Report on Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	**Rahul Subash**
Advisor:	**Tomáš Jandík MA MSc MRICS**
Title of the thesis:	**Role of Behavorial Finance in Portfolio Investment Decisions: Evidence from India**

OVERALL ASSESSMENT:

The thesis tests the presence of a rather broad range of behavorial biases on the sample of private Indian investors. The topic is very relevant for finance academics and/or professional, hypotheses are well structured and tested. Methodology is generally very well selected and justified with some reservation to the structuring of the questionaire. Language is clear with very few exceptions. The thesis can be graded as excellent but the candidate should be able to defend and discuss the specific comments below:

1. The thesis analyzes relatively large number of behavorial biases. Biases are defined appropriately, though reviewed literature is rather general with low focus on concrete studies carried out for concrete biases. Literature review is more heavily concentrated on introducing and defending behavorial finance in general rather than discussing individual biases in light of specific research and comparing different articles for each particular bias. In chapter 2.6, Rahul gives good review of selected works such as Oehler et al (2008) on the home bias. Similar inspection of biases would have been apropriate for each particular bias by numerous studies.

2. Some biases are, in my view, not effectively covered by the questionaire. For instance mental accounting bias refers to individuals investing parts of their wealth for meeting specific lifetime goals in a layered approach without taking into account correlation between individual layers. The opposite would be the holistic approach of the Markowitz framework. Question 30, in my view does not reveal this bias fully and effectively. Rahul should be able to explain why he has not selected less biases which would be covered by higher number of questions to possibly reveal them more effectively. Alternatively, Rahul should be able to defend that questions specified for each bias test the particular bias effectively.

3. The candidate should be able to explain why investors were grouped into experienced and young categories based on age and years of experience and whether there was other grouping or cut-off points possible.

4. Limitations of the study discussed are constrained to self enhancement bias and concentrated place of residence of the repsondents. Author should also be able to discuss the limitations of the questionairy and individual questions representing each bias (i.e. mental accounting bias represented by one question only).

5. Methodology is clearly stated and debated. Author uses dicriminant analysis, weighting scoring method and chi-square test of independence. Assumptions for individual statistical tests are reviewed, such as presence of multicolinearity. The work very well applies quantitatives method on a rather qualitative field. The key academic contribution is not in the quantitative metods used but in the fact that author generated and analyzed primary data sample, which is very appreciated.

6. Authors findings are intuitive although conclusions are rather lenghty and repeated on numerous places. Lower number of biases would enable more clear cut research line with less need to repeat partial findings.

Overall, this is an excellent master thesis boldly combining quantitative methods with qualitative research topic. I recommend Rahul for the final state examination in order to defend his work.

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SUMMARY OF POINTS AWARDED*:*

CATEGORY		POINTS
Literature	*(max. 20 points)*	14
Methods	*(max. 30 points)*	24
Contribution	*(max. 30 points)*	25
Manuscript Form	*(max. 20 points)*	18
TOTAL POINTS	*(max. 100 points)*	**81**
GRADE	**(1 – 2 – 3 – 4)**	**1**

NAME OF THE REFEREE: *Tomas Jandik MA MSc MRICS*

DATE OF EVALUATION: *12 June 2012*

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Referee Signature