

CHAPTER 81

Influence of Personality Types on Investments Choices

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ABSTRACT

This study explores the influence of personality traits and value systems on investment choices, utilizing the Big Five personality model as a framework for analyzing investor behavior. The findings indicate that personality traits have a measurable but limited impact on investment decisions, with certain traits influencing specific asset classes more significantly than others. While personality traits explain a portion of investment inclinations, external factors such as financial literacy, income levels, and cultural influences likely play a more substantial role. For financial professionals, understanding these behavioral insights can facilitate the development of personalized financial strategies, enabling investors to make more informed and value-aligned investment decisions. Policymakers and institutions can leverage these findings to design more effective financial products and educational programs. Ultimately, integrating personality-driven insights with financial planning can lead to improved investor confidence, better risk management, and enhanced financial well-being. The investment choices were selected as comprehensive questionnaire was developed to measure the personality of an individual with 38 items based on big five modal citations. Apart from these the investors were asked their investment preferences in the following categories people aged between 20-45 and above. Types of investments which are Fixed income securities, equities, Mutual fund, Gold & Silver and crypto currency. The study would provide useful insights about inter linkages between personality types of investing habits among people in India.

Keywords: Personality; Investment; Finance; Stocks; Risk.

1.0 Introduction

Individual investors' distinct personalities and value systems have a significant impact on the investment sector in addition to financial markets and economic trends. Investors' decision-making processes are heavily influenced by their personality types and personal values as they traverse the complicated terrain of investing prospects. It is essential for both investors and financial professionals to comprehend how these factors affect investing decisions. Personality types, as outlined by different psychological frameworks like the Myers-Briggs Type Indicator or the Big Five attributes, can have a big impact on how someone approaches investment.

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People with high levels of openness to experience, for instance, could be more likely to investigate unusual investment opportunities and assume higher levels of risk in the hopes of earning benefits. On the other hand, those with high conscientiousness might place a higher value on careful study, methodical portfolio management, and risk-reduction techniques. The impact of various personality types and value systems on investors' attitudes toward risk, investing preferences, portfolio design techniques, and long-term financial planning will be discussed in this introduction. Investors can improve their financial well-being and pleasure by making better judgments that suit their individual preferences and goals by comprehending how personality traits, values, and investing decisions interact.

2.0 Literature Review

Personality Traits and Investment Behaviour: Using psychological frameworks like the Big Five personality qualities, a number of research have investigated the connection between investment behaviour and personality factors. For example, extraverted people are more likely to be active traders, whereas neurotic people are more likely to make emotional decisions and be risk averse (Odean & Barber, 2001). Likewise, studies have demonstrated a significant correlation between conscientiousness and long-term investment strategies, savings behaviour, and financial plan adherence (Roberts *et al.*, 2007). While people with high agreeableness may prioritize socially conscious investments, those with high openness to experience may be more inclined to investigate novel investment options (Mottola *et al.*, 2013).

Value System and Investment Preferences: Investment preferences are also greatly influenced by the value systems of investors, which are formed by their priorities, values, and beliefs. In recent years, investors have become more interested in aligning their investment decisions with environmental, social, and governance (ESG) criteria, a trend known as socially responsible investing (SRI) (Renneboog *et al.*, 2008). According to research, investors with high ethical standards might steer clear of sectors like alcohol, tobacco, and weaponry that are seen as immoral or dangerous (Bauer *et al.*, 2005). Additionally, people's cultural origins and religious convictions might affect the investments they make; for example, certain religious groups may advocate for ethical investment methods and steer clear of interest-bearing assets (Chen *et al.*, 2015). Although value systems and personality traits are frequently researched separately, their interaction in influencing investing choices is becoming more well acknowledged. People with high conscientiousness, for instance, are more likely to give ethical issues top priority when making investment decisions, whereas people with high openness to experience might be more open to new ESG investing prospects (Borgmann *et al.*, 2017). Investment decisions are also influenced by the interaction of an individual's financial goals and ambitions with their value systems and personality attributes. For example, risk-tolerant investors may seek greater returns through growth-oriented investments, whereas risk-averse investors may place a stronger priority on income production and capital preservation (Dohmen *et al.*, 2011).

3.0 Research Methodology

The personality type were identified using BIG FIVE personality type model. The investment choices were selected as fixed deposit, Bonds, Cryptocurrency, fixed income securities, direct equity, mutual funds, gold/silver etc. Comprehensive Questionnaire was developed to measure the personality of an individual with items or questions based on big five personality model citations. Apart from this, investors were asked about their investment preference in the following categories like fixed deposit, Bonds, Cryptocurrency, fixed income securities, direct equity, mutual funds, gold/silver and the investors were aged between 25 to 40, specifically as 20 to 25, 26 to 35, 36 to 45 and 45 and above. Depending upon the survey done with the help of google forms and questionnaire developed, data analysis can be done to identify the investing habits of people in India. The study would provide useful insights about the inter linkages between personality types of investing habits among people in India.

The questionnaire developed is as follows:

1. I see myself who Is talkative
2. I see myself who Tends to find fault with others
3. I see myself who Does a thorough job
4. I see myself who is depressed, blue
5. I see myself who Is original, comes up with new ideas
6. I see myself who Is reserved
7. I see myself who Is helpful and unselfish with others
8. I see myself who Can be somewhat careless
9. I see myself who Is relaxed, handles stress well
10. I see myself who Tends to be lazy
11. I see myself who Is emotionally stable, not easily upset
12. I see myself who Is inventive
13. I see myself who Has an assertive personality
14. I see myself who Can be cold and aloof
15. I see myself who Perseveres until the task is finished
16. I see myself who Can be moody
17. I see myself who Values artistic, aesthetic experiences
18. Is sometimes shy, inhibited
19. I see myself who Is curious about many different things
20. I see myself who Is considerate and kind to almost everyone
21. I see myself who Is full of energy
22. I see myself who Starts quarrels with others
23. I see myself who Is a reliable worker
24. I see myself who Can be tense
25. I see myself who Is ingenious, a deep thinker

26. I see myself who Generates a lot of enthusiasm
27. I see myself who Has a forgiving nature
28. I see myself who Tends to be disorganized
29. I see myself who Worries a lot
30. I see myself who Does things efficiently
31. I see myself who Remains calm in tense situations
32. I see myself who Prefers work that is routine
33. I see myself who Is outgoing, sociable
34. I see myself who Is sometimes rude to others
35. I see myself who Makes plans and follows through with them
36. I see myself who Gets nervous easily
37. I see myself who Likes to reflect, play with ideas
38. I see myself who Has few artistic interests
39. My investment portfolio is dominant in Fixed deposit
40. My investment portfolio is dominant in direct equity
41. My investment portfolio is dominant in mutual funds
42. My investment portfolio is dominant in gold/silver

Interpretation of the Regression Analysis- Fixed Income Assets: This regression analysis examines how different personality traits influence the inclination to invest in fixed-income assets. The independent variables are the Big Five personality traits: Extraversion, Agreeableness, Conscientiousness, Neuroticism, and Openness.

Table 1: Significance of Individual Predictors

Personality Trait	Coefficient	P-value	Interpretation
Extraversion	0.5752	0.0022 (Significant)	Positively associated with investing in fixed income. Higher extraversion leads to a higher inclination to invest.
Agreeableness	-0.5599	0.0227 (Significant)	Negatively associated with investing in fixed income. More agreeable people are less likely to invest in fixed income.
Conscientiousness	0.0357	0.8709 (Not Significant)	No significant effect on investing inclination.
Neuroticism	0.0853	0.6576 (Not Significant)	No significant effect on investing inclination.
Openness	-0.1863	0.4766 (Not Significant)	No significant effect on investing inclination.

4.0 Data Analytics and Findings

Interpretation of the Regression Analysis-Gold/Silver.

4.1 Key Regression Statistics

- Multiple R: 0.3432 → Indicates a weak correlation between personality traits and inclination to invest in gold/silver.

- R Square: 0.1178 → Only 11.78% of the variance in gold/silver investment inclination is explained by personality traits.
- Adjusted R Square: 0.0627 → Slightly lower than R Square, indicating limited predictive power.
- Significance F: 0.0694 → Not statistically significant at the 5% level (but close), suggesting that personality traits may have a mild influence on gold/silver investment.

Table 2: Significance of Individual Predictors

Personality Trait	Coefficient	P-value	Interpretation
Extraversion	0.3859	0.0563 (Almost Significant)	Positive effect: extroverts may be inclined to invest in gold/silver, but not strongly significant.
Agreeableness	-0.5028	0.0600 (Almost Significant)	Negative effect: agreeable individuals may be less inclined to invest in gold/silver.
Conscientiousness	0.2463	0.2363 (Not Significant)	Weak positive effect, but not statistically significant.
Neuroticism	0.1384	0.5109 (Not Significant)	No significant effect.
Openness	-0.1620	0.5711 (Not Significant)	No significant effect.

Table 3: Summary Output

Regression Statistics	
Multiple R	0.343270784
R Square	0.117834831
Adjusted R Square	0.062699508
Standard Error	1.242905797
Observations	86

Table 4: ANOVA

	df	SS	MS	F
Regression	5	16.507838	3.30156754	2.1371931
Residual	80	123.58519	1.54481482	Significance F
Total	85	140.09302		0.06937197
	Coefficients	Standard Error	t Stat	P-value
Intercept	2.4877	1.7518	1.4201	0.1595
Extraversion	0.3859	0.1992	1.9371	0.0563
Agreeableness	-0.5028	0.2636	-1.9077	0.0600
Conscientiousness	0.2463	0.2396	1.0281	0.3070
Neuroticism	0.1384	0.2097	0.6603	0.5109
Openness	-0.1620	0.2849	-0.5687	0.5711

4.2 Interpretation of results

Extraversion has a positive effect on gold/silver investment inclination ($p = 0.0563$, close to significance). This suggests that extroverts might prefer gold/silver investments, possibly due to their perceived social status or traditional appeal. Agreeableness has a negative effect ($p = 0.0600$, close to significance), indicating that more agreeable people may be less inclined to invest in gold/silver, potentially due to their lower risk-taking behaviour. Conscientiousness, neuroticism, and openness do not significantly influence gold/silver investment behavior (p -values > 0.05).

4.3 Stakeholder implications

As a part of study various stakeholders identified are as follows:

Investors: Awareness of one's personality traits can help in making more rational investment choices. Understanding risk tolerance based on personality traits can enhance portfolio diversification strategies. Personal values should be integrated with investment decisions to align with long-term financial goals and ethical considerations.

Financial Advisors & Wealth Managers: A personalized advisory approach considering personality traits can enhance client satisfaction and investment outcomes. Investors high in conscientiousness may prefer structured, long-term investment plans, while those high in openness may be more receptive to alternative investments such as cryptocurrencies and ESG-focused funds. Education and risk assessment tools can be tailored based on personality profiles to mitigate biases and impulsive financial decisions.

Financial Institutions & Product Developers: Banks, asset managers, and investment firms can develop targeted financial products catering to specific personality-driven investor segments. The rise of value-based investing suggests a growing demand for ESG-focused and socially responsible investment opportunities. Robo-advisory platforms can incorporate behavioral finance insights to improve automated investment recommendations.

Policymakers & Regulators: Financial literacy programs can be designed with a behavioral finance approach to improve decision-making among different investor personalities. Policies promoting ethical investing and transparency in financial markets can align with the increasing importance of personal values in investment decisions.

Behavioral Finance Researchers: Further studies can explore the intersection of personality traits and external economic factors to build more accurate predictive models. Analyzing demographic variations in investment behavior can provide deeper insights into cultural and regional investment trends.

5.0 Conclusion

The study emphasizes how personality factors have a moderate but considerable impact on investment decisions. While agreeableness and neuroticism tend to deter participation, openness has a favourable correlation with direct income investments. Likewise, agreeableness

and extraversion have a minor impact on gold/silver investing choices. However, outside variables like socioeconomic level, risk tolerance, and financial knowledge are more significant predictors of investment behaviour than personality traits alone. Understanding these behavioural insights can help financial advisors create individualized financial plans that will help investors make better-informed and value-aligned choices. These insights can be used by institutions and policymakers to create financial products and educational initiatives that are more successful. In the end, combining personality-driven insights with financial planning can result in better risk management, increased investor confidence, and higher financial well-being. Agreeableness and extraversion are marginally significant and may have a slight impact on gold/silver investment behaviour. However, the overall model is weak, explaining only 11.78% of the variance in investment inclination. Other factors (such as income, financial knowledge, or cultural preferences) likely play a bigger role in gold/silver investment decisions. A more comprehensive model including economic factors would be useful for better predictions.

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