

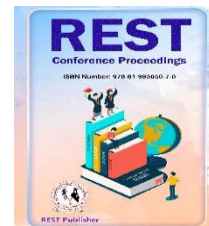


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A Study of Forms and Causes of Overconfidence among Investors in Investment Pattern in Amravati City

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Abstract: This research paper explores the forms and causes of overconfidence among investors in Amravati city. Through a comprehensive survey, the study investigates the demographic profile, investment patterns, decision-making behaviors, and psychological biases impacting investors. Using a structured questionnaire and a descriptive research design, primary data was collected from a sample of active investors across different demographic profiles. The study analyzes how overconfidence affects investment decisions across various asset classes such as equities, mutual funds, real estate, and insurance. The findings reveal a significant correlation between demographic factors (age, gender, income, education) and levels of overconfidence. Furthermore, many investors demonstrated a tendency to trade more frequently and ignore professional advice due to inflated self-belief. The study provides insights for financial advisors, educators, and policymakers to design targeted awareness programs that reduce bias-driven investment behavior. Enhancing investor education and promoting reflective decision-making may help mitigate the negative consequences of overconfidence and encourage more balanced portfolio management.

Key Words: Overconfidence bias, investor behavior, investment pattern, behavioral finance, Amravati, psychological factors.

1. INTRODUCTION

Investment behavior is often influenced not only by rational factors such as income, risk, and returns but also by psychological biases. Among these, overconfidence has emerged as a significant behavioral trait that affects individual investors' decision-making processes. Overconfidence refers to an investor's tendency to overestimate their knowledge, underestimate risks, and exaggerate their ability to control events, often leading to suboptimal investment decisions. In recent years, the growing participation of retail investors in financial markets, especially in semi-urban and urban areas, has brought attention to the behavioral aspects of investing. Amravati, a prominent city in Maharashtra, has witnessed a surge in investment activities across avenues such as mutual funds, equities, real estate, and insurance. Despite increasing financial literacy efforts, anecdotal evidence and market trends suggest that many investors still fall prey to cognitive biases, particularly overconfidence. This study aims to examine the forms and causes of overconfidence exhibited by investors in Amravati city and how this bias influences their investment patterns. By identifying the psychological underpinnings and demographic factors contributing to overconfidence, the study seeks to highlight its impact on financial decision-making and portfolio choices. Understanding these patterns is crucial for financial advisors, policymakers, and educators in designing interventions to promote more informed and rational investment behavior.

Objectives:

- ❖ To study the demographic profile of investors in Amravati.
- ❖ To identify forms and causes of overconfidence among investors.
- ❖ To analyze the impact of overconfidence on investment patterns.
- ❖ To suggest strategies to mitigate overconfidence.

2. RESEARCH METHODOLOGY

The study adopted a quantitative research approach to examine the forms and causes of overconfidence among investors in Amravati city. A sample of 100 respondents was selected using random sampling to ensure unbiased representation. Data was collected through a structured questionnaire distributed via Google Forms, which included close-ended questions related to investment behavior and indicators of overconfidence. The collected data was analyzed using the percentage method, and results were presented through tables, graphs, and visual representations for better interpretation. This approach helped in identifying patterns in investor behavior and drawing relevant conclusions about overconfidence and its influence on investment decisions.

3. DATA ANALYSIS AND INTERPRETATION

TABLE 1. Age Group of Respondents

Age Group	Number of Respondents	Percentage
Under 25	50	50%
25 - 35	27	27%
35 - 45	10	10%
45 - 54	8	8%
Above 54	5	5%
Total	100	100%

Table 1 Majority (50%) of investors are young, under 25 years old.

TABLE 2. Qualification

Qualification	No. of Respondents	Percentage
Master's Degree	48	48%
Bachelor's Degree	28	28%
Professional/Doctorate	9	9%
High School or Equivalent	10	10%
Others	5	5%
Total	100	100%

Table 2 a significant proportion (48%) of investors are postgraduates.

TABLE 3. Investment Preference

Investment Type	Count	Percentage
Stocks/Shares	43	43%
Mutual Funds	22	22%
Bonds	13	13%
Real Estate	12	12%
Cryptocurrencies	9	9%
IPO	1	1%

Table 3 Stocks/Shares are the preferred investment.

Findings: The study revealed that young investors dominated the market, indicating a growing interest in investments among the younger population. It was observed that the proportion of female investors was slightly higher than that of males, reflecting a shift toward gender balance in financial decision-making. Most of the respondents held a master's degree, suggesting a relatively educated investor base. Most participants had less than one year of investment experience, indicating that many were new entrants to the market. Among the various investment options, stocks and shares emerged as the preferred choice. In terms of trading frequency, many investors reported trading either rarely or monthly. Additionally, the level of engagement with market news and financial updates was found to be moderate, implying a balanced but not highly active approach to market monitoring.

4. CONCLUSION

The research indicates that overconfidence is evident among investors in Amravati, particularly among young and less experienced individuals. By promoting awareness, diversification, and professional advice, the tendency of overconfidence can be minimized, leading to better financial decision-making.

Suggestions: Based on the findings, several recommendations were suggested to improve investment behavior and reduce the impact of overconfidence among investors. It was recommended to educate young investors about common behavioral biases that influence financial decisions. The study also emphasized the need to promote diversified investment portfolios to manage risk more effectively. Investors were encouraged to consult financial advisors before making major investment decisions. Additionally, it was suggested to organize financial literacy workshops to enhance practical understanding of markets. Lastly, the integration of behavioral finance concepts into academic programs was proposed to build long-term awareness among future investors.

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