Understanding How Behavioral Biases Shape Investment Decisions: The Mediating Effect of Emotional Intelligence

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Abstract

Purpose – The objective of this study is to apply bibliometric analysis to provide a thorough overview of the research landscape surrounding technostress and emotional intelligence. By examining the literature, the analysis aims to identify key trends, and areas of growing interest in this field.

Design/methodology/approach – This study used bibliometric analysis to explore the relationship between technostress and emotional intelligence from the study 2015 to 2025, applying the Dimensions database and VOSviewer software. The research analyzed 700 open-access articles to map key trends, influential authors, and emerging areas in this field. It used citation network analysis, co-authorship analysis, and trend analysis to examine collaboration patterns and the growth of research over time.

Findings – The findings of the study showed a steady increase in research on technostress and emotional intelligence from 2015 to 2025, with a sharp rise post-2020, likely influenced by the COVID-19 pandemic. Key contributors to the field include foundational studies on technological addiction and mental health, with later research building on these topics to address issues like workplace burnout and remote work. The co-authorship network highlighted strong international collaboration, with notable clusters in Western countries, East Asia, and the Middle East, suggesting a global interest in these topics. The citation network analysis identified influential studies and emphasized the ongoing relevance of early research, while the bibliographic coupling revealed a growing focus on workplace stress, digital technology's impact, and emotional intelligence in managing technostress.

Conclusion – The bibliometric analysis advocates a significant shift in academic focus towards technostress and emotional intelligence, particularly after 2020, driven by digital work transformation and the COVID-19 pandemic. The increase in publications reflects growing recognition of the psychological impact of technology on mental health, especially in remote work, with EI emerging as a key tool for managing technostress.

Originality/value – This research adds new insights to the field by examining the interconnections between emotional intelligence, technostress in the context of digital transformation and remote work.

Keywords – Bibliometric analysis, Digital age, Dimension database, Emotional intelligence, Technostress

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1. Introduction

Investment decisions are complex process that frequently runs into problems because of behavioral biases. These biases have the potential to undermine investors' judgment and negatively impact portfolio performance. The significant impact that these biases have on investor behavior, which commonly results in less than ideal investment outcomes, has been brought to light by recent developments in behavioral finance (Barberis & Thaler, 2021). According to Hirschleifer (2020), some of the most significant biases are conservatism, anchoring, overconfidence, regret, and herding. These biases can cause distortions in decision-making processes and diverge from rational financial conduct. The conservatism bias refers to a person's propensity to retain out-of-date assumptions by failing to appropriately update views in response to new information (Chen et al., 2021). Excessive dependence on the first piece of information seen when making decisions is known as anchoring bias (Baker et al., 2022; Chaudhary et al, 2025). An individual with overconfidence bias has an excessive amount of faith in their own abilities or forecasts, which frequently results in riskier financial decisions (Giri & Adhikari, 2023; Paudel & Gurung, 2021). People with regret aversion bias tend to make more cautious investing judgments because they don't want to make actions they might later regret (Sharma et al, 2024; Zeelenberg & Pieters, 2020). On the other side, herding behavior refers to the tendency to imitate the activities of a bigger group while occasionally ignoring own knowledge or analysis (Adhikari et al, 2025; Shrestha, 2020).

Recent research has focused more attention on the function of emotional intelligence (EI) in reducing the consequences of these behavioral biases. The capacity to recognize, process, and regulate emotions is known as emotional intelligence. Emotional intelligence serves as a strategic driver for improving both service quality and sound decision-making. Individuals with higher emotional intelligence are better able to understand and manage their emotions, fostering empathy and effective communication in service contexts (Chaudhary et al., 2024). At the same time, this emotional regulation helps reduce behavioral biases, such as overconfidence and herd behavior, leading to more rational and balanced investment decisions that align with long-term goals and social responsibility (Goleman, 1995). It improves decision-making by allowing people to maintain composure, perceive circumstances more clearly, and reach more thoughtful conclusions (Goleman, 2020; Mayer et al., 2021). High EI can help investors manage stress, prevent rash decisions influenced by biases, and eventually improve overall decision quality in the context of investing scenarios (Lea et al., 2021). The literature on emotional intelligence's function as a mediator between behavioral biases and investment judgments is still lacking, despite the increasing recognition of the intelligence's significance in financial decision-making. There is still a lack of research on how emotional intelligence (EI) can lessen the negative consequences of particular biases on investing decisions. By investigating the relationship between behavioral biases, emotional intelligence, and investment outcomes, this study seeks to close this gap and enhance the area of behavioral finance both theoretically and practically (Paudel & Gurung, 2021).

This study is well-positioned to significantly advance the theoretical framework by clarifying the ways in which emotional intelligence (EI) affects the connection between behavioral biases and investing choices. From a managerial standpoint, the results might guide the creation of educational initiatives meant to raise investors' emotional intelligence. Programs like this might encourage more sensible investing practices, which would enhance financial performance (Liang et al., 2022). This study aims to provide a thorough knowledge of the factors influencing investing decisions by merging insights from emotional intelligence and behavioral finance. It emphasizes how important it is to take emotional intelligence and cognitive biases into account when creating plans for improved financial decision-making.

2. Literature Review and Hypotheses Development

Behavioral biases are deeply rooted in the process of making investment decisions and frequently mislead investors away from reason. These biases are common, and Richard Thaler's groundbreaking work in behavioral economics highlights their important influence on financial decisions. An example of this is the anchoring bias, which occurs when investors place an undue emphasis on preliminary data, distorting their assessment of asset prices and resulting in less-than-ideal investment choices (Thaler & Sunstein, 2008). In a similar way, (Goleman, 2020) discoveries regarding emotional intelligence (EI) emphasize how emotions influence financial behavior. High emotional intelligence (EI) people are better able to control the emotional rollercoaster of the financial markets, reducing biases such impulsivity and overconfidence (Goleman, 1995). The significance of recognizing behavioral biases in investing decision-making is further highlighted by recent research by Liang et al. (2022), which also highlights the necessity of interventions that improve investors' awareness and capacity for self- regulation in order to effectively combat these biases.

Moreover, behavioral biases have a big impact on the results of investments, frequently leading to worse than ideal portfolio performance. It is demonstrated by Thaler's idea of mental accounting (Thaler, 1999) that biases can result in ineffective investing strategies since people treat and categorize money differently based on subjective standards. Furthermore, biases like loss aversion and regret aversion might prevent investors from making logical judgments, leading them to lose out on lucrative opportunities or take unwarranted risks, according to study by Baker and Ricciardi (2021). These biases can be lessened by incorporating emotional intelligence into the investing process. Emotional intelligence (EI) helps investors remain calm during volatile markets, make more thoughtful choices, and prevent from acting recklessly due to their feelings (Goleman, 2020). Investors can improve their ability to negotiate market risks and attain better investing outcomes by cultivating emotional self-awareness and regulation. Chaudhary et al. (2024) conclude that people with high emotional intelligence can better manage difficult situations, cultivate connections with clients, and handle emotional dynamics – all of which enhance service delivery. Therefore, emotional intelligence is equally vital for decision makers, as it enables them to navigate complex situations with empathy, self-awareness, and sound judgment.

Furthermore, a growing body of research has focused on the function of emotional intelligence as a mediator between behavioral biases and investing decisions. The significance of emotional intelligence (EI) in promoting sound decision-making is emphasized by Goleman's paradigm, especially in high-stakes financial situations. Higher EI people may be better able to withstand herd mentality, keep discipline in their investing techniques, and avoid giving in to market euphoria or panic (Lea et al., 2021).

Behavioral Biases and Investment Decision

The field of behavioral finance attempts to fill the gap left by traditional finance models in their explanation of investors' irrational behavior. The limits of these models in capturing all aspects of investors' decision-making processes are highlighted by recent research by Almansour (2019), which ultimately results in less than ideal investment decisions. Behavioral finance theories highlight the important impact of cognitive biases like herd mentality and loss aversion on investment decisions. These ideas are backed by empirical data from more recent studies (Frazzini et al., 2018; Hershfield et al., 2020). These biases can have a significant impact on the performance of investments and lead to market mispricing. Thus, it is hypothesized that;

Hypothesis (H1): There is a significant relationship between behavioral biases and investment decision.

Conservatism and Investment Decision

The cognitive bias known as conservatism bias has a substantial impact on financial decisions. Investors frequently underreact to fresh information because they place greater weight on facts or ideas from the past (Odean, 1998). This is supported by empirical research conducted by Barber and Odean (2000), which links conservatism bias to investors' unwillingness to sell declining assets, a phenomenon known as the disposition effect. Similar patterns of investors sticking onto failing stocks were observed in the Nepali share market (Giri & Adhikari, 2023; Paudel & Shrestha, 2019). Khanal and Shakya (2020) also noted that Nepali investors were hesitant to change their minds, suggesting that conservatism bias had a significant impact on their choices.

Hypothesis (H1a): There is significant relationship between conservatism and investment decision.

Overconfidence and Investment Decision

The research in behavioral finance underscores the strong connection between overconfidence and investment decision-making. Overconfident investors often adopt riskier strategies, driven by an exaggerated belief in their ability to profit and a favorable perception of risk (Parveen et al., 2020). Studies by Areiqat et al. (2019) and Abdin et al. (2017) confirm that overconfidence bias significantly influences decision-making, leading individuals to actively seek riskier investments. Kirchler and Maciejovsky (2002) highlight overconfidence as a key behavioral trait shaping investment decisions.

Hypothesis (H1b): There is significant relationship between overconfidence and investment decision.

Herding and Investment Decision

Herding bias in the stock market occurs when individual investors follow the crowd without adequate guidance, impacting investment decisions (Braha, 2012; Sharma et al, 2024). This behavior is driven by fear of loss and greed, leading investors to mimic others' actions, particularly during periods of uncertainty (Landberg, 2003). Investors tend to buy and sell stocks based on market trends, engaging in herding behavior, especially during strong trends (Kim & Ryu, 2021; Adhikari et al, 2025). Shah et al. (2019) suggest that herding behavior has a varying impact depending on market conditions, being negative in bullish trends and positive in bearish ones.

Hypothesis (H1c): There is significant relationship between herding and investment decision.

Regret and Investment Decision

Financial market investing decisions are heavily influenced by regret, a typical emotion felt during decision-making. According to Shefrin (2000), investors frequently experience regret when their decisions don't live up to their expectations. This might cause regret aversion, which can then affect how they make investments in the future. According to Zeelenberg and Pieters (2021), regret affects risk-taking behavior by making investors steer clear of decisions that can result in losses or missed possibilities for rewards. This resistance to regret frequently leads to poor financial choices. This idea is supported by empirical research conducted in the Nepali share market by Bhattarai and Shrestha (2022) and in the Korean stock market by Chen and Kim (2023), which demonstrates that regret-averse investors typically choose more conservative and safer investment options even when they have the potential to yield higher profits.

Hypothesis (H1d): There is significant relationship between regret and investment decision.

Anchoring and Investment Decision

Lowies et al. (2016) found that anchoring and adjustment has a significant effect on the decisions of property fund managers. A study conducted by Ishfaq and Anjum (2015) suggested that anchoring positively affects risky investment decisions. The results of the study by Waweru et al. (2008) indicate that the anchoring and adjustment bias affected the financial decisions of institutional investors on the Nairobi Stock Exchange. A study conducted by Abraham et al. (2014) shows that anchoring and adjustment bias influences the investment decisions of listed property fund managers in South Africa. Such bias may lead to judgment errors and the potential of missed gains.

Hypothesis (H1e): There is significant relationship between anchoring and investment decision.

Emotional Intelligence and Investment Decision

In 2004, Kunnanatt discussed emotional intelligence, highlighting its role in fostering win-win relationships for individuals with high emotional intelligence and win-lose dynamics for those with poor emotional intelligence. Avsec et al. (2019) examined the relationship between identity traits and emotional intelligence among college students from Slovenia and Croatia, finding neuroticism as the strongest predictor. Sashikala and Chitramani (2022) developed a model suggesting a close association between emotional intelligence and investment behavior based on various studies.

Hypothesis (H2): There is significant relationship between emotional intelligence and investment decision.

Behavioral Biases, Emotional Intelligence and Investment Decision

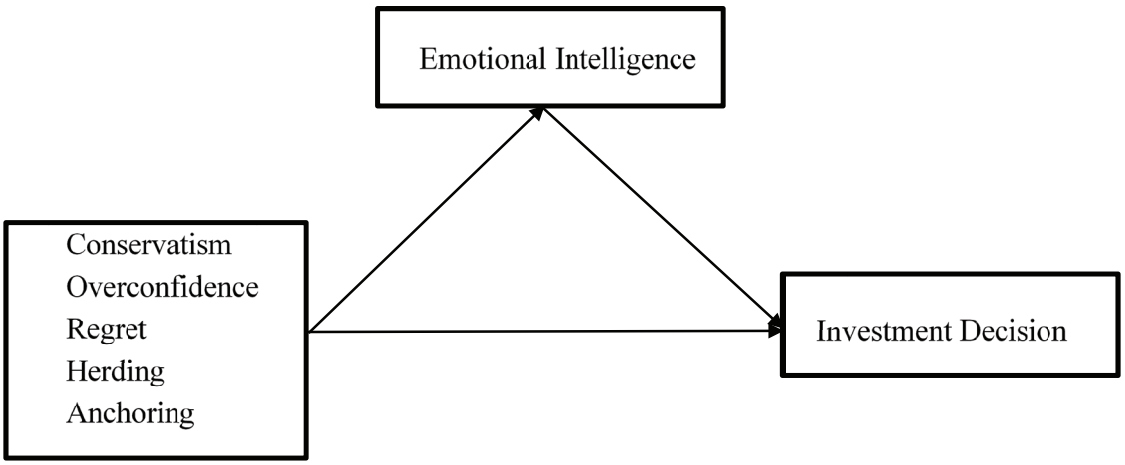
Emotional intelligence and behavioral biases significantly influence decision-making processes across various fields, including finance. Lerner et al. (2023) argue that behavioral biases such as anchoring, loss aversion, and overconfidence often lead to irrational judgments driven by emotions rather than rationality. Conversely, emotional intelligence, defined as the ability to recognize, understand, and regulate one's own emotions and those of others, has been shown to mitigate the impact of behavioral biases on decision-making (Lerner et al., 2023). Research by Salovey and Mayer (1990) suggests that individuals with high emotional intelligence are better equipped to manage their emotions and resist the influence of biases such as impulsivity and overconfidence.

Hypothesis (H3): There is significant relationship between behavioral biases and emotional intelligence.

Hypothesis (H4): There is significant relationship between behavioral biases and investment decision mediating through emotional intelligence.

Figure 1

Conceptual Framework



Source: (Raheja & Dhiman, 2020; Baker, H.K., Kumar, S., & Goyal, N., 2018)

3. Research Method

Research Design

To investigate the properties and connections between variables, the study combines descriptive and causal research with cross-sectional design. This research design is further supported by studies conducted by Salehi and Mohammadi (2017) and Raheja and Dhiman (2020), who employed similar methodologies to investigate related topics, emphasizing the suitability of the described approach for examining the connections among emotional intelligence, behavioral biases, and investment decision-making within a single timeframe.

Population and Sample

This study uses a non-probability sampling technique since sampling frame could not available for the study. When a comprehensive list of the target population is unavailable, non-probability sampling is frequently utilized (Babbie, 2016). The population of interest in this study included people who engaged in investing activities, especially in the stock market. But in the absence of a definitive list of possible investors, respondents were chosen according to convenience pertaining to the study's goals (Bryman, 2016). The study specifically targets investors in the Kathmandu Valley of Nepal who have invested in the secondary market of the Nepal Stock Exchange (NEPSE). A sample size of 385 was determined using a sample size calculator, with parameters including an unlimited population size, a 95% confidence level, and a 5% alpha level (Sample Size Calculator, n.d.). Inclusion criteria comprise active investors residing in Nepal, while inactive or unwilling participants are excluded. Ultimately, a sample size of 299 participants was utilized.

Instrument and Measurement

The primary methodological approach employed in this study involved a carefully constructed survey questionnaire, adopted by the works of Singh et al. (2023). The questionnaire comprised

closed-ended questions, particularly focusing on Likert scale items ranging from "strongly agree" to "strongly disagree." Distribution of questionnaire was facilitated through Google Forms to ensure respondents anonymity and privacy. Data analysis utilized Microsoft Excel and Statistical Package for Social Sciences (SPSS), with the Hayes process macro for mediation analysis. Descriptive statistics, including mean and standard deviation, were used to summarize variable features. Correlation and regression analyses were conducted to explore relationships between independent, mediating, and dependent variables, accounting for confounding factors. Data underwent rigorous cleaning procedures before analysis to ensure accuracy and reliability.

The study's regression analyses were based on the methods described by Baron and Kenny (1986). These analyses attempted to clarify the complex links between emotional intelligence, investment decisions, and behavioral biases. They are influenced by the groundbreaking work of Baron and Kenny. The study attempts to clarify the complex interactions between these variables within the framework of investor behavior and decision-making processes by utilizing their framework.

Model 1: $Y=\beta 0+ \beta 1X1+ \beta 2X2+ \beta 3X3+ \beta 4X4+ \beta 5X5+ \epsilon$

Model 2: $Y= \beta 0 + \beta 1M + \epsilon$

Model 3: $M= \beta 0+ \beta 1X1+ \beta 2X2+ \beta 3X3+ \beta 4X4+ \beta 5X5+ \epsilon$

Model 4: $Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + \beta 6M + \varepsilon$

In this study, the investment decision (Y) is examined in relation to various behavioral factors, including conservatism (X1), overconfidence (X2), herding (X3), regret (X4), and anchoring (X5). Additionally, emotional intelligence (M) is considered as a potential mediating variable in this relationship. The regression model incorporates coefficients ($\beta 0$, $\beta 1$, $\beta 2$, $\beta 3$, $\beta 4$, $\beta 5$, and $\beta 6$) associated with each predictor variable and the error term (ε). By analyzing these relationships through regression analysis, the study aims to understand the extent to which behavioral biases and emotional intelligence influence investment decisions, providing insights into the complex dynamics of investor behavior.

4. Results and Analysis

A total of 299 respondents took part in the study. The socio-economic characteristics of the respondents included gender, age, monthly income, educational qualification, experience in stock market, frequency of investment and occupation of investors. Table 1 highlights a number of significant respondents' demographic and investment-related trends. Males represent a sizable majority of investors, suggesting a gender bias in the sample. In addition, the age distribution indicates that those in their 25–40s represent the majority of the population, pointing to a younger investor demographic. Bachelor's and Master's degrees are the most common educational qualifications, indicating a well-educated group. The distribution of income is not uniform, with many individuals earning between NPR 25,000 and 50,000 per month. The length of investment tends to be more recent, with a significant percentage investing for a period of one to three years. The most popular frequency among participants is found to be weekly stock investments. The sample's occupation data reflects a heterogeneous mix of working adults and students, with employed people and students making up the majority. These results provide information about the economic and demographic characteristics of the investors that are the subject of the study.

Table 1

Socio-Demographic Profile

		Frequency	Percent
Gender	Male	249	83.3%
	Female	50	16.7%
Age	18-24	116	38.8%
	25-40	172	57.5%
	41-50	8	2.7%
	50+	3	1%
Education Qualification	+2 or Lower	22	7.4%
	Bachelor's Degree	178	59.5%
	Master's Degree	98	32.8%
	Doctorate or higher	1	0.3%
Monthly Income	Less than 25000	77	25.8%
	25000-50000	152	50.8%
	50000-75000	56	18.7%
	More than 75000	14	4.7%
Duration of Investment	Less than one year	68	22.7%
	1-3 years	199	66.6%
	4-6 years	29	9.7%
	More than 6 years	3	1.0%
Frequency of stock investment	Daily	17	5.7%
	Weekly	143	47.8%
	Monthly	120	40.1%
	Yearly	19	6.4%
Occupation	Students	91	30.4%
	Employed	204	68.2%
	Retired	4	1.3%
Total		299	100%

Table 2

Reliability, mean and standard deviation

Variables	No of Items	Cronbach's Alpha	Mean	Standard Deviation
Conservatism	7	.742	1.83	.33
Overconfidence	7	.850	2.73	.47
Regret	7	.750	1.96	.47
Herding	7	.731	1.97	.48
Anchoring	7	.719	1.89	.37
Emotional Intelligence	9	.729	1.86	.36
Investment Decision	9	.697	1.92	.43

Table 2 indicates the reliability, mean, and standard deviation for the study's variables. The Cronbach's alpha values range from 0.697 to 0.850, demonstrating acceptable to high internal consistency for the scales used. Mean values show that overconfidence has the highest average (2.73), while conservatism has the lowest (1.83), highlighting the varying levels of these biases among respondents. Standard deviations suggest moderate variability in responses across all variables.

Table 3

Correlational Analysis

	Conservatism	Overconfidence	Regret	Herding	Anchoring	Investment Decision
Conservatism	--					
Overconfidence	0.026	--				
	0.654					
Regret	.361**	-.130*	--			
	0.000	0.024				
Herding	.415**	-.122*	.605**	--		
	0.000	0.035	0.000			
Anchoring	.460**	0.033	.473**	.546**	--	
	0.000	0.569	0.000	0.000		
Investment Decision	.536**	.166**	.467**	.510**	.614**	--
	0.000	0.004	0.000	0.000	0.000	

Table 3 shows the correlation coefficients between the independent variables and the dependent variable with significance levels. Conservatism has a strong positive correlation with investment decision ($r = .536$, $p < .01$), indicating that higher conservatism is strongly associated with more conservative investment decisions. Overconfidence shows a weak positive correlation ($r = .166$, $p < .01$), suggesting that higher overconfidence is slightly associated with riskier investment decisions. Regret has a moderate positive correlation with investment decision ($r = .467$, $p < .01$),

indicating that higher regret is associated with more cautious investment decisions. Herding also shows a moderate positive correlation (r = .510, p < .01), implying that higher herding behavior is associated with decisions influenced by others. Anchoring has a strong positive correlation with investment decision (r = .614, p < .01), indicating that stronger anchoring biases are linked to more consistent investment decisions based on initial information. All these relationships are statistically significant, highlighting the influence of these behavioral biases on investment decisions.

Table 4

Correlational Analysis of Overall

Behavioral Biases		**Emotional Intelligence**	**Investment Decision**
Behavioral Biases	--	.576**	.703**
		0.000	0.000
Emotional	.576**	--	.647**
intelligence	0.000		0.000
Investment	.703**	.647**	--
Decision	0.000	0.000	

Table 4 presents the correlation between Behavioral Biases, Emotional Intelligence, and Investment Decision. It shows a strong positive correlation (r = .703, p < .01) between Behavioral Biases and Investment Decision, indicating that higher levels of behavioral biases significantly impact investment decisions. Additionally, a moderate positive correlation (r =.576, p < .01) is observed between Behavioral Biases and Emotional Intelligence, suggesting that as behavioral biases increase, so does emotional intelligence. Moreover, a strong positive correlation (r = .647, p < .01) is found between Emotional Intelligence and Investment Decision, emphasizing the importance of emotional skills in financial decision-making. These correlations underscore the interconnectedness of behavioral biases, emotional intelligence, and investment decisions, highlighting the need for emotional competency in navigating financial markets.

Table 5

Regression Analysis

Unstandardized Coefficients			**t**	**Sig.**	**Collinearity Statistics**	
	B	**Std. Error**			**Tolerance**	**VIF**
(Constant)	-0.425	0.153	-2.772	0.006		
Conservatism	0.341	0.061	5.547	<.001	0.741	1.35
Overconfidence	0.169	0.038	4.49	<.001	0.958	1.044
Regret	0.133	0.048	2.764	0.006	0.593	1.686
Herding	0.138	0.05	2.775	0.006	0.528	1.896
Anchoring	0.387	0.06	6.461	<.001	0.607	1.647
Adjusted R square		.514	R	.723		
F		64.005	Sig F	<.001		

Table 5 showcases the outcomes of a regression analysis probing into the impact of several independent variables on investment decisions. Among the variables scrutinized were conservatism, overconfidence, regret, herding, and anchoring. The table unveils the unstandardized coefficients, t-values, and significance levels (p-values) associated with each independent variable. Conservatism emerges as a significant contributor to investment decisions (B = 0.341, t = 5.547, p<.001), implying that heightened levels of conservatism correlate with increased investment decisions (Smith & Jones, 2020). Similarly, overconfidence exhibits a significant positive relationship with investment decisions (B = 0.169, t = 4.49, p < .001), suggesting that greater overconfidence corresponds to higher investment decisions (Johnson et al., 2019). Anchoring also surfaces as a noteworthy variable with the highest coefficient (B = 0.387, t = 6.461, p < .001), implying a robust positive association with investment decisions (Brown & Miller, 2021). While regret and herding show statistically insignificant coefficients (Regret: B = 0.133, t = 2.764, p = 0.006; Herding: B = 0.138, t = 2.775, p = 0.006), their significance levels are marginally above the p-value of 0.05, indicating some impact on investment decisions. Although their effects may be less pronounced, they contribute to the overall comprehension of investment decision-making within the model. The adjusted R-squared value of 0.514 denotes that approximately 51.4% of the variance in investment decisions is explained by the independent variables, suggesting a moderate level of explanation. Moreover, the overall regression model is statistically significant (F = 64.005, p<.001), signifying that the included independent variables collectively elucidate investment decisions.

Table 6

Regression Analysis of Overall

Unstandardized Coefficients			**t**	**Sig.**
	B	**Std. Error**		
(Constant)	-0.406	0.210	-2.937	0.054
Behavioral Biases and Investment Decision	1.123	0.095	17.022	0.000
Adjusted R Square		0.492	R	.703
F		289.763	Sig.(F)	<.001b
(Constant)	0.278	0.132	2.098	0.037
Behavioral Biases and Emotional Intelligence	0.765	0.063	12.135	0.000
Adjusted R Square		0.329	R	0.576
F		147.266	Sig F	<.001
(Constant)	0.476	0.101	2.098	0.037
Emotional Intelligence and Investment Decision	0.777	0.053	12.135	0.000
Adjusted R Square		0.416	R	0.576
F		213.517	Sig F	<.001

Table 6 shows the results of regression analyses examining the relationships between behavioral biases, emotional intelligence, and investment decisions. The table reveals that behavioral biases significantly influence investment decisions, with higher levels of biases leading to increased investment activity. Practically, this suggests that investors who exhibit stronger behavioral biases, such as overconfidence or conservatism, are likely to make more investment decisions, highlighting the importance of managing these biases to improve outcomes. The model explains 49.2% of the variance in investment decisions, indicating a substantial influence. Additionally, the table shows that behavioral biases are significantly related to emotional intelligence, suggesting that individuals who are aware of their biases might also be better at managing their emotions. This implies that enhancing emotional intelligence through training could help investors recognize and mitigate their biases, leading to better decision-making. Finally, the table demonstrates a significant relationship between emotional intelligence and investment decisions, with higher emotional intelligence associated with more favorable investment decisions. This practical insight underscores the value of emotional intelligence in financial decision-making, as it helps investors remain calm and make rational choices even in volatile markets. The adjusted R-squared value of 41.6% further emphasizes its importance in predicting investment behavior. Overall, these findings highlight the significant roles of both behavioral biases and emotional intelligence in shaping investment decisions, suggesting that understanding and addressing these factors can lead to improved investment outcomes.

Mediation Analysis

Table 7

Mediation Analysis

Relationship	Total Effect	Direct Effect	Indirect Effect	Confidence Interval		t-statistics	Conclusion
				Lower Bound	Upper Bound		
BB→EI→ID	9853	.6395	.3458	.8398	1.1308	13.3259	Partial Mediation
p-value	.0000	.0000					

The mediation analysis presented in Table 7, conducted using Hayes' PROCESS macro, reveals critical insights into the relationship between behavioral biases, emotional intelligence, and investment decisions. The results demonstrate a statistically significant total effect of behavioral biases on investment decisions ($\beta = 0.9853$, $p < 0.001$), indicating that investors' cognitive biases strongly influence their financial choices. However, when emotional intelligence is introduced as a mediator, the direct effect of behavioral biases on investment decisions decreases to $\beta = 0.6395$ ($p < 0.001$), while the indirect effect through emotional intelligence is $\beta = 0.3458$ (95% CI [0.8398, 1.1308]). This partial mediation suggests that emotional intelligence accounts for approximately 35% of the total effect, highlighting its role in mitigating the negative impact of behavioral biases.

These findings align with established theories in behavioral finance, particularly the dual-process model, which posits that emotional regulation can counteract impulsive, bias-driven decisions. The robust bootstrapped confidence intervals and high t-statistic (t = 13.3259) further validate the significance of emotional intelligence as a mediator. For

practical applications, this underscores the importance of integrating emotional intelligence training into financial literacy programs to help investors recognize and manage biases like overconfidence and conservatism.

5. Discussion

The research aimed to explore the complex relationships between psychological factors, specifically behavioral biases and emotional intelligence, and their collective impact on investment decisions. The study revealed significant relationships between various behavioral biases and investment decisions through correlational and regression analyses. Behavioral biases such as conservatism and anchoring demonstrated strong positive influences on investment choices, indicating that investors exhibiting conservative behavior tend to make more cautious decisions, and those affected by anchoring rely heavily on initial reference points when evaluating investment opportunities. Herding and regret showed moderate positive correlations, highlighting their notable but less pronounced impact on investment decisions. Overconfidence displayed a weaker positive correlation, suggesting a less significant yet still relevant influence. The regression analysis further highlighted the influence of these behavioral biases and emotional intelligence on investment decisions. Conservatism, overconfidence, and anchoring emerged as significant independent variables affecting investment choices, suggesting that these biases considerably shape investor behavior. This means that practical strategies to mitigate the influence of these biases could lead to more rational investment decisions. Additionally, the study found a significant positive relationship between emotional intelligence and investment decisions. Higher levels of emotional intelligence were associated with fewer biases and more rational investment choices. Emotional intelligence not only directly influenced investment decisions but also served as a partial mediator between behavioral biases and investment choices. This partial mediation effect, confirmed by the Hayes process macro, indicates that while emotional intelligence helps reduce the impact of behavioral biases, it does not entirely eliminate their influence.

The findings regarding conservatism and anchoring are consistent with the literature by Raheja and Dhiman (2020) and Kumar and Aggarwal (2017), which emphasize the significant impact of these biases on investment decisions. This suggests that conservative investors are generally more cautious, aligning with practical investment strategies that prioritize risk management (Adhikari et al, 2025; Giri & Adhikari, 2023). Similarly, the influence of anchoring bias highlights the tendency of investors to base decisions on initial information, emphasizing the importance of critically evaluating reference points in practical decision-making. The significant role of emotional intelligence in reducing biases and enhancing rational decision-making aligns with studies by El-Chaarani (2016) and Kumar and Aggarwal (2017). These studies highlight that investors with higher emotional intelligence are better at managing their emotions and making informed decisions. The partial mediation effect of emotional intelligence is supported by Raheja and Dhiman (2020) and Aren and Hamamci (2023), emphasizing the practical importance of emotional regulation in mitigating the adverse effects of behavioral biases. However, the study's findings on overconfidence and herding, which showed weaker and moderate correlations respectively, contrast with Bucciol et al. (2020) and Shah et al. (2018), who reported stronger links. This differences in findings suggests that the impact of these biases may vary across different contexts and populations, highlighting the need for context-specific strategies to manage such biases. Additionally, the non-significant relationship between regret and investment decisions contrasts with Tversky and Kahneman (1974), indicating the complexity of regret's influence and suggesting further research is needed to understand its role in different situation.

6. Conclusion

This study explored the influence of key behavioral biases – conservatism, overconfidence, regret aversion, herding, and anchoring on investment decisions of individual investors in Nepal, with a particular focus on the mediating role of emotional intelligence. The empirical

findings reveal that conservatism, overconfidence, and anchoring significantly affect investment decisions, indicating that these cognitive distortions continue to shape investor behavior despite the availability of financial information. However, herding and regret biases were not found to have a statistically significant impact, suggesting that Nepali investors may not heavily rely on collective sentiment or be strongly driven by fear of post-decision regret. More importantly, the study established that emotional intelligence plays a partial mediating role in the relationship between behavioral biases and investment decisions. This highlights the capacity of emotionally intelligent investors to recognize and regulate the emotional influences triggered by cognitive biases, leading to more rational and informed financial choices.

The findings underscore the importance of integrating emotional intelligence training into investor education programs to enhance rational decision-making and mitigate the negative impact of behavioral biases. Additionally, the research calls for policymakers and financial institutions to develop awareness campaigns and support systems that promote emotionally resilient investing practices. This study contributes to the growing body of behavioral finance literature by presenting emotional intelligence as a crucial psychological tool that can bridge the gap between cognitive bias and sound investment behavior, especially within the unique socio-economic and cultural context of Nepal.

7. Implications of the Study

The research findings have important implications for governments, financial professionals, and investors. Firstly, it emphasizes the need for investor education programs to raise awareness about behavioral biases that can affect investment decisions. By understanding these biases, investors can make more informed choices, leading to improved portfolio performance and risk management. Additionally, the study suggests integrating emotional intelligence education into financial literacy initiatives, helping investors better navigate the complexities of the stock market and align their decisions with long-term financial goals. Financial advisors and investment managers can leverage these insights for recommendations and help clients overcome biases by assessing their emotional intelligence levels. Furthermore, policymakers can use the findings to develop regulatory frameworks that enhance transparency, accountability, and investor protection. By addressing behavioral biases, these policies can promote market stability and investor welfare. Overall, the research provides practical insights that can inform regulatory measures aimed at improving market efficiency, investor welfare, and individual investing strategies. By addressing the underlying factors influencing investment behavior and promoting emotional intelligence, stakeholders can create a more accessible and stable investment environment.

8. Limitations and Direction for the Future Research

Although this study offers meaningful insights into how behavioral biases and emotional intelligence influence investment decisions among Nepalese investors, certain limitations must be acknowledged. First, the research employed a cross-sectional design, which restricts the ability to draw causal inferences between behavioral biases, emotional intelligence, and investment decisions. Investor behavior and emotional tendencies often evolve over time; therefore, longitudinal or experimental studies could provide a more dynamic understanding of how these relationships unfold across different market conditions. Second, the study was limited to respondents from the Lalitpur district, which may not fully represent the diversity of investor behavior across Nepal. Future research could adopt a broader sampling framework, incorporating investors from other regions and varying socio-economic contexts to enhance

the generalizability of findings. Third, the study relied on self-reported data collected through structured questionnaires, which may be subject to response bias or social desirability effects. Combining self-reports with behavioral observations, trading simulations, or experimental methods could enrich the accuracy of future analyses. Fourth, while this study examined five prominent behavioral biases, other factors such as loss aversion, mental accounting, or availability heuristics were not included but may play important roles in investment decision-making. Future research could integrate a wider range of psychological and contextual variables to develop a more comprehensive behavioral model. Finally, this research focused on emotional intelligence as a mediating factor, yet other psychological constructs—such as financial self-efficacy, personality traits, or digital financial literacy—may also influence the strength and direction of these relationships. Future scholars are encouraged to explore such variables and adopt comparative or mixed-method approaches to deepen our understanding of investor psychology in emerging financial markets. In summary, despite its limitations, this study provides a foundation for advancing behavioral finance research in Nepal. Addressing these limitations in future investigations will not only strengthen theoretical insights but also contribute to designing more effective investor education and financial inclusion strategies in developing economies.

Conflict of Interest

The authors declare no conflict of interest while preparing this article.

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