

Influence of Demographic and Behavioral Characteristics on Financial Decision Making While Assessing Risk and Return

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Abstract

Risk acceptance of managers is affected by several factors. It is realized that, along with other factors, several behavioral factors also play their role in molding manager's decisions towards projects. It is observed that, sometimes managers go for the decision which they were supposed to reject as rational decision makers and sometimes they reject projects that should have been accepted. Major concerns behind every decision are the consideration of risk associated with each decision. This study is conducted to consider various factors, particularly related to personality, affecting risk acceptance of managers. Model is developed while considering all the important personality traits that have strong influence on risk acceptance of managers. In this particular study, the impact of various demographic factors including; age, Gender, marital status, education level along with some behavioral factors i.e. excessive optimism, overconfidence, and emotional intelligence is identified that influence the Financial decision making process.

Keywords: Gender, Marital Status, Education Level, Excessive Optimism, Overconfidence, Emotional Intelligence, Linear Regression, Anova

Introduction

Decision-making is one of the basic responsibilities; everyone has to perform in his or her daily life. Decision taken by a person, not only affect himself /herself only, but every decision has its implications either directly or indirectly, on the lives of people associated with the decision taker. Some decisions are personal in nature while some taken at professional level. Decisions taken at professional level have critically importance as future of a particular firm, and of number of people operating under it, is at stake due to such decision. Professional decisions made at managerial level, where managers took decision for the organization. Managers are supposed to take number of decisions on daily basis, Out of them some decisions are taken in routine while other possess greater significance that needs a lot of working before implementation, not only by the managers but also by all the concerned personnel. Therefore, decision marking ability of a person, performing the duty of manager, must be flawless. It is very difficult for managers to achieve such level of perfection without adequate level of experience, Skill, knowledge and expertise of the pertinent field.

Whenever a discussion of risk association with a particular decision is undergone, the whole decision making process become crucial for every stakeholder. By the term risk, only financial risk is not meant, but every chance of uncertainty associated with each decision is also taken into account. However whenever financial risk of a project is observed, the responsibility of manager increases manifold. It is because their decision of accepting or rejecting a project decides not only the future of the firm but also the employers and other stakeholders who get affected directly from such decisions. Such decisions are pretentious by the personal level of risk acceptance of the managers (Elton *et al.*, 2003).

This study is conducted to consider various factors, affecting risk acceptance of managers, particularly related to their personality. Model is developed while considering all the important personality traits that have strong influence on risk acceptance of managers. It incorporates several demographic and psychological variables. Factors discussed in the presented study have never been studied in the form of model; furthermore, emotional intelligence has never been considered in reference to risk acceptance. This particular gap is tried to get filled by the presented study.

Literature Review

Risk is concerned as one of the most important variable that molds an individual's choice of acceptance or rejection of any alternative or making decision. Importance of risk is un-negligible as shown by its position in "Decision Theory" and by its presence in managerial ideology. Risk is most commonly defined as possible deviation from expected outcome. Generally, it is associated with chances of gain or loss, associated with a particular alternative (Pratt & John, 1964). Risk is normally evaluated against expected return. The relationship

between risk and return is proving positive in traditional corporate finance. Usually all theories holds the view that decision maker prefers less risk keeping other factors (e-g expected return) constant. Similarly, decision makers prefer large return keeping other factors (e-g risk) constant (Lindley, 1973). Extensive research shows that decision makers are normally risk averse in nature, they usually prefer to take project with normal risk and even if they had to bear risk, they demand really higher returns as compensation of bearing risk (Pratt & John, 1964; Sharpe, 1964; Lintner, 1965). Risk propensity of a person has strong impact on decision-making (Kogan & Wallach, 1964; Maccrimmon *et al.*, 1986; Jaggia & Thosar, 2000). Most of the time people relate negative outcomes with risk instead of associating any variability (Levinthal *et al.*, 1981). So many previous studies and research have conducted in this scenario. Risk aversion was compared with profit maximization (Taylor, 1986). Sometimes, it is considering in the light of brand loyalty and trust (Matzler *et al.*, 2008). Some researchers have associated with psychological factors (Zaniboni *et al.*, 2010). Individual's attitude, towards risk is also influenced by his/her knowledge and skills (Dean, 2010). Research is evident that people's decisions are largely affected by their risk perception (Elton *et al.*, 2003). Most of the time people associate risk with variability in possible outcomes of their decisions (Eeckhoudt, *et al.*, 2005).

Gender is one of the most important demographic factors, which has its impact on every individual in most of the decision both personal and professional. It is derived from research that females are more risk avoiders the males as they are more careful and receptive for losses as compared to gains (Harrtell E., 2007). It is quite evident from the literature that due to natural in built differences regarding behavior, females make profit and loss estimation differently than the males (Duda *et. al.*, 2006; Olsen and Cox, 2001). Women are found to opt make risk avoiding options even with low rewards, then men (Sylvia *et al.*, 2010). Recent corporate finance literature clearly shows that companies' corporate governance and financial performance is affected to a certain and obvious level by the gender especially at executive and directorial level (Carter *et al.*, 2003; Erhardt *et al.*, 2003; Farrell & Hersch, 2005; Rose, 2007; Compbell & Vera, 2008; Adams & Ferreira, 2009). Furthermore, while observing psychological factors and management literature, it has been observed that gender differences do influence as far as risk aversion and conservatism is concerned (Powell & Ausic, 1997; Koplos & Bernasek, 1998; Byrnes *et al.*, 1999; Schobest, 2006). It is also noticed that gender of firm's executive, effects financial reporting as well. It observed that firm with female CFOs go for income decreasing financials accruals and chose more conservative financial reporting techniques (Peni & Vahamaa, 2010). Along with other logics, research suggests that biological differences between males and females are also a reason of women's more risk averseness then men (Zuckerman, 1994; Witt, 1994). Some of socio- culture reason also effect gender difference in taking the risk preferences i.e. men are more risk takers then women (Felton *et al.*, 2003). Not only during job female professionals take less risky decisions, but also go for less beneficent but confirmed choices for their pension funds and other retirement benefits (Watson & Naughton, 2007). Due to such risk averse behavior female workers remain less beneficent then men. They not only choose low risk low reward retirement policy but usually get retired earlier, which ultimately results in weaker financial position as compared to men (Watson & Naughton, 2007). Literature survey is not the only tool used to find out the impact of gender differences towards risk acceptance attitude. Some brain storming sessions have also been conducted from the relevant environment. For this purpose, various interviews were conducted from female professionals associated with different professions followed by the interviews of male workers working in similar professions and positions. The results found were quite familiar with literary evidences. In fact, in Pakistani society, impact of gender differences is more evident than any other society due to its cultural and religious peculiarities. Here women are risk averse not only because of their own natural and psychological contexts, but by virtue of cultural and religious boundaries.

As far as risk perception is concerned, research shows that risk acceptance of an individual, decreases with age because of reduction in investment horizon and increase in risk aversion (Samuelson, 1991; Cocco *et al.*, 2005). Older professionals are found more risk averse than their younger counterparts (Bakshi *et al.*, Chen, 1994; Campbell & Viceira, 2002). The relationship between age and risk tolerance were for the very first time studied in by Wallach and Kogan, and with research it was proved that younger show different attitude towards risk acceptance than elders (Kogan & Wallach, 1964; McInish, 1982; Morin & Suarez, 1983). Afterwards, most of the research has proved negative relationship between risk acceptance and age (Bajtelstmit *et al.*, 1999). Young people are naturally more risk takers then older people (Quadrel *et al.*, 1993). With the increase in age, people become more defensive. Old people are more concerned about their vulnerability towards risk then young individuals (Steinberg, 2007). This attitude becomes more crucial when loss is observed in any decision, even if its chance of occurrence is relatively low. Young managers are psychologically strong and enthusiastic and want to take challenging decisions. Old people are more concerned about their vulnerability towards risk then young individuals (Steinberg, 2007). When it comes to investment decision, younger people are found to be more interested in making investments in risky assets (McInish, 1982; Veld C. & Veld Y., 2008; Frijns, 2008; Hallahan, 2003). Whereas, older people show higher level of risk aversion than younger people (Bakshi & Chen, 1994; Morin & Suarez, 1983; Grable, 2000; Hallahan, 2003) Simply saying, there exists a negative relationship

between age and risk taking (Chen & Chun, 2011; Jaggia & Thosar, 2000).

Marital status is the demographic variable on which very little research is being done. Especially in case of risk acceptance very little research evidences are found on this particular variable. However, marital status is presumed to affect risk acceptance however the nature of relationship is still not clear enough (Chou *et al.*, 2010). One point of view is that unmarried person are more risk taker than married as they have less responsibilities than married, so with less pressures one mind they are more comfortable with risky chances. Furthermore, unmarried people are less vulnerable to social risk i.e. potential loss of esteem; they go for more risky decision (Roszkowski *et al.*, 1993). However, other viewpoint presents total contradictory findings. It is also proved in research that married people go for more risky decisions as compare to unmarried people. It is because due to practical experience, married person's ability to absorb unexpected outcomes or simply saying risk acceptance is far greater than unmarried individuals (Grable, 2000; Grable & Lytton, 1999). Although findings regarding nature of relationship between marital status and risk acceptance is not clear but research has proved that people with different marital status deals quite differently with financial information and issues (Hallahan, 2003). Singles are found to be more risk takers than married people (Baker H & Haslem, 1974; Roszkowski *et al.*, 1993). Similarly, unmarried individuals are found involved in more risky decisions than married people (Iqbal Mahmood *et al.*, 2011). As single individuals are more enthusiastic in nature and willing to take chances, so when comes to professional decision making, single managers are more risk takers than married managers (Hallahan, 2003). Similarly, risk acceptance of singles has proved higher than married decision maker, through research (Veld C. & Veld Y., 2008). Married decision makers are found to be least interested in portfolio choices and are less risk tolerant (Chou *et al.*, 2010). Individual's decisions are get affected by their marital status (Mahmood *et al.*, 2011) After getting married people's exposure, their attitude towards life, their preference everything get changed with presence in responsibilities and all these factor do affect decision making as well (Yao & Human, 2005; Chen & Chun, 2011).

Education level of an individual is found to be an important factor in analyzing his/her risk acceptance. Education is one of the most important factors that play a critical role in enhancing a person's personality. As people move on to higher level of education, their exposure becomes vast and their experience, skills, knowledge get enriched (Baker & Haslem, 1974; Haliassos & Bertaut, 1995). Higher education level not only help individual in taking decision at personal level, but also its performance increases manifold when its implications are studied at professional level. Managers with higher level of education show different decision making their counterparts with lower level of education (Riley *et al.*, 1992). People's higher level of risk acceptance is positively correlated with higher education (Chen & Chun, 2011). With increase in education, people's skill, knowledge and capabilities also increase. These enhanced capabilities allow people (managers) to better evaluate different projects and increase their acceptance of risk (Shaw, 1996; Schooley & Worden, 2001). Research shows that managers with higher education level exhibits more risk tolerance (Baker & Haslem, 1974). It is proved through literary evidences that decision makers with higher level of education go for more risky decisions while decision makers whose education level is low usually exhibit more risk averse attitude (Grable, 2000; Veld & Veld Y., 2008).

"The glass is half full" & "The glass is half empty", is the phrase critically known to judge one's general attitude towards expectation of good or bad i.e. optimistic or pessimistic behavior. According to some of the researchers, optimistic person usually show better work performance than pessimistic people do (Begley *et al.*, 2000; Xanthopoulou *et al.*, 2007). Furthermore, optimistic people enjoy better social relationships (Sumi, 2009). Better social relationships definitely help in generating long-term brand loyalty. Nevertheless, everything remains good to some extent and extreme of anything is dangerous. Similarly, when an individual goes unnecessarily over optimistic, he/she is highly criticized for closing his/her eyes from reality and expecting the best from the situation. In addition, such over optimistic professionals remain unable to closely analyze all alternatives while making decision, and those decisions turn out disastrous for organizations (James *et al.*, 2011). Especially when Manager getting over optimistic take unnecessary risk and do not examine all the options carefully, such decisions could create financial losses for the organizations (James *et al.*, 2011). Over optimistic entrepreneurs mistakenly take their useless initiative as useful step & afterward investors have to face the music because of adverse selection by management of Company. There exists a strong difference between optimism and opportunism as optimism involves an unconscious bias, which affects the evaluation of any project or invention. This particular bias may lead to a wrong decision and involvement of unnecessary risk (Dushnitsky, 2010).

Over confidence is a sort of bias that enforces an individual to overestimate his/her capabilities and simply saying regard himself/herself above average. Over confident investors over estimate accuracy of their evaluations and underestimate, the risk associated with their decision and go for biased decisions (Odean & Terrance, 1999). It is also argued that decision makers or investors who are over confident about their skills and relevant knowledge go for more risky decisions (Graham, 2009). Furthermore, people are found to be over confident in their decision-making by depending much on their own capabilities and knowledge (Russo &

Schoemaker, 1992). Mostly corporate executives and management students are particularly affected by this self-serving bias (Larwood & Whittaker, 1977). Usually, over confident decision makers associate higher chances of success with their decisions, they attribute success with their own actions and strategies and consider failure due to bad luck (Miller & Ross 1975; Feather & Simon, 1971). Normally managers are prone to this self-serving or over confidence bias (Moore, 1977). As they overestimate the accuracy and reliability of their information (Alpert & Raiffa, 1982; Fischhoff, 1977). This over confidence bias leads managers towards risky decision-making. As research has proved that people who perceive themselves above average or who are over confident also over estimate their competencies (Graham, 2009). In addition, people or managers, who over estimate their competency may be due to skill and knowledge, are more inclined towards risky decisions (Heath & Tversky, 1991).

“Emotional Intelligence” means individuals’ ability to control not only one’s own emotions but also to utilize other people’s emotions according to one’s own requirements which helps an individual in generating favorable results. Implications of this variable become even more important when it deals with manager. “Peter Salovey, John Mayer in 1990” explored the concept of emotional intelligence i.e. assessment of an individual in perspective of his/her emotions for the very first time (Salovey & Mayer, 1990). Up until now, Salovey, Mayer and Caruso are the research leaders for that particular topic. Primarily they introduced emotional intelligence as ability to study individual’s emotions additionally the thoughts of other persons (Mayer *et al.*, 1999). Then an important assessment tool named “Mayer-Salovey-Caruso Emotional Intelligence Test (MSCEIT) was introduced. It incorporates four dimensions i) Perceiving Emotions ii) Facilitating Emotions iii) Understanding Emotions iv) Managing emotions (Mayer *et al.*, 2002).

Research shows that immediate reaction towards a particular situation effects decision maker to go for rapid decision making along with crude assessments of behavioral factors (Zajonc R. , 1980; 1984a; 1984b). These emotional reactions provide a mechanism to redirect cognitive decision-making process especially in case of high priority concerns e.g. danger (Armony *et al.*, 1995; 1997). Similarly research on a particular topic of anxiety reveals, that emotional reaction in a risky situation enforce decision maker to diverge from cognitive evaluation of risk intensity (Ness & Klaas, 1994; Simon, 1967). This divergence from cognitive evaluation due to emotions, lead decision makers towards irrational decisions and negatively affect individuals’ ability to resolve situation (Rolls, 1999). Impact of emotions along with other beside factors has been already been studied (Loewenstein, 1996; 1999). Various studies have explored the impact of emotion and moods on people’s decision-making (Isen & Patrick, 1983; Schwarz & Clore, 1983). As research has found that people in good moods go for optimistic observations & take risky decisions while in bad moods go pessimistic and show more risk averse behavior (Bower, 1981; 1991; Kavanagh & Bower, 1985). When people got emotional due to various reasons, they exhibit different risk acceptance (Mayer & Hanson, 1995; Wright & Bower , 1992). Many researchers have also found that emotions play a positive role in decision-making (Davidson *et al.*, 2000; Rahman *et al.*, 2001). Managers can get better results while using their own emotions along with the emotions of their subordinates (Ashworth & Humphrey, 1995; Loewenstein & Lerner, 2003). Here the important point is that, these emotions must be controlled and used in positive manner (LeDoux, 1996). Research shows that people with emotional dysfunction perform below standards than people (Rogers *et al.*, 1999; Frijda, 1986). While the decision makers having control on their emotions, perform much better (Bechara *et al.*, 1997; Dolan, 2002). Although an extensive research has been conducted on influence of emotions on decision-making and risk assessment but risk acceptance has never been studied in reference with emotional intelligence. This particular gap is tried to get packed by the presented research.

Hypothesis Statements

- H1:** Male managers illustrate higher risk acceptance than female managers.
- H2:** Age is negatively correlated with risk acceptance.
- H3:** Single managers exhibit higher risk acceptance than married managers.
- H4:** Education demonstrates positive relationship with risk acceptance.
- H5:** Excessive optimism has direct positive relationship with risk acceptance.
- H6:** Overconfidence is positively correlated with risk acceptance of managers.
- H7:** Emotional Intelligence exhibits positive relationship with risk acceptance

Methodology

Extensive literature review is conducted for this study. This includes research articles, Previews, view points, web search, books and other tools. Along with literary evidences, questionnaire is used as a main data gathering tool for empirical assessment of the model. For this purpose 250 questionnaires got filled by different professionals holding managerial positions at their respective organizations. For this purpose managers of private, profit earning firms are selected and their responses are collected. Furthermore convenient base sampling technique is used as firms from Lahore and Islamabad are considered.

As far as questionnaire is considered, it is divided into three major parts. First part is comprised of “Demographic Factors” in which four demographic factors are analyzed including- Gender, Age, Marital Status and Education. The second part of the questionnaire contains 5 questions regarding “Risk Perception” of managers, who are respondents of the research. The third part includes 5 for each of the three behavioral factors i.e. Excessive Optimism, Over Confidence and Emotional Intelligence. Moreover, to check reliability of the questionnaire, CronBach Alpha is applied on first 30 questionnaires for pilot testing to evaluate technical aspects of all variables and after favorable results, further data collection is done. Whole data collected is analyzed with linear regression and general linear univariate model.

Data Analysis

Linear Regression

Regression Analysis is used to analyze the relationship between dependent and independent variables, to check either there is any impact positive or negative; independent variables have on dependent variable. Basic terminology used is X predicts Y where X is representing independent variables while Y is representing dependent variable so independent variables are said predictors.

Table 4.1

Model	Coefficients ^a					Collinearity Statistics	
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
	B	Std. Error	Beta				
(Constant)	-.406	.108		-3.768	.000		
1 Excessive Optimism	.342	.032	.432	10.574	.000	.495	2.020
Over Confidence	.261	.051	.291	5.104	.000	.255	3.928
Emotional Intelligence	.265	.044	.287	6.035	.000	.365	2.743

a. Dependent Variable: Risk Acceptance

Linear regression model is particularly handful in checking the influence of one or more independent variables on dependent variable so this particular model is part of data analysis. As per requirement of “Linear Regression”, relationship found is described in following equation:

$$RA = -0.406 + 0.342 * EO + 0.261 * OC + 0.265 * EI$$

Where

RA is Risk Acceptance i.e. dependent variable

EO is Excessive Optimism

OC is Over Confidence

EI is Emotional Intelligence

This particular equation is formulated while looking the betas of all of three independent variables. These betas actually reveal the impact of each independent variable on Risk Acceptance i.e. dependent variable while keeping all other independent variables constant. While the value -0.406 is constant. According to equation predictor, Excessive Optimism possesses highest beta i.e. .342 it means this particular variable has the greatest influence on Risk Acceptance of managers followed by Emotional Intelligence and Overconfidence respectively. Furthermore, R square value of model is .797, which means this model has 79.7% influences on Risk Acceptance of managers as an overall while demographic factors have been kept constant until yet.

Table 4.2

ANOVA ^b						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1 Regression	164.855	3	54.952	321.987	.000 ^a	
Residual	41.983	246	.171			
Total	206.839	249				

a. Predictors: (Constant), Emotional Intelligence, Excessive Optimism, Over Confidence

b. Dependent Variable: Risk Acceptance

While looking at ANOVA table it is clear, overall model has proven significantly. It is said while seeing regression row and significant column. Whereas predictors are all three independent variables i.e. Emotional Intelligence, Excessive Optimism, Overconfidence, and dependent variable is Risk Acceptance.

General Linear Model

General Linear Model is another statistical test used to cater the relationship between dependent and independent

variables. In this study GLM Univariate analysis is used, which produces regression analysis along with analysis of variance for dependent variable i.e. Risk Acceptance by both independent variables i.e. demographic and psychographic variables. While running GLM univariate analysis independent variables (predictors) are specified as covariates. Respondents are more divided according to demographic factors so that nature of relationship can be further explained. With GLM, null hypothesis is tested regarding effects of other variables on the means of different groupings of dependent variables.

Table 4.3

Tests of Between-Subjects Effects
 Dependent Variable: Risk, Acceptance

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	184.595 ^a	10	18.460	199.960	.000
Intercept	.439	1	.439	4.760	.030
Gender	.512	1	.512	5.546	.019
Age	9.011	3	3.004	32.535	.000
Marital-status	.413	1	.413	4.477	.035
Education	3.689	2	1.845	19.982	.000
Excessive-Optimism	5.019	1	5.019	54.367	.000
Overconfidence	.285	1	.285	3.088	.080
Emotional Intelligence	5.205	1	5.205	56.386	.000
Error	21.879	237	.092		
Total	2157.520	248			
Corrected Total	206.474	247			

a. R Squared = .894 (Adjusted R Squared = .890)

In above mentioned table it can be seen that after including demographic variables in the analysis, R square value is further enhanced as it is now .894 which means model is 89.4% true. While analyzing the above table it is realized that all of demographic variables including Gender, Age, Marital Status and Education are significant. Sig value of gender is $.019 < .05$, sig value of age is $.000 < .05$, sig value of marital status is $.035 < .05$ and sig Value of education is $.000 < .05$. Similarly while analyzing psychographic variables, sig value of both Excessive Optimism and emotional Intelligence is $.000 < .05$ so these two variables are significant but sig value of Overconfidence is $.080 > .05$ so it is found insignificant so this particular variable is rejected.

Table 4.4

Parameter Estimates
 Dependent Variable: Risk Acceptance

Parameter	B	Std. Error	t	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Intercept	.420	.171	2.459	.015	.083	.756
[gender=1.00]	-.154	.065	-2.355	.019	-.283	-.025
[gender=2.00]	0 ^a	.	.	.	.	.
[Age=1.00]	.495	.136	3.641	.000	.227	.762
[Age=2.00]	-.187	.118	-1.579	.116	-.420	.046
[Age=3.00]	-.031	.132	-.232	.817	-.291	.230
[Age=4.00]	0 ^a	.	.	.	.	.
[Marital status=1.00]	.144	.068	2.116	.035	.010	.278
[Marital status=2.00]	0 ^a	.	.	.	.	.
[Education=2.00]	.011	.094	.122	.903	-.174	.197
[Education=3.00]	-.327	.055	-5.982	.000	-.435	-.219
[Education=4.00]	0 ^a	.	.	.	.	.
Excessive Optimism	.278	.038	7.373	.000	.204	.353
Over Confidence	.077	.044	1.757	.080	-.009	.162
Emotional Intelligence	.301	.040	7.509	.000	.222	.380

a. This parameter is set to zero because it is redundant.

Risk acceptance of gender 1 i.e. females is .154 less than that of gender 2 i.e. males. In terms of age, Risk acceptance of managers belong to category 1(20-30) is highest i.e. .495 followed by category 4, but interesting observation is that risk acceptance of category 2 and 3 is less than that of category 4 i.e. .187 and .31 lesser respectively. While for marital status singles i.e. marital status 1, exhibits .144 higher risk acceptances than married. Likewise, while discussing education risk acceptance of category 4 i.e. above masters, is observed highest followed by category 2 i.e. graduate is .011 lesser than category 4 i.e. above masters. Similarly risk acceptance of category 3 i.e. masters is .327 less than category 4 i.e. above masters After analyzing above mentioned table it is quite clear that beta of all of three behavioral variables is positive i.e. .278 for excessive optimism, .077 for over confidence, and .301 for emotional intelligence is positive. It indicates that all of three analyzed behavioral factor exhibits positive relationship with dependent variable i.e. risk acceptance whereas emotional intelligence has the strongest impact on risk acceptance followed by excessive optimism.

Discussion of Results

While summarizing the whole results in single sentence it can be said that our model is accepted as whole and all the variables including both, behavioral i.e. Excessive Optimism, Overconfidence, Emotional Intelligence and demographic variables including Gender, Age, marital status and Education, are found significant as their sig values are .000. My model is comprised of one dependent variable i.e. Risk Acceptance where as independent variables are placed under two categories which are demographic and psychographic variables. Demographic variables include Gender, Age, Marital Status and Education while behavioral variables include three variables Excessive Optimism, Overconfidence and Emotional Intelligence.

H1: Male managers illustrate higher risk acceptance than female managers.

Starting with demographic factors, results regarding gender specification and accepted level of risk is analyzed, it is derived that males are found to be more risk taker than females. There can be number of reasons behind this observation, out of which some are discussed here. Gender is said to be the most important factor especially with reference to Pakistan. Along with other factors, culture also plays a significant role behind this particular variable. Woman especially in Pakistani environment is more defensive in nature while making decisions. Female manager go for the options with minimum risk involved. Furthermore, due to their sacrificing and compromising role in society, female managers make compromises on returns and thus chose low risk - low return options. In contrast, role of men is aggressive and dominating in nature. Male managers love to take challenges and possess the power of decision-making. Thus, they often take challenging decisions as compared to their counterparts of opposite gender. Therefore, the female manager's exhibit more risks averse behavior than male.

H2: Age is negatively correlated with risk acceptance.

Results of data analysis show that age is also an influencing factor that plays its role in molding people's attitude towards risk acceptance, as observation was derived while data analysis that risk acceptance is highest among the managers of age group 20-30. It is a general phenomenon; people's age grows; they become more defensive not only physically but also mentally. It is also comes true in case of managers. Furthermore, when managers got old age, their exposure is vast but they become more conscious for their jobs as their family responsibilities stops them to think creatively for any decision. They are more feared for losing their jobs. In addition, this demographic factor forces them to take risk averse decisions to make themselves sure that their job is save. However, an interesting observation is generated that risk acceptance of managers of age group 31-50 is much less than managers having 50 plus of age. It is maybe because people of such age group are in their career building stage so they are more sensitive to their job security and avoid taking such decisions, which involve more risk, to avoid any possible negative influence to their job.

H3: Single managers exhibit higher risk acceptance than married managers

Whereas data analysis revealed that marital, status is also an influential demographic variable expressing risk acceptance of managers. Single managers' level of risk acceptance is more than twice of the risk acceptance level of married managers. Risk acceptance should by single respondents is .144 higher than level of risk accepted by married. One of the possible reasons of such differences might be the increased responsibilities of married people in contrast to singles. This is because singles are more creative and willing to take risk as compare to married who are wedged in responsibilities of their families, which restrict them to think beyond imaginations.

H4: Education demonstrates positive relationship with risk acceptance

Results show that risk acceptance of managers' increases with increase in education level of managers. Managers with highest level of education i.e. above master's level possess highest risk acceptance while managers whom qualification is graduate exhibits risk averse attitude. As it is revealed through data analysis that risk acceptance of managers with highest education i.e. above masters exhibits highest risk acceptance which is .327 higher than managers who are masters. It is because education enhances critical judgment of a person manifold and allows them to think vast.

H5 – H7 Excessive optimism, Overconfidence and Emotional Intelligence all of three exhibit direct positive relationship with risk acceptance

Behavioral variable analysis is started with excessive optimism. After analyzing the data, it is found that beta of excessive optimism is positive i.e. 0.342 it indicates positive relationship between excessive optimism and risk acceptance. Managers whose responses are observed highly optimistic own higher risk acceptance and less optimistic managers, exhibit risk averse attitude. This particular bias enforces an individual to overestimate chances of positive outcomes underestimate the level of risk, which ultimately leads towards higher acceptance of risk. Similarly, beta of overconfidence is also positive i.e. 0.261 which also indicates positive relationship between overconfidence and risk acceptance so managers who are found overconfident show higher preference for risk and vice versa. Although, analysis of GLM shows that sig value of overconfidence was greater than $.080 > .05$ but as it is under $.10$ so it can be said that this variable is influencing dependent variable i.e. risk acceptance, even though it is insignificant according to GLM. Furthermore, managers who are emotionally intelligent, exhibits higher preference for risk as beta of this variable is also positive i.e. 0.265. It means that if managers are strong enough to control their emotions and intelligent enough to mold people's emotions in his own way, he would be more confident for the success of the decisions taken by him. It would automatically increase his/her risk acceptance.

Conclusion

Main topic that was lead throughout the thesis is identification of certain factors that shape risk acceptance of managers. This particular research is focused at decision making of managers as it is realized that decision-making keep a critically importance for managers because they are taking decision for whole organization. When there come the conversation about the accepted level of risk associated with a particular decision, the whole decision making process become crucial for every stakeholder. By the term risk, only financial risk is not meant, but every chance of uncertainty associated with each decision is also taken under consideration. Managers are supposed to take number of decisions on daily basis. Out of which some are routine decisions while some are really big one, behind which a lot of home work is being done by, not only managers but, also by all the concerned personnel. Therefore, decision marking ability of a person, performing the duty of manager, must be flawless. It is very difficult for managers to achieve such level of perfection and it requires adequate level of experience, skill, knowledge and expertise. So this research is conducted to help not only mangers in improving their decision making but also for recruiters in finding out person with desired level of risk acceptance for the post of managers, as certain demographic and behavioral variables are found influential in this regard. Demographic variables include Gender, Age, Marital Status and Education whereas, psychographic variables incorporates Excessive Optimism, Overconfidence and Emotional Intelligence. All of the said variables are accepted with theoretical evidences and empirically with data analysis.

Firstly, number of respondents is kept 250 so that the research may be accomplished within the prescribed timeline. Secondly, sample is also kept limited to certain locations of Pakistan i.e. Islamabad and Lahore only for effective results as these locations are comparatively comprises of more literate respondents. Managers from other cities of Pakistan can also be incorporated depending on the resources and scope of research. Thirdly, more literature survey is required to further improve the practical implications of the model by indulging other demographic variable i.e. past experience. Similarly, extensive research must be initiated to search any other behavioral variable, which influences risk acceptance of managers. Research can be done for employment of "Training" as mediating variable between independent behavioral variables and dependent variable i.e. risk acceptance, so that it can be tested is there any possibility to reduce implications of these self-serving biases in risk acceptance of managers. Furthermore, it was not possible and convenient to approach top-level executives to indulge their responses. That would be ideal for the presented study to incorporate responses of top-level managers in future studies. Implications of this model can also be enhanced up to certain extent with the responses of people who are responsible for taking financial decisions for their organization.

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