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Influence of Personality Traits, Financial Risk Tolerance and Investors' Investment Intention in Nepalese Stock Market

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ABSTRACT

The study assesses the influence of personality traits on financial risk tolerance and investment intention of individual investors in stock market. Moreover, the study engaged the mediating role of the risk tolerance in the relations among investors' personality traits, and their investment intention in Nepalese stock market. The study was conducted through quantitative research approach. descriptive and explanatory research design was used in this study.

The results confirmed that there is no influence of personality traits on investment intention of individual investors of Kathmandu Valley. However, the findings revealed that some of the personality traits have some impact on individual's risk-tolerance behavior. Thus, indicating that extraversion, conscientiousness and openness to experience have the most significant influence on financial risk tolerance. The results also revealed the no mediating effect of financial risk tolerance between personality traits and investment intention of individual investors in stock market.

The study concluded the big five personality traits have little influence on individual investors' stock market intention while other factors such as financial knowledge, economic circumstances, and demography can be important in context of Nepal. Although financial risk tolerance does not mediate the relationship between personality characteristics and investment intentions, factors such as financial literacy may operate as mediators. Understanding these linkages can assist investment experts lead investors based on their characteristics and risk tolerance, with the goal of maximizing returns and creating long-term wealth.

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Keywords

Personality traits, Financial risk tolerance, Investors' investment intention

Introduction

An investor is any person or other entity who commits capital with the expectation of receiving financial returns. Similarly, investors can be defined as individuals or entities who allocate capital with the expectation of generating returns on their investment (Dangol & Shrestha, 2018). Humans are known to make judgments every day in order to function as living engines. Every aspect of life is directly impacted by one's ability to make decisions. The human decision-making process has therefore continued to be an essential component of study. Initially, individuals made judgements based mostly on money (Fama, 1970) which means making reasonable decisions involves reviewing the facts and deciding what is best for you. Additionally, Schiffman and Kanuk (2007) claim that the anticipated utility theory demonstrates this. Moreover, Markowitz (1999) also proposed rational methods for making judgements regarding assets, markets, and investments. However, it might be difficult to make rational conclusions when we lack sufficient knowledge, motivation, or time (Simon, 1997). Consequently, scholars of finance established a novel emerging discipline, called behavioral finance.

Investors are known to make decisions primarily on their intuitions and rather than acquiring sufficient facts to make informed decisions. However, Behavioral finance combines psychology and finance to better understand how household investors make financial decisions and their impact on the capital market (Ricciardi & Simon, 2000). Likewise, behavioral finance has been influenced by psychology of human mind and affects financial decision made by them (Shefrin, 2001). Additionally, the behavioral finance model describes market actors' actual behavior. Hence, the question arises, what are the factors that affect the rational decision-making of individuals?

When making financial decisions, both the individual and the financial adviser must be aware of important personality features and the level of financial risk. It is often considered that when people make financial decisions, they do so logically (Dickason & Ferreira, 2018). They also stated that investors' lack of financial awareness regarding investment risk is one of the consequences of financial risk tolerance. Therefore, people's investing decisions are typically impacted by personal characteristics such as risk tolerance and personality attributes (Newton, 2016).

Risk tolerance refers to an investor's comfort level in coping with uncertainty in investment returns. Those who are comfortable with risk are more inclined to invest in high-risk assets. According to Septi et al. (2019), risk tolerance refers to a person's ability to deal with the risks associated with financial investments. It is also about how someone responds to and makes judgments about risks when investing. Investors can be classified according to their risk preferences, which are impacted by personal characteristics such as risk tolerance (Wulandari & Iramani, 2014). Personality traits can cause biases in perception (Pompian & Longo, 2004). Personal financial decisions

are influenced by a variety of elements, including environment, emotions, moods, and thinking processes, all of which create one's personality.

These characteristics distinguish each person, resulting in distinct feelings, ideas, and behaviors. Allport and Odbert (1936) established the foundation for modern personality theory by proposing 4,500 words to define human personality. Cattell (1957) identified 16 personality traits, including reasoning ability, warmth, rule-following tendencies, emotional stability, dominance, liveliness, perfectionism, sensitivity, alertness, abstract thinking, sociable boldness, anxiety levels, openness to change, self-reliance, and stress management. Eventually, these characteristics were reduced into what is known as the Big Five i.e., Openness to experience, conscientiousness, Extroversion, Agreeableness, and Neuroticism (Goldberg, 1992).

The Nepal Stock Exchange (NEPSE) is the only stock exchange of Nepal which opened its trading floor on13th January 1994. Nepalese capital market is one of the slightly growing markets which has grown impressively during the recent years. There are various factors influencing the investment decision of Nepalese investors. Thus, it is vital to determine the aspects that affect investors' investment decisions at the Nepal Stock Exchange (NEPSE) and the extent of how these factors influence their investment efficiency. The current study focuses on analyzing the impact of personality traits on financial risk tolerance and individual investors' investment intention in Nepal stock exchange. The Big Five Factor model is the most generally used personality category, and it consists of five personality traits: extraversion, agreeableness, and conscientiousness, openness to experiences, and neuroticism (Digman, 1990).

Literature Review

Extraversion and Investment Intention

An extrovert is someone who enjoys talking in public and in social situations. Extroversion is a personality attribute associated with friendliness, aggressiveness, excitability, and great psychological expressiveness (Scotter & Roglio, 2020). Additionally, individual with strong extraversion tend to be more sociable, optimistic, active, communicative, and fun loving. While, on the contrary, individuals, having low extroversion tend to choose reserved and quiet behavior (Harini & Subramanian, 2023). Sadiq and Khan (2019) studied the relationship between extraversion and investment intention along with financial risk tolerance. They stated that individuals who are active and optimistic are more willing toward Short term and Long term investment intention. On the other hand introverts are considered as low risk takers (Sadi et al., 2011). The results were further supported by the study of Mankuroane et al. (2022).

H1 (a): *Neuroticism and Investment Intention*

Neuroticism, which refers to the state of emotional instability linked to high anxiety and stress (Migliore, 2011). Individuals, with a high score of Neuroticism, are insecure,

moody, hot tempered and impulsive (McCrae & Costa, 1997). Additionally, the neurotics tend to experience negative emotions and physical swings such as emotional imbalance, anxiety, depression and anger (Ibrahim, 2022) . Sarwar et al. (2020) found the negative relationship between neuroticism and investment intention. In contrast to this finding, Rai et al. (2021) found that Neuroticism has direct positive impact on investments decision.

H1 (b): There is significant impact of Neuroticism on the investors' investment intention.

Agreeableness and Investment Intention

Agreeableness individuals are kind-hearted, supportive, and courteous. They demonstrate empathy, helpfulness, and selflessness (Sharma & Shrotriya, 2022). According to McCrae and Costa (1997) and Martins et al. (2002), individuals with high agreeableness tend to be more trustworthy, forgiving, helpful, sympathetic, and well-accepted by their peers. They also make more straightforward and modest decisions. On contrast, those who score low on this dimension tend to be more critical and skeptical, requiring more information and making more calculated judgments (Chitra & Sreedevi, 2011). Therefore following hypothesis has been formulated:

H1 (c): There is significant impact of Agreeableness on the investors' investment intention.

Openness to Experience and Investment Intention

Openness to experience refers to individuals that are open to new experiences are more likely to seek out unconventional ideas. Individuals with a high openness to experience are more creative, inventive, adaptive, curious, non-traditional, broadminded, and rely on emotions in their actions. They also prefer to perform new experiments and take larger risks than others (Ibrahim, 2022). Research has found that openness exerts a positive influence on investments intention and has positive association with risk tolerance. This finding is further supported by Pak and Mahmood (2015) and Rajasekar et al. (2023).

H1 (d): There is significant impact of Openness to Experience on the investors' investment intention.

Conscientiousness and Investment Intention

Conscientious individuals are determined, well-organized, trustworthy, persistent, and punctual. Additionally, they tend to take more risks with less impulsiveness (Mayfield et al., 2008). Similarly, highly conscious individuals are more organized and mindful, think before talking, and consider the way their behavior will impact others. Individuals having a low score in the personality trait, are less structured and unorganized (Harini & Subramanian, 2023). Moreover, Conscientious individuals actively involved in decision making (Ibrahim, 2022). Conscientious investors may make good financial decisions without illusions (Sadi et al., 2011).

H1 (e): There is significant impact of Conscientiousness on the investors' investment intention.

Personality traits and investors' financial

Risk Tolerance

An extrovert is someone who is extroverted and enjoys talking in public and in social situations. Individuals who are extroverted are sociable, warm and friendly. They are generally not bound by principles or rationality (Sadiq & Amna, 2019). Extraverts take energy from social activities, enthusiastic, visible in groups, like to be with others and are assertive in nature. Introverts are those who are less involved with others and less in energy than extravert individuals. They love to work independent of others, quiet and love to remain calm and alone (Mathur & Nathani, 2019). Extravert people focus on the benefits instead of sticking to the negative emotions such as fear of losses. They are less risk averse with high-risk propensity (Ahmed et al., 2022). The discussion is justified by the finding of Sadiq and Amna (2019) who revealed that people who score high in extraversion are more open to risk as compared to people who scoreless in extraversion. However, the finding of Mathur and Nathani (2019) suggests that those who are even extravert also are less likely to take risk. So, to study the association between personality traits and financial risk tolerance, following hypothesis have been formulated:

H2 (a): There is significant impact of extroversion on the Investors Financial risk tolerance.

H2 (b): There is significant impact of Agreeableness on the Investors Financial risk tolerance.

H2 (c): There is significant impact of Conscientiousness on the Investors Financial risk tolerance.

H2 (d): There is significant impact of Neuroticism on the Investors Financial risk tolerance.

H2 (e): There is significant impact of Openness to Experience on the Investors Financial risk tolerance.

Personality Traits and Financial Risk Tolerance

Individuals' risk behavior determines their investing style (Ibrahim, 2022). However, various studies have shown that there are numerous factors influencing individual's risk behavior such as past experience (Slovic et al., 2004), demographic variables (Ibrahim, 2022), financial situation (Barber & Odean, 2001), level of financial literacy (Lusardi & Mitchell, 2007), personality traits (Antony & Selvarathinam, 2022) and so on. Among personality traits, big five personality traits model is widely use to analyze investing intention. Study disclosed that people who are extroverts tend to be more influenced by external stimuli and tend to be extreme risk-takers that means they do not shy away from taking risk (Sharma & Shrotriya, 2022). Sadiq and Khan (2019) also revealed similar results for the relationship of extrovert individuals and investment intention. Beside this, study by Nandan and Saurabh (2016) have shown the positive relationship between consciousness trait and financial risk attitude, while individuals that are open to new experiences tend to have higher risk tolerance.

Additionally, study by Mendoza et al. (2023)

shows that neurotic people have a positive and significant influence on the risk tolerance of investors as they tend to be aware of the risk they may face in an investment while individual with an agreeable traits tends to avoid conflicts with regard to investing thus non-influence with risk tolerance. Based on this, following hypothesis has been formulated:

H3: Financial risk tolerance mediates the relationship between personality traits and investment intention.

Limitations of the Study

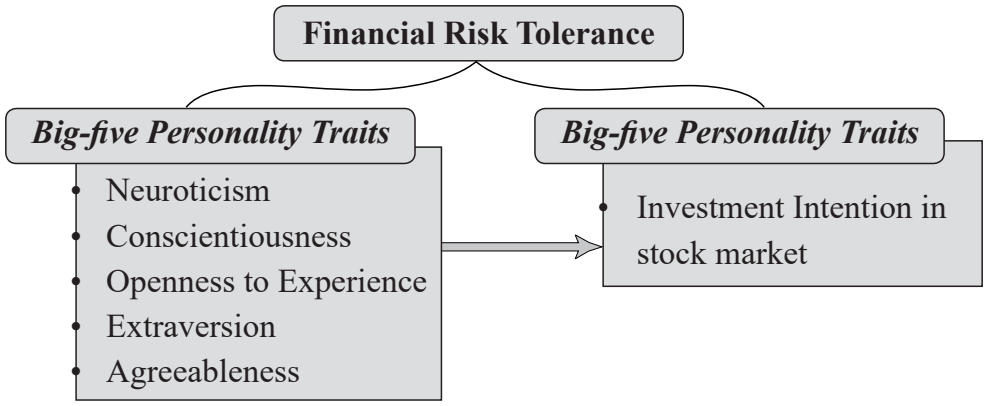
Every study is conducted under any constraints and limitations. Likewise, this study is also limited by some constraints. The some limitations of the study are as follows: The target populations of the study are investors in Kathmandu Valley. Therefore, the generalization of the findings of this study might be limited to investors other than Kathmandu Valley. Likewise, use of non-probability convincing sampling may result in potential sampling bias and lack of representativeness.

Conceptual Framework

Conceptual framework is the foundation of the study within which entire study is executed. Conceptual framework of this study is developed with the support of literature review and theories that is shown by figure 1. The conceptual framework is adapted from the study of Akhtar and das (2020), Nandan and Saurabh (2016), Sadiq and Khan (2019).

Figure 1

Conceptual Framework



Methodology

The methodology outlines the systematic procedures and research design employed to collect, analyze, and interpret data in order to achieve the study's objectives. It includes the selection of data sources, sampling techniques, variables, and analytical tools to ensure validity, reliability, and rigor in the findings.

Table 1
Measurement Scale

Item	Latent Variables	Code	Source
1	Agreeableness	AGR	Mayfield et al. (2008), Akhtar et al. (2018)
2	Conscientiousness	CON	Mayfield et al. (2008), Akhtar et al. (2018)
3	Extraversion	EXT	Mayfield et al. (2008), Akhtar et al. (2018)
4	Neuroticism	NEU	Mayfield et al. (2008), Akhtar et al. (2018)
5	Openness to experience	OPE	Mayfield et al. (2008), Akhtar et al. (2018)
6	Financial risk tolerance	FRT	Hung et al. (2012)
7	Investment intention in stock market	INT	Raut et al. (2018)

Research Design

This study has used quantitative research approach to gather and analyze the numerical data for understanding and drawing conclusion about the phenomenon or population. Further, the study used descriptive and explanatory research design and made attempt to collect data from randomly selected individual investors of stock market. Descriptive research design was used to describe the variables used in the study. Additionally, it helps to provide accurate and systematic information about the population, situation, or phenomenon. Similarly, explanatory research design helps to determine the impact of personality traits on financial risk tolerance and investment intention of individual investors in Nepal stock exchange.

Population and Sample Size

A population is the largest group or universe from which the smallest group selected for study is drawn (Bell & Bryman, 2007). Kathmandu valley had been chosen as the study area, which includes three districts: Kathmandu, Bhaktapur and Lalitpur. Thus, individual investors who have invested in securities in Nepal stock exchange and older than 18 years were taken as the population of the study. Individuals above this age are active investors and are empowered to make the right decision to choose the stock from the wide range of options available.

Convenience sampling methods was used in this study to collect the desired data. This method allows researchers to gather information from populations that are easily attainable to analyze the data effectively. Similarly, the convenience sampling technique is frequently used by researchers to gather preliminary data or test hypotheses before study. A sample size above 200 is recommended to enhance the generalizability and explanatory accuracy of the Structural Equation Modeling (Kline, 1998) .So 230 samples were distributed in this study, out of which 221 responses were collected and considered as the final sample for the study.

Results and discussion

Table 2 demonstrates the respondents' profile

of 221 survey participants. The majority of respondents are male which occupied 62.9 percent as compare to female 37.1 percent of total population. Similarly most of respondents fall within the 18-30 years category i.e., 53.8 percent and least number of respondents from age group above 50 years i.e. 10.4 percent. In case of marital status majority of respondents of the study are married i.e. 42.5 percent. Respondents from Bachelor degree shows highest presence in the study contributing to 47.5 percent of total responses. Whereas, education level under SLC has small portion contributing to 5 percent of total respondents.

Table 2

Frequency distribution of respondents' profile

Profile	Frequency	Percentage
Gender		
Male	139	62.9
Female	82	37.1
Total	221	100
Age		
18-30 years	119	53.8
30-40 years	52	23.5
40-50 years	27	12.2
Above 50 years	23	10.4
Total	221	100
Marital Status		
Married	94	42.5
Unmarried	93	42.1
Single	34	15.4
Total	221	100
Education Level		
Under SLC	11	5
SLC/Plus2	42	19
Bachelor	105	47.5
Master's & above	63	28.5
Total	221	100
Monthly Income		
Below 20,000	44	19.9
20,000-40,000	89	40.3
40,000-60,000	40	18.1
60,000-80,000	23	10.4
Above 80,000	25	11.3
Total	221	100
Occupation		
Student	41	18.6
Business Person	37	16.7
Retired	12	
Salaried Individual	102	46.2
Others	29	13.1
Total	221	100

The majority of respondents earn between20, 000-40,000 (40.3%) monthly, while a significant portion earning below that range (19.9%). Lastly, in case of the occupation majority of the respondents i.e., 46.2 percent are salaried individuals while only 5.4 percent of respondents are retired individuals.

Measurement Model Assessment

Measurement models refer to the implicit and explicit models that relate the latent variables to its indicators. Measurement models are used to capture the concept of the developed constructs. Conceptual variables are linked to measured variables that are the equivalent of a factor analysis. Based on the evaluation of measurement model, quality of the constructs in the study is assessed. The assessment of

the quality criteria starts with the evaluation of factor loading which is followed by establishing the construct reliability and construct validity.

Construct Reliability and Convergent Validity

Reliability is concerned with how consistently or dependably a measurement scale measure what it is supposed to be measuring (Polit & Hungler 1995). The two most commonly used methods for establishing internal consistency reliability include Cronbach Alpha and Composite Reliability (CR) in reflective measurement model. The Cronbach's alpha test of each item above 0.6 which is satisfactory and acceptable (Robinson et al., 1991).

Table 3

Construct reliability and convergent validity

Item	Outer Loading	Cronbach's Alpha	Composite Reliability (rho_A)	Composite Reliability (rho_c)	AVE
AGR1	0.76	0.715	0.716	0.823	0.538
AGR2	0.707				
AGR3	0.76				
AGR4	0.704				
CON1	0.707	0.703	0.706	0.816	0.526
CON2	0.743				
CON3	0.72				
CON4	0.73				
EXT1	0.677	0.772	0.776	0.845	0.522
EXT2	0.733				
EXT3	0.712				
EXT4	0.747				
EXT5	0.741				
FRT1	0.748	0.81	0.811	0.868	0.57
FRT2	0.723				

FRT3	0.734				
FRT4	0.845				
FRT5	0.719				
INT1	0.775	0.708	0.723	0.819	0.593
INT2	0.783				
INT3	0.704				
INT4	0.649				
NEU1	0.769	0.785	0.806	0.857	0.6
NEU2	0.785				
NEU4	0.734				
NEU5	0.808				
OTE1	0.77	0.687	0.714	0.81	0.521
OTE3	0.757				
OTE4	0.794				
OTE5	0.537				

Similarly, composite reliability should cross minimum threshold of 0.7 as suggested by Hair et al. (2011). Convergent validity is the degree to which multiple attempts to measure the same concept are in agreement. It is measured via Outer loading and AVE. As suggested by Hair et al. (2011), outer loading should cross 0.5 and AVE should be minimum 0.5 (Hair et al., 2019).

Discriminant Validity

Discriminant validity represents the degree to which the construct is empirically distinct from other constructs. The construct measure what it is planned to measure. discriminant validity was assessed based on cross-loading, Fornell-Lacker criterion and Heterotrait Monotrait Ratio.

Cross Loading

For testing this requirement, the loadings of each indicator on its construct is expected to be higher than the cross loadings on other constructs (Henseler et al., 2009). In this study, the loading of each indicator is greater than all of its cross-loadings thereby suggesting discriminant validity. Table 4 presents the loadings of each item and their cross- loadings.

Table 4
Cross Loadings

	AGR	CON	EXT	FRT	INT	NEU	OPE
AGR1	**0.760**	0.37	0.327	0.326	0.2	0.039	0.144
AGR2	**0.707**	0.423	0.428	0.306	0.14	0.159	0.279
AGR3	**0.760**	0.414	0.404	0.313	0.182	0.107	0.312
AGR4	**0.704**	0.461	0.319	0.38	0.241	0.022	0.386
CON1	0.396	**0.707**	0.395	0.315	0.235	0.084	0.374
CON2	0.395	**0.743**	0.377	0.383	0.216	0.038	0.436
CON3	0.363	**0.72**	0.351	0.3	0.203	0.123	0.342
CON4	0.487	**0.73**	0.300	0.417	0.28	0.073	0.19
EXT1	0.203	0.219	**0.677**	0.267	0.263	0.185	0.353
EXT2	0.463	0.465	**0.733**	0.463	0.217	-0.009	0.496
EXT3	0.413	0.394	**0.712**	0.349	0.298	0.059	0.398
EXT4	0.341	0.264	**0.747**	0.329	0.309	0.149	0.344
EXT5	0.349	0.376	**0.741**	0.424	0.302	0.041	0.384
FRT1	0.434	0.472	0.425	**0.748**	0.274	-0.001	0.384
FRT2	0.29	0.371	0.299	**0.723**	0.212	-0.001	0.492
FRT3	0.374	0.323	0.376	**0.734**	0.296	0.095	0.343
FRT4	0.334	0.368	0.395	**0.845**	0.259	0.041	0.37
FRT5	0.28	0.321	0.439	**0.719**	0.343	0.146	0.36
INT1	0.264	0.264	0.319	0.293	**0.775**	0.06	0.286
INT2	0.193	0.232	0.333	0.353	**0.783**	0.06	0.246
INT3	0.103	0.187	0.209	0.194	**0.704**	0.072	0.215
INT4	0.194	0.265	0.232	0.204	**0.649**	0.108	0.231
NEU1	0.12	0.022	0.095	0.016	0.104	**0.769**	0.06
NEU2	0.087	0.089	0.152	0.074	0.068	**0.785**	0.105
NEU4	0.077	0.14	0.087	0.048	0.029	**0.734**	0.112
NEU5	0.050	0.101	0.018	0.082	0.087	**0.808**	0.073
OTE1	0.316	0.424	0.500	0.396	0.239	0.082	**0.770**
OTE3	0.286	0.359	0.353	0.389	0.294	0.130	**0.757**
OTE4	0.268	0.279	0.460	0.388	0.305	0.046	**0.794**
OTE5	0.259	0.232	0.246	0.316	0.092	0.045	**0.537**

Fornell-Larcker Criterion

The Fornel and Larcker (1981), criterion is one method for assessing the existence of discriminant validity. This method explains that discriminant validity is established when the square root of AVE for a construct is greater than its correlation with all the other constructs (Ab Hamid et al., 2017). In this study, square root of AVE (in Bold) for a construct was found greater than its correlation with other constructs, hence providing strong support for establishment of discriminant validity as shown in the table 5.

Table 5

Discriminant validity- Fornell & Larcker

	AGR	CON	EXT	FRT	INT	NEU	OPE
AGR	0.733						
CON	0.572	0.725					
EXT	0.499	0.486	0.722				
FRT	0.457	0.495	0.516	0.755			
INT	0.266	0.326	0.383	0.369	0.73		
NEU	0.104	0.106	0.108	0.074	0.1	0.775	
OPE	0.388	0.453	0.55	0.516	0.337	0.108	0.722

In table 5 values in bold are square root of AVE (AGR 0.733, CON 0.725, EXT 0.722, FRT 0.755, INT 0.73, NEU 0.775 and OPE 0.722) that are greater than other values below them which represents correlation between construct and rest of the constructs in the model as required.

Heterotrait-Monotrait Ratio (HTMT

Heterotrait-Monotrait (HTMT) ratio is technique that best demonstrates discriminant validity in partial least squares structural equation modeling. It is a new method for assessing discriminant validity in partial least squares structural equation modeling. It is based on the estimation of the correlation between the constructs. Discriminant validity is established based on the Heterotrait-Monotrait Ratio.

Table 6

Heterotrait-monotrait ratio

	AGR	CON	EXT	FRT	INT	NEU	OPE
AGR							
CON	0.79						
EXT	0.665	0.651					
FRT	0.589	0.641	0.637				
INT	0.354	0.455	0.508	0.47			
NEU	0.163	0.17	0.191	0.133	0.143		
OPE	0.551	0.66	0.74	0.696	0.461	0.155	

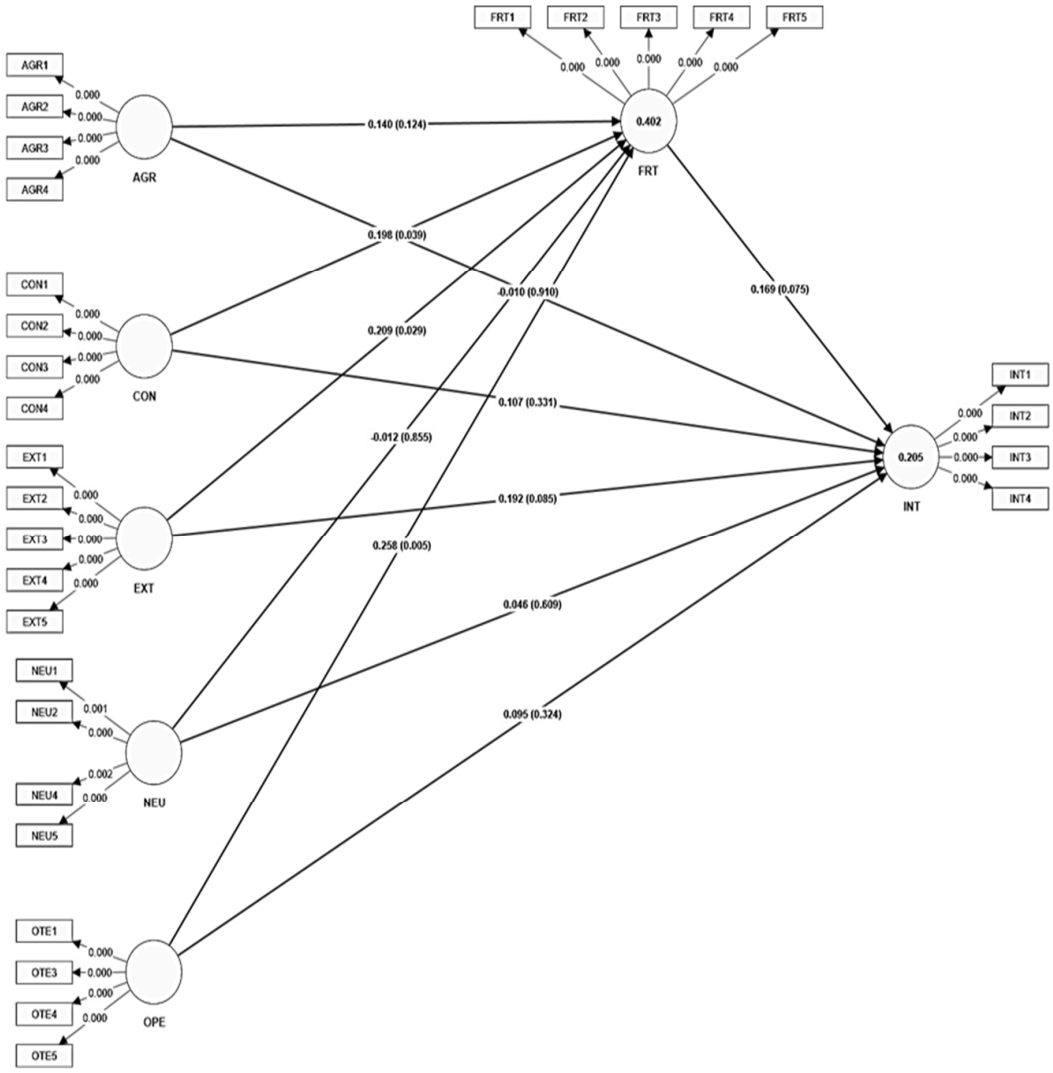
Table 6 shows that HTMT ratio is less than the required threshold of 0.90 (Gold et al., 2001). Hence, discriminant validity was proven for the model under study.

Structural Model

The next step in structural equation modelling is assessment of structural model. The structural model reflects the paths hypothesized in the research framework. According to Sarstedt et al., (2017), a structural model is assessed based on the significance of paths (hypothesis testing), predictive capability of the model (R^2), effect size (f^2) and predictive relevance of the model (Q^2, q^2).

Figure 2

Structural Model



Indicator Collinearity (VIF)

Inner Variance Inflation Factor statistic is utilized to assess the collinearity in the indicator. Collinearity is not a serious issue if the value for VIF is below 5 (Hair et al., 2017), which means if VIF exceeds the threshold then collinearity exists between variables..

Table 7

Collinearity test (VIF)

	VIF
AGR -> FRT	1.65
AGR -> INT	1.683
CON -> FRT	1.691
CON -> INT	1.756
EXT -> FRT	1.715
EXT -> INT	1.788
FRT -> INT	1.673
NEU -> FRT	1.019
NEU -> INT	1.019
OPE -> FRT	1.54
OPE -> INT	1.652

Table 7 presents the VIF values for the indicators in the study reveals that VIF for each of all the constructs is in the range of 1.019 - 1.788 which is below the recommended threshold that is 5. Therefore, multi collinearity issues does not exist in the model.

Hypothesis Testing

Path coefficient serves as a foundation for hypothesis testing which are carried out as below:

Hypothesis 1: Personality Traits significantly impact investment intention of individual investors.

Table 8

Path coefficients and significance testing of H1

Structural Path	Beta Value	T statistics	P values	LLCI= 2.50%	ULCI= 97.50%
H1(a): AGR -> INT	-0.01	0.113	0.91	-0.181	0.168
H1(b): CON -> INT	0.107	0.973	0.331	-0.112	0.322
H1(c): EXT -> INT	0.192	1.721	0.085	-0.035	0.403
H1(d): NEU -> INT	0.046	0.511	0.609	-0.157	0.207
H1(e): OPE -> INT	0.095	0.986	0.324	-0.086	0.29

H1 evaluates whether personality traits have a significant impact on investment intention of individual investors. The result reveals that p-value of agreeableness, conscientiousness, extraversion, neuroticism and openness to experience were more than 0.05, which suggest that there is no significant impact of big-five personality traits on investors' intention to invest in stock market in Kathmandu Valley.

From the table 8, it can be concluded that H1 (a), H1 (b), H1 (c), H1 (d) and H1 (e) were not supported which implied that there is no significant impact of agreeableness,

conscientiousness, extraversion, neuroticism and openness to experience on investment intention of individual investors in stock market.

Hypothesis 2: Personality Traits significantly impact financial risk tolerance of individual investors.

Table 9

Path coefficients and significance testing of H2

Structural Path	Beta Value	T Statistics	P Value	LLCI (2.5%)	ULCI (97.5%)	Decision
AGR -> FRT	0.14	1.537	0.124	-0.034	0.326	Not Supported
CON -> FRT	0.198	2.068	0.039	0.011	0.384	Supported
EXT -> FRT	0.209	2.180	0.029	0.022	0.400	Supported
NEU -> FRT	-0.012	0.182	0.855	-0.143	0.125	Not Supported
OPE -> FRT	0.258	2.824	0.005	0.079	0.433	Supported

H2 evaluates whether personality traits have a significant impact on financial risk tolerance of individual investors. The result reveals that p-value of conscientiousness and financial risk tolerance is less than 0.05, i.e., conscientiousness has a significant impact on financial risk tolerance. Similarly, extraversion has a significant impact on financial risk tolerance as the p-value is less than 0.05. Furthermore, openness to experience has significant impact on financial risk tolerance. However, P-values of agreeableness and neuroticism were more than 0.05, which suggest that there is no significant impact of agreeableness and neuroticism on financial risk tolerance of individual investors in Kathmandu valley.

Table 9 shows that H2 (a), H2 (c) and H2 (e) were at 0.05 level of significance. Thus, we can conclude that, there is positive significant impact of conscientiousness, extraversion and openness to experience on the financial risk tolerance of individual investors. However, H2 (b) and H2 (d) were not supported at 0.05 level of significance which implied that there is no significant impact of agreeableness and neuroticism on financial risk tolerance of individual investors.

Mediation Analysis

Mediation analysis serves as a statistical tool employed in research to gain insights into the intricate mechanisms through which an independent variable influences a dependent variable. Within the PLS path model, a mediator variable plays a crucial role by partially mitigating the influence of an independent latent variable on a dependent latent variable, as elucidated by Hair et al. (2014). The mediation analysis in this study is conducted using SmartPLS4, with a specific focus on investigating whether financial risk tolerance acts as a mediator in the relationship between personality traits and the intention to invest in stock market.

H3: Financial risk tolerance mediates the relationship between personality traits and investment intention.

Table 10

Special Indirect Effects

	Original sample (O)	mean (M)	SD	T statistics	P values
AGR -> FRT -> INT	0.024	0.025	0.023	1.04	0.298
CON -> FRT -> INT	0.033	0.034	0.026	1.26	0.208
EXT -> FRT -> INT	0.035	0.036	0.027	1.289	0.197
NEU -> FRT -> INT	-0.002	-0.001	0.013	0.155	0.877
OPE -> FRT -> INT	0.044	0.045	0.031	1.404	0.16

Table 10 shows the mediating effect of financial risk tolerance (FRT) on the relationship between personality traits (AGR, CON, EXT, NEU, OPE). The p-value of each path is higher than the required significance level of 0.05. Thus, these results suggests that there is no mediating effect of financial risk tolerance between none of the personality traits and investment intention.

Coefficient of determination (R Square)

R Square statistics explains the variance in the endogenous variable explained by the exogenous variable(s). The value of coefficient of determination (r2) was determined and it was noted that this value should be between 0 and 1. R-square values of 0.75, 0.50, and 0.25 indicate significant, moderate, and weak, respectively (Hair et al., 2014). Hence, larger the value indicates greater the accuracy.

Table 11

R-square

	Original sample (O)	STDEV	T statistics	P values	CI=2.5%	CI=97.5%
FRT	0.402	0.048	8.41	0.001	0.34	0.528
INT	0.205	0.057	3.61	0.001	0.146	0.366

Table 11 depicts the coefficient of determination (R-square) for financial risk tolerance and Investment intention. The value of R-square value of FRT is 0.402 at 0.01 level of significance which means 40.2 percent variation in financial risk tolerance in investors is explained by personality traits and investment intention. However, remaining 59.8 percent is still unexplained in this research. Similarly, the value of R-square value of Investment intention is 0.205 at 0.01 level of significance which means 20.5 percent is explained by investment intention of individual investors. However, remaining 79.5 percent is still unexplained in this research. Since the values of r-square are in acceptance region, the predictive power of model for financial risk tolerance is moderate whereas for investment intention is on the weaker side.

Effect Size (f^2)

F-square is a metric that represents the change in R-square when an exogenous variable is removed out of the model. It can be calculated using the Cohen F square where small, medium, and large f square effect sizes are indicated by values greater than 0.02, 0.15, and 0.35 (Cohen, 1988). It also shows the predictive capability of the latent variables.

Table 12

Effect Size (F-square)

Path	Original sample (O)	STDEV	T statistics	P values	LLCI=2.5%	ULCI=97.5%
AGR -> FRT	0.020	0.031	0.634	0.526	-0.222	0.076
AGR -> INT	0.010	0.009	0.009	0.993	-0.168	0.178
CON -> FRT	0.039	0.043	0.902	0.367	-0.174	0.069
CON -> INT	0.008	0.022	0.367	0.713	-0.319	0.126
EXT -> FRT	0.043	0.043	0.992	0.321	-0.125	0.063
EXT -> INT	0.026	0.036	0.725	0.468	-0.242	0.092
FRT -> INT	0.021	0.028	0.769	0.442	-0.206	0.059
NEU -> FRT	0.010	0.012	0.021	0.983	-0.152	0.117
NEU -> INT	0.003	0.017	0.155	0.876	-0.294	0.104
OPE -> FRT	0.073	0.058	1.259	0.208	-0.118	0.067
OPE -> INT	0.007	0.019	0.369	0.712	-0.278	0.102

Table 12 shows the F-test analysis of latent variables. Here, the p-value of F-test of personality traits on financial risk tolerance and investment intention are above 0.05 level of significance. So, it means there is no effect of personality traits in investment intention of individual investors and their financial risk tolerance. As a result, removal of personality traits does not affect investment intention and financial risk tolerance of individual investor.

Model Fit

The model fit is calculated using SRMR which stands for Standardized Root Mean Square Residual. The model is called good fit when SRMR value is less than 0.08 indicates good fit (Hair et al., 2020).

Table 13

Model Fit (SRMR)

	Estimated model	Saturated model
SRMR	0.076	0.076

In table 13, the analysis of model fit depict that the value of SRMR is 0.076 which is less than 0.08. So, it is a good fit model.

Discussion

The major objective of the study was to analyze the impact of personality traits on financial risk tolerance and investment intention of individual investors in stock

market. Additionally, this study aims to examine the mediating effect of financial risk tolerance between personality traits and investment intention of individual investors. The research outcomes in the present study provide a compelling explanation for the significant relationships observed between each dependent variable and its corresponding independent variable.

Investment intention shows insignificant relationship with personality traits contradicting generally expected significant relationship between these variables. These findings contradicts with the findings of Azad and Sadiq (2019) which suggests that personality traits have an impact on decision-making and influence the choice of investment methods. However, the findings of the study are supported by Ibrahim (2022) which suggests that personality traits did not have a significant effect on investment decision through agreeableness, conscientiousness and extraversion. These findings may be insignificant due to other important factors like stock market size and other macroeconomic factors that can significantly influence investor psychology and their invention to invest in stock market.

An insignificant relationship was found between two of the personality dimensions (neuroticism and agreeableness) and investor's financial risk tolerance. These results are in contrary with the results of Sarwar et al. (2020); Matha et al. (2022) and Mendoza et al. (2023) which mentioned that there exists negative relation between neuroticism and financial risk tolerance as high in neuroticism traits individual might be worried about the possibility of losing money in market. These individuals may prefer safe and less risker investment options. Similarly, this findings did not align with study by the Nandan & Saurabh (2016), Sadiq & Amna, 2019, and Pak & Mahmood, 2015 who argued that a person with high agreeableness are more willing to invest in stocks and have a positive correlation with financial risk tolerances. However, these findings are in consistent with the results of Sadiq and Khan (2019), and Salameh et al. (2022) which indicates that an agreeable individual tends to avoid conflicts with regard to investing thus non-influence with risk tolerance.

Additionally, the study found that some personality traits like openness to experience, extroversion, and conscientiousness influence the financial risk tolerance of individual investors. These findings contradicts the results of Sadiq and Khan (2019) and Ahmed et al. (2022) which indicates that investor with a conscientious traits are goal-oriented and unlikely to take risk. Similarly, the study argued that individual with extraversion traits prefer not to take financial risk as they prefer financial stability over taking risks despite of their outgoing and sociable nature. However, this findings is in line with the study by Ibrahim (2022) which examined the influence of extraversion, openness to experience and conscientiousness with risk taking behavior which claimed that extravert individual had a high risk tolerance. Extrovert individuals have the energy and positive emotions in terms of dealing with risk thus influencing

its risk tolerance. Additionally, this findings were backed up by Mathur and Nathani (2019) study which explains that individuals who have the willingness to overcome unconventional situations just to embrace new experience tends to influence their risk tolerance.

The findings of the study reveal that there is no mediating impact of financial risk tolerance between investment intention and personality traits. These finding are not in align with the findings of Mendoza et al. (2023) and Ibrahim (2022) which reveals the partial mediation between these two variables. These findings may be different due to important factors like stock market size and other macroeconomic factors that can significantly influence investor psychology and their invention to invest in stock market.

Conclusion

The purpose of this study was to analyze the impact of personality traits on financial risk tolerance and investment intention of individual investors in Nepal. Additionally, this study aimed to understand mediating role of financial risk tolerance between personality traits and investment intention of individual investors in stock market.

Personality traits had insignificant influence on investment intention of individual investors in stock market. This suggests that others factors, rather than the big-five personality traits may have a significant impact on individual investors' intention to invest in stock market such as financial literacy, economic conditions, demographic factors etc. Thus, it can be concluded that financial advisor and portfolio manager should be aware while making investment decision based on individuals' personality traits

Similarly, the study of the findings revealed that financial risk was significantly influenced by some of the personality traits like extraversion, conscientiousness and openness to experience .This result suggests that financial advisors and mangers should consider individual personality to make better investment decisions. Thus, we can conclude that understanding these connections would be helpful for investment firms, financial planners, fund managers, and portfolio managers to assist their investors in planning their investments based on their personality traits and financial risk tolerance attitude. As a result, investors can earn maximum return for their investment and attain sustainable wealth.

The study found that financial risk tolerance does not serve as a mediator in the relationship between personality traits and investment intention of individual investors. This results contradict the alternative hypothesis which implies that personality traits may not always associate with an individuals' capacity for taking financial risks when it comes to influencing investment intention. Hence, it can be concluded that others variables like financial literacy may serve as mediator in between personality traits and investment intention of individual investors in context of Nepal.

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Appendices

Section A: demographic Profile

1. Gender:
   a) Male ( ) b) Female ( )
2. Age:
   a) 18-30 years ( ) b) 30-40 years ( )
   c) 40-50 years ( ) d) above 50 years ( )
3. Marital Status:
   a) Married ( ) b) Unmarried ( ) c) Single ()
4. Education Level:
   a) Under SLC ( ) b) SLC/Plus 2 ( )
   c) Bachelor ( ) d) Master's degree and above ( )
5. Monthly income:
   a) Below 20,000 ( ) b) 20,000- 40,000 ( )
   c) 40,000-60,000 ( ) d) 60,000-80,000 ( )
   e) Above 80,000 ( )
6. Occupation:
   a) Student ( ) b) Business Person ( )
   c) Retired ( ) d) Salaried Individual ( ) e)
   e) others ( )

Tick (√) on the box that matches your response to the questions where applicable.

Use 1: Strongly disagree 2: disagree 3: Slightly disagree 4: Neutral 5: Slightly Agree 6: Agree 7: Strongly Agree

Statements	**1**	**2**	**3**	**4**	**5**	**6**	**7**
I am helpful and unselfish with others							
I never get into arguments with my family and co-workers.							
I generally try to be thoughtful and considerate.							
I sympathize with others' feelings.							
I am always dependable and organized.							
I am pretty good about pacing myself so as to get things done on time.							
I make plans and stick to them.							
I keep my belongings neat and clean.							
I enjoy interacting with strangers.							
I am a cheerful and high-spirited person.							
I often feel as if I am bursting with energy.							
I really enjoy talking to people.							

I am a very active person.							
I usually feel tense and anxious.							
Sometimes I feel completely worthless.							
Too often, when things go wrong, I get discouraged and feel like giving up.							
When I'm under a great deal of stress, sometimes I feel like I'm freaking out.							
Sometimes I feel inferior when compared to other people.							
I have excellent ideas.							
I often try new and foreign foods.							
I understand theories or abstract ideas easily.							
I have a lot of intellectual curiosity.							
I am intrigued by the patterns I find in art and nature.							
I like to take chances, although I may fail.							
I like to try new things, knowing well that some of them will disappoint me.							
To earn greater rewards, I am willing to take higher risks.							
I seek new experiences even if their outcomes may be risky.							
When faced with uncertain outcomes, I prefer the riskier alternative if it may result in higher rewards.							
I will invest in the stock market frequently.							
I will encourage my friends and family to invest in the stock market.							
I intend to engage in the stock market in the near future.							
I can stand the inconvenience caused by stock investment.							
I will recommend others to invest in the stock market.							