

Big Five Personality Traits and Investment Decision

Dr. Mahammadrafique U. Meman^a, Purnima M. Chouhan^b

^a Professor and Ph.D. Supervisor, The Mandvi Education Society Institute of Business Management & Computer Studies, Mandvi, Surat

^b Research Scholar, Gujarat Technological University, Ahmedabad

Abstract:

Every individual human being is unique in this world. This distinctiveness of human beings is determined by their personality. Personality is identified of each individual by their decision-making style, their attitude and cognition. All these factors are influenced by both psychological and psychographic factors. The aim of the present article is to examine the impact of the big five personality traits on investor's investment decisions. And to analyze the relationship between personality traits and investment decisions. Data has been collected from the 100 individual retail investors of the south Gujarat region. For analyzing the data factor analysis, regression analysis and Karl Pearson Co-relation statistical methods have been used. Further, the finding of the study it is revealed that personality traits having some impact on the investment decision in Mutual Fund among the selected region. The result of this study it is revealed that Extraversion and Openness to Experience traits of personality are having positively related with the risk taking factor and Neuroticism traits of Personality are having positively correlated with risk averse.

Keyword: *Big Five Personality, Investment Decision, Mutual Fund.*

1. INTRODUCTION:

The Big Five Personality model resulted from the contribution of many independent researchers. Gordon Allport and Hery Odbert formed a list of 4500 terms relating to personality traits in 1936 (Vinney, 2018). Their work provided the base for other psychologists to initiate determining the basic dimensions of personality.

In the 1940s, Raymond Cattell and his colleagues further narrow down the traits given by Allport's. Raymond Cattell narrow down the list to sixteen traits. After that, numerous psychologists examined Cattell's list and they found that it could be further reduced to five traits. Behind these psychologists were Donald Fiske, Norman, Smith, Goldberg, and McCrae & Costa (Cherry, 2019).

The extensively used system of personality is called the Five-Factor Model. This system encompasses five broad traits that can be remembered with the acronym OCEAN: Openness, Conscientiousness, Extraversion, Agreeableness, and Neuroticism. In this study particularly this Big Five personality trait is studied and its impact on the investment decision.

- **Agreeableness:** In agreeableness personality, this type of person is compassionate, good in nature and cooperative and they always try to avoid conflicts, friendly, helpful and they can compromise their interest with others.
- **Extroversion:** In Extraversion Personality, this type of person is talkative, sociable, and assertive. It reflects the comfort level of persons with the relationships. This type of people always with full of energy and experience positive emotions.
- **Conscientiousness:** In Conscientiousness personality, this type people who are dependable, responsible, they do work in very organized and systematic manner. They do proper planning to each activity because of that they avoid trouble and achieve high levels of success.
- **Openness to Experience:** In Openness to Experience personality, these types of persons are curious, imaginative, intellectual, creative people from down to earth.
- **Neuroticism:** In Neuroticism personality, this type of person is emotionally unstable. They always feel negative, anxiety, anger or depression.

2. LITERATURE REVIEW:

Phung Thai Minh Trang, Mai Ngoc Khuong (2015) studied on Impact of the Big Five Traits and Mood on Investment Performance – A Study of Individual Investors in Vietnam. The study met the objectives that were proposed. Firstly, it explores two personality traits including conscientiousness and openness to experience and agreeableness directly influence investment performance. Additionally, the study also found out that conscientiousness and openness to experience and extraversion directly impacted a positive mood; agreeableness and neuroticism directly affected a negative mood.

Olga Pak and Monowar Mahmood (2015) studied on Impact of personality on risk tolerance and investment decisions. The purpose of this paper is to investigate the relationship between personality traits, risk-taking attitude and investment decisions among potential private investors in a post-Soviet transition country, i.e. Kazakhstan. The findings revealed that personality traits have some impact on an individual's risk-tolerance behavior, which, in turn, influences investment decisions about stock, securities and bonds. The results of this study imply that investment advisors should consider personal characteristics and individual risk tolerance, among other factors, when giving investment advice to private investors.

Ang Shiao Zhuan, Chuah Chea Ying, Kui Siew Boon, Soo Li Hui, Wong Chin Hong (2016) studied on The Effect of Personality Traits and Demographic Characteristics towards Risk Tolerance and Investment Decision Making. The aim of that study was to examine personality and demographic characteristics on risk tolerance has impact on young potential investors" decision making process in Kampar. And to identify the relationship between the personality traits and risk tolerance on the young potential investor. With high personality traits, they tend

to take higher risk of investment which will gain higher return. While for low personality traits, they tend to take much lower risk compare to high personality traits. As conclusion, personality traits, investment experience and financial literacy has impact on young potential investor's risk tolerance.

Mr. R. Gowri Shankar, Dr. Tomy K. Kallarakal (2018) studied on the Impact of Big Five Personality Traits and Demographics on the IT Working Professionals Stock Investment Decision. This study also aims to explore the impact of the Big Five traits and Demographics on stock market investment pattern of Information Technology working professionals of city Bangalore. But here in this study two major traits Extrovert and Openness is tested on the stock market investment pattern but it proved insignificant.

Vaishnavi Rathinasamy, Hemavathy Ramasubbian (2020) studied on Impact of Big five Personality traits on investment decision. The purpose of that study was to found an Impact of Big Five Personality Traits on Investment Decisions of an Investors in Coimbatore city. The variables which used in this study were Big Five Personality traits – Extroversion, Agreeableness, Conscientiousness, Neuroticism and Openness to Experience. Findings of research study shows that Big Five Personality Traits influencing the Investment Decisions of the Investors.

3. RESEARCH METHODOLOGY:

3.1 Problem Statement:

There is various constructs that affect the decision of investors and the personality traits of investors have a major impact on such factors. The present research has identified this problem and focused on examining various personality traits of investors in the south Gujarat region.

3.2 Objective:

1. To analyze the effect of Big Five personality traits on investment decisions.
2. To study the relationship between Personality traits and investment decisions.

3.3 Research Design:

The present study focus on the effect of personality traits on investment decision. The study is descriptive in nature and for that study primary data has been collected by using the survey method. The sample unit is investors of the South Gujarat Region. Simple random convenient sampling is used to get responses from 100 retail investors. The tools used for the research are charts; graphs and some statistical tools and techniques used in the analysis are Pearson correlation coefficient and Regression analysis.

4. DATA ANALYSIS AND INTERPRETATION:

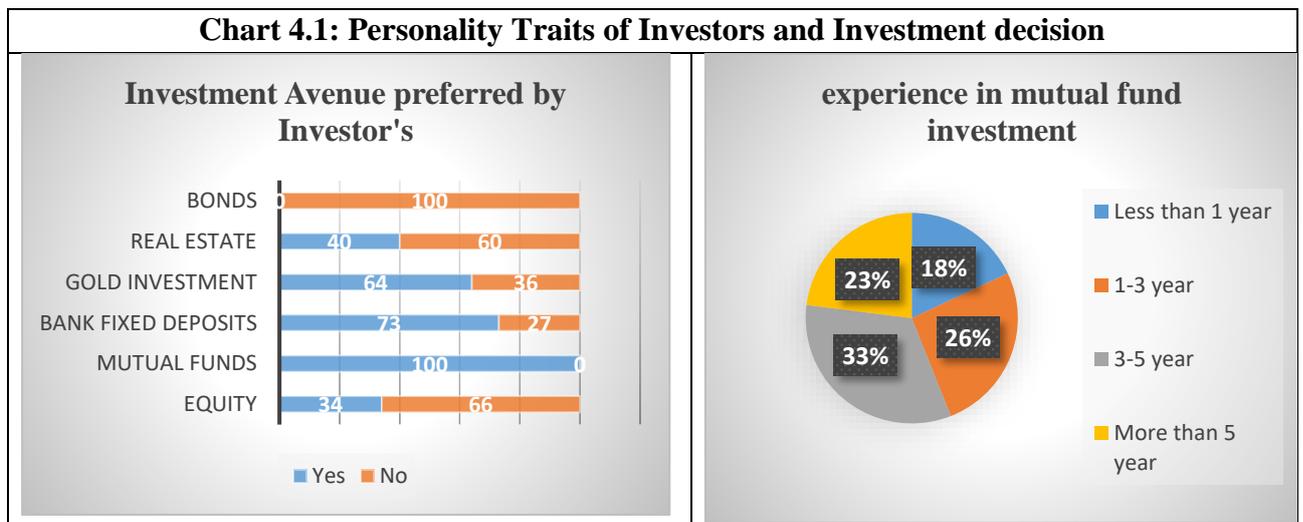
Table 4.1 Demographic Profile of Respondents

Gender		Single	20
Male	74	Married	80

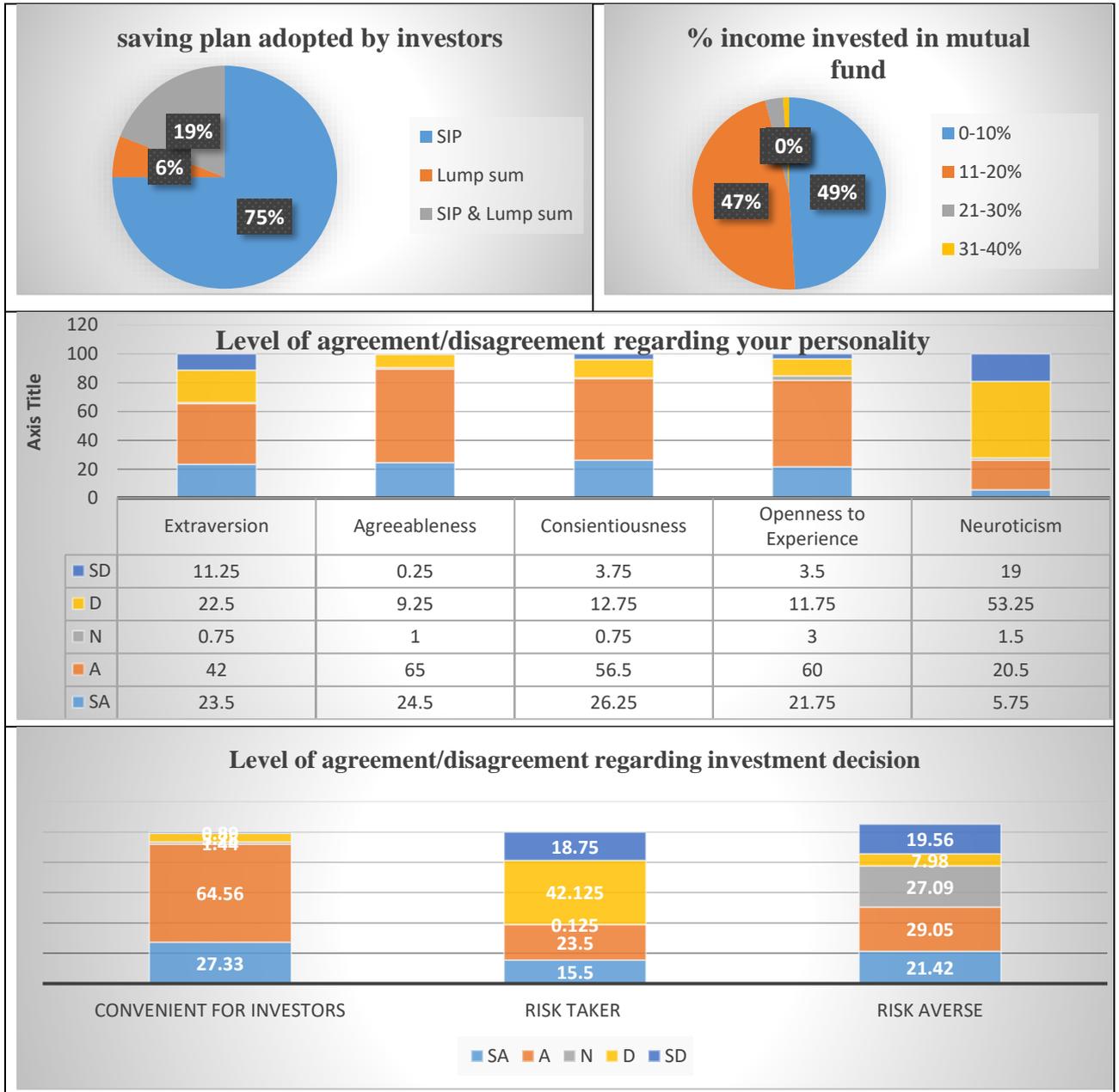
Female	26	Widow/Widower	0
		Divorced	0
Age:			
18-27	19	Occupation:	
28-37	46	Self Employed	19
38-47	21	Private Job	67
48-57	10	Government Job	13
58-67	4	Retired	1
67 or above	0	Students	0
		Homemaker	0
Work Experience			
0-5 Years	25	City	
6 to 10 year	26	Surat	54
11 to 15	28	Valsad	19
above 15 year	21	Navsari	27
Personal Annual Income:		Education:	
< 200,000	8	SSC	0
Rs. 200,001-Rs. 400,000	21	HSC	2
Rs. 400,001- Rs. 600,000	31	Graduate	31
Rs. 600,001- Rs. 800,000	27	Post Graduate	56
Above Rs. 800,000	13	Doctorate	11

The above table it shows the demographic characteristics of respondents. In terms of gender 74% were male respondents while 26% were female respondents. The majority of respondents were under the age bracket of 28 to 37. 56% of respondents were postgraduate. The majority of respondents having private job and they were having 11 to 15 years of work experience. And 31% of respondents' personal annual incomes are of Rs. 4, 00,001 to Rs. 600,000.

Chart 4.1: Personality Traits of Investors and Investment decision



Big Five Personality Traits and Investment Decision



From the above charts and graphs, it can be says that 23.5% of respondents strongly agree that they are extroverts. In the case of agreeableness personality, 65% of respondents agree that they are come under the category of agreeableness personality. They are willing to listen to other’s advice and they are cold and calculating. While in the case of Conscientiousness personality, 56.5% of respondents agree that they are come under conscientiousness personality. And only 20.5% of respondents say that they come under the category of neuroticism personality. They feel inferior to others and easily give up the thing when things go wrong.

And 64.56% of respondents take decisions to invest in MF because it is convenient for them. MF are low cost way to equity exposure, it shows NAV on daily basis. And 15.5% of respondents strongly agree that they are a risk takers. They invest for a shorter duration and

frequently change their investment plans. While 21.24% of respondents strongly agree that they are risk averse. They invest for the long time period and invest in such schemes and plan which gives stable return and revenues.

Factor Analysis:

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.841
Bartlett's Test of Sphericity	Approx. Chi-Square	2113.382
	df	190
	Sig.	.000

From the above table it can be says that the KMO measure is 0.841 which is greater than 0.5 which means sample size for the study is appropriate for factor analysis.

It can be seen in the above that the value of significance for Bartlett’s test of Sphericity is 0.000 which is less than 0.05. It indicates that a factor analysis is useful for the data.

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.639	38.197	38.197	7.639	38.197	38.197	3.802	19.012	19.012
2	4.369	21.843	60.040	4.369	21.843	60.040	3.698	18.490	37.502
3	1.920	9.601	69.641	1.920	9.601	69.641	3.582	17.910	55.412
4	1.646	8.230	77.870	1.646	8.230	77.870	3.315	16.576	71.988
5	1.102	5.510	83.380	1.102	5.510	83.380	2.278	11.392	83.380
6	.829	4.144	87.524						
7	.479	2.397	89.922						
8	.311	1.557	91.479						
9	.307	1.534	93.013						
10	.237	1.186	94.198						
11	.205	1.025	95.223						
12	.196	.982	96.204						
13	.163	.815	97.019						
14	.141	.703	97.723						
15	.128	.640	98.363						

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16	.100	.499	98.862						
17	.090	.452	99.313						
18	.065	.327	99.641						
19	.040	.198	99.839						
20	.032	.161	100.000						

Extraction Method: Principal Component Analysis.

Table 4.4 Rotated Component Matrix^a

	Component				
	1	2	3	4	5
Q.4.1	.881	.062	-.277	.244	-.079
Q.4.2	.899	.051	-.310	.228	-.058
Q.4.3	.893	.063	-.291	.233	-.090
Q.4.4	.905	.026	-.278	.234	.030
Q.4.5	.106	.871	-.078	.002	.082
Q.4.6	.034	.902	-.024	.071	.135
Q.4.7	.034	.892	.077	.085	.158
Q.4.8	.018	.892	.017	.007	.215
Q.4.9	-.051	.402	-.110	.269	.635
Q.4.10	-.046	.079	.096	-.096	.802
Q.4.11	-.030	.507	.060	.269	.602
Q.4.12	-.047	.176	-.218	.076	.833

Q.4.13	.217	.037	-.276	.842	.094
Q.4.14	.365	.249	-.165	.780	-.061
Q.4.15	.138	-.018	-.212	.862	.095
Q.4.16	.270	.056	-.186	.828	.114
Q.4.17	-.285	.016	.860	-.206	.000
Q.4.18	-.280	.023	.872	-.211	.052
Q.4.19	-.291	-.009	.882	-.175	-.105
Q.4.20	-.251	-.033	.837	-.242	-.115
Extraction Method: Principal Component Analysis.					
Rotation Method: Varimax with Kaiser Normalization.					
a. Rotation converged in 6 iterations.					

From the above table it can be says that four factor has been extracted namely extraversion, openness to experience, Agreeableness, Neuroticism and Conscientiousness.

Table 4.5 Summarization of Regression Analysis:

	Convenience	Risk Averse	Risk Taker
Extraversion	No	Negative Impact	Positive Impact
Agreeableness	No	No	No
Conscientiousness	No	No	No
Openness to Experience	No	Negative Impact	Positive Impact
Neuroticism	No	Positive Impact	Negative Impact

From the above it represent the summary of regression analysis. From the above it can be says that there is a statistically significant impact of Extraversion and Openness to experience personality on investment decision of risk taker investors.

While in case of Neuroticism personalities are having positively influenced risk averse investors.

		Convenient for investors (DV)	Risk Taker (DV)	Risk Averse (DV)
Extraversion (IV)	Pearson Correlation	-.036	.356**	-.353**
	Sig. (2-tailed)	.721	.000	.000
	N	100	100	100
Agreeableness (IV)	Pearson Correlation	.187	.039	-.006
	Sig. (2-tailed)	.063	.699	.952
	N	100	100	100
Conscientiousness (IV)	Pearson Correlation	.082	.086	-.034
	Sig. (2-tailed)	.418	.397	.739
	N	100	100	100
Openness to Experience (IV)	Pearson Correlation	.077	.400**	-.371**
	Sig. (2-tailed)	.444	.000	.000
	N	100	100	100
Neuroticism (IV)	Pearson Correlation	-.123	-.309**	.318**
	Sig. (2-tailed)	.224	.002	.001
	N	100	100	100
**. Correlation is significant at the 0.01 level (2-tailed).				
*. Correlation is significant at the 0.05 level (2-tailed).				

From the above table it can be seen that there is a positive relationship between extraversion personality with risk taker investors and having a negative relationship with risk averse investors.

While in the case of Openness to experience personality, there is a positive relationship with risk taker investors and having a negative relationship with risk averse investors.

And in the case of Neuroticism Personality, there is a positive relationship with risk averse investors and it is having negatively related with risk taker investors.

5. CONCLUSION:

Present study aims to examine the impact of Personality Traits on Investment decisions in Mutual Fund and it is carried out the individual investors of the south Gujarat region. From the present study, conclusion can be drawn that Mutual Funds have become major vehicle for the mobilization of savings for investment and which ensures high return, low risk than other investment avenues. In present research descriptive research is carried with an aim to study the impact of personality traits on investment decisions in Mutual Fund. The primary data has been collected from the close ended questionnaire from 100 individual investors who invested in mutual funds. The data has been analyzing using graphs, tables and the hypothesis has been

tested using Factor Analysis Method, Regression Analysis and Karl-Pearson Correlation Method.

From the finding of the study, it is revealed that personality traits having some impact on the investment decision in Mutual Fund among the selected region. The result of this study it is revealed that Extraversion and Openness to Experience traits of personality are having positively related with the risk taking factor and Neuroticism traits of Personality is having positively correlated with risk averse.

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