

**Implications of Behavioral Anomalies and Personality on Investors'
Affinity for Risk**

By

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Dedication

I would like to dedicate this research work to my esteemed parents, whose extraordinary fortitude and boundless support saw me through trying times. Their brilliance and accomplishments in life have always inspired me to do better and be better. Without them, I am truly nothing.

ABSTRACT

Affinity for risk is defined as a measure of investors' tendency toward risk, in whether they seek or avert risk. The study measures affinity for financial risk in terms of behavioural biases and personality traits. The primary objective of the study is to establish whether behavioural biases and personality traits have an impact on risk related behaviours of individual investors, and the nature of this impact. Secondly, it intends to study herding behaviour in investors; a behavioural anomaly that is not actually a cognitive or emotional bias, as caused by these biases. Primary data was gathered using a comprehensive questionnaire with a total of 76 items. Correlations and regressions were drawn. Both behavioural biases and personality were concluded to have positive causal relationships with risk affinity. Herding behaviour in individual investors was observed to have significantly increased in the presence of other behavioural biases.

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