

New-ventures are ventures that are in the nascent stage of business venturing and are yet to enter the market. Due to this, investments in new-ventures are engulfed with high risk. To overcome this risk, investors consider a variety of information signals about the team and product to understand the value of a proposal. Even after such a comprehensive consideration, most invested new-ventures fail to provide desired returns, and investors lose capital. The unoptimized decisions of investors are not unidirectional of just investing in bad proposals, as investors even reject deserving new-ventures. Researchers argue that the special characteristics of new-venture investment decisions, such as qualitative information signals, unverifiability of information signals, and heuristics-based decisions, determine the decision optimality. Qualitative information lacks standardization and limits comparability among alternatives, while heuristics-based decisions consider only a subset of information signals while making decisions, thus suggesting the role of behavioral perspectives in processing the information signals. With this note, this work aims to understand the behavioral perspectives involved in the new-venture investment decisions. This research work uses the theories of judgment and decision-making to understand new-venture investment decisions. This study begins with exploring the presence of bias in investors' consideration of information signals. For this, the significance that investors adhere to specific information signals is compared with the significance these information signals actually have in determining the new-venture's performance. The variation in the significance revealed that investors lack rationality and consider information signals based on their ability and motivation to process the information signals. This result provides the first quantitative evidence of bias in new-venture investment decisions. After this, the study explores the significance of qualitative signals in determining prospects using an experimental setup. Participants are randomly allocated into control and treated groups, where the treated group is given time-constraints to make the decision. Results suggest that perceived prospects are partially related to and partially exclusive to the specific information signals. Results further show that time-constraints push the usage of heuristics as investors consider a subset of information signals for assessing the value of proposals and partially consider the probable prospects while making the investment decision. This tendency further affects the scale of investment as the treated group invested more than the control group in most proposals. Next, the study explores the determinants of decision noise in new-venture investment decisions. Decision noise is the variability in the scale of investment among investors. Results suggest that

information type, experience, and time to make decisions significantly affect the scale of decision noise. The unverifiability and insufficiency of the information signals propagate decision noise, while time to make decisions moderates the effect of experience on the scale of noise. Intriguingly, inexperienced investors' decisions are less noisy with time-constraints, while experienced investors' decisions are more noisy with time-constraints. After this, the study explores the determinants of inaccuracy in new-venture investment decisions. Inaccuracy is the deviation of actual decisions from the expected utility-based decisions. Results show that the belief-based salience and time to make decisions propagate inaccuracy in new-venture investment decisions. Lastly, this study explores the role of information signals beyond just their significance in determining investment decisions. Herzberg's hygiene theory suggests that information signals that dissatisfy a decision maker are different from the information signals that satisfy. Consistent with this, the categorization reveals that information signals that suggest risk-coverage are considered as hygiene factors by investors, while information signals suggesting the return-potential of the proposal motivate investors. Thus, investors perceive information signals differently based on their association with the probable prospects. Given the overall objective of this study, the results show that investors' characteristics, information type, perceived prospects, and time to make decisions significantly impact the new-venture investment decisions.

Keywords: New-venture, Investment decisions, decision making, noise, perceptions, irrational, signaling theory, dual process theory, elaboration likelihood model, Shapley values, crowdfund, angel investment, experimental finance