European Economic Letters
ISSN 2323-5233
Vol 15, Issue 4 (2025)
http://eelet.org.uk

Influence of Emotional Intelligence on Financial Risk Tolerance of Investment Choices Among Women Salaried Employees.

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Abstract
This study looks at how emotional intelligence (EI) influences financial risk tolerance and investment behavior among salaried women. Based on data from 129 participants, the analysis used regression, T-tests, and chi-square tests to examine the relationships. The findings show a clear positive link between emotional intelligence and risk tolerance, especially in women who show strong self-regulation, adaptability, and the ability to reflect on their emotions. However, EI did not appear to significantly impact the types of investments chosen, suggesting that other factors like financial literacy, income level, and social influences may have a stronger role. These insights highlight the importance of financial education programs that consider emotional and psychological aspects, particularly for supporting women in making confident and informed financial decisions.

Introduction:

Recent studies have highlighted the significant role of emotional intelligence (EI) in financial decision-making. EI has been found to positively impact investment decisions, with investors demonstrating self-awareness, self-management, motivation, and empathy **(Tanvir et al., 2016)[1]**.

(Sergio Agnoli 2015)[2]Pointed out that Individuals with high trait emotional intelligence (EI) are more willing to accept risks in investments, both when expected values are positive and negative, even after controlling for other variables like risk attitude (**Rubaltelli et al., 2015**)[3]. Furthermore, financial workers with high EI exhibit a "vigilance" decision-making style, high assertiveness, and risk propensity **(Bykova et al., 2024)[4].** EI has been shown to be a predictor of successful financial decisions, explaining 57.2% of the "vigilance" decision-making style, 42.4% of risk propensity, and 48.3% of assertiveness**.** These findings underscore the importance of EI in shaping financial behavior and suggest its potential for improving investor performance and financial decision-making processes.

Bucciol, A., Guerrero, F., & Papadovasilaki, D. (2021)[5] Women, who represent growing segment of salaried employees, are increasingly engaging in financial decision - making and investment activities. However, traditional gender roles and societal expectations often influence their financial behavior, potentially leading to differences in risk tolerance compared to their male counterparts. Understanding how emotional Intelligence influences financial risk tolerance among women salaried employees is crucial, as it can provide valuable insights into their investment strategies, decision-making processes, and overall financial well -being.

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[1] *Published in* International Journal of Academic Research in Economics and Management Sciences*, Vol. 5(3), July 2016*

[2] Publisher: Dipartimento di Economia Marco Biagi - Università di Modena e Reggio EmiliaPublication date: 2015 https://doi.org/10.25431/11380_1197706

[3] Rubaltelli, E., Agnoli, S., Rancan, M., & Pozzoli, T. (2015). *Emotional Intelligence and Risk Taking in Investment Decision-Making*. CEFIN Working Paper 0053. DOI:10.25431/11380_1197706

[4] *Theoretical and Practical Research in Economic Fields*, Vol. 15, No. 1 (Spring 2024), pp. 145–154. DOI: 10.14505/tpref.v15.1(29).14

[5] *Review of Behavioral Finance, 13*(3), 259–275.DOI: 10.1108/RBF-01-2020-0013

(Zou ran 2021)[6]This study seeks to explore the relationship between Emotional Intelligence and financial risk Tolerance among women salaried employees. By examining how different components of Emotional intelligence affect risk tolerance, this research aims to contribute to the broader discourse on gender, emotions, and financial decision –making. The findings of this study have the potential to inform financial advisors, policymakers, and educators I developing strategies that enhance the financial literacy and decision –making capabilities of women in the workforce.

Statement of the problem:

Even though the increasing participation of women in the workforce and their growing involvement financial markets, there is a notable gap in understanding how psychological factors, specifically Emotional Intelligence, influence their financial risk tolerance. While extensive research has been conducted on the role of Emotional Intelligence in various aspects of personal and professional life, its impact on financial decision making, particularly in the context of investment risk tolerance among women salaried employees, remains under explored.

Traditional financial models often assume that investors are rational agents who make decisions based solely on economic considerations. However, this assumption overlooks the significant role that emotions and psychological traits play in shaping financial behavior. Women, which may face unique psychological and emotional challenges due to societal expectations and gender norms, might approach financial risks differently from men. Yet, existing literature does not adequately address how Emotional affects their risk tolerance and investment choices.

The problem, therefore, lies in the lack of comprehensive understanding of the interplay between Emotional Intelligence and financial risk tolerance among women salaried employees. Without this understanding, financial advisors and educators may struggle to provide effective guidance suitable to the needs of this demographic. Furthermore, the absence of targeted research may contribute to the persistence of gender disparities in financial literacy and investment behavior. This study seeks to address this problem by investigating the extent to which Emotional Intelligence influences the financial risk tolerance of women salaried employees. By filling this research gap, the study aims to offer insights that can support more personalized and effective financial education and advisory services for women, ultimately

Objective of the study:

- ✓ To analyze how various components of Emotional Intelligence affect the financial risk tolerance of women salaried employees.
- ✓ To examine the relationship between emotional Intelligence and the type of investments chosen by women salaried employees.

Review of Literature

Sashikala V and Dr.P.Chitramani (2017) [7]this study explore that Investors are bound to be emotional while taking investment decisions. Conventional literature has proved that investors become more emotional while choosing their portfolio. Investment decision making process also has evolved with the impact of psychology wherein emotions play an important role. Emotional stability is thus an influencing factor in investment decision making process which is identified by Emotional Intelligence (EI). There are various EI theories serving this purpose but all such theories are common EI theories and not specific to EI related to financial decision making process. Assessing

[6] Psychol Res Behav Manag 2021 Dec 29;14:2231–2244. doi: 10.2147/PRBM.S335022

[7] International Journal of Management (IJM) Volume 8, Issue 3, May–June 2017, pp.32–41, Article ID: IJM_08_03_003 Available online at http://iaeme.com/Home/issue/IJM?Volume=8&Issue=3 Journal Impact Factor (2016): 8.1920 (Calculated by GISI) www.jifactor.com ISSN Print: 0976-6502 and ISSN Online: 0976-6510 © IAEME Publication

an investor's behavior is a major task that should be carried out by the financial sectors in order to help investors take better decisions. Financial Institutions could introduce better products for investors knowing the behavior of investors. This study focuses on identifying the constructs necessary to identify the EI of investors through an extensive review stating the role that emotional intelligence plays in investment behavior of the investor. A conceptual model has been derived that states that Emotional Intelligence of an investor influences Investment Behavior.
Using a systematic literature review the papers investigated the relationship between various personality traits and the volatility of financial risk tolerance levels of investors. Further, the study analyzed and foundational work that has gone into making behavioral finance a well-established and distinct field of study over the years. The behavioral tendencies of individual investors, institutional investors, and financial advisors have also been included in this study.

Godfred Matthew Yaw Owusu and , Gabriel Korankye (2023)[8] The main objective of this paper is to evaluate the financial risk tolerance of personnel in the various security services in Ghana (i.e., people who serve in the various public security divisions, including the military, immigration, police, customs, firefighting, and prisons). In particular, we examine the predictors and outcomes of financial risk tolerance and further assess whether financial risk tolerance mediates the relationship between the predictor variables and financial behavior.
A partial least square structural equation modeling analysis of data collected from a cross-section of security service personnel revealed that financial threat, trust, and deliberative thinking significantly influence financial risk tolerance. We also found that financial risk tolerance is a strong predictor of financial behavior. In addition, financial risk tolerance mediates the relationship between financial threat and trust and financial behavior. The findings in this study are relevant to the leaders of the security services in developing strategies to ensure the financial security of the personnel.

Denise Chambers, Deshea Simon (2022)[9]This study aims to systematically review studies analyzing the influence of emotional intelligence (EI) on investor behaviors in developing countries (as defined by the United Nations Development Program) using PRISMA. In developing nations, the lack of investigation in this area is prevalent and nonexistent in some nations. Methods: EI and investor behavior-related papers in English were selected from ProQuest, EBSCO, and Google Scholar database searches in developing countries. Results: The review included 19 studies covering eight developing countries, extending the conclusion of a positive correlation between EI and investment decisions in growing regions.
However, inconsistencies and gaps exist in the EI model adoption and investor behaviors. Evidence Limitation/Implications: Limitations include the need for extended EI and investor behavior dimensions and more geographic coverage. Important implication highlights include how EI helps investors enhance investment decision-making. Originality/value: This unprecedented PRISMA review of a comprehensive set of literature on the influence of EI on investor behavior in developing countries extends the current evidence base in this area.

Deepak Mishra and Naveen Agarwal *et al* (2024)[10] Despite the increasing accessibility of digital financial instruments globally, a number of women encounter obstacles in properly using these platforms due to insufficient digital financial literacy, which profoundly affects their financial

[8] https://doi.org/10.1016/j.bir.2023.02.005Institute of Postgraduate Studies, Malaysia University of Science and Technology, Malaysia Received 6 July 2022; revised 26 February 2023; accepted 26 February 2023 Available online 6 March 2023.
[9] International Journal of Management and Humanities (IJMH) ISSN: 2394-0913 (Online), Volume-8 Issue-12, August 2022
[10] J. Risk Financial Manag. 2024, 17, 468. https://doi.org/10.3390/jrfm17100468 https://www.mdpi.com/journal/jrfm

decision-making and economic empowerment. This study aims to promote digital financial literacy and Fintech adoption for women in India by examining the effects of digital financial literacy on financial decision-making while considering the mediating effect of government support and digital financial literacy.
Furthermore, in this study, we analyzed the relationship between independent variables such as financial attitude (FAtt), subjective norms (SNs), perceived behavior control (PBC), digital financial literacy (DFL), and financial accessibility (FA) on the dependent variable, i.e., financial decision-making (FDM). We also explored how financial decision-making impacts women' intention towards investment (INT).
By analyzing 385 Indian women respondents using Structural Equation Modeling (SEM), this study revealed that financial attitude (FAtt) leads to higher financial decision-making (FDM), exerting moderate effects. Similarly, subjective norms (SNs), perceived behavioral control (PBC), digital financial literacy (DFL), and financial accessibility (FA) significantly lead to financial decision-making. Overall, the five predictors of financial decision-making explained around 71% of the variance. Financial decision-making exerted a significant and robust effect on women's intention towards investment. Financial resilience significantly moderated the effects of financial decision-making on women's intention towards investment.
These findings emphasize the necessity of implementing a distinct government strategy and programs to enhance the adoption of Fintech among women living in urban and rural regions across India. This study is aligned with UN Sustainable Development Goals, especially Sustainable Development Goal (SDG) 1: No Poverty, SDG 5: Gender Equality, and SDG 8: Decent Work and Economic Growth.

Research gap: Base on the review of literature explores how emotional intelligence influence financial risk tolerance especially among women's salaried employees. Most of the study existing studies to overlook gender specific emotional social factors that shape investment behavior. In Indian context where financial literacy and gender roles combine between the gap is particularly significant. This study focus on the need to examine the relationship between emotional intelligence and risk tolerance in this less study group.

Research Methodology: This study employed a quantitative research design to investigate the relationship between Emotional intelligence and financial risk tolerance and to assess how these factors influence the investment choices of women salaried employees.

Sampling and data collection: This study was conducted among 129 women salaried employees**.** A structured questionnaire was used to collect primary data

Statistical Tools and Techniques

T-Test: To examine if Emotional intelligence significantly influences financial decision –making.
Regression Analysis: To explore the strength of the relationship between emotional intelligence and financial risk tolerance.
Chi –Square test: To test the association between Emotional intelligence and types of investment.

Conceptual Framework

Emotional Intelligence (EI), Financial Risk Tolerance (FRT), and Investment Choices, all within the context of women salaried employees. The framework will demonstrate how these variables interact and influence each other.

2. Key Variables for the study:

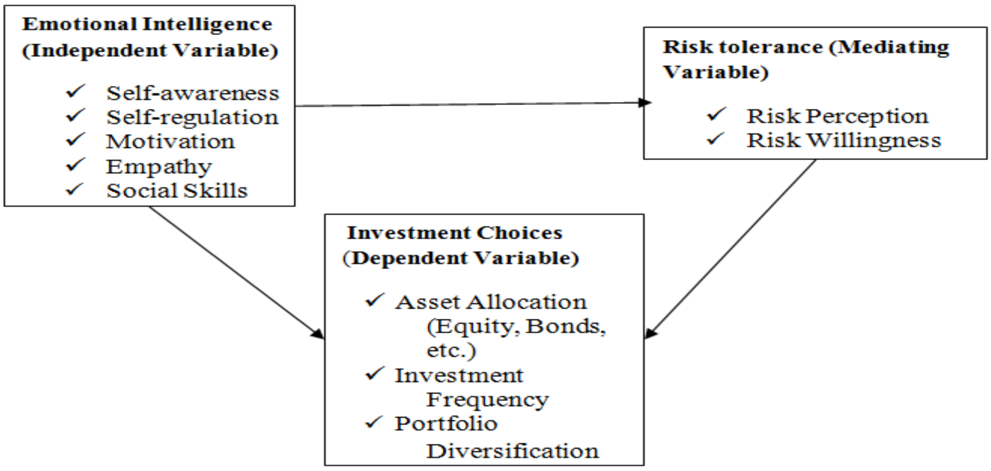
Independent Variable: Emotional Intelligence (EI)
- ✓ Self-awareness
- ✓ Self-regulation
- ✓ Motivation
- ✓ Empathy
- ✓ Social Skills

Mediating Variable: Financial Risk Tolerance (FRT)
- ✓ Risk Perception
- ✓ Risk Willingness

Dependent Variable: Investment Choices
- ✓ Asset Allocation (Equity, Bonds, etc.)
- ✓ Investment Frequency
- ✓ Portfolio Diversification

Control Variables:
- ✓ Age
- ✓ Income Level
- ✓ Marital Status
- ✓ Education Level

Conceptual framework:



Hypotheses:

H1: There is a significant positive relationship between Emotional Intelligence and Financial Risk Tolerance among women salaried employees.

H2: Different dimensions of Emotional Intelligence (self-awareness, self-regulation, motivation, empathy, social skills) have varying impacts on Financial Risk Tolerance.

H3: Emotional Intelligence significantly influences the types of investment choices made by women salaried employees.

This methodology will help in systematically investigating the influence of Emotional Intelligence on Financial Risk Tolerance, offering insights into how EI can be leveraged to enhance financial decision-making among women salaried employees.

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T-Test

Null Hypothesis:

(H0): There is no significant relationship between emotional intelligence and financial decision-making among the participants.

Alternative Hypothesis (H1): There is a significant relationship between emotional intelligence and financial decision-making among the participants.

One-Sample Statistics				
Subject	**N**	**Mean**	**Std. Deviation**	**Std. Error Mean**
I am aware of my emotions when making financial decisions.	129	3.64	1.178	.104
I reflect on my emotions to improve future financial decisions.	129	3.85	.821	.072
I can sense the emotional climate when engaging in financial.	129	3.75	.791	.070
I consider others feelings when discussing financial matters.	129	3.59	1.065	.094
I adapt easily to changes in financial situations.	129	4.04	.764	.067
I maintain a positive outlook despite financial uncertainties.	129	3.91	.829	.073

Interpretation:

The means suggest that participants exhibit a moderate to high level of emotional intelligence concerning financial decisions. The high scores in reflection, adaptability, and maintaining a positive outlook indicate that emotional intelligence may play a significant role in their financial decision-making process. However, the relatively lower score on considering others feelings suggests an area for improvement.

Regression Analysis

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.763[a]	.582	.539	.425	.582	13.474	12	116	.000

Interpretation:

The regression analysis shows a strong positive relationship between emotional intelligence and financial risk tolerance, with an R value 0.763. This indicates that an emotional intelligence increases; financial risk tolerance tends to rise. The model explains 58.2% of the variation in financial risk tolerance, after adjusting for the number of predictors, the model still accounts for 53.9% of the variability. The model is statistically significant ($p < 0.05$), confirming that emotional intelligence is a meaningful and reliable predictor of financial risk tolerance among salaried employees.

Chi-square test

Null Hypothesis (H_0): Emotional Intelligence (EI) has no association with Investment Choice.

Alternative Hypothesis (H_1): Emotional Intelligence (EI) is associated with Investment Choice.

Chi-Square Tests			
	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	200.546[a]	195	.378
Likelihood Ratio	179.605	195	.778
Linear-by-Linear Association	.051	1	.822
N of Valid Cases	129		
a. 224 cells (100.0%) have expected count less than 5. The minimum expected count is .03.			

Interpretation:

The Pearson Chi-Square test gives a p-value of 0.378, which is greater than 0.05.This means we fail to reject the null hypothesis. There is no significant association between Emotional Intelligence (EI) and Investment Choice. The Likelihood Ratio test also shows a p-value of 0.778, which supports the same Emotional Intelligence (EI) does not significantly influence Investment Choice. The Linear-by-Linear Association test (p-value = 0.822) further indicates there's no linear relationship between the two variables.

CONCLUSION

This study focus that women salaried employee have high emotional intelligence in aware of their emotions, staying with positive impact on during tough times and also and adapting well to changes are more comfortable in taking financial risk .The data proves that a strong link between emotional intelligence and financial risk tolerance.

Although women with high emotional intelligence are better at handling financial risk, it does not significantly affect the types of investments they choose, such as gold savings, sovereign bonds, post office savings, fixed deposit, and recurring deposit, stocks mutual funds .this suggests that factors affecting financial literacy, level of income and social influences many have a stronger impact on their investment choice than emotional intelligence alone.

The study found that not all parts of emotional intelligence are equally important.beging adoptable and learning from past decisions help more with financial choice than caring about other's feelings. So, self -awareness and personal control matter more than social skills in financial decisions.

It conclude that, emotional intelligence helps women to the manage a financial risk ,but it doesn't greatly affect the types of investments they choose .Boosting skills like self-control and adaptability can lead to better financial decisions.