

THE ROLE OF PERSONALITY TRAITS ON INTENTION TO ADOPT ONLINE TRADING IN STOCK MARKET

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ABSTRACT

In this fast paced life, investors desire to shift to easy and comfortable mode of investment. But this shift is governed various external and internal factors. This research paper investigates one of the behavioral factors i.e. Personality which influences the intention to adopt Online trading in stock market. Data was collected with the help of structured questionnaire which was further subjected to structured equation modeling in SPSS AMOS. Results show that Extraversion is positively associated with Intention to adopt Online Trading but Agreeableness is negatively associated with Intention to adopt online trading. Moreover, Neuroticism, Openness and Conscientiousness are not significant associated with Intention to adopt online trading

KEYWORDS: Behavioral Finance, Personality Traits, Intention, Online Trading

INTRODUCTION

Efficient Market Hypothesis states that market is efficient and no individual can earn abnormal profit. This traditional approach does not consider the human aspect of investor. Behavioral finance put forward psychology as an important factor affecting investor's financial decision. As psychology intervene our investing decisions therefore cognitive error affects our financial decisions. Our decision making is affected by the uncertain conditions we face in life (Kahneman & Tversky, 1979). Our behavior is depends on our personality. The investor's behavior is affected by the individual's personality, interpretation of information, risk and return and reaction of sentiments (Maital 1986).

Technological progress have influenced and smoothed the operations of individual investors' investing in the stock market. The rapid growth of online trading is widely attributed to the fact that it offers investors combination of low costs, convenience, and control over on their investments. However despite of these facts people resist adopting online trading. A lot of research has been conducted into online trading in India and abroad, just emphasizing on one or the other factors. Barely, any comprehensive study is available in India with respect to effect of personality traits on the adoption of online trading. So, the need is strongly felt to identify the effect of personality traits on the adoption of online trading.

Personality trait of the individual can be determined by Big 5 personality model. It is a universal accepted model which explains personality variation of different individuals on the basis of along five dimensions. These five dimensions are Extraversion, Openness, Conscientiousness, Neuroticism, and Agreeableness. First, Neuroticism is the individuals who are anxious, apprehensive and prone to worry. He generally feels sad, lonely and dejected. Second; extraversion is the individual which is warm and affectionate towards others and enjoy parties. In most of the

circumstances he is assertive and excitement, thrill attracts them. Third, Openness is the individual who is imaginative and is a daydreamer. He has moderate level of creativity. Fourthly, Agreeableness is the person who easily trusts. He is generally frank and sincere but he tends to put his own interest towards others. Lastly, Conscientiousness is rational decision maker who is generally sensible. He is punctual, disciplined and well organized.

LITERATURE REVIEW

Wang (2005) examined the role of personality trait as an external viable or a moderator. Data was collected from 200 respondents through web based survey. He found out the role of personality as a moderator rather than as an external variable in acceptance of online trading. Research shows that performance expectancy may not motivate the personality trait “openness”, so he suggested security business to offer more facility assistance and improve the knowledge of managing money. He also suggested that for “agreeableness” investors’ the binding of good relationship between investor and agent is more important.

Wen Lin (2011) discovered the association between psychological traits, demographics and financial behavioral prejudices for individual investors. The study shows that personality traits and demographics significantly influence three behavioral prejudices in investment. It suggests that male investors in Taiwan stock market should consult other people ideas on investment. For elder investors, guide them about the selling and buying point to limit their risk, but investors who are young can gain information from their environment.

Jamshidinavid et al. (2012) evaluated the effect on financial behavior prejudices by Personality traits and demographic in Tehran Stock. About 215 individual investigators were selected using simple random sampling. The results shows that investment that the investment prejudices in individual investigators has relationship with personal characteristics meaningfully and with some of the demographic variables weakly.

Bashir et al. (2013) investigates the effect of personality traits and demographics on financial decision making and risk taking behavior. The study was conducted on 225 respondents who were financial advisors and individual investors in Pakistan. Results shows that personality traits significantly affect the investment decision and risk taking behavior but demographics has no significantly affect investment decision and risk taking behavior.

Sriyabhand and John (2014) analyzed the relationship between adoption of Information technology and Personality traits. The study analyzed the effect of personality through Five Factor Model (FFM) on adoption of social networking technologies through mobile devices. Results show that extraversion, agreeableness positively and significantly affect social networking behavior but conscientiousness is negatively related with social networking behavior.

PROPOSED RESEARCH MODEL

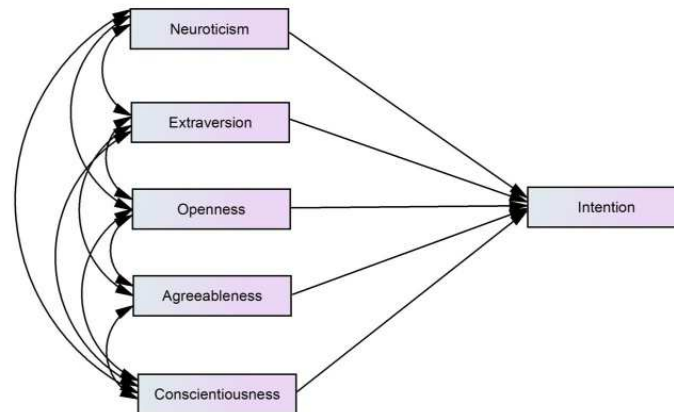


Figure 1: Research Model

Based on the proposed model, following hypothesis were tested

- H1: There is no significant relationship between Neuroticism and Intention to adopt online trading.
- H2: There is no significant relationship between Extraversion and Intention to adopt online trading.
- H3: There is no significant relationship between Openness and Intention to adopt online trading.
- H4: There is no significant relationship between Agreeableness and Intention to adopt online trading.
- H5: There is no significant relationship between Conscientiousness and Intention to adopt online trading.

METHODS

The objective of the study is to investigate the relationship between Personality traits on Intention to adopt online trading. Data was collected with the help of structured questionnaire form the individual investors of Stock Market. The questionnaire was sent 230 individuals in different region of Punjab. Out of the 230 questionnaires 195 completely filled questionnaires were received back (84.78%). The questionnaire was divided into two major parts: Personality Traits and Intention to trade Online. The scale comprised of 63 statements. The questionnaire was distributed to the investor's directly and through the help of brokers.

To identify the personality of an individual NEO-Five Factor Inventory (NEO-FFI, Costa & McCrae, 1992) 60 item scales was used. Out of five personalities Neuroticism personality of an individual was calculated by 12 statements. Some statements were reverse coded (*) and the computed value of neuroticism was calculated by

$$N = 1^* + 6 + 11 + 16^* + 21 + 26 + 31^* + 36 + 41 + 46^* + 51 + 56$$

Similarly, Extraversion, Openness, Agreeableness and Conscientiousness was computed as follows

$$E = 2 + 7 + 12^* + 17 + 22 + 27^* + 32 + 37 + 42^* + 47 + 52 + 57^*$$

$$O = 3^* + 8^* + 13 + 18^* + 23^* + 28 + 33 + 38^* + 43 + 48^* + 53 + 58$$

$$A = 4 + 9^* + 14^* + 19 + 24^* + 29^* + 34 + 39^* + 44^* + 49 + 54^* + 59^*$$

$$C = 5 + 10 + 15* + 20 + 25 + 30* + 35 + 40 + 45* + 50 + 55* + 60$$

To identify the intention of an individual 3 statements from TRA (Theory of reasoned action) model was used with Cronbach's alpha value 0.892. Behavioural intention is the immediate motivator for individuals to perform the behavior.

Table 1: Factor loading and Cronbach's Alpha Value

Tab S No.	Intention	Component Extracted	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	Cronbach's Alpha
I1	I intend to buy and sell my stocks through a website.	.944	.703	.892
I2	I expect to trade stocks online in the future.	.897		
I3	If I have access to online trading, I want to use it as much as possible.	.880		

RESULTS

In order to find out the effect of personality traits on Intention to adopt online trading structured equation modeling was used to test the proposed model. A cross sectional analysis was done using SEM to find out the effect of latent variables on each other.

Result of the model shows that Chi-square value is 2.286 with Degrees of freedom 1 and Probability level.131. This indicates a good model fit. Next indication towards a good model is the ratio of chi-square to degree of freedom. The value of the ratio came out to be 2.286, which falls within the suggested value of 3 and below. In addition table 3 shows the fitness criteria of the research model

Table 2: Summary of Fitness Criteria

S No.	Fitness Criteria	Result
1	GFI	.996
2	IFI	.993
3	CFI	.993
4	RMSEA	.081
5	CMIN	2.286

Generally, fit statistics greater than or equal to 0.9 for GFI, IFI, CFI indicates good model fit (Bagozzi et al., 1991). Furthermore, RMSEA value is less than 0.9 and CMIN value less than 3. All these values indicate that our model fit was accepted.

Table 3: Summary of Hypothesis Tests

	Estimate	S.E.	C.R.	P	
Intention <---N	-0.097	.013	-1.307	.191	Not Supported
Intention <---E	0.423	.013	5.265	***	Supported
Intention <---O	-0.083	.015	-1.138	.255	Not Supported
Intention <---A	-0.222	.014	-3.222	.001	Supported
Intention<---C	-0.148	.014	-1.806	.071	Not Supported

Note: N= Neuroticism, E= Extraversion, O= Openness, A= Agreeableness,

C=Conscientiousness

Results shows that Extraversion and Agreeableness significantly affect Intention to adopt online trading but Neuroticism, Openness and Conscientiousness has no significant relation with Intention to adopt online trading.

Table 4: Summary of Correlations

			Estimate	P
N	<-->	E	-0.265	***
N	<-->	O	-0.398	***
N	<-->	C	-0.31	***
E	<-->	O	0.235	.001
E	<-->	A	0.25	***
E	<-->	C	0.557	***
O	<-->	A	0.111	.093
O	<-->	C	0.261	***
C	<-->	A	0.256	***

Note: N= Neuroticism, E= Extraversion, O= Openness, A= Agreeableness,

C=Conscientiousness

CONCLUSIONS

The objective of the study was to find the effect of Personality traits on Intention to adopt Online Trading. Results shows that Neuroticism, Openness and Conscientiousness are not significant associated with Intention to adopt online trading. The results also show that Extraversion is positively associated with Intention to adopt Online Trading but Agreeableness is negatively associated with Intention to adopt online trading. The previous research on personality traits (Sriyabhand, T. and John, S. P. 2014) also show that extraverted individuals positively and considerably connected with the perceived usefulness of the technology Russel et al. (1997) and Anderson et al. (2001) show that extrovert individuals are friendly in nature and have large friend network that they frequently approach even by use of technology. These individuals are confident to use new innovations.

The individuals who are agreeableness in personality are modest, tolerant and friendly in nature (Lin 2011). Their decision is easily affected by their peer group (Jensen-Campell et al. 2002). Since the study shows a negative effect which means that the peer groups are also not in favor of using online trading. People still do not trust using online trading. E vendors should give investors full information about the privacy measures and usage of using Online trading so that their trust can be build.

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