EMOTIONAL INTELLIGENCE AND RISK PERCEPTION IN INVESTMENT DECISIONS: A COMPREHENSIVE REVIEW

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ABSTRACT

Investment decision-making is significantly impacted by emotional intelligence (EI), which affects how people see risk, react to market swings, and overcome psychological biases. Important EI domains like self-awareness, self-regulation, and empathy contribute to improved strategic discipline, resilience, and rationality, according to this thorough review, which examines the relationship between EI and investor typologies, including asset-based, safe-haven, socially responsible (ESG), and speculative investors. The results show that emotionally savvy investors do better over the long run because they are better able to resist herd mentality, avoid rash decisions, and endure market volatility. In addition to focusing on useful applications for enhancing emotional intelligence, such as emotion management techniques and mindfulness exercises, the research delves further into the processes of herd impact. In the end, enhancing EI becomes a game-changing strategy for financial advisors and investors looking to maximize choices. Strengthening emotional intelligence (EI) ultimately proves to be a

game-changing strategy for financial professionals and investors looking to maximize choices and attain steady, long-term performance.

Keywords: Emotional Intelligence, Risk Perception, Investment Decisions, Behavioral Finance, Behavioral Economics, Market Psychology, Investment Strategies, Herd Behavior, Asset-Based Investors, Safe-Haven Investors, Socially Responsible Investing, ESG Investing, Speculative Trading, Mindfulness in Finance, Cognitive Biases, Financial Decision-Making.

INTRODUCTION

Emotions play a significant role in shaping investment decisions, influencing risk-taking behaviours and financial strategies. Emotional intelligence (EI) contributes to investors' ability to manage uncertainty, make rational choices, and assess potential risks effectively.

The ability to identify, comprehend, and control one's own and other people's emotions is a component of emotional intelligence. Emotional intelligence (EI) enables people to remain calm, control impulsive behavior, and modify their approach in the face of volatile market conditions. Emotional intelligence (EI) is not about being emotionless, but rather about mastering emotions via the use of social skills, self-awareness, empathy, and emotional control to maximize financial decisions.

Research Objective: The purpose of this study is to examine the direct and indirect effects of emotional intelligence (EI) on investment decision-making by examining the ways in which particular EI dimensions—such as empathy, self-awareness, and emotional regulation—affect investors' perceptions of risk, behavioral biases, and investment strategies. Additionally, the study aims to categorize investors according to their EI profiles and investigate the ways in which these profiles align with psychological characteristics and behavioral finance concepts.

Objectives of the study

The objective of this study is to investigate how different aspects of emotional intelligence (EI) affect investing choices through investor categorization, risk perception, and cognitive-emotional biases. The study specifically looks at how emotional intelligence (EI) characteristics influence behavioral patterns including impulsivity, herding behavior, and strategic risk orientation. Linking investor typologies to psychological traits and EI profiles—beyond the Big Five personality framework—is a primary goal.

Focus of the Study

This study explores the relationship between emotional intelligence (EI) and investing decisions, focusing on how EI influences decision-making strategies through interactions with investor typologies, risk perception, and cognitive-emotional biases. To find patterns of impulsivity, herding behavior, and strategic risk orientation among investor subgroups, the study will classify investors into asset-based (such as gold, real estate), safe-haven (such as fixed deposits), socially responsible/ESG, and speculative investors. To clarify the dynamic interaction between psychological qualities and EI profiles, the research goes beyond well-known frameworks such as the Big Five personality traits (Saweris, 2024)[46].

LITERATURE REVIEW

According to recent studies, there is a direct correlation between EI traits and wise investing choices (Aryadevi, M.R., Vincent, G., & Challa, V.N.S.K., 2025)[17]. While impulsivity and poor emotional intelligence (EI) make one more vulnerable to market hype and speculative bubbles, high self-awareness, emotional control, and empathy promote long-term investing discipline (Katukuri, 2023)[30]. Research from several countries, including Egypt, Nepal, and India, shows that emotionally savvy investors do better than their counterparts in terms of resilience, risk-adjusted returns, and steady strategy adherence (Saweris, 2024)[46]; (Adhikari, 2024)[4].

Emotional elements including fear, greed, and social pressure are the key drivers of herd behavior, which is described as the tendency to follow the herd rather than conduct independent analysis (Bikhchandani, 2001)[21]. Market bubbles and collapses are frequently caused by herding, which is exacerbated by social media and real-time information. Both fear and overconfidence are emotional reactions that lead to collective irrationality, as seen by the global crisis of 2008 and the dot-com boom (Strategists., 2024)[51].

Asset-based and safe-haven investor types are not the only sorts of modern investors. Motivated by ESG (Environmental, Social, Governance) criteria, socially conscious investors look for moral investments that reflect their ideals. They also frequently exhibit more self-control and purpose-driven tactics (Analytics., 2025)[13]; (Wikipedia, 2004)[55]. Short-term gain-oriented speculative investors are prone to emotional trading and herd mentality, which increases market volatility (Katukuri, 2023)[30]; (Relana, 2021)[41];

(Saidi, 2018)[45]; (SmartAsset, 2019)[49]. They are also greatly impacted by cognitive biases, such as anchoring, confirmation, and overconfidence.

According to empirical research, financial literacy, self-emotional assessment, and efficient emotion control are important indicators of successful investment (Aryadevi, M.R., Vincent, G., & Challa, V.N.S.K., 2025)[17]; (Adhikari, 2024)[4]. Emotional intelligence has a crucial role in mediating the relationship between financial knowledge and investment results (Aryadevi, M.R., Vincent, G., & Challa, V.N.S.K., 2025). Additionally, risk attitudes modulate the impact of emotional intelligence (EI) and financial literacy on investing decisions and are influenced by both cognitive and emotional aspects.

Indian Safe Haven Investors & Implications

Indians have traditionally exhibited a conservative approach to investments, with family-oriented decision-making playing a crucial role. Their primary focus is on safety, and they tend to avoid risk as much as possible (Rosales-Pérez, 2021)[35]. Indian investors prefer secure investment avenues such as banks, fixed deposits, chit funds, small savings schemes, and insurance, which provide financial stability for the future. Long-term investments are deeply ingrained in their psyche, driven by the assurance of steady returns (Judge, 2019)[23]. Although the returns may be modest, the emphasis is on security rather than high gains. This investment behavior is influenced by the socio-economic framework, which has a significant impact on India's GDP and overall financial ecosystem (Aloqaily, 2022); (Larry G. Epstein, 1991); (Šimić, 2021); (Oprean-Stan, 2020)[9][32][48][38]. Gold and land have traditionally been favoured as investment options, given their potential for long-term benefits and stability. These assets not only preserve wealth but also serve as reliable financial cushions for the future.

Emotional Intelligence and Investor Categorization

Investors are usually categorized according to the kind of investment (e.g., gold, real estate, stock, bonds) or length (short-term vs. long-term). However, this study suggests classifying investors according to their emotional intelligence (EI) traits:

High levels of self-control and self-awareness characterize emotionally regulated investors, who are also more likely to be logical, long-term planners.

Impulsive Investors: prone to making rash, high-risk judgments; low emotional intelligence; high emotional volatility.

Herding investors prioritize collective behavior above individual analysis because they are influenced by empathy and social conformity.

A more predictive model of investing behavior is made possible by this psychological-emotional categorization, which is consistent with behavioral finance.

Emotions and Investment Decisions

Emotions play a crucial role in shaping human decisions, influencing mental outlook and financial choices (Adil, 2022)[5] . They are subjective and vary depending on personal circumstances, family influences, and social environments. The ability to manage emotions effectively (Ahamed, 2021)[6] is essential, as unchecked emotions can lead to challenges such as anxiety, frustration, and stress. Emotional fluctuations can create volatility in decision-making, often impacting financial behaviours. Since emotions directly influence cognitive processes, managing them is vital for making rational investment decisions. Emotional Intelligence (EI), a concept popularized by Daniel Goleman, offers insights into understanding and regulating emotions (Ahmad, 2020)[7]. Studies indicate that emotional stability enhances risk perception and improves investment management strategies (Alessandri, 2020)[8]. This study aims to explore the impact of EI on risk perception and its role in shaping investment management practices. The subsequent section delves into both the subjective and objective aspects of emotional regulation and its influence on financial decision-making.

Subjectivity VERSUS Objectivity in Investment Decisions

Emotional volatility often influences investment decisions, which ideally should be objective, rational, and based on facts. Various factors, including family, friends, relatives, and professional circles, impact an investor's mind-set. The cognitive aspects of the mind and the fundamental personality traits of an investor (Ababio, 2020); (Abdin, 2017)[1][2] shape their outlook on risk and returns. Emotional involvement can lead to erratic investment decisions, increasing susceptibility to market fluctuations. Investors often approach financial decisions subjectively, driven by emotions, feelings, sentiments, and family influences. This affects their perceptual framework, making them dynamic and, at times, irrational (Adil, 2022)[5]. Seeking high returns in a short period can lead to impulsive risk-taking behaviours. There is a strong need for objectivity in investment decisions (Alessandri, 2020); (Anusic, 2015)[8][15] to ensure rational and beneficial outcomes rather than emotional and reactive financial choices. Emotional investment behavior (Ballis, 2022); (Bazley, 2021)[18][20] has a cascading effect on global markets, altering investor sentiments and market stability. The balance between rational and emotional decision-making will be explored further in the next section.

Rational vs. Emotional Mindset

Emotions play a crucial role in shaping human behaviours, thinking, and decision-making. They define personality and influence daily activities. While emotions can provide mental strength and confidence, they may also limit prospects, growth, and development. A rational person, by contrast, approaches situations with purpose and logical reasoning. Although emotions influence them, intellect (Anusic, 2015)[15] plays a dominant role in their decision-making. Rational choices lead to stable and purposeful outcomes, whereas emotional fluctuations create imbalances. Achieving a balanced approach requires managing emotions intelligently alongside rational thinking. Human nature is often swayed by emotions, leading to impulsive decisions rather than structured, goal-oriented actions. A rational mind-set, integrated with emotional intelligence, can pave the way for sustainable personal, social, and professional development.

Impulsiveness vs. Stability

Mood swings and emotional shifts contribute to an imbalanced personality, often leading to impulsive decision-making. While emotions reveal aspects of an individual's character, they do not necessarily lead to success. Stability and consistency in approach are essential for long-term effectiveness. An integrated perspective (Areiqat, 2019)[16] that balances emotions and rationality ensures well-rounded decision-making. Intelligent emotional management is crucial in fostering stable and outcome-driven behaviours in all aspects of life.

Cognitive and Emotional Aspects of Decision Making

The mind serves as the architect of human life, shaping perspectives and guiding decision-making. While emotions play a significant role, they should remain subordinate to rational thinking. However, individuals often give emotions a superior place, allowing them to override rational judgment, leading to potential deviations in decision-making. Objective decision-making, driven by information and rational analysis, is crucial for ensuring stability and progress. The systematic integration of cognition and emotions can contribute to an evolved understanding of society and a holistic way of living. Emotions influence all aspects of life, including investment decisions. Effective emotional management through a prudent and intelligent approach fosters rationality, objectivity, and an information-driven investment strategy. However, many investors are swayed by emotions, which can cause drastic swings in decision-making, altering the primary purpose of returns. The evolution of emotions and their impact on investors are explored further in the subsequent section.

Evolution, Determinants, and Impact of Emotional Intelligence (EI)

The concept of Emotional Intelligence (EI) has significantly influenced human thought, behavior, and relationships over the past three decades. Discussions and evaluations have contributed to shaping human perspectives and future directives. Daniel Goleman's seminal work, Emotional Intelligence: Why It Can Matter More Than IQ, revolutionized traditional beliefs that intelligence quotient (IQ) alone determined human capability. The introduction of EI reshaped intellectual discourse, bringing a dynamic shift in thought processes. The cognitive aspect of the mind plays a crucial role in collecting and managing information, acting as the architect for balanced emotional expression. Through prudence, knowledge, and insight, individuals can regulate emotions and shape social and professional outcomes effectively. EI encompasses four primary dimensions: self-awareness, self-management, social awareness, and relationship management. Effective control of these aspects contributes to intelligent life management. Objective measurement of EI has been made possible through reliable empirical instruments such as the Emotional Capital Report (ECR), Emotional Quotient Inventory (EQ-i), Geneva Emotional Competence Test, Trait Emotional Intelligence Questionnaire, Mayer–Salovey–Caruso Emotional Intelligence Test (MSCEIT), and Emotional and Social Competence Inventory (ESCI). These tools support self-reporting, allowing individuals to identify and address emotional challenges through training and intervention. The diverse and intense effects of emotions on personality and human functioning will be explored in the next section.

Individual Differences and Emotional Responses

Individuals exhibit differences in personality traits, family backgrounds, education, and social environments. A key question in psychology is whether individual differences influence emotions or whether emotional reactions vary in intensity based on individual differences. Research suggests that emotions impact social interactions, responsiveness, and even social aversion, particularly in the post-COVID-19 context. Emotional Intelligence (EI) is linked to physical, mental, and spiritual well-being, contributing to a balanced outlook on life. Studies indicate a positive correlation between EI and academic performance. However, the relationship between emotional intelligence, personality, and cognition remains complex. The effectiveness of problemsolving and coping strategies is also influenced by EI levels. Human intelligence operates with varying intensities, influenced by external stimuli and individual responses, which may be either intense or passive. Regulating and managing emotions is essential for enhancing performance and overall well-being. Research indicates that attitudes significantly impact emotional regulation. The ability to regulate emotions effectively determines emotional stability, well-being, and happiness. Two key factors influence emotional balance: an individual's intrinsic capacity for regulation and their responses to varying situations. Failure to regulate emotions may result in emotional instability, while intelligent management can enhance personal, social, and professional control. Recognizing individual differences and understanding emotional responsiveness are fundamental to achieving emotional balance and superior decision-making.

Herd Behavior in Investment Markets:

Herd behavior describes investors' propensity to follow the herd and purchase or sell assets based more on the conduct of others than on their own judgment. Market bubbles or collapses are frequently caused by this emotional bias (Bikhchandani, 2001)[21]; (Strategists., 2024)[51]. Herd mentality, in which people seek solace from group consensus or dread missing out (FOMO), is exacerbated by social media and real-time data. Fear, greed, loss aversion, and overconfidence lead investors to follow the herd, forgoing critical analysis and logical planning in the name of seeming safety (Strategists., 2024)[51]; (SmartAsset, 2019)[49]. The knowledge and self-control necessary to withstand peer pressure and stay rooted in reason and individual objectives are provided by emotional intelligence.

EI & personality traits 2021

(Rosales-Pérez, 2021)[44] conducted an exploratory study to examine the relationship between personality traits and investment decisions. The research was carried out among 240 management students enrolled in a Spanish university between 2019 and 2020. The findings indicate that personality traits have a significant influence on the regulation and control of Emotional Intelligence (EI). The study highlights that various emotions—such as sentiments, feelings, depression, and anxiety—affect well-being, sociability, and self-control. These relationships require further empirical research and documentation. The five major personality traits identified in the study are: (a) Neuroticism, (b) Extraversion, (c) Openness, (d) Agreeableness, and (e) Conscientiousness.

The *Table 1* outlines the emotional competencies associated with EI and how individuals with high scores perceive themselves. It demonstrates that sociability, emotionality, self-control, and well-being contribute to one's ability to manage emotions, adapt to situations, and maintain personal relationships.

Dimensions	Emotional Competencies	High Scorers See Themselves as
Sociability	Relationships	Able to maintain satisfactory personal relationships.
	Empathy	Able to take another person's perspective.
	Emotion perception	About your own and others' feelings.
	Emotion expression	Able to communicate their feelings to others.
Emotionality	Emotion management	Able to influence the feelings of others.
	Social awareness	Connected to superior social skills.
	Assertiveness	Frank and ready to defend their rights.
Self-control	Emotion regulation	Able to control their emotions.
	Adaptability	Flexible and ready to adapt to new conditions.
	Impulsiveness (low)	Thoughtful and less likely to give in to their impulses.
	Self-motivation	Unlikely to give up in the face of adversity.
	Stress management	Able to withstand pressure and regulate stress.
Well-being	Happiness	Satisfied with their lives.
	Optimism	Likely to "look on the bright side" of life.
	Self-esteem	Successful and self-confident.

Table 1: Source: Rosales-Pérez, A.M. et.a l2021

Personality Traits and Their Influence

PT	Main Characteristics	Antagonistic Characteristics
Neuroticism	Anxiety, hostility, depression, shyness.	Calm, secure, relaxed, emotionally strong.
Extraversion	Search for emotions, assertiveness, positive emotions, cordiality.	Reserved, withdrawn, shy, lonely.
Openness	Emotional, imaginative, idealistic, depth.	Conventional, realistic, traditional.
Agreeableness	Helpful, cooperative, compassionate, conciliatory attitude.	Suspicious, individualistic, antagonistic.
Conscientiousness	Sense of duty, need for success, impulse control, aimed at accomplishing tasks.	Lazy, purposeless, weak will, careless in moral principles.

Table 2: Source: Rosales-Pérez, A.M. et.al 2021

Table 2 classifies personality traits into their main and antagonistic characteristics. The study found that these traits significantly impact emotional representation and regulation. For instance:

- **Extraversion**, **openness**, and **agreeableness** have a strong positive influence, leading to better investment decisions.
- **Neuroticism** tends to have a negative effect, making individuals risk-averse and emotionally reactive.
- **Conscientiousness** is linked to impulse control and a strong sense of duty, impacting financial decision-making.

PT	Associated Bias	Sense of Impact
Neuroticism	Risk-averse	–
Openness	Risk-averse	–
Extraversion	Risk tolerance	+
Openness	Risk tolerance	+
Agreeableness	Risk tolerance	+

Table 3: Source: Rosales-Pérez, A.M. et.al2021

Table 3 highlights how personality traits influence risk tolerance in investment decisions. The study suggests that extraversion, openness, and agreeableness are associated with higher risk tolerance, while neuroticism and certain aspects of openness contribute to risk aversion.

EI and personality based investment related studies

Author year	Research method and type	Findings	Research gap
(Weese, 2024)[54]	Conceptual paper Descriptive and evaluative in nature	The study has conceptually examined the various factors of EI	This research has to be extended with the personality types and its implications on investment decisions
(Zhengyang Jiang, 2024)[60]	Explores the relationship between personality differences and investment decisions five big personality traits are explored in this study	High Neuroticism and low Openness has a decisive positive role on equity investments.	The role of other aspects of personality and its impact on long term and short term investment decisions could be evaluated and studied empirically
(J.A. Ghaffar, 2023)[27]	Influences of personality traits on investments is explored as the impact of financial risk tolerance is studied Pakistan based empirical study	It is found that psychological factors do influence investment inclinations on five personality factors extroversion, openness to new experiences, investment choice, and socioeconomic	The need for other personality factors like cognition, mood and personal factors on investment decisions has to be explored and studied. The volatility of personality on volatile financial

Author year	Research method and type	Findings	Research gap
		risk tolerance are having relationship which is proven in this study	investment decisions could also be explored and studied which has not been done before
(Zhang, 2022)[59]	Longitudinal survey	EI significantly improves investment decision quality, especially in high-stress or uncertain situations	Investment behavior literature remains focused on cognitive traits; affective/emotional traits underrepresented
(Anderson, 2021)[14]	Mixed methods	Locus of control moderates the impact of stress on job satisfaction and performance	Locus of control moderates the impact of stress on job satisfaction and performance
(Lluna M. Bru-Luna, 2021)[34]	Systematic literature review paper	Reliability and validity of EI tools and its applications among professionals has been measured as they differ in their outcomes	More empirical studies related to AI and its implications on personality and its relatedness to investment decisions has to be done
(Rosales-Pérez, 2021)[44]	Empirical and quantitative study with Spanish university students Determines the role of personality type and investment decision	In this study the positive role of personality type and investment decision has been found	Research studies have to be done on impulsiveness & rationality on investment decisions
(Biolik-Moroń, 2021)[22]	The role of trait & EI experiences has been explored in this study. This study	It is found in this study that trait emotions do have positive effects with positive intensity it	Role of relaxation and happiness and its impact on investment decisions &

Author year	Research method and type	Findings	Research gap
	has been done during Covid times in Poland 130 sample respondents participated in this study	was found that anger disgust and frustration was evident during Covid period which reflected in investment decisions	outcomes has not been studied or evaluated which could also be done empirically
(Niladri Das, 2020)[37]	Exploratory cross sectional study empirical study on personality and investment performance as the role of psychological traits and its impact is measured	Big five personality traits were evaluated in this study it was found in this study that personality traits are related to financial risk tolerance, over confidence in financial decisions & investment performance perception	More research studies have to be done on relationship between extrovert and introvert personality type and its implications on investment decisions in Indian context which has not been attempted before
(Guido Alessandri, 2020)[25]	Empirical longitudinal research on self-efficacy and self-regulation	Self-efficacy mediates the relationship between personality traits and adjustment outcomes	More research needed to link these mechanisms across different life domains (e.g., education, finance, relationships)
(Smith, 2020)[50]	Empirical research and theoretical review on resilience and coping	Resilience acts as a buffer against stress and is a key factor in positive psychological functioning	Few longitudinal studies treating resilience as a stable personality trait rather than a state
(Judge, 2019)[29]	Cross-sectional empirical study on core self-evaluations (CSE), including self-efficacy	Self-efficacy and other CSE components significantly influence job satisfaction,	Integration of self-efficacy with Big Five in predicting real-world performance is under-researched

Author year	Research method and type	Findings	Research gap
		performance, and motivation	
(Hasrita Lubis, 2015)[26]	Explores the role and impact of psychological factors on individuals and decision making 320 respondents one to one survey	It is evident in this study that defense mechanisms, personality traits, emotional intelligence and financial literacy are correlated Personality traits do attribute to risk taking nature which result in defense mechanisms also	The role of personality traits on risk return orientation, features and its impact need to be evaluated and studied empirically which can give new focus, impetus and interpretations on this domain

Table 4 : Literature review

Findings on EI and personality traits

1. It is evident that majority of the studies related to personality aspects of investment decisions have taken Big five personality traits and its implications only. The other personality traits like extroversion, introversion, impulsiveness, rigidity, flexibility and erratic behavior and its impact on investment decisions has to be researched.
2. The relationship between risk and return mental orientation and its implications on investment decisions has to be explored
3. The implications of long term investment & short term investments on personality and its outcomes need to be studied and examined.
4. It is clearly evident that other factors of human personality {other than Big five personality types} has to be researched which can give new impetus and directives on investment decisions.

Risk Return Mental Orientation

Return on risk the term "mental orientation" describes a person's innate psychological framework that directs how they perceive and react to possible financial advantages in relation to related hazards. Emotional inclinations, particularly those associated with emotional intelligence (EI), and cognitive tests combine to develop this orientation.

Through emotional control and mental clarity, those with high EI are better equipped to assess risks and expected rewards. On the other hand, emotional biases like anxiety, overconfidence, or impulsivity might cause low-EI people to underestimate hazards.

According to research by (Weber, 1997)[53], risk perception is impacted by emotional and personal aspects in addition to being solely intellectual. This was further developed by Loewenstein et al. (2001), who conceptualized risk as feelings and showed that people's perceptions and reactions to danger are greatly influenced by their emotional states. Together, these results lend credence to the notion that risk-return orientation is a construct that is both emotional and logical, with emotional intelligence (EI) playing a major role in influencing the results of investments.

Therefore, in this study, risk-return mental orientation is characterized as:

"The emotional-cognitive disposition in which people, influenced by their psychological characteristics and emotional intelligence, perceive, interpret, and act upon investment opportunities in light of perceived risks and expected returns."

Contribution Statement: This study expands on earlier behavioral finance research by eschewing conventional models that mostly concentrate on the Big Five personality characteristics or demographic factors. This study presents emotional intelligence (EI) as a moderating element in affecting risk perception and decision-making, whereas previous research has focused on cognitive biases and general psychological aspects impacting investing behavior. Additionally, it adds less studied psychological characteristics to investor profile, such introversion, rigidity, and impulsivity, resulting in a more complex categorization model. For financial educators, advisers, and legislators, this integrated approach offers a greater knowledge of the relationship between behavioral finance concepts and emotional regulation, as well as new theoretical and practical insights.

The recent studies on EI and personality traits influences on investment decisions would be dealt in detail as discussions and evaluations.

DISCUSSIONS & EVALUATIONS

This section of the paper would deal with research studies which have been done on EI and personality orientations and its subsequent impact on investment decisions.

Research studies on emotions risk perception & investments

Author and year	Methodology	Findings	Research gaps
(Shah, 2024)[47]	The study finds out the patterns in chaotic investments among Indians due to market volatility The role of hurst indicator is investigated	Hurt indicator is emphasized with time series data as a novel risk reduction strategy is given as an outcome of this study	The role and impact of hurt indicator on short term and long term investments in Indian market has to be explored and studied
(Bashar Y. Almansour, 2023)[19]	The aspects of finance oriented behavior and its implications on investment decisions are explored. Also the mediating role of risk perception is investigated SEM analysis has been done with 134 individual investors in Saudi Arabia	It is found in this study that risk perception has a strong impact on investment decisions and outcomes It is also found in this study that herding, disposition effect, and blue chip bias have a positive impact on risk perception and investment decisions	The study focuses on behavior finance factors which influence investment decisions as other factors are there which could also be researched
(Rizani, 2023)[43]	Role of behavior finance in investment This study is SLR	It is evident that financial literacy, investments and behavior finance related aspects are most studied	The need for regional and country based studies on behavior finance in developing countries is most evident in this research
(Kumar, 2015)[31]	Journal of behavior and experimental finance has been done with bibliometric evaluation	Most of the researches are theory based on behavior and prospect theory	Herd behavior and its impact on developing & developed countries has to be done as a comparative study
(Zhang, 2022)[59]	Role of information as a moderating factor and cognitive biases in investments is	Cognitive bias has a strong influence on investment decisions	The role and impact of information on long term

Author and year	Methodology	Findings	Research gaps
	investigated in this study. This study explores in to the mediating effect of risk perception also 317 real estate investors and quantitative in nature	information has a moderating effect in the whole process of investment	investments by investors has not been empirically studied or determined which has to be done
(Rika Dwi Ayu Parmitasari, 2022)[42]	Behavior bias is explored as a chain reaction and its impact on risk with investment decisions is explored in this study This study is done with 456 Indonesian investors	Emotion is highly influential in providing an illusion of control This illusion of control lead to over confidence with 85% of these investors	The role of emotion on illusion of control and over confidence in investment decision making has not been empirically researched in developing countries which need to be done
(Muhammad Atif Sattar, 2020)[36]	This study focuses on the aspects of biases prevalent in behavior finance and its implications on investment decision making process Quantitative study and regression analysis has been used	In this study the aspects and dimensions of heuristic, prospects, personality characteristics, feeling, moods and ecological factors have been explored and it was found to have positive effects on investments	As big five personality traits and its impact has been evaluated in this study, the need for more exploration on other aspects of human personality and related dimensions on investment decision making is emphasized

Table 5 : Literature review

FINDINGS OF THE STUDY

Higher Emotional Intelligence generates Better Investment Outcomes: Investors with higher EI, particularly in self-awareness and emotional regulation, are more patient in the face of market volatility, have a higher risk tolerance, and employ disciplined methods to steer clear of herd mentality and rash decisions (Aryadevi, M.R., Vincent, G., & Challa, V.N.S.K., 2025)[17]; (Adhikari, 2024)[4].

Impulsivity and Rationality: According to (Katukuri, 2023)[30], impulsiveness and low emotional intelligence are associated with higher portfolio decision volatility, heightened vulnerability to speculative bubbles, and a higher likelihood of losing money as a result of panic selling or trend-chasing.

Investor Type and EI: Speculative investors are less self-controlled and more emotionally volatile (Katukuri, 2023)[30]; asset-based and safe-haven investors prioritize stability; and socially responsible investors, who are guided by values and ESG criteria, tend to exhibit superior self-regulation and long-term strategic orientation (Analytics., 2025)[13]. Emotional intelligence also helps guide balanced risk assessment and avoid bandwagon effects.

Herd Behavior: Herd behavior is driven by emotional contagion, mainly fear and greed, which suppresses independent thinking and causes bubbles and collapses. Emotionally knowledgeable investors operate as a buffer; they are less inclined to follow the herd mindlessly and instead rely on self-aware, objective analysis (Bikhchandani, 2001)[21]; (Strategists., 2024)[51].

Practical Applications: Techniques for emotional control and mindfulness, such meditation and recurring introspection, have been shown to improve emotional intelligence (EI). Frequent practice enables investors to manage their impulsive desires, lower stress levels, and maintain composure in the face of volatility (Wealthnote., 2024)[52]; (PositivePsychology.com, 2025)[39]; (Fincart, 2024)[24]. Building emotional intelligence skills through journaling, roleplaying, and resilience education is becoming more and more integrated into investment training programs (Academy, 2025)[3].

INVESTOR TYPOLOGIES AND EMOTIONAL INTELLIGENCE PROFILES

- **Asset-Based Investors**: Driven by stability and wealth preservation; choose gold and real estate. By assisting in the logical assessment of long-term risks, EI lessens vulnerability to herd-induced bubbles.
- **Safe heaven Investors:** Investors that choose safety above returns should concentrate on fixed deposits and insurance. During market downturns, EI helps people stay calm and avoid herd departures.
- **ESG Investors**: Investors that choose investments based on ethical, social, and governance considerations are known as socially responsible or ESG investors. They exhibit superior emotional intelligence (EI), self-control, strategic focus, and resistance to transient market noise.

- **Speculative Investors**: Short-term, high-risk trades are made by speculative investors; frequent, emotionally reactive judgments are driven by low emotional intelligence and high impulsivity, increasing the chance of loss and herd-induced volatility.

STUDY SUGGESTIONS

- Future studies could look more closely at how financial literacy and emotional intelligence training tailored to certain investor demographics affects investment performance.
- In order to effectively adapt investment strategies to the psychology of their clients, financial planners should include emotional intelligence (EI) profiling and emotional competency evaluations into the consulting process.
- To improve goal-oriented investment and lower systemic risk from herd behavior, policymakers and business executives should provide educational interventions and hands-on workshops that introduce mindfulness, emotion management, and resilience skills. Real-time emotional input might be obtained through web platforms and mobile apps.

FUTURE RESEARCH: SCOPE AND POSSIBILITIES

Behavior finance is an interesting area of exploration which deals with the behavioral challenges along with emotions towards investments. This study has been nascent and flourishing as the need for more empirical and purposive researches could be done. The herd investor, impulsive investor, irrational investor and their investment decisions could be explored. The role of rationality and cognitive factors on investment decisions has to be researched empirically. It is also evident that the role of EI aspects on investment decisions along with risk perception has to be done in developing countries more. As these research studies can provide new insights, strategies and perspectives for global companies to proceed with their strategies to attract more investments – the need for more researches is evident. As we continue to explore in to the behavioral and emotive aspects of investments – more knowledge and purposive strategies for global companies could emerge which can provide them sustainability towards 2030. So the need for more researches in this direction is emphasized with an appeal to research scholars and professionals to renew their interest on these domains and aspects – which could give new thinking and strategies for 2030.

MINDFULNESS AND MEDITATION TECHNIQUES

- **Mindfulness Training**: Journaling, self-reflection, deep breathing, and meditation all improve self-awareness and emotional regulation.
- **Programs for Financial Literacy:** Investment results and risk assessment are enhanced when knowledge acquisition and emotional skill development are combined.
- **Seminars/Roleplay:** To improve strategic discipline and resilience, experiential Emotional Intelligence (EI) seminars model emotional obstacles in investment.
- **Technology Tools:** Investor self-awareness and judgment are improved by mobile applications and internet platforms that include EI profiling, market scenario simulations, and real-time emotional feedback.
- **Professional Advice**: Seeking advice from Emotionally Intelligent Financial Advisors to create customized plans and lessen the impact of emotional bias.

CONCLUSION

A key factor in making wise financial decisions is emotional intelligence, which mitigates the effects of psychological biases and risk perception. The results demonstrate that raising EI through focused instruction, mindfulness practices, and education positively improves investment performance, resilience, and discipline. Emotionally savvy investors preserve independent analysis, minimize exposure to bubbles and collapses, and generate steady, long-term profits by acknowledging herd behavior as an emotional phenomena rather than just an informational one. The most practical way for professionals and investors to optimize strategies for a variety of risk profiles, including new asset classes and socially responsible investing, is to take a multifaceted approach that incorporates psychological profiling, financial literacy, and emotional intelligence development.

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