

The Happiness Portfolio: A Study on Investment Behaviour and Personal Fulfilment

Aniket Swaraj and Diya Ravi Upadhayay

SIES College of Commerce and Economics (Autonomous), Mumbai, India
Anikets@sies.edu.in

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ABSTRACT

In the realm of investor behaviour and financial decision-making, understanding the psychological and emotional factors influencing individuals is crucial. This research specifically investigates how psychological determinants, emotional responses to investment outcomes, ethical considerations, and demographic factors shape investor behaviour and well-being.

How do psychological factors such as risk perception and cognitive biases influence investor decision-making? What role do emotional responses to investment outcomes play in determining investor well-being? How do ethics and personal values impact investment decisions and investor happiness? Existing studies have explored various aspects of investor behaviour, including risk perception, cognitive biases, emotional responses to financial outcomes, and demographic influences. However, few studies comprehensively integrate these factors to understand their collective impact on investor decision-making and well-being.

This study aims to fill this gap by providing a holistic understanding that informs tailored financial products and services. It addresses the need for strategies that enhance both financial satisfaction and emotional well-being. Data from 100 respondents were analysed using surveys focusing on demographics, investment behaviours, psychological factors, emotional responses, and ethical considerations. Statistical analysis and thematic coding were applied to derive insights.

Risk perception significantly influences investment decisions, alongside cognitive biases. Emotional responses to investment outcomes correlate with investor satisfaction and goal alignment. Ethical considerations and personal values play crucial roles in determining investor happiness. Demographics such as age, gender, occupation, and income level shape both investment behaviour and emotional experiences. The findings emphasize the importance of tailored financial strategies that address psychological biases, emotional responses, and ethical considerations. Stakeholders can use these insights to design effective interventions that promote investor satisfaction and resilience in financial decision-making.

Keywords: psychology, investment, cognitive and emotional biases, investor well being, ethics.

INTRODUCTION

In the realm of finance, the pursuit of wealth and financial success often takes centre stage, with economic theories traditionally emphasizing rational decision-making and utility maximization. However, beneath the surface of seemingly logical investment decisions lies a complex interplay of psychological factors that significantly influence investor behaviour and well-being. The intersection of economics and psychology in understanding investor happiness and overall well-being has emerged as a crucial area of inquiry, shedding light on the multifaceted dynamics shaping individuals' financial decisions and emotional experiences within the realm of investing.

Investing, as a fundamental aspect of financial decision-making, is not merely a matter of numbers and spreadsheets but is deeply intertwined with human psychology. Investors are not always rational actors, as traditional economic theories might suggest, but are subject to many cognitive biases, emotions, and social influences that shape their decision-making processes. Behavioural economics, a field that merges insights from psychology and economics, has played a pivotal role in challenging the conventional wisdom of rationality in economic decision-making and uncovering the psychological underpinnings of investor behaviour.

At the heart of investment decisions lie various considerations, ranging from financial goals and risk tolerance to

personal values and social influences. Understanding these factors is essential for elucidating the drivers of investor behaviour and designing effective strategies to promote investor welfare. One crucial aspect is the influence of financial returns on investor satisfaction and happiness. While conventional economic wisdom suggests that higher financial returns should lead to increased satisfaction among investors, psychological research paints a more nuanced picture. Studies have shown that the relationship between wealth and happiness is not linear, and beyond a certain threshold, additional wealth does not necessarily equate to greater happiness. Instead, other non-financial factors, such as social relationships, health, and a sense of purpose, play significant roles in determining overall well-being.

Moreover, investors' perceptions of financial success and failure are not solely determined by objective outcomes but are heavily influenced by subjective interpretations and social comparisons. This phenomenon, known as relative deprivation, can lead to feelings of dissatisfaction and unhappiness among investors, even in the presence of objectively favourable financial outcomes. Thus, understanding the psychological mechanisms underlying investors' perceptions of financial success is crucial for devising interventions aimed at promoting emotional well-being.

Additionally, aligning investment decisions with personal values and ethical considerations emerges as a critical determinant of investor happiness. Ethical investing, which involves considering social and environmental factors alongside financial returns, has gained traction as investors increasingly prioritize sustainability and corporate responsibility. Investing in alignment with personal values not only contributes to a sense of purpose and meaning but also fosters emotional fulfilment, regardless of the financial returns generated. Furthermore, the emotional experiences associated with investment outcomes, including satisfaction, stress, and anxiety, play a pivotal role in shaping investor well-being. Positive outcomes, such as financial gains, typically elicit feelings of satisfaction and happiness, whereas negative outcomes, such as losses or market downturns, can trigger stress and anxiety. Understanding the emotional impact of investment outcomes is essential for designing interventions to mitigate negative emotional experiences and enhance overall investor well-being.

In light of these considerations, this paper sets out to explore the nexus of economics and psychology in understanding investor happiness and well-being. Through the analysis of a structured questionnaire encompassing demographic information, investment behaviour, life satisfaction, perceptions of financial wealth, and the influence of meaningful investment goals, this study aims to shed light on the psychological determinants of investor behaviour and emotional experiences within the realm of finance. By studying the complex interplay between economic factors and psychological processes, this research offers insights into strategies for enhancing both financial contentment and emotional fulfilment in investment practices, thereby contributing to the burgeoning literature at the intersection of economics and psychology.

LITERATURE REVIEW

Sr No.	Name of journal	Name of the author	Country	Year	Sample size	Methodology	Key finding	Sources
1	A Study on Investment Behaviour of Individual Investors With Reference To Delhi-NCR	Dr. Deepak Kumar Agarwal, Ms. Shruti Bansal, Dr. Ajay Jain, Ms. Stuti Jain	India	2022	200	Descriptive research design Cross-sectional research design:	emphasize the importance of understanding the relationship between investment decisions and behavioural biases, such as herd bias, and highlight the impact and significance of behavioural finance in investors' investment choices	International Journal of All Research Education and Scientific Methods (IJARESM)
2	A study on the investment behaviour based on behavioural finance	Yu ZhangI, Xiaosong ZhengI	China	2015	1000	The paper analyses quantitative data to conduct descriptive study. Sekaran (2003) pointed out that the descriptive study can explain the	application of behavioural finance to understand how investors handle information and make decisions in financial markets,	European Journal of Business and Economics

						features of the variables. Moreover, a survey questionnaire with predetermined questions implemented	incorporating psychology, sociology, and other research methods to explain market anomalies.	
3	Individual investment decision behaviours based on demographic characteristics	QiuJun Lan, Qingyue Xiong	China	2018	8,000	In further analyses, the Pearson's chi-squared test, the Spearman rank correlation test, and various data mining techniques are used to guarantee the accuracy of the results while taking into account the nonlinear, discontinuous, and ambiguous link among variables.	The availability of demographic data makes it a practical and affordable method of forecasting investor behaviour. Although it is impossible to precisely predict the behaviour of investors, information buried in demographic traits is nonetheless useful for certain applications, such targeted advertising and customized services, among others.	PLOS One
4	A Comparative Study Of Investors Behaviour In Relation To Tax Benefit In Various Investment Avenues	KAVITA SAMIT CHAKRAVARTY	India	2019	488	The research conducted shall be of Descriptive and Analytical in nature. The questionnaire was administered among investors in Navi Mumbai area. secondary data , primary data have been collected.	A considerable amount of research has also been done and still is going on, on the investors behaviour in respect to various investment avenues available. . It was found that so far very few research studies has been conducted on the comparative study of investors behaviour in relation to tax benefit in various investment avenues in India	Shri Jagdishprasad Jhabarmal Tibarewala University Created and maintained by INFLIBNET Centre
5	Impact of psychological influence on investment behaviour of salaried	Naela Jamal Rushdi	India	2014	1627	The design of the study is descriptive and cross sectional in nature. Quota Sampling	Through this study, the researcher highlights the variations in people's	University of Lucknow Created and maintained by INFLIBNET Centre

	investors in India					method was used to draw an appropriate representative sample from all demographic classes across the four zones of the country	investing behaviors as a result of these people's unique peculiarities in terms of their psychographic and demographic traits. The main argument the researcher wants to make is that there is no one-size-fits-all strategy for every person, not even in a field as scientific and quantifiable as investing.	
6	A study on the impact of Emotional Intelligence Personality Traits Risk Perception and Behavioural Biases on Investment Decisions	Johnsi S	India	2019	642	The research design adopted for the current study is descriptive in nature since the researcher aimed at using primary data to investigate the formulated objectives and hypothesis. The research aimed at describing the psychological factors determining the investment decisions and so it is descriptive in nature	The current study indicated that emotional intelligence was found to have a significant positive relationship with investment decisions portfolio size, investment tenure and equity exposure. It is suggested that an investor with long term goals and a prior plan to deal with volatile markets can remain calm during market downturn.	Bharathiar University Created and maintained by INFLIBNET Centre
7	Determinants of Retail Investors Behaviour in Investment Decisions An Empirical Analysis	Swati	India	2021	600	This study is based on descriptive design. The behavioural factors, socio-economic factors and financial literacy are the predictor variables. Investment decision is the dependent variable. study uses a questionnaire. Data Collection were done with the help of	A focus on right product choices will enhance learning about which investment avenues may be chosen. The financially literate public may contribute to the national development and growth of the economy. Financial literacy will also be helpful for investors to	Thapar Institute of Engineering and Technology Created and maintained by INFLIBNET Centre

						brokerage firm's executives and managers	choose the correct investment alternative, to meet their objective and also maximize the value of their investment.	
8	A Study Of Investment Selection Behaviour Of Individual Investors Regarding Various Investment Schemes	Deepak Sood	India	2018	600	Survey response rate was also calculated by the researcher in order to broadly define the percent of total attempted interviews that were completed. . The researcher has distributed 886 unfilled questionnaires and in response 600 properly filled questionnaires were received. An element comprises a single member of the population. For present study, retail mutual funds investors are considered as sampling element.	present study has figured the important aspects like investment behaviour of individual investors, investors' awareness, satisfaction, expected rate of return, factors motivating the investors, awareness of investors, awareness and awareness on tax planning of the investors, objectives of investors, source of information used in the decision making process, investors' grievances, and preferences of individual investors when a lump sum amount is received are examined from the point of view of the salaried class to give an idea about its present state	I. K. Gujral Punjab Technical University Created and maintained by INFLIBNET Centre

OBJECTIVES

1. To investigate psychological determinants impacting investor behaviour, including risk perception and cognitive biases.
2. To explore emotional responses to investment outcomes and their influence on investor well-being.
3. To examine the role of ethics and personal values in investment decisions for enhancing investor happiness.
4. To analyse demographic influences on investment behaviour and emotional experiences.
5. To offer actionable insights for stakeholders to improve both financial satisfaction and emotional well-being in investments.

RESEARCH METHODOLOGY

The study aims to address critical gaps in understanding the dynamics between investors' behaviour and a sense of fulfilment among those investors . It also aims to understand the importance of long-term purpose and goal planning that influences an investor's decision making process.

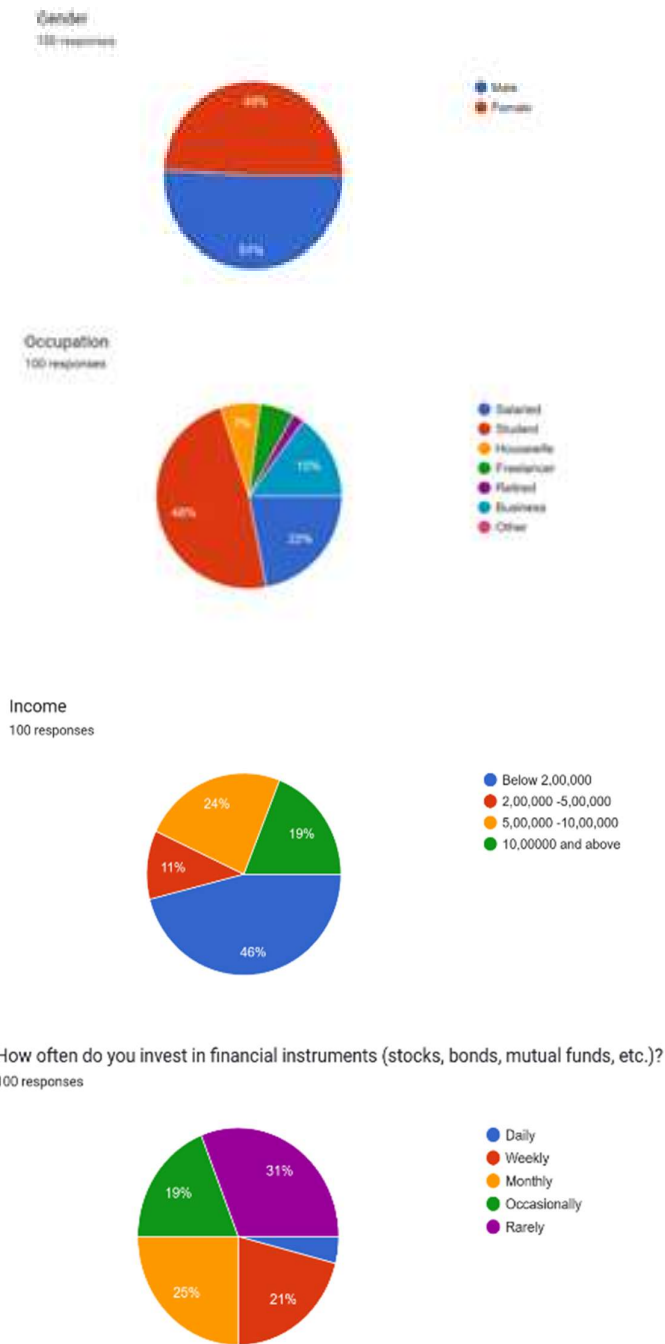
Primary data has been collected based on taking a public survey, to understand the intricate relationship between economic happiness and investor's behaviour. The questionnaire designed helps to understand the psychological factors that influence an investors's behaviour and how important is a sense of purpose while investing.

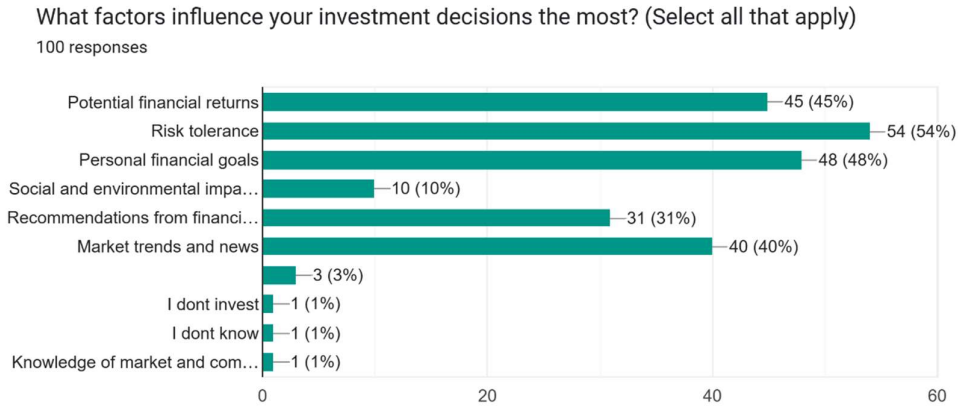
Secondary data has been collected based on research work and a study of past research papers has been done.

- Sample size – 100
- Target population – Retail investors and traders
- Type of sampling – Cluster Sampling
- Sample survey area – Maharashtra
- Type of research - Descriptive Research

DATA ANALYSIS AND FINDINGS-

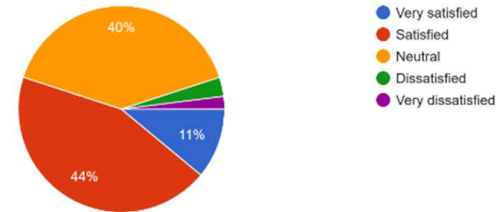
- Out of 100 respondents, 49% of the respondents were female and 51% were male. The majority of investors belonged to the age group of 18-25 years (59%) followed by 25-35(21%) and above 35 (20%). 48% of the respondents belong to the student group while 22% are from the salaried class, 15% are from the business class, 2% are retired class, 6% are freelancers and 7% are housewives. The majority of respondents' income was between 0- 2000000 Rs (46%) followed by the 500000-1000000 income group(24%), 1000000 and above income (19%) 200000 to 500000 income group (11%) .
- Majority i.e. 31% of respondents had a rare frequency of investing while 25% were who invested at a monthly frequency through various means like SIP, 19% of respondents were occasional investors, 21% invested weekly. 4% of respondents were engaged in day-to-day trading activities.
- The major factor that influenced investors' decision-making process was their risk appetite which is the ability to take risks. 45 % of investors invested to earn maximum potential returns. Other factors that influenced decision-making were personal financial goals followed by market trends, recommendations from financial planners, and social impact respectively.
- Majority of the investors were either satisfied or neutral about their current portfolio returns while only a very few percentage of respondents were dissatisfied about it.
- .Majority of respondents i.e. 86% invested with a goal of long-term wealth creation followed by 41 respondents investing in risk management products like insurance. Other goals included 32 respondents for retirement planning and 26 or children's education
- Majority of investors feel that there is either a very strong positive relationship between financial stability and emotional well-being or happiness.
- Majority of respondents (42%)s had an opinion that pursuing meaningful investment goals beyond mere financial returns contributes very much to overall happiness or well being .
- Majority of investors feel happy(59%) or very happy(28%) when their investments perform well while 13% were neutral about it.
- 53% of respondents feel highly anxious while taking their investment decisions while only 18% aren't anxious about their investments .
- 68% i.e. majority of respondents think that to stay happy they have to achieve financial success while only 6% of respondents don't acknowledge the importance of financial success in happiness.
- The sense of purpose in investing is the pursuit of financial growth and security aligned with one's long-term goals and values. Majority of investors think this sense of purpose is important or very important while only 2% believe that it isn't an important criteria for investing .





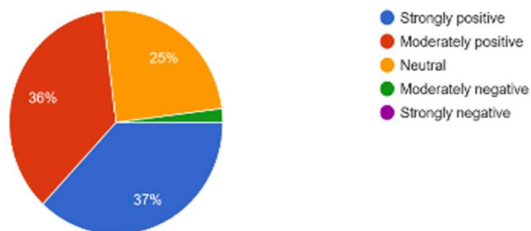
How satisfied are you with your current investment portfolio in terms of financial returns?

100 responses



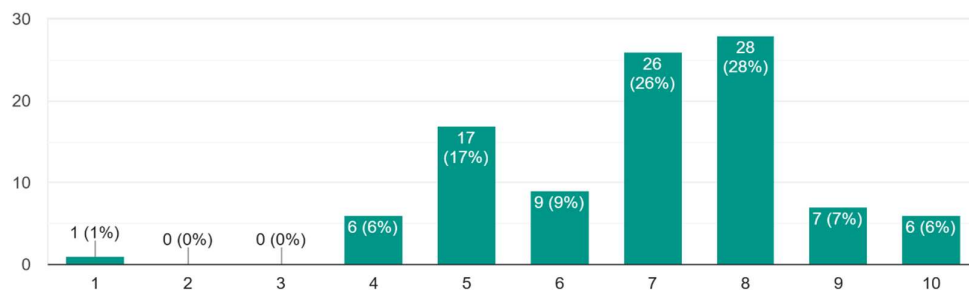
How do you perceive the relationship between financial wealth and happiness?

100 responses



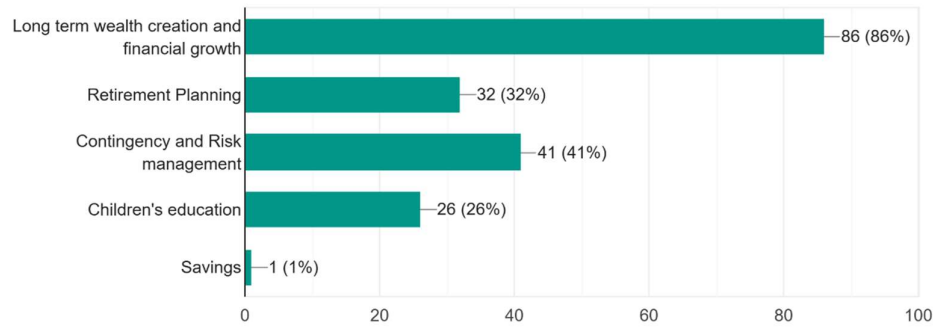
On a scale of 1 to 10, how would you rate your overall life satisfaction?

100 responses



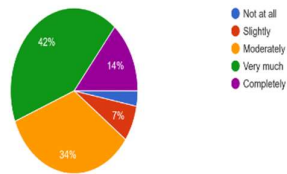
What are your major goals for saving and investing?

100 responses



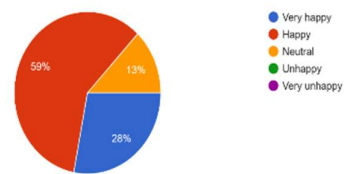
To what extent do you believe that pursuing meaningful investment goals beyond financial returns can contribute to your overall happiness and well-being?

100 responses



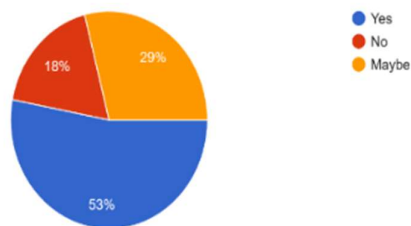
How do you feel when your investments perform well financially?

100 responses



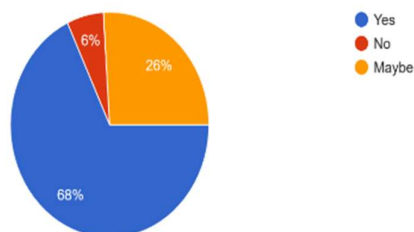
Have you ever experienced stress or anxiety related to your investments?

100 responses

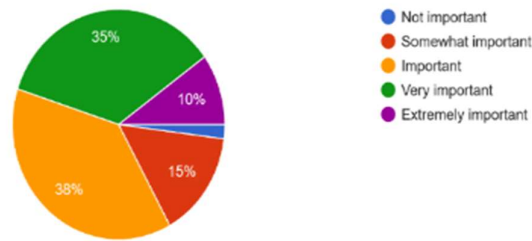


Do you believe that achieving financial success is a prerequisite for happiness?

100 responses



How important is it for you to have a sense of purpose or meaning in your investment activities?
100 responses



SUGGESTIONS

- Implement educational programs to help investors understand risk perception and manage cognitive biases. This can include workshops and online courses focused on risk assessment and decision-making under uncertainty.
- Provide tools like risk assessment calculators and decision-making frameworks that help investors make informed choices by visualizing potential outcomes and risks.
- Offer resources for stress management, such as access to financial advisors and mental health professionals who can provide guidance on coping with investment-related anxiety. Develop regular feedback mechanisms, such as portfolio performance reviews, to help investors understand and mitigate emotional responses to market fluctuations.
- Promote and offer ethical investment options that align with investors' personal values, such as ESG (Environmental, Social, and Governance) funds.
- Train financial advisors to consider clients' personal values and ethical considerations in their investment recommendations, thereby enhancing investor happiness and satisfaction.
- Tailor financial planning services to different demographic groups, considering age, income level, and occupation to address their specific needs and preferences.
- Develop communication strategies that resonate with various demographic groups, using language and examples relevant to each segment to promote better engagement and understanding. Also, Provide holistic financial education that includes both financial literacy and emotional well-being, emphasizing the connection between financial decisions and emotional health.
- Highlight the strong relationship between financial stability and emotional well-being in educational materials and advisory services to reinforce the importance of financial planning for overall happiness.
- Encourage investors to pursue meaningful investment goals beyond mere financial returns. This can include emphasizing the importance of financial security, long-term growth, and alignment with personal values in investment strategies.
- Utilize technology platforms to provide personalized insights and recommendations, ensuring that investors have access to real-time data and analytics to make informed decisions.

CONCLUSION

This research underscores the complex interplay of psychological, emotional, ethical, and demographic factors in shaping investor behavior and well-being. By examining risk perception, cognitive biases, emotional responses to investment outcomes, and the influence of ethics and personal values, the study provides valuable insights into how these elements collectively impact investor decisions. Key findings highlight the significance of aligning investment strategies with both financial goals and personal values to enhance investor happiness and satisfaction. Demographic factors further emphasize the need for tailored financial solutions that cater to diverse investor profiles. Moving forward, stakeholders in finance, including policymakers, financial institutions, and advisors, can leverage these insights to develop more effective strategies and services. By integrating psychological insights, addressing emotional responses, and promoting ethical investing, stakeholders can foster a more resilient and content investor base in an evolving financial landscape.

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