

# A Study on The Moderating Role of Time Preference on Psychological and Behavioural Factors Impacting Investment Decisions

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**Abstract** - The research explores the moderating effect of time preference on psychological and behavioural factors influencing investment decisions, focusing on internal processes such as confirmation bias, personality traits, risk tolerance, and impulsivity, along with behavioural aspects like framing effect, heuristic usage, information search behaviour, and disposition effect to understand real-world decision-making patterns. The study is based on primary data collected from 433 respondents through a structured questionnaire, and statistical tools such as descriptive statistics, ANOVA, and Structural Equation Modeling (SEM) were employed for analysis. The findings indicate that both psychological and behavioural factors significantly influence investment decisions, with investors often relying on emotions, past experiences, and mental shortcuts rather than purely rational analysis. Time preference plays a crucial moderating role by determining whether investors prioritize short-term gains or long-term benefits, where long-term oriented investors tend to make more stable and well-planned decisions, while short-term oriented investors are more influenced by market fluctuations, thereby emphasizing the importance of behavioural finance concepts in improving investment decision-making.

**Key Words:** Psychological Factors, Behavioural Factors, Time Preference, Investment Decision, SEM.

## 1.INTRODUCTION

Psychological factors refer to the internal mental processes that influence an individual's thinking, perception, emotions, and decision-making behaviour. In the context of investment decisions, psychological factors affect how investors interpret information, evaluate risks, and react to financial opportunities or uncertainties. Investors often rely on their beliefs, attitudes, past experiences, and emotional responses when making financial decisions, which may sometimes lead to irrational behaviour.

Traditional finance assumes that investors act rationally when making investment decisions. However,

behavioural finance suggests that psychological influences can cause investors to deviate from rational thinking. These influences can lead to biases, emotional reactions, and subjective judgments that affect investment choices.

## 2.NEED OF THE STUDY

The study is needed to understand the various factors that influence investors while making financial decisions. In recent years, investment behaviour has become more complex due to the influence of psychological and behavioural factors. Investors do not always make rational decisions and are often influenced by biases, emotions, and personal attitudes. These psychological and behavioural influences may lead to irrational investment choices and affect overall financial outcomes. In addition, individuals differ in their time preference, which determines whether they prefer short-term gains or long-term financial benefits. Time preference can therefore influence how investors respond to psychological and behavioural factors while making investment decisions. Understanding the moderating role of time preference can provide deeper insights into investor behaviour. This study helps identify the key psychological and behavioural factors affecting investment decisions and examines how time preference alters these relationships. The findings of the study will be useful for investors, financial advisors, and financial institutions in improving investment decision-making. It can also help in developing strategies to minimize behavioural biases and promote more rational investment behaviour. Therefore, this study is important in understanding how psychological, behavioural, and time-related preferences collectively impact investment decisions.

## 3.OBJECTIVES OF THE STUDY

- 1) To identify the major psychological and behavioural factors that influence investment decisions.
- 2) To analyse the effect of psychological and behavioural factors on investment decisions.
- 3) To assess the influence of psychological and behavioural factors on investment decisions.
- 4) To examine how time preference affects short-term and long-term investment behaviour.
- 5) To suggest suitable measures to improve investment decision-making by managing psychological and behavioural influences.

#### 4.SCOPE OF THE STUDY

The scope of the study focuses on understanding how psychological and behavioural factors influence individual investment decisions and how time preference moderates this relationship. The study encompasses key behavioural finance variables such as risk perception, overconfidence, loss aversion, herd behaviour, and emotional biases, and examines their impact on investors' decision-making processes. It further extends to analysing how investors' time preferences—whether short-term oriented or long-term oriented—affect their investment behaviour, portfolio choices, and response to market fluctuations. The scope includes evaluating differences in investment decisions across varying time horizons and identifying patterns in short-term versus long-term investment approaches. Additionally, the study aims to provide practical insights and recommendations for investors, financial advisors, and policymakers to improve investment decision-making by effectively managing psychological and behavioural influences. Overall, the study is confined to behavioural finance perspectives and is intended to bridge the gap between traditional financial theories and real-world investor behaviour by highlighting the moderating role of time preference.

#### 5.REVIEW OF LITERATURE

- 1) **Fulford & Shupe (2025). Time Preferences, Rates of Return, and Real-World Investment Decisions.** This study examines the relationship between individuals' time preferences and their actual investment and savings behaviour. It shows that in some cases, time preference strongly influences financial decisions, while in other situations the relationship is weaker. The study also highlights that negative life or economic shocks, along with a strong preference for immediate money, can push investors toward short-term and less optimal investment choices.
- 2) **Lakshmi S, Dr. Chidananda H L (2025). Impact of Psychological Factors on Investment Decisions – Moderating Role of Personality Traits.** This study analyses how Big Five personality traits affect the link between psychological factors and investment decisions. It finds that neuroticism and agreeableness

weaken this relationship, while openness to experience strengthens it, highlighting the role of personality in shaping investor behaviour.

- 3) **Maryam Tanveer, Maryam Fatima, Esha Tofeeq (2025). Understanding Investment Decisions Through the Lens of Behavioural Biases: A Moderated Mediation Approach.** This study examines how impulsivity and herding influence investment decisions, with risk tolerance as a mediator and financial literacy as a moderator. It finds that higher risk tolerance increases the impact of these biases, while financial literacy helps reduce impulsive and risky decisions, emphasizing the importance of financial education.

#### 6.RESEARCH METHODOLOGY

The research methodology for the study on the moderating role of time preference on psychological and behavioural factors impacting investment decisions focuses on systematically solving the research problem through structured methods. Research is considered a scientific and academic process involving problem definition, hypothesis formulation, data collection, analysis, and conclusion testing. A descriptive research design is adopted to analyze patterns and relationships among psychological and behavioural factors influencing investment decisions without establishing direct causality. The study uses a convenience sampling technique, selecting respondents based on accessibility and willingness, enabling quick and cost-effective data collection, though with limited generalizability. A structured questionnaire is used as the primary research instrument, distributed through Google Forms, incorporating both Likert scale and open-ended questions to capture quantitative and qualitative insights. Data collection involves both primary and secondary sources, where primary data is gathered directly from respondents, and secondary data is sourced from journals, reports, books, and websites. The study emphasizes systematic data gathering to ensure accuracy and completeness. The sample size is determined using a standard statistical formula with a 95% confidence level and a 5% margin of error to ensure reliability and accuracy. A finite population correction is applied since the total population is limited to 433 respondents. Based on this calculation, the final sample size is fixed at 433, ensuring adequate representation for meaningful analysis and interpretation of investment decision behaviour.

#### 7.DATA ANALYSIS AND INTERPRETATION

**Table -1:** Analysis of variance (ANOVA) of the variables

Null Hypothesis (H<sub>0</sub>): There is no significant difference in long-term investment behaviour among investors with different levels of investment experience.

Descriptives								
Investment experience	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Strongly Disagree	23	1.78	.951	.198	1.37	2.19	1	4
Disagree	62	1.97	.849	.108	1.75	2.18	1	4
Neutral	105	2.08	.927	.090	1.90	2.26	1	4
Agree	170	2.21	.898	.069	2.08	2.35	1	4
Strongly Agree	73	2.19	.811	.095	2.00	2.38	1	4
Total	433	2.12	.891	.043	2.03	2.20	1	4

ANOVA					
Investment experience					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6.063	4	1.516	1.925	.015
Within Groups	336.931	428	.787		
Total	342.993	432			

**Interpretation**

The ANOVA results show that the significance value (Sig. = 0.015) is lesser than 0.05, indicating that the differences among the groups are statistically significant. This means there is significant variation in investment experience across the different response categories.

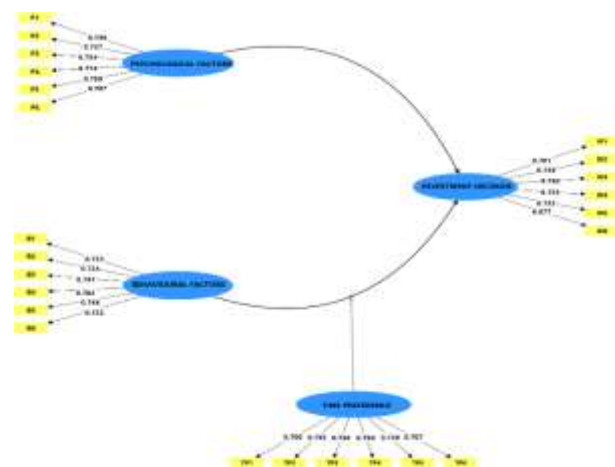
**Table -2:** Descriptive statistics of the variables

	N	VIF	Mean		Std. Deviation	Skewness	Kurtosis		
			Statistic	Std. Error					
PSYCHOLOGICAL FACTORS	433	2.027	3.4346	.04820	.89893	-.300	.117	-.181	.234
BEHAVIOURAL FACTORS	433	2.355	3.4527	.04249	.88418	-.298	.117	-.059	.234
TIME PREFERENCE	433	1.805	3.4885	.03963	.82464	-.500	.117	.171	.234
INVESTMENT DECISION	433	-	3.4392	.03965	.82505	-.479	.117	.192	.234
Valid N (listwise)	433								

**Interpretation**

The descriptive statistics show that the mean values for Psychological Factors (3.4346), Behavioural Factors (3.4527), Time Preference (3.4885), and Investment Decision (3.4392) are at a moderate level, indicating an average level of agreement among the respondents. The skewness values range from -0.500 to -0.298, and kurtosis values range from -0.059 to 0.192, which are within the acceptable limits, showing that the data is normally distributed. Additionally, the VIF values (ranging from 1.805 to 2.355) are below 5, indicating that there is no multicollinearity issue. Hence, the data is suitable for further analysis.

**Table -3:** Structural equation model of the variables



**Interpretation**

The model fit indices indicate that the structural model shows an acceptable level of fit. The CFI (0.807), GFI (0.829), and NFI (0.830) values are above 0.80, indicating a satisfactory model fit, while values above 0.90 are considered excellent. The RMSEA (0.089) is slightly above the recommended threshold but still within an acceptable range for exploratory research. This suggests that the model is reasonably fitted and there exists a meaningful relationship among the variables. Hence, the model is considered suitable for further analysis.

**8.FINDINGS**

The findings indicate that the majority of respondents fall within the 26–45 age group, with a higher proportion of male participants, predominantly undergraduates and salaried individuals, earning between ₹25,001–₹50,000 and having 1–3 years of investment experience. The results show a moderate level of agreement among respondents regarding the influence of psychological and behavioural factors, such as confirmation bias, emotions, heuristics, and framing effects, on investment decisions. Time preference also plays a significant role, as many respondents balance short-term market movements with long-term financial goals. Statistical analysis confirms that the data is normally distributed and reliable, with

significant differences observed across investment experience levels. Furthermore, SEM analysis and model fit indices indicate a reasonably good fit, establishing meaningful relationships between psychological factors, behavioural aspects, time preference, and investment decision-making. Overall, the study highlights that investment decisions are shaped by a combination of rational analysis and behavioural influences.

## 9.SUGGESTIONS

The study suggests that encouraging a long-term investment perspective is essential, as time preferences significantly influence financial decisions despite the impact of short-term market movements. Financial service providers should present investment information in a clear, simple, and unbiased manner to improve decision-making and reduce confusion caused by framing effects. There is also a need to promote disciplined and goal-oriented investment strategies to ensure better alignment with financial objectives and consistency over time. Additionally, targeted financial education programs are important for individuals with limited experience to enhance their knowledge and confidence in investment decisions. Finally, adopting proper risk assessment and regular portfolio review practices can help minimize impulsive behaviour and improve overall investment performance and satisfaction.

## 10.CONCLUSION

The study suggests that encouraging a long-term investment perspective is essential, as time preferences significantly influence financial decisions despite the impact of short-term market movements. Financial service providers should present investment information in a clear, simple, and unbiased manner to improve decision-making and reduce confusion caused by framing effects. There is also a need to promote disciplined and goal-oriented investment strategies to ensure better alignment with financial objectives and consistency over time. Additionally, targeted financial education programs are important for individuals with limited experience to enhance their knowledge and confidence in investment decisions. Finally, adopting proper risk assessment and regular portfolio review practices can help minimize impulsive behaviour and improve overall investment performance and satisfaction.

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