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The influence of psychological factors on investment decision-making: Psychological features of economic relations formation

Abstract. The article aimed to analyse the influence of psychological factors on the investment decision-making process, which shapes the economic behaviour of investors in Ukraine. The research involved surveys and experimental tasks conducted among investors, with the data analysed using statistical methods to identify the impact of psychological factors on investment decisions. Fear and greed have been found to be most significant emotions affecting investment decisions, whereas fear leads to excessive caution and risk avoidance. In contrast, greed drives investors to take on excessive risks. Overconfidence in one's knowledge and skills results in an overestimation of opportunities and an increased risk of losses, while confirmation bias leads investors to seek information that supports their previous decisions, ignoring conflicting data. Expert opinions and group behaviour significantly influence investment decisions, particularly under conditions of uncertainty, often resulting in herd behaviour and the formation of economic bubbles. The experimental tasks demonstrated that investors frequently make irrational decisions under the influence of emotions and cognitive biases, even when they can access complete information about risks and opportunities. The survey results also indicated that investors with higher levels of financial literacy are less susceptible to the influence of emotions and cognitive biases, highlighting the importance of financial education in improving the quality of investment decisions. These findings illustrate how psychological factors can distort the investment decision-making process and underscore the necessity of considering these factors when developing investment strategies

Keywords: fear; greed; excessive risks; losses; cognitive biases

INTRODUCTION

Investment decision-making is a complex and multifaceted process influenced not only by economic indicators but also by subjective psychological factors. Understanding how emotions, cognitive biases, and social influences shape investment behaviour is crucial for enhancing the effectiveness of investment strategies and avoiding financial losses. Given the increasing uncertainty in financial markets, research into the psychological aspects of investment decision-making is becoming increasingly significant. The research problem lies in the fact that investors often make irrational decisions under the influence of various factors, such as greed, overconfidence, disregard for risks, and expert opinion. These factors can distort the assessment of risks and opportunities, leading to financial losses and ineffective asset management. As traditional economic models often fail to account for these psychological aspects, there is a need for a comprehensive understanding of their impact to improve the quality of investment decisions and develop more effective risk management strategies.

An incomplete understanding of how various psychological mechanisms influence investment decision-making can lead to flawed investment strategies and reduced

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market efficiency. Researches by H.V. Voznyak & L.Ya. Benovska (2021) and O. Shubalyi & P. Kosinskyi (2024) have demonstrated that cognitive biases, such as overconfidence and confirmation bias, coupled with emotional responses and social influences, can significantly impact decision-making and market fluctuations. However, a gap in this research is the insufficient exploration of the integration of these psychological mechanisms in real-world market conditions, a limited number of studies considering diverse cultural contexts, and a lack of practical recommendations for improving investment strategies based on psychological data. Media and information flows significantly influence investment decisions and market trends. Researches by V. Sinkovska (2022) and N. Pysarenko *et al*. (2023) has shown that social media can amplify investors' cognitive biases and create a herd effect, which impacts market trends and can lead to financial anomalies. Their research found that social media intensifies cognitive biases, while information flows can trigger market anomalies through social influence. However, there are gaps in the research, such as an insufficient exploration of the specific mechanisms by which social media influences investment decisions in various types of markets and economic conditions, as well as a lack of detailed studies considering diverse cultural contexts.

The insufficient exploration of the influence of social status and material well-being on investment decisions is a pertinent topic in the field of financial psychology. M. Hanlon *et al*. (2021) and D. Kolinchuk (2023) have found that social status and wealth influence investment decisions. Their research has primarily focused on general motivational aspects, such as social comparisons and consumption preferences. They have shown that investors may be inclined to make riskier decisions to maintain their social status or achieve a certain level of material success. However, there has been a lack of detailed research into how specific social status and material well-being influence decision-making in different economic contexts. Groupthink and social pressure have a significant influence on investment decision-making. The findings of P.H. Huang (2020) and A. Tarasenko (2024) indicate that groupthink can lead to conformity and decreased critical thinking in decision-making, while social pressure can compel investors to follow the group's opinion, even when it contradicts their own beliefs. However, these studies have not thoroughly examined how different forms of social pressure and groupthink interact with specific types of investments, nor under which conditions their impact is most pronounced.

The issue of the insufficient understanding of the impact of cultural differences on investment decisions is a relevant topic in the field of international economic relations. H. Hussain *et al*. (2023) have found that cultural differences can significantly influence investment decisions due to varying communication styles, risk tolerances, and social influences. Cultural contexts shape perceptions of risk and reward, which in turn impact investment strategies and investor behaviour. Some cultures may be more risk-tolerant, while others exhibit more conservative investment strategies, as noted by D. Campbell *et al*. (2024). However, these studies do not delve into how specific cultural aspects shape the formation of long-term investment strategies in a global context. This article focused on investigating the role of human psychology in investment management and its impact on the formation and maintenance of stable economic relationships. The research aimed to analyse the influence of psychological factors such as fear, greed, and overconfidence on investment decision-making; to examine cognitive biases and their impact on economic behaviour; to study social factors and their influence on the formation of investment strategies; to assess the role of emotional factors in the decision-making process; and to determine the impact of financial literacy on mitigating the negative effects of psychological factors.

MATERIALS AND METHODS

The survey was conducted from 1 February to 30 April 2024. Data was collected online using email, social media, professional platforms (such as LinkedIn), and investment and finance-related online groups and forums. A total of 800 respondents participated in the survey, of which 450 (56.25%) were male and 350 (43.75%) were female. The age distribution of respondents was as follows: 120 individuals (15%) were in the 18-24 age group, 250 individuals (31.25%) were aged 25-34, 220 individuals (27.5%) were in the 35-44 age group, 150 individuals (18.75%) were aged 45-54, and 60 individuals (7.5%) were over 55 years old. The survey covered various regions of Ukraine, including Kyiv, Lviv, Kharkiv, Dnipropetrovsk, Odesa, and Poltava regions. All participants had a basic understanding of investing and were either active or potential investors. Participation in the study was voluntary, and all respondents gave their consent for their answers to be used for research purposes. The survey aimed to collect quantitative data reflecting the influence of these factors on investment decision-making. The questionnaires included questions designed to identify psychological factors such as fear, greed, overconfidence, cognitive biases, and social influences (Table 1).

Table 1. Identifying the impact of various factors on investment decision-making

No.	Question	Answer
1	Sex	Male
		Female
2	Age	18-24 years
		25-34 years
		35-44 years
		45-54 years
		Over 55 years
3	Field of activity	Finance and investment
		Business and entrepreneurship
		Education and science
		Public sector
		Other (please specify)

Table 1. Continued

No.	Question	Answer
4	Your income	Up to 10,000 UAH per month
		10,001-20,000 UAH per month
		20,001-30,000 UAH per month
		Over 30,000 UAH per month
5	Your investment experience	Less than 1 year
		1-3 years
		3-5 years
		More than 5 years
6	What types of investments do you use? (multiple options are available)	Shares
		Bonds
		Real estate
		Funds
		Cryptocurrencies
		Other (please specify)
7	Do you use the services of financial advisors?	Yes
		No
8	What level of risk are you willing to accept when investing?	Low (the investor chooses instruments with the least likelihood of capital loss, such as government bonds or bank deposits, ensuring stable income with minimal fluctuations)
		Medium (the investor is willing to accept moderate risk to achieve higher returns by investing in the stocks of large companies or diversified funds that combine capital growth with a certain level of security)
		High (the investor accepts a high level of risk to achieve very high returns, choosing instruments with high volatility, such as cryptocurrencies or shares of small companies, with a readiness for significant losses)
9	Your place of residence (specify the region)	_____
10	What are the main sources of information you use to make investment decisions? (multiple options are possible)	Financial news
		Advice from family and friends
		Consultations with financial experts
		Social networks and online forums
		Own market analysis
11	How do you respond to investment advice from friends and family? (assess the impact of social pressure)	I feel strong pressure and often follow their advice
		I listen to their advice but make my own decisions
		I consider their advice less important and follow my own strategy
		I ignore social influences and stick to my own experience and knowledge
12	How would you rate your level of financial literacy?	Low (you have limited knowledge of financial instruments and rarely engage in financial planning or investing)
		Average (you possess basic knowledge of financial products and occasionally manage personal finances, such as budgeting or saving money)
		High (you have a good understanding of various financial instruments, regularly engage in financial planning and investing, and have the ability to make informed financial decisions independently)
		Very high (you possess deep knowledge and experience in finance, continuously monitor financial markets, complex investment instruments, and utilise sophisticated strategies to optimise your financial outcomes)
13	How often does fear influence your investment decisions?	I regularly experience fear of risky investments and often avoid them because of this fear
		Fear sometimes influences my decisions, but does not always dictate my actions
		Fear has little effect on my decisions, I usually ignore it
14	How do you typically react to an opportunity to make a quick return on investment?	I invest money quickly, even if it involves high risk, to avoid missing out on the chance for substantial returns
		I cautiously analyse the opportunity and only then make a decision, even if it means passing up some opportunities
		I do not pay much attention to the possibility of quick profits and always adhere to my investment strategy
15	What will influence your decision to invest in a new project with high-profit potential?	The promise of significant returns is the primary factor that encourages me to invest, even if the risks are high
		I consider both potential profits and risks, making decisions based on a balanced approach
		I focus on stable and proven investments and rarely consider projects with high-profit potential but also high risks

Table 1. Continued

No.	Question	Answer
16	How do you respond to the lack of specific data on an investment opportunity that promises high returns?	I am willing to invest without detailed analysis, hoping for the promised benefit
		I attempt to gather as much information as possible and do not proceed with an investment without adequate confirmation
		I refrain from investing if there is insufficient data to assess the risks
17	Have there been cases when you sold assets out of panic or bought out of a strong desire not to miss an opportunity?	I often sell assets under the influence of panic due to sharp fluctuations
		I frequently purchase assets out of a strong desire to seize an opportunity, disregarding all risks
		I strive to remain calm and objectively analyse the situation, avoiding panic or excessive enthusiasm
18	Do you experience feelings of regret after making investment decisions?	I often feel regret, which makes me more cautious in subsequent decisions
		Feelings of regret occur infrequently and have minimal impact on my future decisions
		I rarely feel regret, and it does not affect my subsequent decisions
19	Are you prone to overestimating your knowledge and skills in investing?	I often overestimate my knowledge, which has repeatedly led to erroneous decisions
		My confidence sometimes exceeds my actual skills, but this does not happen all the time
		I believe I accurately assess my knowledge and skills, with mistakes occurring rarely
20	How often do you seek information that confirms your previous investment decisions while ignoring contradictory data?	I tend to seek information that supports my decisions and ignore contradictory data
		Occasionally, I pay attention to evidence that confirms my decisions, but I also consider conflicting data
		I strive to take all data into account, rather than focusing solely on confirmation of my decisions
21	Have there been instances when you followed the decisions of the majority of investors (herd effect), even if you personally had doubts?	I often follow the majority, even if I have personal doubts
		Sometimes, I am influenced by the majority, but I usually take my own opinions into account
		I try not to succumb to the herd effect and make decisions based on my own analysis

Source: created by the author

The experiment was conducted from 1 May to 30 June 2024. A total of 200 participants were involved in the study, of which 110 were male (55%) and 90 were female (45%). The age distribution of respondents was as follows: 18 to 25 years – 40 individuals (20%), 26 to 35 years – 60 individuals (30%), 36 to 43 years – 50 individuals (25%), 44 to 53 years – 30 individuals (15%), and 54 years and older – 20 individuals (10%). The experiment covered major regional centres of Ukraine, including Zhytomyr, Kyiv, Vinnytsia, Kharkiv, Ternopil, Chernihiv, and Cherkasy. All participants had experience in investing and provided voluntary consent to participate in the study. The conducted experiment contributed to a deeper understanding of the influence of emotional and cognitive factors on investment decisions, allowing for the identification of specific reactions and biases that shape the economic behaviour of investors. Before the commencement of the experiment, participants were asked to complete a brief questionnaire to ascertain general information (Table 2).

All study participants were fully informed about the purpose and methods of the research and provided written consent to participate, with full confidentiality of the respondents' personal data being ensured. The online tasks, which were presented through a specially designed platform, included various scenarios for investment decisions and emotional stimuli (Table 3).

Table 2. General information about the participants of the experiment

No.	Question	Answer
1	Sex	Male
		Female
2	Age	18-25 years
		26-35 years
		36-43 years
		44-53 years
		54 years and older
3	Your place of residence (specify the city)	_____
4	Your investment experience	Less than 1 year
		1-3 years
		4-7 years
		More than 7 years
5	What is your level of experience in investing?	Beginner (you are just starting to familiarise yourself with the basics of investing and have limited experience in this field)
		Intermediate (you already have some experience in investing and are familiar with the basic strategies and instruments)

Table 2. Continued

No.	Question	Answer
5	What is your level of experience in investing?	Advanced (you actively invest and apply various strategies, understanding complex financial instruments)
		Expert (you have extensive experience in investing, regularly analyse the market, and utilise professional strategies and tools)

Source: created by the author

Table 3. Investment decision scenarios

No.	Description of the online task
1	**Market fluctuation scenario.** Respondents participate in a virtual financial market simulation where they are tasked with making investment decisions under conditions of sudden and significant price fluctuations. They begin with a specific sum of virtual money and have the opportunity to invest in various assets, receiving information on current prices and forecasts. Throughout the simulation, sudden price changes occur, mimicking real-world market conditions. Participants must make buy or sell decisions under conditions of uncertainty. Emotional stimuli include fear of loss when asset values drop sharply and the temptation of profit during price increases, which can encourage risky strategies. The experiment aims to identify the impact of these emotions on respondents' decisiveness and the changes in their investment strategies in response to stressful situations and the desire to maximise profits.
2	**Financial crisis scenario.** In this task, respondents encounter a simulated economic crisis that impacts all financial assets within a virtual market. Throughout the simulation, they are provided with information about sharp declines in market prices, mimicking real-world economic crises. Respondents must adapt their investment strategies by making decisions about buying or selling assets under conditions of significant devaluation. Emotional stimuli include anxiety caused by market uncertainty and instability, as well as panic that may arise from rapid price declines. The goal of this task is to investigate how crisis situations affect respondents' decisiveness, their investment decisions, and the manifestation of fear and anxiety when making decisions under economic downturn conditions.
3	**High-returns scenario.** Participants are presented with a scenario in which they are invited to invest in projects promising high potential returns but also accompanied by high risks. A virtual environment is simulated where participants have the opportunity to choose from several investment options, each with a different level of risk and potential return. According to this scenario, participants must decide which high-return projects they are willing to support, despite the significant level of risk. Emotional stimuli in this task include greed, which can arise from the prospect of significant financial gains, as well as emotional excitement from the possibility of making a large profit. The goal of this scenario is to assess how the possibility of significant returns influences participants' investment decisions and whether it leads to excessive risk-taking. The experiment aims to uncover the extent to which the potential for high income can affect investors' willingness to take risks and whether this promotes irrational decision-making.
4	**Confirmation bias scenario.** Participants receive initial information about investments that confirms their pre-existing beliefs and strategies. Initially, they are provided with information that reinforces their prior opinions about the effectiveness of certain investments, creating a positive confirmation bias context. Subsequently, participants receive contradictory data or news that directly contrasts with the initial information. Respondents are tasked with evaluating this new conflicting information and deciding whether to change their investment strategy in line with the new data or continue to adhere to their previous decision. Emotional stimuli in this scenario include confirmation of personal beliefs, which arises from the initial positive data, as well as the tendency to ignore contradictory data, which may be a result of confirmation bias. The goal of this task is to investigate how confirmation bias affects respondents' willingness to change their investment decisions, despite the presence of new contradictory information. The experiment seeks to ascertain the extent to which strong confirmation bias can hinder the adaptation of strategies and the making of more informed decisions.
5	**Group influence scenario.** In this experiment, respondents first make investment decisions based on personal analysis. They are then provided with the results of a vote or recommendations from an imaginary group of investors, which may either confirm or contradict their decisions. Respondents are tasked with deciding whether to change their decisions based on the group's recommendations or to stick with their initial choices. Emotional stimuli include social pressure and groupthink, which can influence their willingness to follow group advice. The goal of this task is to investigate how social pressure and group influence change respondents' investment decisions and whether they are inclined to change their decisions based on group recommendations.
6	**Information overload scenario.** Respondents are presented with a vast amount of information about various investment opportunities, provided in the form of detailed descriptions, statistical data, and forecasts. After reviewing all materials, they must select the best investment option for further investment. The task involves deciding between numerous options and attempting to organise and analyse information that may be excessively large. Emotional stimuli include information overload and stress due to the need to make a quick decision under conditions of a large amount of data. The aim is to assess how excessive information influences the decision-making process and to determine whether it causes errors or biases in the choice of investment opportunities.

Source: created by the author

To process and analyse the data obtained from the respondents in detail, Statistical Package for the Social Sciences (SPSS) Statistics Version 28.0 was used. This allowed for a comprehensive analysis of the impact of psychological factors on investment decisions, revealing statistically significant patterns and obtaining well-founded conclusions, which significantly increased the scientific accuracy and reliability of the research results. Regression and correlation analyses identified key factors and relationships between them that influence investment decision-making.

RESULTS

Psychological factors play a pivotal role in investment decision-making, influencing risk and reward perception, emotional responses to market fluctuations, and overall investor confidence. In the context of investing, they encompass aspects such as emotional reactions (fear, greed), cognitive biases (confirmation bias, overconfidence), and social influences (groupthink, social pressure). These factors can distort objective analysis of risks and opportunities, leading to erratic or irrational market decisions (Duxbury *et al.*, 2020). Investing is the commitment of financial resources to various assets or projects to generate a profit or achieve another economic benefit in the future. This may involve purchasing shares, bonds, real estate, or investing in businesses or start-ups. Investing typically involves assessing risks and potential returns, as well as strategic planning to achieve financial goals (Yang & Wang, 2023). Economic relationships represent the interactions between investors, companies, markets, and government bodies, determining the processes of capital allocation, investment decision-making, and asset management. This encompasses relationships arising from the investment of money in financial instruments, enterprises, or projects, and also influences investment returns, risks, and economic efficiency (Van Dijk & De Dreu, 2021). Financial markets are platforms or systems where the buying and selling of financial instruments, such as stocks, bonds, currency pairs, and other securities, takes place. They provide a mechanism for valuing assets, managing risks, and allocating capital, allowing investors to effectively manage their investments and achieve their financial goals (Aman *et al.*, 2022; Ruda & Kraus, 2024). Economic bubbles are situations where the prices of financial assets significantly exceed their true or justified value due to speculative demand and excessive expectations. This can lead to an artificial increase in asset prices, which may ultimately end in a sharp price decline when the market realises its true value (Ngoc & Tien, 2021). These concepts are important in the context of this research, as psychological factors influence investment decisions, shaping economic relationships and behaviour in financial markets, which can lead to market bubbles and other asset price anomalies.

According to the analysis of survey results, the largest proportion of respondents work in the finance and investment sector, accounting for 30% of the total sample. Business and entrepreneurship representatives follow, making up 23.75%. Education and science represent 16.25%, and the public sector accounts for 13.75%. Other sectors of activity made up 16.25%. Regarding income, the largest group of respondents earn up to 10,000 UAH per month (35%), while 31.25% have an income in the range of 10,001-20,000 UAH. 21.25% of respondents earn from 20,001 to 30,000 UAH, and 12.5% have an income of over 30,000 UAH per month. Survey results indicate that, among the 800 respondents, 27% (216 individuals) have less than a year of investment experience, 34% (272 individuals) have between 1 and 3 years, 23% (184 individuals) have between 3 and 5 years, and 16% (128 individuals) have over 5 years. Regarding investment types, 68% of respondents (544 individuals) invest in shares, 49% (392 individuals) in bonds, 43% (344 individuals) in real estate, 38% (304 individuals) in funds, 29% (232 individuals) in cryptocurrencies, and 13% (104 individuals) use other investment instruments. 57% of respondents (456 individuals) use the services of financial advisors, while 43% (344 individuals) do not. The distribution of respondents by the level of risk they are willing to take when investing is expressed by the data indicating the number of responses from participants (Fig. 1).

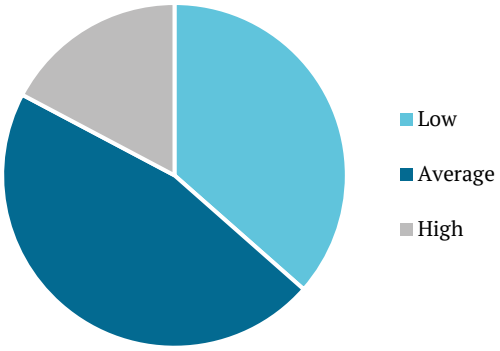

Figure 1. The level of risk
Source: created by the author

The low-risk cluster includes respondents who focus on minimising risk and opt for conservative investment instruments. This group comprises 36.5% of respondents who prioritise stability and reliability in their investments, choosing government bonds, bank deposits, and other less risky instruments. The medium-risk cluster includes 46.25% of respondents who are willing to take on moderate risk for higher returns. These investors prefer shares of large companies, diversified funds, and other investment instruments that provide a balance between risk and return. The high-risk cluster includes 17.25% of respondents who are inclined towards high risks for potentially large profits. These investors choose highly volatile instruments, such as cryptocurrencies and shares of small companies, and are prepared for significant financial losses in case of failure. The majority of respondents prefer a medium level of risk, which may indicate a desire for a balanced approach to investing. A significant proportion of respondents are willing to accept low risks, while a smaller group opts for high risk for the possibility of significant returns.

Survey results indicated that the largest representation was from the Kyiv Region, accounting for 27.625%, followed by the Kharkiv Region at 18.625%, the Lviv Region at 17.875%, the Odesa Region at 16.375%, the Poltava Region at 11.375%, and Dnipropetrovsk Region at 8.125%. Regarding sources of information for making investment decisions, the largest proportion of respondents (68.875%) indicated financial news as their primary source. A personal analysis of the market is used by 60.125% of respondents, making it the second most important source. Advice from family and friends is used by 42.625%, consultations with financial experts by 37.375%, and social media and online forums by 35.125%. Out of 800 respondents, 285 (35.6%) experience significant pressure from friends and family regarding investments and often follow their advice, while 340 (42.5%) listen to these suggestions but make decisions independently. 135 respondents (16.9%) consider this advice less important and follow their own strategy, and 40 individuals (5%) ignore social influences and rely on their

own experience. Regarding financial literacy levels, 104 respondents (13%) rated their knowledge as low, 236 (29.5%) as average, 320 (40%) as high, and 140 individuals (17.5%) as very high, indicating a predominance of high levels of financial literacy among survey participants.

The results revealed the following trends in the influence of fear on investment decisions: 27.3% of participants regularly experience fear of risky investments and often avoid them. The majority, specifically 45.8%, indicated that fear sometimes influences their decisions but does not always dictate their actions. Meanwhile, 26.9% of respondents believe that fear has a minimal impact on their decisions and they usually ignore it. Reactions to the possibility of quick profits show that 23.1% of respondents quickly invest money, even if it is accompanied by high risk, in order not to miss out on a chance for a large profit. At the same time, 52.4% of respondents carefully analyse the opportunity before making a decision, even if it means missing out on some opportunities. 24.5% of respondents do not pay much attention to the possibility of quick profits and always follow their investment strategy.

Trends in attitudes towards investing in new projects with high profit potential indicate that: 32.8% of respondents believe that the promise of a large profit is the main factor that motivates them to invest, even if the risks are high. 46.4% of respondents approach investments with a more balanced strategy, considering both potential profit and risks. Another 20.8% of respondents focus on stable and proven investments, rarely considering high-risk projects. When it comes to the absence of specific data on the possibility of investments with promised high returns, 28.6% of respondents are willing to invest without detailed analysis, hoping for the promised benefit. At the same time, 47.3% of respondents try to gather as much information as possible and do not make an investment without sufficient confirmation. Another 24.1% of respondents refuse to invest if there is not enough data to assess the risks.

About selling assets in a panic or purchasing through a strong desire to seize an opportunity, 29.2% of respondents often sell assets under the influence of panic due to sharp fluctuations. 27.8% of respondents often buy assets due to a strong desire to take advantage of an opportunity, without considering all the risks. However, 43% of respondents try to remain calm and objectively analyse the situation, avoiding panic or excessive enthusiasm. Regarding feelings of regret after making investment decisions, 34.4% of respondents often feel regret and this makes them more cautious in future decisions. 48.9% feel regret infrequently, and it has a minor impact on their subsequent decisions. The remaining 16.7% of respondents rarely feel regret, and it does not affect their subsequent decisions. When assessing the tendency to overestimate their knowledge and skills in investing, 27.3% of respondents often overestimate their knowledge, which repeatedly leads to wrong decisions. 45.1% admit that their confidence sometimes exceeds their actual skills, but this does not always happen. 27.6% of respondents believe that they adequately assess their knowledge and skills, and mistakes rarely occur.

Among respondents, 31.4% tend to seek information that confirms their previous investment decisions and ignore contradictory data. 45.9% sometimes look for confirmation of their decisions but also consider contradictory data, while 22.7% try to consider all data, not relying solely on confirmation of their decisions. Regarding following the decisions of the majority of investors (herd effect), 28.6% of respondents often follow the crowd, even if they have personal doubts. 46.3% are sometimes influenced by the majority but usually consider their own opinions. 25.1% try not to succumb to herd effect and make decisions based on their own analysis. The survey helped to reveal that respondents' investment decisions are often influenced by psychological factors such as fear, the desire for quick profits, and social pressure. The vast majority of participants tend to seek confirmation of their decisions and conform to the opinion of the majority, which underscores the need for a conscious approach to investing.

A survey of 200 respondents revealed the following geographical distribution: Kyiv had the highest representation with 37%, followed by Kharkiv (23%) and Vinnytsia (17%). Respondents from Chernihiv (11%), Zhytomyr (9%), Cherkasy (5%), and Ternopil (3%) were less numerous. Regarding the duration of investment, the majority of respondents have been investing for 1 to 3 years (37%), while 27% have experience from 4 to 7 years. However, 19% of respondents have been investing for less than 1 year, and 17% for more than 7 years. According to their level of investment experience, 41% of respondents have an intermediate level of experience, 27% are advanced, 23% are beginners, and 9% are experts in this field.

In a virtual experiment simulating market fluctuations, involving 200 respondents, several key trends in investor behaviour during stressful situations were recorded. 47% of respondents made decisions to buy assets during market rallies, tempted by the possibility of quick profits. At the same time, 33% of respondents more frequently sold assets during market downturns, primarily due to fear of losses. Another 20% of respondents exercised caution, trying to avoid significant changes in their investments even in volatile conditions. Notably, 54% of respondents, faced with a sharp decline in prices, tried to minimise losses, indicating a high level of fear of potential financial losses. However, 46% of respondents continued to actively seek out profitable opportunities during market rallies, demonstrating a significant temptation for quick gains. The analysis by sex revealed that males were more likely to take risks and purchase assets during periods of price increases (51% compared to 43% among females). Females tended to be more cautious during asset price declines (37% compared to 29% among males). Age also influenced investment strategies: younger respondents (18-25 years) were more inclined to follow market trends and take greater risks (62%), whereas older respondents (54 years and older) were more cautious and reduced activity during periods of uncertainty (38%). These results illustrate how different emotional and age-related factors affect respondents' investment decisions during a simulated financial market with unpredictable fluctuations.

In a simulated economic crisis where 200 respondents had to adapt their investment strategies in the face of a sharp decline in asset prices, several key behavioural patterns emerged. A total of 97 participants (48%) decided to sell some or all of their assets due to fear and anxiety triggered by the crisis conditions. Meanwhile, 65 respondents (32%) adapted their investment strategies, seeking to

capitalise on opportunities to purchase assets at reduced prices, while 38 individuals (20%) chose to hold onto their assets, hoping for a market recovery. Among males, 55 individuals (50%) actively sold assets due to panic, 38 males (35%) adapted their strategies, and 17 (15%) chose to hold onto their assets. Among females, 42 respondents (47%) sold assets under the influence of anxiety, 27 (30%) changed their strategies in the face of the crisis, and 21 (23%) opted for a holding strategy. The age distribution showed that among younger respondents (18-25 years), 48% engaged in panic selling of assets, 57% of those aged 26-35 adapted their strategies, and 48% of those aged 36-43 chose to retain their assets. In the 43-53 age group, 50% of respondents sold assets out of fear of the crisis, while 45% of those aged 54 and older held onto their assets, hoping for recovery. These results demonstrate the diverse strategies and behavioural responses of respondents to a financial crisis, highlighting both fear and opportunities for adaptation to market fluctuations.

In an online task focused on high returns, the results indicated that 54.5% of males and 50% of females choose high-risk investments, highlighting the influence of potentially high profits on their decisions. An analysis of age categories revealed that respondents aged 26-35 years, comprising 17.5% of the total sample, and those aged 36-43 years (14% of the total) exhibited the greatest interest in risky investments. Regarding emotional influence, greed was the most significant factor affecting decision-making, with its effect observed in 35% of respondents. Another 27.5% of respondents noted the temptation of large profits, 25% displayed increased risk-taking, and 12.5% maintained a neutral approach. These results suggest that the possibility of significant returns significantly influences respondents' willingness to take risks, emphasising the role of emotions in shaping investment strategies.

In the "Confirmation bias scenario" experiment, some interesting data was obtained. Among males, 71% (78 individuals) continued to adhere to their initial investment strategies, despite contradictory information. Among females, this figure was 59% (53 individuals). Age distribution showed that the highest confirmation bias was exhibited by respondents aged 26-35 years, where 39% (23 individuals) maintained their strategies without changing them, even in the presence of new data. 25% (10 individuals) of respondents aged 18-25 years and 20% (6 individuals) aged 43-53 years also ignored contradictory information. Only 31% (62 individuals) of respondents were willing to adapt their strategies according to new data, demonstrating a readiness for change. These results confirm a significant influence of confirmation bias on investment decision-making, hindering the adaptation of strategies even in the face of new contradictory information. In the "Group influence scenario" experiment, the results demonstrated how respondents' opinions shifted under the influence of the crowd (Fig. 2). The data reflects the number of individuals who made decisions.

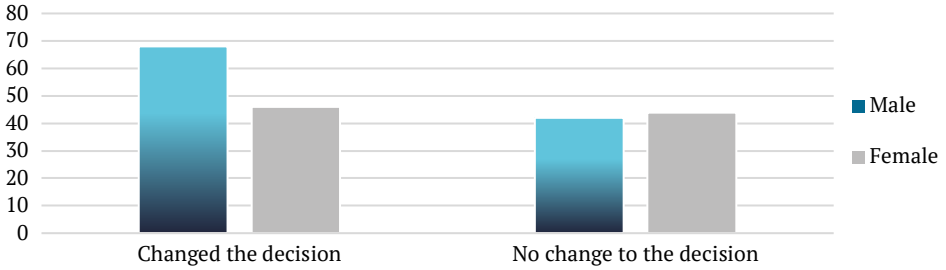

Figure 2. Susceptibility to social pressure

Source: created by the author

An analysis of age categories revealed that respondents aged 26-35 years were most susceptible to group influence, with 58% (35 individuals) altering their decisions based on group recommendations. Meanwhile, 20% (8 individuals) aged 18-25 years and 15% (3 individuals) aged 54 and over were also inclined to follow group recommendations. These results indicate a significant impact of social pressure and groupthink on investment decision-making, with a majority of respondents tending to change their initial decisions based on group recommendations. The "Information overload scenario" revealed that 65 out of 110 males (59%) experienced significant information overload and made errors in data analysis, while 45 males (41%) successfully coped with the information load. Among females, 35 out of 90 respondents (39%) made errors due to information overload, whereas 55 females (61%) did not. Age distribution of respondents showed that among those aged 18-25, 20 out of 40 participants (50%) felt overwhelmed, while 20 (50%) completed the task without errors. In the 26-35 age group, 30 out of 60 respondents (50%) made mistakes, while 30 (50%) successfully coped. Among respondents aged 36-43, 15 out of 50 (30%) felt overwhelmed, and 35 (70%) made no errors. In the 43-53 age category, 10 out of 30 individuals (33%) made mistakes, while 20 (67%) were successful. Among respondents aged 54 and over, 5 out of 20 (25%) experienced information overload, and 15 (75%) coped without errors.

The experiment results suggest that information overload has a greater impact on males and younger age groups, while females and older respondents cope better with large amounts of data. Experiments have shown that respondents with different levels of experience and age groups have varying degrees of influence from emotional and social factors on their investment decisions: younger people and males are more susceptible to risky situations and social pressure, while older individuals and females tend to adopt a more cautious approach, being less susceptible to information overload. Based on the results of the surveys and experiments, key factors influencing investment decisions were identified (Table 4).

Table 4. Influencing factors

High impact	Moderate impact	Low impact
Panic and fear of loss	Herd effect	Sex
Greed	Overestimation of your knowledge and skills	
Confirmation bias	Age	
Information overload		

Source: created by the author

Panic and fear of loss can lead to impulsive and irrational decisions due to intense emotions of fear. Respondents experiencing panic are prone to quickly exiting investments, even if this may harm their long-term portfolio (Bayar *et al.*, 2020). Greed drives investors to seek maximum profit, which can lead to excessive risk-taking. This can influence decisions to invest in projects with high potential returns but also high risk (Alkaraan *et al.*, 2023). Confirmation bias compels investors to seek information that confirms their prior beliefs and ignore contradictory data. This can delay or complicate adaptation to new market conditions (Alkhawaja & Albaity, 2020). A large amount of information can be difficult to process, leading to difficulties in decision-making. This can lead to errors in evaluating investment opportunities due to an excessive amount of data (Yee *et al.*, 2021). The influence of social pressure and general trends can compel investors to follow the crowd, even if it contradicts their own analyses. This can lead to fluctuations in decisions. Investors who overestimate their abilities may make riskier decisions due to overconfidence. This can affect the accuracy of their investment strategies (Bordalo *et al.*, 2022). Although sex may influence investment decisions, this influence is smaller compared to other factors. Differences in investment decisions between males and females are not significant (Khanchel *et al.*, 2024). Age also has a smaller impact on investment decision-making, although it may influence investment strategies and risk profiles. Older investors may have a different approach to investing compared to younger ones (Fatma *et al.*, 2021).

Factor analysis revealed three primary categories influencing investment decision-making. Psychological factors exerted the highest influence: panic and fear of loss (0.78), greed (0.74), confirmation bias (0.71), and overestimation of one's knowledge and skills (0.68). Information pressure, encompassing information overload (0.82) and herd effect (0.77) impacted decision-making through disorientation and social influence. Demographic characteristics had a smaller impact: age (0.69) and sex (0.62). This confirms that psychological and informational factors are the primary determinants of investment decisions, while demographic characteristics play a less significant role. Correlation analysis helped to identify important relationships between the factors influencing investment decisions (Table 5).

Emotional reactions and cognitive biases have the most significant impact on investors' behaviour, while social influences and age-related factors play a lesser role. Regression analysis helped identify key factors determining the choice of investment strategies (Table 6).

Table 5. Interrelation of factors

Pair of factors	Correlation, *r*
Panic and fear of loss – Greed	0.68
Confirmation bias – Information overload	0.57
Herd effect – Greed	0.46
Overestimation of knowledge and skills – Confirmation bias	0.52
Information overload – Confirmation bias	0.34
Age – Overestimation of knowledge	0.29

Source: created by the author

Table 6. Influence of various factors

Factor	Type of influence	Beta coefficient	Level of significance
Panic and fear of loss	Positive	0.45	$p < 0.01$
Greed	Positive	0.38	$p < 0.01$
Confirmation bias	Positive	0.32	$p < 0.05$
Information overload	Positive	–0.29	$p < 0.05$
Herd effect	Positive	0.27	$p < 0.05$
Overestimation of your knowledge and skills	Positive	0.22	$p < 0.1$
Age	Neutral	0.15	$p > 0.1$
Sex	Neutral	0.10	$p > 0.1$

Source: created by the author

Panic and fear of loss, as well as greed, stimulate a willingness to take investment risks. Confirmation bias inclines individuals to stick to their initial beliefs, regardless of new data. In contrast, excessive information complicates decision-making, reducing investment readiness. Herd effect increases the tendency to follow group recommendations, and overestimating one's own knowledge has a moderately positive effect. Age and sex do not have a significant impact on investment readiness.

DISCUSSION

The research findings confirm the significance of psychological factors in the investment decision-making process. Data analysis reveals that fear of loss, greed, confirmation bias, and social pressure can significantly alter investment strategies, reducing their effectiveness and increasing risks. These results underscore the need to consider psychological aspects when developing investment strategies and educating investors to enhance their resilience to the influence of emotions and biases. Many investors regularly experience a fear of risky investments and often avoid them. This finding aligns with the research of V. Baid & V. Jayaraman (2022), which also revealed that fear of potential losses significantly influences investors' decisions to avoid risky ventures. Both studies demonstrate that fear substantially hinders the willingness to take investment risks, confirming that this psychological factor is a powerful barrier. This underscores that regular fear can be a significant aspect in shaping investment decisions.

Overestimating one's knowledge and skills in investing often leads to erroneous decisions (Herus, 2024). This result aligns with the research of A. Hu & S. Ma (2021), found that investors who overestimate their knowledge and skills are prone to making poor investment decisions. Both studies underscore that overconfidence often does not correspond to investors' actual abilities, leading to an increased number of mistakes. This study also shows that a significant portion of respondents acknowledge their tendency to overestimate their knowledge, but this does not always occur, whereas the study by A. Hu & S. Ma (2021) focuses on the general trend of overconfidence. This reflects a difference in approaches to measuring overconfidence and its impact on decision-making. Most respondents approach investments with a balanced strategy, considering both potential returns and risks. This finding differs from the research of K. Sood *et al*. (2023), which revealed that a majority of investors tend to make decisions driven by promises of high returns, often underestimating the associated risks. In this study, 46.4% of respondents demonstrate a balanced approach, while K. Sood *et al*. (2023) suggest that only around 30% of investors consider risks as carefully as potential gains. The difference may be attributed to this study's inclusion of a more knowledgeable sample of respondents who have experience in investing and access to relevant resources for making informed decisions.

During economic crises, most investors chose to sell some or all of their assets due to fear and anxiety caused by the crisis conditions (Dunayev *et al*., 2024). This finding does not align with the research of N.M. Zayed *et al*. (2022), whose results indicate that most investors typically hold onto their assets during crises, hoping for market recovery. They found that only a minority of investors sell assets out of fear, while the majority attempt to adapt their strategies or take advantage of opportunities for long-term investments. The results of this study suggest that fear and anxiety have a significant impact on decision-making, leading to panic selling of assets. This could be attributed to a lack of preparation and the inability to conduct in-depth analysis under crisis stress, which differs from the long-term adaptation strategies described in the study by the researchers. A significant proportion of respondents, both male and female, tend to opt for high-risk investments if they are associated with potentially substantial returns. This is especially true for young and middle-aged individuals who exhibit a heightened interest in such risky investments. The data aligns with the research of C. Slimani & M. Alaoui (2022), which identified a similar trend where investors, influenced by the prospect of high returns, frequently choose risky assets. As in this study, the researchers note that younger and middle-aged investors are particularly sensitive to promises of significant financial gain, and this influences their investment decisions. This is consistent with the theory of economic bubbles, where high return expectations can lead to excessive risk-taking (Saifnazarov, 2024). Therefore, the results of this study corroborate the observations of C. Slimani & M. Alaoui (2022), demonstrating that the possibility of large returns has a strong influence on risk-taking propensity across different age groups.

Investors aged 26-35 are most susceptible to social pressure and groupthink. They are more likely to change their decisions based on group recommendations than other age groups. This finding aligns with the research of R. Rosdiana (2020), which demonstrated that younger age groups are more prone to social influence compared to older ones. R. Rosdiana (2020) suggests that younger individuals are often in a stage of actively forming social connections, making them more sensitive to collective opinion. This study corroborates these results, emphasising that younger respondents are indeed more influenced by social pressure, which may be attributed to their social environment and the search for validation of their decisions through group consensus. Information overload has a greater impact on males and younger age groups, while females and older respondents cope better with large amounts of data. The results align with the research of J. Humphrey *et al*. (2021), which found that males and younger individuals more frequently experience difficulties under conditions of information overload, leading to errors in data analysis. They note that younger individuals may have less experience in managing information and are more prone to stress when processing large amounts of data. This is also supported by observations that males often exhibit a greater emotional reaction to information overload. This study confirms these findings, showing that males and younger respondents more often encounter information overload and make more mistakes in such conditions. This can be explained by a lack of sufficient experience in managing large amounts of data and the stress that accompanies information overload.

Psychological and informational factors have a primary influence on investment decision-making, while demographic characteristics have a lesser impact. This finding contradicts the research of L. Dang & J. Zhao (2020), which identified a greater influence of demographic characteristics, such as age and sex, on investment decision-making. Researchers emphasise that demographic variables significantly influence investment strategies, indicating the importance of age and sex differences in shaping investment preferences. However, this study has shown that psychological stimuli, such as fear, greed, information pressure, and herd effect, have a significant impact on decision-making. This may be due to the fact that modern investment conditions are rapidly changing, and psychological and informational factors are gaining more weight in determining investment strategies than traditional demographic

variables (Kalna-Dubinyuk *et al*., 2023). Panic and fear of loss have a strong positive correlation with greed (Nuzhna *et al*., 2023). Similar results were obtained in the research of R. Jain *et al*. (2022), where it was found that emotional states, particularly fear and greed, are closely linked and can influence investment decisions. Both studies suggest that past investment losses can stimulate the adoption of riskier strategies in an attempt to recoup losses or achieve greater gains. Discussions confirmed that the factors influencing investment decision-making are complex and multifaceted, varying depending on individual and social circumstances. Various studies have shown that the impact of emotional states, social pressure, and information overload on investment decisions can vary significantly. Emotional reactions, such as panic and fear of loss, as well as social pressure, can have a substantial impact on the choice of investment strategies.

CONCLUSIONS

A comprehensive analysis was conducted to understand the impact of psychological factors on the formation of economic relations. This involved examining the role of emotional states, cognitive biases, social factors, and financial literacy in shaping economic relationships and investment decision-making. The study found that panic and fear of loss have a significant positive correlation with greed ($r = 0.68$), confirming their influence on investment decisions. It was confirmed that overconfidence, manifested in overestimating one's own knowledge and abilities, correlates with confirmation bias ($r = 0.52$). This suggests that individuals who overestimate their skills are more likely to trust their beliefs, which can influence the decision-making process. The study found that confirmation bias correlates with information overload ($r = 0.34$), meaning that ignoring contradictory information often accompanies information overload. This highlights the importance of being aware of cognitive biases in the investment decision-making process. The results of the analysis of social factors confirm that the herd effect has a moderate correlation with greed ($r = 0.46$), indicating a strengthening of the desire for high returns under the influence of social pressure. This information indicates a significant influence of social pressure and groupthink.

The evaluation of emotional factors revealed that psychological stimuli such as panic and fear of loss (0.78), greed (0.74), and confirmation bias (0.71) have the most significant impact on decision-making. This confirms the importance of considering these emotional factors when developing strategies to maintain stable economic relations. Demographic factors, such as age (0.69) and gender (0.62), were found to be less significant compared to psychological and informational factors. It was also established that increasing financial literacy can reduce the negative impact of psychological factors on investment decision-making, as educated investors have a better understanding of risks and opportunities, helping them make more informed decisions. The results of the study confirm that psychological and informational factors are the primary determinants of investment decisions, while demographic characteristics have a less significant influence. Discussion confirmed that emotional factors, particularly fear and greed, have a significant impact on investment decisions, and cognitive biases and social influences shape asset management strategies, highlighting the need to consider psychological aspects in developing investment strategies and making decisions to ensure the stability and efficiency of investment processes. Limitations of the study include unpredictable economic and political events, which can affect market conditions and investor behaviour, as well as limitations in access to complete information about market trends and individual investment strategies, which may impact the accuracy and completeness of the results obtained. Further research in this area could focus on exploring the impact of new psychological factors and changes in the socio-economic environment on investment decision-making, and on developing new methods to minimise their negative effects.

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CONFLICT OF INTEREST

None.

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Вплив психологічних чинників на прийняття інвестиційних рішень: психологічні особливості формування економічних відносин

Анотація. Метою статті було проаналізувати вплив психологічних факторів на процес прийняття інвестиційних рішень, що визначають економічну поведінку інвесторів в Україні. Під час дослідження було проведено анкетування та експериментальні завдання серед інвесторів, а отримані дані були проаналізовані за допомогою статистичних методів для виявлення впливу психологічних чинників на інвестиційні рішення. Виявлено, що страх та жадібність є найбільш вагомими емоціями, які суттєво впливають на прийняття інвестиційних рішень, де страх призводить до надмірної обережності та уникання ризику, а жадібність навпаки стимулює інвесторів до прийняття надмірних ризиків. Надмірна впевненість у власних знаннях і навичках призводить до переоцінки можливостей та підвищення ризику втрат, тоді як підтверджувальне упередження змушує інвесторів шукати інформацію, яка підтверджує їхні попередні рішення, ігноруючи суперечливі дані. Думка експертів та поведінка групи значно впливають на інвестиційні рішення, особливо в умовах невизначеності, що часто призводить до ефекту натовпу та формування ринкових бульбашок. Експериментальні завдання показали, що інвестори часто приймають ірраціональні рішення під впливом емоцій та когнітивних упереджень, навіть якщо вони мають доступ до повної інформації про ризики та можливості. Результати анкетування також показали, що інвестори з більш високим рівнем фінансової грамотності менш схильні до впливу емоцій та когнітивних упереджень, що підкреслює важливість освіти в галузі фінансів для покращення якості інвестиційних рішень. Ці результати демонструють, як психологічні чинники можуть викривляти процес прийняття інвестиційних рішень та підкреслюють необхідність врахування цих чинників під час розробки інвестиційних стратегій

Ключові слова: страх; жадібність; надмірні ризики; втрати; когнітивні упередження