

A STUDY ON IMPACT OF EMOTIONAL INTELLIGENCE ON GREEN FUND INVESTMENT

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Abstract:

This study investigates the impact of emotional intelligence (EI) on investment decisions in green funds, highlighting the role of EI in fostering sustainable investing behaviour. Through a regression analysis, the research reveals a significant positive relationship between EI and investment decisions, with higher EI correlating with a greater likelihood of committing to green investments. The findings suggest that individuals with elevated emotional intelligence are better equipped to manage market fluctuations, reduce emotional biases, and make long-term investment choices aligned with sustainability goals. The study emphasizes the importance of emotional intelligence in promoting responsible, values-driven investment strategies and underscores the need for financial education programs that integrate EI to enhance decision-making in green fund investments.

Keywords —Emotional Intelligence, investment decisions, long term investment, sustainability.

I. INTRODUCTION

Investment instruments known as "green funds" are dedicated to funding businesses and initiatives that promote environmental sustainability. These funds particularly focus on investments that benefit the environment, like clean technologies, energy efficiency, sustainable agriculture, and renewable energy. Usually organized as mutual funds, exchange-traded funds (ETFs), or private equity funds, green funds are intended to give investors the chance to make money while encouraging ecologically conscious behavior. They are a vital instrument for allocating funds to initiatives that try to solve global issues including biodiversity loss, resource depletion, and climate change.

The emergence of green funds is inextricably linked to the increasing consciousness of environmental concerns and the demand for sustainable investment. Institutional and individual investors alike are looking for means to make their portfolios more values-driven, choosing funds that contribute to a low-carbon economy. Green funds tend to integrate environmental, social, and governance (ESG) factors to evaluate the sustainability of firms and projects. With the ongoing focus on climate action and sustainability, green funds are likely to be at the forefront of catalysing the world toward more sustainable economic growth.

II. REVIEW OF LITERATURE

Surbhi Verma et al. (2024): The research analyses whether and how Social Value Orientation (SVO), Emotional Instability (EI), and demographics affect Financial Risk Tolerance (FRT) and willingness to invest in socially responsible investments (SRI) among Indian retail investors. The results indicate that pro-social investors who are less emotionally unstable have a greater chance of investing in SRI funds.

Shashwat Mishra (2023): This study examines the influence of green finance and fintech on sustainable economic development in India. Results indicate that green finance increases economic growth and environmental conservation, and fintech reinforces

these impacts, although it has no considerable influence on economic efficiency.

Tao Xu (2018): The research examines aggregation bias in the estimation of the Environmental Kuznets Curve (EKC) for SO₂ emissions in China. The findings indicate that aggregate data can result in biased conclusions, highlighting the need for disaggregated data to make precise policy decisions.

Ali Raza Elahi (2023): The paper investigates the role of economic, environmental, social, and governance (EESG) parameters on investment decisions towards sustainable business practices (SBP). The findings show that SBP intensifies the interaction between risk perception and investment, so investors tend towards sustainable business.

Yuxue Yang et al. (2021): This study examines the impact of green finance and fintech on high-quality economic development in China. It concludes that green finance is positively related to ecological, economic, and structural development, whereas fintech increases the impact on the ecological environment and economic structure.

Muhammad Asif Khan et al. (2022): This research considers the nexus of green finance, fintech, and high-quality economic development in China and identifies that green finance and fintech both have positive contributions to ecological, economic, and structural enhancement, with fintech reinforcing green finance's effectiveness.

Candra Fabri Ananda (2024): As in the earlier studies, this study examines the impact of green finance and fintech on high-quality economic growth in China. It finds that green finance has a positive effect on the ecological environment and economic structure, while fintech enhances these impacts.

Saloni Raheja et al. (2020): This study investigates the role played by green finance and fintech towards high-quality economic development in China. The research verifies that green finance has a beneficial effect on environment and economy, and fintech strengthens the effects of green finance.

Muhammad Irfan et al. (2023): This research delves into how market knowledge and emotional finance impact investment performance. It discovers that market knowledge substantially enhances investment performance, and emotional finance also demonstrates a positive association.

Rita Martisien et al. (2023): This paper investigates Generation Z's investment trends and their perspectives on environmental sustainability. The discovery is that Generation Z prefers green investments, and education and gender are factors in their choice.

Ashwill Iwei (2018): This study examines the effect of an emotional intelligence (EI) intervention on investment choices. In conclusion, EI interventions improve investment decision-making, leading to more rational decisions.

Stamatios Ntanos et al. (2017): This research examines the correlation between emotional intelligence and willingness to invest in renewable energy among the public. According to the results, greater emotional intelligence goes hand in hand with greater willingness to invest in renewable energy.

Pablo Vilas et al. (2024): The study investigates the impact of sustainability considerations on mutual fund investment flows using machine learning. The findings indicate that although sustainability (ESG considerations) is recognized, financial performance continues to be the driving factor in investment choices.

David T. Robinson et al. (2019): This study examines how climate concerns affect investments in green assets. The study reveals that people with increased climate-related concerns are inclined towards investment in green projects.

Dr. P. Chitramani et al. (2020): This conceptual analysis examines the influence of emotional intelligence in investment. The study discovers that emotional intelligence significantly enhances investment behavior, leading investors to make more rational choices.

Fernando Salvetti et al. (2023): The research constructs an interactive environment to develop emotional intelligence (EI). It reaches the conclusion that interactive environments are capable of strongly enhancing emotional intelligence, with improvement in self-regulation and empathy.

Molina-Gómez et al. (2021): This work compares finance students' emotional intelligence and personality characteristics with financial industry professionals. It concludes that students at the university level exhibit areas of deficiency in emotional intelligence, resulting in cognitive biases in making financial decisions.

Paulo N. Lopes et al. (2003): This research examines how emotional intelligence and personality traits contribute to social relationships. It argues that improved regulation of emotions leads to more enjoyable relationships, as extraversion tends to have a positive influence on relationship quality.

Dr. N. Sundaram et al. (2019): This conceptual review examines the use of emotional intelligence to drive innovation in organizations. The research indicates that emotional intelligence

is central to driving innovation, improving performance and returns on the study investment.

Dr. P. Subburaj et al. (2024): This study examines the impact of emotional intelligence on investment choices in Chennai City. The research indicates a strong positive correlation, where greater emotional intelligence results in improved investment returns.

III. RESEARCH METHODOLOGY

In order to fully comprehend the study primary data is collected to thoroughly examine the green funds and emotional intelligence and capture the qualitative and quantitative performance metrics.

IV. OBJECTIVE

To investigate the impact of emotional intelligence on green fund investment choices.

V. HYPOTHESIS

H0: There is no significant impact of emotional intelligence on green fund investment choices.

H1: Emotional intelligence has a significant impact on green fund investment choices.

VI. RESEARCH PROBLEM

Albeit rising popularity in green funds promoted by rising sensitivities towards sustainability and ethical investments, the importance of emotional intelligence (EI) as a source to drive investors' behavior continues to be unstudied. Though classical money theories posit rational choices, the behavior finance hypothesizes investment decisions to be led by feelings. Investors with greater EI could be more likely to survive market volatility, make long-term commitments to sustainable investing, and avoid emotional biases like panic selling. Yet little research exists regarding the relationship of EI with demographic variables, income levels, and risk tolerance in deciding to invest in green funds. This research aims to determine the effect of emotional improve investors' capacity to reconcile financial and sustainability goals

RESULT AND DISCUSSION

This chapter deals with a study on green funds investment with relation to emotional intelligence. The analysis and interpretation are based on primary data collection. The objective is based on linear regression to analyze the impact of emotional intelligence on green fund investment choices.

Analyze the impact of emotional intelligence on green fund investment choices

Table 1- Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.658 ^a	.433	.429	.50437

a. Predictors: (Constant), emotional intelligence

The table 1 indicates a significant relationship between emotional intelligence and an investment decision. The correlation coefficient (R = .658) suggests a moderately strong positive association, meaning higher emotional intelligence tends to

correspond with higher values of the dependent variable. The coefficient of determination (R Square = .433) reveals that emotional intelligence accounts for 43.3% of the variance in the dependent variable, signifying a substantial portion of the outcome can be explained by this predictor. The adjusted R Square (.429), which accounts for the number of predictors, remains close to the R Square, confirming the robustness of the model with a single predictor. Finally, the standard error of the estimate (.50437) quantifies the average difference between observed and predicted values, providing a measure of the model's prediction accuracy. In essence, the model demonstrates that emotional intelligence is a relevant and moderately strong predictor of the dependent variable, with a reasonable level of predictive accuracy.

Table 2: Regression Analysis

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.247	1	30.247	118.899	<.001 ^b
	Residual	39.685	156	.254		
	Total	69.931	157			

- a. Dependent Variable: investment decisions
- b. Predictors: (Constant), emotional intelligence

The table assesses the statistical significance of the regression model predicting "investment decisions" from "emotional intelligence." The highly significant F-statistic (F = 118.899, p < .001) indicates that the regression model is a good fit for the data, meaning that emotional intelligence significantly predicts investment decisions. The large F-value and the very small significance value (Sig. < .001) confirm that the variability explained by the regression (Sum of Squares Regression = 30.247) is significantly greater than the unexplained variability (Sum of Squares Residual = 39.685), with the model accounting for a substantial portion of the variance in investment decisions.

Table 3: Coefficients of Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error			
1	(Constant)	.693	.144		4.816	<.001
	emotional intelligence	.756	.069	.658	10.904	<.001

- a. Dependent Variable: investmentdecisions

Interpretation

The above table 3 presents the unstandardized coefficients from the regression analysis predicting "investment decisions." The constant (B = .693) represents the predicted investment decision

value when emotional intelligence is zero. The coefficient for emotional intelligence (B = .756) indicates that for every one-unit increase in emotional intelligence, investment decisions are predicted to increase by .756 units. Both coefficients have relatively small standard errors (.144 and .069, respectively), suggesting they are reliably estimated. In essence, this table shows the specific impact of emotional intelligence on investment decisions within the regression model, quantifying the change in the dependent variable associated with a change in the predictor.

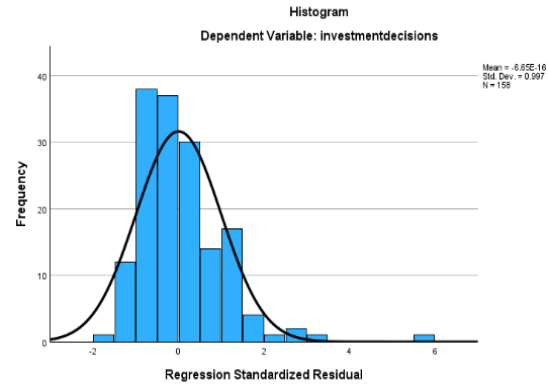


Figure 1: Histogram of Regression Analysis Interpretation

The histogram represents the distribution of regression standardized residuals for the dependent variable investment decisions. The residuals appear to be approximately normally distributed, as indicated by the bell-shaped curve overlaid on the histogram. The mean of the residuals is nearly zero (-6.65E-16), which suggests that the regression model does not have systematic bias in its predictions. The standard deviation is 0.997, which is close to 1, further supporting the assumption of normality. The sample size (N = 158) indicates a reasonable dataset for analysis.

However, there is a slight skewness toward the right, as a few residuals extend beyond 3 or 4 on the x-axis. This suggests that while the majority of the data points follow a normal distribution, there may be some outliers or cases where the model does not predict investment decisions as accurately. Nonetheless, if the residuals roughly follow a normal distribution with no major deviations, it supports the assumption of homoscedasticity and validity of the regression model.

The highly significant F-statistic (p < .001) and the significant coefficient for emotional intelligence demonstrate a strong relationship between emotional intelligence and investment decisions. Therefore, the null hypothesis is rejected, and the alternative hypothesis, that emotional intelligence significantly impacts green fund investment choices, is supported.

IV. CONCLUSIONS

This conclusion is further supported by the statistical tests, which show no significant correlation between investment decisions and ESG awareness according to the Pearson Chi-Square and other significance tests. This suggests that participation in ESG funds is driven by outside factors rather than firsthand knowledge. Furthermore, the adoption of ESG funds is not significantly impacted by demographic criteria like gender or occupation. Age, on the other hand, shows up as a statistically significant factor, suggesting that younger investors would be more likely than older generations to favor ESG investments. The results indicate that investors with greater EI are likely to practice sustainable investing because they can manage emotions, control risk perception, and commit to long-term financial engagements. Their greater self awareness and empathy allow them to connect

investment choices with ethical and environmental considerations, lowering impulsive responses to market fluctuations. On the other hand, low EI investors are likely to be emotionally biased, resulting in risk-averse or short-term behaviors that inhibit sustainable investment decisions. In general, emotional intelligence is a significant determinant of investor behavior, which further supports the necessity for specialized financial education and awareness initiatives to promote well-informed and emotionally sound investment in green funds.

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