

A STUDY ON EMOTIONAL INTELLIGENCE OF INVESTORS DECISION MAKING

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Abstract: Emotional intelligence plays a vital role in taking any decisions. So this study focuses on understanding the emotional intelligence level of investors who invest in different avenues. The researcher has been adapted Goleman's (1995) four clusters model of emotional intelligence which includes self-awareness, self management social awareness, and relationship management. The objective of the study is to find which of the components of emotional intelligence is predominately expressed by investor and which component of EI effect the investors' decision. Investment decisions are typically made using technical or fundamental analysis in many instances; however, emotions play a role in their investment decisions. A non-experimental, quantitative, survey-based, and cross-sectional research design was employed to collect primary data from respondents using the self-completion questionnaire method where we have collected the data from 106 investors by snowball sampling technique. The analysis is done by applying Descriptive Statistics, ANOVA and Regression test. The study demonstrated that self awareness and self management are the dimensions of emotional intelligence that influence investors' decision making and there is a positive relation between emotional intelligence and investors' decision making.

Keywords: Emotional intelligence, investors, self-awareness, self-control, social awareness, relationship management, decision making

Introduction:

Emotional Intelligence (EI) is defined as the capacity/ability for identifying our very own emotions and those of others, motivating ourselves, and coping with our emotions and relationships accurately (Goleman, 1998). Investors, like any other human being, experience and express emotions. It is acknowledged that Investors will make more beneficial decisions when they perceive and comprehend their emotions, as this will reduce the difficulties associated with the decision-making system. (Hess & Bacigalupo, 2011). Barling, Turner & Zacharatos (2002) suggested that in order to achieve better decision-making outcomes, decision-makers must focus their efforts not only physically, but also psychologically, emotionally, and mentally. Consistent performance by the investor or decision maker ensures that he or she will receive a healthy return on investment. The performance of investors is clearly dependent on the decisions they make on a regular basis. Other researchers have discovered that investors with a high level of emotional intelligence are more likely to invest correctly by trading less frequently and choosing low-cost funds (Ameriks, Wranik & Salovey,

2009). When an investor becomes risk-averse, he or she is bound to employ emotional intelligence (Reza Pirayesh, 2013). Individuals with higher EI characteristics are more likely to invest than those with lower EI characteristics (Petridis & Furnham, 2001). A better management of one's emotions leads to more profitable decision-making. Emotions play a significant role in an individual's liking of things. (Leary, Reilly & Brown, 2009). Emotional intelligence is a person's ability to communicate his feelings and bond them to those he acquires from his environment for decision-making and relationship management. (Ahangar & Rooshan, 2010)

Literature Review

In the early 1990s, psychologists John Mayer and Peter Salovey pioneered the concept of emotional intelligence. They perceived emotions as internal activities that direct individuals' physiological reactions, intellects, and conscious alertness. They defined emotional intelligence as the ability to identify emotions, approach and generate feelings to aid thoughts, comprehend feelings and emotional knowledge, and reflect on emotions in order to promote emotional and rational development.

Deshmukh and Joseph (2016) investigated the factors that influence investor decision-making. Tanvir, Sufyan, and Ahsan (2016) investigated the effect of EI on investment decision-making. Both researchers discovered a strong influence of self-awareness, self-management, and empathy, but a weak influence of relationship management.

Sashikala and Chitramani (2017) focused on identifying the constructs necessary to identify the EI of investors, through an extensive review stating the role that emotional intelligence plays in the investor's investment behaviour. Muttath and Menachery (2018) compared the similarities and differences in emotional intelligence and investment decisions.

Yosafat Chrisologus Siloam, Lenny Gunawan (2013) analyzes the impact of emotional intelligence on investing decisions, focusing on motivation, self-awareness, handling feelings, social aptitude, and empathy. Results show simultaneous effects of emotional intelligence on investing decisions, with motivation and self-awareness having no significant individual effects.

E. Rubaltelli, Sergio Agnoli, Michela Rancan, Tiziana Pozzoli (2015) has found that emotions may prevent investors from taking risks and investing rationally, but there is variability in managing emotional feedbacks. A study found that individuals with high trait emotional intelligence are more willing to accept risks in investment decisions. The results improve understanding of how emotions influence investors' behavior and show that their role depends on individual differences and situational factors.

B. Lucey, M. Dowling (2004) This paper reviews research on the impact of investor emotions on equity pricing and develops a theoretical foundation for understanding emerging findings. It investigates the impact of emotions on decision-making, particularly when faced with risk and uncertainty, and analyses existing research on investor emotions. The study looks into whether emotional variations influence investor decisions and predict equity pricing patterns. The paper suggests future empirical and theoretical research directions

Research Questions

1. Which of the Emotional intelligence dimensions of self-awareness, self-management, social awareness, and relationship management is predominantly expressed by investors?

2. What is the impact of above said emotional intelligence dimensions on investor's investment decision- making?

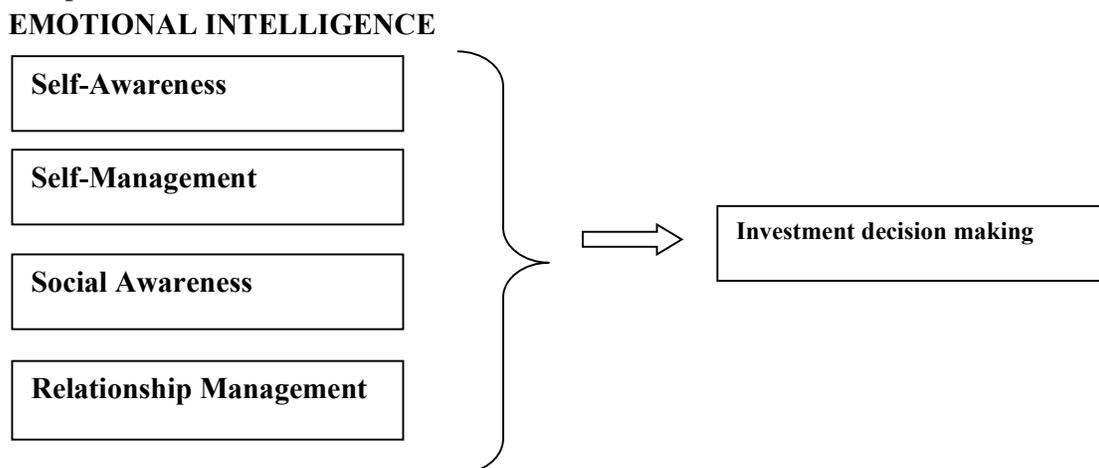
Research Objectives

1. To study the relation between the dimensions of emotional intelligence and investment decisions.
2. To know which dimension of Emotional Intelligence effect on investment decision making.
3. To know the influence of demographic variables on emotional intelligence

Hypothesis:

- H0. There is no relation between emotional intelligence and investment decisions of investors.
H1. There is relation between emotional intelligence and investment decisions of investors.
H0. There is no effect of self awareness on investment decision making.
H2a. There is the effect of self awareness on investment decision making.
H0. There is no effect of self management on investment decision making.
H2b. There is the effect of self management on investment decision making.
H0. There is no effect of social awareness on investment decision making.
H2c. There is the effect of social awareness on investment decision making.
H0. There is the effect of social management on investment decision making.
H2d. There is the effect of social management on investment decision making.
H0: There is no influence of age, gender, income, education and occupation on Emotional Intelligence of investor
H3a: There is an influence of age on Emotional Intelligence of investor.
H3b: There is an influence of gender on Emotional Intelligence of investor.
H3c: There is an influence of income on Emotional Intelligence of investor.
H3d: There is an influence of education on Emotional Intelligence of investor.
H3e: There is an influence of occupation on Emotional Intelligence of investor.

Conceptual Framework



Research Methodology

This study is quantitative and adhered to Goleman's (1996) methodologies for emotional intelligence. The questionnaire for emotional intelligence was based on Goleman's (1996) dimensions of emotional intelligence (self-awareness, self-management, social awareness, and relationship-management) and was modified to meet the needs of investment dimensions. The emotional intelligence questionnaire had 40 items, with 10 elements for each variable. These ten elements were closed ended and used the Likert scale methodology, with 0= never, 1=rarely, 2=some times, 3= usually and 4= always.

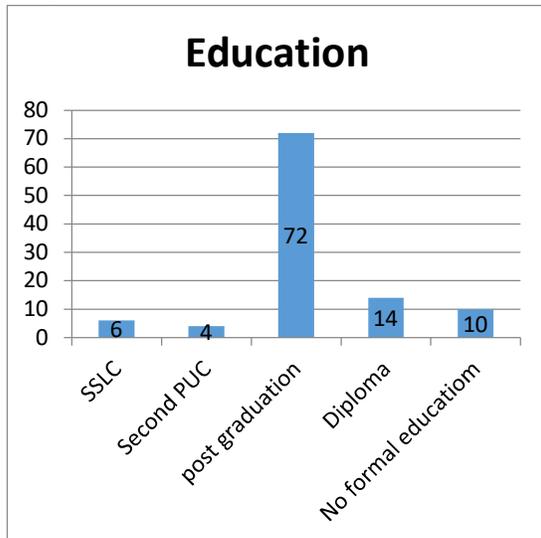
Test size: the information was gathered from 106 Investors

Sampling Area: Investors from Hubli-Dharwad Region.

Sampling technique: Snowball sampling method was used to collect the data.

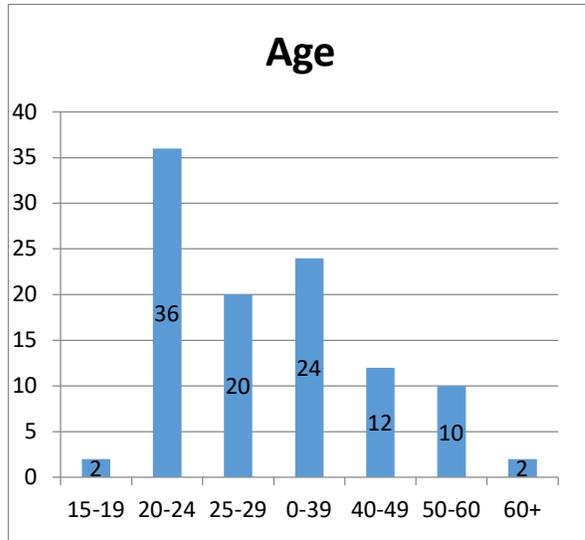
Analysis

Graph1: Education



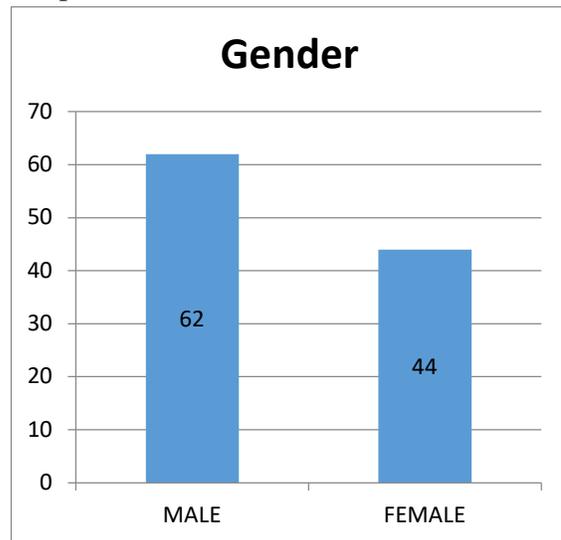
From the above table it is observed that 72 respondents are post graduates, 14 respondents are diploma holders, 10 respondents have no formal education, 6 respondents have completed SSLC and 4 respondents have completed second PUC. Majority respondents are post graduates.

Graph2: Age



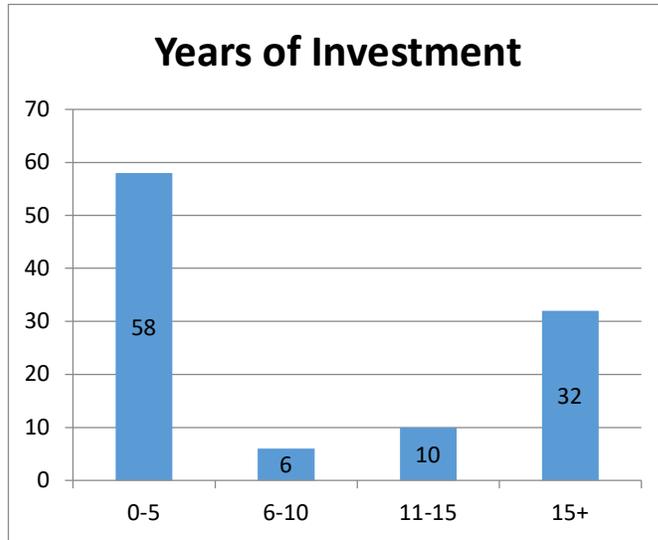
From the above table it is observed that 36 respondents are between 20-24 years, 24 respondents are between 30-39 years, 20 respondents are between 25-29 years, 12 respondents are between 40-49 years, 10 respondents are between 50-60 years and 2 respondents each are between 15-19 years and 60+ years. Majority respondents are between the age group of 20-24 years.

Graph 3: Gender



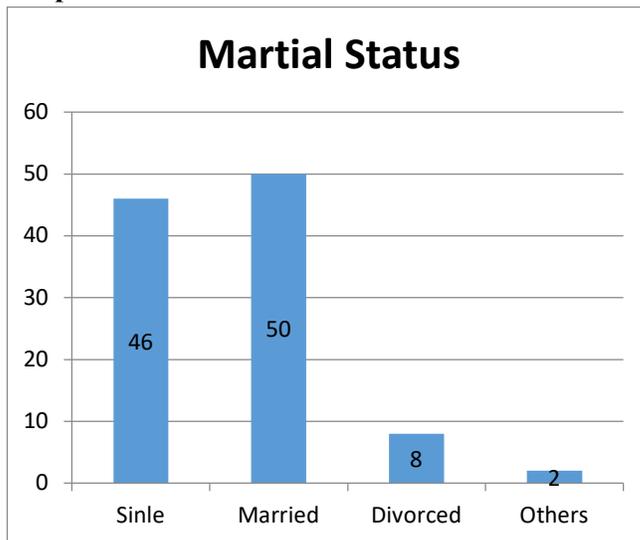
From the above table it is observed that 62 respondents are Male, 44 respondents are Female. Majority respondents are male.

Graph 4: Years of Investment



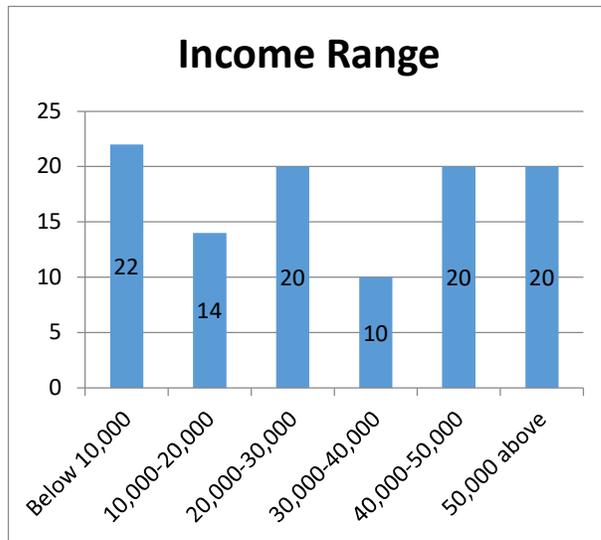
From the above table it is observed that 58 respondents have started investment between 0-5 years, 32 have started investment between for 15+ years, 10 have started investment between 11-15 years, and 6 respondents started investment between 6-10 years. Majority respondents have started investment between 0-5 years.

Graph 5: Martial Status



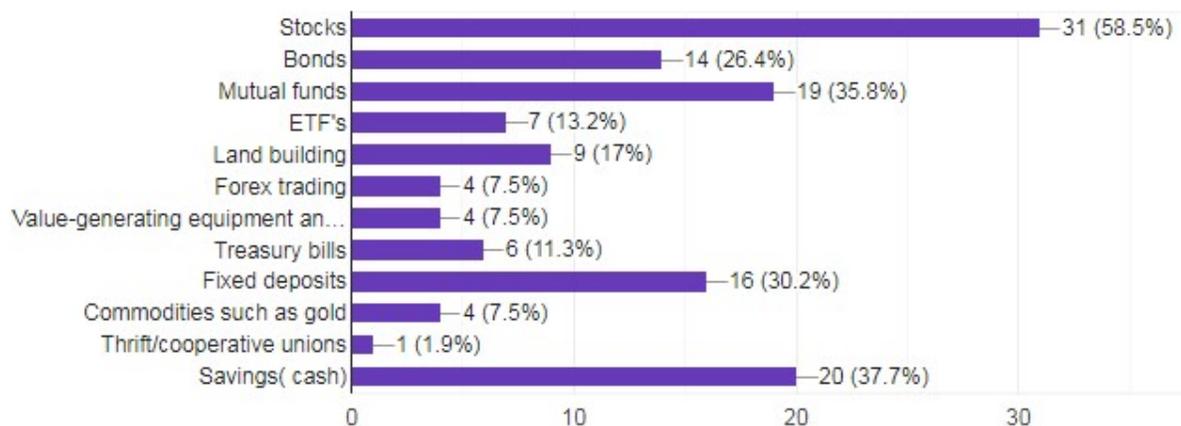
From the above table it is observed that 50 of respondents are married, 46 are single, 8 respondents are divorced, 2 of respondents have marked others. Majority respondents are married.

Graph 6: Income Range



From the above table it is observed that 22 respondents have income below Rs. 10,000, 14 respondents have income between 10,000-20,000, 20 respondents have income between Rs. 20,000-30,000, 10 respondents are have income between Rs.30,000-40,000, 20 respondents are have income between Rs.40,000-50,000 and 20 respondents have income between Rs. 50,000 above. Majority respondents are below Rs.10,000 income.

Graph 7: Investments in financial and/or real assets



From the above chart it is found that the below mentioned are the preferred investments. Stocks (58.5%), savings (37.7%) mutual funds(35.8%), Fixed deposits (30.2%), Bonds(26.4%), Land and Building(17%), ETF's(13.2%), Treasury bills(11.3%), Forex trading (7.5%), Value generating equipments (7.5%), Commodities such as gold(7.5%). The top 3 investment the investors prefer are stock, savings(cash) and Mutual Funds.

Table 1: To study the relation between the dimensions of emotional intelligence and investment decisions.

One way ANOVA test

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	67.4165	33	2.04292	1.73517	0.005792101	1.43969
Within Groups	4163.15	3536	1.17736			

Emotional Intelligence has a significant impact on investors' decision making. As P-value is less than 0.05 we reject Null Hypothesis and accept the alternative hypothesis. That means there is the relation between Emotional Intelligence and investment decision making .

Table2: To know which dimension of Emotional Intelligence effect on investment decision making.

Regression Analysis

Hypothesis	<i>Significance F</i>	Result
There is the effect of self awareness on investment decision making.	0.023237518	Accepted
There is the effect of self management on investment decision making.	0.000103549	Accepted
There is the effect of social awareness on investment decision making.	0.51195942	Rejected
There is the effect of social management on investment decision making.	0.006705037	Accepted

Regression Analysis is calculated, the significance value for Self awareness, Self management and Social management is less than 0.05 the null hypothesis is rejected and it says that all these dimensions of Emotional intelligence effect on investment decision making.

Table 3: To know the influence of demographic variables on emotional intelligence

Regression Analysis

Hypothesis	<i>Significance F</i>	Result
There is an influence of age on Emotional Intelligence of investor.	0.004700909	Accepted
There is an influence of gender on Emotional Intelligence of investor.	0.05273007	Rejected
There is an influence of income on Emotional Intelligence of investor.	5.13435E-05	Accepted
There is an influence of education on Emotional Intelligence of investor.	0.80190451	Rejected
There is an influence of occupation on Emotional Intelligence of investor	0.613340559	Rejected

Regression Analysis is calculated, the significance value for age and income is less than 0.05 so the alternative hypothesis is accepted and the significance value for gender, education and occupation is more than 0.05 so the null hypothesis is accepted. This means Age and income have influence on emotional intelligence of the respondents where as gender; education and occupation have no influence on emotional intelligence of the respondents

Conclusion

In this paper, we presented an empirical study to determine the relationship between emotional intelligence and investment decisions among investors. This proposed study has confirmed the existence of a positive relationship between two components. The study also confirmed that age and income have an impact on investors' emotional intelligence, whereas gender, education, and occupation have no impact on investors' emotional intelligence. The study also demonstrated that self awareness and self management are dimensions of emotional intelligence that influence investors' decision making. The current research findings will aid in identifying and focusing on emotional intelligence factors that contribute more to investor investment decisions.

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