

The economic implications of personality traits on investment behaviour: Evidence from an emerging market with sustainability orientation

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Abstract

This study investigates the economic implications of personality traits for individual investment Behaviour in an emerging market context, focusing on the Indonesia Stock Exchange. Specifically, it examines how emotional stability and prudence trait influence investment Behaviour, and how sustainability orientation moderates these relationships. Using data collected from 242 individual investors and analysed through Structural Equation Modelling–Partial Least Squares (SEM-PLS), the results show that emotional stability has a significant positive effect on investment Behaviour, while prudence trait does not directly influence them. However, sustainability orientation strengthens the role of emotional stability and alters the effect of prudence trait. These findings provide practical insights for financial managers and policymakers to better understand Behavioural drivers of sustainable investment in emerging markets.

Keywords

personality traits; investment behaviour; sustainability orientation; emerging markets

INTRODUCTION

Investment behaviour represent a pattern of responses that form a habitual behaviour demonstrated by individuals when allocating funds intuitively (Scott & Bruce, 1995; Rasheed et al., 2018; Ahmad & Wu, 2022). Discussions on investment behaviour were initiated by Markowitz in the 1950s through what became known as the Markowitz Portfolio Theory. The use of rationality assumptions in the perspective of decision-makers began to be challenged by scholars such as Kahneman and Tversky (1979), Shefrin and Statman (1985), Shefrin and Statman (1993), Daniel et al. (2002), and Ritter (2003). Their arguments diverged from scholars with a rationalist perspective. The irrational perspective considers investment behavioural as a process that can be explained through behavioural and psychological factors influencing market participants. Psychological biases, or cognitive biases as they are often referred to in cognitive psychology, have become a prominent theme in this context. Behavioural biases frequently occur in investment behaviour, particularly in

emerging markets, where investors are expected to think rationally despite the presence of market inefficiencies.

Recent studies grounded in the Big Five personality framework have examined the role of personality traits in shaping financial and investment decision making. However, not all personality dimensions demonstrate equal relevance in explaining investment behaviour. Prior research suggests that prudence and emotional stability are among the personality traits that are more consistently associated with disciplined decision making, risk evaluation, and behavioural control in financial contexts (Nga & Ken Yien, 2013; Kourtidis et al., 2017; Baker et al., 2019). Prudence reflects an individual's tendency to be organized, responsible, and careful in evaluating alternatives, which is essential in structured investment decision processes. Emotional stability, on the other hand, relates to an individual's ability to manage stress, uncertainty, and market volatility, all of which are inherent in investment environments. In contrast, other personality dimensions such as openness, extraversion, and agreeableness tend to be more context

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dependent and do not always exhibit consistent relationships with investment behaviour. Therefore, this study focuses specifically on prudence and emotional stability as key personality traits in explaining investment behaviour.

Although openness has frequently been associated with environmental concern, creativity, and receptiveness to sustainable values in previous studies, the present study focuses on prudence and emotional stability because the proposed moderating mechanism concerns how sustainability orientation shapes investment behaviour processes rather than environmental attitudes per se. Sustainability-oriented investing requires investors to evaluate long-term risks and opportunities, maintain behavioural consistency despite short-term market fluctuations, and exercise disciplined judgement when balancing financial and non-financial considerations. Prudence provides the tendency to make structured and carefully evaluated decisions, whereas emotional stability enables investors to regulate emotional responses under uncertainty and remain committed to long-term investment objectives. Consequently, these two personality traits are theoretically expected to interact more directly with sustainability orientation in explaining investment behaviour than broader personality dimensions such as openness.

Given the absence of a sufficiently comprehensive approach to explain such Behavioural biases, several studies have introduced the concept of personality as a contributing factor in investment Behaviour. Research conducted by Busic-Sontic et al. (2020), Aren et al. (2021), Baker et al. (2019), Gambetti and Giusberti (2019), Kourtidis et al. (2017), and Nga and Ken Yien (2013) explored the role of personality traits in assisting investors with their Behaviour. Their findings indicate that personality traits significantly influence investment Behaviour. A report by Swedbank in Europe also suggests that certain personality aspects, namely prudence trait and emotional stability, affect investment Behaviour. In the present context, investors are increasingly concerned with the sustainability implications of their investment Behaviour (Jiang et al., 2024; de Zwaan et al., 2015; Frantz et al., 2021; Galbreath, 2013; Gao et al., 2021; Shahid & Abbas, 2019; Teoh & Shiu, 1990). Sustainability orientation has thus become a key consideration for individuals who exhibit caution and emotional stability, particularly in

the pursuit of long-term benefits. Noting the lack of prior research integrating sustainability orientation as a factor in explaining the influence of personality traits on investment Behaviour, this study introduces a novel contribution by incorporating sustainability orientation as a moderating variable in the proposed relationship.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Investors frequently adapt their investment strategies in accordance with their personality characteristics. Among the traits that play a significant role in the effectiveness of investment behaviour are prudence trait and emotional stability (Husnain et al., 2019; Jiang et al., 2024). The prudence trait dimension encompasses individuals who are reliable, persistent, trustworthy, and well organized. Prudence individuals tend to favor structured and methodical behaviour over impulsive and unpredictable actions. Conversely, those with low levels of prudence trait are often easily distracted, disorganized, and less dependable. Emotional stability refers to an individual's ability to maintain composure and balance when confronted with stress or challenging circumstances. People with high emotional stability are typically resilient to pressure, optimistic, and capable of managing their emotions effectively. In contrast, those with low emotional stability are more prone to anxiety, distress, and emotional volatility. This trait plays a vital role in decision-making, interpersonal relationships, and psychological well-being.

An investor's personality significantly influences their mindset and psychological responses, thereby affecting their investment Behaviour. Several previous studies have reported that prudence trait exerts a significant influence on investment behaviour, as evidenced in the works of Akhtar (2018), Agyemang and Ansong (2015), Aren et al. (2021), and Busic-Sontic et al. (2020). Tauni et al., (2017) found that, within the framework of the Big Five model, personality traits help determine trading preferences, which in turn directly impact financial decisions. Roberts et al., (2005) further argued that individuals tend to respond to situations in distinctive ways, making personality a key differentiator in financial Behaviour. Conlin et al. (2015) demonstrated that curiosity, as a personality trait, influences the level of investor participation in stock markets. Rizvi and

Fatima (2015) emphasised the Big Five model as a valid and empirically supported framework for analysing the relationship between personality and financial Behaviour, while Mueller and Plug (2006) found that personality attributes measured within this model significantly affect income management, thereby reinforcing their relevance to investment Behaviour. Individuals with high levels of prudence trait are likely to make investment Behaviour with strong and well-considered judgement, whereas those with lower levels of prudence trait tend to decide with less certainty. Similarly, investors exhibiting high emotional stability are inclined to make well-grounded investment Behaviour. In contrast, those with lower emotional stability are more likely to make decisions based on weaker or less consistent reasoning. Based on the theoretical and empirical review presented, the following hypotheses may be proposed:

H1: The prudence personality trait dimension has a positive effect on investment behaviour.

H2: The emotional stability personality trait has a positive effect on investment behaviour.

Sustainability orientation has evolved into a strategic perspective through which investors assess corporate value by integrating environmental, social, and governance considerations into decision-making processes (Li et al., 2021; Escrig Olmedo et al., 2017; Pedersen et al., 2021; Khemir et al., 2019; Hinze & Sump, 2019; Alareeni & Hamdan, 2020; van Duuren et al., 2016; She & Michelon, 2019; Adam & Shauki, 2014). This perspective reflects a cognitive orientation with a long-term focus, characterised by risk awareness, ethical judgement, and concern for the future consequences of investment decisions.

From a personality perspective, prudence is associated with careful, responsible, and structured decision making. However, prudence does not necessarily lead investors to prioritise sustainability related considerations in their investment choices. Sustainability orientation serves as a value driven lens that encourages investors to extend their evaluation beyond short term financial returns towards value that is sustainable in the long term. In this context,

prudence is more likely to translate into investment Behaviour that is oriented towards sustainability when sustainability orientation is strong. Accordingly, sustainability orientation is expected to strengthen the relationship between prudence and investment Behaviour.

A similar mechanism applies to emotional stability. Investors with high emotional stability tend to regulate their emotions effectively and remain resilient and consistent when facing uncertainty and market volatility. These qualities enhance their ability to process complex information with a forward-looking perspective, including sustainability related factors, in a balanced manner without being reactive. When combined with a strong sustainability orientation, emotional stability supports consistent investment strategies aligned with sustainability objectives over the long term. Accordingly, sustainability orientation is expected to reinforce the relationship between emotional stability and investment Behaviour.

H3: Sustainability orientation moderates the influence of prudence trait on investment behaviour.

H4: Sustainability orientation moderates the influence of emotional stability on investment behaviour.

Figure 1 illustrates the empirical model of the study. The dependent variable is Investment Behaviour. The independent variables comprise the personality traits of Prudence trait and Emotional Stability, with Sustainability Orientation serving as the moderating variable. The independent variable of Prudence trait refers to an individual's tendency to be organised, reliable, and diligent in their actions. Emotional Stability, as another independent variable, represents an individual's ability to remain calm and balanced in stressful or challenging situations. These two personality traits are hypothesised to influence investment behaviour, with sustainability orientation acting as a moderating factor. Sustainability orientation encompasses the consideration of environmental, social, and governance (ESG) factors when making investment choices, and is assumed to strengthen the relationship between personality traits and investment behaviour.

METHODS

Research design

This study employs a quantitative approach with a causal relationship framework among the variables. The complexity of the variable relationships in this causal investigation involves three distinct categories: independent or predictor variables, which exert influence; dependent variables; and moderating variables, which affect the strength or direction of the relationship between independent and dependent variables. A pilot test was conducted during the preliminary stage of instrument assessment to examine the validity and reliability of the measurement instrument before its distribution to the actual respondents. The instrument was initially administered to a randomly selected sample of 50 questionnaires from stock investors in the Indonesia Stock Exchange.

The research instrument employed is a questionnaire divided into three sections. Data collection took place over a period of four months, spanning from October 2025 to January 2026. The first section addresses screening, the second includes the independent, dependent, and moderating variables, and the final section covers demographic information. The independent variables used to explain Investment Behaviour as the dependent variable are the personality traits of Prudence trait and Emotional Stability, with Sustainability Orientation acting as the moderating variable. The indicator for the Investment Behaviour variable consists of trust in intuition when investing and emotional comfort in investment, measured by 5 items (Scott & Bruce, 1995; Rasheed et al., 2018; Maqsood Ahmad and Qiang Wu, 2022).

Investment behaviour in this study was measured through an intuitive behavioural perspective, as suggested by Scott and Bruce, who argued that individual behaviour under uncertainty is often influenced by feelings, internal perceptions, and immediate psychological responses. Within behavioural finance, investment behaviour is not always formed through purely rational analysis, but may also reflect subjective judgement when investors respond to uncertain market conditions.

This perspective is particularly relevant in emerging markets, where information asymmetry, limited market transparency, and heightened volatility frequently shape investor

responses. Under such circumstances, investors may rely more heavily on intuitive evaluations when interpreting market information and translating those perceptions into investment behaviour. Therefore, the intuitive dimension was considered an appropriate approach for capturing investment behaviour because it reflects the psychological tendencies that influence how individuals behave in financial markets.

The Emotional Stability variable comprises three indicators: emotional balance, self-confidence, and mental and emotional resilience, measured by six items (John, O. P., et al., 2008; Husnain et al., 2019). The prudence personality trait consists of 6 indicators, elaborated in 12 measurement items. These indicators include hard work & perseverance, commitment and accountability, investment goal setting and planning, self-control and decision-making, analysis & preparedness, and adherence to rules and norms (DeYoung et al., 2007; Roberts et al., 2005; Mooradian & Olver, 1997; Raja and Ntalianis, 2004; Renner, 2002). Sustainability Orientation as a moderating variable has 2 indicators and 4 measurement items: long-term orientation and perseverance & adaptability (Yoo, Donthu & Lenartowicz, 2011).

Population and sample

The population of this study consists of individual stock investors who invest in securities companies, actively monitoring, executing, and making decisions regarding stock trading investments. According to data from the Indonesian Central Securities Depository (KSEI), as of February 2024, the number of individual investors in Indonesia stands at 12,433,313. The sampling technique used in this study is purposive sampling, with a sample size of 242 respondents. Purposive sampling was employed as the sampling technique, whereby participants were selected based on specific criteria and considerations. The inclusion criteria comprised domestic stock investors, individual stock investors, those with a minimum of two years of stock investment experience, investors who actively execute their own stock transactions, those who consider sustainability reports in making stock investment decisions, and investors who held at least one stock included in the IDX ESG Leaders or SRI-KEHATI Index. A list of publicly listed companies demonstrating a commitment to ESG

Table 1.
Respondent profile

Demography	Category	Absolute	Percentage (%)
Gender	Male	109	45
	Female	133	55
Age	≤ 30 years	212	87.6
	31-40 years	21	8.7
	41-50 years	7	2.89
	≥ 51 years	2	0.83
Educational attainment	Diploma-Postgraduate	190	78.5
	Secondary Education	52	21.5
Investment experience	≥ 4 years	194	80.2
	< 4 years	48	19.8

principles, as classified under the IDX ESG Leaders and SRI-KEHATI Index, was attached to the questionnaire instrument.

During the data collection process, a total of 300 respondents completed the initial questionnaire. Following the data screening process, only 242 responses met the eligibility criteria and were retained for further analysis.

Data collection

Data collection in this study was conducted through several stages. Primary data were obtained using questionnaires distributed directly to respondents in both hardcopy form and through Google Forms. The target respondents were domestic individual stock investors who invested in shares listed on the Indonesia Stock Exchange through securities companies located at the Yogyakarta Representative Office of the Indonesia Stock Exchange. The securities companies that permitted their clients to participate as respondents included Panin Sekuritas, Indo Premier Sekuritas, FAC Sekuritas, Kiwoom Sekuritas, MNC Sekuritas, and Phillip Sekuritas. Among these, Panin Sekuritas provided formal written permission and assisted in the respondent recruitment process, whereas the other firms allowed their clients to participate but declined to issue written permission because such approval would have required their involvement in the data collection process. Questionnaires in hardcopy were distributed to investors encountered at the Indonesia Stock Exchange, while the Google Forms link was submitted through Panin Sekuritas to facilitate data collection. To ensure data quality, clarification was sought when responses were incomplete or substantially differed from those of most respondents; if the clarification remained unsatisfactory, the respondent was removed from the sample and replaced with another eligible participant.

During the data cleaning process, data from 29 respondents were removed and replaced with data from 29 new respondents to maintain the required sample size.

Although Panin Sekuritas facilitated the online distribution of the questionnaire, respondents were also recruited directly through face-to-face distribution at the Indonesia Stock Exchange and through investors affiliated with several other securities companies. Therefore, the final sample was not intentionally restricted to clients of a single brokerage firm.

Data analysis procedure

This study employed the Structural Equation Modeling–Partial Least Squares approach as the primary analytical technique to examine the relationships among variables. The SEM-PLS analysis was carried out in three sequential stages: first, the evaluation of the measurement model (outer model) to determine whether the indicators used in the study measured the latent constructs accurately and consistently; second, the assessment of the structural model (inner model) to examine the relationships among the latent constructs specified in the proposed model; and third, the evaluation of model goodness of fit to assess the extent to which the measurement model and the structural model collectively explained the observed data adequately.

RESULTS AND DISCUSSION

Results

A total of 242 eligible responses were analyzed using descriptive statistics based on gender, age, educational attainment, and investment experience. The majority of respondents were female, accounting for 55 per

Table 2.
Descriptive statistics

Item	Statements	Mean	Median	Min	Max	Standard deviation
IB_1	I trust my feelings and inner reactions when making investment decisions.	5.219	6	1	7	1.465
IB_2	I usually make investments that feel right to me.	5.364	6	1	7	1.432
IB_3	I rely on my instincts or intuition when investing in stocks.	4.723	5	1	7	1.716
IB_4	I tend to rely on intuition when making stock investments.	4.702	5	1	7	1.733
IB_5	It is more important for me to feel that an investment is right than to have a rational reason when making stock investments.	4.872	5	1	7	1.724
ES_1	I rarely feel anxious without a clear reason.	5.864	6	3	7	0.887
ES_2	I am not easily angered by obstacles.	5.930	6	3	7	0.823
ES_3	I am confident in social situations.	5.921	6	3	7	0.871
ES_4	I do not easily give up and feel sufficiently empowered to face life.	6.000	6	3	7	0.818
ES_5	I am able to control my impulses.	6.202	6	2	7	0.870
ES_6	I find it easy to handle high-pressure situations.	5.921	6	3	7	0.899
PT_1	I work hard to achieve my goals.	6.318	7	3	7	0.829
PT_2	When I make a commitment, I can always be relied upon to follow through.	6.157	6	3	7	0.867
PT_3	I have clear investment goals.	6.343	6	3	7	0.773
PT_4	I consistently make efforts to achieve my goals.	6.190	6	3	7	0.836
PT_5	I am able to control myself in uncertain situations.	6.008	6	3	7	0.891
PT_6	I always take responsibility for all investment decisions I have made.	6.347	6	3	7	0.774
PT_7	I always conduct thorough analysis before investing.	6.190	6	4	7	0.759
PT_8	I am capable of fulfilling all of my obligations.	6.326	6	3	7	0.764
PT_9	I will take the necessary action objectively when required.	6.215	6	3	7	0.774
PT_10	I strive to comply with all regulations set by the Financial Services Authority.	6.455	7	2	7	0.803
PT_11	I strive to adhere to all societal norms.	6.446	7	3	7	0.787
PT_12	I have sufficient competence in managing my investment activities.	6.099	6	3	7	0.935
SO_1	Having long-term goals is important to me, even if it means sacrificing immediate satisfaction.	5.764	6	2	7	1.044
SO_2	I believe that perseverance is crucial to achieving success.	5.802	6	3	7	0.915
SO_3	I prioritize future rewards over immediate ones.	5.521	5	2	7	1.045
SO_4	The ability to adapt to changes for long-term gain is highly valuable.	5.686	6	3	7	0.996

cent of the sample. Respondents' ages were grouped into four categories: ≤ 30 years, 31–40 years, 41–50 years, and ≥ 51 years. The age group of ≤ 30 years constituted the largest proportion, with 87.6 per cent, whereas the ≥ 51 years group represented the smallest

proportion at only 0.83 per cent. In terms of educational background, 78.5 percent of respondents held qualifications ranging from diploma to postgraduate levels, while 21.1 per cent had completed secondary education. Regarding investment experience, the majority of

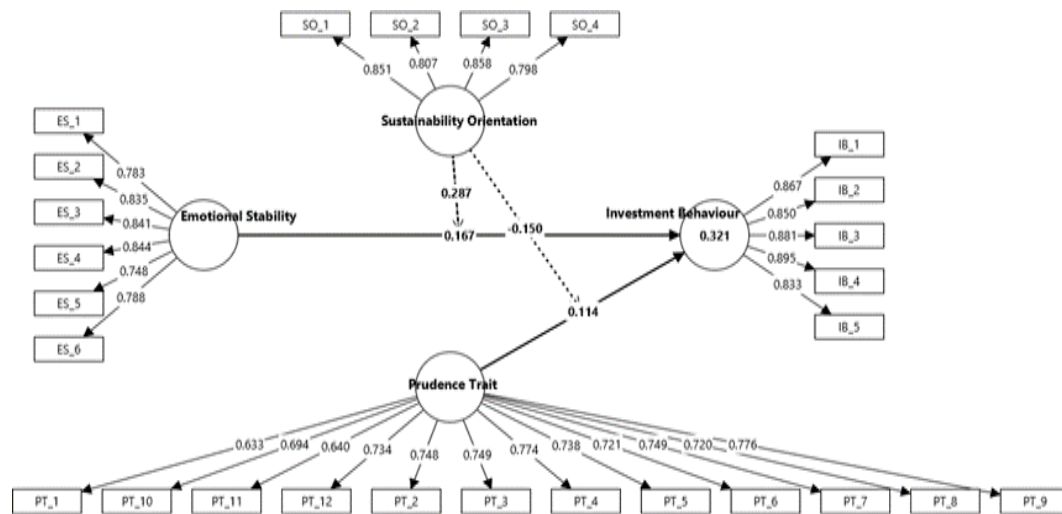


Figure 1.
Output of PLS algorithm

respondents (80 per cent) reported having four or more years of investment experience, whereas the remainder had less than four years of experience.

Table 2 presents the descriptive statistics for each measurement item, illustrating the respondents' views and Behaviours regarding investment aspects. The average values across most of the items related to intuitive beliefs suggest that respondents are more inclined to trust their feelings and inner reactions when making investment Behaviour, although there is a lower tendency to rely solely on instinct. An average score greater than 4 indicates a moderate inclination to

depend on intuition in investment Behaviour. Respondents also exhibit emotional stability. The high average score for the items related to emotional stability indicates that respondents feel capable of controlling themselves in social and emotional situations. Most respondents report rarely feeling anxious without a clear reason, being less prone to anger, and displaying confidence in social settings. They also feel competent in handling life's pressures and challenges effectively. In terms of responsibility and compliance, respondents exhibit a high level of adherence to rules and social norms, as well as responsibility in investment Behaviour. With

Table 3.
Discriminant validity

Variable	<i>Prudence Trait</i>	Emotional Stability	Investment Behaviour	Sustainability orientation	Em_stab x Sus_ori	Pru_trait x Sus_ori
<i>Prudence Trait (Pru_trait)</i>	0.787					
Emotional Stability (Em_stab)	0.778	0.846				
Investment Behaviour (In_Be)	0.410	0.443	0.700			
Sustainability Orientation (Sus_ori)	0.681	0.832	0.540	0.738		
Em_stab x Sus_ori	0.479	0.527	0.037	0.341	1	
Pru_trait x Sus_ori	0.613	0.462	0.094	0.296	0.870	1

Table 4.
Construct validity and reliability

Variable	Cronbach's alpha	Rho_A	Composite reliability (rho_c)	Average variance extracted (AVE)
Prudence trait	0.918	0.924	0.930	0.525
Emotional stability	0.893	0.898	0.918	0.652
Investment behaviour	0.917	0.930	0.937	0.749
Sustainability orientation	0.849	0.866	0.898	0.687

high average scores, respondents show a tendency to act objectively, conduct thorough analyses before investing, and always strive to fulfil their obligations with significant responsibility. Responses regarding future orientation reveal that respondents place greater value on long-term goals, although they also consider short-term rewards when making investment decisions. The average score indicates that, while respondents prioritise long-term objectives, some still take immediate rewards into account in their Behaviour process.

Subsequent researchers conducted a goodness of fit analysis for the outer and inner models using the Partial Least Squares (PLS) method. For the outer model, the analysis was carried out by evaluating convergent validity, discriminant validity, and reliability, while the inner model was assessed based on path coefficients and R-squared values. To perform the goodness of fit test, two outputs are required: the PLS algorithm output for the outer model and the bootstrap output for the inner model. Figure 2 presents the results from the PLS algorithm, where the numbers located to the left of the variables represent the outer loadings. These factor loadings are used to evaluate convergent validity, which measures the extent to which a set of indicators can represent the underlying latent variable. Convergent validity aims to assess the accuracy of the relationship between indicators and the latent construct they represent. As an indicator of good convergent validity, a measurement item is considered valid if its outer loading is greater than 0.6.

Figure 2 presents the outer loading values more clearly. These values indicate the correlation between the indicators and their respective constructs. Indicators with low outer loading values suggest that they do not perform well within the measurement model. All measurement items for the latent variables demonstrate outer loading values greater than 0.6. These items are strongly correlated with the variables of Investment Behaviour,

Emotional Stability, Prudence Trait, and Sustainability Orientation. Upon closer examination, the highest outer loading value is 0.895, with an average value of 0.783. This can be interpreted to mean that the measurement items appropriately represent their corresponding latent variables. Convergent validity can also be assessed by examining the average variance extracted (AVE) values. The AVE values in Table 5 confirm the outer loading results. If the AVE value is ≥ 0.50 , the variable is considered to have good convergent validity. Based on Table 5, all variables have AVE values of ≥ 0.50 . Therefore, all variables exhibit good convergent validity.

Discriminant validity refers to the ability of a construct or latent variable to be distinguished from other constructs or latent variables measured in the research. It indicates that the indicators used to measure a specific construct do not correlate with indicators from other constructs measured in the study. Discriminant validity can be assessed by comparing the square root of the Average Variance Extracted (AVE) with the correlation values between constructs. Discriminant validity is established if the square root of the AVE exceeds the correlation values between constructs. Table 4 presents the square root of the AVE, located in the cells forming the diagonal line of the table. The square root of the AVE for Prudence Trait is 0.727, which is greater than the correlation between Prudence Trait and other constructs, such as Emotional Stability (0.778), Investment Behaviour (0.410), Sustainability Orientation (0.681), Em_stab x Sus_ori (0.479), and Pru_trait x Sus_ori (0.613). The same calculation applies to the other variables. The square root of the AVE for Emotional Stability is 0.846, which is greater than the correlation between Emotional Stability and other constructs, such as Investment Behaviour (0.443), Sustainability Orientation (0.832), Em_stab x Sus_ori (0.527), and Pru_trait x Sus_ori (0.462). The

square root of the AVE for Investment Behaviour is 0.700, which exceeds the correlation between Investment Behaviour and Sustainability Orientation (0.540), Em_stab x Sus_ori (0.037), Pru_trait x Sus_ori (0.094). The square root of the AVE for Sustainability Orientation is 0.738, which is higher than the correlation between Sustainability Orientation and Em_stab x Sus_ori (0.341) and Pru_trait x Sus_ori (0.296). The square root of the AVE for Em_stab x Sus_ori is 1, which exceeds the correlation between Em_stab x Sus_ori and Pru_trait x Sus_ori (0.870). Therefore, all latent variables can be discriminated from other constructs or latent variables measured in this study.

Reliability can be assessed through Cronbach's alpha or composite reliability. Cronbach's alpha reflects the level of internal consistency that is deemed acceptable within a set of questions or survey items. A Cronbach's alpha value of ≥ 0.7 signifies good internal consistency, indicating that the items within a set are interrelated. A high Cronbach's alpha value suggests strong congruence between items, thereby indicating that the set of questions collectively measures the same concept effectively. According to Table 4, all variables have a Cronbach's alpha value > 0.70 , which indicates a good level of internal consistency. In contrast, the value of composite reliability reflects the internal consistency of a variable or construct. Composite reliability quantifies the actual reliability of a variable. A composite reliability value of ≥ 0.70 is considered satisfactory, while a value ≥ 0.60 is still deemed acceptable. Based on Table 5, all variables exhibit a composite reliability value > 0.70 , confirming that all variables can be incorporated into the model and proceed to the subsequent stage of analysis.

After assessing the goodness of fit of the outer model, the researcher proceeds to

examine the inner model. A bootstrapping test is conducted to determine the R-squared value and the results of the path analysis. R-squared is employed to assess the extent to which the variance in the dependent variable can be explained by the independent variables in the model. According to the analysis results, the R-squared value is 0.395, with an adjusted R-squared of 0.321. These findings indicate that 32.1% of the variance in the dependent variable is explained by the independent variables, while the remaining 67.9% is explained by factors outside the model. Additionally, based on these findings, the model in this study exhibits a moderate strength.

The structural model was estimated using PLS-SEM to examine the direct effects of Emotional Stability and Prudence Trait on Investment Behaviour, as well as the moderating role of Sustainability Orientation. The structural relationships among the study variables are represented by the following equation:

$$\text{In_be} = 0.167 \text{ Em_stab} + 0.114 \text{ Pru_trait} + 0.385 \text{ Sus_ori} + 0.287 \text{ Em_stab} \times \text{Sus_ori} - 0.150 \text{ Pru_trait} \times \text{Sus_ori} + \varepsilon \dots\dots\dots(1)$$

Where In_be denotes Investment Behaviour, Em_stab denotes Emotional Stability, Pru_trait denotes Prudence Trait, Sus_ori denotes Sustainability Orientation, and ζ represents the residual (error) term capturing the unexplained variance in Investment Behaviour. The interaction terms Em_stab*Sus_ori and Pru_trait*Sus_ori represent the moderating role of Sustainability Orientation. The estimated path coefficients corresponding to the hypothesized relationships are presented in Table 5. Figure 3 presents the path analysis of this study. The values located between the variables represent the t-statistic and p-value.

Table 5.
Path analysis

Relationship between variables	Path Coefficient (β)	P values	Hypothesis testing result
Prudence Trait -> Investment Behaviour	0.114	0.103	Not supported
Emotional Stability -> Investment Behaviour	0.167	0.036	Supported
Sus_ori x Pru_trait -> Investment Behaviour	-0.150	0.016	Supported
Sus_ori x Em_stab -> Investment Behaviour	0.287	0.000	Supported
Adjusted R ² = 0,321			

Table 5 provides clearer information to make decisions regarding the acceptance or rejection of hypotheses. Researchers can examine the p-value or t-statistic value. Hypothesis testing is conducted using a significance level of 0.05 or a t-statistic value of 1.96. An independent variable significantly influences the dependent variable if the p-value is less than or equal to 0.05, or if the t-statistic value is greater than 1.96. A variable is considered to moderate the influence of an independent variable on the dependent variable if the p-value is less than or equal to 0.05, or if the t-statistic value is greater than 1.96. Emotional Stability has a significant positive effect on Investment Behaviour, as indicated by the p-value of 0.036. The findings of this study support the Big Five personality model and previous research indicating that personality traits significantly influence investment behaviour (Husnain et al., 2019; Jiang et al., 2024; Roberts et al., 2005; Rizvi & Fatima, 2015). Prudence trait does not have a significant effect on Investment Behaviour, as shown by the p-value of 0.103. Sustainability Orientation moderates the effect of Emotional Stability on Investment Behaviour, as indicated by the p-value of 0.00. Sustainability Orientation moderates the effect of Prudence trait on Investment Behaviour, as shown by the p-value of 0.016. These results align with previous research emphasizing the importance of sustainability orientation in investment behaviour (Li et al., 2021); (Escrig-Olmedo et al., 2017); (Pedersen et al., 2021); (Khemir et al., 2019); (Hinze & Sump, 2019); (Alareeni & Hamdan, 2020); (van Duuren et al., 2016); (She & Michelon, 2019); (Adam & Shauki, 2014)

DISCUSSION

The present study demonstrates that emotional stability has a significant positive effect on investment Behaviour, indicating that investors who are able to regulate their emotions are more likely to make disciplined and consistent investment decisions. This finding supports prior studies showing that emotionally stable individuals tend to respond more rationally to financial uncertainty and market volatility because they are less susceptible to anxiety and impulsive reactions (Husnain et al., 2019; Jiang et al., 2024). The result is also consistent with the argument of Rizvi and Fatima that personality traits can explain differences in financial Behaviour through individual psychological tendencies.

In the context of this study, emotional stability appears to strengthen investors' ability to maintain judgement under pressure, thereby improving the quality of investment decisions. This finding confirms that emotional regulation remains an important Behavioural mechanism in explaining investment actions in uncertain financial environments.

In contrast, prudence trait does not show a significant direct effect on investment behaviour, suggesting that being careful, organised, and responsible may not automatically lead to stronger investment decision making. Although previous studies reported that prudence can contribute to structured financial behaviour (Nga and Ken Yien, 2013; Kourtidis et al., 2017; Baker et al., 2019), the present finding indicates that such characteristics may not independently determine investment actions. A possible explanation is that highly prudent investors may become excessively cautious, causing hesitation in responding to changing market opportunities. This result suggests that prudence alone may function more as a personal control mechanism rather than as a direct determinant of investment behaviour. Therefore, the role of prudence may depend on additional contextual factors that can transform cautious attitudes into concrete investment actions.

The analysis further reveals that sustainability orientation has a significant positive influence on investment behaviour, indicating that investors with stronger long-term sustainability concerns are more likely to engage in deliberate investment decisions. This finding is aligned with previous research which shows that environmental, social, and governance considerations increasingly shape investor preferences and decision processes (Li et al., 2021; Escrig-Olmedo et al., 2017; Pedersen et al., 2021). Investors who emphasise sustainability may evaluate investment alternatives not only in terms of short-term returns but also in relation to long-term value creation. The result supports the argument that sustainability orientation represents a cognitive perspective that encourages more responsible financial choices. In this study, sustainability orientation emerges as an important explanatory factor that extends traditional behavioural finance perspectives by incorporating broader social and environmental considerations into investment behaviour.

More importantly, the findings confirm that sustainability orientation significantly moderates the relationship between personality traits and investment behaviour. The positive interaction between sustainability orientation and emotional stability indicates that emotionally stable investors become more effective in translating their psychological resilience into investment actions when they possess stronger sustainability values. This finding supports the proposition that long-term sustainability concerns can reinforce the Behavioural effect of emotional control in financial decision making. Trait does not exert a significant direct effect on Investment Behaviour, the significant interaction suggests that its influence varies across different levels of Sustainability Orientation. However, the significant negative moderating effect between Sustainability Orientation and Prudence Trait indicates that Sustainability Orientation weakens the relationship between Prudence Trait and Investment Behaviour. Although Prudence Trait does not exert a significant direct effect on Investment Behaviour, the significant interaction suggests that its influence varies across different levels of Sustainability Orientation. This finding also has practical implications, indicating that Prudence Trait becomes a less influential determinant of Investment Behaviour among investors with higher Sustainability Orientation. Consequently, this study extends previous research on sustainable investing by demonstrating that Sustainability Orientation moderates the relationship between Prudence Trait and Investment Behaviour, highlighting the importance of considering contextual factors when examining the role of personality traits in investment behaviour.

Theoretical implications

This study offers several theoretical implications for the literature on behavioural finance and sustainable investment. First, the findings extend prior studies on personality and financial behaviour by demonstrating that emotional stability is a more relevant predictor of investment behaviour than prudence trait. While previous research has generally suggested that both personality dimensions can influence financial decisions, the present study shows that emotional regulation plays a more direct role in shaping investment actions. This finding refines the application of the Big Five personality perspective in investment

research by identifying emotional stability as a more robust Behavioural determinant in uncertain financial contexts.

Second, this study contributes to the growing literature on sustainable investment by showing that sustainability orientation functions not only as an independent determinant but also as a moderating mechanism between personality traits and investment behaviour. The significant interaction effects indicate that sustainability orientation changes the way psychological characteristics are translated into financial decision making. This finding provides a broader conceptual understanding of investment behaviour by integrating psychological and sustainability perspectives into a single framework. Consequently, the study enriches Behavioural finance theory by explaining that investor behaviour may be shaped not only by internal personality traits but also by long-term value orientation toward sustainability.

Practical implications

The findings of this study also provide important practical implications for investors, financial institutions, and policymakers. For individual investors, the results suggest that strengthening emotional self-regulation may improve the quality of investment decisions, particularly in volatile market conditions. Investors who can manage stress and uncertainty more effectively are more likely to make consistent decisions aligned with their long-term financial objectives. Therefore, investor education programmes should not focus solely on financial literacy but should also include Behavioural awareness and emotional management in investment behaviour.

For financial institutions and regulators, the results indicate that sustainability orientation can play an important role in promoting responsible investment behaviour. Investment service providers may consider incorporating sustainability-related information into advisory services to help investors align their financial decisions with long-term social and environmental values. In addition, policymakers may encourage sustainable investment participation by improving ESG disclosure standards and increasing public awareness regarding sustainable finance. Such efforts may help create a more stable investment environment in which

psychological factors and sustainability considerations jointly support better investment behaviour. The findings of this study have important implications for the Financial Services Authority (Otoritas Jasa Keuangan/OJK), which may further promote sustainable investment through strengthened ESG disclosure standards, expanded investor education programmes integrating financial literacy with behavioural awareness, and regulatory guidance that encourages investors to adopt more sustainable investment behaviour.

Limitations and future research

One important consideration in interpreting the findings relates to the demographic composition of the sample. The respondents were largely concentrated among younger investors aged 30 years or below and were modestly represented by a higher proportion of female participants, which may limit the broader applicability of the findings across the wider investor population in emerging markets. Younger investors may differ from older investor groups in terms of risk tolerance, responsiveness to market fluctuations, and psychological adjustment to financial uncertainty, which could influence the relationship observed between personality traits and investment behaviour. Accordingly, the findings should be interpreted within the demographic context of the present sample, particularly when considering their relevance to investor groups with different demographic profiles.

Future research may extend the present study in several ways. First, broader and more demographically diverse samples could be employed to improve the generalizability of the findings across different investor groups. Second, future studies may incorporate additional personality dimensions within the Big Five framework to provide a more comprehensive explanation of investment behaviour. Third, the measurement of investment behaviour may be expanded by including objective indicators such as portfolio diversification, trading frequency, and risk-taking intensity.

CONCLUSION

The present study examines the influence of prudence trait and emotional stability on investment behaviour, while simultaneously evaluating the moderating role of sustainability orientation. The findings affirm the importance

of personality traits in shaping individual investment behaviour, with emotional stability emerging as a particularly significant predictor. By contrast, prudence does not exhibit a direct effect, indicating that not all personality dimensions are translated into observable financial decision-making outcomes. More importantly, the results demonstrate that sustainability orientation strengthens the relationship between emotional stability, prudence trait, and investment behaviour. These findings underscore the growing importance of ESG-related considerations in behavioural finance and suggest that sustainability orientation functions as a meaningful boundary condition in the relationship between personality and investment behaviour.

Theoretically, this study contributes to the behavioural finance literature by integrating sustainability orientation as a moderating variable, thereby extending existing personality-based models of investment behaviour. By focusing on specific dimensions of the Big Five framework, the study provides a deeper understanding of how particular personality traits interact with evolving sustainability preferences in shaping financial decisions. Practically, the findings offer valuable insights for individual investors, financial advisors, and corporate issuers. Investors are encouraged to consider both their psychological characteristics and sustainability preferences when making investment decisions. Financial service providers may incorporate these dimensions into investor profiling tools in order to align investment products more effectively with client characteristics. For corporate issuers, the findings suggest that strengthening ESG practices may enhance their attractiveness to sustainability-oriented investors, particularly those with emotionally stable profiles.

Additionally, this study offers broader economic implications. The dominant role of emotional stability reinforces the behavioural finance perspective that market outcomes are influenced by psychological factors and investor heterogeneity rather than purely rational considerations. The moderating role of sustainability orientation further indicates a shift in investor preferences toward ESG-aligned investments, which may contribute to more stable capital flows for firms with strong sustainability performance. Nevertheless, this trend may also create market segmentation that could disadvantage firms with weaker ESG adoption, particularly in emerging markets. Furthermore, in the absence of robust ESG

standards and transparent disclosure, the increasing emphasis on sustainability orientation may heighten the risk of greenwashing and inefficient capital allocation. This risk is particularly relevant in emerging markets such as Indonesia, where ESG reporting practices continue to evolve and the quality of sustainability disclosure remains heterogeneous across firms. Under these circumstances, investors may find it difficult to distinguish firms with genuinely strong sustainability performance from those engaging in symbolic ESG communication (greenwashing), potentially leading to inefficient capital allocation and reduced public confidence in sustainable investment.

Finally, although the use of a narrowly defined sample may limit the generalizability of the findings, this focused approach also helps reduce unobserved heterogeneity, thereby strengthening the internal validity of the study. Future research is therefore encouraged to extend this work by incorporating broader and more diverse samples, as well as additional personality dimensions, in order to further validate and generalize the findings across different contexts.

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APPENDIX

Variable definition, indicator, and measurement item

Variable	Definition	Indicator	Measurement item
Investment Behaviour (IB)	A pattern of responses that form a habitual behaviour shown by individuals in intuitively allocating funds (Scott and Bruce, 1995; Rasheed et al., 2018; Ahmad and Wu, 2022)	(1) Intuitive trust in investment (2) Emotional comfort in investment	IB_1: I trust my feelings and inner reactions when making stock investments. IB_2: I usually make investments that feel right to me. IB_3: I rely on my instincts when investing in stocks. IB_4: I tend to depend on intuition when making stock investments. IB_5: It is more important for me to feel that an investment is right than to have a rational reason when making stock investment decisions.
Emotional Stability (ES)	A condition that reflects the extent to which individuals can regulate and manage their emotions, especially in the face of pressure or challenging situations (John et al., 2008; Husnain et al., 2019)	(1) Emotional balance (2) Self-confidence (3) Mental and emotional resilience	ES_1: I rarely feel anxious for no apparent reason. ES_2: I do not get angry easily just because someone gets in my way. ES_3: I am confident in social situations. ES_4: I do not give up easily and feel quite capable of handling life. ES_5: I am able to control my impulses. ES_6: I find it easy to deal with stressful situations.
Prudence Trait (PT)	A personality trait that refers to the tendency to prefer organised and planned behaviour rather than impulsive and unpredictable actions (De Young et al., 2007; Roberts et al., 2005; Moora-dian and Olver, 1997; Raja et al., 2004; Renner, 2002)	(1) Hard work and perseverance (2) Commitment and accountability (3) Investment goals and planning (4) Self-control and decision-making (5) Analysis and readiness (6) Compliance with rules and norms	PT_1: I work hard to achieve my goals. PT_2: When I make a commitment, I can always be relied upon to follow through. PT_3: I have clear investment goals. PT_4: I make consistent efforts to realise my goals. PT_5: I can control myself in uncertain situations. PT_6: I take full responsibility for all investment decisions I make. PT_7: I always conduct thorough analysis before investing. PT_8: I am able to complete all my assigned tasks. PT_9: I promptly take necessary action based on objective evaluation. PT_10: I try to comply with all regulations set by the Financial Services Authority. PT_11: I aim to adhere to all prevailing societal norms. PT_12: I possess adequate competence to carry out my investment activities.

Sustainability Orientation (SO)	A dimension of Long-Term Orientation (LTO) reflecting the focus on long-term effort, perseverance, and wise resource management to achieve future sustainable outcomes (Yoo, Donthu and Lenartowicz, 2011)	(1) Long-term orientation (2) Perseverance and adaptability	SO_1: I consider having long-term goals important, even if it requires sacrificing immediate gratification. SO_2: I believe that perseverance is essential for achieving success. SO_3: I prioritise future rewards over immediate ones. SO_4: The ability to adapt to change for long-term benefit is highly valuable.
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