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An approach from the perspective theory framework and past stock performance on investors' financial behavior

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Abstract

The correct understanding of behavioral factors affecting individual investment decisions in the stock market is one of the main goals of this research. This accurate knowledge will increase the efficiency of the market, and the financial resources will be adequately equipped and allocated. Finally, it will save

resources in this market. Therefore, the current research seeks to investigate and test the effect of risk aversion based on the past performance of stocks in the financial behavior of investors. In this research, a regression model was used to test the hypotheses. The statistical population of this research is all the firms accepted in the Tehran Stock Exchange over 7 years, from 2016 to 2022. Considering the research period, the total number of data points is 980 years—firm (observation). Also, in this research, the stock price was used to evaluate the variable of past stock performance, which has not been paid attention to in past behavioral financial research due to its importance for investors' decision-making. The analysis of the research hypotheses showed that risk aversion has a positive relationship with investors' decision-making. In addition, the study of research data indicates that the past performance of stocks has a positive moderating role in the relationship between risk aversion and investors' decision-making.

Keywords: Investors financial behavior, Investors decision-making, Prospect theory, Risk aversion, Past stock performance.

Introduction

Investing in the stock market is an essential part of every country's economy, and without a doubt, the most significant amount of capital is exchanged through the stock markets all over the world, and the country's economy is strongly affected by the performance of the stock market. Today, investors consider many factors to choose an investment. Based on existing approaches, investors' decision-making is based on more than just technical and rational analysis (Bhatia et al., 2020). One of the main factors for the growth and development of the capital market is the correct and complete identification of its main elements. As it is known, investors are one of the main elements of this market. Therefore, knowledge about their behavior and reactions in the stock market can be essential in determining the market trend, affecting the entire economy (Guillemette et al., 2019). In such a way, the correct understanding of the behavioral factors affecting investors' decision-making is essential for them and the stock exchange's main elements. Understanding these factors is essential for investors because it helps them better understand the behavioral factors affecting their investment decisions and avoid the pitfalls rooted in their minds and psyches due to mistakes. Cognitive and emotional will be found in their path so that they do not fall and ultimately help them improve their reactions to get more favorable results. Also, by identifying the behavioral factors affecting investors' decisions, the Securities and Exchange

Organization can establish better and more accurate rules, regulations, procedures, and instructions to make the market more efficient. To perform better in its monitoring activities (Jain et al., 2022). The problem in the stock market is the lack of proper recognition of the behavioral factors affecting investors' investment decisions. This lack of correct knowledge decreases the efficiency of the market, prevents proper financial resource allocation, and ultimately causes the waste of resources in this market (Hsu et al., 2021). Therefore, awareness of the mentioned factors and the development of financial behavior can help investors become familiar with the problems they inadvertently face in their investment decisions. It also helps the stock market authorities establish rules and regulations that bring the market to a stable balance and thus prevent the occurrence of anomalies such as price bubbles in the market (Pitthan & De Witte, 2021). The results of the influence of people's psychological characteristics in decision-making are not similar to mathematical models and have their own weighting rules. People sometimes use rules of thumb to make decisions; although these rules can be helpful, using these rules can lead to systematic biases (Christensen et al., 2016). Tversky and Kahneman (1992) Bernoulli's expected utility theory (1738) was criticized as a decision-making model under risk conditions and presented an alternative model called prospect theory. According to prospect theory, people value losses and gains, not final assets (Goyal et al., 2023; Tversky & Kahneman, 1992).

Prospect theory is an explanatory theory of decision-making under conditions of uncertainty: (1) Investors do not evaluate outcomes in terms of the level of total wealth but rather in terms of their perception of profit or loss relative to a reference point (Usually the purchase price). Investors are more sensitive to losses than profits (risk aversion), and (2) investors are risk-averse in the profit zone and risk-taking in the loss zone (Li & Yang, 2013). On the other hand, the decisions related to the buying and selling of investors are influenced by the previous experiences of investors. Investors are more likely to repurchase a stock they have made a profit on than to buy a stock that has made a loss (Hoffmann & Ketteler, 2015). In explaining the look to the past for future decisions, the great encouragement of investors to past returns can be justified with the help of the agency initiative rule; that is, investors desire to refer to past returns. They rely on their psychological characteristics and continue to rely on things they are more familiar with, which in this research assumes that the returns achieved in the previous periods are the same. In familiar cases, investors remember and keep this belief for the future, believing they can achieve such positive returns again (Zia et al., 2017). Based on the

availability rule, investors rely on the returns obtained in the recent past. According to the benchmarking rule, people may make judgments and predictions about future returns by hanging contracts and previous returns and by adjusting these returns (Khan et al., 2017).

The correct decision-making of investors is one of the essential and fundamental things in the process of economic growth of any country and one of the essential factors of development in this century. According to the presented materials, the main goal of the current study is to find an empirical answer to the main research question: whether risk aversion based on the past performance of stocks has an effect on the financial behavior of investors based on the framework of prospect theory.

Literature Review

Investors in the stock market include different groups, the largest of which are individual investors in terms of number. These natural persons participate in this market using their knowledge and interest in the stock market. Another group of participants are brokers who, in addition to their primary duties of providing services to investors, buy and sell stocks for themselves and their customers, considering their history of continuous presence in the market (Chan et al., 2013). Investors and participants in the capital market, both those with sufficient expertise in the stock market and those lacking enough expertise in this field, always use specific criteria and factors when choosing an option from among the various options available. That helps them make a logical and rational decision (Ady, 2019). Considering the increasing importance and expansion of capital markets in equipping and collecting small individual capital for production activities, identifying the variables influencing the performance of firms has become very important in these markets (Christensen et al., 2016). Investor sensitivity can impact company and stock performance. This issue has recently gained theoretical attention on a global scale and has become a topic of discussion in financial management (Berger & Turtle, 2012). Different types of potential investments face risks, which can prevent the possible realization of the resulting benefits (Hull et al., 2013). Therefore, the possibility that the result of that activity will not be achieved is considered a risk in general. In financial sciences, risk aversion means preferring to accept less risk (Iqbal, 2017). Investors desire to avoid unnecessary risk in times of uncertainty. This type of risk is personal and internal, and different investors have different definitions of unnecessary risk. In other words, a risk-averse investor will choose the investment with less risk if he has two assets with the

exact yield and different risks (Saleem & Ahmad-Zaluki, 2021). Due to the characteristics of financial markets, such as investors' uncertainty index, the presence of informed investors alongside the uninformed, investors' loss aversion, overconfidence, overreaction, and so on, various patterns and methods have been designed to detect these features (Vargas et al., 2017). Different people make decisions in their daily lives to increase their expected utility at a certain level of risk. As part of the decision-making process, the decision-maker wants to allocate his wealth so that the maximum expected return is assigned to his portfolio of assets (Quddus & Banerjee, 2023).

Economists and financial mathematicians for modeling decision-making about choosing the optimal portfolio, on the one hand, the influential variables in people's decision-making process and, on the other hand, how to introduce uncertainty in the real world have been considered (Zahera & Bansal, 2018). Ainia and Lutfi (2019) studied the effect of risk perception, risk tolerance, overconfidence, and risk aversion on investors' decision-making in 400 statistical samples. They showed that risk perception has no significant effect on investment decision-making, but tolerance for Risk, overconfidence, and loss aversion have a positive relationship with it. Kramer and Weber (2012) analyzed the effect of risk aversion in financial decision-making, and the results showed that risk aversion is one of the main decision-making criteria of investors. Khan et al. (2017) studied the impact of loss aversion on investors' decision-making with the moderating role of risk perception based on perspective theory. They showed a positive correlation between loss aversion, risk perception, and investors' decision-making (Khan et al., 2017).

According to the examination of internal and external backgrounds related to the subject of the current research, the evidence and findings indicate that in the study conducted, the variables that have been analyzed and tested include risk perception, risk aversion, stock returns, Features, and factors of the firm. However, so far, no research has been found that explicitly examines the index introduced in this research in the framework of a comprehensive issue, which is the most critical research gap in the financial behavior of investors, and in this research, the past performance index of stocks. It has been analyzed and tested as a variable that can be the primary and decisive criterion in investors' decision-making.

Research Hypotheses

Different people in their daily lives are making decisions to increase their expected utility at a certain level of risk. As a part of the decision-making process, the decision-maker wants to allocate his wealth so that the maximum

expected return is assigned to his asset portfolio (Zahera & Bansal, 2018). One of the most critical factors that caused the growth and development of the behavioral point of view in economics and decision-making theories is Tversky and Kahneman's (1992) studies. By criticizing the theory of expected utility as the foundation of the neoclassical school, they developed the applications of psychological science in business processes, and based on this, they presented their famous theory called "Prospect Theory." This theory received considerable attention from most scientific circles, so even people who did not believe in accepting the application of behavioral sciences in economics and management confirmed this theory's theoretical and scientific foundations. The two articles received much attention in the scientific circles of the world. After completing their studies, in 1992, Kahneman and Tversky presented the developed form of the vision theory called "cumulative vision theory"; in the end, the Nobel Prize for Economics in 2002 was given to these two people because of their extensive research in the field of the application of behavioral sciences in the science of decision-making and economics (Doukas & Zhang, 2013). Based on the prospect theory, investors consider different values for profit and loss and make investment decisions based on perceived profit (and not loss). Therefore, if a person has two equal options, one expressed in the probability of profit and the other in the likelihood of loss, he will choose the first option because losses have more emotional effects than gains. The prospect theory has four main features: reference dependence, loss aversion (risk aversion), diminishing sensitivity, and Probability weighting (Hosseinpour et al., 2023).

Antunes and Gonzalez (2015) defined risk as the measurable potential loss of a value (for example, financial assets, physical health) that is not predictable, controllable, and calculable. Risk information is critical in investment decisions and management evaluation and is used by various stakeholders (Antunes & Gonzalez, 2015). Risk-related information is essential in investment decisions and management evaluation, and various stakeholders use it (Benchimol, 2012). On the other hand, based on the perspective theory, the dissatisfaction caused by loss is greater than the satisfaction from gaining profit, which indicates people's risk aversion in decision-making. Loss avoidance states that people are more sensitive to a decrease in their wealth than an increase in it; therefore, they always try to reduce the risk (Tversky & Kahneman, 1992). In other words, risk-averse people have a conservative strategy and prefer to get a reliable return, and when it comes to luck, they will not participate in it (Shleifer, 2000).

Different types of potential investments face risks, preventing the possible

realization of the resulting benefits; therefore, the possibility that the result of that activity will not be achieved is considered a risk in general (Hull et al., 2013). In financial sciences, risk aversion means preferring to accept less risk (Iqbal, 2017). According to the characteristics of property markets, such as investors uncertainty index, the presence of informed investors alongside the uninformed, investors loss aversion, overconfidence, and overreaction. Today, various patterns and methods have been designed to detect these features. Different people in their daily lives are making decisions to increase their expected utility at a certain level of risk. As part of the decision-making process, the decision-maker wishes to allocate his wealth so that the maximum expected return is allocated to his portfolio of assets (Vargas et al., 2017). Only in the seventies in the financial field did a study related to the identification of the decision-making process of investors and the design and explanation of their decision-making patterns in the capital market under conditions of uncertainty. The first study in this field was the article by Chon and his colleagues, who provided empirical evidence of people's decrease in risk aversion when their wealth increases in the world's reputable stock exchanges (Cohn et al., 1975; Wang et al., 2018). Also, Riley and Cho found a significant relationship between people's risk aversion and people's age, income, wealth, and education. With the increase in people's income, wealth, and education, their level of risk-taking will also increase. However, there is an inverse relationship between people's age and risk-taking. Riley Jr and Chow's (1992) studies proved that people's risk aversion level depends on their internal factors and is unrelated to external market considerations. Lewellen et al.'s findings show a significant relationship between people's investment preferences and age, gender, and education (Riley Jr & Chow, 1992). According to the presented materials, the first hypothesis of the current research is formulated as follows:

The First Hypothesis: Risk aversion affects investors' decision-making

The information related to firms' stock prices is one of the most important information that those interested and users of financial information take advantage of in their decisions. Generally, the value of each firm is determined by examining the value of that firm's shares in the market. Therefore, in making investment decisions in the stock exchange, the first and most important factor facing the investor is the price factor, and examining the trend of stock price changes is the most common starting point when buying stocks (Francis et al., 2005).

Stock price behavior depends on market movement, industry, and specific firm information. The movement of the market and industry, which will be affected by various factors, including internal, external, and political issues, and the specific information of the firm is related to the firm itself and includes information such as the annual and quarterly reports of firms to the stock exchange, the report of any event with the importance of shares and other information is available to the shareholders (Piotroski & Roulstone, 2004). Shareholders are very interested in the firm's performance in which they have invested. One of the essential criteria for decision-making in the stock market is the stock yield; the stock yield alone has informational content, and most actual and potential investors use it in financial analysis and forecasts (Hendawy et al., 2023).

Fluctuation (dynamism) of firms' stock prices in the stock market provides the possibility of making much profit for the shareholders. Therefore, the stock price fluctuation is attractive for many investors in the stock market (Azrak et al., 2021). Of course, there is an intense desire among investors for stocks whose price moves with a constant trend, but they stay away from investing in stocks whose price fluctuates a lot; some of the stock buyers admit that there are more profit opportunities that may arise for a stock with an unstable price. However, the noteworthy point is that the fans of the fixed price trend are investors, and those of the price trend are traders (Cheng & Fang, 2022). Financial ratios, stock returns, and gross profit are criteria for measuring firm performance (Zhou et al., 2022). Some theories state that financial performance affects the value of the firm. For example, the theory of information asymmetry states that managers usually have better information than other investors, so financial statements contain information about managers' efforts to achieve shareholders' goals (Harahap et al., 2020). Information about the firm's financial performance is one of the signs that the firm communicates to the market participants. For shareholders, profit is one of the critical factors in determining dividend policies. An increase in profits leads to a rise in the distribution of profits and, of course, an increase in the stock price as a market reaction. In other words, the market increases the firm's stock price in response to the firm's favorable financial performance. Therefore, since the value of joint-stock firms lies in their price, it can be said that financial performance ultimately affects the firm's value (Brülhart et al., 2015).

Considering the role that the past performance of stocks can have in the decision-making of investors, in this research, the past performance of stocks has been included as a moderating role that investors can take into account good performance or Weak stocks should invest in stocks. Therefore, based on

the material and theoretical foundations provided, the second hypothesis of the research is presented as follows:

Second Hypothesis: Past stock performance moderates the relationship between risk aversion and investors' decision-making.

Research Methodology

The current research is based on the purpose of the type of applied research to obtain the understanding or knowledge necessary to determine a tool by which a specific need can be met and based on the nature and method of the descriptive-causal type, several variables that are thought to be A significant complex variable is related to evaluations. From the point of view of time, cross-sectional analysis examines a specific period. The data required to implement this research was collected through the information bank of the Tehran Stock Exchange and Securities Organization (Codal website). In addition, the basic financial statements of the firms and their accompanying notes at the end of each year have been used as research tools. Excel and Eviews12 software were used for data analysis.

Statistical population and research sample

Table 1. Screening process of firms in the statistical community

Description	Number of firms	
The total number of member firms of the Tehran Stock Exchange at the end of 2022	540	-
Firms that were not members of the Tehran Stock Exchange during the period of the current research		110
Firms that do not have a financial year ending at the end of March		98
Firms where the necessary data to calculate the variables were not available		103
Financial, investment, and insurance provider firms	(400)	86
The total number of statistical sample firms	140	

The statistical population of this research is all the firms accepted in the Tehran Stock Exchange over 7 years, from 2016 to 2022. Considering the research period, the total number of data points is 980 years—firm (observation).

Model for testing hypotheses and research variables

Hypothesis testing model

To test the research hypotheses, based on the research of Kramer and Weber (2012), Ainia and Lutfi (2019), Khan et al. (2017), and Parveen et al. (2020) of models and variables. The following is used as the following regression relationship:

$$IDM_{it} = \beta_0 + \beta_1 RiskAversion_{it} + \beta_2 PSP \times RiskAversion_{it} + \beta_3 PayoutRation_{it} + \beta_4 Lev_{it} + \beta_5 Size_{it} + \beta_6 \Delta\text{growth}_{it} + \beta_7 \text{ROA}_{it} + \beta_8 \text{ROE}_{it} + \varepsilon_{it} \quad (1)$$

Research variables

The dependent variable

Investor Decision Making (IDM)

In this research, investors' decision-making is used to analyze the financial behavior of investors. According to the study of Parveen et al. (2020), the following relationship is used for investment decision-making according to the volume of the transaction:

V_2/V_1 = the average volume of the current transaction divided by the average volume of the previous last

$$\text{InvsDec} = dln\left(\frac{V_2}{V_1}\right) \quad (2)$$

$\text{InvsDec} =$ Investment decisions

$V_2 =$ Recent day security's trade volume

$V_1 =$ Previous day security's trade volume

Independent variable

Risk Aversion

In this research, the variable of risk aversion has been used to analyze the perspective theory. According to Menezes and Hanson (1970), risk aversion is calculated from the following relationship.

The expected utility function resulting from the future asset can be

maximized by varying the number of assets kept (stocks, currency, or gold). St. This maximization can show the optimal amount of assets maintained by considering the short-term non-sale of all assets ($S_t^* \geq 0$ and applying the limitation of lending cash ($W_t \geq P_t S_t^*$).

$$S_t^*(P_t) = \frac{W_{goal}(<P_{t+1}>)-P_{t+1})}{\mathrm{Var}[P_{t+1}]} \quad (3)$$

The investor's strategy can be explained as follows: If the amount of assets kept is more than its optimal value($S_t > S_t^*$), the investor will sell the surplus of that asset and vice versa. Regarding the number of optimal assets kept, the investor decides to increase the number of optimal assets kept when the expected value of investment return is positive, or the uncertainty caused by price changes is reduced.

$$\mathrm{U(w)} = W_{goal}\ (1- \mathrm{e}^{-W_t/W_{goal}}) \Rightarrow\ \mathrm{a} = \frac{W_t}{W_{goal}} \quad (4)$$

Risk Aversion

We assume the second-order derivability of the Bernoulli utility function u (0) relative to the asset to determine the risk aversion parameter. Based on the utility function used in this research, the investor's relative risk aversion can be calculated as follows (Menezes & Hanson, 1970). This process provides a clear and precise measure of an investor's risk aversion, enhancing our understanding of their investment strategy.

Assuming that the transaction cost is zero, the optimal asset portfolio will be as follows:

$$\mathrm{S_t}^*\ (\mathrm{P_t}) = \frac{Wt\ [(P_{t+1})-P_t]}{aVar[P_{t+1}]} \quad (5)$$

In this regard, Pt is the stock price, W_t is the weighted average stock price, and Var [Pt+1] is the variance of the future stock price. The investor is considered risk-averse if the result of the following relationship is between zero and one.

Modifier variable

Past stock performance

Past stock performance (PSP): The percentage change in stock price compared to the previous period is calculated. If it is positive, the stock performance is good; if it is negative, it is poor.

$$PSP = \frac{P_t - P_{t-1}}{P_{t-1}} \quad (6)$$

Pt: Stock price at the end of year t

Pt-1: Stock price at the beginning of the year t

Payout Ratio = The Ratio of the total amount of dividends paid to shareholders to the total net income of a 5

Financial leverage (Lev) = Ratio of total liabilities to total assets

Firm size (Size) = Natural logarithm of total assets

Growth = Change in the firm's sales in the current period compared to the previous period

Return on assets (ROA) = The Ratio of net profit after tax deduction to total assets

Return on equity (ROE) = Ratio of net profit after tax to equity

Results

Descriptive statistics of research variables

In descriptive statistics, an attempt is made to describe the research data and help make it transparent by presenting graphs and using criteria such as central and dispersion indices. The results of the descriptive statistics of the research are given in Table No. 2.

Table 2. Descriptive statistics of the research

Variable	Mean	Median	Maximum	Minimum	Standard deviation
IDM	6.089	6.202	9.695	2.087	0.839
Risk Aversion	-0.0005	2.58	0.0004	-0.401	0.013
PSP	-0.303	-0.042	8.72	-5.58	1.71
Payout Ration	11.015	11.620	19.447	0.000	3.278
LEV	0.53	0.527	1.94	0.015	0.317
SIZE	6.612	6.521	9.145	4.934	0.690
Growth	15.034	14.938	20.636	9.725	1.646
ROA	0.164	0.135	2.221	-0.40	0.186
ROE	0.32	0.31	0.78	-0.11	0.22

As can be seen in Table (2) of the descriptive statistics of the research variables, the mean is the most essential central index and shows the average of the data. The median is another central index that indicates the average of two even numbers in the middle of the statistical sample. Dispersion parameters determine the degree of dispersion of data with each other or their degree of dispersion compared to the mean. The results of the descriptive statistics of the dependent variable, i.e., investors' decision-making, in the mean and median index, are equal to 6.089 and 20.6, respectively.

Inferential statistics

Unit root test

Before estimating the regression model on the data, it is necessary to check the significance of each variable because if the variables are insignificant, it causes the problem of false regression. The consistency of the research variables indicates that the mean and variance of the variables and the covariance between them remained constant across different years. Therefore, in this research, the Levin, Lin, and Chu (year?) tests were used to ensure the significance of the variables and the non-falsity of the regression, the results of which are presented in Table 3.

Table 3. Unit root test results (Levin et al., 2013)

Variable	Test statistics	Significance level
IDM	-46.725	0.000
Risk Aversion	-7393.66	0.000
PSP	-65.941	0.000
Payout Ration	-15.688	0.000
LEV	-43.411	0.000
SIZE	-9.0302	0.000
Growth	-7.252	0.000
ROA	-17.958	0.000
ROE	-16.822	0.000

Table (3) shows that the significance level of the research variables is less than 0.05, indicating that the variables are stable. As a result, the companies under study have no structural changes, and using these variables in the model does not cause false regression.

Variance Heterogeneity Detection Test

Variance heterogeneity means that the error sentences (residuals) values have unequal variances in the regression model analysis. In the regression estimation using the ordinary least squares method, we first assume that all the error statements have equal variances. After we estimate the model, we use the Breusch-Pagan test to discover the heterogeneity. Variance is used.

Table 4. Results of the Breusch-Pagan test

Statistical assumption	Measurement criteria	Statistic	P-Value	Test result
Regression model	F statistic	3601.931	0.000	Validation of the null hypothesis

As Table (4) above shows, the significance level of F statistics in research models is less than 0.05, so the null hypothesis of non-homogeneity of variance is rejected.

Determining the appropriate model to estimate the regression model

According to the existing research literature and the nature of the research hypothesis, mixed data has been used in this research. To determine the appropriate model (composite or panel with fixed or random effects) to test the research hypothesis, we have turned to the rigorous Limer (Chow) and Hausman F-tests. These tests are not just tools but powerful instruments that we can rely on to ensure the robustness of our methodology. In this test, the null hypothesis of the sameness of the width from the origin (consolidated data) is placed against the opposite hypothesis of the heterogeneity of the width from the origin (on the panel data). The null hypothesis and counter hypothesis for Chow and Hausman tests are as follows:

Table 5. Results of the F-Limer test and Hausman test

Model	Statistical assumption	Test	Test statistics	P-Value	Result
Research model	H_0: All widths from the origins are equal	Chao (F-Limer)	3.59	0.000	Rejection of hypothesis H_0 (panel data model)
Research model	H_0: Random effects method	Hausman	59.667	0.000	Rejection of hypothesis H_0 (proof effects)

Testing research hypotheses

Table 6. Regression model for testing hypotheses of the research model

$$IDM_{it} = \beta_0 + \beta_1 RiskAversion_{it} + \beta_2 PSP \times RiskAversion_{it} + \beta_3 PayoutRation_{it} + \beta_4 Lev_{it} + \beta_5 Size_{it} + \beta_6 \Delta\text{growth}_{it} + \beta_7 \text{ROA}_{it} + \beta_8 \text{ROE}_{it} + \varepsilon_{it}$$

Variable	Variable coefficient	The value of the regression coefficient	t statistic	P-Value
Width from the origin	β_0	7.732	15.148	0.000
RISKAVERSION	β_1	-33.410	-4.822	0.000
PSP*RISKAVERSION	β_2	0.5204	16.851	0.000
PAYOUTRATION	β_3	4.63	1.918	0.0076
LEV	β_4	-0.1329	-1.773	0.000
SIZE	β_5	-0.2162	-2.929	0.003
Growth	β_6	3.38	7.689	0.000
ROA	B_7	-0.2499	-2.780	0.005
ROE	B_8	-0.0006	-4.027	0.000
R-squared	0.365	F-statistic	51.696	
Adjusted R-squared	0.358	Prob(F-statistic)	0.000	
Durbin-Watson		1.713		

The estimation results of the panel method and the experimental model are presented in Table (6):

In the cases seen in Table (6), the p-value of the F statistic, which indicates the significance of the entire regression, is equal to 0.000 and indicates that the model is significant. According to Durbin-Watson's test, the value of the above relationship is between 1.5 and 2.5, which is suitable and suggests the acceptance of the assumption of the absence of autocorrelation. Also, according to the adjustment coefficient obtained for the entire model, which is equal to 0.365, the independent and control equipment of the research explains more than 0.365 of the dependent changes, according to the different

independent significance levels of the first hypothesis of the study, which is equal to 0.000 and is less than the determined level, i.e., 0.05, and considering that the value of the regression coefficient of this Change is positive. as a result. It was concluded that the first hypothesis is checked with 0.95 certainties; risk aversion has a positive relationship with investors' decision-making. The significance level of the equality value of the second hypothesis of the research is 0.000 and is less than the determined level, i.e., 0.05. As a result, the second hypothesis of the research has a confidence level of 0.95. It is possible. Past performance positively influences the relationship between risk aversion and investors' decision-making.

Conclusion

For a long time, many investors have paid attention to the fact that psychology plays a crucial role in determining the behavior of markets. The relationship between financial and other social science disciplines, known as economic psychology, examines investors' decision-making processes and reactions to different financial market conditions. Investors' behavior, which originates from various factors such as their perception and sense, affects their decision-making process. Perspective theory and comprehensive perspective theory are, in some cases, a violation (and an evolved alternative) of the expected utility theory, and in fact, the prospect theory was created in criticism of the expected utility theory and unlike the objective utility theory. Expectation, in the perspective theory, value measurement is not based on the final asset, but this value is measured in terms of profit and loss. The past and future performance of stocks significantly impacts individual investors in the stock market. In this research, it was found that risk aversion variables have a positive effect on investors decision-making; the result of the research hypothesis test is consistent with the results of Wang et al. (2018) research. Also, the past performance of stocks positively moderates the relationship between risk aversion and investors' decision-making. The result of the hypothesis test of the mentioned research, along with the results of the research of Obamuyi (2013) and Patil and Bagodi (2021), is compatible. Considering the obtained results and the positive effect of independent and moderator variables on the dependent variable, investors should first be familiar with the essential topics of the prospect theory. Some behavioral finance issues have been raised in perspective theory. Still, investors should be aware of the role of behavioral finance theories in investing to achieve optimal and more favorable investments. In this regard, it is suggested that natural persons, before entering the stock market and investing in the shares of firms, use the educational

courses of the Stock Exchange Organization and, in addition to familiarizing themselves with the types of fundamental and technical analysis, also use behavioral finance topics to increase their level of knowledge. Also, use it to raise awareness of their level of expertise. According to the result of the hypothesis test that risk aversion affects investors' decision-making, it is suggested to the country's planners and policy-makers that by supporting investors in the stock market, measures to do more effectively to increase the efficiency of the market and more transparency of information to reduce the risk aversion of investors. In addition to the above, the analysis of the research data indicates that the past performance of stocks has a positive moderating effect on the relationship between risk aversion and investors' decision-making, so it is suggested to the stock market officials that by fulfilling the legal requirements, it Prevents investors from hasty decisions.

In conclusion, this research, like many others, has limitations. One limitation is the need for inflation adjustment and price level changes in the research data. Readers must consider this in their final interpretation and analysis.

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