even make a record that will copy the moves of your most loved speculation experts.

13. StockTwits tackles the force of Twitter to help you discover stock tips and the most recent news about speculation related issues.

14. Kapitall may at present be in beta, however it can possibly be an exceptionally fascinating online networking webpage for speculators. Kapitall acts like a stock exchanging amusement. It likewise helps you meet similar financial specialists. Seek your most loved stocks, and read the most recent speculation and money news.

Financial plan and Money Management

You can utilize online networking Web destinations to deal with your funds — and to associate with others. Here are a few locales that take planning to the following level, by helping you discover others with comparable objectives and circumstances.

15. Wesabe interfaces you with other people who can share counsel and data on overseeing funds. You can even impart your own particular learning to others, assembling your own particular profile.

16. moneyStrands helps you deal with your cash effortlessly, giving portable variants of its administrations, and also group. You can spare cash, impart your insight to others and monitor your whole budgetary life.

17. We, the Savers was set up by ING Direct to interface savers the nation over. Sign the assertion and use adding machines, instruments and freebies accessible on the site.

18. Google Tip Jar gives various cash sparing tips that can help you better deal with your cash. You can get to be included as a budgetary expert by joining and adding your tips to the container.

Advancing Your Financial Services

19. LinkedIn has a Social Media and Web 2.0 in Banking and Financial Services assemble that offers extraordinary knowledge into how you can utilize online networking and Web 2.0 to build your business. Figure out how to utilize online networking apparatuses as a money related proficient.

20. Voyant offers cash administration programming to buyers, and also money related experts. To be sure, Voyant has a set-up that permits you to showcase your administrations and give esteem added items to your customers. Associate with clients of the Voyant@Home programming effortlessly, essentially by being a part of the system.

21. ActiveRain concentrates on land experts. You can join, and afterward post to your own particular online journal. Offer data about your land market, and system with other land experts.

22. IFA Life gives a spot to Financial Planners, Wealth Managers and Independent Financial Advisers to meet each other and get accommodating indications and backing. Gatherings, news and assets, and also occasions, can be found on this informal communication site.

23. Sexy Insurance truly isn't as risquã© as it sounds. It is the long range informal communication site for protection industry experts. Offer photographs and recordings, interface with others in the protection business, and join distinctive gatherings.

It is likewise important that you can discover fascinating account articles and guidance on the accompanying online networking destinations:

24. StumbleUpon offers the chance for you to assign a "thumbs up" for locales you like. This places them into the pool, and permits individuals to "falter" onto them arbitrarily. You can pick interests, so that your lurches lead you regularly to Web destinations with a monetary core interest.

25. Kirtsy is pointed generally at ladies. Nonetheless, there are regularly monetary articles on the Web website, in an assortment of classes (not only the world, business and legislative issues assignment), that can give you a decent vibe for what ladies are occupied with regards to funds.

These sites have become a news stream that the investors believe to get their news from and the strategies used by these sites:

B. The very directed environment of the money related administrations industry has likely added to the way that numerous banks and monetary organizations have been generally ease back to grasp online networking engagement. In any case, with a profound comprehension of the scene and the consistence issues that oversee the business, budgetary establishments can have awesome accomplishment inside the online networking scene.

Money related administrations establishments are starting to see the advantages of having an aggressive online networking technique that meets the advancing needs of the client and connects with a more youthful demographic on their picked stage. They are additionally understanding that they can accomplish economic development and benefit by picking up knowledge into online client inclinations on social networking through investigation that reveal client conduct and furnish budgetary establishments with chances to convey alluring, pertinent offers on the web. So

1. As Always, Focus on User Experience

In one of the late websites, they took a gander at the significance of client experience. The issues we talked about around web execution, versatile availability, web security, and personalization - with the goal of keeping the online client at the focal point of the procedure, additionally apply to a viable online networking technique. Monetary establishments ought to make a coordinated client experience over all channels, including social destinations. In making an incredible online networking client experience, consistency is the watch word.

2. Empower Engagement

Fruitful social depends on engagement; it can't just be about communicating messages to your clients. There are numerous approaches to energize online engagement and everything begins with listening - truly listening to individuals and reacting. Begin by making and joining gatherings and examinations, holding Q&A sessions with thought pioneers in the association, facilitating online networking challenges, gathering information and reviews, joining Twitter talks, however above all - focus on being a part of the discussion, post habitually and reliably.

3. Measure, Review, Revise

Estimation is critical - set targets and be persistent. Look for patterns, keep on experimenting with various online networking strategies, and re-assess your web system intermittently. You will have the capacity to settle on choices about which online networking diverts are getting the most income for you, and rapidly see what particular changes affect your social networking objectives. Most importantly, listen painstakingly. Online networking can turn out to be a piece of the knowledge of your money related establishment when experiences are conveyed useably. Your clients will tell you when you've succeeded and where you can enhance your endeavours. Keep in mind, negative engagement still numbers.

With a technique focused on the client, you are certain to acknowledge genuine advantages. Listening and reacting to online clients continuously will go far toward building trust, enhancing brand notoriety and making steadfast clients.

2.8 Behavioural Biases and Herding

Behavioural Finance: Investors, Corporations, and Markets:

This book has different segments which are utilized in understanding all the applicable theories. The understanding of traditional against behavioural finance is shown considering the efficient market theories. The major concepts in the book are understanding the psychology of risk, which is the main requirement in the stock exchange. Risk has to be understood before investing. The investors' psychology of risk can help determine the decisions that are taken. Emotional finance will help determine bias of investors. The influence of regulations and policies on the investors' buying behaviour. There are various theories in this book that can be taken for the purpose of this thesis. Many other major situations have been considered in the book to give a basic segmentation for behaviours including cultural aspects, social interaction and mood. (Baker and Nofsinger, 2010)

Money Attitude Typology and Stock Investment: in this literature investors are divided into four main segments of individual investors termed safe players, open books, money dummies, and risk-seekers. The type of investment portfolios, buying and selling securities, risk tolerance for maximization of capital, response to price variations, and readiness to make environmentally and socially responsible investments helps categorize into the four segments. This will be a necessary literature in understanding the investors. The survey will help ascertain the type of investor and establish a basis for formulating the required theories. This research had been published in 2006 before the financial crisis. There was an increase in the investors who would invest based on the ideas from someone else. The research conducted was minimal to none for some new investors. Some interesting components during the period for investing were classified as follows:

- Attitude toward financial security.
- Attitude toward stock investing.
- Impulsive buying.
- Obsession with money.
- Perceived immorality of the stock market.
- Attitude toward gambling.
- Interest in financial matters.
- Attitude toward saving.
- Frankness about finances.

Most of these factors can be taken into consideration to separate investors in the four types. (Keller and Siegrist, 2006)

Investment decisions a half for level of financial behaviour and the decision to have a career in finance is the second half. These two halves may be interlinked. People with certain values, attitudes, and personality traits would choose a finance based career, there are repercussions for decision-making. They may make decisions differently from others who might not have the same preferences and attitudes. For example, people with an altruistic value who care for peace and environmental protection insist on investments in "ethical" funds, while an investor with a "gambling personality" would consider risky investments.

After 2000 - 01 market crash, investors claimed that the advice given to them was risky options which resulted in loss of lots of money for small private investors. Now-a-days, the advisors in Sweden must take the certification test measuring the knowledge of finance of the advisors before hiring them. This does not guarantee that advisors would lead cause loss. [Taleb, 2005].

The dimensions for bias with regard to students of finance are risk attitude, sensation seeking, gambling, attitudes to money attitude and preference, emotional intelligence, basic values and gender. Attitude towards risk is an important segment of financial decision-making. Research on risk perception and risk-taking has been done but [Weber, Blais, & Betz, 2002; Wärneryd, 2001] Perceived risk has not been well accounted [Unser, 2000].

Many factors that can be considered for values that go into understanding people in the finance segment and the study on these values shows that the values differ based on demographics and gender [Olsen & Cox, 2001]. The findings that female investors don't take as much risk as male investors, this can be considered the requirement of male investors for a more materialistic lifestyle. Men place a higher value for money than values. The context of research on Emotional Intelligence shows how people with high EI care more for values and less attachment to money [Olsen & Cox, 2001].

2.9 More news: Noise or Information?

Social media, news market and the stock market

In an article published in April 2016 in Bloomberg news, the report of how old news in twitter has been looked at like new news and reacted upon had come to light. The academic study from oxford was looking into a theory of stale news. The theory has also been called the echo-chamber effect. "the stale news effect is a very good example of markets not processing information with perfect efficiency," says Juhani Linnainmaa who is an associate professor of finance, university of Chicago's Booth School of Business. Therefore, it would be impossible to find out exactly what is going on here. The role of social media in the news segment is growing and the clear effect of this can be seen. An estimate of 1.8 million users and 500 million tweets on twitter are seen each day. Many companies including Bloomberg are looking and analysing social media sentiment towards equities.

As an extended part of the research from Oxford university, the study authors also found that stocks receiving the most buzz from traditional news sources showed subdued price swings and volume. This has been accounted by the concept of overconfidence of investors.

The authors of the paper 'Social media, news media and the stock market' by Peiran Jiao, Andre Veiga and Ansgar Walther, an expansive scholarly writing has contemplated the effect of news on securities exchanges, and its outcomes recommend that business sector responses regularly go amiss from the medicines of traditional financial hypotheses. Be that as it may, the current writing has not altogether tended to the late ascent of online networking as a supplier of financial news. We build up a hypothetical model of advantage evaluating and data handling, which takes into consideration an assortment of usually contemplated types of limited soundness and yields a few novel and testable forecasts.

We utilize these expectations to figure out which types of limited soundness are perfect with watched market results utilizing an interesting new dataset. Our outcomes propose that a few investors disregard the relationship signs from online networking sources ("stale news"), or

that traders' view of empathy towards social network news is liable to unpredictable assessments. Then again, when translating signals from traditional news media, our outcomes propose that traders are liable to carelessness. Their model can suit (i) Overconfident speculators who overestimate the accuracy of their data as in Scheinkman and Xiong (2003); (ii) financial specialists who regard stale news just as it were new data as in Tetlock (2011); (iii) traditionalist financial specialists who are married to their earlier convictions; (iv) speculators who can't prepare all accessible data because of consideration requirements as in Peng and Xiong (2006); and (v) speculators whose impression of data is bended by opinions or affirmation inclination as in Rabin and Schrag (1999).

They found that stocks with huge social media buzz have higher particular instability and higher exchanging volume throughout the following month. In respect to a stock with no social media buzz, the most discussed stocks on social media encounter an expansion in their normal instability of around half, and an expansion in normal exchanging volume of 25%, over the following month. This experimental proof is not steady with a model where signs are handled in a completely balanced manner. Rather, it is steady with a model of "stale news" where social media buzz contains, in any event to some extent, redundancies of existing data, yet where a few financial specialists regard these reiterations as crisp data. In this way, our outcomes are in accordance with the Tetlock's (2011) theory that "stale news" influences advertises, and facilitate propose that these impacts are especially critical for the instance of social media. The exact results on social media are additionally predictable with a model of "solid opinions," where financial specialists' translation of data is liable to unstable and associated inclinations.

2.10 Can the financial web help performance?

In this part we discuss how the literature has reached a conclusion of the financial news segment and its effects on the investors. The investors read news from different sources like the traditional news (newspapers and television), news sites (Bloomberg, etc) and Social media website like (Twitter, Facebook, etc). The reason for selecting a certain source of information being the attention span of the readers. New research states that people like to read news in a small and easy fashion.

Though social media doesn't seem to completely replace the traditional news or news websites, there is evidence of a good percentage of the population also reading news from social media websites. News is spreading faster than ever on a global scale, with internet availability across the globe. Information dissemination and volume of information is becoming a concern for most researchers. Investors on the other hand need to process this information on a daily basis and keep account of all that is required to protect their investments. Everything is linked so the effect of an event on the investment cannot be guaranteed at any point of time.

Irrelevance of information and choice of applicability in this aspect are the major attention requirements of serious investors. The first step for investors is setting up choices based on their investments and bringing the same information to react accordingly to the choice basis of investments. Individual investors take the recommendations of other so called experts to see if they can follow the same pattern in selecting and investing. Most individual investors invest on purchase at a lower price and sell at a higher price for a profit. They do not offer to short stocks and therefore limit their investment choice methodology. Futures on the other hand offer an opportunity for an investor to sell a stock and purchase the same after a certain

period if he believes that he can make a profit. The option that is most realised is investments into mutual funds. The funds are managed by a qualified fund manager who invests in a diverse portfolio to make profits for the company and the clients.

The most important fact to be noted is that individual investors do not make choices based on the pre-selected or computing methods, instead invest in the stocks that are more in the news. The high volume of stocks in the news is the main reason for investing for individuals. The glitter effect for trading only proves insufficient data researched by investors. The purchase of stocks in the news will increase the profits but after a small period of time where increase in price of stock is noted, there is a small reduction in the price. The same happens when the price falls, will regain a bit. Investing in stocks that are in the news will ensure a small profit or small loss in short duration. Long-time investors read all about the company and stock before purchasing, the research leading with all data shows if they can invest in undervalued stock and the possibility for greater profits.

When factoring the possible decision for investors, it is required to understand theories for the investing strategy by these investors. The behavioural decisions of the investors are based on their previous experience of the investors. The reasons may be many ranging from bad experiences, overconfidence to the ego of the investor. The most efficient way that investors consider is the accounting system which will help find the most prospective stocks to invest in.

The bias of the investors is to be considered to understand the decision of investor. When these decisions are made and the results are not as expected the investors understand their own reaction. After seeing or reading a news the investor based on his theories and bias will make an investment decision. The decision will lead to a result of profit or loss which will show how the investor reacted to the news. Overreaction and under reaction are noticed when there is either insufficient profit or a loss. Considering the poor historical performance of the individual investors in the stock exchange, the investors need to be more careful in their investing process.

The financial news from social media websites is more or less the same information in other financial news sites. The only difference that can be noted is that the news gains more volume and more investors see the same information over and over creating an illusion of overweighing the news. The financial web should only be websites and their applications that are helpful in providing investment related stock news. Social media websites are getting this financial news to the investors and have become a part of the financial news. We will be able to understand the effect of this social media after the finding of the primary research.

3. Methodology

Somekh and Lewin (2005) defined methodology as "the collection of methods or rules by which a particular piece of research is undertaken" and also the "principles, theories and values that underpin a particular approach to research" (p.346) with who Walter (2006) argued that the influence on methodology is the frame of reference for the research by, "paradigm in which our theoretical perspective is placed or developed" (p.35). The most well-known definitions incline to show that methodology is the complete approach to research linked to the paradigm or theoretical framework while the method confers to systematic modes, procedures or tools used for collection and analysis of data (Mackenzie and Knipe (2006).

The intention of this study is to understand how social media has affected the investors financial decisions and to identify any potential gaps in understanding different ways of receiving news and processing the same. Personal attitude and attentions have been accounted for in this study. This section of the study details the methodology behind the research including the research design, data collection and analysis methods, as well as the associated dilemmas that research of this nature can encounter.

3.1 Methodology Introduction

The research methodology used for the purpose of this study is mentioned in the below in detail. A quantitative method has been adopted to give an overview of the current process. Saunders et al. (2007) describe the research question as a key driver behind the research process. Therefore, it is important that the research questions are clearly defined in accordance with the objectives of the research. For the purposes of this research the following questions have been formulated to identify and assess service quality within the sector.

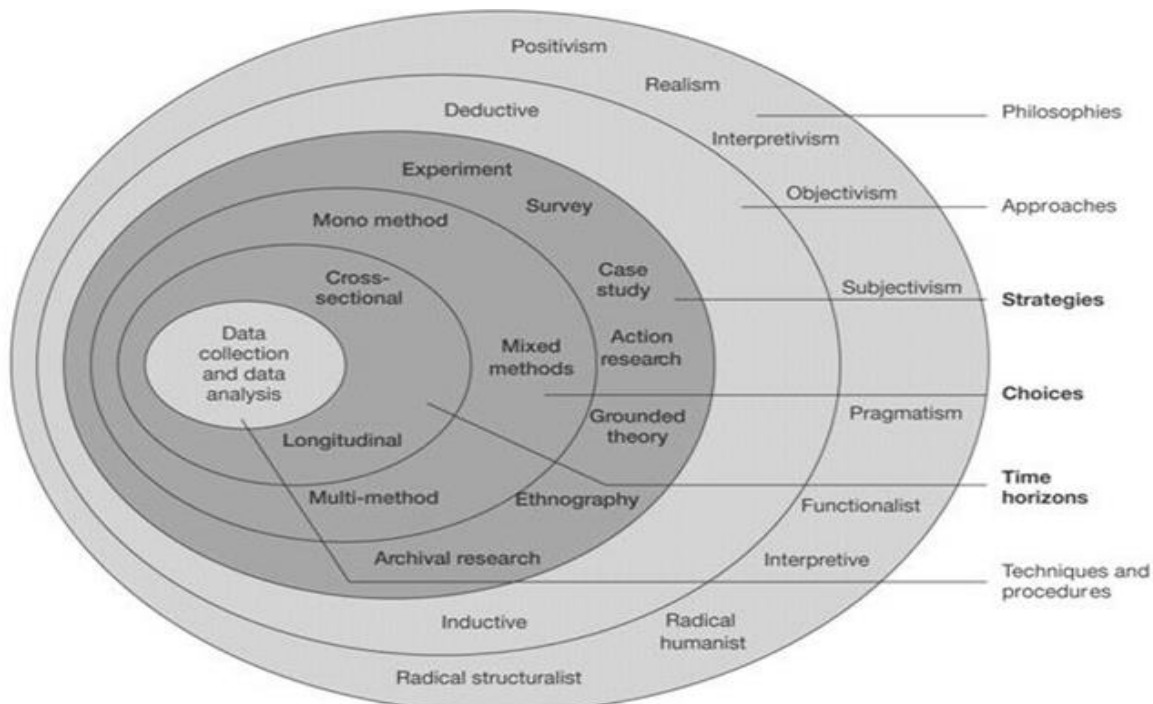
MAIN INTENTION OF RESEARCH QUESTIONS

News: how and what financial news has entered social media sites?
What factors influence decision making of investors?
How the decisions make the investor feel?

3.2 Research Design

Using the research onion see figure 1, this will map and develop the research methodology for this study. This will include selecting a suitable research approach, relevant strategies and philosophies as well as the techniques involved in the collection and analysis of the data.

Figure 3: The research 'onion'



Source: Saunders, Lewis and Thornhill (2007, p.102)

3.2.1 Research Philosophy

The first layer of the onion deals with the philosophical approach to conducting the research. The research philosophy according to Saunders, Lewis and Thornhill (2007 p.101), “contains important assumptions, these assumptions will underpin your research strategy and the methods you choose as part of the strategy.”

Developing a philosophical perspective requires that the researcher make several basic assumptions concerning two dimensions: the nature of society and the nature of science (Burrell and Morgan, 1979). Society is viewed as unified and cohesive, whereas the sociology of study of society and radical changes which are constant conflict as human’s struggle to free themselves from the domination of societal structures (Burrell and Morgan, 1979). The other dimension, science, involves either a subjective or an objective approach to research, and the two major philosophical approaches are delineated by several core assumptions concerning ontology (about reality), epistemology (relating to knowledge), human nature (being pre-determined or not), and methodology (Holden and Lynch, 2004).

Ontology is concerned with the nature of reality and assumptions researchers have about the way the world operates and the particular view held (Saunders et al, 2009).

Epistemology is concerned with the study of knowledge and what we consider valid knowledge (Collis and Hussey, 2003). An Epistemological issue concerns the question of should be (or what is) considered as acceptable knowledge in a discipline (Bryman, 2004). According to Saunders et al, 2007) there are three epistemological approaches to research philosophy: Positivism, Realism and Pragmatism.

Positivism

The positivism approach is normally adopted by researchers that prefer to seek facts or causes of social or business phenomena using logical reasoning such as precision and objectivity as methods of investigation.

The positivism approach is normally adopted by a researcher that prefers to work with an observable social reality in order to come up with a certain precise principles similar to those produced by the physical and natural scientists (Remenyi et al, 1998), and in this tradition, the researcher transforms into an objective analyst, coolly making detached interpretations about those data that were collected in an apparently cost-free manner (Saunders et al, 2003). Furthermore, the emphasis is on a methodology that is perfected to facilitate replication (Gill & Johnson, 1997) and on quantifiable observations to help themselves to get to statistical analysis (Saunders et al, 2003). The assumption is that the researcher is independent and has no conflicting interest in the subject of the research (Remenyi et al, 1998; Saunders et al, 2003).

Realism

Realism states that real objects exist independent of human consciousness, but that knowledge is socially created (Saunders et al, 2007).

According to Blaikie (1993), whilst realism is concerned with what kinds of things there are, and how they behave, it accepts that reality may exist in spite of science or observation, and so there is validity in simply claiming the validity of reality to exist or act, whether proven or not. Similar to interpretive, realism distinguishes that natural and social sciences are different.

From an organisational perspective, Hatch and Cunliffe (2006) explain that the realist researcher as enquiring into the mechanisms and structures that underlie institutional forms and practices, their emergence over time, they might empower and constrain social actors, and such forms may be challenged and changed. Realists take the view that researching from different angles and at multiple levels will all contribute to making logical sense since reality can exist on multiple levels (Chia, 2002).

Interpretivism

Interpretivism is the way we attempt to make sense of the world around us. The concern you would have working within this paradigm would be to make sense of the fundamental meanings attached to organisational life. Far from emphasising rationality, it may be that the law concerning that you have for discovering irrationalities. Burrell and Morgan (1982) note that everyday life is given the order of a miraculous achievement. Your concern here would not be to achieve change in the order but it would be to understand the things and explain what is going on.

For the purpose of this study which involves measuring human behaviour and services (intangible by nature) the researcher adapts an Interpretative philosophy. The research involves a level of social world interpretation of experiences and perceptions within the financial market and investors. Therefore, this philosophy is suitable to the study as "Interpretivism is an epistemology that advocates that it is necessary for the researcher to understand differences between humans in our role as social actors." (Lewis and Thornhill, 2007 p.106)

In terms of research ontology (nature of reality) the research will involve a subjective approach to the study because the research will involve analysis of the investors and their choices and perceptions. The role of the researcher according to Saunders, Lewis and Thornhill (2007 p.109) is to, “seek to understand the subjective reality of the customers in order to be able to make sense of and understand their motives, actions and intentions in a way that is meaningful”.

3.2.2 Research Approach

The next element or layer of the onion is the type of approach the study will utilize. The type of research approaches used in this study is namely deductive research.

Deductive approach

Bryman (2004: 8) states that deductive approach is an approach to the relationship between theory and research in which the latter is conducted with reference to hypotheses and ideas inferred from the former. There is an inductive nature to this research. Saunders et al. (2007: 17) state that the study of a small sample of subjects might be more appropriate than a large number as with the deductive approach. The inductive nature of the research is essential in the understanding of secondary data and analysis therein. Quantitative research strategy is regarded as deductive. Data collection is often based on ‘one take’. It is possible to predict the time schedules accurately most of the times. In this horizontal time research, considering the limited time available, the author has selected this approach to understand the investors at the current time frame. For the purpose of this study the approach favoured is the deductive approach.

Including what and how type questions the focus of this study will mean the deduction approach is more suitable for this case study analysis. The hypothesis and the relevant studies in this subject have a direct effect into considering a deductive approach.

3.2.3 Research Strategy

The next level of the research onion is the research strategy. Saunders et al, (2003) describes the research strategy as a generic plan guiding the way for the researcher to answer the research questions set forth. Each type of research strategy could be used for all the following purposes: Exploratory, descriptive and explanatory (Yin, 2003). According to Collis and Hussey (2003), the types of research strategy available are: cross sectional studies, experimental studies, longitudinal studies, surveys, case studies, ethnography, grounded theory, hermeneutics, and participative enquiry. The claim that one research strategy is better than the other research strategy is a myth (Saunders et al, 2007).

Elements of the research strategy for the understanding of gaps in the financial behaviour will involve questionnaires based on the stale news hypothesis. According to Saunders, Lewis and Thornhill (2007 p.139), “the case study strategy also has considerable ability to produce answers to the question ‘why?’ as well as the ‘what?’ and ‘how?’ questions. For this reason, the case study strategy is mostly used in explanatory and exploratory research.” With this study seeking to answer ‘what’ and ‘how’ questions for the investors and their choices, this is an appropriate strategy to employ.

Again due to the explanatory and exploratory nature of the topic, Grounded Theory is another strategy that can be implemented. Saunders, Lewis and Thornhill (2007 p.142) “A grounded

theory strategy is, according to Goulding (2002), particularly helpful for research to find and explain behaviour, the emphasis being upon developing and building theory. As much of business and management is about people's behaviours, for example consumers' or employees', a grounded theory strategy can be used to explore a wide range of business and management issues. In grounded theory, data collection starts without the formation of a theoretical framework. Theory is developed from data generated by a series of observations".

3.2.4 Research Choice

The next element or layer of the onion is research choices which refers to the methods used for quantitative research with the help analysis of number of respondents participating in surveys.

Quantitative research

Quantitative research is one in which the researcher primarily uses post positivist claims to bring about developing knowledge, for example; cause and effect thinking, reduction to specific variables and hypotheses and questions for the use of measurements and observations, and the test of the theories (Creswell, 2003). Strategies normally used in this research design are experimental studies, surveys, and predetermined instruments used in data. In addition, Bryman (2004: 266) states that quantitative research usually emphasizes quantification in the collection and analysis of data.

For the purpose of this paper, the research will adopt quantitative case study research. Given the nature of the case study, the researcher believes a single data collection technique, in other words a mono method is to be employed for the data collection. A Questionnaires will be used as the mono-method to seek quantitative information from the respondents. Questionnaires are very simple to understand the pattern being followed during this time frame and the causal effect can be ascertained based on this information. The predesigned questions are useful data collection technique that can be used for assessment of behaviour (as in this case study) and the close ended questions are to deliberately extract the choice among the available.

Surveys are quantitative and are conducted with larger numbers of people, Guion L, Diehl D, and McDonald D, (2011). Therefore, the structure of the survey will guarantee the required information from respondents. Depth is not required from the responses so the researcher can fully evaluate an exploratory study of financial behaviour of investors. The opinion of investors maybe in this case be different from the hypothesis, as the investors are following their investment strategy. The strategy, which may be flawed, based on secondary data. Survey are taken through the website surveymoney.com.

Time Horizon

The next layer of the research onion refers to the time horizon of the study. There are two types of time horizons, cross-sectional studies and longitudinal studies. Longitudinal research involves study over longer periods of time and is typically involved in measuring change during this time period which is not suited to projects with short term time restrictions whereas cross-sectional studies are noted as snapshots of a particular phenomenon at a particular time (Saunders et al, 2007).

Due to time restrictions for this research, the study is cross-sectional. A cross-sectional study engages the collection of data on more than one case at one specific time in order to collect quantitative or quantifiable data when more than one variable is considered (Bryman and Bell, 2003). Therefore, the investigation into service quality gaps in the financial services industry is a 'snapshot' i.e. service quality as it stands now in the industry, rather than an examination of service quality developments over the years. Similarly described by Saunders, Lewis and Thornhill (2007, p.148) as "the study of a particular phenomenon (or phenomena) at a particular time." The time available for the research study was 12 weeks. The limited time can only be done under the process of a cross-sectional research.

3.3 Data Collection Method

As the research topic is in nature (understand investors financial behaviour), the research method is quantitative. The research techniques used are numerical or statistical in nature quantitative is more apposite to the topic than qualitative research. "Quantitative is used predominantly as a synonym for any data collection technique (such as a surveys) that generates or uses numerical data." Saunders, Lewis and Thornhill (2007, p.145)

Ten Questions were put in this survey and sent out. The survey consists of 2 parts, first part for details of the respondents (name, age, year of investing and country) and the next part, about the choices. The choices in the second part are so designed that they will help the researcher to see the ideology and changing pattern in the industry when compared to the secondary data.

Where appropriate the researcher makes use of existing sources of data that are publicly available, also known as secondary sources of data. Secondary sources of data collection are used in the form of company and industry specific organisational websites (internal secondary data), as well as any previous and relevant research papers or journal articles (external secondary data).

3.4 Data Analysis Sampling

Sampling and selection are procedures used to identify, choose, and gain access to relevant data sources (Mason, 2002). A sample is "a smaller (but hopefully representative) collection of units from a population used to determine truths about that population" (Field, 2005). The two types of sampling techniques are: probability or representative sampling and non-probability or judgmental sampling (Saunders et al, 2007).

In this segment the sampling involves investors and not a certain number of respondents from demographical area. The research question that needs to be understood based on the sample of investors to see if they understand the monetary aspects of their investing or if the technology has taken a stance to distract them. In this survey the concept of randomization is involved. The survey was placed online and people were given the chance to share the same among their friends and so on. There was an equal opportunity of any investor to take the survey.

Simple random sampling ensures that there is total randomness to the survey. The most definitive way of seeing the success of a survey is to let the survey be totally random and expect to understand the phenomenon of the answers that are provided by them. The sample in this research are surveys from investors.

Convenience sampling also features in this research into financial behaviour. The samples described previously will be relatively easy to access and are also in availability for the researcher in conducting the study.

Criticisms exist with convenience sampling based on the premise that there is bias in the samples which are not representative of the total picture. “Although this technique is used widely, it is prone to bias and influences that are beyond your control, as the cases appear in the sample only because of the ease of obtaining them.” Saunders, Lewis and Thornhill (2007, p.234).

However, the focus of this study is not financial ability across the entire financial system but a narrower focus on identifying patterns that investors are following before forming an investment strategy.

3.5 Research Ethics

During this research topic ethical issues are given serious deliberation. In the context of this research, there are a few ethical issues. Ethical issues with data gathering, processing and reporting. The main ethical issue being data reporting. The data gathering and processing were done through a survey website and the researchers inability to modify the data can be understood. The major ethical issue at this stand point is to see the different reporting possibilities. The reporting of findings of the research will lead to the common understanding of the people. The facts available may be closely linked or related to the hypothesis. The hypothesis in this scenario is to understand the detrimental effect, so the reporting however in a scenario such as this paper will require a little in depth of the minority group and understanding their answers. This will help ascertain the correct choice required for action if the majority.

In this research, the number of surveys taken will lead to anonymity of the participants. However, the definitive discussion of the minority group and their names must not be given. The other ethical issue is the sample size. The people who have taken this survey are from different countries which makes the demographical conclusions inadmissible. These ethical issues are to be considered.

3.6 Limitations of Methodology

The author had sent the survey to his friends and acquaintances via, Facebook, twitter and email. Anticipating and trying to identify the research limitations in advance, the author had planned around these issues trying to minimise the effect of these limitations. The most likely limitation a short term or snapshot research study like faces is time management. Research was conducted over a short term period.

Due to the nature of the financial industry, people who invest often have so not want to share their opinion so there was limited number of people who took the survey. Together with the researcher’s busy schedule these factors indicated that time management was carefully planned. Due to the lack of availability of external funding of the research, the study also has tight budgetary controls for the collection of data.

The survey was sent out through the surveymonkey.com website. The free version has many loop holes. The survey was closed after a 102 respondents took the survey. The total number of surveys taken we 102 but only a 100 respondents can be viewed. Of these 100 respondents only 3 did not complete the survey, so only 97 respondents for all questions and their answers can be viewed. The other disadvantage of surveymonkey.com is that the data cannot be extracted for further analysis.

In terms of research validity, quantitative analysis with different choices can be prone to the bias of the researcher. The research of quantitative research is limited to the questions and opinions cannot be seen. The reason behind the answer is not looked at so the researcher need to guess the reason based on patterns. Most of the surveys taken would be having a majority and a minority group. The story behind the majority is always explained but the why the answer of minority are never discussed about. In research as this paper it is important to note that we need to show that the negative effect of current pattern followed would be detrimental. The opinion of those minority would be correct way of understanding right pattern. Due to the researcher's experience within the financial industry, vigilance with personal bias was maintained during the study.

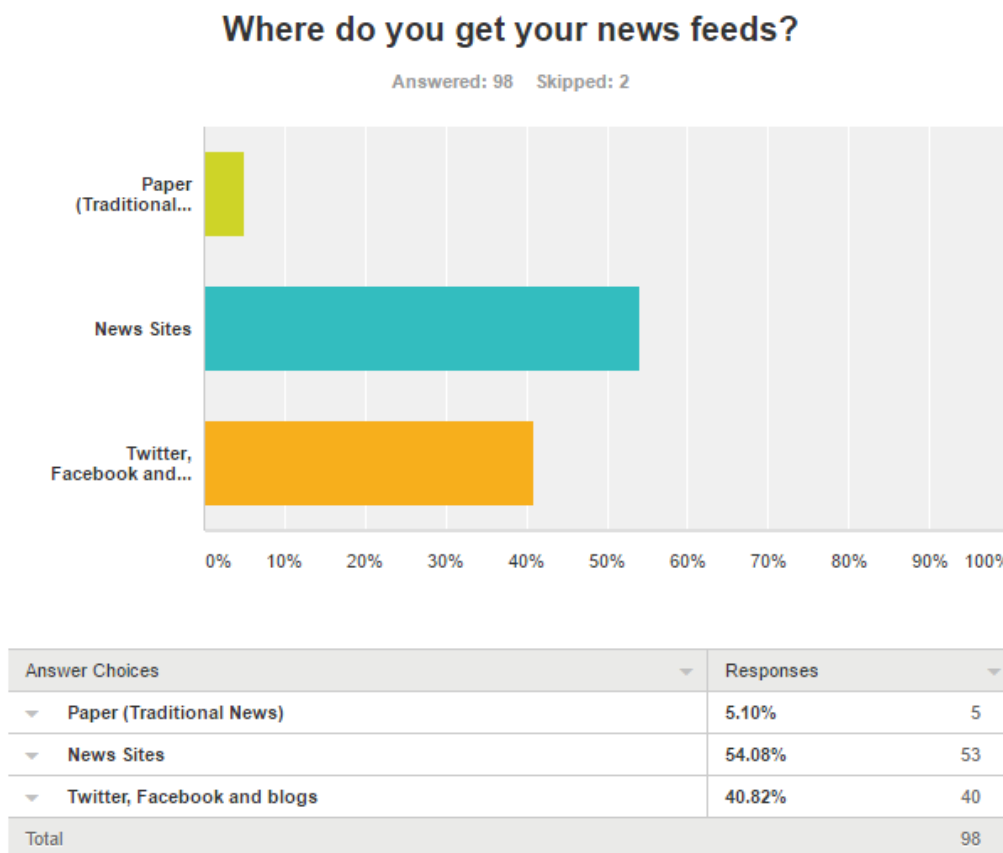
Reliability of data/information is another potential limitation of the research. The sincerity of responses from surveys is a personal opinion and choice, which can change at any point of time. The researcher cannot encourage confidence in the participants instead had to chase people to take the survey.

4.0 Primary Research

The survey was sent out via Facebook, twitter, LinkedIn, email and WhatsApp. There were a total of 102 responses of which the data from first 100 respondents can be accessed. Given below are the finding on the question basis.

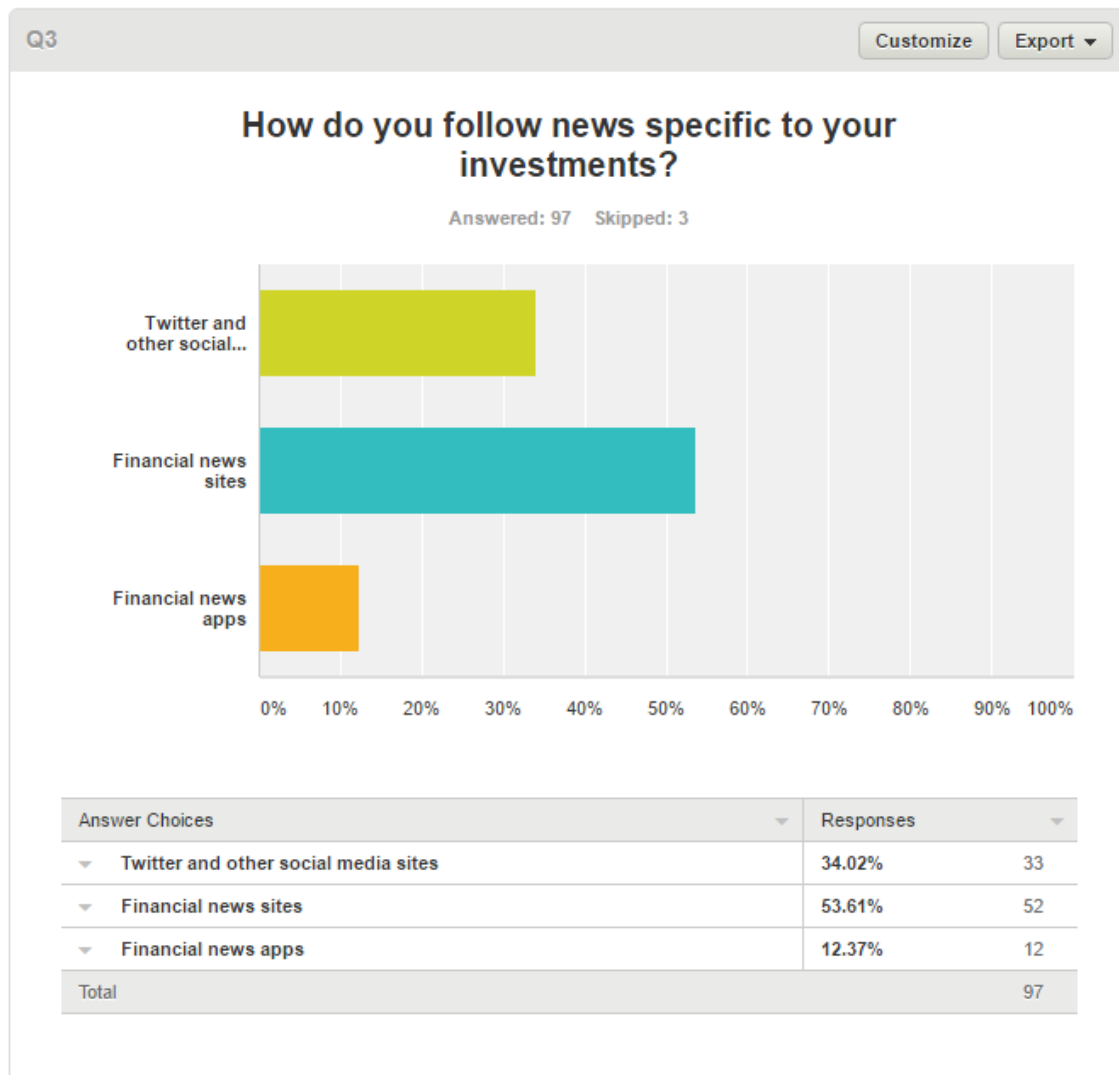
1st question: The first questions about personal details in four parts were Name, Age, Number of years of investing and country. The name was required to see if anyone retook the survey and delete any duplicates. The age group varied from 19 to 60. The number of years of investing varied from 1 to 25 years. Investors who took the survey were mostly from India, United states of America, Europe and some from Brazil and Egypt. The survey was sent to any and all investors, this was to get random respondents.

2nd question: Where do you get your news feeds from?



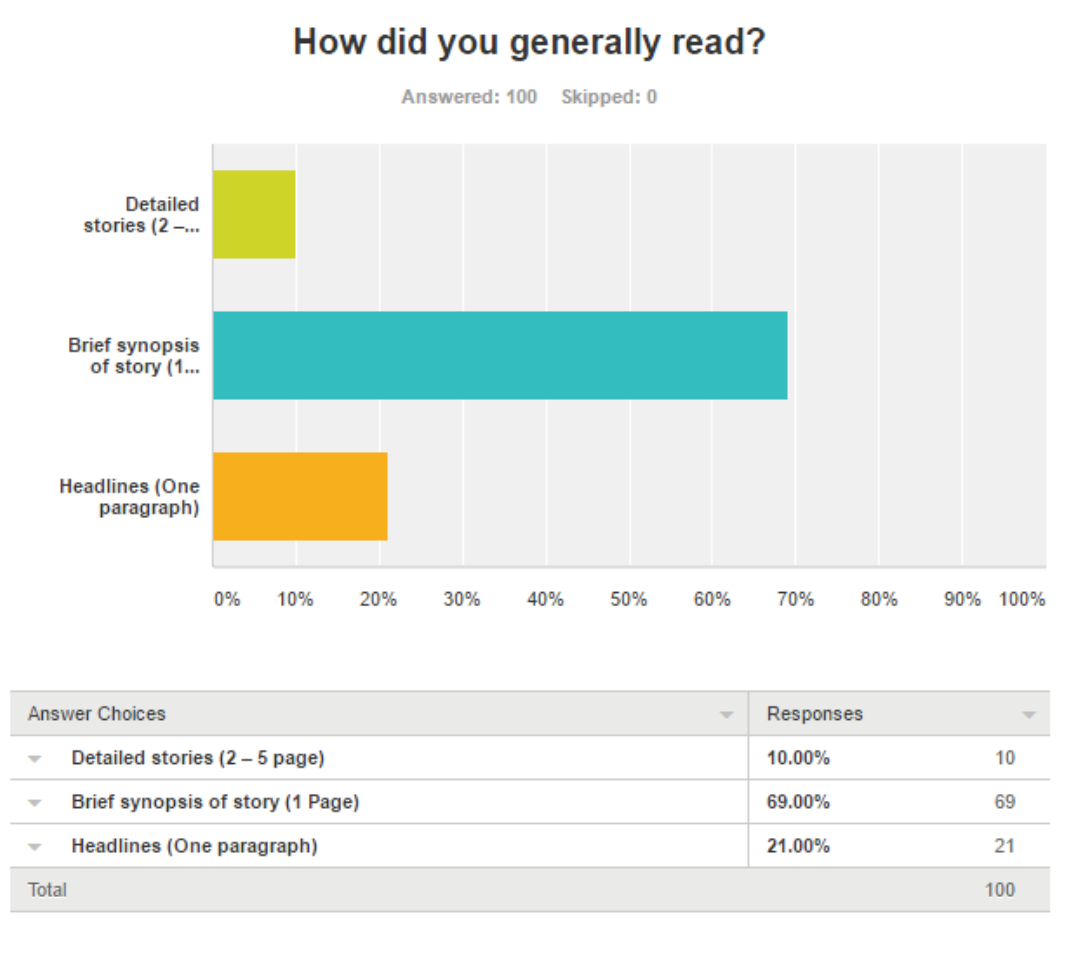
The point of this question was to establish the number of people not choosing to get their news from papers and television. Out of 98 respondents, 5 (5.10 %) of the respondents said that they got their news tradition sources like newspapers and television. 53 (54.08 %) respondents claimed that they got their news from News sites. 40 (40.82 %) respondents claimed that they got their news from social media websites like Twitter, Facebook, etc. Most of the respondents got their news from news sites. Not too far away in respondents was Social media websites. The respondents who read the paper or watch the news were very few. The speed of information transfer is required nowadays. People have started using technology to their advantage. Serious investors want to know about any news as early as possible.

3rd Question: How do you follow news specific to your investments?



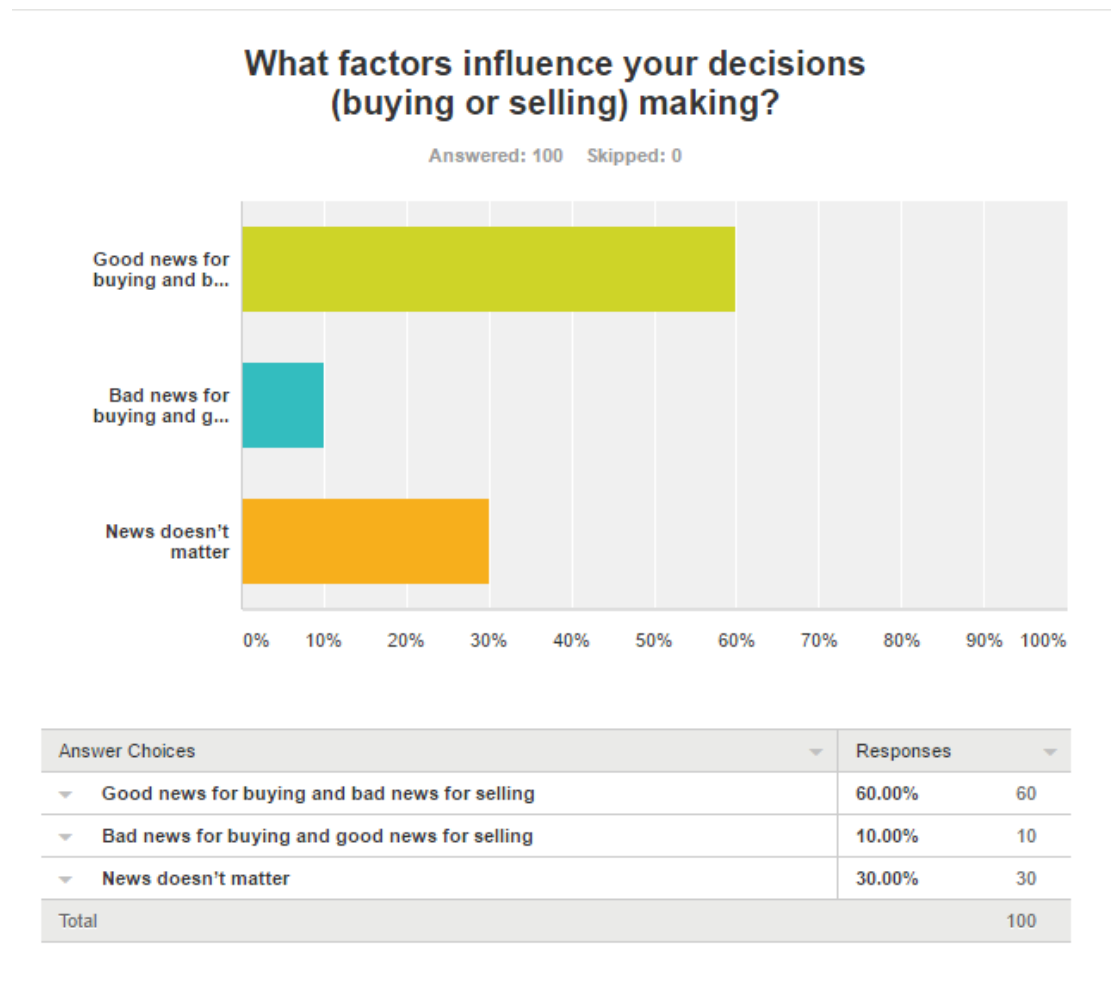
34.02% of the respondents (33) selected twitter and other social media websites. 53.61% (52 respondents) from financial news sites and 12.37% (12 respondents) from financial news app. The point of this question is to understand where these investors were looking for news specific to their investments. Technology today allows people to keep a portfolio and follow the prices but news and information related to these stock need to be look for or customize pre-selected list of stocks to search for any news. Twitter and other social media sites had a third if the respondents. It is easy to follow any news on twitter by following a certain stock or stock news. More than half of the respondents used financial news sites, where it is easy to follow on any device by going to site and log in. The process is helpful for most professional as they have been known to use many devices for updating their news. News apps are the futuristic models of the financial news sites that can be consumer specific on his or her device.

4th Question: How did you generally read?



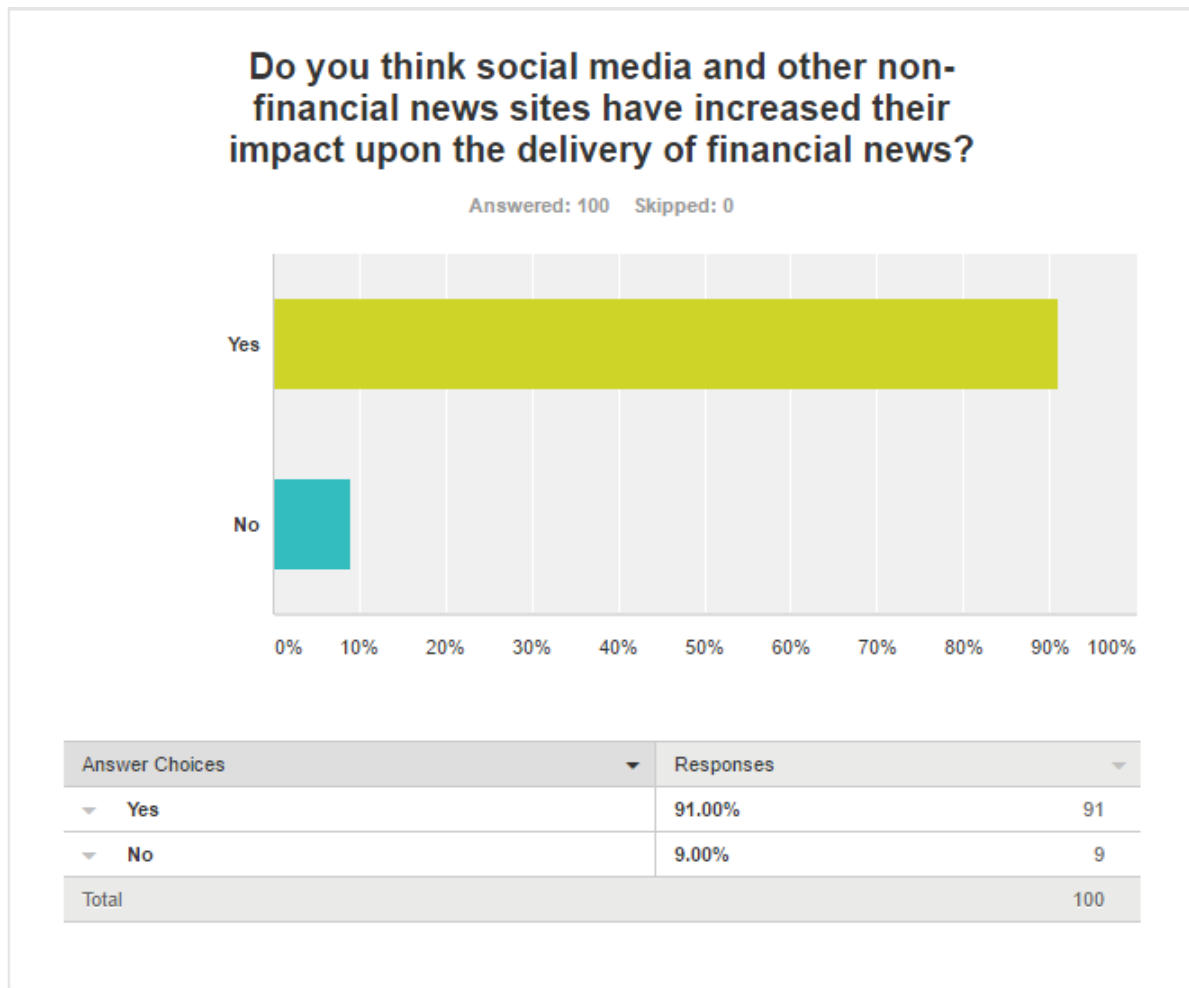
10 % (10 respondents) replied Detailed stories (2 – 3 pages), 69% (69 respondents) Brief synopsis of story (1 page) and 21% (21 respondents) said headlines (one paragraph). The question was designed to understand the requirements of the investors about news formats. Time is a very crucial factor, where an investor could lose or gain a lot of money in a matter of an hour. More than two thirds of the investors read a story which is more or less a page, which shows that the investors want to know a little more before they decide and not just the headlines. 21 respondents read just a paragraph or two, who believe in the quick draw (that the first punch usually wins) and a 10th read the whole story in 2 to 3 pages. The last section of people who read the whole story are either people with a lot of time or don't consider the time factor when investing. They are people who look at the whole story, paint a proper picture in their mind and then invest.

5th Question: What factors influence your decisions (buying or selling) making?



The main intention of this question was to see what was effect of the news on the decision making of the investors. 60% (60 respondents) replied good news for buying and bad news for selling, these investors believe that when there is good news the stock must be purchased as the value is going up. 30% (30 respondents) said news did not matter, these people put in the investment and only consider a purchase or sale based upon their own personal interests. 10% (10 respondents) replied bad news for buying and good news for selling, I consider these people to be following the Benjamin Graham’s methods of value investing (knowingly or unknowingly). The stock may be originally purchased when the stock has shown notable potential and undervalued. These investors may also be trading in futures to sell when there is bad news now and purchase later when the stock price come up again.

6th Question: Do you think social media and other non-financial news sites have increased their impact upon the delivery of financial news?

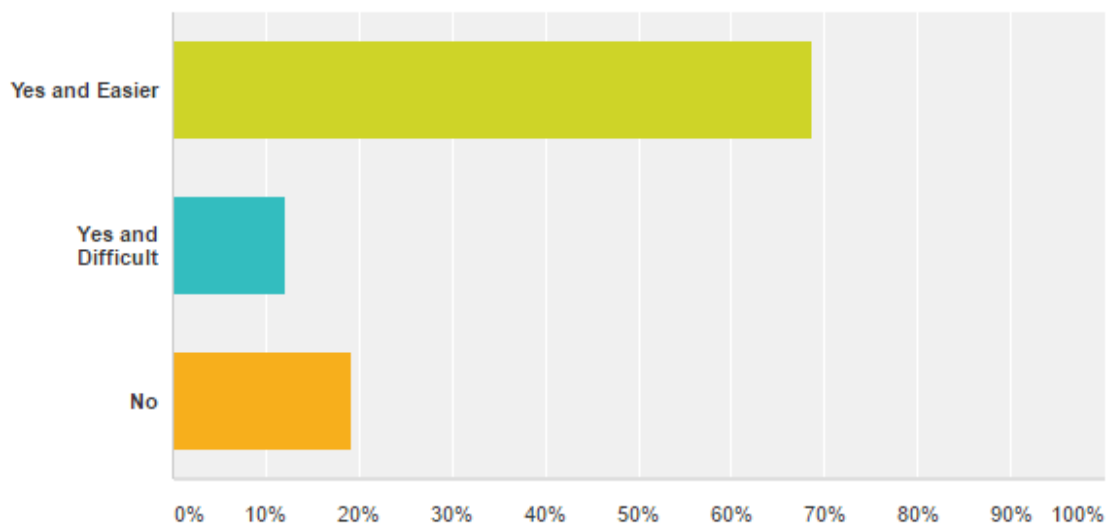


This is a straight forward question where people think yes or no. The concept behind this question is if the investors looks at social media websites and to recognize that they are pushing financial news. The information for others ends up in front of them when they see this information. 91% (91 respondents) replied Yes and 9% (9 respondents) replied No. How many of them start investing based on this information and how many would go back to check the story is a valid question.

7th Question: Has social media and other non-financial news sites changed your investment decision making? and how?

Has social media and other non-financial news sites changed your investment decision making? and how?

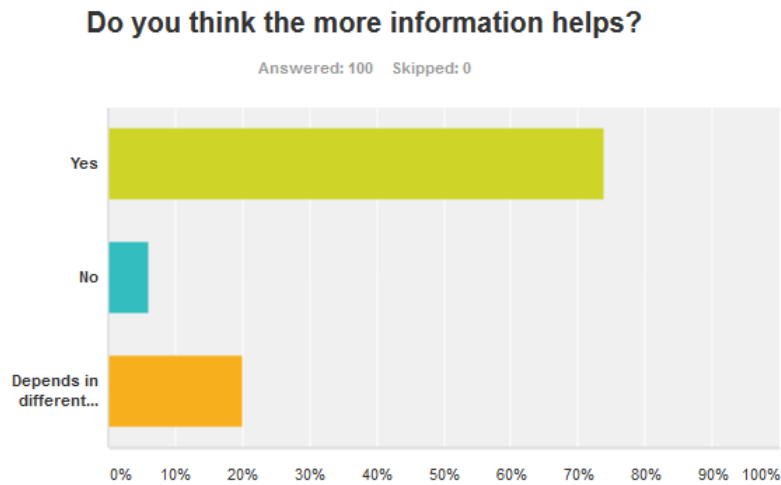
Answered: 99 Skipped: 1



Answer Choices	Responses
Yes and Easier	68.69% 68
Yes and Difficult	12.12% 12
No	19.19% 19
Total	99

The question was intended to find how the news that the investors saw made them feel. Most social media websites are configured into app that will show notifications when any information is received. The majority of investors feel that financial news on social media websites has made their investing easy compared to the 12 who responded that their investing has become difficult. The reasons for this can vary from the investor having too many stocks to the information he seeing is ironical. 68.69 % (68 respondents) replied Yes and Easier, 12.12% (12 respondents) replied Yes and Difficult and 19.19% (19 respondents) replied No. The respondents who felt no difference were people who would no matter what check their news before making any changes in their investments.

8th Question: Do you think the more information helps?



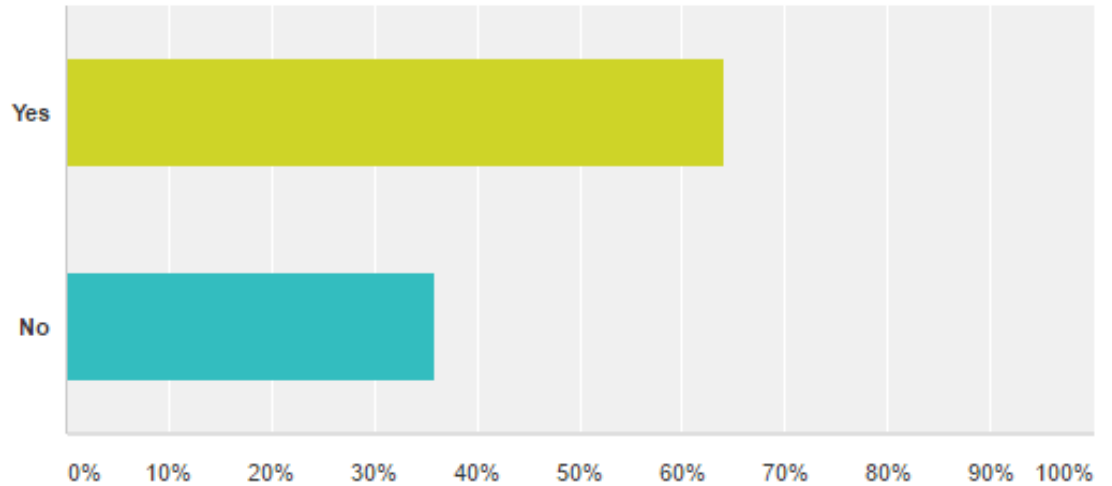
Answer Choices	Responses
Yes	74.00% 74
No	6.00% 6
Depends in different situations	20.00% 20
Total	100

The intention for this question was to understand, how the investors perceived the information that they were receiving. 74 of the 100 respondents said that more information was helpful. The investors see more information that is being passed onto them as essential. The fact they have to filter most of the information did not make any difference to them. 6 respondents said that more information was not helpful. The rest of the respondents said that they saw that more information was helpful at times and at other times not so helpful. Considering information availability on the internet, it can be said that every sort of information relating to a certain stock may not be essential nor can be accounted for when investing.

9th Question: Do you consider behavioural bias important in investing decisions?

Do you consider behavioral bias important in investing decisions?

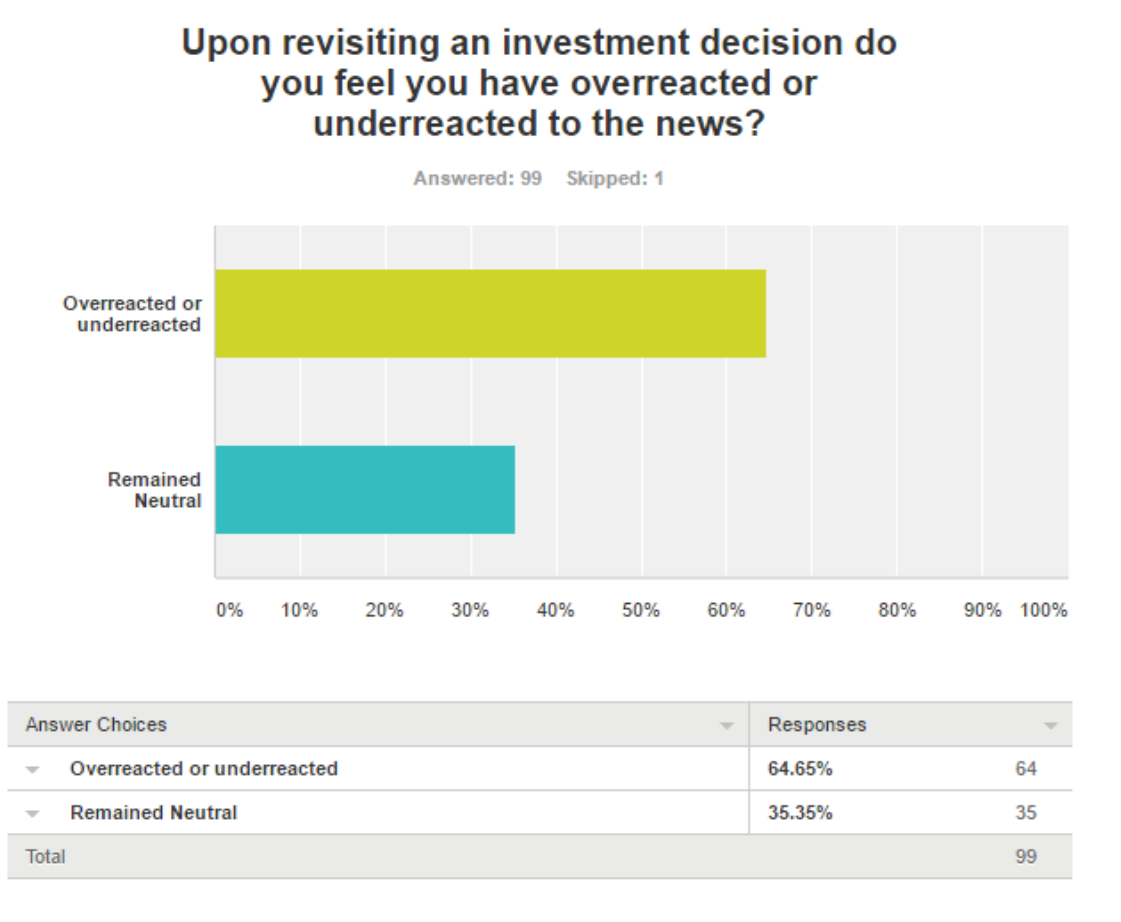
Answered: 100 Skipped: 0



Answer Choices	Responses	
Yes	64.00%	64
No	36.00%	36
Total		100

Financial Behavioural bias can be considered a deep study of how the human mind makes decisions with regards to the persons. Most of the time the bias may be simple segment of unnecessary and non-essential incident or from a major event that caused a great deal of embarrassment. 64% (64 respondents) replied Yes versus 36% (36 respondents) who replied No. The investors who said yes would have seen some form of bias either by themselves or from their peer group.

10th Question: Upon revisiting an investment decision do you feel you have overreacted or under reacted to the news?



The last question in this survey being about the reaction of person to a certain new and events following it. The results show that two thirds (64.65 % (64 respondents)) replied Overreacted or Under reacted which shows regret of these investors for their decisions. The remaining 35.35% (35 respondents) who remained neutral made decisions that they knew would be the outcome. The decisions are the outcomes of how and what news has been and understanding bias. The regret for such decisions only show a deeper requirement for analysis.

5.0 Conclusion and Recommendations

The thesis describes a form of exploratory research where the responses of the investors was very essential. The application of the hypothesis derived from the Journal from Oxford university called 'Social media, news media and the stock market'. This paper researched the connection between the number of tweets in Twitter and the volume of stock traded after a certain period of release of the news. This research is directly related to the stale news hypothesis by Tetlock. The topic was selected as there was not enough work taken up on this subject. The research was conducted with an intention to understand the financial behaviour of the investors across the globe with regard to news and interpreting news.

The conclusions from the secondary research can be divided into news and the attention what investors, effect of the news in social media and behaviour and the historical performance.

Financial news and the investors' attention: financial news can be based on the source like traditional sources that is newspapers and television, financial news sites and social media news. It has been found that due to the increase of technology and its applicability people having reading news from non-traditional sources like financial news sites and social media news from the Internet. Many people still read from traditional sources. They also read from traditional sources as time is of essence in the financial world. Financial decisions sometimes need to be taken as early as news has been received.

The Internet is being termed as web 2.0, there is two-way information transfer in this version of the Internet. News in the past used to be verified before being published. The news would reach people at the same time. The source of this news could be trusted. With the dawn of the new Century more people had access to providing their opinions and information to the rest of world. This news was neither verified not confirmed by anyone. The same news that has been in the news earlier would pop up with other people's opinions and this out it's affect an investment decision of investors.

Social media websites like Twitter and Facebook have users who can post their opinions along with a story attached when viewed by other investors brings about more empathy towards the story. The volume being created after a certain period of time or established the fact that most investors do not only react when the news is out but also whenever they view the same news again and again. Some News channels have started reporting the sympathy created by a certain news in social media websites like Twitter.

The last part is about the financial behaviour of investors and the historical performance. it has been noted that the historical performance for investors the stock exchange has been bad. A great number of investors lose money and then quit investing in the stock exchange. The reasons given for this kind of loss is the investors financial bias. There are many characteristic features of financial behaviour and theories. The few reasons for financial behaviour are overconfidence, ego, bad experience, gambling and virtues.

The conclusion from the primary research which can be understood from the surveys. We have received survey results from investors from different countries, age groups and Investment experience. In a question on how they get their news feed, less than 5% said that they received their news from traditional sources. Which means the 54% of people from financial news sites and the 40% from social media websites read from non-traditional

sources. The 4th question that gives more insight into the facts about the 90% investors enjoy reading the news in snack size bytes which is a page or less.

When news was required for their investments more than 50% accessed new sites, another third of the respondent's sort to Twitter and other social media websites and the rest used financial news apps. The question was asking to look at the dissemination of news online and investor preferences. Financial news applications and social media websites send notifications to the device when they received our new story or New opinion about an old story. Little less than half the people who took the survey require news at the earliest to make their decisions.

The stock market has 3 kinds of people. The people who buy when a stock price is increasing and sell when the stock price is decreasing. 60% of the investors who took the Survey were the first kind. The second kind are people in the stock market are called speculators. They prefer to buy when there is bad news when investors are selling like crazy. they make a huge profit when the stock price Returns. In this survey we saw 30% of these investors. last 10% said that news that's not Matter. the research believes that these investors do not give a value for time in their strategy for investment.

In the next question 91% of the investors who took the survey believed that social media had an increasing impact on the delivery of financial news. At some point of the other people who use social media weeks find financial news along with an opinion. 19 of the 99 people who took survey said that the news from social media websites has not affected their decision. 68 respondents thought that the financial news from social media made the decision making easy versus the 12 who considered the news making their decision more difficult. The secondary led to a conclusion that the excessive news made the decisions difficult which is a direct contradiction to the findings from the primary research.

The next question about usefulness of the excess information where only 6% said No. 20 respondents believed that the excess news was useful in some circumstances. With 74 of the respondents saying yes, it can be concluded that the information had to be processed before being utilized.

For a question on considering behavioural bias for investment decision, two thirds replied yes stating their choice for decision making and introspecting themselves and their choices. The rest of the third said no for just making decision which is either based on information or blindly.

The last question in the survey was to see if the investors who revisited their decision felt that they overreacted or under reacted, or remained neutral, only a third said that they felt like they had remained neutral. The decisions they took led to the possible outcomes. When analysing the last two questions it can be seen that almost the same people said yes which means that only half of the people actually did the research about the stock and the behavioural bias to find the possible outcomes.

Thought: Though the primary research is not conclusive, there are many details that require more data and a larger number of respondents. The primary and secondary research have led to conclusions that were lining up with the stale news hypothesis and the hypothesis from the research paper from Oxford university about the increase stock volume after increase in

tweets about the stock in Twitter. This research is a start to look at other part of understanding financial news and combining it with the knowledge of financial behaviour to find the possible outcomes for investing.

Recommendations:

Possible Improvements: This primary research is not conclusive. The survey was conducted using a service of a website with limited analysis for a general idea. The next survey can be accomplished with the help of other software and hardware for ease of analysis in different aspects. An open ended version of this survey can be classified based on age group, experience, gender and other factors for deeper research results. This research study gives and opportunity for replicating such research along with other possibilities. For example, in the literature we saw that women were more ethical and men were more materialistic. The next research into this subject will require adding other questions and getting a more adequate number of investors.

Office application: An organization which deals with investing expertise of their employees can use such a survey to differentiate the employees according to hardworking researchers and employees who use the information provided by the hardworking researchers. The company can use such surveys during recruiting to find employees who can fit into a learning or improving criteria.

Trading Companies: The trading companies can use such surveys to find and understand their most profitable clients. The choices of an individual investor will lead to confirming the trading company's requirement to establish the current trend of news. The process can be replicated in their diverse portfolio to support their investments. After a certain period, any organization can understand long-term investors and short-term investors. The strategy of long-term investors can be used for holding onto stocks for a long period.

The Interviewing Special Group: The research can be taken to the next level by looking in the current available data by going person by person to see which of them is a perfect candidate. For example; no regret, understands bias, reads news from every source and does both long-term investments based on research and short-term research based on information available. Most of the people who responded to this survey can be contacted (with some effort) to understand investing and that few investors how stand out should be interviewed to find out about investing (with the current trend in the market) in depth.

All the studies indicate financial behaviour is either about finance or about psychology. The truth being, the subject has to be looked at totally differently. The normal behaviour of a person is different when handling monetary decision. In a perfect world, where humans can think to a limit, the finance subject is totally perfect. The researcher believes that more research is required into the subject. An investor who does understand every aspect of financial behaviour and events affecting the stock exchange can identify average psychology of the whole market to make profitable financial decisions.

6.0 Personal Reflection

“Life is a journey, not a destination.” - Ralph Waldo Emerson

The researcher has travelled across a huge distance to pursue this higher education. Life is a journey and so is learning. The researcher has different educations and work experiences. The world of finance has always fascinated him (from before the movie ‘the pursuit of happiness’). This journey started long before the researcher had any relevant education. The difference of how decisions could affect the lives of people around you, was noticed at a very young age (in both business and life).

“A man's mistakes are his portals of discovery.” - James Joyce

To attain the knowledge, the researcher had been led down many a stray path. The journey has shown what the researcher’s abilities and inabilities were. At every stage in life, the researcher has been met with various challenges. From childhood till now, and every challenge has been accepted. Some challenges are yet to be won. The researcher had to start his higher schooling in a science background and move to commerce background. This step showed that the choice thrusting onto the researcher was an impossible challenge that meant to be lost. He learned of his first and most innate ability; adaptability.

“It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change.” – Charles Darwin

The thesis is not only about the research but the journey that has led to it. The thesis is meant to provoke new thoughts and ideas. A topic is very important for a thesis as it brings out the enthusiasm of the researcher. The topic interesting for the researcher will see to that the researcher can defeat the challenges it places before him. In other words, the researcher is more engrossed. The topic of financial behaviour had been chosen for this purpose. The world of finance and psychology is the most interesting topic and the finding of this thesis will bring about better investing strategies for the researcher.

During the thesis, the researcher has been so engrossed that he discovered a new side of him. The best methods to do something is sometimes to learn, ‘how not to do it?’ The researcher has seen some of inefficiencies and working on improving himself. The researcher has learned that a problem can be solved in more ways than one and in doing so the by-product is what varies. There were many a thing that were required to be read and looked at.

The researcher at one point lost a handle on time and kept on looking at more material. He started to go down the rabbit hole so to say. Under the guidance of his supervisor Andrew Quinn, he understood that he had to put together whatever information he had to make this dissertation. I had been given a lot of encouragement to keep moving forward from my initial days in Dublin. The chapter that follow are the incidents during this year and a half which led up to this self-realization.

“Insanity: doing the same thing over and over again and expecting different results.” Albert Einstein

Learning Process Theory:

“The greatest enemy of knowledge is not ignorance by the illusion of knowledge,” Stephan Hawkings

Said to be a body of principles advocated by psychologists and educators to explain how people acquire a certain skill, knowledge or attitude. The theories have been used to improve and accelerate learning process. Some main concepts are desired learning outcomes, objectives of the training, and depth of training.

Behaviourism: In this theory man and animal learn the same way. The stress is that rewarding the student in positive ways can help them learn quickly. In this theory we conclude that positive approach can help candidates learn quickly rather than using no reward or negative approach. In training, the lecturers positive statement would encourage a student.

Cognitive Theory: The theory is about what goes on in the student’s mind and, thinks, understands or feels. **Information processing model and the social interaction model** are two of its models. Information processing model is where the students mind selects, process, stores and retrieves it to produce behaviour and receive and process feedback. The social interaction model states that learning and the changes thereafter are due to interaction between student and his vicinity.

Every step in the learning process has been experienced during the learning in Dublin. Back home, I lived with family and did not get to see most of the theoretical parts of this process. Parenting and teaching in India is a strict concept and the learning process was rigid. The students are taught in a certain manner and the focus should be on the same for the students. I was fortunate enough to have been schooled in one of India’s best schools and so had seen some of these processes. As a student, I have been following this process unknowingly. The behaviouristic ideology was a limited concept.

Appreciation was only when students outperformed other students and the rest would not receive any form of reward. This leads to culture of competitiveness that leads to the student giving up at some point or the other. The information processing model of the cognitive theory was conclusively the basis for students in competitive cultures. The social interaction model is what makes the difference here in Ireland. The comparison is simple; in India reward only for toppers, makes others complacent. The environment was closely watched hence any variation to required behaviour was strictly condoned.

Dublin, Ireland was a great change from that culture. I have always been an open minded free spirit. I would help if I can or empathies. Humility had been an important essence from childhood being brought up under the strict grandfather. The combination of these two main traits along with my desire to learn and see new things has brought me great happiness in this foreign land. People in Ireland are free, open and appreciative, which lead to the behaviourism part of wanting to do even better. The not so strict observation and the open culture have made me want to learn more and get better.

Development learning and performance

“the more I learn, the less I realize I know,” Socrates

The quote from Socrates felt perfectly right for this paper. There are two schools of learning required to understand the subject of financial behaviour to an extent, Psychology and finance. The human mind is very dense and very complex. The thoughts and ideas are things that make him human. He has his way of doing something and understanding why, what and how is psychology. Finance on the other hand is all about money. The two schools look at the theories in different patterns but financial behaviour should be a different study altogether as a person will think differently when it comes to financial decisions. This became obvious as the topic needed to be specific to understand one of the different challenges in this industry. Learning is a constant challenge in the finance field when comparing the different segments to understand how efficiently the topic can be utilized.

The quote by Socrates is a perfect representation of the Master in Business Administration course. Attending class was not only fun by a very interactive way of learning, processing and questioning. The seeking of knowledge did not stop in the classroom. The assignments required a certain extent of reading and understanding to find the right material. The reading did not stop with the assignments. The researcher saw different ideas and ideologies when he met new people and made new acquaintances. The quest for knowledge only grew but to sustain and utilize this knowledge and experience will be a major challenge in the future.

For this thesis goals had been set and the work had been put in. The truth being the work has needed a lot of refinement and goals have been hard to keep up to. All in all, this has been a wonderful experience and a possible trend setting experience for the future of the researcher.

Psychology:

The researcher had to put in the physical reading work and bring about the best format of possible outcomes to the study. The research had tested the researcher's patience. The researcher believes he is a straight forward person who will do his best to help and hopes to get this favour in return. The survey was initially very slow in the beginning so he had to ask people who he knew to take the survey and ask about their friends.

The friends did take the survey but they did not communicate the same to their friends. The researcher had to ask and find more details. He then talked to some of those investors and requested for their response. As he got to know more people the surveys started coming very quickly. He learned that to get people to help he must be empathetic and kind, even if it was over the phone. He had learned a very important lesson in life, the requirement to listen. This thesis is a beginning and more research can be brought about in this subject.

Scope of Future applications:

The master program for business administration from DBS has provided a world of experiences that will help transform the future of the researcher. The culture, people and friends that this education has provided to the researcher has opened up a lot of opportunities. The journey through college was a new start that increased the potential of the researcher.

The researcher has enjoyed classes and the learning. The study itself gave him more passion for the subject and its future applications. The future however this study will help the researcher keep life in perspective, help set attainable goals and understand importance of time management. Most important of all, the research will become a part of his life and at every future opportunity, he will try to shed more light on this subject.

This study has made the researcher feel like he has accomplished leaps and bounds. He is very satisfied with his work. The literature was helpful in ascertaining the hypothesis. The work put in has established that more work is required in this segment from a bigger sample to see the variance. The study needs to be conducted in a longitudinal research over a period of a few years to establish the changing patterns. The knowledge gained through this master program, along with his past experience and education will bring about better opportunities in this industry.

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