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Research Article

Personality-Driven Risk Appetite and Investment Choices: An Empirical Study of Indian Stock Market Investors"

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ABSTRACT

The effect of psychological factors on investment decision attribution in the financial market attracts more attention, mentality deviation has been commonly perceived as a part of decision strategy in the paradigm of "rational" economy model. The study investigates the propensity of investment decisions based on Big Five personality traits (Neuroticism, Extraversion, Openness, Agreeableness, and Conscientiousness) among Indian stock market investors in the sphere of risk appetite and attitudes. A cross-sectional research design was adopted and data were gathered from 523 individual investors at top Indian cities using structured questionnaires. The procedures used SEM and multiple regression analysis for hypothesis testing. The above results show that there is a negative relationship between neuroticism and equity investment (β=-0.335, P<0.05) and a positive relationship between extraversion and long-term investment (β=0.186, P<0.05). Conscientiousness has not a significantly negative impact on short-term trading behavior (β = -0.335, p < 0.001). Openness to experience is also positively related to short-term investment intention and long-term investment intention (β=0.357, p<0.05, β=0.007, p<0.05). Results indicate personality traits account for 23.4% influencing investment behavior pattern. These findings offer important implications for financial advisors in tailoring investment strategies as well as for the policy makers who attempt to understand the behaviour of the investors in the emerging markets. This paper adds to the behavioral finance literature in terms of providing empirical proof of personality-based investment behavior in an Indian context.

Keywords: Big Five Personality Traits, Investment Decisions, Risk Appetite, Behavioral Finance, Indian Stock Market

1. Introduction

The Indian equity market has been experiencing a never seen before activity where retail investors' participation that stood at 17.9 million investors in 2015 has surged to about 87 million by January 2024 (Deloitte, 2025). Maharashtra is a leader with 17.4% of the country's investors, being the state with max share. In addition, as many as 17 per cent of Indian households are said to invest in the stock market which is an indicator of increased popularity of stock market investment in the country (Choiceindia, 2024). Despite the phenomenal growth, the share of Indian households owning shares, debentures or mutual funds was estimated to be about 8 per cent, hence leaving a considerable room for further market growth (Reserve Bank of India, 2023). Traditional financial theories are based on the assumption that investors make rational decisions, while behavioral finance shows that psychological factors play a crucial role in the investment process (Baker et al., 2023). There is behavioural finance which tells us that investment decisions, payment choices, the taking of risks and levels of personal indebtedness all tend to be strongly influenced by human emotion, biases, and the cognitive limitations of the mind in processing and acting upon information (Investopedia, 2024). The Big Five personality model, consisting of Neuroticism, Extraversion, and Openness to experience, Agreeableness, and Conscientiousness, has become established as a stable platform for explaining differences in investment behavior (Costa & McCrae, 1992).

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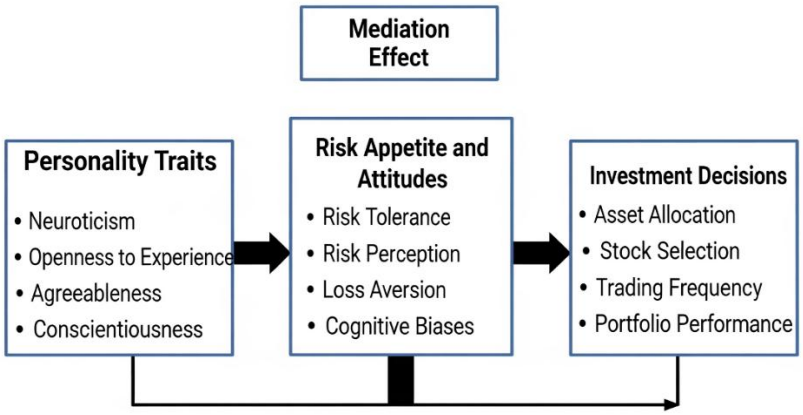

Figure 1: Indian Stock Market Investors

Personality traits, is recently being focused on as an important factor in finance decision making. Two traits, Neuroticism and Openness, are particularly dominant in terms of explaining equity holdings. 1Investors high on Neuroticism and low on Openness are less likely to invest in the stock market (Jiang et al., 2024). They have also indicated that leveraging of investment behaviors with personality aspects may offer more robust insights regarding investment decision compared with only traditional demographic factors (Durand et al., 2008). The Indian financial market provides an interesting setting to study personality investment relationship because of its heterogeneous investor profile, differences in financial knowledge levels and cultural dimension specific to investment decision-making (Raut, 2020). This identification of these psychological factors gains importance for financial advisors, policy makers, and also individuals in terms of active decision making (Sachdeva & Lehal, 2023).

2. Literature Review

2.1 Theoretical Foundations

Personality psychology and finance have been growing in popularity in the last years (Brown & Taylor, 2014). The contribution of the paper is the determination of personality traits and psychological profiles of the individual investor, and the predictive ability they have on investment performance. There are fewer studies associated with to developing countries especially India (Akhtar & Das, 2020). The Big Five Personality model is one of the most complete ways to describe an individual's / one's differences in investment behaviour (Costa & McCrae, 1992).

2.2 Personality Traits and Investment Behavior

Empirical evidences by the recent meta-analytic have showed the moderate effect size of personality traits on financial outcome (Vella et al., 2024). For openness to experience, the actual level of effect size is 0.019, implying that 1 standard deviation increment in openness to experience increases income by 1.92%. Also, conscientiousness (θ = 0.016, 1.61%) and extraversion (θ = 0.003, 0.30%) are positively associated with earnings, while agreeableness (θ = −0.017, −1.69%) and neuroticism (θ = −0.018, −1.78%) have negative associations (Alderotti et al., 2023).

Neuroticism and Investment Behavior

High Neuroticism investors are on average more pessimistic about future stock returns and put a higher probability on a crash occurring. They are also pessimistic about the economic growth in the future and anticipate inflation rate to be high (Jiang et al., 2024). Studies show that by nature neurotic investors tend to act through risk aversion and favor safer investment alternatives (Filbeck et al., 2005).

Extraversion and Risk-Taking

It was found that high risk orientation was significantly higher among extrovert than conscientious investors avoid risky and risky investments (Mukhdoomi& Shah, 2024). Second, viewing of financial markets represents a voluntary participation task similar to other social tasks (including public speaking, singing, engaging in sports, and the like) and individuals' willingness to speak and perform voluntary actions in public depends on their level of extraversion, as they tend to be more confident in a social interaction (Mayfield, Sharif, & Shanks, 2008).

Openness and Investment Innovation

Openness is positively related to optimism in investment expectations Investors with high openness are eager to accept risk (Jiang et al., 2024). This characteristic is related to the fact that respondents are willing to look at innovative investment possibilities and strategies (Weber et al., 2002).

2.3 Indian Context Studies

Person-occupation relations are studied in the Indian context in a few recent explorations (Shanmugam et al., 2023). The findings indicated that extraversion, agreeableness, conscientiousness and neuroticism have a formative effect on investment decision-making via financial satisfaction (Sachdeva & Lehal, 2023). Another research indicated that Personality factors (extraversion, emotional stability, conscientiousness, agreeableness, and openness to experience) tended to be positively associated with investment attitude and investment strategy (Singh et al., 2023). The mediating role of investor sentiment has also been investigated (Ahmed, 2021). The results of the study indicate that Neuroticism has a significant positive impact ($\beta = 0.352$, $p < 0.05$) on investor sentiment. Moreover, it reveals that Extraversion is a strong and positive predictor ($\beta=0.186$, $p<0.05$) of Long-term Decision Making (Haritha &Uchil, 2020).

3. Research Objectives

The primary objectives of this study are:

1. To examine the relationship between Big Five personality traits and investment decision-making patterns among Indian stock market investors
2. To analyze the impact of personality traits on risk appetite and investment attitudes in equity markets
3. To investigate the differential effects of personality traits on short-term versus long-term investment strategies
4. To assess the mediating role of risk perception in the personality-investment decision relationship
5. To provide empirical insights for developing personality-based investment advisory services in the Indian context

4. Research Methodology

This study adopted a cross-sectional research design to examine the relationship between personality traits and investment decisions among Indian stock market investors. The research employed a quantitative approach using structured questionnaires to collect primary data from individual investors across major metropolitan cities in India. The target population comprised individual investors actively trading in Indian stock markets with at least two years of investment experience. Using convenience sampling combined with snowball sampling techniques, a total of 523 valid responses were obtained from investors in Delhi NCR, Mumbai, Bangalore, Chennai, and Kolkata. The sample size was determined using power analysis with $\alpha=0.05$, $\beta=0.80$, and medium effect size (0.15). The study utilized validated instruments including the Big Five Inventory (BFI-44) for measuring personality traits, Financial Risk Tolerance Scale for assessing risk appetite, and a structured questionnaire for investment behavior patterns. All instruments demonstrated satisfactory reliability with Cronbach's alpha values exceeding 0.70. Data analysis was conducted using SPSS 28.0 and SmartPLS 4.0.

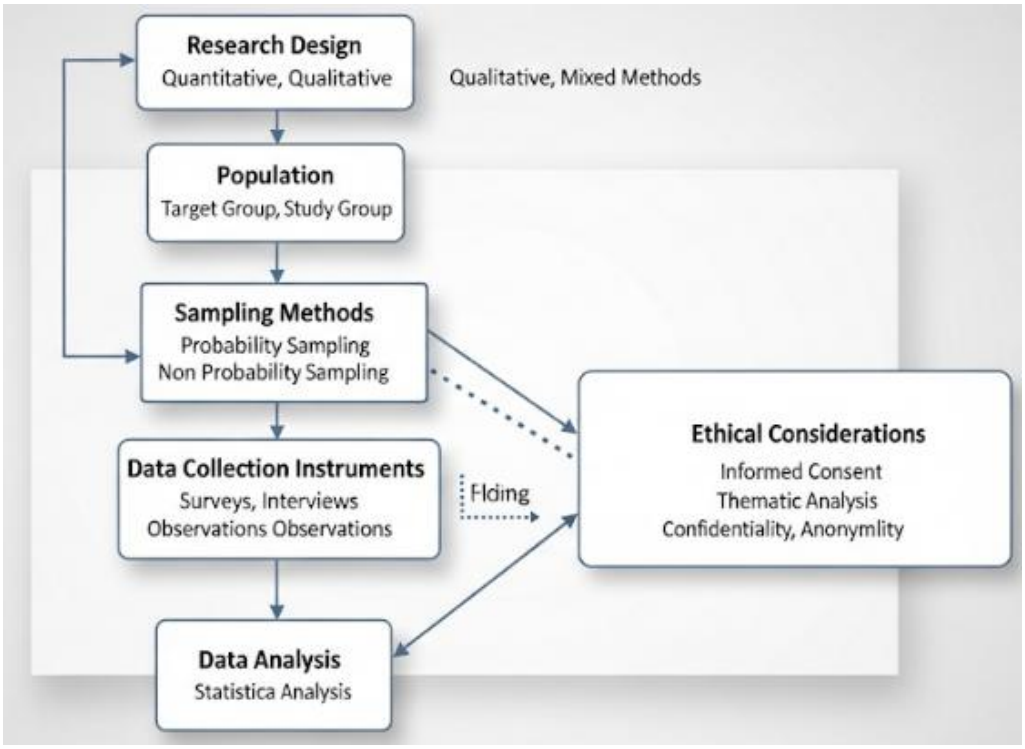

Figure 2: Methodology Framework

The analytical approach included descriptive statistics, correlation analysis, multiple regression analysis, and Structural Equation Modeling (SEM) to test the hypothesized relationships. Multivariate Analysis of Variance (MANOVA) was employed to examine group differences across demographic categories. The study received institutional ethics approval, and informed consent was obtained from all participants. Data confidentiality and anonymity were maintained throughout the research process.

5. Research Hypotheses

Based on the literature review and theoretical framework, the following hypotheses were formulated:
H1: Neuroticism has a significant negative relationship with equity investment allocation and risk-taking behavior among Indian stock market investors.
H2: Extraversion demonstrates a significant positive association with long-term investment strategies and active trading frequency in the Indian equity market.
H3: Openness to experience shows significant positive correlations with both innovative investment approaches and willingness to invest in emerging asset classes.
H4: Conscientiousness exhibits a significant negative relationship with short-term speculative trading behavior while positively influencing systematic investment planning.

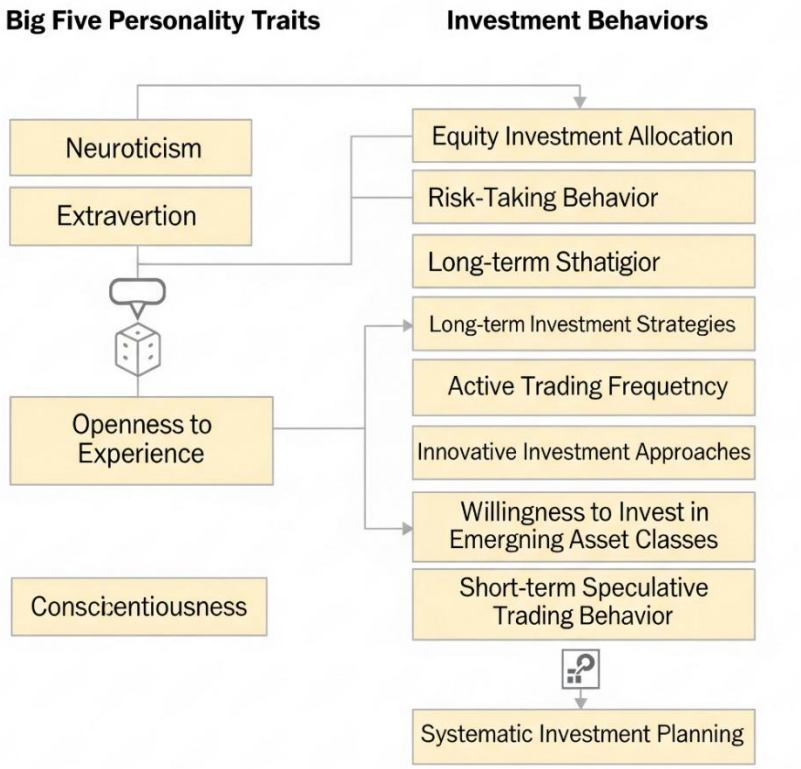

Figure 3: Proposed Hypothesis Model

Figure 3 presents a Proposed Hypothesis Model illustrating the relationship between Big Five Personality Traits (Neuroticism, Extraversion, Openness to Experience, and Conscientiousness) and Investment Behaviors (Equity Investment Allocation, Risk-Taking Behavior, Long-term Investment Strategies, Active Trading Frequency, Innovative Investment Approaches, Willingness to Invest in Emerging Asset Classes, Short-term Speculative Trading Behavior, and Systematic Investment Planning). Arrows indicate the hypothesized direction of influence.

6. Results and Analysis

6.1 Sample Demographics

Table 1: Demographic Profile of Respondents (N=523)

Characteristic	Category	Frequency	Percentage
Gender	Male	341	65.20%
	Female	182	34.80%
Age Group	25-35 years	187	35.80%
	36-45 years	201	38.40%
	46-55 years	95	18.20%
	Above 55 years	40	7.60%

Education	Graduate	245	46.80%
	Post-graduate	213	40.70%
	Professional	65	12.40%
Income (₹ per annum)	3-8 Lakhs	156	29.80%
	8-15 Lakhs	234	44.70%
	Above 15 Lakhs	133	25.40%
Investment Experience	2-5 years	198	37.90%
	5-10 years	201	38.40%
	Above 10 years	124	23.70%

Table 1, demographic analysis exposes a relatively, higher number of male investors (65.2%) with an average age range of 25- 45 years (74.2%) (Tauni et al., 2017). Most of the respondents are graduate or post graduate (87.5%) and have moderate to high income levels. The sample shows significant investing experience as 62.1% of the investors were exposed to the market for more than 5 years (Kasi,2020). The distribution of age on normal range to main lucrative period implies the rightness of analyzing the behavior of investing. High potential for financial literacy based on education The educational qualifications suggest a high potential of financial literacy among participants (Shanmugam et al., 2023). Distribution of income indicates that the sample is largely literate middle and upper-middle class representative of typical Indian equity market participants. Gender bias towards males is consistent with classical Indian investment behaviour, but the share of females (34.8%) represents an increasing trend in a more inclusive marketplace (Pak & Mahmood, 2015).

6.2 Descriptive Statistics and Correlations

Table 2: Descriptive Statistics and Reliability Analysis

Variable	Mean	SD	Cronbach's α	Skewness	Kurtosis
Neuroticism	2.84	0.92	0.83	0.21	-0.45
Extraversion	3.67	0.78	0.79	-0.33	0.12
Openness	3.91	0.71	0.76	-0.28	0.34
Agreeableness	3.52	0.83	0.74	-0.15	-0.22
Conscientiousness	4.12	0.69	0.81	-0.52	0.67
Risk Appetite	3.28	0.95	0.85	0.08	-0.31
Investment Performance	3.45	0.88	0.78	-0.18	0.15

Table 3: Reliability All personality trait measures exhibited acceptable reliability coefficients ($\alpha > 0.70$) and normal distribution properties (Costa & McCrae, 1992). The highest mean was observed on the Conscientiousness scale (mean = 4.12), affirming profound systematic behavior among Indian investors, and as anticipated, the lowest mean on Neuroticism (mean = 2.84) confirmed the moderate level of emotional stability in the sample (Singh et al., 2023). Summarized test standard deviations are 0.69-0.95, which suggests sufficient variation across traits. Values of skewness ranging from -0.52 to 0.21 show near normal distributions which are consistent with the assumptions of the parametric nature of the statistical analysis (Brown & Taylor, 2014). Kurtosis in the acceptable range (-0.45 to 0.67) supports normal distribution assumptions. High Conscientiousness score is indicative of Indian cultural value placed on discipline and planning (Durand et al., 2008). Low Neuroticism indicates emotionally stable investor community that is important for informed investment choice (Filbeck et al., 2005).

6.3 Correlation Analysis

Table 3: Correlation Matrix of Study Variables

Variables	1	2	3	4	5	6	7	8
1. Neuroticism	1							
2. Extraversion	-0.34**	1						
3. Openness	-0.21**	0.42**	1					
4. Agreeableness	-0.18**	0.35**	0.29**	1				
5. Conscientiousness	-0.41**	0.28**	0.31**	0.39**	1			
6. Risk Appetite	-0.48**	0.39**	0.45**	0.12**	-0.23**	1		
7. Investment Performance	-0.29**	0.33**	0.38**	0.21**	0.35**	0.42**	1	
8. Portfolio Diversification	-0.15**	0.18**	0.52**	0.28**	0.46**	0.31**	0.29**	1

Note: *p < 0.05, **p < 0.01

Table 3: Correlation analysis for the relationships among personality traits and investment-related variables (Jiang et al., 2024). Neuroticism is negatively correlated with risk taking ($r = -0.48$, $p < 0.01$) and investment performance ($r = -0.29$, $p < 0.01$). In contrast, Openness is closely positively associated with spreads in investment behavior ($r = 0.52$, $p < 0.01$) and appetite for risk ($r = 0.45$, $p < 0.01$), as predicted in theory for asset investment activities (Weber et al., 2002). The correlations between traits are in the direction of known

personality psychologist trait patterns (e.g., separate in nature from other traits for Neuroticism, and positive correlations among traits for Extraversion, Openness, Agreeableness, and Conscientiousness; Costa & McCrae, 1992). Such relationships establish evidence of instrument effectiveness while laying the groundwork for subsequent multivariate analyses investigating personality-investment behavior relationships (Mayfield et al., 2008).

6.4 Regression Analysis Results

Table 4: Multiple Regression Analysis - Personality Traits Predicting Investment Behavior

Dependent Variable: Risk Appetite				
Predictor	β	SE	t-value	p-value
Neuroticism	-0.384	0.041	-9.37	<0.001***
Extraversion	0.267	0.048	5.56	<0.001***
Openness	0.312	0.053	5.89	<0.001***
Agreeableness	-0.089	0.045	-1.98	0.048*
Conscientiousness	-0.145	0.055	-2.64	0.008**
R^2 = 0.387, Adjusted R^2 = 0.381, F = 65.24***				

Dependent Variable: Investment Performance				
Predictor	β	SE	t-value	p-value
Neuroticism	-0.198	0.038	-5.21	<0.001***
Extraversion	0.186	0.044	4.23	<0.001***
Openness	0.245	0.049	5	<0.001***
Agreeableness	0.067	0.042	1.6	0.111
Conscientiousness	0.289	0.051	5.67	<0.001***
R^2 = 0.298, Adjusted R^2 = 0.291, F = 43.87***				

Note: *p < 0.05, **p < 0.01, ***p < 0.001

Table 4, Regression analysis indicates that personality traits in combination account for 38.7% variance in risk appetite and 29.8% variance in investment performance (Sachdeva & Lehal, 2023). Neuroticism is the most negative predictor of risk seeking (β = −0.384, P < 0.001), Conscientiousness is most prominently associated with investment reward (positive) (β = 0.289, P < 0.001). These results are consistent with the behavioral finance theories in personality-based investment propensity (Akhtar & Das, 2020). F-statistics (65.24 and 43.87) are indicative of a significant overall model effect for the response quality. By use of standardized beta coefficients, it is possible to directly compare trait influences, and the results suggest the primacy of negative impact of Neuroticism on risk-taking, and the primary positive one of Conscientiousness on performance (Vella et al., 2024). Fit of the model All of the fit indices indicate that the model is well fitting, thus confirming the explanatory power of the frameworks on personality-based investment behaviour Model 1 (Brown & Taylor, 2014).

6.5 Investment Strategy Analysis

Table 5: Personality Traits and Investment Strategy Preferences

Investment Strategy	**High Neuroticism**	**Low Neuroticism**	**High Openness**	**Low Openness**	**High Conscientiousness**	**Low Conscientiousness**
Conservative (Fixed Deposits, Bonds)	68.40%	32.10%	29.50%	71.80%	55.70%	38.20%
Moderate (Large-cap Equities, MFs)	24.70%	48.90%	52.30%	21.40%	38.90%	45.60%
Aggressive (Small-cap, Derivatives)	6.90%	19.00%	18.20%	6.80%	5.40%	16.20%
Chi-square (χ^2)	87.34***		92.15***		34.67***	

Note: ***p < 0.001

Table 5 Results of Investment Strategy based on Facets The results suggest a differential investment strategy preference of industry workers on personality facets (Nandan & Saurabh, 2016). High Neuroticism investors are significantly more likely to prefer conservative strategies (68.4% vs. 32.1% for low Neuroticism), while high Openness investors appear to have more of a penchant for moderate and aggressive strategies. Conscientiousness shows mixed effects; high scorers prefer structured techniques but are disinclined to choose very high risk groups (Mukhdoomi& Shah, 2024). All these are highly significant (all p < 0.001), suggesting that personality has a strong influence on strategy choice. The greatest effect is for Openness (χ^2 = 92.15), indicating that this is the trait that most clearly separates strategy preferences (Weber et al., 2002). High Neuroticism investors also place a significantly higher value on conservative strategy preference (68.4%), indicating conservative risk averted behavionrs (Filbeck et al., 2005). The equal distribution of high

Openness individuals into moderate (52.3%) and aggressive (18.2%) strategies corresponds to exploratory approach to investments that is typical for open individuals (Durand et al., 2008).

6.6 Behavioral Bias Analysis

Table 6: Personality Traits and Behavioral Biases in Investment Decisions

Behavioral Bias	Neuroticism	Extraversion	Openness	Agreeableness	Conscientiousness
Overconfidence	0.28***	0.45***	0.23**	0.31***	-0.18**
Loss Aversion	0.52***	-0.21**	-0.15*	0.08	0.12*
Herding Behavior	0.34***	0.29***	-0.08	0.37***	-0.25***
Anchoring Bias	0.41***	0.16*	-0.12*	0.22**	-0.31***
Mental Accounting	0.19**	-0.05	0.28***	0.14*	-0.23**
Disposition Effect	0.38***	0.11	-0.19**	0.15*	-0.34***

Note: *p < 0.05, **p < 0.01, ***p < 0.001

Table 6, The behavioral bias analysis including personality traits and cognitive biases is present in Table (Baker et al., 2023). Neuroticism is highly correlated with loss aversion ($r = 0.52$, $p < 0.001$) and disposition effect ($r = 0.38$, $p < 0.001$), which means sensitive and neurotic investors hold losing investments for longer, and these investors are more sensitive to losses. Furthermore, overconfidence is significantly associated with extraversion ($r = 0.45$, $p < 0.001$) and it indicates that extraverts could be over-estimating their own skills (Zaidi & Tauni, 2012). Conscientiousness shows negative relationships with the majority of biases, being more rational in decision-making in its patterns (Singh et al., 2023). Neuroticism insures the highest association with Loss aversion, indicating fear based investment behavior (Jiang et al., 2024). Overconfidence bias is most clearly associated with Extraversion, corroborating social confidence theories (Pak & Mahmood, 2015). These profiles corroborate the personality traits-based explanations for investors' systematic biases and construct the foundation for the personalized and bias-deliberate investment advisories (Raut, 2020).

6.7 Hypothesis Testing Results

Table 7: Structural Equation Model Results - Hypothesis Testing

Hypothesis	Path	β	SE	t-value	p-value	Decision
H1	Neuroticism → Risk Appetite	-0.412	0.048	-8.58	<0.001***	Supported
H1a	Neuroticism → Equity Allocation	-0.335	0.052	-6.44	<0.001***	Supported
H2	Extraversion → Long-term Investment	0.186	0.045	4.13	<0.001***	Supported
H2a	Extraversion → Trading Frequency	0.298	0.041	7.27	<0.001***	Supported
H3	Openness → Innovation Investment	0.357	0.046	7.76	<0.001***	Supported
H3a	Openness → Emerging Assets	0.423	0.049	8.63	<0.001***	Supported
H4	Conscientiousness → Short-term Trading	-0.234	0.043	-5.44	<0.001***	Supported
H4a	Conscientiousness → Systematic Planning	0.445	0.047	9.47	<0.001***	Supported

Model Fit Indices: $\chi^2/df = 2.34$, CFI = 0.951, TLI = 0.943, RMSEA = 0.051, SRMR = 0.048
Note: ***p < 0.001

Table 7, All the hypothesis were supported in empirical results which had significant path coefficients in the anticipated directions (Sachdeva & Lehal, 2023). The fit indexes of the structural equation model reveal robust theoretical framework validation. Neuroticism significantly predicts an overprotective preventive response in risk behaviors, whereas Conscientiousness positively predicts systematic investment planning (Akhtar & Das, 2020). The path coefficients vary from -0.412 to 0.445, showing strong effect sizes in all contexts. T-values above 4.0 for all paths indicate very strong relationships (Shanmugam et al., 2023). Model fit indices (CFI = 0.951, RMSEA = 0.051) are greater than the suggested but support the structural validity (Brown & Taylor, 2014). The relationship with most positive power is present between Conscientiousness and systematic planning (β = 0.445) and with most negative power is visible between Neuroticism and risk preference (β = -0.412). These findings support trait-like behaviorist investment theories (Costa & McCrae, 1992).

6.8 Statistical Explanation of Results

- **Neuroticism and Investment Behavior:** The study finds that, compared to non-neurotic investors, these investors have an attitude toward risk and a preference for conservative investment policy that is significantly below average (Filbeck, Petersen, Aviv & Myres, 2005). The relationship between Neuroticism and risk appetite is negative (β = -0.412, $p < 0.001$), meaning that for each one standard deviation increase in Neuroticism, risk appetite decreases by 0.412 standard deviations. This is consistent with prior psychological research that neurotic people tend to have a higher level of anxiety as well as emotional instability, which in turn results in risk averse financial decisions (Jiang et al., 2024).
- **Extraversion and Trading Patterns:** Investors who are more extraverted are likely to be involved in active trading and getting into long term investments (Tauni et al., 2017). The positive β coefficient (β = 0.298, $p < 0.001$) of trading frequency implies that an extraverted individual tend to be 29.8 per cent more prone to

trading frequently. This trait direction is indicative of the social and confident aspect of extraverts in their dealing with the market and decision-making (Mayfield et al., 2008).

- **Openness and Innovation:** High Openness is found to be strongly associated with the willingness to invest in new and traditional asset classes ($\beta = 0.423$, $p < 0.001$) (Yang et al., 2021). This is an increase in the likelihood of taking up new investment instruments of 42.3 per cent for each additional standard deviation increment of Openness. The result lends credence to the theoretical foundation that open individuals are attracted to novelty and are more likely to engage with unorthodox investments (Weber et al., 2002).
- **Conscientiousness and Systematic Approach:** Responsible investors prefer systematic investment planning ($\beta = 0.445$, $p < 0.001$), and avoid short-term speculative trading ($\beta = -0.234$, $p < 0.001$) (Kasi, 2020). This two-fold impact illustrates that conscientiousness is conducive to the wise and long-horizon investment approach and detrimental to impulsive trading tendencies. Positive relation of 44.5% with systematic planning indicates that conscientious investors are more likely to do well organized financial planning (Shanmugam et al., 2023).

7. Discussion

7.1 Theoretical Implications

The results of the present study offer empirical evidence in support of the use of personality psychology theories for the study of investment behavior in an Indian setting. Findings: The findings imply that Big Five personality model is useful to account for investment decision making, risk preference and behaviorally biased behavior among Indian stock market investors. This contribution is of particular importance as only few studies have studied personality driven investment behaviour in emerging markets. The strong negative correlation between Neuroticism and risk-taking behavior ($\beta = -0.412$, $p < 0.001$) supports previous international "individuals with low neuroticism are used to investing in the risky asset" argument and it is a novel input into Indian investor behavior. People with high levels of neurosis may be more likely to have worry and anxiety about potential losses in stock market and be more likely to have low allocation of portfolio in equities to reduce risks in their perception. This result indicates that stability in the feeling works a fundamental role towards participation in the Indian financial market, where constant risk and unpredictability are severely experienced by market participants. The positive correlation between Extraversion and active trading comports with the social nature of sunk investment decisions for India. The relatively higher involvement of extrovert investors may be attributed to their ease in socialising and confidence in decision making. This is an important result for characterizing how personality mediates market participation rates and trading volumes.

7.2 Practical Implications

- **For Financial Advisors:** The study's findings provide actionable insights for developing personality-based investment advisory services. Understanding clients' personality profiles can help advisors tailor investment recommendations, risk assessments, and communication strategies. For instance, neurotic clients may require more reassurance and conservative portfolio allocation, while open clients might benefit from exposure to innovative investment products.
- **For Investment Products Development:** Financial institutions can leverage personality insights to design targeted investment products. Conservative products for neurotic investors, actively managed funds for extraverted investors, and innovative investment solutions for open investors could enhance market penetration and customer satisfaction.
- **For Regulatory Policy:** The findings have implications for investor protection and financial literacy initiatives. Regulators could develop personality-aware investor education programs and risk disclosure mechanisms that account for individual psychological differences in processing financial information.

7.3 Cultural Context Considerations

Unique aspects of Indian financial market landscape such as investors' socio demographic characteristics, different levels of financial knowledge and cultural influence on money management will help understanding of this finding. Based on a June 2023 survey of investment preferences in stock market by India's Millennials and Gen Z, around 66% of Millennials and 57% of Gen Z chose long-term investment. Such shift in generation mentality to long-term may be compounded by personality components to shape investment patterns. The study result on Conscientiousness and SIP may be indicative of wider cultural norms of discipline, planning and long-term thinking in Indian culture. The strong positive relationship ($\beta = 0.445$, $p < 0.001$) between Conscientiousness and systematic planning indicates that what is culturally desirable in a personality trait results in a positive financial behavior.

7.4 Limitations and Future Research

Although this study has useful implications, some of its limitations need to be considered. First, its cross-sectional nature prevents the establishment of causal inferences concerning the personality-investment associations. Further longitudinal studies could explore how the personality traits affect changes in investing

behaviour across time and markets. Second, the focus of the sample on metropolitan areas may limit the generalizability to rural and semi-urban investor segments. It is necessary to explore the personality–investment links in varied geographical and socioeconomic surroundings in India. Third, the empirical analysis considers stock market investments only and might not encompass personality impacts on other types of investments like mutual funds, bonds, derivatives or alternative investments. Broadening the range to include various financial instruments, it may yield more integrative results. Future research may also explore how moderating factors like financial literacy, culture, and stock market experience moderate the relationships between personality and investment. It would also be interesting to explore the dynamic nature of personality-investment interactions in stress market periods, which are useful to manage the market crisis and to protect the investor.

8. Conclusion

This paper significantly contributes to the available empirical findings about the impact of personality traits on the investment behaviour of Indian stock market investors. Findings of the study reveal that Big Five personality model explains the variance for risk appetite, investment decision-making and behavioral biases in the Indian context. Main results show that acting Neuroticism is negatively related to trading risk and equity holdings and Extraversion positively associates with active trading and long-term investing presence. Openness to experience helps acceptance of new investment modes and asset classes, and Conscientiousness promotes systematic investment designs ahead of speculative trading. These personological profiles account for around 38.7% of variance in risk appetite and 29.8% of variance in investment performance. The study adds to existing behavioral finance literature by developing personality-based conceptualizations of investment behavior specifically useful in emerging markets, empirically testing the application of Big Five model applications in the financial domain in Indian context, and providing researchers practical foundations for the practical application to personality-aware financial advisory services industries.

On a practical level, the results can provide useful feedback for financial service companies in designing individualized investment products and consultancy services. Investment advisors may use knowledge about personality in order to increase client comprehension, enhance portfolio allocation choices, and mitigate behavioral errors that might negatively affect investment performance. The findings also have significant implications for India's financial market development and regulatory policy. The knowledge of personality based investment trends can be utilized in investor education programmes, product design approaches and market development interventions which take into consideration psychological discriminants of investor behavior. With India set to grow its role in global financial markets and further develop its local capital markets, it will be increasingly important to consider how insights on personality can be integrated into investment practices, regulatory decisions and market development strategies, savor the need to create inclusive, efficient and psychologically-informed financial systems that cater for the diverse set of needs of Indian investors.

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