

**MBTI PERSONALITY TYPES AND RISK PERCEPTION
OF INVESTORS IN INDIA**

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ABSTRACT

The investment decisions of individual investors get influenced by many factors related to the financial market, socio economic conditions and individual personality of investors due to a the strong effect of these factors on the behaviour of individuals. Present study is focused mainly on the influences of individual personality types of the investors on their investment decision. Data for the study is collected from primary and secondary both the sources. Primary data has been collected by structured questionnaires consisting questions related to investors' profile and personality types of Myers Briggs Type Indicator (MBTI) model. Sample size of the respondents is 1,000 and the convenience sampling method has been used for the selections of the respondents, across the five big cities of India. For the analysis of the data, ANOVA, Mean differences of Risk tolerance and Risk Aversion of the respondents as per their personality types and charts have been used with the help of statistical software SPSS version 24. The results of the study have revealed a significant relation between the personality types and the risk perception of individual investors. The findings of the study would be of significant help for the individual investors, financial advisors and brokers for improving the individual investment decision making.

Key words: MBTI model, Risk Perception, Individual Investors, Personality Type.

1. INTRODUCTION

In today's changing scenario of society, the human beings' life requirements are going much more beyond the basic necessities for living a good and comfortable life and this tendency has increased the need for investment to earn more income for almost all the individuals who are earning an average annual income, therefore it is very important for all the human beings to make such an investment decisions which can provide them the best returns.

In the traditional theories of finance, it has been assumed that individuals are rational investors as they possess all sort of knowledge and informations which is required regarding their investment but

some recent theories of Behavioral Finance has proved through some empirical evidences of their studies that individuals are irrational investors as there are many factors in the stock market as well as factors, related to their demography and personalities, which affect their investment decisions very strongly.

In the present study, an attempt has been made to find out the influence of individual personality types on their investment decisions. For identifying the personality types, a personality assessment model (MBTI Test), given by Myres and Briggs has been used.

1.1. MBTI Test:

The Myers–Briggs Type Indicator (MBTI) is a psychometric (the science which measures mental capacities and processes of the human) questionnaire, that measure, the psychological preferences of the people in perceiving the world and making decisions. These preferences were extrapolated by Katharine Cook Briggs and Isabel Briggs Myers from the typological theories proposed by Carl Gustav Jung and first published in his 1921 book, *Psychological Types* (English edition, 1923). Jung formed a theory on four principal psychological functions by which a person experiences the world: sensation, intuition, feeling, and thinking. One of these four functions is dominant most of the time.

Katharine Cook Briggs and Isabel Briggs Myers have identified and described the *sixteen distinctive personality types* that result from the interactions among the following four preferences."

- I. World Preference:** It's the preference of focus on the outer world or one's inner world. This is called Extraversion (E) or Introversion (I).
 - *Extraversion:* Extraversion personality trait is related to the people who find their energy from the people. They are very outgoing, enthusiastic, expressive, active and sociable people. They generally take the decisions quickly without putting a thorough consideration.
 - *Introversion:* Introversion personality trait is almost opposite to extraversion, these people find their energy in things rather than people. They are reflective and reserved; prefer to spend most of their time alone in analyzing the things in their way. They take a long time in taking a decision.
- II. Information Preference:** Preference for one's focus on basic information or interpretation and adding meaning to something. This is called Sensing (S) or Intuition (N).
 - *Sensing:* This personality trait is related to paying attention to physical reality. People possessing this trait, are concerned with what is actual, present, current, and real. They notice facts and remember details that are important to them. They like to see the practical use of

things and learn best when they see how to use what they are learning. Experience weights them more than words.

- *Intuition:* Intuition personality trait refers to the people who pay the most attention to impressions or the meaning and patterns of the information. They prefer to learn by thinking about a problem rather than by hands-on experience. They are found interested in new things and possibilities. They like to work with symbols or abstract theories.

III. Decision Criteria Preference: This preference is related to the preference of criteria of information processing while one is making a decision. Someone is interested in first looking at logic and consistency or he/ she prefer to first look at the people and special circumstances. This is called Thinking (T) or Feeling (F).

- *Thinking:* The people possessing this trait, think from the head, not heart, they are more interested in things than people enjoy scientific and technical, logical fields, when making a decision, they value more to the principles than people part. Sometimes they are found to be task-oriented, uncaring or indifferent.
- *Feeling:* Feelers are generally people-oriented; they are compassionate and make decisions from the heart. They give importance to values and harmony. They appear to be caring, warm, and tactful.

IV. Structure Preference: It's related to the outside world and one's lifestyle; one person prefer to get things decided by other people or means or he/ she wants to stay open to new information and options. This is called Judging (J) or Perceiving (P).

- *Judging:* Judging personality trait describes a planned and organized lifestyle. People who belong to this trait, are generally settled, task-oriented and disciplined. They prefer to get things decided beforehand. Sometimes they focus so much on the goal that they miss the new information however this trait only describes what one prefers in the outer world, he/ she may, inside, feel flexible and open to new information so could be either extravert or introvert.
- *Perceiving:* People belong to this trait, prefer a flexible and spontaneous way of life, like to understand and adapt to the world rather than organizing it. They appear to stay open to new experiences and information.

The Sixteen Personality Types:

I. The Inspector – ISTJ Personality

ISTJs (Introvert, Sensing, Thinking, and Judging) are organizers, steady, productive contributors. It's introverted sensing with an extraverted thinking personality. They appear quiet, serious, practical,

matter-of-fact, realistic, and responsible. They value traditions, loyalty, and responsibility. This personality type is often misunderstood.

II. The Counselor – INFJ Personality

INFJs (Introvert, Intuition, Feeling, and Judging) are visionaries and idealists who possess a creative imagination and brilliant ideas. They are quietly forceful, original, and sensitive ⁽⁴⁾. They generally stick to things until they are done. They are extremely intuitive about people and have a different and usually more profound way of looking at the world. They have introverted intuition with an extraverted feeling.

III. The Mastermind – INTJ Personality

INTJs (Introvert, Intuition, Thinking, and Judging) are independent, original, analytical, and determined. They are generally interested in ideas and theories, highly value knowledge, competence, and structure, derive meaning from their visions. They excel at developing plans and strategies, have very high standards for their performance, and expect quite the same from others. Other people may have a difficult time understanding an INTJ.

IV. The Giver – ENFJ Personality

ENFJs (Extravert, Intuition, Feeling, and Judging) are mainly focused on people. They are extroverted, ethical, charismatic, highly principled, popular and sensitive with outstanding people skills. They are generally more worried about the future than the present.

V. The Craftsman – ISTP Personality

ISTPs (Introvert, Sensing, Thinking and Perceiving) are mysterious people who are usually quiet and reserved, very rational and logical, but also quite spontaneous and enthusiastic. They possess excellent skills with mechanical things. Their personality traits are less easily recognizable by people.

VI. The Provider – ESFJ Personality

ESFJs (Extravert, Sensing, Feeling, and Judging) are focused externally. They act according to a strict moral code, feel a sense of personal responsibility for other people's needs, popular, and conscientious. They need positive reinforcement to feel good about themselves. They have usually a well-developed sense of space and function. ESFJ is a common personality type and liked by most of the people.

VII. The Idealist – INFP Personality

INFPs (Introvert, Intuition, Feeling and Perceiving) are quiet, reserved, idealistic, thoughtful and considerate. They are mentally quick and can see possibilities. They generally don't talk much about

themselves. They consider the signs and symbols as metaphors that have deeper meanings related to life ⁽⁵⁾. INFPs do not like conflict, and always prefer to avoid it. They do not like to deal with hard facts and logic. They are usually found lost in their imaginations.

VIII. The Performer – ESFP Personality

ESFPs (Extravert, Sensing, Feeling and Perceiving) are people-oriented and fun-loving, generous, friendly, love new experiences, dislike theory and impersonal analysis and are commonly seen as Entertainers. ESFPs are thoughtful explorers who love learning and sharing. ESFPs usually possess strong interpersonal skills. They enjoy being the center of attention.

IX. The Champion – ENFP Personality

ENFPs (Extravert, Intuition, Feeling and Perceiving) are enthusiastic, idealistic, perceptive, creative, possess great people skills, open-minded and flexible, with a broad range of interests and abilities. This personality type is highly individualistic and Champions strive toward creating their methods, looks, actions, habits, and ideas. They are generally very bright and full of potential, live in the world of exciting possibilities, basically happy people, charming, ingenuous, risk-taking and sensitive.

X. The Doer – ESTP Personality

ESTPs (Extravert, Sensing, Thinking and Perceiving) are friendly, adaptable, action-oriented, living in the here-and-now, risk-takers and live fast-paced lifestyles. They are generally impatient with long explanations. They are extremely loyal to their peers, have great people skills and are governed by the need for social interaction, feelings, and emotions, logical processes, and reasoning, along with a need for freedom. ESTPs fix their mistakes as soon as they occur without waiting for anything.

XI. The Supervisor – ESTJ Personality

ESTJs (Extravert, Sensing, Thinking and Judging) are organized, practical, traditional, loyal, dignified and hard-working and are great of doing what they believe is right and socially acceptable. They live generally in a world of facts and concrete needs. They are take-charge people, usually a model citizen, value security and social order above anything else.

XII. The Commander – ENTJ Personality

An ENTJ's (Extravert, Intuition, Thinking and Judging) are assertive and outspoken - they are driven to lead, generally intelligent and well-informed, excel at public speaking and usually have little patience with inefficiency or disorganization. ENTJs are natural-born leaders among the 16 personality types and like being in charge. They are always seeking for possibilities and often see challenges and obstacles as great opportunities for themselves.

XIII. The Thinker – INTP Personality

INTPs (Introvert, Intuition, Thinking and Perceiving) are logical, original, creative thinkers and are exceptionally capable and driven to turn theories into clear understandings, highly value knowledge, competence and logic. Quiet and reserved, hard to get to know well. Individualistic, having no interest in leading or following others but when they find an environment where their creative genius and potential can be expressed, INTPs put their level best, in developing a perceptive and unbiased solution.

XIV. The Nurturer – ISFJ Personality

ISFJs (Introvert, Sensing, Feeling and Judging) are quiet, kind, stable, practical and conscientious people. They have a well-developed sense of space and function, extremely perceptive of other's feelings. They are philanthropists and generous. ISFJs are warm and kind-hearted. People value the ISFJ for their consideration and awareness, and their ability to bring out the best in others.

XV. The Visionary – ENTP Personality

ENTP (Extravert, Intuition, Thinking and Perceiving) personality people, are some of the rarest in the world, which is completely understandable. They are creative, resourceful, and intellectually quick, intelligent and knowledgeable. Enjoy debating issues, get very excited about new ideas and projects, but may neglect the more routine aspects of life. They are generally outspoken and assertive. They are usually rational, logical, and objective in their approach to information and arguments.

XVI. The Composer – ISFP Personality

ISFPs (Introvert, Sensing, Feeling and Perceiving) are serious, sensitive, quiet, kind, loyal and faithful persons. They are extremely well-developed senses, and aesthetic appreciation for beauty and don't like conflicts. They are usually not interested in leading or controlling others and likely to be original and creative. ISFPs enjoy life and embrace the present.

2. OBJECTIVES OF THE STUDY

The following are the main objectives of the present study:

- i) To study the MBTI personality Types of individual investors in India.
- ii) To find out the relationship between individual investment decisions and MBTI personality types of the individual investors in India.
- iii) To suggest some measures to overcome or mitigate the adverse affects of the personality influences on the investment decision making of the individual investors.

3. LITERATURE REVIEW

Bartoli D. D et. al (2019) investigated four paradigms which best portrayed the risk profile manifested by investors in their financial asset investment decisions. The paradigms used to explain this profile were: prospect theory, investor profile analysis (IPA), the Big Five Personality Test, and the Cognitive Reflection Test (CRT). The choice of proxy for the risk preferences (profile) of a typical investor was defined by simulating investments in a laboratory setting. The results were analyzed using ordered logistic regression and showed that people who had greater risk tolerance according to IPA, who violated prospect theory, and who had a high degree of openness to experience had the greatest probability of taking higher levels of risk in their investment decisions. With regard to the CRT, higher numbers of correct responses in this test had an inverse relationship with risk taking.

Liu C C et.al (2019) have explored the relationship between personality traits and investment risk preference by collecting the data from 600 investors from Taiwan and Hong Kong and the data analysis was performed by applying hierarchical multiple regression method and factor analysis. The results of the study revealed that investors' personality traits have a significant relationship with their risk preference and concluded that people with outgoing and prudential personality trait are positively related to investment risk preference. Hence the concept of personality trait and risk orientation has important implications for financial modeling of risk taking behavior.

Raheja S and Dhiman B (2017) have studied the relation between various dimensions of personality traits, behavioral biases and investment decisions by using a data of 500 investors and applying regression analysis and ANOVA. They have found a significant positive or negative relationship between investment biases and personality traits as well as the results of the study have also shown that overconfidence bias affected the most to investment decisions of people. Gakhar D. V & Prakash. D (2017) identified the relationship between demographic variables, risk taking behavior, investor biases, investment pattern and *MBTI personality assessment of investors in India*. It was found in this study that most of the sample investors are balanced or conservative in terms of their investment behavior. MBTI personality types are a significant factor which affects risk taking behavior of investors. Age, gender, work place activity, marital status are non-significant factors to shape up investors risk taking behavior.

Kubilyay et al. (2016) examined the relation between personal traits, psychological biases and financial risk tolerance of investors who live in İstanbul and operate in financial markets. The hypotheses made within the scope of the study were tested by chi-square analysis and logistic regression analysis and the Five-factor personality model was used for classifying the personality

traits and it was concluded that there was a significant relation between the personality traits of investors and the psychological biases they faced and that the personality traits of the investors affected their financial risk tolerances.

Sulaiman Ebrahim Kunju (2012) assessed the financial risk tolerance of individual investors. Data were obtained from a survey of employees of two universities in India such as University of Kerala, and Mahatma Gandhi University. 300 Employees chosen for inclusion in the sample were randomly selected from a list of all faculties and staff of the selected universities during the year 2010. The respondents received a risk-tolerance assessment questionnaire of Fina Metrica developed by an Australian company. The association/relationship between financial risk tolerance score and various demographic factors have been investigated with the help of statistical tools such as Chi-square test and Correlation analysis. The present study shows that there is significant association between marital status and financial risk tolerance. The study agrees that higher levels of formal education increases one's ability to evaluate risk and therefore gives a higher financial risk tolerance. The present study found a positive relationship between income of individual investors and their financial risk tolerance and indicates significant low negative correlation between the number of dependents and financial risk tolerance. However, the analysis of different demographic factors of individual investors with their financial risk tolerance indicates that the demographic features of individual investors could be used to distinguish between levels of financial risk tolerance, and an association of these variables could be developed to predict a person's risk-tolerance.

4. RESEARCH METHODOLOGY

It is an analytical study conducted with the help of surveys, a review of earlier studies and analysis of primary and secondary data.

Sampling Design & Technique: For the selection of the sample is non-random sampling, purposive sampling method with the consideration to find the response from the metro cities of India by collecting the data from 1000 individual investors (578 males and 422 females) from 5 major big cities of India i.e., Chennai, Bangalore, Delhi, Bombay, and Kolkata.

Data Need & Collection: Both primary and secondary data were required for the completion of the study. For the collection of the primary data a structured questionnaire, containing the questions related to Risk Perception and Personality type where the questions were taken from MBTI personality assessment model.

Statistical Tools and Techniques: For the data analysis ANOVA, Mean differences of Risk tolerance and Risk Aversion of the respondents as per their personality types and charts have been used with the help of statistical software SPSS version 24.

5. DATA ANALYSIS

Two hypotheses have been formed and tested to check the relationship between risk aversion and personality types and risk tolerance and personality types of individual investors.

First Hypothesis:

H0: “There is no significant relation between individual investors’ personality types and their risk aversion behavior.

H1: “There is a significant relation between individual investors’ personality types and their risk aversion behavior.

Table No- 5.1: ANOVA

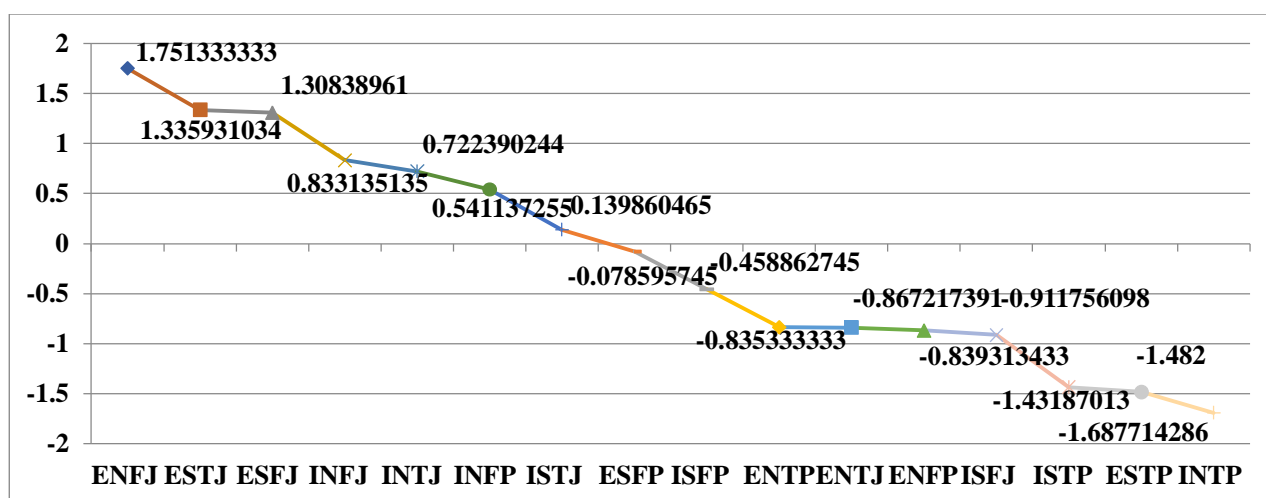
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	533.099	1	533.099	20.262	.000 ^b
	Residual	26257.292	998	26.310		
	Total	26790.391	999			
a. Dependent Variable: RA						
b. Predictors: (Constant), PT						

Table No- 5.2 : Personality Types vs. Risk Aversion

Personality Type	Mean Difference of Risk Aversion
ENFJ	1.75
ESTJ	1.34
ESFJ	1.31
INFJ	0.83
INTJ	0.72
INFP	0.54
ISTJ	0.14
ESFP	-0.08
ISFP	-0.46

ENTP	-0.84
ENTJ	-0.84
ENFP	-0.87
ISFJ	-0.91
ISTP	-1.43
ESTP	-1.48
INTP	-1.69
Grand Total	0.00

Figure No-5.1: Line Chart of Personality Types vs. Risk Aversion



From the above analysis [Table No-5.1, Table No-5.2 and Figure No-5.1], the P value is found to be less than 0.05 from the ANOVA and the line chart has also revealed that there is a significant relation between personality types and Risk Aversion therefore the null hypothesis is rejected and it is interpreted that there is a significant relation between personality types and Risk Aversion behavior of investors which shows that personality type of an investors does affect his/ her risk perception. In the distribution of sixteen personality types, ENFJ is found to have the highest positive mean difference of 1.75 and the INTP is found to have the highest negative mean difference of -1.69 towards Risk aversion.

Second Hypothesis:

H0: “There is no significant relation between individual investors’ personality types and their risk tolerance behavior.

H1: “There is a significant relation between individual investors’ personality types and their risk tolerance behavior.

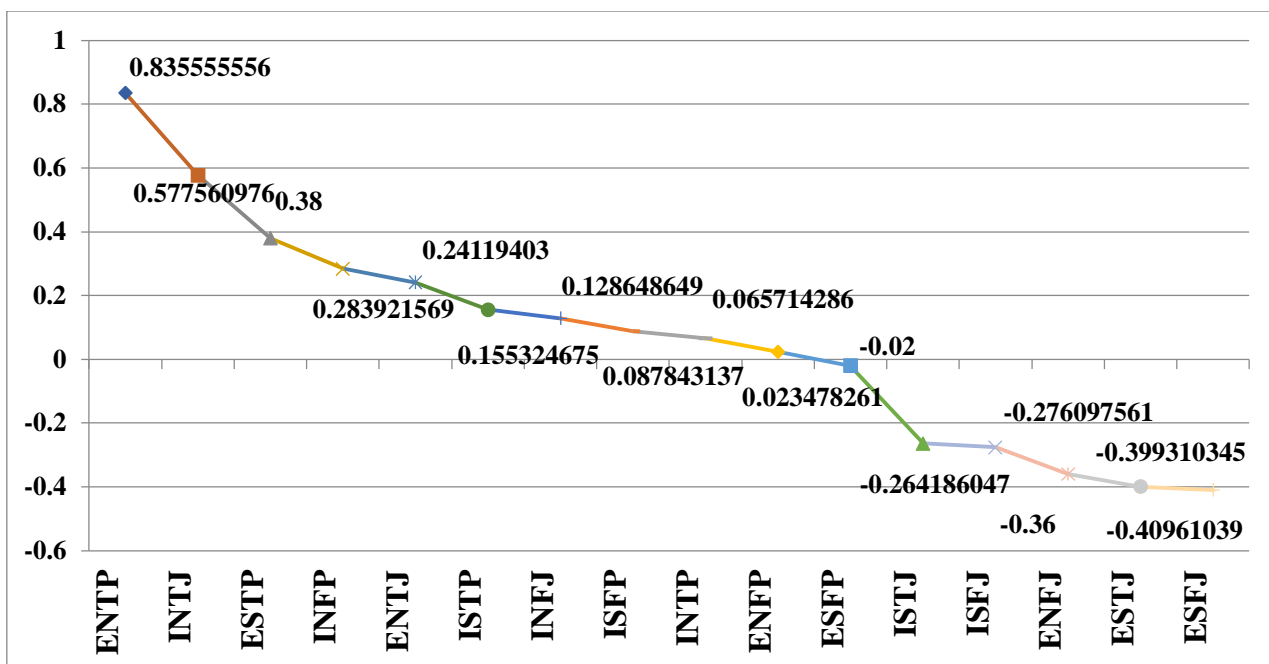
Table No-5.3: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	41.551	1	41.551	7.767	.005
	Residual	5339.320	998	5.350		
	Total	5380.871	999			
a. Dependent Variable: Risk Tolerance						
b. Predictors: (Constant), Personality Type						

Table No-5.4: Personality Types vs. Risk Tolerance

Personality Types	Mean Difference of Risk Tolerance
ENTP	0.84
INTJ	0.58
ESTP	0.38
INFP	0.28
ENTJ	0.24
ISTP	0.16
INFJ	0.13
ISFP	0.09
INTP	0.07
ENFP	0.02
ESFP	-0.02
ISTJ	-0.26
ISFJ	-0.28
ENFJ	-0.36
ESTJ	-0.40
ESFJ	-0.41
Grand Total	0.00

Figure No- 5.2: Line Chart of Personality Type vs. Risk Tolerance



From the above analysis [Table No-5.3, Table No—5.4, Figure No-5.2], the P value is found to be less than .05 and the line chart has also revealed that there is a significant relation between personality types and Risk Tolerance therefore the null hypothesis is rejected and it is interpreted that there is a significant relation between personality types and Risk Tolerance behavior of investors.

In the distribution of sixteen personality types, ENTP is found to have the highest positive mean difference of 0.84 and the ESFJ was found to have the highest negative mean difference of -0.41 towards Risk tolerance therefore it could be interpreted that ENTP personality type, which is the combination of Extraversion, Intuition, Thinking and Perceiving and who are generally very creative, resourceful, intellectually quick, intelligent and knowledgeable people, have the highest Risk tolerance and the ESFJ personality types, which is the combination of Extraversion, Sensing, Feeling and Judging and are generally focused externally, act according to a strict moral code, feel a sense of personal responsibility for other people's needs, are seen as quite popular, and conscientious, have the least Risk tolerance.

6. FINDINGS OF THE STUDY

On the basis of the above analysis, the following results have been found:

- i) There is a significant relation between personality types and Risk Aversion of the individual investors.

ii) ENFJ personality types investors are the highest risk averse and INTP personality type investors are the highest risk takers.

iii) There is a significant relation between personality types and Risk Tolerance behavior of individual investors.

iv) ENTP personality type investors have the highest risk tolerance and ENFJ personality type investors have the least risk tolerance.

7. CONCLUSION

There had been conducted several studies which have shown that personal behavioral factors of individuals affect their investment decisions and few studies in India have also shown relationship between some self defined personalities or Big five personality types and individual investment decision making pattern but hardly any study in India has shown the relationship between MBTI personality types (which has been considered a very effective personality assessment model) and individual investment decision making therefore the results and findings of the present study would be better and more significant for all the individual investors, financial advisors and brokers to improve the investment decision making and consequently improve the return from their investments by understanding the influence of adverse effects of their particular personality types on their investment decisions.

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