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Financial Knowledge and Risk Preferences: An Empirical Study on Investment Behaviour of Academicians

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ABSTRACT

The paper is to analyse the correlation between risk appetite of academicians, emotions of academicians and their financial knowledge, particularly in the context of their investment behaviour whereby financial products are more accessible and available in an advanced and complex nature. The primary objectives are to evaluate the levels of financial knowledge and its influence on an investment behavior, especially concentration on the level of influence by such emotional features as risk aversion and overconfidence. A quantitative research method was employed by using a standardised questionnaire measuring demographics, general risk aversion, overconfidence, financial literacy and agreeableness. The data were obtained through purposive selection of academicians involved actively on financial investments. Data analysis was done using "Partial Least Squares Structural Equation Modeling (PLS-SEM)" - 4 as an attempt to determine the both direct and indirect links among the endogenous variable (Financial Risk-Taking Behavior (RTB) and exogenous variables; General Risk Aversion (GRA), Financial Literacy (FL), Overconfidence (OC) and Agreeableness (AG)). It is interesting in the findings that the financial literacy and the emotional intelligence are more important in the determination of investor behavior making it important to have specific training programs designed to help investors navigate through the complexities of the modern financial markets. The paper again states that, behavioral and emotional concerns override financial issues to determine the risk-taking behavior and the paper is glad to hear of the idea of emotional intelligence training that should definitely be coupled with the financial training.

***Keywords**: Financial Knowledge, Investor Behavior, Risk Preferences, Emotional Biases, FinTech.*

Introduction

The context of the modern financial world is characterized by the enhanced necessity to make a smart financial choice, which is currently attributed to the rising demand in retirement savings and the emergence of more complicated financial products (Albert, 2023). Although many people are concerned with this, it is especially topical to investors who are employed in the academic fraternity and whose experiences with finance are mostly exceptional. Improved salary levels and better availability of various investment assets offer academics more financial opportunities than before, most of which are in more need of a deeper understanding of financial concepts to be utilized successfully (Binti Azmi & Ramakrishnan, 2018). The academic community has had access to greater sources of wealth accumulation and retirement planning due to the high speeds at which the financial markets developed and complex products of investment were introduced (Khan et al., 2020). There is, however, a need to have higher financial literacy with these products, too, as smart decision-making in such an environment means not only knowing the classic investment options, but also being aware of new ones (Ansari et al., 2022). According to the author, one such area is in the academic area where financial stability and future personal finances meet a proliferation of financial products with variable risk-return characteristics (Goldsmith & Goldsmith, 2006).

This paper aims at examining financial literacy of academician investor. In a typical case, academic people have good income which does not vary, which enables them to save regularly, and an

overall long-term outlook on wealth accumulation. Nevertheless, the financial decision-making process may not be straight forward especially when scholars are subjected to investment opportunities that do not comprise the conventional low-risk investment policies such as fixed deposits, post office savings and insurance (Capelle & Monjon, 2012). Over the last few years, we have experienced an increasing trend in exposure to the higher-risk asset classes of stock and mutual funds due to reasons such as the affordability of the systematic investment plans (SIPs), convenient digital on boarding, and a chance to earn a bigger risk-adjusted returns (Bittini et al., 2022). Although this shift has been observed, little research can be found on what causes academics to pursue riskier investment strategy (Widyawati, 2020). Though the universal literature on financial investment decision-making has grown, there is still a paucity of such studies based especially on the academic fraternity. Based on numerous sources of information available, it can be seen that the financial choices do not represent rational decisions as there are behavioral and emotional entanglements that contribute majorly to investments. Behavioral finance has reiterated that not all investors embrace logical decision-making, rather deviations to the rational considerations are usually systematic and they are informed by subjective notions of reward and risk (Suresh G., 2024). Consequently, there lies an emerging requirement to study the psychological and emotional variables, which play a role in developing financial behavior among academics.

This paper serves to assess investors of the academic fraternity risk-taking nature bearing in mind the influences of behavioral inclination, emotive factors and population demographics. The research aims at explaining them by enlightening on how academicians decide to invest in addition to deciding what they want to risk. This information can inform the financial literacy curriculum and policymaking that specifically address the academic community as being more prepared to make good financial decisions as the marketplace becomes further complicated with time.

Literature Review

Financial inclusion is necessary in economic development since it encourages saving that can develop a foundation of resources in the financial system. By integrating them into the official banking system, financial inclusion also safeguards the non-financial assets as well as other resources of individuals. Financially savvy persons are probable to know their ideal liability level and to have less expensive debt (Lusardi & Mitchell, 2011). They have fewer issues paying off credit card debt and less access to expensive consumer borrowing. Financial literacy is lower in emerging markets than in developed ones, particularly in rural regions (Demirgüç-Kunt & Klapper, 2012). Meanwhile, research from developing nations supports the relationship between higher financial literacy and better retirement planning, increased market participation, increased routine borrowing bases, higher voluntary savings and improved divergence (Khan et al., 2020). According to the discoveries of this research, financial literacy training has a negligible impact on borrowing behavior, but it has a greater constructive impression on saving habits (Almeida-Filho et al., 2021). Financial inclusion guards against remote money mortgagees taking advantage of the deprived (Asif et al., 2023). Growth and demand have hard-pressed financial inclusion in digitization throughout the areas, as well as in rural and distant areas, with the assistance of government efforts (Dev, 2006). In addition to substantially providing financial services, a strategy for the financial systems should be localized to converge with regional settings (Milner & Rosenstreich, 2013). The multi-dimensional aspects of inclusion with tangible outcomes in rural and excluded populations, the combined model is targeting greater conceptual understanding and interrelationships. The structure promotes reassessment of the facts and the causal problems and adopting a broader approach towards digital financial inclusion (Graña-Alvarez et al., 2022).

Risk tolerance can be identified as the amenable of behaviours where it is not clear what the result of the behaviour will be with an identifiable unfavourable result (Bapat, 2020). It is dimensionally determined by emotion, financial literacy and behavioral biases, income and type of behavior. Cultural differences in risk adoption and risk taking as well as risk perception are also possible (Rafiq et al., 2022). Hence, the value of the current research contribution to existing literature is studying the influence of Indian culture on risk aversion and financial risk tolerance. The effects of such emotional considerations on money behavior and well-being have been studied in India (Sehrawat et al., 2021). It has been instituted that risk acceptance is higher in materialistic people, with younger and male investors being at a higher risk than the rest (Shah et al., 2020). Moreover, risk tolerance varies with respect to age and gender among Indian investors (Shah et al., 2020). The authors discussed the role of emotional characteristics in risk-taking, self-esteem, personality, and sensation seeking (Yao & Rabbani, 2021). The correlation between demographic factors and financial risk tolerance has been discussed using other studies as well (Nosita et al., 2020). Risk-taking behavior is not the same as risk acceptance which is the volume of the risk an individual can endure after investing (Bayar et al., 2020). The risk appetite and

tolerance are merged in risk-taking behavior (Noviarini et al., 2021). Not much research has been carried out in India that covers some important factors that determine risk-taking behavior, i.e. risk aversion, financial literacy, emotional factors such as overconfidence, locus of control, agreeableness, and demographic factors, which the following paper will attempt to present.

Risk aversion can be simply explained by the fact that it is defined as an unwillingness to become involved in social, recreational, health, and ethical risks (Aren & Hamamci, 2020). It can be explained in the financial context by a relatively lower desire to favor returns that are subject to higher risks (Agussabti et al., 2020). It has been confirmed that the financial risk tolerance is correlated with non-financial risk aversion, i.e. there occurs a correlation between non-financial and financial risk; however, a discrepancy between the two exists in that people tend to have a more significant aversion to non-financial risks especially ones that are health-related (Bayar et al., 2020). To illustrate, a decision-maker can have different interpretations of financial and health-related risks and rewards and therefore differ in the risk-taking behavior across contexts (Yao & Rabbani, 2021). It has also been found that the tendency of people to make both financial and non-financial risks has been relatively consistent (Shah et al., 2020). Moreover, it is also proved that tendencies to risk aversion in general are correlated with age, gender, and income (Sarwar et al., 2020). Given that decisions made in these different domains are shaped by different psychological dimensions of risk, it can be surmised that one can expect differences between the ways in which risks and benefits are perceived as falling under different decision-making contexts (Aren & Hamamci, 2020).

In financial risks tolerance, overconfidence, locus of control, and agreeableness are Emotional variables that affect the tolerance to risk. The researchers (Raab et al., 2020) came to the conclusion that emotional intelligence is a direct moderator between financial literacy and financial risk tolerance. They found out that sadness emotions are more likely to lead to risk aversion whereas anger enhances risk aversion; depression is also associated with variation in risk tolerance (Kartini & NAHDA, 2021). The authors claimed that both overconfidence and locus of control played an important role in performance of individual investors (Sattar et al., 2020). Also, there is less risk tolerance when the agreeableness level increases (Duxbury et al., 2020). In their bibliometric study, impacts of overconfidence, agreeableness on the financial decision-making were pointed out by authors (Muslim, 2023). The locus of control has different effects on the age and gender groups (Hala et al., 2020). The current work is dedicated to agreeableness as one of the Big Five personality traits since it was confirmed that agreeableness has a close relationship with the tendency of financial risk-taking among people (Rahman & Gan, 2020). Authors concluded that specific personality traits impact generational cohorts, indicating that both age and personality shape risk-taking behavior (Griffith et al., 2020). Furthermore, (Kumar & Prince, 2023) studied a large population and found that agreeableness and overconfidence are significant predictors of financial risk behavior.

The following hypothesis can be derived from the literature:

H_{01}: General risk aversion negatively impacts financial risk-taking behavior.

H_{02}: Financial literacy positively impacts financial risk-taking behavior.

H_{03}: Overconfidence acts as a mediator between financial literacy and risk-taking behavior.

H_{04}: Overconfidence positively affects financial risk-taking behavior.

Methodology

In this study, a non-probability purposive sampling method was used to assemble data from individual investors using a structured questionnaire. Contributors were nominated based on the following criteria: they must belong to academic fraternity, working in NAAC A+ university in Uttar Pradesh (West), India, and invest in any financial instrument. A self-structured survey was developed after a thorough literature review, utilizing validated risk tolerance scales, and a quantitative research methodology was applied. The questionnaire consisted of five sections. The first section gathered personal information, including age, gender, education level, income, and a filter question to confirm investment activity. The second section featured a five-item scale from the to measure general risk aversion. The third section included an eleven-item scale, comprising a six-item measure of overconfidence and a five-item scale for financial literacy. The fourth section contained a five-item scale to evaluate locus of control. Finally, the last section included a six-item scale to evaluate financial risk tolerance and a three-item scale for the personality trait of agreeableness.

Out of 526 responses completed, 491 valid responses were kept in order to carry out the analysis, this amounting to either academician in different Indian institutions or people with different

demographic backgrounds. The sample size is large enough to analyze PLS-SEM analysis since it is beyond the minimum size as guided by Hair et al. (2021) where the minimum is 10 times the max number of tracks directed to any construct of the structural model.

Data Analysis and Results

Data were collected via a survey, employing a structured questionnaire to test the hypotheses. A total of 625 answers were acknowledged; however, 134 responses were from individuals who did not meet the study criteria. After excluding these, we were left with 491 valid responses. The demographic features of the respondents are presented below (Table 1):

Table 1. Financial Literacy across Demographic Sets

Financial Literacy across Demographic Sets		**N=491**	***Financial Literacy ("Lusardi-Mitchell") Correct Responses (%)***			
	No.	% in Total	Finance Charges "Interest"	Price rises "Inflation"	Equity Risk	Aggregate Three
Gender						
Male	259	53	81	64	23	16
Female	232	47	81	63	25	19
Age						
< 35 years	277	56	82	66	25	18
35 - 50 years	173	35	82	58	20	15
> 50 years	41	8	71	66	34	22
Education						
Bachelor	190	38.697	63	51	11	2
Post Graduate	259	52.749	84	61	36	26
Ph.D.	42	8.554	85	67	25	20
Financial assets						
Refuse	119	24	82	50	17	12
< "₹ 100,000"	289	59	79	65	21	14
100,000 - 500,000	61	12	84	68	26	24
> "₹ 500,000"	22	4	79	74	50	34

For the first and second Lusardi-Mitchell questions, there are a good number of right responses. With 81% of participants correctly answering the first question, it appears that knowledge of interest rates is good. Fewer individuals possess the considerate of inflation. Only 64% of participants correctly responded this enquiry, and 12% either said they didn't know or said they wouldn't.

Table 2. Financial Assets & Debts Allocation

Financial Assets & Debts Allocation	***%***
Saving Account	99
Fixed Deposits	43
Bonds	11
Equity Shares	9
Gold	81
Life Insurance	62
Owns >= 2 types of assets	59
Credit Card Holders	36
Debts	47
Debts> Annual Income	8

Table 3.Financial Literacy Measures

Financial Literacy Measures	Mean	Median	St Dev	Min	Max
Addition of 3 correct elementary queries ("Lusardi-Mitchell")	1.68	2	0.87	0	3
Aggregate count of overseas banks mentioned	2.25	2	1.2	0	6
The scale of 0 to 1 for identifying overseas banks	0.56	0.5	0.3	0	1
Addition of correct 3 elementary questions & banks name (score out of 4) ("Lusardi-Mitchell" + Banks)	2.24	2.5	0.99	0	4

The third question's responses, which calls for familiarity with the idea of portfolio divergence in the context of the share market, are the most striking. Only 24% of participants can accurately respond to this question, with a substantial percentage (52%) choosing to remain silent. It is blurred if people's illiteracy of risk diversification or a shortage of stock market familiarity is to blame for these gloomy results (Table 2). Thus, it is not unexpected that just 17.5% of participants accurately respond to all three questions. The majority of responders (43.0%) provide two accurate answers, while a tiny minority (9.8%) do not provide any correct responses (Table 3). We may compare findings across nations because the standard questions have been used in numerous other nations. The findings on the risk diversification question are noticeably poorer, even though the figure of accurate responses is not significantly dissimilar from those in advanced countries for the first 2 questions (Lusardi & Mitchell, 2011, p. 2). This shows that, despite the great availability of complex financial goods, the investors in academia lacks more advanced financial knowledge, even while elementary financial awareness of interest rates and inflation is decent. Comparing this set to overall populace analyses in developing nations, they perform noticeably better on all of the items.

The data were analyzed using PLS SEM 4 (V.4.0.9.2) to create a model (Figure 1) that illustrates the relationships between endogenous and exogenous variables. PLS-SEM is an advanced statistical method that syndicates facets of multiple regression and factor analysis, allowing for the simultaneous analysis of the impact of exogenous variables—specifically General Risk Aversion (GRA), Financial Literacy (FL), Locus of Control (LOC), Overconfidence (OC), and Agreeableness (AG)—on the endogenous variable of Financial Risk-Taking Behavior (RTB), both directly and indirectly. This study employed bootstrapping with 5,00 resamples to measure significance at a 95% confidence level.

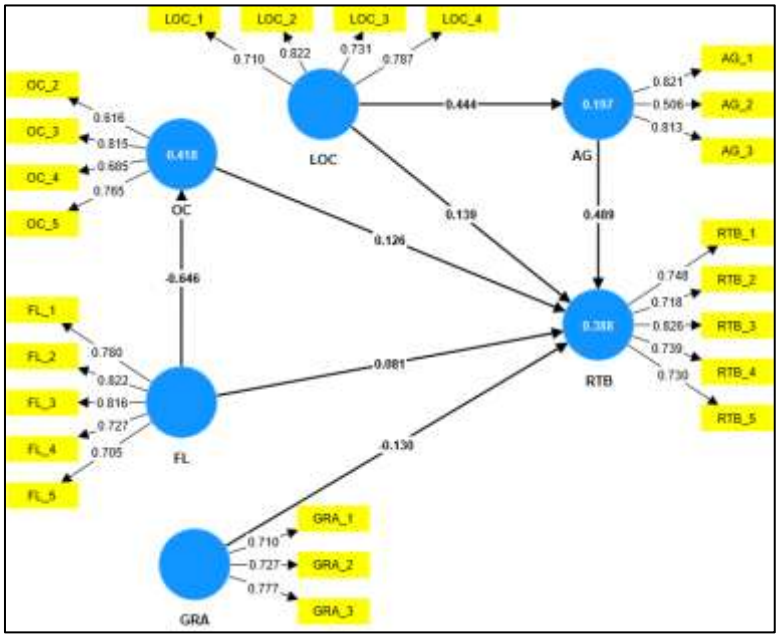

Figure 1: Structural Model

Measurement Model Assessment

The internal consistency and reliability measures are presented in Table 4. The Cronbach's Alpha for two variables, Agreeableness and General Risk Aversion, falls below the recommended threshold of 0.8. Since Cronbach's alpha assumes that all indicators are equally reliable and is sensitive to the number of items in a construct, we evaluate reliability using composite reliability (Peterson, 2020), which exceeds the minimum requirement. Therefore, we include both variables in our study. Consequently, we conclude that all indicators demonstrate strong internal consistency.

Table 4. Sets of Internal Consistency

	Cronbach α	Aggregate Reliability	Average Variance
FL	0.75	0.84	0.601
GRA	0.554	0.712	0.599
RTB	0.83	0.81	0.562
OC	0.598	0.824	0.536
AG	0.573	0.734	0.59

The reflective measurement model shown in Figure 1 displays the factor loadings for each piece within the constructs, all of which exceed 0.7, and the Average Variance Extracted (AVE) for each construct is greater than 0.5 (Sarstedt et al., 2022). This confirms the convergent validity of all constructs in the data. Discriminant validity was assessed using three parameters: HTMT, Fornell-Larcker, and Cross Loading (Table 5).

The validity and reliability in construct were established as Cronbach Alpha, Composite Reliability (CR) and AVE. Even though 0.8 < 0.8, Cronbach alpha (George et al., 2003) making the items of Agreeableness and General Risk Aversion unreliable, the reliability of the compilation of items was above 0.7, making it internally consistent. AVE > 0.5 was used to check convergent validity and the Fornell-Larcker criterion as well as the HTMT ratio cut-off values were used to establish discriminant validity.

Table 5.Heterotrait Ratio

	FL	GRA	RTB	OC	AG
FL	0.734				
GRA	0.824	0.75			
RTB	0.84	0.84	0.75		
OC	0.599	0.562	0.554	0.83	
AG	0.562	0.599	0.84	0.598	0.712

To establish discriminant validity through HTMT, the acceptable threshold has been debated by various authors. According to the literature, an acceptable HTMT value is below 0.85 (Schuberth et al., 2023), which is met by all constructs except for Agreeableness and Risk-Taking Behavior, which has an HTMT value of 0.886. Some researchers suggest that a threshold of less than 0.90 is acceptable for founding discriminant validity. According to the Fornell-Larcker criterion, discriminant validity is inveterate when a construct shares more variance with its indicators than with other constructs as shown in Table 6. Additionally, the outside loading of each indicator with its construct must be greater than its cross-loadings with other constructs. Therefore, the criteria for discriminant validity are satisfied.

Table 6.Fornell Larcker Criterion

	AG	FL	GRA	OC	RTB
AG	0.728				
FL	0.008	0.771			
GRA	-0.03	0.038	0.739		
OC	0.266	-0.646	-0.015	0.724	
RTB	0.589	-0.004	-0.142	0.235	0.753

The study assessed individual risk tolerance behavior to explore the effects of General Risk Aversion, Locus of Control, Overconfidence, Financial Literacy, and Agreeableness. It specifically examined how Overconfidence mediates the connection between Financial Literacy and Risk-Taking Behavior, as well as how Agreeableness mediates the connection between Locus of Control and Risk-Taking Behavior. Figure 1 presents the structural model that illustrates these relationships. Out of the five direct hypotheses, four were found to be statistically insignificant.

Table 7.Direct Effects Presentation

Hypothesis		Original Sample (0)	Sample Mean	Std Deviation	T Statistics	P Values
H1	FL_RTB	-0.19	0.075	0.044	3.011	0.023
H2	FL_OC	0.094	0.054	0.062	0.102	0.325
H3	GRA_RTB	-0.617	0.011	0.091	9.02	0.254
H4	OC_RTB	0.145	-0.164	0.029	7.25	0
H5	AG_RTB	0.451	0.45	0.069	6.14	0.068

Among the two hypotheses involving mediating variables, one demonstrated a statistically significant indirect effect (Yaremych et al., 2023), while the other did not. At a 95% confidence level, we conclude that Agreeableness has the strongest impact on Risk-Taking Behavior, aligning with findings from (Madan et al., 2023) regarding Indian investors, who are heavily inclined by their social and peer groups when making investment decisions. General Risk Aversion also significantly affects risk-taking behavior. Although the direct effect of Locus of Control on risk-taking behavior is insignificant, its indirect effect, mediated by Agreeableness, is highly significant, as shown in Table 7.

Table 8. Total Effects Presentation

	Original Sample (0)	Sample Mean	Std Deviation	T Statistics	P Values
FL_RTB	1	-0.19	0.011	3.011	0.023
FL_OC	0.054	0.094	0.102	0.102	0.325
GRA_RTB	0.011	0.617	0.02	9.02	0.254
OC_RTB	-0.164	0.145	0.25	7.25	0
AG_RTB	0.45	0.451	0.14	6.14	0.068

Model fit and Effect Sizes

The model exposed an insightful but substantial explanatory power of 21.3 percent of the variance (R 2 = 0.213) of Financial Risk-Taking Behavior. General Risk Aversion showed small to moderate effect size (f 2 = 0.04) and the mediating role of Agreeableness was large (f 2 = 0.22).

The statistical significance of the paths was proved by bootstrapping (5,000 resamples) at the 95 percent level. According to Q 2, somewhat superior predictive relevance was expressed in the endogenous construct.

Hypothesis Testing Summary

Table 9. Hypothesis Testing

Hypothesis	Statement	Path Coefficient (β)	p-value	Result
H1	General risk aversion negatively impacts financial risk-taking behavior	β = –0.141	**0.006**	Accepted
H2	Financial literacy positively influences financial risk-taking behavior	β = 0.033	0.275	Rejected
H3	Overconfidence mediates between financial literacy and risk-taking	Indirect β = 0.007	0.117	Rejected
H5	Overconfidence positively affects financial risk-taking behavior	β = 0.059	0.298	Rejected
H4 (Implied)	Agreeableness mediates LOC → RTB	Indirect β = 0.221	**0.000**	Accepted

The hypotheses tests showed that the relationship between General Risk Aversion (beta = -0.141, p = 0.006) and Financial Risk-Taking Behavior is a significant negative relationship (H1). Nonetheless, the direct effect of Financial Literacy (0.033, p = 0.275) was insignificant on the Risk-Taking Behavior, so H2 was reject.

The parameter of overconfidence did not facilitate the correlation between Financial Literacy and Risk-Taking Behavior (indirect 0.007 p = 0.117), and the rejection of H3. Equally, the direct role of Overconfidence in the Risk-Taking Behavior (based on the results 190.109, 0.298) was statistically insignificant, which rejects H5. Agreeableness on the other hand was an important mediator between Locus of Control and Risk-Taking Behavior mediation relationship with a high strong indirect effect (0.221, p < 0.001) Table 9.

The analysis indicates that Financial Literacy and Overconfidence do not influence individual risk-taking behavior. Overconfidence, being a multi-faceted construct, can affect investment decision-making in varied ways. The Findings show a strong indirect relationship between Locus of Control and Risk-Taking Behavior mediated by Agreeableness. The analysis also indicates that financial literacy does not directly or indirectly impact risk-taking behavior. This result is consistent with other research in other region, which found that financial literacy has an insignificant consequence on investment decision-making (Table 8).

Discussions and Findings

The paper investigates how a combination of factors including financial knowledge and emotions interacts with risk appetite of those planning to invest their money, especially in the era of increased access to complex financial products as enabled by FinTech-related technologies. We find that there is a broad access to complex financial instruments however blaring difference exists in financial literacy level amongst the academicians in Moradabad. According to our analysis, the financial literacy level of respondents can be compared with the one seen in the developed countries. This implies that the academicians in Moradabad has a conceptual knowledge base of financial aspects which is essential in the process of making quality decisions on investments. Nevertheless, they have basic financial literacy, though improve the education of more complicated financial products is still in demand. This disparity is especially noticeable in the fact that they do not use complex investment products, including stocks and bonds, very much. The paper shows that, the more financially literate an individual is the more likely he or she will exhibit prudent financial behaviours (Table 1 & Table 2). As an example, people who understand finance will tend to have a stable term deposit and better diversify their investments other than the simple savings account. They, in addition, demonstrate greater precaution when using credit cards, and are more aware of the annual percentage rate, and have better experiences when it comes to managing the debt of the credit cards. This is consistent with the expectations that financial literacy provides stakeholders with the instruments that they require in order to be able to navigate their way in intricate financial environments (Ansari et al., 2022).

Emotions significantly contribute to the appetite of a risk and determine the manner in which investors react to financial products. We found that although the academicians are enlightened about the need of financial literacy, emotional biases like overconfidence or loss aversions in their behavior can induce impairs in their decision-making systems (Duxbury et al., 2020). This volatility can encourage low-risk investment decisions, thus reducing still further their participation in higher risk, possibly higher interest rate investment vehicles. The findings show that the relationship between financial behavior and financial literacy is causal underlining the relevance of improvement of educational programs not only focusing on the knowledge component but also the emotion intelligence of financial decision-making. High numbers of the participants indicated difficulties with the complex concepts like stock market diversification, which means that an educational intervention is required. In brief, although the academicians of Moradabad exhibit the good amount of financial literacy level, they could use plenty of improvement in their knowledge about more complicated financial instruments. This improvement could lead to more well-versed investment behaviors and better financial outcomes. Furthermore, addressing the emotional factors that influence risk appetite will be essential in empowering this demographic to make confident and rational investment decisions in the evolving FinTech landscape. By focusing on both knowledge and emotional intelligence, we can better equip investors to navigate the complexities of modern financial markets. Even though the demographics control variables of age, gender, and income were recorded, these were not used in the final structure model because they had an insignificant predictive capacity or due to multicollinearity. These variables could be discussed further by future researchers to define possible moderating effects.

Conclusion

This study empirically assesses the determinants of risk-taking behavior in investors. It highlights that investment decisions are often irrational, influenced by behavioral biases, emotions, and financial literacy, among other factors. In India, although investors may possess financial knowledge,

they often lack confidence and rely heavily on peers and friends for their investment choices, resulting in herding behavior evident in the stock market. General risk aversion tends to decrease risk-taking behavior, leading these investors to prefer conservative options like debt. Financial literacy can help mitigate overconfidence by enabling individuals to understand the factors driving changes in their investments, rather than attributing outcomes solely to their own actions. Due to certain limitations, extensive data collection was not feasible, so the results should be interpreted with caution and not broadly generalized. There is potential for further research on additional emotions and behavioral biases that were not addressed in this study. Understanding individual investors' risk tolerance is vital for advisors, and this study can enhance the general questionnaire used by advisors by incorporating emotional variables to better classify investors as conservative, moderate risk-takers, or speculators.

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