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Behavioural Finance Effect on Gold Price Trends during Covid-19 Pandemic
Avishkar Pamnani

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Aims and Scope

IPE Journal of Management is a bi-annual, peer-reviewed journal which publishes empirical, theoretical and review articles dealing with the theory and practice of management. The aim of the journal is to provide a platform for researchers, academicians, practitioners and policy-makers from diverse domains of management to share innovative research achievements and practical experience, to stimulate scholarly debate both in India and abroad on contemporary issues and emerging trends of management science and decision-making.

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From the Editor's Desk...

It is our pleasure to introduce this new volume of IPE Journal of Management. In the backdrop of global pandemic conditions economic uncertainties, this issue attempts to understand and extol the human spirit and attitude that has enabled organizations and communities to thrive amidst challenges. The journal's Volume 11 No. 1, January-June 2021 issue contains an assortment of topics, and it devotes a section for behavioural finance.

The first paper in this issue, "Job Crafting, Work Engagement and Turnover Intention – An Empirical Study on Women IT Employees in India", the three critical challenges for the IT employees in India and explores the causal reaction for work Engagement and turnover Intention with a focus on women employees. The second paper, "Emotional Stability Scale: Development and Validation in the Indian Context",discusses creating a scale measuring emotional stability in the Indian context. The third paper, "A Psychometric Study on Impact of Supervisors' Transformational and Transactional Leadership Behaviour on Follower' Contextual & Adaptive Performance in Banks", studies leadership behaviour in the context of Banks.

Behavioural finance has become the subject of interest for researchers worldwide, and efforts are being made to explore the impact of behavioural finance on various domains. The first paper in the subsection, "A Study of the Investor's Behaviour in Making Investment Decisions with A Special Focus on Mumbai", reconnoitres the investment decisions shaped by behavioural issues and extols decision making in the process. The next paper, "Paradox of Nudges in Policymaking – A Theoretical Analysis", presents a theoretical perspective on the concept and application of nudges in policymaking. The third paper in the series "Behavioural Finance-based Trading" again focuses on trading decisions shaped by human emotions. Finally, the fourth paper, "Behavioural Finance Effect on Gold Price Trends during Covid-19 Pandemic", explores the gold purchases phenomena among the public during the pandemic.

We hope that this collection will have particular appeal to readers from academia and business. In addition, we are confident that the volume will raise interest among our regular readership of scholars and practitioners thanks to the relevance and diversity of contributions whose future bears crucial importance to us all.

We acknowledge the support extended by Prof R K Mishra in nurturing the journal as Editor-in-chief.

Kiranmai J
Samarendra Mohanty

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Job Crafting, Work Engagement and Turnover Intention – An Empirical Study on Women IT Employees in India

Sameera Afroze*

Abstract

Women makes up 34% of the IT workforce in India in spite of that the percentage of women in Indian workforce is gradually decreasing. (ILO), It is need of the hour to retain women employees as more diverse workforce creates a more successful and sustainable business. In this empirical study of women IT employees, we analyse the variables such as job crafting, work engagement and turnover intention. Data was collected from 100 IT women employees across India. The study establishes the association among job-crafting, work-engagement individually and collectively on turnover intention of women employees. The study includes both theoretical and practical implications.

Keywords: IT Industry, Job Crafting, Turnover Intention, Women Employees, Work Engagement

Introduction

Employee turnover has been a major concern for the organisations due to its related replacement costs, declined productivity, profits and loss of valuable knowledge, skills & intellectual capital According to Zopiatiset al. (2014) turnover during the era of globalisation is becoming a persistent issue within every establishment. Women employees form an important proportion in India's ever-growing information technology domain. Malakian (2011) in his study stated that "number of women in IT sector are less and have been gradually declining over the past years". According to Corbett & Hill (2015), "India has the distinction of least percentage of women in total work-force amidst Asian countries but also has the biggest pipeline leak occurring earliest in their careers". As per *Francesco & Mahtani (2011) "*Compared to other professional women in Asia Indian women give up their professions much earlier". As per latest World Bank

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estimates only 23% of women are in workforce which was 40% a decade earlier. Scientists in their earlier studies have identified association between WE and TOI (Huang et al. 2016, Van Schalkwyk et al. 2010). *Tims et all (2013)* in their study observed that “workforces who are involved in JC are more engaged in their jobs and are less likely to quit”. According to *Wrzesniewski and Dutton (2001)* “JC is defined as “changes associated with the task or relational boundaries of the job”. *Bakker & Demerouti (2008)* explained “WE is a positive, fulfilling, work-related state of mind characterised by vigour, dedication, and absorption”. There has been dearth of studies on women employees in organisation behaviour. In order to fill the above mentioned gap the current study is essential to determine how JC can impact the relationship among WE and TOI of women employees.

Literature Review

Job Crafting (JC):Even though huge amount of research on job design focussed on how managers and organisations must design jobs in order to motivate employees and improve their performance accordingly, no consideration has been paid on how employees themselves design their own job. (Oldham & Fried 2016).The concept of JC was first defined thirty three years ago by Kulik, Oldham & Hackman (1987). The term JC was first familiarized by *Wrzesniewski and Dutton (2001).* According to them JC is a form of job design in which employees modify their job characteristics as per their knowledge, skills, abilities and motivations. (Wrzesniewski and Dutton 2001). Their exists three different practices of JC in literature. First of all the staff can alter physical changes to change the amount, form & scope of job tasks (Crafting task boundaries).Secondly employees can alter relationship with other colleagues by decreasing or increasing the intensity of interactions with them (Crafting relational boundaries). Berg et all (2008) stated that the most important aspect of JC is that employees alter the various aspects of their job by their own initiative. According to Demerouti, 2014; Tims & Bakker, 2010 JC is a form of bottom-up job design applied by the employee as against the manager. As per (Demerouti, 2014; Tims & Bakker, 2010; Tims et al., 2012), employees engage in JC practices in order to improve their person-job fit and work motivation. Rudolph et all (2017) in their meta-analysis organised the JC literature with comprehensive outlook. As per Bruning & Campion (2018) JC enables staff to format current work in a way that suits their distinctive features with-out altering the core element of their job.

Work Engagement (WE): William Kahn in early 1990 was the first one to publish an academic article on work engagement in Academy of Management Journal. Kahan highlighted that “engaged staff are actively prepared, more involved and enthusiastically associated in respective tasks when performing their jobs. As per Harter etall (2002) and May *etal (2004*) "personal disengagement is termed as uncoupling from the work role" It has been observed that WE is the converse of employee burnout. According to Schaufeli and Bakker (2008), WE is defined as "positive, fulfilling, work-related state of mind that is characterized by vigour, dedication, and absorption", vigour characterizes a progressive reaction to employee's constant exchanges in work environment. Dedication includes the aspect of emotion of being proud of their jobs. Absorption is considered as the aspect of completely involved in the job.

May, Gilson and Harter (2004) in their study emphasized that "the concept of WE is closely related to "Job involvement'' and "flow''. According to them "job involvement" forms a central core part of the job. WE can be termed as a precursor to job involvement. Roberts & Davenport (2002) in their study stated that WE and OC are similar and with the combination of both gives rise to organisational engagement which includes significant aspects of WE and OC. According to Maslach, Schaufeli & Leiter (2001) the WE and OC are related but not similar. Employees can exhibit but may never remain faithful to their employers whereas organisation commitment focuses on the organisation. Existing literature suggests that WE have emerged as an important concern for employers for organisational management.

Turnover Intention (TOI)

According to *Hennebergeret al (2002)* TOI is "the (subjective) probability that an individual will change his or her job within a certain period of time". TOI which results in employee leaving the organisation by themselves is called voluntary TOI. According to *Bandhanpreet Kaur et al* (2013) TOI is a very difficult occurrence and there exists numerous factors that contribute to it. Intent to turnover refers to contemplation of voluntarily parting with an organization. Bluedon (1982) in his study on literature review specified twenty-three studies which demonstrated positive relationship between turn-over intention and real turnover. As per Carmeli and Weisberg (2006) it is employee's withdrawal cognition process where they plan to quit current job, plan to find another and eventually leave. Lambert et all (2001) observed that "TOI has been used as the dependent variable in various studies on employee turnover". Sibaya T (2016) stated from the finding of his research that managers role is important in women's decision to leave an organisation. Tapia et al (2004) in their study discovered that there is a need to deepen our understanding of retention issues for women in order to form intervention strategies.

Relation between JC and TOI: Regardless of the significant growth in IT sector in India, women employees often considered as key talent pool continues to decline. According to Corbett & Hill (2015) the numbers of women employees are declining over the past three decades in India. *Glass et al* (2013) stated that women employed in engineering and computing are more expected to leave their occupational fields when compared to other occupations .Chao-Min Chiu (2017) in their studies demonstrated that employees who are involved in job crafting exhibit WE and have no TOI. Zhang. T et al (2020) examined the effect of job crafting on turnover intention among 212 service employees in china and concluded that turnover intention behaviours can be reduced through job crafting interventions.

$H1_0$: There is no significant association between JC and TOI.

Relation between WE and TOI: Saks (2016) stated that engaged employees immerse themselves in their work and have no time and interest in leaving the current organisation. Studies by Gupta, Manish & Shaheen, Musarrat. (2017) indicates the importance of work engagement in reducing the turnover among employees. "Employees prefer organisations where the workforce is engaged and their involvement is encouraged in business decisions" (Hoffmeister, 2006). Demerouti and Cropanzano, *(2010*) stated that WE enables employees to perform better and experience optimistic emotions, joy and happiness which in turn reduces TOI of employees.

$H2_0$: There is no significant association between WE and TOI.

Impact of JC and WE ON TOI**:** There is no dearth of studies about the relationship between WE and TOI and JC and TOI but due to absence of empirical research that comprehensively and simultaneously examines the three variables. Considering the increasing popularity of JC and WE and its desirable outcomes, it is necessary to have some good empirical studies concerning these variables with other constructs. These types of studies are very rare in India. Therefore the study attempts to comprehensively analyse JC and WE and their influence on TOI. Thus H3 is -

$H3_0$: JC and WE together does not influence TOI significantly.

Methodology

Sample & Procedure: One hundred women employees working in various IT organisations across India were taken as sample for the present study. The respondents were selected by convenient sampling technique. 39% of the respondents comes from sample of 20 to 30 years, 50% comes from sample of 31 to 40 remaining 11% were above 40 years of age. In terms of work experience 31% of the respondents had work experience of 0 to 5 years, 51% had 6-10 years of work exposure and 16% employees have greater than 10 years of work experience. With respect to educational qualifications of employees 6% were diploma holders, 59% were graduates and 35% were post graduates. The study was conducted during December 2019 to June 2020.

Measures: The present study is conducted using three structured questionnaires. The sections of the questionnaire are detailed below.

- Job Crafting: The variable job crafting is assessed using Job Crafting Questionnaire Contains 15 items where 1 to 5 reflects task crafting, 5 to 10 reflect cognitive crafting, and items 11 to 15 reflect relational crafting. The items were evaluated on a 5 point Likert scale ranging from 1 (Hardly Ever) to 5 (Very often).
- Work Engagement: The Utrecht work-engagement scale (UWES) questionnaire contains 17 times measuring each of the aspect of work engagement such as Energy, Enthusiasm, Inspiration, work immersion, Intensity and challenges. The items were evaluated on a 5 point Likert scale ranging from 1 (Strongly Disagree) to 5(Strongly agree)
- Turnover Intention: Turnover intention (TIS-6) scale developed by Roodt (2004) employs 15 dimensions of turnover intention measuring various dimensions of work life balance and job alternatives**.** The items were evaluated on a 5 point Likert scale alternating from *1 (Never) to 5 (Always*).

Reliability of the Instrument: Cronbachs's alpha values of the three questionnaires were JC (0.936); WE (0.911) and TOI (0.915) .Thus the reliability of the instrument was found to be good to conduct the study.

In order to check the suitability of data KMO and Bartlett's Test was performed.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.872
Bartlett's Test of Shericity	Approx. Chi-Square	2473.009
	df	703
	Sig	.000

As the KMO value is 0.872 which is greater than 0.60 it can be considered as satisfactory (Kaiser and Rice 1974) and the Bartletts test of Sphericity too achieved statistical significance.

*Validity of the Instrument***:** In order to check the validity CFA was conducted for all the constructs and parameter values are presented below.

Parameter Value for Model Fit Measures

Parameter	Value
Goodness of Fit Index (GFI)	0.953
Adjusted Goodness of Fit Index (GFI)	0.916
Normed Fit Index (NFI)	0.914
Comparative Fit Index (CFI)	0.924
Tucker Lewis Index (TLI)	0.991
Relative Fit Index (RFI)	0.901
Root Mean Square Error of Approximation (RMSEA)	0.013

The model fit values of all factor loadings are above 0.50 which satisfies the appropriateness of data set. Construct validity can be assessed by comparative fit index (CFI). CFI value of 0.924 supports uni-dimensionality of the scale (Byrne1994). Convergent validity can be determined by Bentler-Bonnet Coefficient (NFI) which is found to be 0.914; RMSEA value is less than 0.05 indicating model is fit and acceptable.

Analysis and Results

The frequency distribution (mean and std deviation) of three constructs are presented below. The hypothesis was tested to determine the influence of JC and TOI using correlation and simple linear regression . The findings are presented below.

The analysis reveals a significant correlation between JC and TOI at the 0.01 level (0.491) thereby we reject the null hypothesis. This strengthens the statement that if employees are given an opportunity for JC than they are less likely to leave their organisations.

Table-1: Mean and Std Deviation of the Variables

Variable	Mean	Std. Deviation
Job Crafting	2.7710	.71668
Work Engagement	3.5987	.55590
Turnover Intention	2.6601	.42290

Table-2: Correlation between JC and TOI

	Job Crafting	Turnover Intention
Job Crafting	1	.491**
Turnover Intention	.491	1

** Correlation is significant at the 0.01 level

Table-3: Linear Regression Analysis between JC and TOI

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R^2 Value	F Value	Df
		B	Std. Error	Beta					
1	(Constant)	1.857	.148		12.504	.000			
	Job Crafting	290	052	491	5.607	.000	0.241	31.444	1

Dependent Variable: Turnover Intention

From the above calculations regression equation where *F (1,100) = 31.444' p < 0.001 with* R^2 of 0.241. This explains that 24.1% of TOI can be influenced by JC. The study reveals positive regression between JC and

TOI. JC is found to be statistically significant TOI. **(**ß =0.491, sig<0.05)**.** The TOIcan be determined by the equation as follows.

TOI=1.857+0.290 (JC)

The above findings are in accordance with the study conducted by Tims et all (2013) who observed that "employees involved in job crafting have been performing better, as they are more engaged and less inclined to fatigue thereby decreasing the turnover".

Thus for each one unit of JC, influences TOI by 0.290. With these results we reject the null hypothesis $H1_0$. Thus this explains that if the organisation is giving an opportunity of JC than less employees are likely to leave the organisation.

Table-4: Correlation between WE and ToI

	Work Engagement	Turnover Intention
Job Crafting	1	.399**
Turnover Intention	.399*	1

** Correlation is significant at the 0.01 level

Table-5: Linear Regression Analysis between WE and TOI

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R^2 Value	F Value	Df
		B	Std. Error	Beta					
1	(Constant)	1.569	.255		6.145	.000			
	Work Engagement	.303	.070	.399	4.324	.000	0.159	18.696	1

Dependent Variable: Turnover Intention

For testing $H2_{0,}$ correlation and simple regression are used. Findings are presented in the above tables. A cor-relation is established between WE & TOI 0.399 at the 0.01 level. Simple linear regression reveals a *regression equation (F(1,100)=18.696 p < 0.001 with* R^2 *of 0.159*. This shows that 15.9% variance in TOI because of WE. There exists a statistically significant relationship between WE and TOI.(β=0.399, sig <0.05). It is possible to determine TOI by the following equation.

TOI = 1.569+0.303 (WE)

For one unit increase of WE, influences TOI *by 0.303*. The findings brings forth support for $H2_{0.}$ The above results are in agreement with Shuck et al (2011) which states that employees exhibiting WE remain faithful to their jobs thereby reduces the turnover and recruitment costs.

Impact of JC and WE on TOI

Table-6: Multiple Regression Analysis between JC, WE and TOI

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R^2 Value	F Value	Df
		B	Std. Error	Beta					
1	(Constant)	1.610	242		6.654	000			
	Job Crafting	0.235	.070	.399	3.528	.001	0.254	16.653	2
	Work Engagement	0.111	.086	.145	1.286	.201			

Dependent Variable: Turnover Intention

To determine the influence of JC and WE on TOI multiple regression was performed. Initial examination was performed to make sure there exists no deviations among assumption of Normality, linearity and multi-collinearity. As a result an important equation is established *(F*(*2*,100)= 16.653, $p<0.001$) with R^2 *of 0.254*. That is 25% of TOI can be influenced by JC and WE.

WE (ß = 0.145, sig<0.05) and JC(ß = 0.399, sig<0.05) are found to be statistically significant in influencing TOI.

With the help of RA, TOI is determined by the equation as follows.

TOI= 1.610+0.235 (JC) +0.111(WE)

Thus for each unit change of JC, TOI changes by 0.235 and for each unit change of WE, TOI changes by 0.111.

In the result we can also observe that when taken together JC and WE influence 25% of variance in TOI, which is higher than the variance when the independent variables are taken separately (WE= 15 % and JC=24%). This also shows that JC and WE more on TOI. this supports the viewpoint that organisations giving the opportunity of job crafting to its employees along with work engagement reduces the turnover of its employees.

Managerial Implications

The present study establishes that JC and WE can help in reducing turnover of employees. They independently and collectively influence TOI of the organisation. This has crucial implications. Teams involved in crafting their jobs along with engagement are less likely to move out of their organisations. This is a significant piece of knowledge for the human resource professionals, as turnover of employees is the biggest challenge existing in the current organisations.

Conclusion

The present study establishes the relationship between JC, WE individually and collectively on turnover intention. The analysis indicated that interventions such as JC, WE predicted lower levels of TOI. Given the numerous barriers women employees face in India the study helps managers to arrive at better and more targeted decisions at the workplace. The findings of the study develop existing literature and provide valuable framework for committed managers to help retain female employees in the organisation. Given the percentage of women in Indian IT industry the influence of JC and WE on TOI are too significant to be ignored.

Limitations: Regardless of significant contributions the research has its own drawbacks. The data was gathered from 100 women employees across various IT companies within India. For proper generalisation of relationship among variables a larger sample selected using probability sampling technique could have been a better choice.

Suggestions For Future Research: Turnover is a complex phenomenon which results in loss of productivity, quality and profitability. The relationship between the existing variables & TOI was put forward by this paper. The future research can be focussed across various organisations such as banks, educational institutions MSMEs, and hotels. Some variables act as predictors whereas some others as mediators or moderators therefore the relationship can be determined using the relevant analysis. Other available research instruments with appropriate validity and reliability must be employed to gauge the turnover intention of the employees.

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Emotional Stability Scale: Development and Validation in the Indian Context

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Abstract
The paper is focused on conceptualizing a measure to check emotional stability, especially in the Indian context. The construct is developed and validated in settings of Madhya Pradesh Region India concerning the working executives of the service industry (Education, Banking, and Insurance).The study is descriptive in nature and the survey method is used to collect the data.The literature review was done to collect relevant material and to identify the probable dimensions of emotional stability.The items of the questionnaire were finalized after discussion with experts. The primary data collected was checked with the help of PASW 18 and PLS-SEM.The second-order Reflective-Formative construct was validated. The collected data was analysed to a formative scale for emotional stability, for that Exploratory factor analysis and Confirmatory Factor Analysis was done.The construct which was finally developed consist of 25 questions which were converted into 8 dimensions which captured different facets of emotional stability of employee. It is developed as a formative construct to measure emotional stability with reference to the Indian context.

Keywords: Confirmatory Factor Analysis, Emotional Stability, Emotional Stability Index, Exploratory Factor Analysis, Formative Construct, PLS-SEM 3

Introduction
Personality studies have become an interesting area of many researchers, and they have defined personality in their own aspects. Personality has been defined based on traits that a person is having. Theories have been developed to define and explain Personality, which talks about various traits of personality. The big five personality theory talks about emotional

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stability which refers to someone's ability to remain balanced and stable in different conditions whether positive or negative. Emotions are the key cause or source of Human energy, desire, and motivation. It triggers the innermost feeling of life and converts them into the things we say into the ideals we live by (Chaturvedi and Chander 2010). Emotional stability is one of the aspects of human personality which is often correlated with neuroticism. The current study which is done on Indian employees is specifically about emotional stability which is an important personality dimension. Emotional stability is often used as neuroticism (De Rasd 2000).

There are various personality inventories available but almost all the inventories are developed in western countries and the concept of such inventories are based on their perception of personality and they are not based on Indian scenario or Indian context, in such a case we may not be able to report the actual personality aspects even though the measures were reliable and validated. To measure the accurate personality aspect of a country, the measure should be local or indigenous as the culture has a strong impact on personality. This justifies the need to develop and validate a construct in the Indian context. Emotional stability is one of the important trait of personality and hence the researchers tried to establish a measure for the same.

Personality is almost stable in nature, it affects the thought process, emotions of a person, and behavior too. Though there are more than 1500 characteristics that describe personality most of the researchers agree that there five major dimensions of personality called big five Personality represents emotional health which in turn affects the confidence of a person, security aspects, and steadiness (Judge & Bono, 2001). Big five personality includes Extroversion, Emotional Stability, Agreeableness, Conscientiousness, and Openness. Muldoon et al (2017) also suggested a significant effect of personality on job performance and hence suggested that job assignment should be aligned with personality strength areas.

In the early 90s researchers agreed that traits can predict job performance and employee behavior (Ones and Viswesvaran, 1996). Traits are stable enduring and consistent differences in individuals (Larsen and Buss 2010) these traits can be learned or inherited biologically (Visser and du Toit 2004).The personality traits are strong subconscious biases which are specifically linked to job outcomes or encourage employees to Act in other ways or to compensate into other circumstances related to work Performance (Boudreau, Boswell, Prosecutor & Bretz, 2001)

Thorndike and Hagen (1955) find that a person's emotional stability is described by the homogeneity of emotions, purpose, desires, confidence, cheerfulness, calm, feeling safe, freedom from feeling sad, depressed or lonely, freedom from fantasizing, liberty from the perseverance of ideas and mood.

Review of Literature

Emotional stability is important to understand and measure in organizations as workplace behavior is largely affected by the personality dimensions measured by emotional stability and conscientiousness (Barrick and Mount, 2000). Judge and Erez (2007) concluded that emotionally stable people are happy people and have positive emotions, happy going personality is their characteristics such people think in a better way than unstable one's (Isen 2000).

Employees having high emotional stability perform jobs better as they are less stress-prone,develop adequate coping strategies and low emotional stability is a cause of low performance (Barrick, Mount and judge 1999) and it also affects job outcomes. Emotional stability is also related to work-related attitudes like job satisfaction (Judge and Buno 2001) citizenship behavior (Judge, Thoresen and Barrick 1999), and customer service orientation too (Ones and Viswesvaran (1996).The emotional state of employees also has an influence on the delivery of customer services and customer satisfaction (Tsai 2002), and it also affects innovation, task achievement, commitment and meeting deadlines (Oriarewo et.al. 2018) Judge, Annalies and Peter 2010 concluded that the anxiety aspect of emotional stability is more correlated with stress and the depressive aspect of emotional stability is correlated with criteria such as job satisfaction, life satisfaction, and job performance(Peterson et al. (2003) considered it as a strong predictor of person's ability to adapt, a stable person has strong adaptability to changing and unpredictable circumstances than the unstable person. The emotionally stable executives remain calm and composed in difficult and unpredictable situations with reduced fear and doubts, they remain self-motivated as well as motivate others to remain focused towards the accomplishment of goals. Erez and Isen (2002) also suggested that emotional stability makes them more motivated and generally such people perform better in every type of situation and on a variety of tasks (Isen1999). Researchers have suggested emotional stability will improve Personnel management due to its impacts on results across a wide variety of workers (Barrick and Mount., 2000). This indicates emotional stability may be a key feature of personality. It is the ability to work properly in adverse situations. Emotional stability refers to the ability to stay calm and comfortable in stressful circumstances (McCrae & Costa, 1997), and is often seen as an important predictor of stressful situations Wellness subjective (Vitterso, 2001). Stress (i.e. emotional well-being) in today's corporate world is a Rising organizational problem (Asad & Khan, 2003).

According to Staw and Barsade (1993) stability gives them internal power to make better decisions. Personality traits also have a major role to play in burnout growth (Alarcon et al., 2009). They discovered a negative association between cognitive health and burnout, suggesting that emotionally stable CEOs are more prone to challenging circumstances like structural transition.

The personality traits of the five-factor model (i.e. emotional stability, extraversion, agreeableness, conscientiousness, and openness to experience) are relevant in many aspects of life, for example, subjective well-being (Vitterso, 2001), job performance (Barrick & Mount, 2009) and career success (Seibert & Kraimer, 2001). McCrae and John (1992) argued that the personality traits of this model are the most important ways in which individuals differ in their emotional, interpersonal, attitudinal, motivational, and experiential styles.

Herrmann and Nadkarni (2014) found that emotionally stable executives are more likely to undertake a management transition and are more likely to do so. Emotional stability fosters superior performance in implementing strategic change. Herrmann and Nadkarni (2014) have explained that emotionally stable CEOs can promote cycles of structural transition through experience by evoking positive emotions and positive emotions in others.

Muldoon et. al.(2016) suggested that emotionally stable people in higher autonomy and/or low work meaning conditions are more likely to perform OCBOs (organizational citizenship behavior outcomes) than workers with low emotional stability are. In comparison, individuals with high flexibility and/or high importance jobs are likely to participate in OCBOs irrespective of personality.

Emotionally distressed or dysfunctional individuals display a lack of capacity to dispose of problems and irritability, requiring continuous assistance in accomplishing everyday tasks. They also show weakness and stubbornness when searching for help at the same time. They're overweight, quarrelsome, immature, self-centered, and greedy Chaturvedi and Chander (2010).

Considering the importance of emotional stability described in the literature in this modern era of organizations, rivalry, stress, and uncertainty, it was undertaken to establish a scale to quantify emotional stability in the Indian context.

Objectives

Identifying and verifying the important elements that lead to emotional stability among Indian working professionals.

Assess the reliability and validity of the emotional health factors defined according to their formative character.

Research Methodology

The present study that the researchers are conducting is descriptive in nature. The review of literature helped in identifying the different dimensions that can be included in emotional stability. The experts were consulted about the items that can be included in the scale which the researchers were willing to administer for data collection.

The data was collected from the Madhya Pradesh region of India. The questionnaire was distributed initially to 120 working professionals of the region to collect the initial sample. The data was collected based on the non-probability purposive sampling technique. The initial sample that the researchers got was of 112 respondents in the first stage and in second stage sampling data from 229 respondents was collected with the help of purposive sampling.

The questionnaire has two sections part one is demographic variables like age, gender, educational qualification, and years of experience and section two was of questions related to emotional stability.

The emotional stability questions were finalized after the literature review, studying various constructs of emotional stability available and after expert opinion. The whole exercise is done just to ensure that no aspect of emotional stability remains uncovered. A five-point Likert scale was developed having a rating from 1 to 5 where 1 stood for strongly disagree and 5 was for strongly agree. The questionnaire has 29 items.

Data Collection

The data were collected in two stages. In the first stage, the data from 112 respondents were gathered, and in second stage data gathered from 229. The principal component factor, with varimax rotation, was done to explore the factors on initially gathered data of 112 respondents, and confirmatory factor analysis was done on the data of 229 respondents which was collected in the second stage.

The data was collected from March 2020 to May 2020. The sample was having 108 females and 121 male respondents. 94 of them were graduates, 19 respondents were having a doctorate, 94 respondents were postgraduates, and 27 respondents have selected the option other. 35 respondents were having more than 10 years of experience, 118 were from 0 to 5 years and 66 were having 5 to 10 years of experience.

Data Analysis

The study was done on PASW 18 and PLS-SEM 3 for analyzing the collected data statistically. The collected data was checked for Cronbach's alpha reliability which was having a value of 0.78 which was good value to consider the construct reliable. Exploratory factor analysis was done to find out the underlying factor. KMO value was checked for sampling adequacy, Barlett's test of sphericity was used to check whether the data was identity matrix or not. The KMO value was 0.815 which was above the value of 0.5. The value of Bartlett's test was 2247.987 at 406 degrees of freedom and a significant level of 0.000 so again it is concluded that the data was fit for factor analysis.

Exploratory factor analysis (Table-1) with the principal component analysis with varimax rotation was performed. The Principal component factoring resulted in 8 factors that were having an eigenvalue of more than 1.

Table-I: Exploratory Factor Analysis

Factor	Eigen value	% of variance	Communalities	Item	Loadings
Emotional control	5.769	19.987	0.721	18	.773
			.717	15	.711
			.690	17	.696
			.637	24	.671
			542	6	.554
Balance	4.400	15.171	687	19	.798
			666	29	.724
			641	27	.648
			522	9	.608
			427	7	.552
			385	23	.549
Emotional sensitivity	1.585	5.465	580	4	.680
			594	1	.577
			440	2	.534
			580	5	.481
			600	3	.478
Courage	1.271	4.381	630	25	.668
			730	21	.643
			542	26	.561
			521	12	.553
Ego	1.203	4.147	717	13	.802
			744	14	.600
Neurocitism	1.179	4.064	669	22	.768
			568	10	.587
Interest	1.137	3.921	613	16	.675
			625	20	.557
Self respect	1.003	3.457	746	28	.824

After Factor analysis, the CFA was done on PLS-SEM 3.

Multi-collinrarity

For any formative model, multicollinearity must be assessed, there should not be any multicollinearity among the component that are forming the model or construct. Multicollinearity is the relationship between two variables or more. The stronger the relationship between variables more problems it will create. It will become difficult or the researcher to interpret the results in the case of multicollinearity (Frost 2017).

The scale of emotional stability that the researchers here are trying to develop is a formative measurement, in which multiple regressions. Hair et al 2017 had mentioned that this can affect the estimation of indicator weight and their significance. The VIF of the indicators is in the acceptable range, higher VIF values than one suggested multicollinearity would play a role (Henseler, Hubona, and Ray 2016).The model that the researchers have tested is having all the values within the acceptable range that is 1.24 and 3.36. The VIF values of the model are below the threshold limit suggested by Peter et.al 2007 and Hair et.al., hence we can say we can conclude that multicollinearity will not be an issue in the present construct.

The outer weights and their significance level is checked. Boot strapping using 5,000 samples was used to determine the value of outer weights (Hair et al., 2017). Bootstrapping draws several samples from the collected data. The outer weight model parameters are validated

Validity Assessment

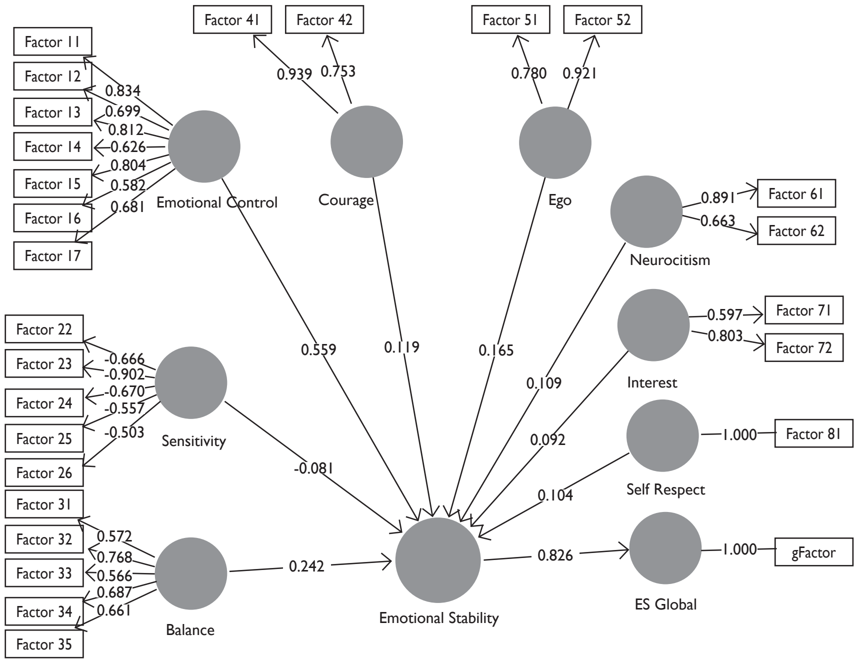
The validity of indicators was measured by determining correlations of the indicators with an external variable. One global measure can be included in the construct which should capture the essence of the construct and the researchers had added one question that I feel emotionally stable in different situations. The value of the path coefficient came out to be 0.826 (see Figure-1), according to (Hair et al., 2017) any value which is above the threshold of 0.07 can be recommended.

This brings us to establish that emotional stability is a second-order reflective – formative construct with eight dimensions naming Balance, Courage, Ego, Emotional control, interest, neuroticism, and self-respect.

Table-2: Construct and Significance

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Emotional control -> Emotional stability	0.272	0.272	0.04	6.816	0
balance -> Emotional stability	0.344	0.345	0.033	10.512	0
courage -> Emotional stability	0.218	0.219	0.024	8.999	0
ego -> Emotional stability	0.148	0.15	0.022	6.889	0
interest -> Emotional stability	0.192	0.193	0.022	8.822	0
neurocitism_ -> Emotional stability	0.177	0.178	0.02	9.096	0
sefl respect -> Emotional stability	0.066	0.066	0.024	2.803	0.005
senstivity -> Emotional stability	-0.493	-0.495	0.044	11.291	0

Figure-I: Emotional Stability Scale



Discussion

The study was an attempt to construct a formative scale for emotional stability in Indian construct. A well defined two-stage model for the same was constructed and validated. The instrument was thoroughly tested, for which two samples were drawn. The first sample of 112 was used for Cronbach's alpha reliability and principal component exploratory factor analysis. The second stage data collection included a sample size of 229 respondents, and the data collected in second stage sampling was used to confirm the factors, for which PLS SEM 3 was used. The data were screened and one item was dropped from factor one which was identified in EFA. The explored and confirmed factors were checked using various specifications which are suggested to check the model.

After examining the different dimensions of the established framework as suggested in 2018 (Fleuren et al.2018), researchers have been able to develop new measures for employee's emotional stability with the second-order reflective formative construct. It is a fascinating and unusual investigation because it recognizes the unique aspect of each facet of employee stability construct capturing various aspects of the idea stability and collectively describing the construct; as well as the fact that absence of any elements will contribute to a shift in the design of the construct. Furthermore, these dimensions are neither highly correlated nor covariant with each other because they represent various facets of the employee health system and are thus distinct constructs.

Implications

Emotional stability is one of the important aspects of the personality of a person and when it comes to organizational behavior several decisions can be based on the personality of any employee. Many researchers have proved that emotional stability affects performance, decision making, leadership, etc of an employee and hence affects the organization as a whole. The present construct can be used for theory building of emotional stability as well as the measurement of the emotional stability of an employee in any organization.

The study has to lead to the development of a comprehensive scale for measuring individual emotional stability and such scale plays an important role as a measure of emotional stability can help in the distribution of job roles and responsibilities to an employee, this will help employee for better job fit and better organization fit too. The proper use of emotional stability will also help in reducing grievances and grievance redressal.

The study also tried to develop a scale of emotional stability in Indian context. The scale requirement in Indian context was required as the cultural influence the emotions of a person whether it is about family or about work life. It is a well known fact that the culture of India is different from the culture of whole of the world. The emotional values are transmitted or inculcated in a person with the help of social and cultural means.

The emotions are related to "Rasa Theory " in Indian classical literature. The emotions in Indian philosophy are depicted as "Vedana" or "Bhaav". In Indian Philosophy of emotions is interesting then west is In India and the West, is in their association with the mental phenomena of "vijñāna" or "jñāna", translated as "cognition." For any account of reason and rationality, the relation between emotion and cognition is essentially there in Indian context. Indian are considered as emotional beings, they feel sad if they lose someone, feel guilty even if they unknowingly hurt someone, a simple indian feel wrong if they stick to rationality or practicality. Emotions are true colour of an Indian (Khosla, 2010). India is a nation with a rich cultural history. People with diverse ethnic backgrounds are present. Despite language gaps,There's harmony in customs and practises. People are collaborating, exchanging their storeys, Celebrating their festivals, creating relationships, shared regard for each other and Liberty of speech.

The thought is evident from the fact that various feelings like we need to control our emotions, we need to establish balance, forgiveness etc is taught to every Indian from early age. The type of family system that we follow in India is not that much followed in only few other countries.

The Joint family system has huge impact on emotional development and stability. The same has been suggested by Rawat and Singh (2017) where they studied emotional maturity of adolescents. Tamkeen and Gul (2018) concluded that with the emotional regulation strategies used in different family types has impact on expression and suppression of emotions. The joint family system in India cater the emotional needs in better way.

For all these above reasons the separate scale was required to be developed for emotional stability with reference to India.

Limitations and Suggestions

The study cannot be considered as fool proof, it also has few limitations. The first limitation of study is that the data were collected from central region of India, which may not be sufficient to generalize the findings for whole Country. If the data collected from different areas of country and the size of data if increased, it would be easy for generalizing the findings.

Moreover data were collected for a limited time period that too during the COVID breakout so it may be having some impact on emotional situation of employees so if data collected for a longer period the results may get affected**.**

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A Psychometric Study on Impact of Supervisors' Transformational and Transactional Leadership Behaviour on Follower' Contextual & Adaptive Performance in Banks

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Abstract

Followership has been the core of the leadership, as a leader with effective style engrosses their followers' different possible aspirations. Leader meaningfully develop self-concept among them, and encourage them to perform their specified allocated task, but today on role job efforts are not enough for long term survival of any organization. The current dynamic work culture where retaining employees has become a difficult task, at this time leaders are required to persuade their employees for performing extra job role. Literature signified that not only in India but across the world, supervisors are failing to recognize the importance of effective leadership pattern and its association with subordinate's behaviour. This empirical cross-sectional research design is based on multi-stage sampling, where data is gathered through questionnaire and subjected to confirmatory factor analysis. This attempt, consequently, could be considered novel and of substantial value in considering the relations among the several leadership constructs and employees off-role performance in the Indian setting. Results specify strong support for the hypothesized, that transformational leadership style is highly correlated with contextual performance and impact more than transactional leadership style.

Keywords: Contextual Performance, Followers, Leadership Style, Manager, Private Bank, Public Bank

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Introduction

Banks not only required a new strategy to survive and operate profitably to meet the changing needs and expectations of a bank customer, but also need to emphasis on their employee's positive behaviour to perform their job. Manager and subordinate in the organization have set of expectation from each other in relation to their work. Today there has been an extension in the phycological contract of employer and employees or managers and subordinates, manager expectation is not restricted to only task performance Guest, 2004). Managers beliefs that their subordinate will work more competently to attain organizational goals and will be more committed by employing extra role behaviour, subjectively more than what is quantified in their job profile responsibility, (Motowidlo & Van Scotter, 1994 & 1996; Borman & Motowidlo, 1993). While subordinates not only just get satisfy with a fair reward system in exchange of their performance but they also expect a learning work culture and their manager support, faith and confidence in them, which could ultimately satisfy and motivate them to work more than their potential. Such contextual and adaptive behaviours of putting extra efforts cannot be performed alone until unless there is a regular and promising support of organization and specially the behaviour of supervisors. As, supervisors' act as a leader, where their behaviour and pattern of direction plays a significant and influencing role in their subordinates' behaviour which persuade them to perform their work effectively in every situation, Alghazo & Al-Anazi (2016); Hurduzue (2015); Skoogh (2014). At present, bilateral opinion about organisational sceneries is more appropriate, there is a need to simplify difference in perceptions among subordinates and supervisor. As, unilateral or individual's opinion towards mutual prospects and responsibilities in the relationship framework is only one sided. Freese and Schalk (2008).

Riaz & Haider, (2010) leaders are facing huge challenge towards employee's performance inducement so, there is a need to get aware of their respective behaviour to successfully lead the operations along with their followers for achieving the overall organizational goals. There is a need to give a sharp thought on the right style of leadership executed by top managers and how it is a key contributor in employees' contextual & adaptive performance, specifically the models that can work in Indian culture. Such an initiative would support in developing leaders who can handle the domestic and global complexities effectively and which can contribute to the sustainable growth of employees along with the organizational performance. Right supervision on workforce is very essential to attain any organization goals and employee's performance, Saleem (2015); Lok & Crowford (2004). There is a need of such leadership behaviour which can induce several performance aspects in their followers, where followers not only focus on work profile but also persuade adaptive attitude and extra role behaviour in organization. (Singh, Burgess, Almatrooshi et al., 2016).

Previous studies has largely consider employees performance as only a task generating machine, but this concept is more wider, employees performance is not just confined to their job profile, but it equally includes their other behaviour like doing extra or more than as interpersonal and organization task, what is not described in their specified job. Such as taking initiative for self & others growth, keeping social networking, cooperative in meeting or helping peers, working extra for endorsing innovation and keeping updated skill and knowledge for overall organizational development, keeping work culture free from negative thoughts and activities etc. This current paper has focused on employee's contextual performance which generally organization forget to include in their performance management or appraisal system. It has been reviewed that allocated task is must, where key focus is on attaining and signifying essential technical skills, but other complimentary behaviour found also effecting the overall employees' performance, and such behaviour ultimately contributes to the core of organization and their citizens. At this point, examining the supervisor approach for towards encouraging contextual behaviour in their subordinates is imperative to study. Whether supervisor leadership pattern plays any role in inducing such performance or not. Further, the purpose of this research is to know which leadership pattern influence most the employees contextual and adaptive behaviour in bank which ultimate leads to their performance.

The main purpose of investigating and exploring these two samples is there significant contribution and large share in whole Indian banking sector. This study has specifically explored the most leading public and private bank in India, which has the highest capitalisation in their respective sector in India. Research has attempt to identify distinguish leadership approach of bank managers and its effect on the employee's performance. Result would contribute to know which leadership factors has most effective role in inducing employees social and psychological behaviour towards organization. Past study found diverse leadership pattern among public and private managers while few were examined with similar style of leadership, Paracha & others (2012), Rukmani K, Jayakrishnan. (2010). Managers found with more autocratic behaviour in public bank while more democratic style found in private bank managers, Mehta & Mahajan (2012). So, far no investigations have shown any single approach for improving employee's contextual performance in relation to leadership style in Indian bank, Pradeep & Prabhu (2011). There has been a huge difference among public and private organization goal, work culture and structure which effects managers leadership behaviour, Kaur & Sandhya

(2016). Leaders in public sector avoid problem through formulating long-term strategies and innovative style of solving corporate problems, Shalini & Shilpa Jain (2013). Whereas private bank managers are more vibrant inclination for short term objective, more optimistic for goal achievement and opportunists for risk. Instinctively both sectors have imperatively role in Indian banking industry, thus outcome of the current study can be a key model to follow for other banks in respective sector in India.

Literature Review

Leadership style – Leadership is a course where leaders set purpose and direct towards such path which stimulates every individual towards collective effort. It is a progression path for both leader and follower where they pay devotion for the excellence of organizational growth and goal and keeps team harmony by explicit efficiency all the time. (James Scouller, Anuradha Reddy, 2011). Leader's styles have a certain value on their every follower's work actions. Leadership is not only determining factors for organization's success, but it also many times endorse the failure if not appropriate. That's why, a leader's perspective must induce and promote employee's psychology by motivating & guiding them with positive approach (R. Ojokuku., T, A. Odetayo, & A. Sajuyigbe, 2012). A foremost issue in "leadership" research has been to identify the type of behaviour a leader possesses, as different terms has occurred from the different studies, which has become hard to make out any specific set of supervisors leading style, which can be executed for all influential. Asgari, Silong, Ahmad & Samah, (2008). Due to several dimensions of differentiating cultures, styles also vary. Distinct philosophies have made different descriptions of styles of leaders, which mostly differ from "manager to manager, situation to situation, behaviour to behaviour, and structure to structure." Consequently, this made an essential to appreciate the different approaches of leadership style in an Indian organizational context. Earlier, mainly past national and international research discussed trait theory, contingency theory, and behavioural theory, (Shamir et al., 1993; Kets de Vries, 1994; Klein and House, 1995, Yukl, 2002, Reddy 2011, Pradhan,2015, Budhiraja 2013). Over the past years, Bass Full-Range theory (FLT) has been extensively noticed where conventional similar hypothesized leadership theories are denoted as transformational, transactional, charismatic, or visionary style (Bass, 1985, 1990, 1999; Conger & Kanungo, 1987; House & Aditya, 1997). This leadership models have discussed incomparable leadership factors which possess an astonishing impact on employees not only in India but other nations also like Malaysia, China, UAE, South Korea, USA, Pakistan, Ethiopia etc.

Over the decades, there has been several theories developed on the theme of leadership and its factors. Many theories and leadership model play a significant protagonist in past research finding which found generalized and universal applicable while some are subjective to the nation or industry (Billig, 2015). (Molloy, 1998), Famous theories include Lewin's model (1939) which contains democratic, autocratic, and laissez-faire style, Managerial Grid model (1960) of Robert Blake and Jane Mouton, Hersey and Blanchard model (1969) depicted as situational theory. (McCleskey, 2014). Burns transformational theory (1978), later more explored by Bass (1985), where he described the leader's factors which could influence their follower's trait (Levine, 2000). Over the world, since last two decades, academics have extensively explored the FRL model of leadership which emphasis on the application of transformational and transactional flairs of leadership. In the organizational studies, FLRM is universally most considered and validated approach towards the exploration of most acknowledged leadership behaviours, Kirkbride (2006). It has been authenticated in various industries in different setting which stated a strong relation among leadership style and employee's performance such as in 2017 at United Kingdom & Bulgaria by Paramova & Blumberg. In 2013 by Chaimongkonrojna & Steane at Thailand, and in 2004 at Korea by Kim & Choi. Past research in overseas nations have largely explored leadership relationship with employees in the sector of healthcare, hotels, educational industry and FMCG.

This paper attempted to assess the branch managers leadership style based on Full-Range Leadership (FRL) model and simultaneously measured their followers' contextual performance. The FRL model found imperative in influencing followers' attitudes which ultimate induce follower to perform their best in organization. Farh, Chen, Kirkman & Lowe, (2009). However, in India no research has far been conducted in relation to impact of leadership factors on employee's contextual & adaptive performance in the context of Indian banks. The Paper conceptual framework of this paper is based on the Full-Range Leadership Model (FRLM), which comprised of discrete styles of leadership i.e., transformational, transactional, and laissez-faire leadership. All pattern is classified into different factors, which would investigate the behaviours conquered by supervisors (Avolio & Bass, 2004).

Bass and Avolio (1993) specified a transformational style in FLT model, where leader motivate their team to perform better through interacting and imposing them to work for organizational aims instinctively. Transformational leaders appreciate employees' desires, share organizational visions, endorse principles & give importance to their every follower (Chi, Yeh & Yu, 2008). Such leaders are skilled in creating eloquent work culture for employee's inventiveness and growth, Purwanto, (2019). Transformational style comprises of five factors: inspiration motivation, individualized consideration, intellectual stimulation, idealized influence attribute and idealized influence behaviour (Bass, Avolio, Jung, & Berson, 2003).

Transactional style was defined in FLT model as denoting leader, who appreciates followers want and provides reward toward their efforts, there is a direct link between goals and rewards (Bass, 1985). It is a basically a process, where assistance is given to employees in exchange of efforts (Howell & Hall-Merenda, 1999). Such leaders inspire employees to attain probable goals by explaining their work responsibilities, identify role and shape their self-confidence (Riaz, et al., 2011). Transactional style of leadership contained of three factors: contingent reward and management by exception active and management by exception passive (Bass, 2000).

Contextual and Adaptive Performance: Individual employee action or behaviour, which they perform willingly towards their organizational objective, specifically which are informally exist and serious to persist for the long-term success. Such action also includes moral social affiliation with other co-workers (Borman & Motowidlo, 1993). It does not contingent on one's ability rather, it depends on one's attitude and compassion toward others which signifies that action which support organizational operations by free will without any internal structure to control. (Moorman & Blakely, 1993; Organ, 1988) Such performing dimension can intensify an organizations or a group's efficacy and further affect job performance. It is thoroughly associated to several added paradigms alike "extra role behavior, civic behavior, pro-social conduct, and utmost especially with organizational citizenship behavior (OCB)". Individual paradigms have understated variances, thus far both represents co-operative actions, which are deliberate, wilful, voluntary and drives more than the prescribed roles at work. (Motowidlo, 2000; Organ, 1997; Podsakoffet al., 2000; Van Dyneet al., 1995). Adaptive and contextual dimensions form an atmosphere where, employees undertake extra or challenging work, passion for goals, help others, give innovative ideas, and enhance and adaptive knowledge and skill which produce high level of organizational performance (Van, Motowidlo and Schmit, 2000).

Relationship among leadership and employee's performance: Several academicians have studied the connection amongst leadership and work performance in diverse western and eastern situations, Steers, Koh, & Terborg, (1995); Cummings, et al., (2010). There has been a research on different aspects and style of leadership time to time in developed and developing nations (Paracha, et al., 2012; Mohammed, et al., 2014; Zumitzavan & Udchachone, 2014; Iqbal, et al., 2015, Babatunde, 2015). Recent study in Philippines by Dalluay & Jalagat (2016) stated that companies must constantly focus on building effective leadership style in managers or department heads of Small-Scale Businesses in Cavite, which could enhance their employee's performance at high level. Raed, John & Ashraf (2005), observes the influence of bank supervisors transformational and transactional styles on self-perceived performance.

Gella. S & D. Pandurangarao (2014) in India studies leader and follower's perception regarding leadership behaviour. In public sector, both perceived that leaders liked to be authoritarian and timely monitor their subordinates by carrot stick technique. While in private banks, leaders are found to be paternalistic in their approach where they inform their subordinates about workplace decision. Democratic leadership inspires followers for being creative, dedicated by shared gaols and engaged emotionally in any task which could improve their performance Verba, (2015); Iqbal, et al. (2015); Trivisonno & Barling, (2016), Armstrong & Taylor, (2014); Skogstad, (2015). An effective leadership as power influence an individual or a group's behavior to achieve organizational objectives and work performances (Hersey & Blanchard, 1974; Hsu, 2001). A right pattern of leadership induces team or group members to initiate in the exact course of goal attainment both organizational and individual goals. A virtuous leader direct and recognize the right work course to follow for their subordinate groups (Hsien, 1985; Robbins, 2001) and inspire followers to attain objectives with self-assurance. DuBrin (2004). Leadership style provides relevance to employee job by pervading effort with a sense of ethical initiative and rendezvous instead of only affecting the task state of followers, Shamir et al. (1993). Organization not only focus on employee's job ability then also concurrently assume from workforces to work beyond their job description like assisting colleagues and supportive for organizational policies, etc. (Pradhanet al., 2012).

Transformational leaders improve employees' indulgence for better performance outcome, Cummings et al, (2010). Bryman in 1992 sated that leader renovate the desires, principles and self-notion of supporters by aligning their individual objective through the organizational goals. Organization hunting for such leaders' symbolic behaviours demonstrated through which inspiring words and fascinating idea, that demands to the employees' higher ideals, which inclined to excellent performance (Bass, 1985; Conger and Kanungo,1987). Employees such actions facilitate to improve social interface between the employees (Arvey and Murphy, 1998; Borman, 1978; Katz and Kahn, 1978). The greater organizational attention can be achieved when employees validate concern and attention for every member of organization and show optimistic behaviour toward organizational directions and strategies. Such drives to attain goals with the performance that above official roles and duties (Bass and Riggio, 2006). Leadership style marked the connection among manager and workers, which has a noteworthy association with workers' inspiration, self-assurance, and work action (Dale & Fox, 2008).

Research Gap: Though, earlier studies had identified constructive result from leadership styles on additional role behaviours (Piccolo and Colquitt, 2006). Consequently, not many studies have explored the effects of transformational and transactional factors on follower's contextual performance (Pradhan, 2018; Judge and Piccolo, 2004). This abortive rareness of study on contextual behaviour can be ascribed to a slight and imperfect meaning of performance as it is limited to only employee's task performance, where only those parameters are measured which is explicitly mentioned in employees job profile (Conway 1999; Podsakoff ed al., 1996, Borman and Motowidlo, 1993). Thus, this current research endeavoured to empirically examined the impact of leadership factors on employee's contextual & adaptive behaviour according to the bank supervisor's perception. As, no such research work has been examined the effect of Indian branch managers transformational and transactional leadership styles. This attempt, consequently, could be considered novel and of substantial value in considering the relations among the several leadership constructs and employees off-role performance in the Indian setting.

Research Methodology

The quantitative method was adopted to gather primary data from based on the perception of 102 branch supervisor/managers of public sector (52) & private (55) sector banks in India. Multi-stage sampling techniques were used to collect data from India based on the highest number of bank branches. In this explorative research, primary data was collected through questionnaires using two verified psychometric tools i.e., Multifactor Leadership Questionnaire MLQ (Bernard M. Bass & Bruce J. Avolio, 1999) for measuring leadership style of supervisors, which comprised of two leadership styles i.e., transformational, and transactional style. Subordinates' contextual & adaptive performance was measured on eight items (extra responsibilities, start new tasks, when old ones are completed, look for new challenges in job, opportunity seeker, keep job knowledge and skill up-to-date, creative solutions to new problems and participated in meetings) of individual work performance questionnaire (IWPQ) scale (Koopman et al., 2014). Multi-regression was run out in SPSS 18.0 to test the direct impact of leadership factors on follower's contextual & adaptive performance based on objectives of the current study.

Objective of the Study

- To determine the impact of leadership style on subordinate's contextual & adaptive performance in public bank and private bank.
- To identify which leadership factor impact subordinate's contextual & adaptive performance in public and private bank.

Hypothesis of the Study

H01 Supervisors transformational leadership factors have most significant impact on subordinate's contextual & adaptive performance in public bank.

H02 Supervisors transformational leadership factors have most significant impact on subordinate's contextual & adaptive performance in private bank.

Data Analysis and Findings

Confirmatory factor analysis (CFA) was run to verify the strength and consistency of both the tools in Indian context. KMO score for all items are scored between .615 to .833, after investigating the standardized factor loading, all factors were taken for main analysis as they achieve acceptable level of fitness and found greater than 0.05. The Cronbach's alpha of MLQ scale and IWPQ scale was 0.883 and 0.728 respectively, which is more than 0.70 thus it fulfilled the reliability norms of alpha coefficient (Nunnally, 1967). Further, research objectives and hypothesis were tested to explore the influence of leadership factors on subordinate's contextual & adaptive performance in public & private banks through multi-regression analysis.

Objective 1. To determine the impact of leadership style on subordinate's contextual & adaptive performance in public bank and private bank.

(Table-1) The multi regression model with independent factors of transformational and transactional style explains 72% of the variance in public banks and 30% of the variance in private banks on subordinate contextual & adaptive performance. The adjusted R2 indicates no over-fitting of the model and that the results are generalizable from the perspective of the ratio of observations to variables in the equation.

Table-1: Multiple Regression for Leadership Style with Contextual & Adaptive Performance in Public Sector and Private Sector Bank

Model Summary[c]

Bank	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Public Bank	1	.876a	.768	.719	.44441
Private Bank	1	.644b	.415	.300	.68705

a. Predictors: (Constant), Idealized Influence Attributes / IA, Idealized Influence Behaviours / IB, Management-by-exception Passive / MBEP, Individual Consideration / IC, Intellectual Stimulation / IS, Inspirational Motivation / IM, Management-by-exception Active / MBEA, Contingent Reward / CR

b. Predictors: (Constant), Contingent Reward / CR, Individual Consideration / IC, Intellectual Stimulation / IS, Inspirational Motivation / IM, Management-by-exception Active / MBEA, Idealized Influence Attributes / IA, Management-by-exception Passive / MBEP, Idealized Influence Behaviours / IB

c. Dependent Variable: Contextual & adaptive performance

Table-2 shows the F value of 15.781 in public bank and 3.62 in private bank is far above 1.00 (α = 0.05), so it shows that the regression as a whole is highly significant. It reaches the same conclusion by noting that the output tells us that – p is 0.000. Because this prob value is less than our significant level of α = 0.05, it concludes that the regression as a whole is significant.

Table-2: Analysis of Variances With Respect to Regression

ANOVA[c]

Bank	Model		Sum of Squares	df	Mean Square	F	Sig.
Public Bank	1	Regression	28.051	9	3.117	15.781	.000[a]
		Residual	8.493	43	.198		
		Total	36.543	52			
Private Bank	1	Regression	15.384	9	1.709	3.621	.002b
		Residual	21.714	46	.472		
		Total	37.097	55			

a. Predictors: (Constant), Non-Leadership, Idealized Influence Attributes / IA, Idealized Influence Behaviours / IB, Management-by-exception Passive / MBEP, Individual Consideration / IC, Intellectual Stimulation / IS, Inspirational Motivation / IM, Management-by-exception Active / MBEA, Contingent Reward / CR

b. Predictors: (Constant), Non-Leadership, Contingent Reward / CR, Individual Consideration / IC, Intellectual Stimulation / IS, Inspirational Motivation / IM, Management-by-exception Active / MBEA, Idealized Influence Attributes / IA, Management-by-exception Passive / MBEP, Idealized Influence Behaviours / IB

c. Dependent Variable: Contextual & adaptive performance

Table-3, referring to probability value from Table-3, it determined that in public bank only two factors i.e., Idealized Influence Attributes (β =.897, t=5.897, p<.05) and Individual Consideration (β =.400, t=3.282, p<.05) are explanatory variables for subordinate contextual & adaptive performance.

Although both banks exhibited the positive relation between leadership style and contextual and adaptive performance of subordinates. But result depicts that public bank supervisor's leadership style impact their follower extra role behaviour more than private bank supervisors in Banks.

To identify which leadership factor impact subordinate's contextual & adaptive performance in public and private bank.

The histogram graph (Figure-1) has revealed the regression standardized residual which discloses that the experiential data is distributed normally with mean of -2.839 and with the standard deviation at 0.909 in public bank. Following, (Figure-2) has a perfect normal probability plot, points lie almost on the straight line and shows that the primary distribution is normal.

Hypothesis 1: The multi regression significant F value found less than 0.5 in public sector banks. The most significant factor which influence the contextual & adaptive performance is Idealized Influence Attributes (β =.897, t=5.897, p<.05) of transformational leadership style in private bank.

Table-3: Beta Values and Significance Level in Predicting Followers' Contextual and Adaptive Performance

Coefficients[a]

Bank		Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
			B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
Public Bank	1	(Constant)	-3.283	.903		-3.637	.001	-5.104	-1.463		
		Idealized Influence Attributes / IA	.897	.152	.647	5.897	.000	.590	1.203	.448	2.231
		Idealized Influence Behaviours / IB	-.215	.212	-.132	-1.013	.317	-.643	.213	.318	3.143
		Individual Consideration / IC	.400	.122	.307	3.282	.002	.154	.646	.619	1.617
		Inspirational Motivation / IM	-.078	.172	-.047	-.451	.654	-.426	.270	.502	1.991
		Intellectual Stimulation / IS	.171	.127	.133	1.346	.185	-.085	.428	.549	1.820
		Contingent Reward / CR	.312	.180	.214	1.735	.030	-.051	.674	.355	2.814
		Management-by-exception Active / MBEA	.035	.121	.033	.292	.772	-.209	.280	.416	2.401
		Management-by-exception Passive / MBEP	.024	.119	.016	.198	.844	-.216	.264	.811	1.233

a. Dependent Variable: Contextual & Adaptive Performance

Figure-1: Histogram Standardized Residuals

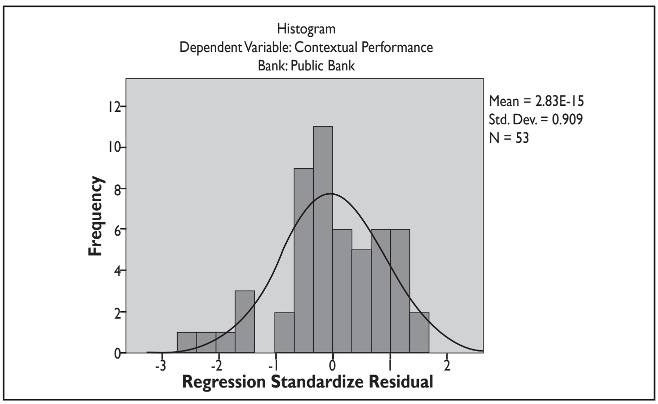
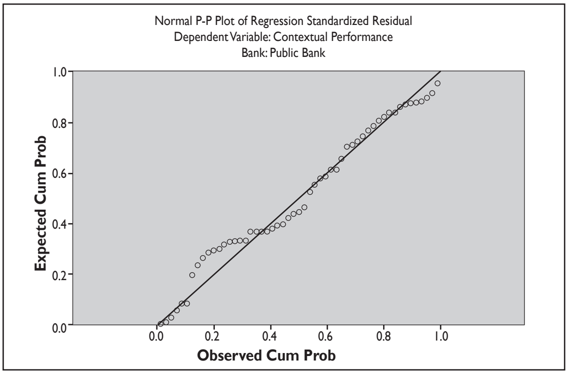


Figure-2: Residual Plot Against Standardized Predicted Values



Thus, the alternate hypothesis: "H01 Supervisors transformational factors have most significant impact on subordinate's contextual & adaptive performance in public bank" is accepted. This stated that public bank supervisors transformational style effects their follower's contextual performance followed by transactional style.

Table-4: Beta Values and Significance Level in Predicting Followers' Contextual & Adaptive Performance

Bank	Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	95.0% Confidence Interval for B Lower Bound	95.0% Confidence Interval for B Upper Bound	Collinearity Statistics Tolerance	Collinearity Statistics VIF
Public Bank	1	(Constant)	-.319	1.065		-.299	.766	-2.462	1.825		
		Idealized Influence Attributes / IA	.444	.233	.341	1.909	.062	-.024	.913	.398	2.511
		Idealized Influence Behaviours / IB	.000	.215	.000	.001	.999	-.432	.432	.326	3.065
		Individual Consideration / IC	.272	.194	.254	1.401	.168	-.119	.662	.387	2.584
		Inspirational Motivation / IM	.131	.268	.084	.491	.626	-.408	.671	.436	2.294
		Intellectual Stimulation / IS	.789	.280	.458	2.815	.007	.225	1.353	.481	2.081
		Contingent Reward / CR	-.212	.237	-.160	-.893	.376	-.689	.266	.397	2.518
		Management-by-exception Active / MBEA	-.524	.217	-.466	-2.413	.020	-.961	-.087	.341	2.929
		Management-by-exception Passive / MBEP	.302	.136	.408	2.219	.031	.028	.576	.376	2.657

a. Dependent Variable: Contextual & Adaptive Performance

Objective 2: To determine the impact of leadership factors on subordinate's contextual & adaptive performance in private bank.

Figure-3: Histogram of Standardized Residuals

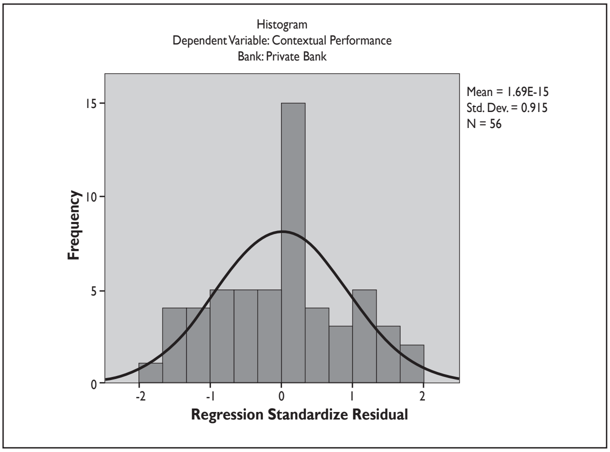
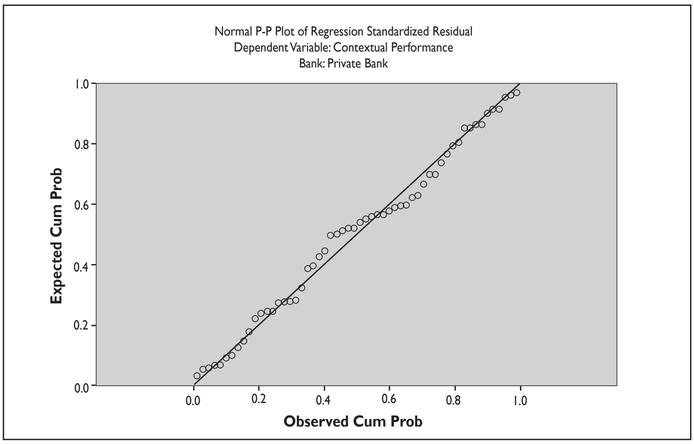


Figure-4: Residual Plot Against Standardized Predicted Values



Referring to probability value from Table-4, it determined that in private bank transformational leadership factors i.e., Intellectual Stimulation (β =.789, t=2.815, $p<.05$). Transactional style factors i.e, Management-by-exception Passive (β =.302, t=2.219, $p<.05$) are explanatory variables for subordinate contextual & adaptive performance, while Management-by-exception Active (β =-.524, t=2.413, $p<.05$) are negative explanatory variables for subordinate contextual performance. The histogram graph (Figure-3) has revealed the regression standardized residual which discloses that the experiential data is distributed normally with mean of 1.69 and with the standard deviation at 0.915 in private bank. Following, Figure-4 has a perfect normal probability plot, points lie almost on the straight line and shows that the primary distribution is normal.

Hypothesis 2nd: The multi regression significant F value found less than 0.5 in private sector banks. The most significant factor which influence the contextual performance is Intellectual Stimulation of transformational leadership style in private bank (β =.789, t=2.815, p<.05). Thus, the alternate hypothesis: H02 "Supervisors transformational leadership factors have most significant impact on subordinate's contextual & adaptive performance in public bank" is accepted. This stated that private bank supervisors transformational style effects their follower's contextual performance followed by transactional style.

Finding: The findings of the paper uncovered that in both public and private sector banks, supervisors have adopted transformational leadership styles with the average mean score of 3.80 and 3.30 public and private sector banks respectively. Contextual performance among bank employees is also satisfactory with the mean of 3.63 and 3.15 in public and private sector banks respectively. Private bank employees showed a lower amount of contextual and adaptive performance in comparison to public sector banks. Bank supervisor's leadership style has statistically significant impact on public and private sector banks follower's contextual and adaptive behaviour. But the impact level of supervisors' leadership style of public banks (72%) was very high in comparison to private banks (30%). This stated that public bank mangers influential power is more prominent and productive in motivating their employee's performance than private leaders or managers.

Further it was found that in public bank transformational style idealized influence attribute and individual consideration factors has highest significant impact, while contingent reward also found influencing followers' contextual behaviour. In private bank, intellectual stimulation factor of transformational style has most significant influence on followers' contextual and adaptive behaviour, which was followed by management by exception passive factor of transactional leadership style. Choi and Mai-Dalton, (1999); De Cremer and van Knippenberg, (2002), result supported in defining the effect of individual factors of 'leadership styles to predict follower's role behaviours in public and private sector banks. Outcome depicts that in public bank supervisors effecting employee's behaviour more significantly, while private bank supervisors are not that influencing in relation to employee extra role behaviour. Private bank needs to conduct leadership development programs for building transformational leadership pattern in their branch managers. Although in both sector followers performed satisfactory on contextual dimension of performance, but more attention is required to improve such behaviour among employees for consistence performance.

Discussion

Finding supports the claim that transformational leadership has positive influence on employees' contextual performance. Among all factors of Full range of leadership (FRL) transformational style factor i.e., idealized influence attributes in public bank and intellectual stimulation in private bank has the highest positive influence (Graham, 1988). It means, if supervisors adopted these factors in banks, then it could induce employee's behaviour of supporting others, taking initiatives & additional responsivity, working for new challenges in job and being more innovative and opportunist. (Judge and Piccolo, 2004; Podsakoff al., 1996). In public bank, follower's extra-role behaviours get effected when their supervisors show pride, respect and confidence in them wand goes beyond self-interest for the team members. (Bass, 1985, Megerian & Sosik, 1997). In Private bank, adaptive & contextual performance get influence, when supervisor make their followers to look at problems from different approaches and always advises innovative ways to attain any task. However, the effect of contingent reward was also found to be significant in public bank, while management by exception passive found significant in private bank. This stated that in public bank employees exhibited extra role behaviour if their leader encourages them through faire rewards and incentive while in private bank, employee get more motivated if their supervisor does not interfere until some major problem come across in bank. While follower found to be negative effect by supervisor management by exception active behaviour, that mean bank followers contextual action got reduce if their supervisor focuses on followers' irregularities, mistakes, and complains. Transformational factors emphases on the right empowerment of their followers, it rises social interaction by merging once self-identity with group identity, which induce pride among employees towards their affiliation in the group (Shamir et al., 1993). Countless scholars have considered the transformational style has most significant (Burnes, 2004; Bass & Avolio, 1997; Cribbin, 1972; Lok & Crowford, 2004), which support our current finding up to some degree, as all factors are not found influencing follower contextual & adaptive performance.

Suggestions, Limitation, Implication and Conclusion

Suggestions: Supervisors' must always be open to share the opinion of the subordinates, which gives confidence and transform them into future leaders. They must provide empowerment and an open atmosphere for discussions, along with a cordial relationship atmosphere, this could be possible when all employees have role precision regarding their responsibility. Adaptive & Contextual behaviour should become part of the appraisal discussion, feedback, coaching and mentoring programs.

Supervisors 'should be trained in assessing and providing feedback on contextual behaviour to move them on the ladder of development. Supervisors' must observe the follower's level of ability and attitude about work with regular interactions with them even after the tasks are completed, supervisors' such behaviour will validate self-sacrificial action (Choi and Mai-Dalton, 1999). Supervisors' must make aware their subordinates to work beyond job description and take initiative to promote more and more citizenship and adaptive behaviour.

Research Limitations: A longitudinal design and taking other dimension of performance into consideration like counterproductive work performance could offer more support for the findings. Focus on just a single source and single time data was addressed as employees filling out their performance questionnaire, which could be biased for themselves. Many bank respondents were reluctant to answer the questionnaire without prior permission of their managers and could hide specific evidence in fear. It was believed that the limitation of using a broad construct like leadership was overshadowed by the possibility of obtaining further information in this field. Further, more research must include other kind of leadership factors style like trust, authenticity, ethical and karma-yoga along with their individual contribution. (Krishnan and Srinivas, 1998). The study is confined only to the public and private sector banks of India, further it could be explored in other industries as well. It was an "over-simplification," but value retention, and also worth further study using diverse dependent variables and different theoretical perspectives.

Managerial Implications: This experiential result of anticipated prepositions would provide considerations to the industries and academician for the type of leadership behaviour which must be applied to lead employees for conquering & performing social and emotional volunteer behaviour. Transformational and transactional leaders' incited followers' psychological state where they can involve in updating their skill and knowledge with creative processes along with serving their fellow peers. This leadership approach could benefit all stakeholders of organizational directly and indirectly by their unconventional volunteer performance.

Conclusion

Employee's performance & development has become a massive challenge for every company and its difficult to get the desired outcome from employees. This study would be of great significance to all decision-makers, who could plan to develop leaders based on transformational and transactional leadership factors, as every factor relates differently to employee's contextual & adaptive performance in banks. Also, this paper draws attention of companies' management toward the need for setting up an appropriate environment wherein employees are given a certain degree of appreciation to perform off-job task also effectively. The finding has theoretical inferences for leadership scholars and academicians, as current research contributes to the existent full-range leadership theory (FRLT) by entitling that in transformational style positively increase the followers' behaviour to involve in additional job role which directly enhance organizational growth. (Organ et al., 2006). Further studies have compared public and private sector bank supervisor's leadership style relationships with follower's contextual & adaptive behaviour, which set as an example for other banks. Operational leaders must perform as a strong inspirational factor to hold employee's talent in the Indian banking industry, where global technology pressure have made employee to leave their job. There is a need to engross every single employee with an eloquent mode more than what transactional leaders consider and offshoot to focus beyond stated job profile.

The key findings of this research paper propose that in public bank transformational leaders and in private bank transactional leaders influence employee extra role behaviour the most. Followers contextual behaviour rises when their supervisors provide assistance to their need & aspiration and respond their problems swiftly and proficiently. Fair rewards incentive structure also induces employees to work and perform extra societal and emotional behaviour towards organization and peer members. It concludes that if leaders apply attributed idealized influence and intellectual stimulation in their behaviour, this could improve employee adaptive behaviour. The variance among transformational and transactional style is positive but not reciprocally limited (Bass, 1985). Consequently, the current finding considered that leaders must adopt both the leadership style factors to stimulate individual followers to attain organizational mission. To sum up, we suggest that leaders' behaviours are imperative to identify how teams feel for their work & job, culture, organization and inclination to participate for organization's success along with their own performance growth. In short, this research provides support for implanting a transformational leadership style in Indian banks' managers' behaviour as it could help to increase employees' interpersonal and organizational social and psychological behaviour.

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A Study of the Investor's Behaviour in Making Investment Decisions with A Special Focus on Mumbai

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Abstract

Behavioural finance is a study that reviews how psychological factors influence investment decisions under unpredictable conditions. It is one of the most significant subjects which make us think about the outlook of individuals when they consider different factors while allocating resources into different investment approaches. We attempted to evaluate the attitudes of individuals when making investment decisions in various investment avenues through this study. But the questions that arise are - What do they think while investing? How do they take investment decisions? Is their decision biased and gets influenced? This paper tries to discover the significant impact of certain behavioural finance decisions like, individuals' overconfidence, interpretation, and representative, anchoring cognitive dissonance, regret aversion, narrow framing, and mental accounting in investment decisions. The study is done by collecting primary research data through a structured questionnaire and a sample of 108 investors was taken from the Mumbai region. Though the main objective of the study is finding the impact and importance of behavioural finance in investors' investment decisions, as well as the study of different factors affecting investment decisions and the analysis of investors' attitudes and psychology toward investing, are the other objectives of our study.

Keywords: Behavioural Finance, Investment Avenues, Investment Decisions, Psychological Factors

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Introduction

Securities exchange complexities and market oddities have prompted the development of another field of financial research to be specific "behavioural finance". Cross-sectional and time structure trends in returns from an interest in protections that can't be predicted by a focal world view or hypothesis are known as finance market irregularities. The study of the effect of mental factors on individual speculation behaviour is known as behavioural finance. This new monetary discovery approach asserts that mental and enthusiastic factors affect venture selection. This new methodology expects that financial specialists are impacted by mental factors, for example, dread, expectation, hopefulness, and negativity. The function of these variables in speculation and exchanging has altered the course of examination in the region of Behavioural account. Analysts such as Kahnemanand Tversky (1979), Shefrinand Statman (1994), and Shleifer (2000) have attempted to dissect the performance of financial markets and to analyse the developments in financial exchanges. Investors who appropriately investigate the actual investment options and protections will reap benefit and could be at the market if they make challenges within the economic state of affairs. In the last several decades, monetary theory had predicted that the expertise of financial monetary investors is a minor factor in making investment decisions. The investors are very much educated, cautious, and steady. According to conventional wisdom, the budgetary speculators are unconcerned with how knowledge is presented to them and are unaffected by their emotions. However, fact clearly does not conform to these expectations, prompting a shift in financial theory methodology. Behavioural finance has picked up significance within the course of the foremost recent twenty years as a replacement space of analysis due to the thought that monetary specialists rarely stick with it consistent with the presumptions created within the ancient theoretical finance. Finance theory, according to monetary investors, should assume the impression of human behaviour. They use research to gain an understanding of speculation dynamics and make behavioural finance orders, as shown by the mental view-point.

The Study's Objectives

The research's main objective is to investigate the different investment paths available for investors and the factors considered while making investment decisions. The other objectives are; to investigate the different factors that influence investors' investment decisions, as well as to analyse the behaviour and psychology of investors' when making investment decisions.

Research Methodology & Sample Size

The research is exploratory and descriptive. Primary data was collected using a structured questionnaire, and secondary data was gathered from journals, websites and research articles. A sample of 108 investors was taken from Mumbai who have invested in some or the other products and also looks for different investment opportunities. Different analytical tools like percentages, frequencies, charts, etc. were used in order to analyse the data.

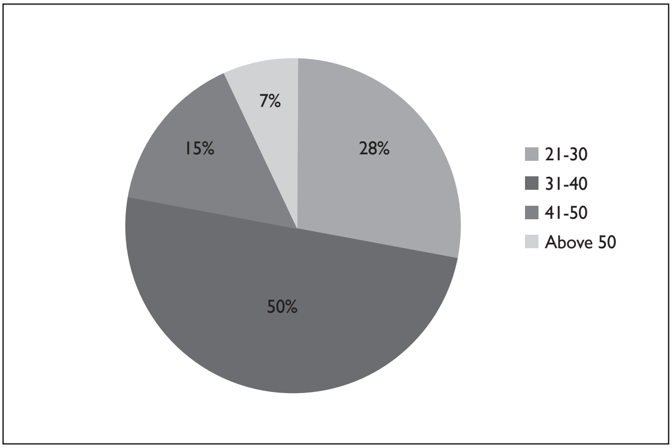
Review of Literature

The behavioural theory, which demonstrates the effect of human behaviour on contributing preference, emerges not as a beneficial hypothesis, but as a contradictory approach. A survey of the requisite analysis contemplates completed in the field of behavioural finance and its effect on the investment field is attempted in this literature review. Age, sex, income, and education all have an effect on investor preferences, according to a research work by Lewellen (1977). Ippolito and Bogle (1992) found that investors choose funds based on their past results, and that capital flows into winning funds faster than it flows out of losing funds. Behavioural Finance, according to Shefrin (2001), is the study of the effect of psychology on financial decision-making. Phillip (1995) investigated the effects of investment or education programmes on financial decision-making and investor's behaviour. SEBI organizes an awareness campaign for small investors in India, and it has begun to provide benefits in terms of required and enlightened investment from retail investors. Investors expect better services from the company where they invest, according to Madhusudhan and Jambodekar (1996). The protection of principal, liquidity, and financial benefit are all important factors for many investors.

According to a survey conducted by SEBI (1998), the investor's investment goal, risk appetite, profits, or funds available for investment all influence investment behaviour at various levels. Behavioural finance, according to Sewell (2005), is the study of the effects of psychology on the actions of financial practitioners and the resulting impact on markets. Tavakoli (2011) investigated the various factors that influence investors' decisions. He dissected 13 variables to see if the financial experts take these factors into account and how they influence their decisions. He discovered that some of these items, such as the budget report, talking with anyone, recycled data resources, budgetary proportions, the firm's notoriety, and the profit variable, have an additional impact. Profit is the most important sub-variable of productivity. Kadariya (2012) examined into the factors that influence a speculator's decision. These firms are involved in the Nepalese capital market's corporate capital structure, political and media inclusion, karma and money-related instruction, and trend inquiry. He inferred that the majority of financial experts are teenagers, who base their decisions on media exposure and companion recommendations as a rich source of information. Profit, benefit, value commitment, and government regulation are the most important factors to consider when making a decision. Speculators presume complete acknowledgment of their own capacities when they gain profit and faults to the market in case of misfortunes.

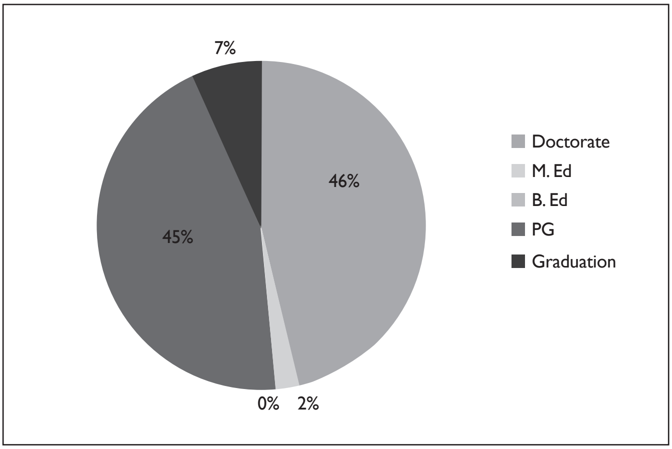
Analysis and Interpretation of Data

Chart-1: The Investor's Age Profile



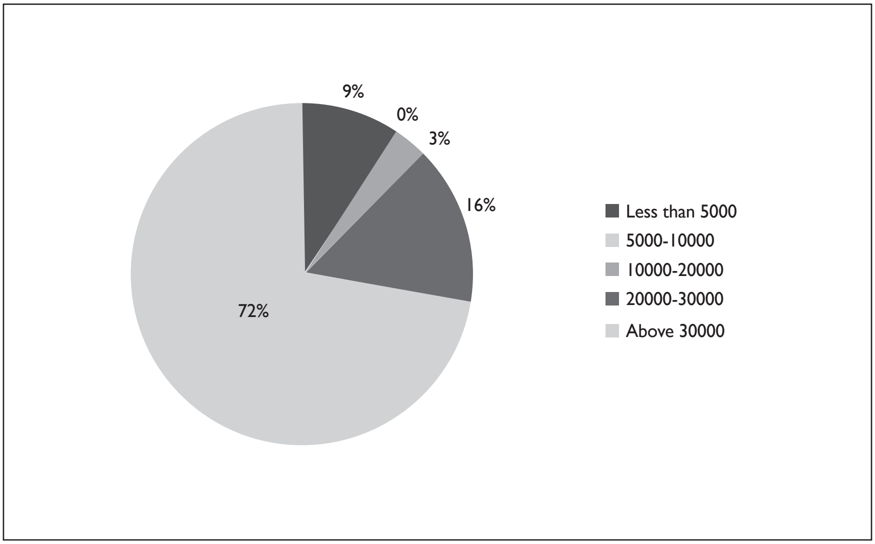
According to the responses, half of the total respondents are in the age group of 31-40, with the remaining 28% falling between the ages of 21-30. Those aged 41 and above, on the other hand, account for 22% of all investors.

Chart-2: Qualification of the Investors



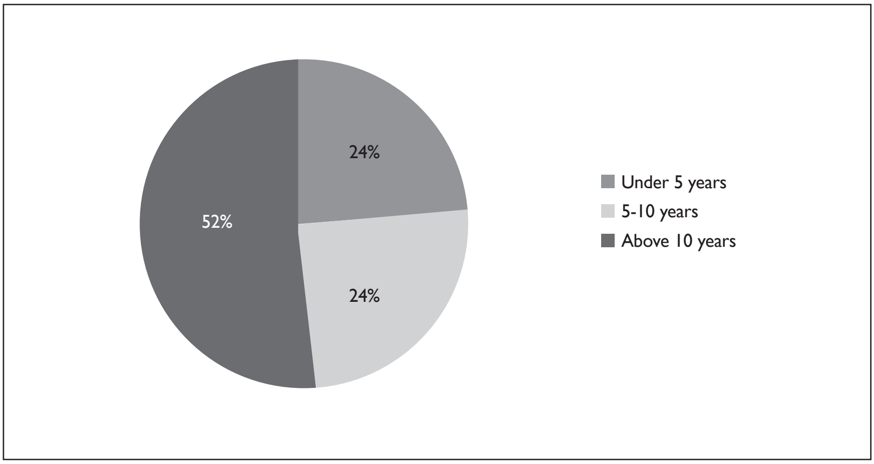
46% of the respondents had a doctorate degree while 45% were Post-graduates as far as educational qualification is concerned.

Chart-3: Monthly Income



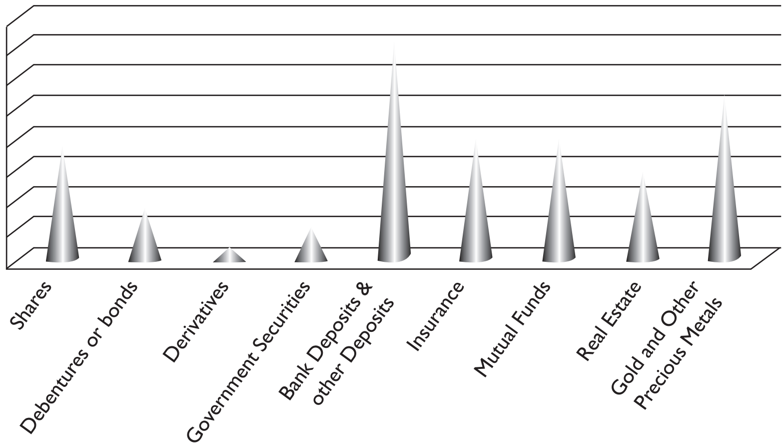
According to the survey, the income bracket of Rs.30,000 and above accounts for 72% of all investors, followed by the Rs.20,000-Rs.30,000 bracket with 16% of the total respondents while 12% of the investors belong to the income bracket of less than Rs.20,000.

Chart-4: Years of Experience in Investment



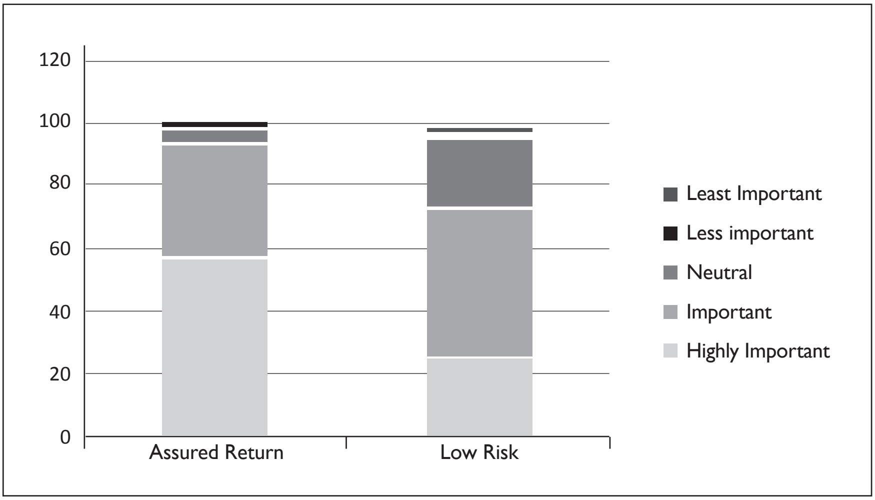
52% of all respondents have more than ten years of experience; while on the other hand, 48% of the total respondents have an experience of 0-10 years.

Chart-5: Most Preferred Investment Among the Respondents



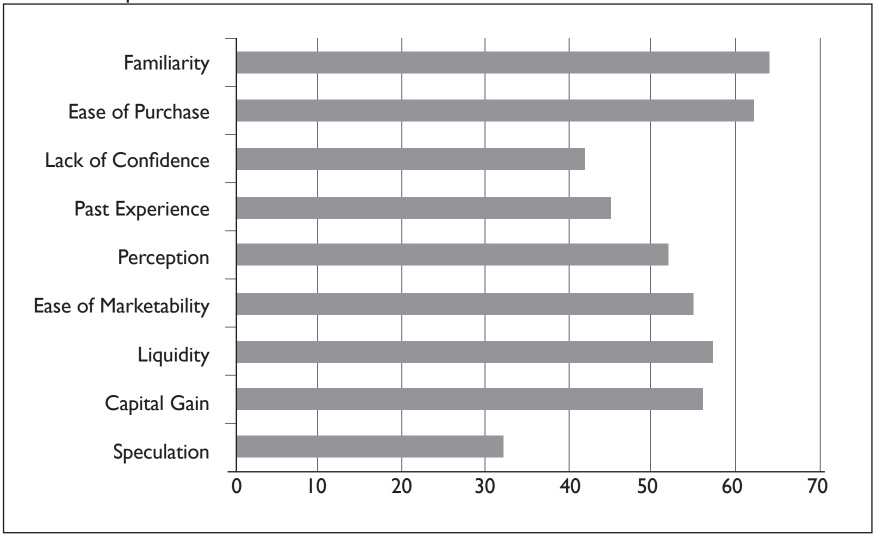
As per the above figure the most preferred investment among the respondents is Bank deposits followed by Gold and other precious metals. Insurance, mutual funds and shares are also preferred by the respondents.

Chart-6: Assured Return and Low Risk



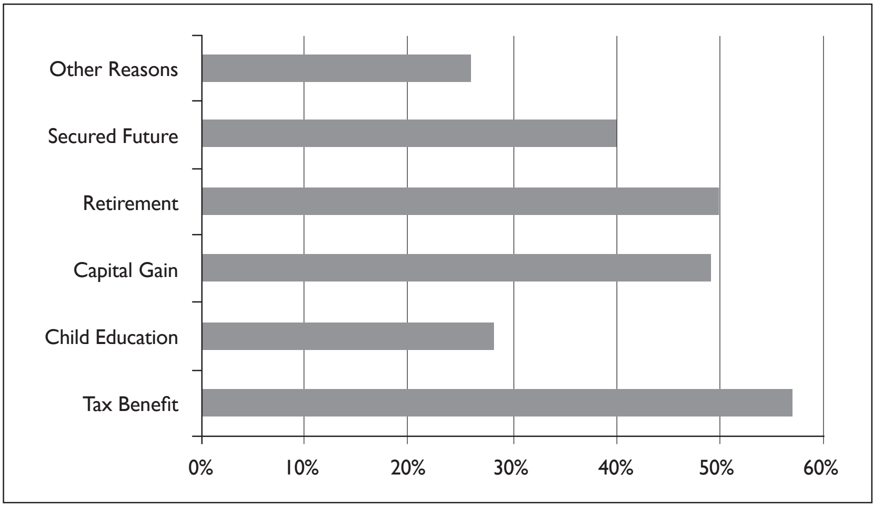
Assured returns mean that in all likelihood the investors will get the promised return while risk refers to a situation involving exposure to danger. Out of the total responses, 57% of the total respondents consider guaranteed returns to be extremely significant, while 26% consider low risk to be an extremely important investment decision. Assured returns are an important investment decision for 36% of all respondents, although low risk is an important investment decision for 47% of all respondents.

Chart-7: Impact of Behaviour of Investors' In Investment Decisions



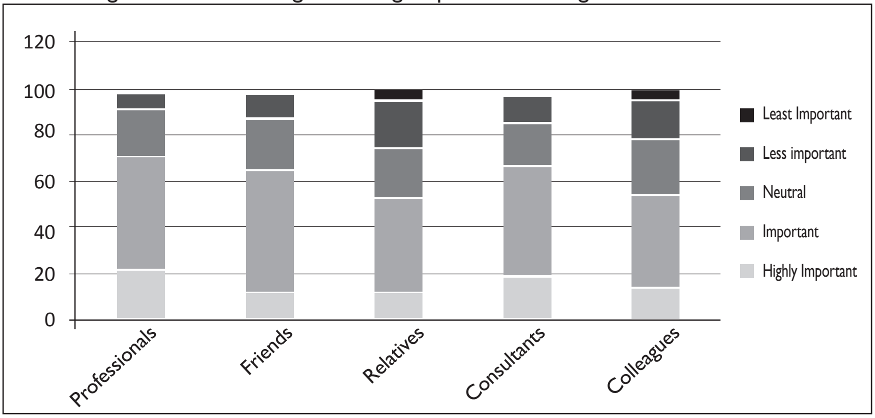
The chart above clearly shows that there are a variety of factors that influence investor behaviour when making investment decisions.. Familiarity on investment products, ease on purchasing is very important. Some investors believe that lack of confidence and past experience impact while making investment decisions. Liquidity, capital gain and speculation are other important factors impact on the behaviour of the investors while taking investment decisions.

Chart-8: Factors Considered while Making Investment Decisions



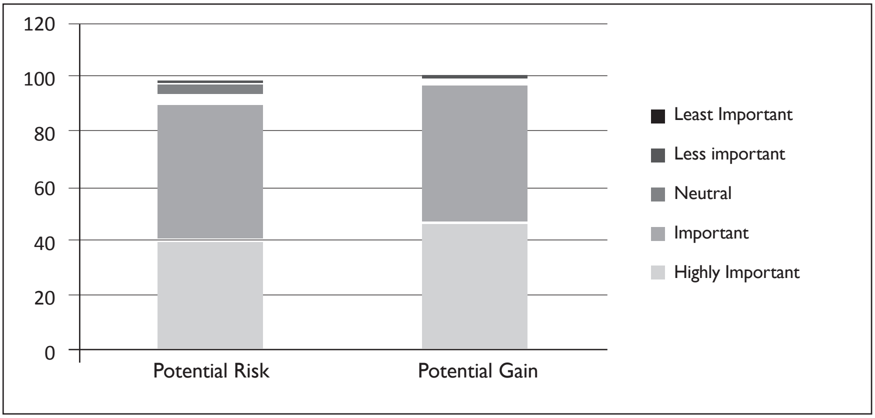
The Chart-7 has various reasons for making investments by the investors. 57% of the investors make investments for taking tax benefit and believe that it is an extremely important investment decision, 49% of the investors look for capital gain from the market, 50% of the investors invest to get support during their retirement periods and 26% of the investors have different other reasons to invest.

Chart-9: How important is Professional advice, Friends and Relatives Suggestions, consultant guidance and colleagues/Peer groups while making Investment Decisions?



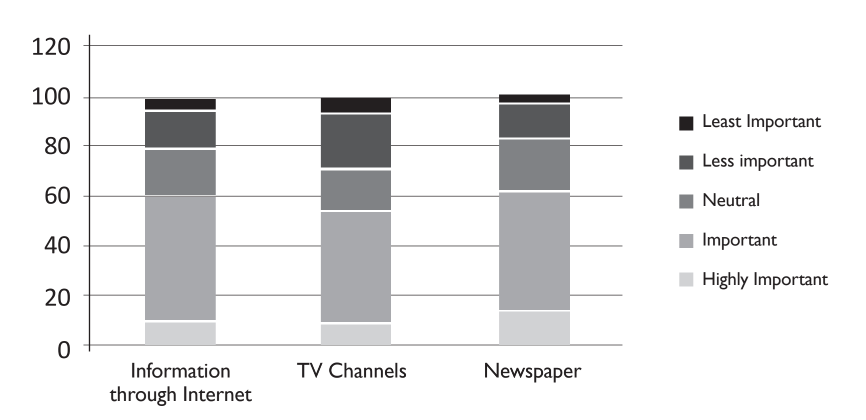
Professional Investment Management is considered a significant investment decision by almost half of all respondents while Suggestion from Friends is considered as an important investment decision by more than 50% of the total respondents followed by 41% of the total respondents consider Suggestion from Relatives as a vital investment decision and 47% and 40% of the total respondents who consider Guidance by Investment Consultant and Colleagues/Peer groups as an important investment decision.

Chart-10: Potential Risk and Gain



Potential risk is considered an important investment decision by 50% of all respondents, while potential advantage is considered an important investment decision by 50% of all respondents. Potential risk is regarded as a highly important investment decision by 40% of all respondents, while potential benefit is regarded as a highly important investment decision by 47% of all respondents.

Chart-11: Information through Internet, TV Channels and Newspapers



More than half of all respondents consider information obtained via internet to be an important source in making investment decisions, while 45% consider TV channels to be an important source in making investment decisions, and nearly half of all respondents consider newspapers to be an important source in making investment decisions.

Conclusion

Behavioural Finance is viewed as a significant component in any investment decisions in the investment market. As per the research findings, conscientiousness plays a key role in influencing investment decisions. Tax benefits and post-retirement are the major factors considered by investors while making investment decisions. A small degree of change in probability has high impact on investment decisions. Investors' behaviour is influenced by the risk-reward trade-off, which affects the investor's decision-making psychology.

To summarize it can be said that the behaviour matters the foremost with regard to deciding on various investment alternatives. To be an efficient investor one has to be compelled to follow one's neuroscience for selecting the foremost ideal investment.

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Paradox of Nudges in Policymaking – A Theoretical Analysis

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Abstract

The paper focuses on the paradox of nudges in policymaking – how certain policies, attempting to curb or encourage specific behaviour can actually backfire in their execution. With a primary emphasis on paternalistic policies, especially in case of social development policies like sin taxation (which is, in essence, negative reinforcement) and progressive legal mandates (that act as positive reinforcement), the paper also briefly discusses more recent developments in corporate policies where the paradox is apparent. Secondarily, a case study on India's decriminalisation of non-heterosexual relations helps explore the societal "ideological void". The nature of normative, paternalistic nudges in absence of real social change is discussed as a significant causative agent in the paradox.

Keywords: Consumer Choice Architecture, Libertarianism, Nudges, Policy

Introduction

The role of state in the affairs of private entities – persons, organisations or otherwise – has been a hotly contested subject in circles across the political spectrum. The arguments vary depending on the definition of state itself and its role in public life. Since the entirety of this discourse is too vast to be discussed in this context, the paper reserves its scrutiny for libertarian politics, in particular. Modern libertarianism is generally identified with minimal governmental influence (the extent of which is again, a matter of discussion within its schools of thought) on private activities. Here, interference is understood as loss of autonomy for the entity in question to achieve a "greater good". Philosophically, it finds its roots in the likes of the Harm Principle (Mill, 1865) which dictates that no entity can restrict the freedom of another, lest the action causes harm to others.

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The view is shared by H. B. Acton, drawing upon Adam Smith's "Invisible Hand", that a society is a smoothly running system which adjusts to its own natural equilibrium upon the actions of its constituent citizens (Sunstein, 2013). The only exception to the rule is in case of market failures. Indubitably, the underlying assumptions of these ideas lay in the rationality of individual and the ability of markets to respond and adjust to the consumer behaviours.

However, with the rise of increasing academic literature in behavioural economics pointing towards the opposite, further inquiry into the state's interference is warranted. As with their traditional counterpart, "behavioural market failures" when people indulge in irrational behaviour leading to suboptimal outcomes, also call upon the government for aid (Sunstein, 2013). Public choice theory labels it as the "productive" (welfare) state as opposed to the "protective" (law enforcing) state, (Buchanan, 2003).

Perception of Government Interference: Paternalism

This idea of a welfare state from a behavioural perspective focuses mainly on two types of market failures – malfunction of the free market mechanism in asymmetry of information and unrealised (or uncompensated) effects of externalities. The first aspect emphasises on exploitation of consumers by sellers owing to unavailability of relevant information and/or human errors by the consumers, unbeknownst to them. The rise of modern day advertising, marketing strategies and the social environment of their making, have greatly contributed to this. The second aspect can be understood in the context of negative externalities by both consumers as well as producers. The state's role is either curbing the activities altogether or compensating the affected parties accordingly. Traditionally, the state exercises its rights to pass a universal prohibition for the former; it charges specific taxes or default fines for the latter.

But, policies as these garner criticism aplenty. Principally, as it is with externalities, it is extremely tedious or sometimes downright impossible for determining the cost of a bad social behaviour. For example, in 1996, the US government had estimated the total cost incurred due to smoking to be US$97 billion (Clydesdale, 2017). This included externalities as the direct health care costs as well as other indirect costs including potential loss of economic output due to the failing health of the smokers and thereafter, in their death. However, such estimations bring up the question of how exactly a social cost can be valued. From an unsympathetic point of view, in purely economic terms, certainly a high earning smoker causes a greater harm than a low earning one. Should the difference in economic status justify in having a discriminatory prohibition for the high earning ones, since their contribution to the societal welfare is valued to be more? Or perhaps, depending upon the demographics, criminal record, social tendencies and other factors, should the state value different lives differently? The deeper one delves into it, the more uncomfortable the questions get.

On a broader level, even the choice of which activities deserve punishment is quite perplexing. Often these activities are those that are conventionally deemed a threat to the societal welfare economically, morally or otherwise. It is most commonly observed in "sin taxation" by the government on items or activities frowned upon due to their negative consequences to the society or their "dubious" perception in conventional morality. Common examples of these include taxes on cigarettes, alcohol and more recently, sugary food products as well as junk food (Hoffer et al, 2014). The prevailing notion however, common to all of these items is that the government has the right to dictate how people should behave and punish anyone it does not deem compliant to its law. Naturally, this paternalistic attitude of the state gives way to an array of inquiries into the state's power and the strength of the democratic institutions of the country.

The Efficacy of Nudges in Policymaking

With the incorporation of behavioural economics in mainstream policymaking, the methods discussed in the previous section have improved by leaps and bounds. For much of the previous century, libertarian policy either had to resort to the aforementioned techniques (hard paternalism) or opt for a polar opposite neoliberal approach with little to no interference at all (Whitehead et al, 2012). Historically, institutional design that does not mandate the people to act in a certain way out of palpable incentives or direct threat does not matter (Goldin, 2015). While policies usually were only directive, a clear legal route has a more direct effect on shaping people's behaviour. With advancement in research in the behavioural sciences, there lies a promising third alternative for policymakers.

Unlike its more aggressive counterpart, "soft paternalism" relies on *nudging* the consumers to a suitable outcome rather than coercing it explicitly. Its quintessential examples include automatic enrolment in a health policy upon employment, voluntary opt-out for organ donation on driver's licenses and propaganda against various social evils. The underlying theory is that since people are subconsciously influenced by the choice architecture built by these nudges, they are less likely to find such paternalistic policies as an invasion of their autonomy (Bhargava & Loewenstein, 2015). It acts as an influence rather than an obligation.

This can prove to be significantly useful when dealing with certain kinds of controversial activities which tend to get a pass in the social structure. Kahan (2000) describes this phenomenon as "sticky norms": in dealing with sensitive issues of rape, sexual assault or domestic abuse, despite the gravity of the crime, there is reluctance to convict the accused due to the stigma surrounding it. Despite the hard paternalistic law advocating punitive justice for the convicted, the policy does not see it to fruition. In these cases, having a more lenient but derogatory penalty (termed, "shame penalty") can nudge the prosecutors not to hesitate, while being an effective deterrent for future criminal instances (Baker, 2004).

A major takeaway from this case is the relation of law and societal norms. Generally, it is the prevalent moral code of the society that shapes and forms its legal structure. However, when the causation is reversed, it may have distortionary effects. On the basis of the target of the policy, libertarian paternalism can be identified into two kinds as means-focussed – where although the outcome is adequate, the means of achieving it are not – as opposed to ends-focussed, which prohibits the intended outcome altogether (Sunstein, 2016). Generally, whilst dealing with the former, it is easier to redirect people's actions as long as they reach their intended outcome. The previously cited examples of organ donation and health policy rely on the bounded rationality of consumers by which, ceteris paribus they are more likely to opt for the default option. Antithetically, when it comes to laws that directly conflict with or challenge incumbent social mores dictating the intended outcome, it is more likely to incite a passive dissent or a vociferous pushback. Consequently, a soft, means-focussed paternalistic policy can turn to be more effective than a hard, ends-focussed one.

The Three Paradoxes

In this section, the shortcomings of nudges in policymaking are discussed. These are categorised into three major kinds on the basis of their ideation, implementation and their effect. Each of these issues present a paradox of their own which is only further justified and cemented under the garb of the policy mechanism. Vernon (1979) describes these unintended consequences in Rawlsian terms: within a societal framework, individuals often operate under a "veil of ignorance". Individuals are seldom privy to the structure and applications of the prevailing institutions, resulting in a blind compliance to "abstract rules of justice" in the market order, without the context designed.

Before delving into the paradoxes, it is important to highlight a precautionary warning; as are the followers, the makers of these policies are not infallible. The nudges designed are based on the existing skills and resources at the policymaker's disposal. Many governments are attempting to remedy it, following suit of the British government's Behavioural Insights Team, nicknamed the "Nudge Unit" (Rutter, n.d.). Involving cognitive experts yields a better understanding of how a policy should be formed effectively. However, despite all the resources at hand, policymakers cannot evade the ever-existing "knowledge problem". Initially defined by Hayek (1948), as an argument against central planning in the Socialist Calculation Debate, it delineates the immutable problem in policymaking: it is impossible for any individual (or a group) to have a complete understanding of the workings of any societal system. Nudges are based on how the policymakers *perceive* social behaviour to be.

However, there is a world of difference between fallacies on account of ignorance as opposed to deliberation. Hoffer (2014) argue that oftentimes, paternalistic policies tend to be sumptuary in nature, to curb activities deemed extravagant or "sinful". Owing to the bureaucratic structure of today's democracy, the opinions of the political elite may not align with those in public disfavour. Consequently, it is the former that come into effect. Such policies influence public behaviour at a cost. It could be by means of direct taxes or by the transaction costs incurred in default charges (Goldin, 2015; Hoffer, 2014; Sunstein, 2016). Contrarily, the penalty can be seen as the cost of the targeted activity – a charge or fee for continuing with one's behaviour. A common instance of this is a relatively cheap (and legally light) parking ticket, which can be interpreted as a nudge for more disciplined traffic practices. It serves as a penalty for the poor but a measly sum for the rich to park wherever they want (Schierenbeck, 2018). While it has been empirically proven that the rich have littler care for ethics (Piff et al, 2012), the behaviour remains consistent even in the political elite.

This is the first paradox in the ideation of policy. Policies that nudge against what is disfavoured by the political elite, end up more often giving the makers themselves a leeway. An example of this "moral policing" could be of the now ex-chief of the Central Bureau of Film Certification (CBFC), Pahlaj Nihalani whose filmography stands in stark contradiction with his austere decisions on the "Censor Board". On a more serious note, political history is rife with examples of politicians with criminal records (The Hindu, 2020) who stand against the very values they espouse. Therefore, owing to the relatively less severe consequences associated with softer nudge-based policies, the only ones who can bear the punitive economic damages and continue are often the very sort that publicly condemn it.

In many cases, the inefficacy of nudges is not limited to the elite. Nudges, in a general view, are any instruments that prod to divert one's attention to a target. Anything from GPS notifications, calendar reminders, and fuel warnings in cars to calorie intake charts come under the umbrella of this definition. The following three examples shed light on how a gentle nudge can sometimes be unproductive, ineffective or even counterproductive.

The key feature of a nudge is to be seemingly ambiguous about the event or activity itself while influencing the person in a certain way. Mobile phone notifications ensure grabbing the user's attention as many times as possible to maximise the time a user spends using it. However, constant disturbance can also result in the user muting it altogether, a polar opposite of the intended response. In some cases, the ubiquity of the nudge can cause the person to ignore it as white noise, making them immune to it. This used to be observed in the 1980s-90s, in the televisation of various public service announcements such as awareness for vaccination, consumer protection, health practices, etc. With the advent of internet, it has become increasingly rampant. A recent example would be that of the notifications regarding the COVID-19 pandemic. Every media platform (online and otherwise) would send a flurry of any news, information and even advertisements to the individuals to raise awareness. Initially, it generated panic amongst the people. But eventually, the constant bombarding of notifications resulted in resentment, indifference and frustration amongst the people (Lwin et al, 2020).

The second paradox relates to how efficacy can be defined. As previously discussed with the organ donation example, default opt-in options can help nudge people towards a favourable outcome. While a nudge does not intend to raise normative inquiries (Sunstein, 2016), setting a default can act as implicitly naming the norm. When faced with such a nudge, individuals tend to not go against it from an action bias. The implicit understanding of the norm also makes them less inclined to change, lest they lose out on a better outcome (loss aversion). And more often than not, a subtle nudge can spare those who are indifferent or lazy from making a proactive choice. Arguably, from a purely consequentialist point of view, the nudge is working. However, it is observed that once the nudge is removed, the effect does not last. Especially in cases where the information is too complex to digest (for example, the mandatory warning on mutual fund advertisements), the nudge is met with blind compliance or blind ignorance. Thus, despite achieving its objective, the nudge cannot be termed to be effective in a true sense.

Antithetical to the previous passive instances, the third paradox presented here contends that a weak nudge can prove to incite a more serious, counterproductive response. In Kahan's (2000) "sticky norms problem", strong legal action ("hard shoves") tends to be largely ineffective due to hesitation from the prosecution with respect to the gravity of the punishment. However, a gentler nudge can be a greater threat. Policies that only weakly condemn a behaviour implicitly signal that the condemnation is insincere. Moreover, with the knowledge of a light punishment, it is more likely to inspire perpetrators; quoting the author, "what was intended as a "gentle nudge" at this point becomes a "sly wink"".

Feminist economics examines several such cases. An example of the same is the introduction of corporate maternity leave. It was originally intended as support to working mothers, so that while raising a family, a woman must not have to give up her career, thus, boosting female employment. However, it resulted in quite the contrary. A maternity leave means lower economic output from women for the duration of later period of her pregnancy to postpartum. The effect is further exaggerated if the woman intends to have more than one child. Hence, employers tend to be less inclined to hire female employees, irrespective of their marital status or their future family plans. This has also been used as a rationale behind justifying the gender wage gap, that since women "contribute less" to the organisation, they deserve lesser pay. To counter this, the paternity leave policy was introduced with the intent of alleviating the household and economic burden of women. While it is a relatively new notion, the results are tepid. After Sweden passed the paternity leave policy, the father's future earnings were affected negatively in the medium term (Regge & Solli, 2013).

Other policy decisions also have notably gendered (negative) effects. A famously controversial example of this is how health-targeting policies of the government can have disastrous consequences. Combined with the propaganda from the advertising industry, such intervention can negatively affect the body image perceptions, especially in young women (Clydesdale, 2017). A new entrant in the feminist economic discourse is the "period leave" policy. Although it has been commonplace in Japan, China, South Korea, Taiwan, and Zambia, it is still sparsely seen in India as well as the US. The leave policy aims to reduce the stigma regarding women's health issues as well as enable women to work effectively without compromising their vacation or sick leave every month. However, studies show that it leads to the predominant ambivalent sexist attitudes become more prominent with increased gender-based discrimination (Barnack-Tavlaris et al, 2019).

Conclusion

Standard economic models operated under the presumption that an individual is a rational human being with consistent choices and a utility-maximising objective. As new behavioural research seems to disprove it, these models are being modified to accommodate this accordingly. Instead of a consistent assumption of rationality, individuals possess bounded rationality. This discrepancy allows for consumers to be open to exploitation from sellers, taking advantage of information asymmetry and consumer myopia in the markets. From a libertarian economic perspective, government intervention is warranted in the instance of market failures. With the definition of these theories being broadened, it also encompasses behavioural market failures, or rather deviations from the presumed rational model.

Up until the popularity of the nudge approach, policymakers had to decide between all-or-nothing alternatives – either an explicit legal mandate or no intervention at all. It raised the question of paternalism of the state in threatening individual autonomy for an arbitrary greater good; this stood against the very principle of libertarianism. Nudges provided a subtler tool for policymakers, giving rise to a third alternative as, "soft paternalism". Juxtaposed to normative policy mandates, it influences consumer behaviour without compromising on their free will.

The paper outlines three paradoxical problems that lie in a nudge-based policy approach. The first deals with the nature of legislature that allows the political elite to set policies in accordance with their notions of non-permissible behaviours. As deliberated, these policies are less efficient with a criminal punishment, hence, apply penalties instead. However, empirical observation shows it is the political elite that is more likely to indulge in unethical behaviour. Owing to their social standing, resources and little infamy associated with these activities that are frowned upon, they are more likely to get away with it. In several instances, the paradox has come true: the very people that condemn certain activities officially, condone them on a personal level.

The second paradox deals with the nature of nudges themselves. By targeting System 1, the cognitive system that relies on heuristics rather than profound rational thought, nudges subconsciously influence a person's decisions. Yet, their effects are seen to fade away with time and frequency of contact. Moreover, when a nudge attempts to relay information too complex to understand, it gets totally ignored. So, while a nudge in an isolated instance can effect the desired response, its repeated instance paradoxically prevents its own efficacy. A further examination in it then, questions *whether* a nudge is effective if it only triggers a quick reaction and not a long-term understanding to alter one's behaviour.

Lastly, the nudge can be actively counter-productive if not implemented properly. Through the aforementioned cases, it is evident that a nudge can paradoxically incite an antithetical response due to the prevailing social attitudes. As with legal action, nudges can do little to alter the communal norms or affect inherent tendencies of an individual. This can be attributed to conscious or subconscious inelasticity of preferences that are a result of years of societal conditioning as well as personal biases. These manifest even more strongly in sensitive or controversial subjects and hence, react even more strongly. This understanding of human biases lies at the very root of a behavioural policy. Nudges are shaped by the biases of both the maker(s) and the follower(s). While it is impossible to accurately account for all of these, it is imperative to study how well they can be palpably incorporated. In doing so, one can scrutinise the use of nudges as a policy tool more effectively. Is it a mechanism for sheer influence or is it to be used for more concrete awareness among the populace? Both of these alternatives present very different scenarios and can affect the relation between an individual and the government in contrasting ways.

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Behavioral Finance-based Trading

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Abstract

Financial decisions among investors are influenced by several factors including information as well as knowledge of the markets. Meanwhile, financial agents still make irrational financial decisions in real situations. In essence, behavioural financial-based trading is largely determined by psychological factors that result in personal biases and myriads of mistakes among agents in making financial decisions. Attempts to explore the behavioural financial-based trading provides limited insights into causes of the irrational behaviours in deciding for investment. It is on this ground that this study will explore the theoretical and empirical research on behavioural finance-based trading. The three main questions that will underpin the study include:

- What are the individual finance-based trading behaviours?
- What are the effects of finance-based trading behaviour on investment decisions?
- What are the suitable approaches to improve investment decisions in behavioural finance-based trading?

Keywords: Behaviours, Decisions, Finance, Investments, Psychological Factors

Introduction

Behavioral finance is different from conventional finance. It tries to explain how individual investors behave in a rational, real market rather that how he or she should have behaved. As actual behavior is focused in the behavioral finance context, managers try to observes how individuals like to make investment decision and how they differ from actual finance theory. Individual tend to make investment decisions based on their mindsets, mental accounting and biasness.

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Methodology

This paper is based on both descriptive and analytical research with a systematic review approach with studies on the research topic being considered for review. The research used keywords to search for relevant articles in journals and other relevant repositories. In addition to the important information retrieved from journals, the research also considered papers that contained important information and that fit the classification of working papers hence able to be considered as being of reputable value. In addition to that, the research also considered statistical information.

Literature Review Discussion

Individual finance-based trading

Normal people tend to behave in irrational ways when it comes to investment decisions. Human behavior, as it is cannot actually be predicted using scientific precision. This is referred to as the cognitive psychology, how individual finance based trading takes place based on assuming systematic errors (DeBondt, 2018). People might get over confident and put higher weights on recent market experiences. The rational Economic Man would try to maximize his utility and thus obtain well-being on highest level given budget constraints and information.

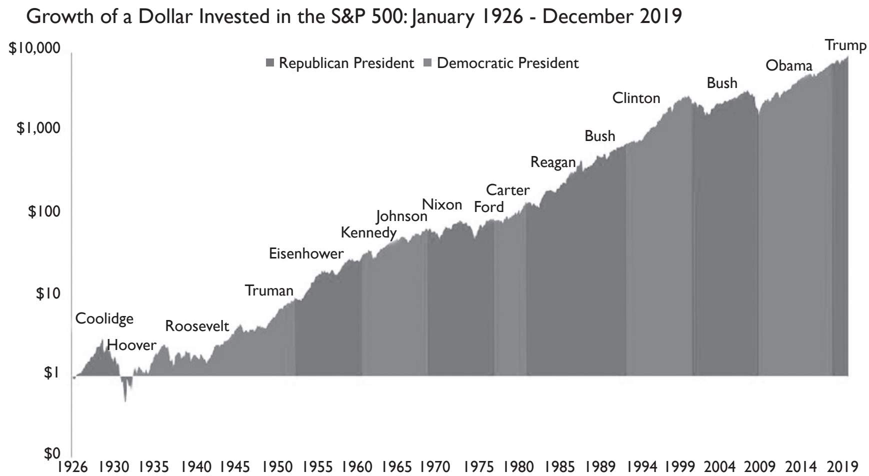
How an investor will behave in a stock market depends on a lot of things. How investor choose his portfolio of stocks/bonds or any other mix of investment opportunities that exist may depend on their income, risk appetite and expectations, return projections, social factors etc. Human financial behavior can be explained following two core approaches. The first type is passive-active investor in a market (Campbell, 2105). There are mainly two types of investors in stock market.

- The passive investor: a Passive investor would like to invest for a longer term. In most cases, passive investor tend to limit the buying and selling activities of his portfolio. The strategy is focused on buy and hold. One of the common example to adopt a passive strategy is to buy an index fund following major indices. The passive investors would pay little effort to generate alpha, which is outperforming the market return for a time period. The cost of managing a passive portfolio is minimal. The funds are limited in specific index (Cromwell, 2015). No matter how market is reacting or working on special events like response to calendar effect or day of the week effect, a major sport event or even presidential elections, a passive investor would not change his portfolio that much. He would like to lock into his holdings and so chances of making an outstanding return is very, very limited. He is however happy with making a stable, average return over years. Unless, market is going on a special hike or bloom, the chance of passive investor to beat the market is very low.

- The active investor: The active investor tend to reconstruct and reweight their portfolio holding in constant basis. The active investor would do background research of fundamental analysis and technical analysis on stocks. He would try to understand whether the stock is undervalued in the market and eligible for buying. Active investment is costly since it involves numerous number of buying and selling activities. An active investor faces cognitive errors, which mainly stem from faulty thinking and emotional biases. So, he may deviate from rational behavior. For example, during the corona Pandemic in 2020, investors in most stock exchanges has grown tendency for day trading. The active investors may hold an opportunity portfolio in their holdings to enjoy short term gain and so they keep betting on it.

Another perspective of the individual finance-based choices can be discussed following procrastination and emotional biases. People may take emotional choices and process information wrongly. It is worth noted that as Donald Trump was winning the 2016 election, prices of stock futures sunk rapidly. The S and P index fell more than 5% premarket trading which resulted in a circuit breaker and halt. Still, during Trump reign the dollar value invested in S&P was the highest. People uses heuristics (imperfect rules of thumb) to understand data. Herd instincts also plays significant role here.

Figure-1: S&P index during President Elections, USA

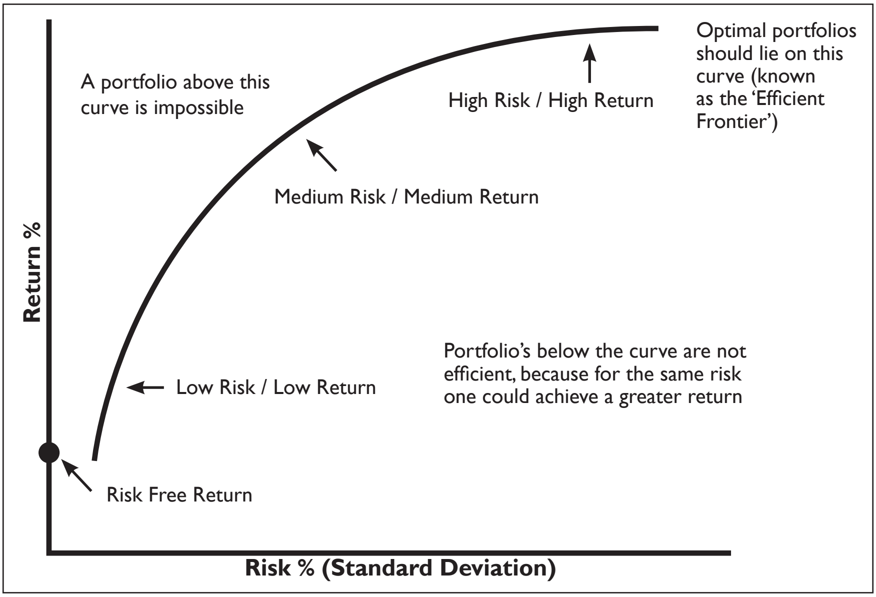


Source: Yahoo.Finance, 2020

Effects of Finance based Trading Behavior

The effect of how people react while making investment decision is huge. Based on risk preferences, investors can be classified in three major forms. The asset allocation of three types of investors are shown below:

Figure-2: Impact of Individual Finance Based Behavior on Efficient Frontier



Source: Cromwell, 2018

- The risk–averse investor: a risk averse investor would like to place his portfolio below the efficient frontier. Since he does not like risk, he would put more weight on risk free assets like T-bills or t- bonds. He is happy with his low return but no risk regime.
- The risk lover investor: a risk lover investor would create a portfolio with two fund separation theorem, holding both risk free and risky assets. He would place his portfolio on the upper portion of the efficient frontier.
- The risk neutral investor: The risk neutral investor is the one who is not much bothered about risks, instead he is solely focused on generating return (Barber, 2015).

The trading behavior of individual may stem from discussed perspectives based on mode of portfolio management and risk tolerance. The risk tolerance of individual depends on age, comfort, investment objectives etc. in below graph, the index graph of FTSE 100 for the year 2020 is given:

Figure-3: FTSE 100 index, 2019 to 2020 till date

Source: Yahoo. Finance, 2020

It shows that most investors in UK had pessimistic overview on stock market during the corona pandemic and thus the FTSE 100 index fell drastically from March, 2020. The herd instinct toward a down market kept the index downward for quite some period till it started to recover from mid-June when the potentiality of vaccine seemed promising. So human psychology, what they perceive plays important role in stock market`s ups and downs and nonetheless investment decision.

Suitable Approaches to Improve Decisions

There are four major trading problems related to behavioral finance based trading. The suitable approaches to mitigate the effect are discussed below:

- Investor` overconfidence: In most cases, investors believe that they have adequate information to work on and make a buy decision. Overconfident investors are most likely to make wrong decisions. Being overconfident they tend to lose focus and fail to act on available information. The overconfidence lead investors to overlook risk factors and undiversified portfolios. For example, the 1900s technological stock bubble. The overconfident investors invested too much on tech stocks with a view to earning super profit. The bubble busted, of course with large losses.

  To avoid this biasness, investors need to first understand that too often or frequent retail buying and selling would expose them to a competition against computers, experienced portfolio managers or institutional fund managers who has better data, more data to work on this investment decision (Andersen, 2017). Frequent buying and selling and trying to make temporary small gain could actually lead to higher transaction costs paid to the brokerage as well. So for general investors, it will be better not to follow any her instinct instead, make the best out of their investment based on available information. The long term strategy is safe for general investors.

- Regret on decision: A stock may just work against the assumptions. Investors could make unrealistic bet on stock even when they were fully convinced by the stock. The investors still felt that the stock was ok, and did not sell them off when the price was reducing following momentum. The investor would still hold the shares hoping it will come back with flying colors while accepting loss. Behavioral economists would call this holding inertia psychology as Regret. Investor would follow his regretting inertia for too long and face large losses. Regret comes from missing out opportunities as well. For example, Yusuka Maezawa, the founder of Fashion retailer Zozo Inc. lost money of 4.4 billion yen (USD 41.4 million) in stock market due to daily /short term trading of stocks in a pandemic swing markets. As per his tweeter account, he was not familiarize with the short term trading but still decided to continue (Bloomberg, 2020).

  The suitable approach to fix this is to set own trading rules which should not be fluctuating during temporary ups and downs. Besides, every equity holder should have cut off rate that he or she would not tolerate more than a 7% loss in a particular stock. This is termed as "the trailing stop" which should be designed to lock in gains and losses.

- Limited attention: The term "Bounded rationality" means human tend to convince themselves that the few stocks they have knowledge on are good enough to generate a decent return (Boone, 2015). Thing is, there are more fishes to catch out there but investors don`t get enough time to conduct a research on them. The portfolio becomes a comfort zone to them and they do not want to change the portfolio. Investor tend to act following the limited knowledge they have.

  Investor should adopt "off the beaten path" to explore new investment opportunity.

- Chasing trend: this is known as the strongest trading bias. Investors tend to invest in stocks which have historically good price performance. Humans try to forecast future prices based on past prices and they validate this assumptions as soon as they find a detectable pattern.

- If a particular investor was able to identify a market pattern, it is most obvious that other investors are working on the same pattern too. When a lot of people are acting on the same pattern, it is natural that the opportunity has been exploited. Here is a view of 2008 S&P index in response to housing bubble burst in 2008.

Figure-4: S&P index during 2020

Source: Yahoo.Finance, 2020

Many people had taken loan which they could not afford following the trend and lenders as well give away loan without checking the credit worthiness of the borrowers and eligibility of mortgage. The best examples could be the Non-Performing Assets that many banks had to write off during the global market recession between 2008 and 2012 arising from Business Loan and Mortgage loans, particularly the major impact was witnessed in the Western Countries. As seen in the graph, following common but unjustified trend could lead to fatality. Investor should try to understand the reason behind bubbles and come up with better plans to according to the situation they are considering.

Conclusion

This paper concludes having reviewed in detail key aspects of behavioral finance on the investment decisions of the investor by studying behavioral finance, researchers and investors try to predict human behavior mostly to improve business outputs. The study is mostly grounded on human psychology, which is how human psychology plays an impact on Finance. In the given report, three aspects of behavioral finance have been discussed. The first aspect is about individual finance based trading, which is focused on the extent of an individual`s investment context based on his risk appetite, social factors, environmental aspects and affordability. The second aspect of the report is about the discussion of effects of trading behavior, that is how market is affected by individual`s investment decision. The third aspect is about adopting suitable approaches to make good investment decisions. Investors should adopt ways to reduce their biasness and make better investment decisions to ensure minimisation of risk balanced with the return. This is particularly vital with the growing uncertainties facing global financial markets and increase knowledge of the human beings about the financial transactions and the terms and conditions of the lenders.

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Behavioural Finance Effect on Gold Price Trends during Covid-19 Pandemic

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Abstract

Behavioural Finance can be broadly defined as the field which focuses on the study of psychological influences that can impact investment and market related outcomes. Its emphasis is on our ability to understand why sometimes people take decisions which might sound irrational or totally opposite of what they should actually decide, similar to how markets sometimes act unreliably at times. It helps us to avoid the decisions which are driven by emotion and consequently would lead to heavy losses if we opt for them. Behavioural Finance can also help us to analyse, to review and understand the various outcomes which happen across a wide spectrum of industries and finance related sectors. Psychological bias is one of the key elements related to the study of Behavioural Finance. This research paper analyses the role of Behavioural Finance with respect to the trends in the price of gold purchase during Covid-19 Pandemic. 'Efficient Market Hypothesis' theory helps us to perform a deep dive analysis with reference to the gold price trends. The initial months of the year 2020 saw the start of one of the worst health related pandemics (Covid-19) that the modern world has seen in recent times. The correlation amongst the various financial assets including gold, appears to be in tandem with their price increase which is based on moderate to high fluctuations and independent of strong price fluctuations. Financial system dynamics can be stabilized by including the element of behavioural finance into them. One of the key goals of this paper is to establish a model process for analysing future gold price trends by integrating the behavioural finance component for presenting the market reality in a more comprehensive and realistic manner. It includes hypothetical analysis and certain simulations which can be carried out using selective components and take into account the factors related to cognitive biases. Mathematical and business analytics related models are also used for helping us formulate and monitor the course corrections that follow these trends related to gold price purchase at the time of the Covid-19 pandemic. Influence of cognitive biases and their impact on the price related dynamics helps us to conclude that Behavioural Finance plays a critical role in the formation of gold prices.

Keywords: Business Analytics, Cognitive Biases, Efficient Market Hypothesis, Price Fluctuations, Psychological Bias

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Introduction

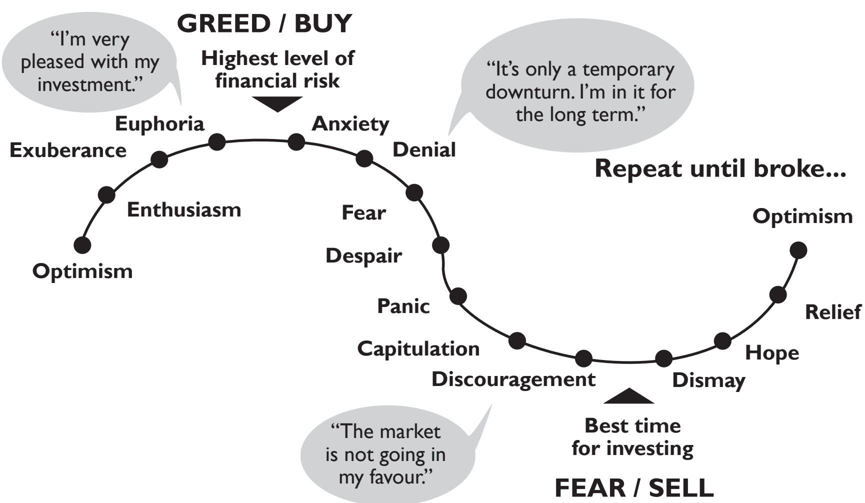
Market Efficiency Hypothesis depends on the financial theory which states that the price of financial components and assets is equal to its fundamental value. In layman's term this means that their price and value remain same and there is no difference between them. There is no impact due to external agents or arbitrary correction factors. Price anomaly correction possibility does not arise under these circumstances. Gold is an asset whose price indicates its intrinsic value appropriately. Market competition which is efficiently managed will take into consideration the average of all new asset values intrinsically. This will be reflected in the price in a coherent and instantaneous manner. Split value of assets in this context, can be analysed by using behavioural finance as a key element.

The study of human nature and behaviour, in reference and relation to the consequences on prices and investment related strategic decisions, can help us in explaining how the anomalies in the various price fluctuations of assets like gold can be explained in a systematic manner. Social aspects often overlap with models which are mathematically structured. Gross-Stiglitz methods and models, are often multi agent based. Their objectives are different and biases need to be factored in while making the choice of agents and those which it considers as its critical assets. Markets Efficiency Hypothesis has certain inadequacies. The observations which arise from these inadequacies also take into consideration the irrationalities often seen in markets. Behavioural Finance helps us to explain why there is an existing disconnection between the price of gold as an asset and the intrinsic value which is related to its price and cost formulation. Another important strategic goal is to effectively evaluate what impacts the individual and collective biases of gold price in the international markets. Behavioural modelling also includes components related to inefficiency and irrational choice making ability. Problem definition will focus on the gold markets in India.

They will use the help of quantitative and qualitative tools used for analysis and data mining, which in turn will depict the role of behavioural finance adequately. Equilibrium maintenance of prices which is combined with these factors, is also reviewed accordingly. Gold is often considered as one of the oldest forms of money. It's value as an asset is fairly well accepted in most of the countries around the world especially in third world countries. Purchase of gold during Covid-19 pandemic has often been used as a point of comparison with other investment instruments. Consumers perspective needs to be analysed systematically before a decision is made suggesting suitable steps for course correction and purchase in unpredictable situations and scenarios. Behavioural finance is the most suitable option available to analyse this asset class and its future price trends are also deeply related to it.

Relevance of the Study

- What factors encourage a consumer to invest in Gold?
- How does a consumer gather the information to make the decisions of buying gold?
- Decision making sources, open as well as insider tips!
- Factors that influence consumer behaviour
- Evaluation criteria for investing in Gold
- External and Internal inhibitors that prevent consumers from investing
- Time consuming ideas in the investment process
- What circumstances holds back a consumer from investing in gold
- Monetary and Non-Monetary key resource indicators in decision making
- Benefits accrued to consumers when investing in Gold during Covid – 19 pandemics
- Behavioural insights into gold financing methods



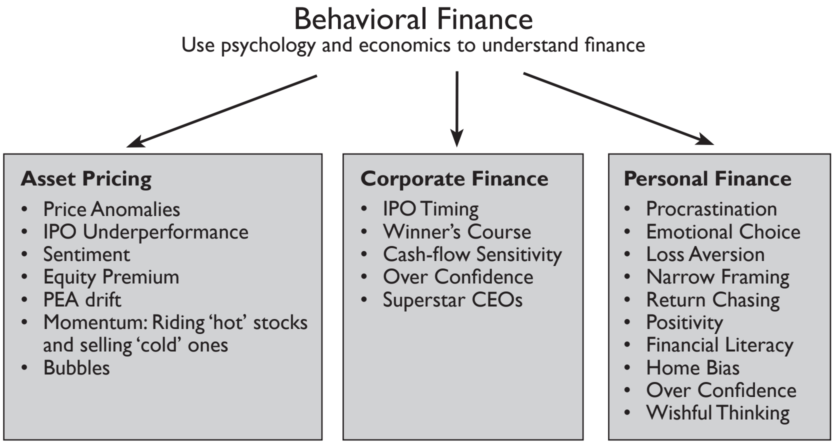
Source: https://www.miraeassetmf.co.in/knowledge-center/importance-of-investor-behaviour-in-market-correction-greed-and-fear-cycle

Scope of the Study

An individual who buys goods or products for personal consumption or redistribution is called a consumer. The behavioural study related to how individuals buy, what, when, why the 3 W's is known as 'Consumer Behaviour'. Buyer decision making processes in individual as well as group formations come under this field of study. People's wants can be classified under characteristics such as demographics, variable behaviour and socio logical behaviour. Assessing influence on consumers is important as reference groups are also part of the society. Various activities and decisions related to the process of selecting products, buying and selling of goods come under this category as well. Internal impulses come under the motivation category of consumer behaviour. The various triggers and motives lead a consumer to take actions under different circumstances. Involvement of a consumer in different levels of various activities relates to solving issues related to purchasing. High and low involvement is also an integral part of this behaviour. When buying a product is important for a consumer, then it comes under the high involvement activity behaviour. In this way, the decision-making process gets complicated and leads to more issues in the long run. The rise in a product's price also increases the risk of involvement with reference to risk increase in purchase as well. Finally, the process of buying or purchasing deals with a sequence of the various steps and procedures along with the actions which are used for distinguishing the purchase or initiation of searching for alternate methods to evaluate and buy products.

Literature Review

Every consumer is unique. The behaviour of a consumer with reference to behavioural finance depends on multiple factors. These factors differ from each other in reference to income, character, life style and also age group with different demographic profiles. Consumer mindset has changed and consumers as in the past do not depend on only trust, loyalty but keep changing regularly depending on the product and personal requirement. Preserving one's independent thoughts and individual choice making ability is valued a lot by today's consumer market. Social norms might not necessarily confirm to the society setup. Sceptical nature and advertising one's individual needs are no longer important in behavioural finance with respect to consumer behaviour. Independent verification and checks are done by consumers of all available information to ensure that orders are not manipulated. Behavioural finance studies suggest that consumers now-a-days make decisions which are very rational. Today's end users are mostly buyers for whom emotional quotient is as important as financial means to achieve those goals.

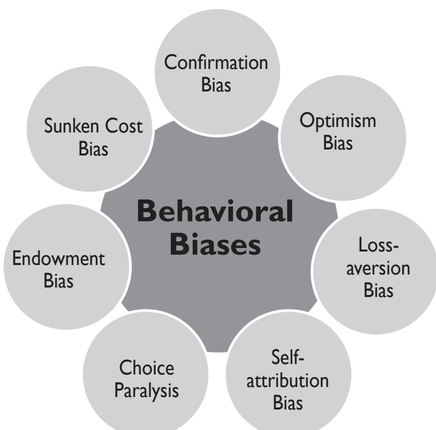


Source: https://www.slideshare.net/PrashantShrestha11/behavioral-finance-overview

Objectives of the Study

Behavioural Finance analyses the impact on investors by taking their biases into consideration as well. Some of the key objectives of this study, include the review of the biases given below:

- High level of over confidence and the imaginary illusion of self-control
- Bias towards the process of self-attribution
- Bias under hind sighted circumstances
- Bias towards confirmation under external factors and circumstances
- Fallacy in various narratives
- Bias in representative thoughts
- Bias framed under illogical arguments
- Bias which is anchored on individual and group decisions
- Aversion to various types of losses
- HerdMentality is a very important factor towards biasing



Source: https://www.mymoneysage.in/blog/7-behavioural-biases-affecting-investor-returns/

Ten Most Common Behavioural Financial Types of Models

- Three Statement financial behaviour Model
- Discounted Cash behavioural finance flow Model
- Merger and Acquisitions based financial Model
- Initial Public Offering new offer Model
- Leveraged financial Buyout and payment Model
- Sum of the integral financial Parts hypothetical Model
- Consolidation and Inclusion based Model
- Budget review and redundancy Model
- Forecasting and review based behavioural finance Model
- Option based review Pricing Model

Research Methodology

- Demand for Gold Consumption: In India the demand for gold is dependent on multiple factors. These factors are influenced by India's cultural, religious, ethno-sociological and desire for financial security in times of unpredictable volatility in market, such as the Covid-19 pandemic. The world's largest governing body for gold pricing is called the World Gold Council. The Federation of Indian Chambers of commerce and industry is the main body of gold traders in India. These both organisations often conduct consumer surveys to determine the views of consumers towards gold both from a investment as well as jewellery decoration perspective. More than three fourths of the consumers gave safety and liquidity as the most important reasons for investment in gold. Another set of consumers stated that women and men wearing rings, bangles, chains and other forms of ornament jewellery as the main reason for buying gold.
- Volatility Protection in Unstable Markets: Consumers who wish to prevent financial unitability and protect themselves from uncertain and very volatile conditions often buy gold. This psychological factor of holding the gold asset in the form of a physical commodity is often the common mindset of various households across the country which view gold to be a safe option for investment and especially when other assets or investment options in the market are losing their value on a periodic basis. Recession also plays a key role in the mindset of the consumers to decide when would be the best time to buy gold. Domestic economy growth rate in good times as well as bad times, also makes investors to buy gold.
- Inflation and Consumer Expectations: Inflation is a major factor that contributes towards the currency prices going up or down in any economy. End users and consumers often like to hold on to gold as

an asset in physical form. Thus, in times of high inflation and longer gestation period, the use of gold as a hedge is often used by consumers against inflation. This is the main reason why during times of inflation, the price of gold often increases and touches high levels.

- Interest Rates and Gold: There is a negative correlation between the interest rates in the market and the sale of gold. Whenever the yield rates rise, it indicates that there is a strong expectation amongst people of a robust economy. This often increases the rate of inflation. So people flock towards using gold and hence helps in bridging the inflationary gap against inflation. Rise in rates of interest often tends to make various investors to move towards fixed-income investments. These fixed income investments yield a definite amount of income but as such it does not carry any individual rate of return on the investment. Demand also takes a hit backwards even when prices are remaining stable in normal circumstances.
- Monsoon and Rural Agricultural Sector demand correlation: Rural sector is crucial in the rise and fall of gold across the country. Monsoon season plays a key role in this growth and slump. India's rural sector contributes almost sixty percent of the country's overall consumption and demand for gold. Whenever rains are good and crops give the required desired yield, it leads to more disposable income in the hands of farmers. Farmers often use this money, to buy more gold and create assets. When the crop is bad and leads to financial loses, then people in rural areas, especially farmers and crop growers tend to sell their gold assets to recover these loses.
- Rupee Dollar impact factors: The relationship between rupee and dollar plays an important role in the Indian gold market, but ironically it does not impact the price and consumption of gold in the international global markets. India is a major net importer of gold and if the rupee falls and becomes weak against the dollar, then the price of gold will increase in definitive rupee related terms. Depreciating rate of the Indian currency is a major factor that impacts the rate of gold in India. Gold rates are always denominated in dollars. This dollar rates denomination of gold, does not impact the global gold rates.
- Gold versus other Asset Classes: Portfolio diversification is not only essential to mitigate the losses caused due to financial instability, but also to ensure that impact is minimal. Financial Advisors and consultants often advice consumers to use gold as part of their diverse investment assets, as gold has a low correlation and negative impact as compared to every other major investment asset like equities, derivatives, bonds and real estate. It is often observed that when there is a crash in the equities related stock market, there develops an inverse correlation between it

and gold. Volatility protection is a major reason because macro as well as micro economic factors may or may not affect the cost of gold.

- Global Political Scenario: Gold is often bought by consumers when there is war and political instability happening around various countries of the world. Best examples for this can be related to North Korea's testing of Nuclear Weapons and Iran-Israel conflict in the middle east. Gold demand increases as people tend to use gold stocks as back up towards these rising instable situations and circumstances.
- Future Demand of Gold in Global and Local Markets: It has always been a cardinal rule that demand for gold always outclasses its supply. Most gold mines around the world have been depleted and this low supply always impacts the gold rate. Positive drivers for the increase in gold prices are mostly driven by local demand.

Source: https://corporatefinanceinstitute.com/resources/knowledge/trading-investing/behavioral-finance/

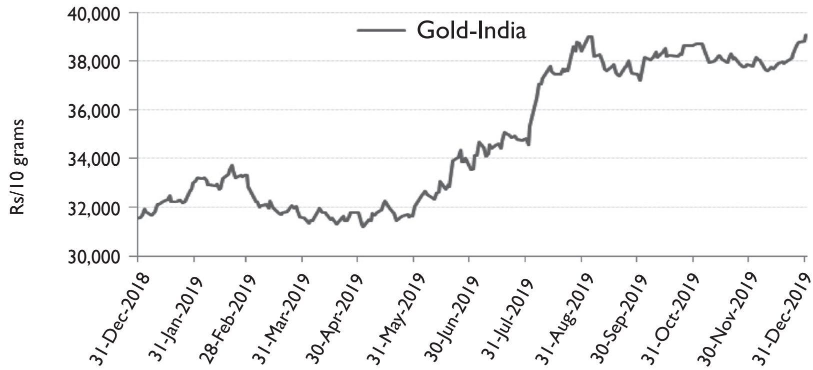
Data Analysis and Interpretation of Results, regarding Gold Price Trends during the Covid-19 Pandemic

Crisis is always an opportunity is an age old saying. It has always been seen that in times of war and instability, gold demand has often increased and it leads to an increase in the price of gold. The biggest rise ever in the history of gold prices in India, was seen at the time of the Covid-19 pandemic. Any global turmoil across the world like the 2008 global financial recession, the 9/11 attacks on the twin towers at the world trade centres or wars in the middle east, have always led to spike in prices of gold. When the corona virus started spreading to countries outside china, the price of gold increased by an astounding forty percent in a short span of four to five months. Gold price movements have been un-believable during times of crisis like these.

Gold: Prices in Crises

Event	Date	Gold Price (Rs/10g)	Annual Increase
World Trade Centre Attack	11 Sep 2001	4,766	13%
Stock Market Crash in US, China	27 Feb 2007	10,546	28%
Lehman Bankruptcy	15 Sep 2008	12,590	36%
Demonetization	9 Nov 2016	30,046	-2%
After first Covid Case Outside China*	15 Jan 2020	38,694	38%

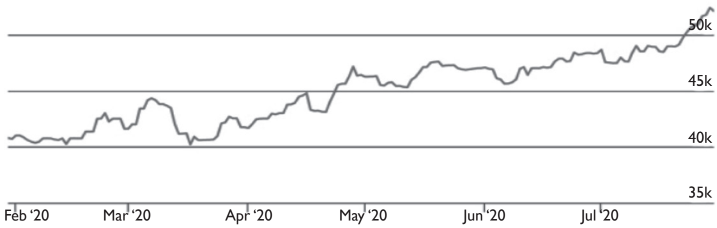
Source: World Gold Council
Prices excluding taxes and levies;
* increase over a 6.5 month period against July 30



Source: https://timesofindia.indiatimes.com/india/why-covid-19-has-been-the-best-crisis-for-gold/articleshow/77279346.cms

Covid-19 health related pandemic caused the gold prices in India to touch astronomical heights. The rate of gold in September 2020 touch an all time high of fifty-five thousand rupees per ten grams of twenty-four carat gold. This showed a very high increase of forty percent in the rate of gold over the five-month Covid-19 pandemic peak cycle period. Even at the time of the 2008 global financial recession, the price of gold increased by almost thirty five percent when Lehman Brothers filed for bankruptcy.

GOLD PRICES IN INDIA



According to a research study done by the Indian Institute of Management Ahmedabad, their India Gold Policy Centre had stated that the investors often sought to reduce their losses during market crashes. As gold rates are not impacted by the decisions taken by the Governments, they act as insurance against any unexpected catastrophic events around the world. Consumers park their funds in gold and this is the main cause for the increase in gold prices especially during pandemics like Covid-19. There was only one time that an exception to this theory took place. It was at the time of Demonetisation. During that time, the price of gold declined by two percent on an average for a period for two years mainly due to liquidity crunch issues.

Conclusion and Suggestions

This research paper has helped us to better understand the behaviour of consumers and their decisions regarding investments especially with reference to Gold. It provides an insight of the various steps which the consumers often have to go through in order to make the physical and actual investments in buying an asset like gold. It also sheds light on the current position of gold among various other asset investment classes which are determined by the minds and interests of consumers. The primary outcome of this research on Behavioural Finance tells us that the main motivational reasons towards investing in gold comes from the fact that people often want to invest for the future and inflation factor plays an important role in their decision-making abilities. Consumers often feel that when they have surplus money, the best option to invest it would be in gold. Investing in gold often happens only when other financial needs have been met and there is surplus funds left over to invest in gold accordingly. Recessionary scenarios often tend to delay these investments that consumers want to do in gold.

Evaluation period before taking decision to invest in gold, is often longer than normal. Searching for the right information and timing of purchase are often important in order to make these choices of investment based on Behavioural Finance. Consumers and Financial Investors often make sure that they take into consideration all known and available sources before deciding how big the role they want it to play in their final decision-making process. More amount of time is needed in order to understand the various options needed to review the market. It is advisable for consumers to look at both sides of the information. Positive information is also a boon and even negative information can help us in making the right decisions. Sometimes consumers check from informal sources in the market regarding the price of gold. They can also check it from Government Banks in order to get an accurate assessment of the price of gold. One of the main factors why consumers often decide not to invest in gold is because they are not aware about the right time and price in order to buy the gold.

It was observed that during the time of the Covid-19 pandemic, the price of gold increased massively in a short time period due to the faith of consumers about gold being a relatively secure asset class in times of the pandemic situations. It is recommended that there should be more data published by official government organisations on the behavioural finance related impact on gold prices. Latest developments in the world of gold pricing and their correlation to the behavioural finance factors deserves another field of study by itself. Information that gets published in leading newspapers regarding gold prices, should also talk about the risk factors associated with the physical purchase of gold. This would also help in giving the consumers a fair idea about the prevailing global scenarios before making their decisions. Sudden movements in gold pricing also leads to volatility and it is advisable not to invest in gold during those times. Behavioural finance explains this by helping us understand that when consumers feel they have missed the right time to buy gold, they often tend to wait for the right time to buy it, this leading to a drop in the price of gold. The interesting thing to note is that the right time to purchase gold can never be predicted with accuracy. Unexpected drop in price of gold multiple times in short intervals, often leads consumers to feel discouraged to buy gold. There is a direct correlation between the sale of gold and consumer expectations. Consumers who invest regularly will be easily able to make out this difference and distinguish it easily as compared to other non-regular investors.

In times of the Covid-19 pandemic it was observed that the public did not have any major specialist from the field of gold financing who could explain these behavioural trends in finance in a systematic and methodical manner. Since gold is already a well-known investment asset, it will continue to be valued by consumers primarily due to its stability and non-volatile nature. This is the primary reason why during unexpected times like the Covid-19 pandemic, when other investment avenues lose their sheen, gold still continues to shine brightly.

Investment avenues like equities and government securities provide constant fixed running revenue, whereas gold is a stable asset which forms the back bone of any financial advisor's portfolio. Holding on to gold in the long-term is also considered as a good symbol of consumer nature with reference to the field of behavioural economics.

Behavioural Finance trends also help us in understanding that one of the biggest risk factors listed by consumers is the ability to hold on to gold physically with the risk of it getting stolen. When this threat matrix is compared to the other trusted instruments, it comes out that their faith in gold far exceeds any other risk factors. Finally, we can conclude that gold is not regarded as the main primary source of investment based on consumer mindsets, but more as an asset class with emotional or high-end gift value. Thus, the field of Behavioural Finance can help us in understanding its impact on gold price purchase trends especially during the Covid-19 pandemic.

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