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Role of Emotional Intelligence on Investment Decisions of Individuals

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ABSTRACT

Investment decision is one of the most essential factor in today's stock market. People make investment decisions based on different fundamental and technical tools. There are various factors which affect the investor towards investment but one of the important factor which affects the investor is their emotional intelligence. So, the present study focuses on the relation between emotional intelligence and investment decisions. This study is based on the emotional intelligence of investors so that the market can know the beat of the speculator and continue as required. The data was collected from 300 investors who make investment through LSE Securities Ltd. in Punjab. The data was analysed with the help of correlation analysis. The study reveals that there is positive relation among the various dimensions of emotional intelligence except self awareness and investment decisions. This study will help the investment advisors to advise the investors to invest according to their emotional intelligence capability.

Keywords: Decision; Emotional Intelligence; Investment.

1. INTRODUCTION

Investment decision is one of the most essential factor in today's stock market. People make investment decisions based on different fundamental and technical tools. The investment decisions includes on various investment strategies, frequency of investment, time period, objectives of investment, factors affecting investment decisions and many more. However, there are certain events when people lose their patience and act emotionally Ciarrochi et. al., (2000, 2001). In such cases, one fatal mistake could create substantial losses for investors. Emotional intelligence Salovey & Mayer (1989); Mayer & Salovey (1993); Caruso et. al., (2002) is one of the personal characteristics, which plays important

role on investment decisions. According to Goleman (2006), emotional intelligence help the investors in taking better decision making strategies. According to Mayer et. al., (1999) emotional intelligence considers traditional standards for an emotional intelligence. According to Daniel Goleman, Emotional Intelligence is: “The capacity for recognizing our own feelings and those in others, for motivating ourselves, for managing emotions well in ourselves and in our relationships.” The various dimensions of emotional intelligence are self awareness, handling emotions, motivation, empathy and social skills.

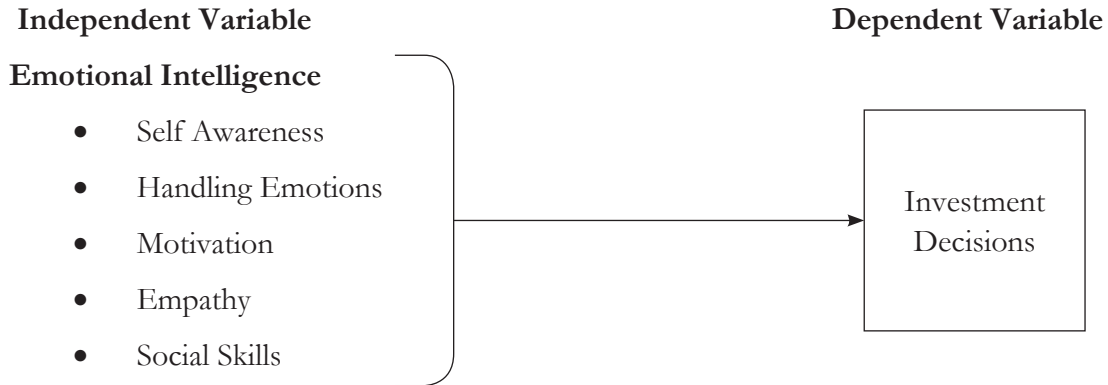
- **Self awareness:** Know your own state of mind and how you feel about it, Know your own particular enthusiastic qualities and shortcomings, Know words (signs) for your emotions, comprehend what activity choices you have. It includes self comprehension or information of genuine sentiments right now.
- **Handling emotions:** Know how to deal with miracle sentiments, Know how to quiet yourself, Know how to control driving forces, Know how to remain positive under weight, Know how to be adaptable.
- **Motivation:** Ready to set your own objectives and work to accomplish those objectives, Able to set little strides to accomplish substantial objectives, Able to keep on working regardless of dissatisfaction, Able to complete and complete undertakings. It includes proceeding with endeavours towards sought objectives or conquering negative feelings.
- **Empathy:** Ready to peruse and comprehend other individuals’ sentiments, Able to peruse non-verbal communication, Able to take another’s point of view, Want to help other people who are harmed or dismal. It includes understanding and being delicate to the sentiments of others or having the capacity to detect what others feel and need.
- **Social skills:** Ready to coexist with others, Able to function admirably in gatherings and groups, Able to make and keep companions, Able to take care of issues and clashes with others, Able to interface properly with various individuals in various circumstances. They include the capacity to peruse social circumstances, smoothness in collaborating with others.

2. LITERATURE REVIEW

Kunnanatt (2004) discussed the emotional intelligence. He observed that people with more emotional intelligence had win-win relationship and others and people with low emotional intelligence would produce win lose relationship. The emotional intelligence training programs would change both the inside and outside relationship of participants and better attitudes, clearer perceptions, and productive affiliations in life. Avsec et. al., (2009) analyzed the connection between enthusiastic insight and the identity attributes of Croatian and Slovenian college understudies. The information was gathered from 257 college understudies from Rijeka and Osijek and 171 college understudies from University of Ljubljana. The information was dissected by relapse, relationship and two way anova. They reasoned that extraversion and uprightness were vital indicators yet neuroticism was the most grounded indicator though extraversion and honesty were essential piece of the change. Ezadinea et. al., (2011) researched the impact of EI and

its measurements on portfolio execution. The information was gathered from 122 Iranian shareholders. The information was broke down with the assistance of relapse, *t*-tests and ANOVA. They inferred that there was beneficial outcome EI on portfolio execution. They found that portfolio execution and return was influenced by the experience of the speculators. Khalatbari et. al., (2011) investigated the relations between passionate knowledge and identity qualities with the excite chasing and self-adequacy in the Islamic Azad University. The information was gathered from 278 understudies. The information was examined with the assistance of different relapse and relationship. They found that there was sure and huge connection between passionate knowledge and identity qualities with the excite chasing and self-adequacy in understudies of Islamic Azad University. Garkaz and Mehrvarzi (2012) inspected the connection between emotional intelligence and execution of financier firms in Tehran stock trade. The information was gathered from 87 firms. The information was broke down by connection, friedman and mean. They presumed that there was connection between dealers' EI and execution. There was a connection between self-administration and execution however there was no connection between social awareness and execution. They additionally watched that relationship administration had the most effect and mindfulness had minimal effect on execution. Nawi et. al., (2012) decided the bury connection between emotional intelligence and identity quality among school pioneers in High Performance Schools in Malaysia. The information was gathered from 309 respondents and was broke down by relationship. They found that reliability, openness to involvement, extraversion and pleasantness were emphatically related with enthusiastic insight of the schools instructor pioneers. The good faith attribute had more grounded connection with the enthusiastic insight than the other identity characteristics. Landa et. al., (2013) explored the relationship among passionate insight, identity qualities and mental inclinations in students. The information was gathered from 259 students. The test connected was relapse. They inferred that there was certain connection between passionate consideration and neuroticism and there was negative relationship of enthusiastic consideration with openness and independence. The passionate lucidity was contrarily identified with neuroticism and was decidedly identified with extraversion. Sami and Rizvi (2013) explored the association between emotional intelligence and life satisfaction and secondly personality traits and life satisfaction of aged persons. The data was collected from 100 respondents. The data was analyzed by descriptive and multiple regression. They found that the emotional intelligence was positively related with life satisfaction and personality traits had negative relation with life satisfaction. They also observed that the predictors of life satisfaction intra-personal awareness and neuroticism were in the aged persons. Joseph and Ali (2014) examined the various factors which influence the investment decision of Kenya ferry service employees. Okpara and Edwin (2014) found that workplace emotional intelligence influence the return on investment. Pirayesh (2014) analyzed the impact of emotional intelligence on speculation systems of retail financial specialists in Tehran Stock Exchange. The information was gathered from 270 financial specialists. The test connected was lances man relationship. He reasoned that there was a positive between passionate knowledge and speculation choices. He found that there was sure and connection between hazard disinclined and measurements of passionate knowledge. There was no connection between mental bookkeeping, inclination speak to and measurements of emotional intelligence. Deshmukh and Joseph (2016) studied the factors which influence the decision making of investors. Tanvir et. al., (2016) studied the relation of emotional intelligence and investment decision. The data was collected from 225 investors. They found that there was awesome impact of mindfulness, self administration, sympathy yet low fixation on relationship administration.

3. THEORETICAL FRAMEWORK



4. RESEARCH METHODOLOGY

Objectives

The objective of the study is to study the relationship among the various dimensions of emotional intelligence and investment decisions.

Hypothesis of the Study

H₀₁: There is no significant relation between Emotional Intelligence and Investment decisions of Investors.

Sample size: The data has been collected from 300 investors.

Sampling Area: The area of research covered in this study was the investors who make investment through LSE Securities Ltd. in Punjab State.

Sampling Technique: The purposive sampling technique was used in this study.

Questionnaire: A well designed structured questionnaire has been used to conduct the field survey.

Sources of data: For this study, primary data was collected from investors with the help of questionnaire and secondary data was collected from journals, books, and websites and from the review of literature.

Pilot Study: A pilot study was conducted on a 1/10 of the sample size to test the reliability statistics and Cronbach alpha was found to be 0.857 which is more than 0.6 it means that the data was reliable. The mean score of investment decisions and emotional intelligence has been calculated.

5. RESULTS

1. Self Awareness (ET1) and Investment Decisions

Hypothesis H₀: There is no significant relation between self awareness and investment decisions of investors.

H_{1(a)}: There is significant relation between self awareness and investment decisions of investors.

Table 1
Correlation Between Self Awareness and Investment Decisions

		<i>EI1SCORE</i>	<i>IDSCORE</i>
EI1SCORE	Pearson Correlation	1	.093
	Sig. (2-tailed)		.356
	N	300	300
IDSCORE	Pearson Correlation	.093	1
	Sig. (2-tailed)	.356	
	N	300	300

The Table 1 presents the relation among self awareness and investment decisions of the investors with the significance value 0.356 (which is more than 0.05) at 95 percent confidence level. Thus, the null hypothesis is accepted and alternative hypothesis is not accepted. It reveals that there is no significant relation between the investors' who are self aware and the investment strategies. When there is increase of one point in self awareness it will lead to positive change of 0.356 points in investment decisions of the investors.

2. Handling Emotions (EI2) and Investment Decisions

Hypothesis H₀: There is no significant relation between handling emotions and investment decisions of investors.

H_{1(b)}: There is significant relation between handling emotions and investment decisions of investors.

Table 2
Correlation Between Handling Emotions and Investment Decisions

		<i>IDSCORE</i>	<i>EI2SCORE</i>
STSCORE	Pearson Correlation	1	.257
	Sig. (2-tailed)		.010
	N	300	300
IDSCORE	Pearson Correlation	.257	1
	Sig. (2-tailed)	.010	
	N	300	300

The Table 2 presents the relation among handling emotions and investment decisions of investors with the significance value 0.010 (which is less than 0.05) at 95 percent confidence level. Thus, the null hypothesis is not accepted and alternative hypothesis is accepted. It reveals that there is significant relation between the investors' who can handle their emotions and the investment decisions. When there is increase of one point in handling emotions it will lead to positive change of 0.257 points in investment decisions of the investors.

3. Motivation (EI3) and Investment Decisions

Hypothesis H₀: There is no significant relation between motivation and investment decisions of investors.

$H_{1(c)}$: There is significant relation between motivation and investment decisions of investors.

The table 3 presents the relation among motivation and investment decisions of investors with the significance value 0.010 (which is less than 0.05) at 95 percent confidence level. Thus, the null hypothesis is not accepted and alternative hypothesis is accepted. It reveals that there is significant relation between the investors' who feel motivated and the investment decisions. When there is increase of one point in motivation it will lead to positive change of 0.257 points in investment decisions of the investors.

Table 3
Correlation Among Motivation and Investment Decisions

		<i>IDSCORE</i>	<i>EI3SCORE</i>
IDSCORE	Pearson Correlation	1	.252*
	Sig. (2-tailed)		.011
	N	300	300
EI3SCORE	Pearson Correlation	.252*	1
	Sig. (2-tailed)	.011	
	N	300	300

4. Empathy (EI4) and Investment Decisions

Hypothesis H_0 : There is no significant relation between empathy and investment decisions of investors.

$H_{1(d)}$: There is significant relation between empathy and investment decisions of investors.

Table 4
Correlation among Empathy and Investment Decisions

		<i>IDSCORE</i>	<i>EI4SCORE</i>
STSCORE	Pearson Correlation	1	.623**
	Sig. (2-tailed)		.000
	N	300	300
IDSCORE	Pearson Correlation	.623**	1
	Sig. (2-tailed)	.000	
	N	300	300

The Table 4 presents the relation among empathy and investment decisions of the investors with the significance value 0.000 (which is less than 0.05) at 95 percent confidence level. Thus, the null hypothesis is not accepted and alternative hypothesis is accepted. It reveals that there is significant relation between the investors' who can able to read and help others positively and the investment decisions. When there is increase of one point in empathy it will lead to positive change of 0.623 points in investment decisions of the investors.

5. Social Skills (EI5) and Investment Decisions

Hypothesis H_0 : There is no significant relation between social skills and investment decisions of investors.

$H_{1(e)}$: There is significant relation between social skills and investment decisions of investors.

Table 5
Correlation among Social Skills and Investment Decisions

		<i>IDSCORE</i>	<i>EI5SCORE</i>
IDSCORE	Pearson Correlation	1	.280
	Sig. (2-tailed)		.004
	N	300	300
EI5SCORE	Pearson Correlation	.280	1
	Sig. (2-tailed)	.005	
	N	300	300

The Table 5 presents the relation among social skills and investment decisions of the investors with the significance value 0.004 (which is less than 0.05) at 95 percent confidence level. Thus, the null hypothesis is not accepted. It reveals that there is significant relation between the investors' who help others positively and are sociable and the investment decisions. When there is increase of one point in social skills it will lead to positive change of 0.280 points in investment decisions of the investors.

6. Overall Relation between Emotional Intelligence and Investment Decisions of the investors

Hypothesis H₀: There is no significant relation between Emotional intelligence and investment decisions of investors.

H₁: There is significant relation between Emotional intelligence and investment decisions of investors.

Table 6
Correlation Between Emotional Intelligence and Investment Decisions

		<i>EISCORE</i>	<i>IDSCORE</i>
EISCORE	Pearson Correlation	1	.000
	Sig. (2-tailed)		.423
	N	300	300
IDSCORE	Pearson Correlation	.000	1
	Sig. (2-tailed)	.423	
	N	300	300

The Table 6 presents the relation between Emotional intelligence and investment decisions of the investors with the significance value 0.000 (which is less than 0.05) at 95 percent confidence level. Thus, the null hypothesis is not accepted. It reveals that there is significant relation between the investors' who help others positively and are sociable and the investment decisions. When there is increase of one point in Emotional intelligence it will lead to positive change of 0.423 points in investment decisions of the investors. Emotional Intelligence influence the investment decisions of the investors and it was confirmed with past findings. Debusk and Austin (2011); Idris (2014); Creevy et. al., (2011).

6. FINDINGS AND CONCLUSION

In this study we tried to study the relationship among emotional intelligence and investment decisions of the investors. Generally, the demographic variables such as income, gender, marital status, age and educational

status influence the decision making. With respect to the emotional intelligence of the people, the present study is supporting the hypothesis. From the above discussion, the investment decision depends upon the different dimensions of Emotional Intelligence. There is relation among empathy, motivation, social skills and the investment decisions of the investors. There is no relation between self awareness and investment decisions of the investors. Also, our study confirms that investors will not behave rationally in all situations. Sometimes, they may show opportunistic or irrational behavior in the investment decision-making process. The study provides valuable insight in understanding the relationships between dimensions of emotional intelligence and investment decisions in this new era. The organizations ought to concentrate on the distinctive measurements of emotional intelligence. Along these lines, the speculation organizations ought to plan their venture items as indicated by the high and low emotional intelligence of the investors.

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