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ABSTRACT

AN ANALYSIS OF THE OUTCOMES OF AN INDIVIDUAL'S INVESTMENT DECISIONS RELATIVE TO THEIR EMOTIONAL INTELLIGENCE

For each potential investment, a number of judgments must be made, sometimes on a regular basis. Evidence indicates that investors may grapple with certain behavioral biases as they make their investment decisions. This study considered the heuristic bias of representativeness, as well as the framing issues of mental accounting and aversion to loss relative to how each affects investor decision making. When making the numerous decisions one must address as an investor, it is important to consider the fact that emotions will play a role in the process. Therefore, the intent of this study was to determine whether a correlation exists between the outcomes of the decisions an individual makes, relative to investing, and their level of emotional intelligence.

In conducting this study, a survey was utilized to gather information regarding individuals' decision-making tendencies, related to the three investment biases, as well as to measure each participants' emotional intelligence and the components related thereto. One hundred forty eight undergraduate students and faculty members from two private universities in the central United States participated in the study. Parametric and nonparametric correlation analyses were conducted in an attempt to identify the correlation that exists between the various investment biases and the different components of emotional intelligence.

While the biases of representativeness, mental accounting and aversion to loss overall did not reveal a significant correlation with emotional intelligence or its components, support was

found for the representativeness and mental accounting biases on the item level. Furthermore, the findings revealed that the youngest participants scored significantly lower than their more mature counterparts in the areas of total emotional intelligence and its components of intrapersonal and adaptability. The results related to age and emotional intelligence are consistent with findings from previous research. Suggestions for future research were provided, as further exploration is needed in considering the influences emotional intelligence may have on investors and the biases with which they struggle.