Impact of Neuroticism, Agreeableness and Openness to Experience on Long Term Investment Intentions: A Mediating Role of Risk Aversion

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Abstract

Purpose- Investors' behavior is derived from the psychological principals of decision making to explain why people of same social group choose between the long term and short term investment. Decision making is a cognitive process which results in selection of different alternative investment strategies. The study emphasizes the dynamic role of personality effecting the long term investment decision making of investors. Focus of study was specified to big five model of personality traits out of which 3 dimensions were emphasized.
Design/methodology/approach- Data is cross sectional, collected by the means of questionnaire from 316 different individuals.
Findings- Study reveals that Neuroticism has negative impact over the risk tolerance and restricts the short or long term investments by number of people. Study also revealed a negative correlation amongst openness to experience and risk aversion. Along with openness to experience, agreeableness was also identified as a key factor deterring risk aversion which ultimately emboldens the investors for short term and long term investments.
Practical Implication- Research can enable the brokers, companies, corporations and government to study the behavior of investors.
Originality- Decision making of investors is a crucial managerial function which is becoming increasingly complex due to number of factors like technological, politico-socio economical and psychological factors. So, it is need of time to conduct research on investor's behavior.

Keywords Neuroticism, Openness to experience, Agreeableness, Risk Aversion, Long term investment intentions.

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1.0 INTRODUCTION

Advent of behavioral finance has brought revolutionary change to financial studies. Up till last decade behavioral finance was a new paradigm that emerged in area of finance making it eye catching for the researchers but now a day's plethora of literature exists in this area. Investors react irrationally in decision making and it may be due to certain weaknesses like emotional instability and cognitive dominance. Although decision makers try their best to make decisions on rational basis but their decision making process is limited by their cognitive abilities like knowledge, reflexes, values, habits, etc. Researchers across the world have analyzed the behavior of different investors in order to enhance the understanding of investors' behavior. Investors decision depends on number of factors like risk tolerance, capacity, education, occupation, marital status, family background, environment etc. Risk is being the dominant factor which influences the investors' behavior and on the basis of this two different school of thoughts has categorized investors in two distinct groups on the basis of which they perceive risk. One group of scholars highlighted the demographic features of investors for explaining the rationale of different investment management decision. Other group emphasized over the psychological characteristics of investors which leads their investment decisions. This study will emphasize over the psychological characteristics which influences the decision making of individuals.

Decision making of investors is a crucial managerial function which is becoming increasingly complex due to number of factors like technological, politico-socio economical and psychological factors. Decision can be defined as a choice between two or more alternatives. It is the ability of individual to make a decision regarding choice available in a pool of alternatives (Hammond, 1999). Rowe and Mason (1987) refer decision making as a cognitive process of five key steps, i.e., stimuli, response, reflection, implementation and evaluation. Phillips (1997) suggested that decision making has five different stages; identify alternatives, prioritize alternatives according to preference and outcomes and select the most favorable one. The tendency of decision making varies from individual to individual that is why investors choose different alternative in the same conditions. Researchers argue that psychological factors differ because of which investors' behavior is distinct from one and other.

Number of researchers stressed over the psychological justifications for investors behavior. For example, Carducci and Wong (1998) revealed that individual of Type A personality are risk lovers in all financial matters. Thoresen and Low (1990) correlated the risk and return with type A and Type B personalities revealing that people of Type A personality have more income than type B personality. It is widely accepted perception that even in identical situation individuals across the world respond in different manners (Costa & MacCrae, 1990; McCrae & Costa, 2007). For instance, an extroverted may perceive crowed location joyful while at the same time introvert might feel uncomfortable.

The psychometric attributes of Big Five personality trait model have converged to a lot of research attention. The big five is considered the most comprehensive and most accepted model especially for applied researches (Barrick & Mount, 1991; Hogan & Hogan, 1991). Though number of researchers has investigated the investors' behaviors in context to big five personality model but it is important to note that almost all the studies have been conducted in capitalist oriented countries however evidence shows that personalities, attitudes norms and values of people vary from area to area and culture to culture. In almost all studies personality was studied. Further in most of literature personality was considered as an independent variable but this study will emphasize on the impact of 3 traits of personality over the investment decision. From literature reviewed this study under takes the following objectives.

- Determine the impact of openness to experience, agreeableness and neuroticism on the long term investment intensions.

When it comes to investment, people prioritize investment in different sectors on the basis of their cognitive processes to assess risk and returns. For instance, some people perceive risk as opportunity to gain more in less time. Such people will prefer investment in stocks which are perceived to be riskiest asset by number of investors. While on the other hand there are number of investors who perceive risk as a recipe for loss which may lead to debacle for them. This study to some extent will enable the readers and researchers to rationalize the anonymous.

2.0 LITERATURE REVIEW

Enormous research in behavioral finance has been built on the notion of human behavior that they are rational investors with motive to maximize the wealth in consideration of risk. Investors carefully assess the risk and return over all the available investment opportunities to acquire an investment which suits their risk aversion. Numbers of models are proposed for investor's behavior exploration but different people perceive a single model with different objective. For example, Grossman and Stiglitz's

(1980) rational expectations model, few investors choose to acquire costlier information while on the other side other investors choose to invest passively. Large frame of empirical research indicate that individual investors behave differently from rest of investors for these models. Most investors prioritize under diversified portfolios while some go for a diversified portfolio. Even an individual investor makes systematic nonrandom buying or selling while trading in group. Behavior of real investors gets influenced by where they live or work (Barber & Odean, 2001). Investors tend to invest in business which suits them according to their area. These behavior leads to different investment decisions. The research identified media also as one of the factor which influences the behavior of investors.

In order to explore the anomalies in investors' behavior Grinblatt and Keloharju (2000) analyzed two years of trading data in Finland. The study emphasized rather the individual investors follow the momentum or contrarian behavior with respect to past returns. Further they examined the performance of different categories of investors. The study concluded that at different level of time, investors responded differently. Supplementary confirmation regarding the irregular decision making in trading was added to literature from Taiwan. Barber et al. (2009) evaluated the trading records of Taiwanese investors for the period 1995 to 1999. Study also revealed irregularity in investment decisions of investors in the period.

Anomalies in investor's behavior always remained the centric point of researchers and number of researchers contributed in finding the ins and outs of such abnormalities in behaviors of individual investors. Number of studies evaluated personality as a factor which contributes in the anomalies. Personality is considered one of the most important factors which varies from individual to individual and is considered as a centric point for the changes in individuals' behavior. Number of models emerged as a fusing framework in order to understand the complete personality of normal people (Digman, 1997). Though personality theorists tried to explore the factors which could justify the irrational behavior of individuals towards different stimuli on the basis of personality but instead of resolving the problem it added another layer of controversy and researchers are converging its applications over the behaviors of investors. The big five personality model basically emphasizes over the dimensions of personality through which they could distinguish individuals over the basis of their enduring emotional, experiential, motivational and emotional styles. Tupes and Christal (1961) discussed five recurrent factors in order to analyze personality ratings in eight distinct samples.

It seems remarkable that some stability must be found in an area which could generate some consistent results. Definitely there must be some consistency in the individuals' behavior has always been there, but it has been hidden because of inconsistency of factorial techniques or philosophies. The reason could be the lack of using identical variables for studies and disagreement among the analysts. Importance of factors affecting personality though remained abstruse throughout 1960s to 1970s. In 1980s, however different researchers led to conclude that there are five fundamental factors which are called dimensions of personality. The questionnaires were used to assess the behaviors of children's, students and older adults including male and female. Data was collected from number of diversified countries. All five factors identified were convergent and discriminant with validity of instruments across instruments (Costa & McCrae, 1990).

Now the model is known as the "Five Factor Model" of personality (extroversion, openness, neuroticism, agreeableness and conscientiousness). It has emerged as a unifying framework in order to understand the complete domain of normal personality. (Digman, 1997; Costa & McCrae, 1992) and more researches are appearing which explores the influence of these five general personality dimension. Many researchers found out the influence of five personality traits on job performance and leadership (Barrick & Mount, 1991; McCormack & Mellor, 2002).

Investor's behavior in itself is a new domain for study to researchers. Researchers are curious to find the reasons behind the turmoil in the behavior of investors. In decision making domains, big five model has been studied in number of contexts like, delay discounting, gambling risk taking and reward sensitivity. Although demographic characteristics have been utilized to explain the factors which drive the investor's behavior of individuals, the discussion still continues in literature concerned with psychological antecedents that accompany this human behavior. Variety of studies attempted to explore the psychological explanations for investment behavior. For example, Carducci and Wong (1998) found that persons of type A personality are more converged towards higher levels of risk in all financial decisions, which tends towards higher levels of income. It is evident from the study (Wong & Carducci, 1991) that there exists a desire of seeking sensation in terms of financial management but the question is “can individual asses its own risk with accuracy while making decision?” Hallahan et al. (2004) argued in their research that individuals are able to assess risk tolerance of their own. Schooley and Worden (1996) argued that there exists a strong relationship between investment decision and self-assessed risk.

There is a relationship between investment risk attitude and the riskiness inherent in investors’ portfolios. It was assured by Keller and Siegrist (2006), who revealed that one’s financial risk attitude is being positively influenced by willingness to accept risky investment and invest in stock markets. However, Morse (1998) concluded that individual’s faces difficulty in perceiving the actual risk associated with the choices of investments they have to face. So they have difficulty in matching investments according to their desired level of risk exposures. A study of Filbeck et al. (2005) which fore shadows the mysers Briggs type indicator in order to assess the risk tolerance variances between people of distinct personalities. Using discrete personality groupings in the mysers Briggs, study established behavioral linkages to risk tolerance. Their findings were strong enough to confirm that personality type does explain some of the aspects of investment behavior.

Plenty of studies tried to sought to use the personality measures to explore the investors behavior but Mayfield et al. (2008) using personality traits model also called Big Five (see Costa & McCrae, 1990, 1992a, 1998; Digman, 1997; Goldberg, 1992) analyzed the relationship of investors behavior and personality. Barrick and Mount (1991) argued that this model is the most comprehensive model especially in context to applied researches. Five different dimensions were derived after years of statistical analysis. The current study will use portion of the derived dimensions.

In repute to the big five traits, previously researchers have established that neuroticism and anxiety are positively associated with each such as that the relationship is being mediated by thoughts of rumination and worry (Muris et al., 2005). Number of researchers has contributed in literature regarding neuroticism and anxiety. Evidence suggests that decision making is profoundly shaped by emotional stability (e.g., Loewenstein et al., 2001). Individual difference of anxiety and neuroticism can play a pivotal role in shaping of cognitive processes associated with decision making (Lerner & Keltner, 2000). Neuroticism and anxiety serves as salient forms of indicators, signaling the manifestation of particular threats which needs to be avoided or rewards to be acquired (Schwarz & Clore, 1983; Shackelford et al., 2000). In respect to decision making, emotions like anxiety and neuroticism promotes decision making processes associated with risk aversion (Fessler et al., 2004). Number of reasons exists for hypothesizing a relationship between neuroticism and risk aversion in decision making. Neuroticism indicates the presence of potential threats which influentially promotes risk aversion in making any kind of investment decision making in order to reduce the vulnerability threat (Butler & Mathews, 1987). Pessimistic outcome of neuroticism is that such individuals are associated with their own anticipated emotions typically with high levels of distress (Gasper & Clore, 1998). Such kind of appraisals plays integral role in choice as decisions are viewed as potential to strong negative emotions which restricts the individuals from investment in long term assets. Further (Anderson et al., 2011; Becker et al., 2012) reported a strong positive association between neuroticism and risk aversion. However, some of the researchers concluded that there is no association between neuroticism and environmental beliefs. On the basis of previous researches neuroticism is predicted to be the most influential trait affecting the decision making behavior. Based on the theories I propose:

H1: Neuroticism is negatively related to long-term investment decision and risk aversion mediates the relationship between neuroticism and decision making.

Second personality trait under study is “agreeableness”. Agreeableness label has mostly been used for Norman’s factor 2, but Digman (1997) argued that humanistic characteristics like caring, altruism, nurturance, emotional support, hostility and many other characteristics are comprised for agreeableness. He concluded that people with more agreeableness are more flexible to the decisions. Individual with high degree of agreeableness are sincere and they possess good intensions for other individual. They are cooperative and more social than others. They are self-oriented and individuals with high degree of agreeableness save less and borrow more (Nyhus & Webley, 2001). Such types of investors are tolerating and friendly and they often make decisions with information available. Number of studies concluded that agreeableness has positive relationship with risk aversion (for example, Borghans et al., 2009). Byrne et al. (2015) after number of experiments suggested that agreeableness and decision making are negatively associated with each other. Thus from the above discussion the following hypothesis can be proposed:

H2: Agreeableness has a negative effect over the decision making and risk aversion mediates the association of agreeableness and long term investment decision.

The third personality trait under study assessed is openness to experience. Openness to experience personality trait enables individuals to explore new ideas and their cognitive imaginations in terms of investment decision making. Such individuals are over confident and inclined to higher risky investments (Barber & Odean, 1999). Study further concluded that such individuals invest in both long term and short term assets. March and Shapira (1987) also notified the association between openness and investors risk behavior. It means that people who are more agreeable are less risk averse in terms of other people. Their theory was further supported by Gullone and Moore (2000) and Deck et al. (2008).

People who are associated with more level of openness undertake new actions but such action comprises number of uncertainties. It shows the higher degree of readiness and abilities to confront uncertainties because status quo is unrestricted. Nicholson (2006) explored a positive correlation amongst openness and risk taking. Questions related to lottery and real practices were confronted through questionnaire. People of this trait seek new investment opportunities because of their profound confidence. Mayfield, C. et al. (2008) after thorough examination of individuals' behavior suggested that more the individual is open to experience, the greater will be his or her intentions to engage in both long and short term investment. By thoroughly analyzing the above discussion the last theory hypothesized is:

H3: Openness to experience has a positive impact over decision making and risk aversion mediates the relationship between openness to experience and Decision making.

THEORETICAL MODEL

After examining the literature and construction of hypothesis, following theoretical structured model is being proposed derived from the research hypothesis.

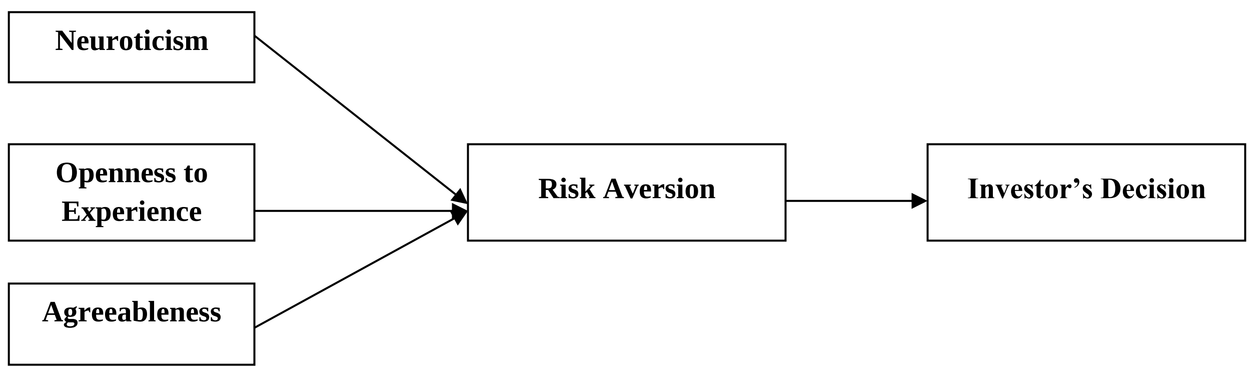

Fig 1. Research Model for Study

3.0 METHODOLOGY

Current study emphasizes on structural equation model (SEM) which enables study to measure the simultaneous estimation along with the testing of relationships amongst the key variables of interest. Basic benefit of using SEM is that it allows the user to elaborate the causal relationship of variables both through equation as well as graphically which represents the theoretical framework in conceptualized form (Byrne, 2001). For the purpose of study, using comfort of google doc, survey was conducted in the universities of Islamabad. Study aimed to investigate only those students who had already studied the course of investment. Online questionnaire was mailed to 470 students of which 340 students responded. Only 316 useful questionnaires were identified. Students were asked about their age, gender and qualification in the socio demographic section. Further the measure used comprised items related to their personality, risk aversion and long-term decision making. The measures were identified from the literature which were frequently cited in management and organizational psychology literature.

Five measures of big five personality traits theory (Goldberg, 1992; McAdams, 1992; Costa & McCrae, 1992a, 1995, 1997; and Digman, 1997) were operationalized to three factors.

Table 1. Descriptions of the personality traits

Neuroticism (N)	High score directs anxiousness, tenseness, insecurity and moodiness.
Openness (O)	High score directs intellectual curiosity, active imagination, aesthetic sensitivity, a preference for variety and broad cultural interest.
Agreeableness (A)	High score directs cooperation, altruism, sympathy and helpfulness to others.
Conscientiousness(C)	High scores directs determination, organization, reliability, punctuality and purposefulness.
Extraversion (E)	High score directs talkativeness, optimism, sociability and assertiveness.

Amongst the theories, this study specially focuses on NEO-FFI (McCrae & Costa, 2007). The NEO-FFI is a well-developed inventory consisting of 60-items, derived from Big five, using 12 items to ration the five scales of personality. To measure each item a five point Likert scale was used i.e. strongly disagree (1) to strongly agree (5). Keeping in view the test manual, numbers of items are reversed scored to prevent response biasness. Table 1 shows the description of the Big five traits. Along with personality, to measure risk aversion, study utilize measures developed by Gomez- Mejia and Balking (1989). It is based on theoretical work presented by Slovic (1972) which was operationalized by Gupta and Govndarajan (1984). Same Likert scale was used to measure the items. Items are rephrased to match them to situations specific to investment decisions. High score directs propensity to risk aversion associated with decision making and vice versa. All the measures are shown in appendix. To measure the behavior of decision making, items related to long term investment were adopted which are shown in appendix.

3.1. Reliability of Measure

3.1.1 Neuroticism

To determine the characteristics of neuroticism, McCrae and Costa (2007) 5 item scale is adopted. The Cronbach's alpha value was 0.762 which indicates that the data collected to measure the characteristics of neuroticism is reliable.

3.1.2 Openness to experience

Using 5 item scale developed by McCrae and Costa (2007), the Cronbach's alpha value ".678" indicated that data collected for measurement is reliable.

3.1.3 Agreeableness

This scale was also developed by McCrae and Costa (2007). This scale was also identified as a reliable scale with Cronbach's alpha value of .716.

3.1.4 Risk aversion

Scale to determine the risk aversion a 4 item scale by Gomez- Mejia and Balking (1989). Cronbach's alpha value (.759) directs that it is a reliable scale.

3.1.5 Long term investment intensions

Long term investment intensions were measured with the help of scale developed by - Mayfield, C. et al. (2008). It is also reliable measure with Cronbach's alpha value ".696"

4.0 RESULTS

Table 2 indicates the descriptive statistics for the study. All respondents from whom data was collected were males. Sample mean directed in table 2 indicates means of personality traits, risk aversion and long term investment intension measured by 5 point Likert scale. There were 316 respondents. Skewness and Kurtosis indicates that the data is normally distributed i.e. between +1 and -1. Hence, favorable for using parametric tests.

Table 3 indicates the correlation matrix and alpha reliability for Neuroticism, Openness to experience, Agreeableness, Risk aversion and Long term investment intensions. From table 4.2 it can be observed that Neuroticism is positively correlated to openness ($r = 0.048$) at $p<0.05$. Neuroticism has a significantly negative correlation with agreeableness ($r = -.227$, $p<0.05$) and positive correlation with Risk aversion and long term investment intensions. Correlation of neuroticism and long term investment intensions doesn't support the H1 of the study.

Table 2. Descriptive and Distributional statistics of items measured.

Questionnaire	Frequency	Mean	SD	Skewness	Kurtosis
Age					
21-25	68.1%				
26-30	24.1%				
31-35	6%				
<35	1.7				
Institute					
BUITEMS	60.3				
IIUI	39.7				
Education					
Bachelors	53.4				
Masters and PhD	46.6				
Variables					
Neuroticism		2.8017	.88681	.040	-.371
Openness		3.7845	.74008	-.718	.673
Agreeableness		3.3772	.91633	.036	-.765
Risk aversion		3.2328	.83908	-.216	-.553
L.T investment		3.4603	.71613	-.341	.516

Table 3. Correlation Matrix of variables under study.

Variable	1	2	3	4	5
1.Neuroticism	(0.762)				
2.Openness	.048*	(0.678)			
3.Agreeablness	-.227*	-.103	(0.716)		
4.Risk Aversion	.221*	.088*	-.177*	(0.759)	
5.LT investment	.292**	.252**	-.352**	.336**	(0.696)

Note sample size = 116. Alpha values of reliabilities are indicated in parenthesis.
*p < .05. **p < .01

Agreeableness and openness are not correlated to each other while openness is positively correlated with risk aversion (at r=0.088 and p<0.05) and long term investment intensions (at r=.252 and p<0.01). Findings supports the H2 that openness to experience has a positive impact over long term investment intensions. Agreeableness has a significant negative correlation with risk aversion (r= -.177; p<0.05). Result of correlation supports the study H3 that agreeableness negatively affects the long term investment decision making.

4.2 Regression analysis

Though correlations have provided a preliminary support to the hypothesis of study but it just tells us about the relation and strength between the variables. To derive more concrete results, the study has used regression analysis to support the hypothesis. Table 4.3 indicates the results regression analysis of predictors (Neuroticism, Agreeableness and Openness to experience) over long term investment intentions. Keeping in mind the two school of thoughts of mediation given by Baron and Kenny (1986) and Preacher, K. J., and Hayes, A. F. (2008) this study will use Baron and Kenny's school of thought. According to Baron and Kenny (1986) the relationships of predicting variables (i.e. Neuroticism, Agreeableness and Openness) must be significantly related to the dependent variable (i.e. Long term investment intensions). Table 4 indicates that neuroticism, agreeableness and openness are significantly related to long term investment intension at p<0.01. So this fulfills the first condition of Baron and Kenny's mediation which is significance of direct path. The indirect path was also found to be significant so it means that the Baron and Kenny model is applicable.

Table 4. Regression analysis in the mediating role of Risk aversion.

	Long Term Investment Intensions		
	β	R^2	ΔR^2
Direct effect			
Neuroticism	.218**		
Agreeableness	-.281**		
Openness	.212**	.216***	.216***
Indirect effect			
IVs with LTII	.336***	.113***	.113***
RA with LTII	.263***	.268***	.115***
Mediation Effect			
Neuroticism	.173*		
Agreeableness	-.251**		
Openness	.197**	.268***	.115***

N=116,p<0.05=* p<0.01=**, p<0.000=***, IVS= Neuroticism, Openness to experience, Agreeableness, RA=Risk Aversion(mediator)

Table 2. shows that there is a significant effect of neuroticism (β=.218) over long term investment intensions but it was positive relation contrary to the hypothesis without mediator (risk aversion) but in the presence of mediator (Risk aversion) the relationship though remained significant but its magnitude was decreased. Same affect was noticed in case of agreeableness. Agreeableness has a negative impact over long term investment (β-.281) but risk aversion (mediator) has decreased its magnitude to -.251. Table 4 indicates that openness to experience has positive impact over long term investment intensions (β=.212) but its magnitude also decreased as observed in other cases while mediator was added to the relationship.

5.0 DISCUSSION

Despite the fact that number of researchers have contributed in literature utilizing the model "Big Five" in different research domains but the current study is amongst the few of studies which utilized the measurement of personality traits with conjunction of investment intensions. It may be the first to analyze the role of risk aversion as a mediator between personality traits and long term investment intensions. Though Block (1995) criticized Big Five Factors but its reliability has been supported by Deyoung et al. (2007) and many others. This study has also extended the utilization and validity of Big Five model as a robust approach for determination of individual's behavior.

Though all the hypothesis were supported except the hypothesis for neuroticism. Number of researchers (e.g. Nicholson et al., 2006; Anderson et al., 2011; Becker et al., 2012) argued that neuroticism negatively affects the long term investment decision making but in this study the hypothesis is not fully supported. According to the results it is observed that neuroticism is positively associated with the long term decision making. Though the result doesn't support the hypothesis but it is noticeable that neuroticism has a positive relationship with long term decision making. The reason behind this may be the variation of personality from area to area which is proved by number of researchers. Another rationale behind this anomaly could be the perception of long term investment. People of Pakistan perceive long term investment as investment in real estate, gold, foreign currency and others. These are considered to be the safest investment alternatives for investment. Risk aversion mediated the relationship between neuroticism and long term investment decision making. The relationship was found to be significant but it decreased its magnitude to low extent. So the study concludes that risk aversion is not a strong mediator in between neuroticism and long term investment intensions. Reason behind this low magnitude could be the scale used to measure the risk aversion. In most studies risk aversion was measured by asking questions related to their portfolios.

As hypothesized agreeableness was found to have negative impact over long terms investment decision intentions. Agreeable people were found to have higher risk aversion as compared to other personalities. Such people are open to number of discussions. They avoid to take their decisions by their own which restricts them from investment both in short and long term assets. The cause of this restriction could be the flexibility in their behavior. These people have to deal with number of people in their social circle. They pursue number of advices on the daily basis from most of people in their circle. Such circumstances create confusions in their cognitive processes because of which they cannot differentiate in right and wrong for them. They unwantedly have to rely over others advice. Results also indicated that they are more risk averse as compared to others. Risk taking and confidence are somehow interrelated to each other. If one is not confident in a given situation, he or she will not risk at all rather in terms of investment or other aspects of life.

The last finding of the study is that the more open one is towards experience, more he or she will prefer to invest in long term assets. It was proved by number of studies and the current research findings also support the findings of others. Such people are more confident in their decisions making as compared to people of other personality traits. Their decisions are not always beneficial for them, sometimes it causes lose in their investment. They are mentally prepared for such kinds of loses and it makes them risk lovers. They prefer high risk high return instead of low risk low return. It is indicated by researches that such type of people are more successful in business from rest of people. They think less than others while choosing a decision alternative decision for investment. They are not conscious about certainty of situations which is advantageous and disadvantageous. It can give them a higher return at short time or a higher loss in short time. Human personality is a dynamic phenomenon. Though plethora of literature exists in this field but still it is impossible to study human personality completely. There are number of domains in which researcher still needs to concentrate.

6.0. IMPLICATIONS

Research can enable the brokers, companies, corporations and government to study the behavior of investors. With the help of this research one could guess the personality trait of investor or individual by means of his investment decision. It can help us to analyze the decision making of investors or individuals by logical linkage of personality trait and investment decision.

7.0 LIMITATIONS AND FUTURE SUGGESTIONS

The sample size of this study was limited, researchers should try to test the hypothesis with a larger number of sample size. Further this study only emphasized over the 3 personality traits (Neuroticism, Openness and Agreeableness), future researchers could study the other two traits also to drive more concrete results in context to big five model. Future researchers could also study the other dimensions of personality by utilizing other personality models to explore the psychology of individuals in terms of investment decisions.

One of the personality trait “Neuroticism” showed some contrary results from the literature. It was expected to have a negative relationship with long term decision making but it was found from results that it has positive impact over long term investment decision. Future researchers should test the hypothesis in other population to check rather it has same affect in other areas or just the current sample showed this abnormality.

There are number of factors which mediate the relationship of personality traits and long term investment intensions, future researchers may try to explore more mediators other than risk aversion which is affecting this relationship of personality traits and long term investment intensions. Like family type, spouse affect etc. Further sample of this study were students of finance, they had information about the financial terms but they were not in the markets. So they didn’t have practical experience. Future researchers should conduct survey to collect data from the investors who have practical experience like real estate investors or stock market investors.

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