The Effect of Personality Traits on Investors' Financial Risk Tolerance

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Abstract
Financial risk tolerance is an individual's ability to tolerate and accept a particular level of risk linked with financial decisions. The personality traits are different characteristics that differentiate one person from another based on their financial risk tolerance. As a result, financial advisers and asset managers must assess a client's financial risk tolerance and recommend products based on that level. Hence, this study is designed to check whether the differences in demographics and personality traits influence investors' financial risk tolerance. . The objective of this research is to examine if personality traits impact people's financial risk tolerance. For this study, 200 respondents were selected using the convenience sampling approach. The data was examined with SPSS to evaluate the relationship between the dependent and independent variables. Furthermore, the study discovered a positive and significant association between financial risk tolerance and personality traits such as extroversion and openness to experience. However, neuroticism, conscientiousness, agreeableness, does not show a negative significant relationship. These findings highlight the need to take into consideration individual differences when estimating risk tolerance and giving individualized investment advice. Asset managers and financial advisors can utilize this information to understand investors risk preferences better and develop strategies that match their personal need.

Key Words: Financial risk tolerance, Personality Traits Theory, conscientiousness, extroversion, behavioral finance, expected utility theory.

1. Introduction
Behavioral finance develops as a response to the limitations of traditional finance, which believes that investors always make rational decisions. This discipline seeks

to enhance traditional finance by bringing psychological insights into our knowledge of investor behavior and financial markets (Nauman et al., 2019). Behavioral finance recognizes the importance of psychological factors in decision-making processes, as compared with traditional finance, which assume that investors make continuously decisions based on reason. It combines psychological theories with traditional financial concepts to address the issue of people making irrational decisions. Behavioral finance analyzes how a person's psychology affects their decision-making (Shefrin, 2010). It is a framework that combines insights from psychological and traditional theories of finance to understand how an individual's psychology influences their investing decisions (Alwahaibi, 2018). In this new discipline, it has been recognized that investors do not always make financial decisions based only on available information. Rather, psychological factors influence their decision-making. Behavioral finance investigates financial and investing decisions by using factors such as personality traits (Wagdi, 2017). Individuals' psychological abilities and risk tolerance have a significant impact on investment, which is approximately the allocation of available assets (monetary or non-monetary) with expectations of future financial gain (Ahmad & Mauchun, 2019; Bhatt & Shah, 2013).Risk plays an essential role in investing decisions, indicating the deviation between actual and expected returns (Raheja &Dhiman, 2017). Investment decision-making depends significantly on risk tolerance, which is affected by personality traits (Big Five) and demographic Characteristics (Dhinaiya & Gondaliya,2016). Financial advisors frequently use an individual's risk attitude to predict their behavior in the financial market (Grabel & Lytton, 2003). It is a critical task for financial managers to measure individual attitudes to predict behavior according to risk tolerance (Kourtidis, Sevic & Chatzoglou, 2011). These behaviors are influenced by a range of factors: demographic (Cox & Oslen et al., 2001) and psychological factors (Dolan et al., 2012). This study aims to fill that gap by investigating the relationship between personality traits like the (Big Five) and with financial risk tolerance. A country's stability and economic growth may be obtained by investment, so in this viewpoint, investment plays a crucial role in economic development. Researchers need to identify barriers to promote investment. Individual financial risk tolerance is one of the major issues in investments. Every individual financial risk-taking behavior differs in their willingness and ability to take a given number of losses and expectation of some return. As mentioned before, risk tolerance differs from person to person. However, in fact, some individual investors use herd psychology and invest in accordance with other investors while neglecting their own risk tolerance capacity. Therefore, financial advisors, investment managers, and policymakers must analyze each investor's financial risk tolerance level in order to allocate their investments across different risk pools. Investment managers and financial experts must evaluate personality traits for economic development (Raheja & Dhiman, 2017). Moreover, according to Lutfi (2010), investment managers must consider demographic Characteristics as well as personality traits when offering investments to their customers based on their financial risk tolerance level.

The aim of this study was to look at the link between an individual investor's financial risk tolerance and personality traits (the Big Five).This research is helpful for individual investors, investment managers, financial advisors, and policymakers in many ways. Firstly, the finding of this research is significant for investment managers to identify the financial risk tolerance level of clients and

offer assets to their clients according to their financial risk tolerance, keeping in mind investors' demographic as well as personality traits. Second, the results of this research are helpful for financial advisors to guide their clients based on their traits and tell them which financial asset best suits their personality. Thirdly, the findings of this study are helpful to practitioners to counsel their investors in the right portfolio selection.

2. Literature Review

Individual characteristics and psychological traits have impact on financial risk tolerance decision making its a complex process. this theoretical framework aims to investigate how personality traits interact with financial risk tolerance using ideas from different economic and behavior finance theories.

2.1 Theoretical framework
2.1.1 Personality Trait Theory

The big five personality theory, also referred to as the five component model, is a widely accepted psychological model for describing and evaluating human personality. It organizes personality into five basic dimensions: openness to experience, conscientiousness, extraversion, agreeableness, and neuroticism. Each feature reflects a spectrum along which people differ, impacting their behavior, decision-making, and emotional reactions. Personality is generally derived from conduct since people's behavior is often used to make judgments about them.

The model was developed through factor analytic studies of trait descriptors (McCrae & Srivastava, 1999).its provide a comprehensive framework to explore how personality affect varies domains including financial decision making and risk preferences.

2.1.2 Arbitrage Pricing Theory

The theory states that investors buy and sell assets to get profit from price fluctuations. The theory's primary premise is that returns may be categorized into components that can and cannot be diversified and that systematic risk can be evaluated as access to a limited number of relevant factors. (lehmann & Modest 1985). Arbitrage pricing theory follows the assumption (Krause, 2001). Arbitrage Pricing Theory (APT) is a financial theory that describes how asset prices and influencing factors relate to risk and return in financial markets. While APT focuses on systematic risk variables that influence asset prices, it indirectly addresses Personality qualities influence investors' financial risk tolerance.

APT assumes that rational and risk-averse investors seek better returns for taking on more systematic risk, implying that individual risk tolerance, which is influenced by personality traits such as risk aversion, can impact investing decisions.

2.1.3 Expected Utility Theory

Since the 1940s, expected utility theory, an axiomatic theory of decisions under uncertainty, has played an important role. Individual random selections, according to expected utility, are a linear function of their probability and utility, dependent on certain assumptions (Briggs, 2014).

This theory is a normative approach to decision-making under risk. That assumes investors seek utility maximization. It is a subjective assessment of how satisfied one is with a certain outcome. Neumann and Morgenstern (1944) proposed this theory, which is regarded as the basis for modern decision-making (Bernoulli, 1738; Savage, 1954). Economists take into account that risk aversion emerges as a result of the concaveness of wealth function due to the expected utility theory. Because of diminishing marginal value, investors believe that a dollar spent on poverty alleviation is more useful than a dollar spent on making an investor wealthy.

Therefore, this hypothesis maintains that when investors do not see significant rewards, their attitude toward risk is neutral. Individuals make decisions in accordance with EUT based on the probability and expected values of the outcomes (Von Neumann & Morgenstern, 1944). In other words, the theory suggests that decision-makers evaluate all possible outcomes, give each one a probability, and then select the choice that has the highest expected value or utility. In conclusion, without its limitations, the EUT is still a popular theory in decision-making.

According to the literature review, there appears to be a gap in research on the role of psychological and in determining financial risk tolerance and investing behavior. While some research is focusing on specific cultural situations, such as Korea and China, there is a need for more research on how psychological with personality traits, influence financial risk tolerance.

Additionally, there is a need for additional longitudinal research that can help to understand the causal relationships between personality traits, and financial risk tolerance/investment behavior across time. Finally, further study is needed to understand how variations among people Cognitive biases and decision-making processes influence financial risk tolerance and investment behavior.

2.2 A Behavioral Finance Approach To Financial Risk Tolerance
It is generally understood that every financial action has the possibility of not yielding the desired return. Financial risk tolerance is an individual's ability and willingness to accept on and agree to a specific amount of risk. (Prabhakaran & Karthika, 2011) Another definition of risk tolerance is a person's attitude towards uncertainty in terms of expected benefits. (Hallahan, Faff, and McKenzie, 2004). Davey and Roszkowski (2010) revealed that risk tolerance exists in both variable and constant features.

2.3 Personality Traits and Financial Risk Tolerance
2.3.1 Financial Risk Tolerance and Agreeableness
According to Sadiq and Khan (2019), the trait of agreeableness is associated with kindness, personal friendliness, empathy, helpfulness, and collaboration. Friendly individuals prefer to avoid conflicts when investing, which does not affect their risk tolerance. (Costa and McCrae, 1992). According to Waqar, Shah, M., & Zia, M. (2023) the Relationship between agreeableness and financial risk tolerance is insignificant. According to Durand et al. (2008), those who are more pleasant tend to take greater risks. According to Amiri, Chavoshani, and Jamshidnavid (2012), people with agreeableness as a trait of personality tend to have complex beliefs, which lead to herding behavior. The control behavior involves following and acting on the instructions of the majority since the majority's decisions are always

correct.

2.3.2 Conscientiousness and financial risk tolerance

Individuals with high conscientiousness are usually self-disciplined, hardworking, and reliable, and they are frequently motivated by a desire to achieve their objectives and perform their responsibilities (John & Srivastava, 1999). According to Waqar, Shah, M., & Zia, M. (2023) the Relationship between Conscientiousness and financial risk tolerance is positive significant. According to Furnhan and Cheng (2017), those with high conscientiousness prefer to engage in risky financial activity. Similarly, Hira and Mugenda (1998) argue that those who are wealthy and responsible are more inclined Save for retirement and make long-term financial plans. This idea is supported by Robb and Woodyard's (2011) findings, which found that more conscientious individuals were more likely to engage in problem-solving behavior related to their finances, allowing them to manage their financial concerns and improve their ability to deal with negative outcomes.

2.3.3 Financial Risk Tolerance and Openness to Experience

Openness to experience is a trait of personality that shows a person's willingness to investigate and adopt new ideas, beliefs, or experiences. In contrast, financial risk tolerance refers to a person's willingness to take financial risks in order to get a higher return. Furnham and Cheng (2017) observed that there is not necessarily a direct relationship between openness to experience and financial risk tolerance. They believe that people who are open to new experiences are more likely to be receptive to new ideas. However, this does not always imply that they will take more financial risks.

Furthermore, Rettl and Weber (2016) found no connection between risk-taking behavior and openness to experience in a sample of German university students working on a financial decision-making project. According to Waqar, Shah, M., and Zia, M. (2023), the relationship between openness to experience and financial risk tolerance is minor.

2.3.4 Financial Risk Tolerance and Extraversion

Costa and McCrae's (1992) research found that extraverts are more enjoyable energetic, and actively interact with their environment. Furthermore, they see other people's perspectives as valuable sources of knowledge. This personality attribute is also highly related to risk tolerance and certain types of behavior.

According to Oehler and Wedlich (2018), extroverts are less risk-averse and prefer to take on higher risks while investing. According to Waqar, Shah, and Zia (2023), the relationship between Extraversion and financial risk tolerance is positive and significant. According to Rabbani et al. (2019), higher degrees of extraversion are related to greater risk tolerance among investors.

2.3.5 Financial Risk Tolerance and Neuroticism

Neuroticism, a personality trait associated with anxiety, worry, and emotional instability, shows a negative relationship with financial risk tolerance. Multiple research studies on this connection have shown similar results. For example, in a study conducted by Lachance and Gondzio (2017), persons with higher levels of neuroticism recommended less risk-taking behavior while making financial decisions. Similarly, Kim and Lee (2018) discovered that neuroticism had a

negative correlation with financial risk tolerance among Korean adults. Furthermore, Brown and Taylor's (2014) meta-analysis found a strong negative relationship between neuroticism and financial risk-taking behavior in various research. According to Waqar, Shah, and Zia (2023), the relationship between neuroticism and financial risk tolerance is not significant.

3 Data and Research Methodology

3.1 Data Collection Tool
John, O.P., and Srivastava, S. (1999) used a self-administered questionnaire to collect primary data for this research. The mentioned scholar used Cronbach's alpha to assess reliability. The questionnaire was derived from the mentioned scholar and is made up of closed-ended questions. The first section of the questionnaire focuses on personality traits. Which are scored on a Likert scale ranging from strongly disagrees to agree strongly? The second part of the questionnaire consists of questions about risk tolerance. According to John, O. P, & Srivastava, S. (1999) risk tolerance can be measured in two ways. Firstly, by directly asking individuals a single-item question about their level of risk tolerance.
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3.2 Sample size and Sampling Technique
Due to practical limitations such as financial and time limits, researcher often cannot survey the entire population and must select a sample to make statistical inferences about the population of interest. Sampling is the process of choosing a sample of a population to represent the entire population. The researcher used non-probability sampling in this study. The questionnaire approach was used for collecting primary data from 200 investors in Mardan.

The Kadam, P., and Bhalerao formula was used to determine the needed number of samples (n) based on the population size (N) and acceptable margin of error (e). Using this method, one may estimate the necessary sample size from the target population.

$$(\boldsymbol{n}) = \frac{\boldsymbol{Z2} \times \boldsymbol{P} \times \boldsymbol{q}}{\boldsymbol{e2}} \dots \dots \dots \dots \dots \dots \boldsymbol{1}$$

Where

Z= 1.96 confidence level $n = \frac{1.96)2 \times 0.5 \times 0.5}{(.069)}$

p=.5 $\quad n = \frac{3.8416 \times .25}{.004761}$

q= .5 $\quad n = \frac{.9604}{.004761}$

E=6.9 $\quad$ =200

Table 1: Cronbach's Alpha Test Results

Variables	No of items	Cronbach's Alpha
Extraversion	5	.857
Openness To Experience	5	.778

Agreeableness	5	.808
Conscientiousness	5	.805
Neuroticism	5	.890

3.3 Validity of the Questionnaire
The cited scholars have already established the instrument's reliability and validity. The author previously stated that he chose the instrument from John, O. P, & Srivastava, S. (1999) who used the same questionnaire with some modifications from Cronbach's Alpha test was performed to determine the validity and reliability of the questionnaire. Scores less than 0.6 indicate poor reliability; 0.6-0.7 suggest moderate reliability; 0.7-0.8 indicate fair reliability; 0.8-0.9 indicate excellent reliability; and scores more than 0.9 indicate excellent dependability.

3.4 Research Approaches and Design
To explain the association between financial risk tolerance personality traits (the Big Five) and this study uses an explanatory research technique.

$$Financial\ Risk\ Tolerance = \beta O + \beta 1 Ex + \beta 2 Oppen + \beta 3 Agree + \beta 4 Cons + \beta 5 Neuro + \epsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (2)$$

Equation represents the regression model for this study, where the dependent variable is Financial Risk Tolerance, and independent variables are personality traits (Big Five).

4. Results and Discussion
This section analyzes and interprets the data collected from respondents. To do this, statistical tools were used to analyze the participants' demographic characteristics as well as data on their personality traits that may influence their financial risk tolerance.

4.1 Descriptive Statistics for Personality Traits
The following part contains descriptive data on personality traits, including the participants' responses to each personality question are presented below.

Table 1
Descriptive Statistics for Extroversion

Responses	Frequency	Percent	Cumulative
Strongly Disagree	6	2.9	2.9
Disagree	15	7.4	10.3
Neutral	40	19.7	29.5
Strongly Agree	108	53.2	82.7
Agree	34	16.7	100
Total	203	100	

4.2.1 Descriptive Statistics for Extroversion

Table 4.2 displays statistical data about the extroversion component of respondents' personalities. As mentioned, the scholar has taken the Mean for each dimension from different statements of each dimension. Hence, according to the above Table, 6 (2.9%) strongly disagree with extroversion, followed by 15 (7.4%) who disagree with this statement. On the other hand, 40(19.7%) are neutral, 108 (53.2%), and 34 (16.7%) Investors strongly agree on the extroversion dimension of personality.

Table 2
Descriptive Statistics of Openness to Experience

Responses	Frequency	Percent	Cumulative
Strongly Disagree	6	2.9	3
Disagree	22	10.8	13.7
Neutral	44	21.6	35.3
Strongly Agree	95	46.7	82.2
Agree	36	17.7	100
Total	203	100	

4.2.2 Descriptive Statistics of Openness to Experience

According to the descriptive statistics in Table 4.2, 6 investors, or 2.9% of total respondents, significantly disagree on the openness to experience aspect of personality.
According to the data in Table, 22 people (10.8%) disagree on this personality characteristic dimension. 44 (21.6%) investors are Neutral on the personality trait. 95 (46.7%) strongly Agreed, 36 (17.7%) and agreeing on the personality link to openness to experience.

Table 3
Descriptive Statistics of Agreeableness

Responses	Frequency	Percent	Cumulative
Strongly Disagree	11	5.4	5.4
Disagree	13	6.4	11.8
Neutral	49	24.1	35.9
Strongly Agree	91	44.8	80.8
Agree	39	19.2	100
Total	203	100	

4.2.3 Descriptive Statistics of Agreeableness

Table 4.3 shows a descriptive statistic of the agreeableness personality traits. According to the table, 11 or (5.4%) investors are strongly disagreeing on

agreeableness. And investors13 (6.4%) disagree on agreeableness. Meanwhile, 49 (24.1%) people feel neutral about agreeableness. Also, 91(44.8%) strongly agree on agreeableness, whereas 39 (19.2%) agree on that particular personality trait.

Table 4
Descriptive Statistics of Consciousness

Responses	Frequency	Percent	Cumulative
Strongly Disagree	4	1.9	1.9
Disagree	9	4.4	6.3
Neutral	54	26.6	32.9
Strongly Agree	84	41.3	74.2
Agree	52	25.6	100
Total	203	100	

4.2.4 Descriptive Statistics of Consciousness
Table 4.4 shows descriptive statistics for the conscientiousness dimension of personality: 4 (1.2%) strongly disagree, 9 (4.4%) agree, and 54 (26.6%) are neutral. Conscientiousness is strongly agreed upon by 84(41.3%) and 52 (25.6%) individuals with agreeing. This reflects that the majority of investors in Mardan are conscientious and use their calculations and parameters in decision-making rather than believing in other people's saying.

Table 5
Descriptive Statistics of Neuroticism

Responses	Frequency	Percent	Cumulative
Strongly Disagree	28	13.7	13.7
Disagree	39	19.2	33
Neutral	53	26.1	59.1
Agree	63	31.5	90.2
Strongly Agree	20	9.8	100
Total	203	100	

2.2.5 Descriptive Statistics of Neuroticism
Table 4.5 displays descriptive statistics for neuroticism for this trait. 28 (13.7%) strongly disagree with this trait, whereas 39(19.2%) disagree with it. 53 (26.1%) are Neutral on this dimension, followed by 63 (31.5%) who agree and 20 (9.8%) who strongly agree with neuroticism. The findings indicate that most of people strongly agree, agree, or are neutral about neuroticism. 4.7 shows that a significant portion of investors in Mardan have a desire to they cannot take any financial risk.

Table 6
Descriptive Statistics of Financial Risk Tolerance

Risk Tolerance	Frequency	Percent	Cumulative
High Risk	36	17.7	17.7
Above-average	32	15.7	33.4

tolerance			
Average Risk	37	18.2	51.6
No Risk	98	48.4	100
Total	203	100	

4.2.6 Descriptive Statistics of Financial Risk Tolerance
Table 4.6 shows that 98 (48.4%) investors cannot bear any financial risk. 37 (18.2%) people are average risk takers. 32 (15.7%) investors take on above-average risks in order to earn an excellent return. 36 (17.7%) take a high risk in order to earn a higher return.

4.3 Inferential statistics
Inferential statistics is a statistical method that uses a small sample of data to make conclusions about a large population. It uses statistical methods to evaluate data, estimate population characteristics, and test hypotheses. The basic aim of inferential statistics is to answer problems that cannot be addressed only by looking at sample data. It is frequently utilized in many industries, including business, healthcare, and social sciences. Hypothesis testing, confidence intervals, and regression analysis are examples of commonly used inferential statistical procedures. Inferential statistics are significant because they allow researchers to draw meaningful conclusions from limited data.

Table 7
Model Summary

Model	R	R Square	Adjusted R Squares	Std. Error of the Estimate
1	.588	.346	.329	.677

The model summary multiple correlation coefficient (R) is.588, which indicates a significantly excellent relationship between the observed and projected values of the dependent variable. The R square value of .346 indicates an acceptable level of explanatory power, with the model accounting for about 34.6% of the variation in the dependent variable. A slightly lower adjusted R-square value (0.329), which accounts for the number of predictors and sample size, indicates a more reliable assessment of the model's effectiveness in the population; the standard error of the estimate, which is 0.677, indicates the average distance between the observed values and the regression line; smaller values indicate a better model fit. These findings provide acceptance to the hypothesis that an individual's characteristics and personality traits influence their financial risk tolerance.

Table 8
4.3.1 ANOVA

Model	Sum of Squares	Df	F	Sig
ANOVA	210.154	5	20.822	.001

Dependent Variables: Financial Risk Tolerance

The analysis of variance (ANOVA) was performed to evaluate the relationship between personality traits and financial risk tolerance. Personal traits were the independent variable, while financial risk tolerance was the dependent variable. The ANOVA results showed that the model was statistically significant, $F (5) = 20.822$, $p =.001$, with a model sum of squares of 210.154. This suggests that personality traits explain the majority of variation in participants' financial risk tolerance predictions. This significant F-value indicates that at least one personality trait type has an individual impact on financial risk tolerance. In other words, persons of various types of personality have significantly differing degrees of risk tolerance when making financial decisions. These research supports the idea that personality traits are a significant predictor of financial decisions. Conscientiousness, extraversion, and openness are some of the traits that might affect an individual's level of trust when taking financial risks. These findings support the concept that personality traits play a key role in predicting financial decisions. Conscientiousness, extraversion, and openness are some characteristics that might impact an individual's comfort level while taking financial risks.

4.4 Multiple Linear Regression: Predicting Financial Risk Tolerance from Personality Traits

4.4.1 Purpose of the Analysis
This section presents the results of a multiple linear regression analysis that evaluated at how the Big Five personality traits of extraversion, openness to experience, agreeableness, conscientiousness, and neuroticism effected people's financial risk tolerance (FRT).
The purpose was to examine how well these traits predicted individual differences in risk tolerance levels.

Table 9. The effect of personality traits on investors' financial risk tolerance.

	Coef. B	Beta	T	sig
Extroversion	.144	.128	2.024	.044
Neuroticism	-.298	-.233	-3.395	.001
Openness to Experience	.159	.152	2.350	.020
Agreeableness	-0.291	-.225	-3.532	.001
Conscientiousness	-0.478	-.291	-5.030	.000

4.4 Result Discussion
Table 4.10 suggests that all of the personality qualities studied (extroversion, openness to experience, conscientiousness, agreeableness, and neuroticism) are statistically significant predictors of risk tolerance. Extroversion and Openness to Experience are associated with increased risk tolerance, making individuals more willing to accept financial risks. They also have a positive significant relationship with risk tolerance. On the other hand, neuroticism, conscientiousness, and agreeableness have a negative significant relationship with risk tolerance, as those

with lower risk tolerance avoid risky financial decisions. This demonstrates that potential investors with these extroversion traits may have a greater risk tolerance due to their positive emotions and energy when faced with uncertainty. This conclusion is supported by Mathur and Nathani (2019), who cite an Oehler and Wedlich (2018) research. The way of thinking says that extroverts are risk-takers. Introverts are more risk-averse, according to Sadi et al. (2011) and Mathur & Nathani (2019). Kubilay and Bayrakdaroglu (2016) found that extraversion predicts financial risk tolerance and suggests that extroverts are better at managing risk preferences. Furnham and Cheng (2017) demonstrated that there isn't always a clear connection between openness to experience and financial risk tolerance. Individuals with a high openness to experience, they argue, are more tolerant of new ideas and experiences; nevertheless, this does not imply that they will assume further financial risks. Furthermore, Rettl and Weber (2016) discovered no link between risk-taking behavior and openness to experience in a sample of German university students completing a financial decision-making assignment. According to Sadiq and Khan (2019), the trait of agreeableness is associated with kindness, personal friendliness, empathy, helpfulness, and collaboration. Friendly individuals prefer to avoid conflicts when investing, which does not affect their risk tolerance. (Costa and McCrae, 1992). According to Durand et al. (2008), those who are more pleasant tend to take greater risks. According to Amiri, Chavoshani, and Jamshidnavid (2012), people with agreeableness as a trait of personality tend to have complex beliefs, which lead to herding behavior. The control behavior involves following and acting on the instructions of the majority since the majority's decisions are always correct. Furnhan and Cheng (2017) found that those with high conscientiousness prefer to engage in risky financial activity. Similarly, Hira and Mugenda (1998). it was shown that rich and responsible people are More likely to save for retirement. take part in long-term financial planning. According to Pak and Mahmood (2015), neurotic individuals tend to be risk-averse, have insufficient analytical abilities, and have poor critical thinking and conceptual understanding. Multiple research studies on this relationship have shown consistent findings. For example, a study done by Lachance and Gondzio (2017) discovered that those with greater degrees of neuroticism suggested less risk-taking behavior while making financial decisions.This is consistent with the findings of Daly and Wilson's (2001) research, which concluded that when responsibility rises with marriage and having children, a male becomes more risk averse. Sunden and Surette (in Adhikari and O'Leary, 2008) discovered that marriage makes people, both men and women, more risk-averse when it comes to plans for retirement. People with higher incomes may not want to make more money, so they are unwilling to take any financial risks. Bhatti and Riaz (2016) found that popular opinion may influence young people's spending and saving habits, lending support to this hypothesis. Particularly, they observed that young individuals are more willing to spend money on products that are in demand among their peers than they are to save or reinvest their money. However in this section hypothesis was discussed below by creating a section with a name of hypothesis testing.

Table 10.
Summary of the Hypothesis

Hypothesis	Description	Results

H_1	Extroversion and financial risk tolerance have a positive statistically significant relationship.	Supported
H_2	Openness to experience and financial risk tolerance has a significant relationship.	Supported
H_3	Agreeableness and financial risk tolerance have a negative significant relationship.	Supported
H_4	Conscientiousness and financial risk tolerance have a negative relationship.	Supported
H_5	Neuroticism and financial risk tolerance have a negative relationship.	Supported

5. Conclusion

The purpose of this study was to investigate the association between personality traits and financial risk tolerance. The introduction to this study discusses the importance of investment for economic growth and prosperity. Therefore, issues that arise during the investing process must be investigated. An issue with investment is a person's financial risk tolerance. Individual risk tolerance levels differ from one another. Investment managers and policymakers benefit from categorizing investors based on their financial risk tolerance. To investigate how personality traits effect individual investors' risk tolerance, the study conducts a theoretical, empirical, and conceptual analysis of relevant literature. The primary data source for the study was used to achieve its objectives. This study used A convenient sampling technique. The population of this study was current and potential investor's .A self-administered questionnaire was distributed to collect data from respondents. A total of 220 questionnaires were distributed for data collection, with 203 returned and a response rate of 94%. The data was analyzed using SPSS. People who are more extraverted and open to new experiences have a greater risk tolerance. Making them more likely to accept investing risks. This suggests that these characteristics have a positive impact on financial decision-making among investors. On the other hand, people who are more, conscientiousness, neurotic and agreeability have a lower risk tolerance and avoid making risky financial decisions.

5.1 Implication of the study

The results of this research are significant for both investors and policymakers considering investments. First, investing plans should take into consideration age and personality factors. For example, old people might prefer low-risk alternatives, but those with high conscientiousness may accept moderate- to high-risk investments. Financial literacy programs are especially important for those who have low educational backgrounds since they improve risk tolerance and informed decision-making. Thus, policymakers should promote investing methods for both men and women. Finally, psychological traits such as extroversion and neuroticism influence investing behavior, emphasizing the need to evaluate personality traits and emotional responses while making financial decisions.

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Vol. 3 No. 4 (April) (2025)

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