

Riskiness of financial decisions under the influence of emotions evoking approach or withdrawal behavioral tendencies

People experience different emotions every day. Emotions, evoked by various objects, can trigger a tendency to react in a certain way. If something causes anger, it encourages acting to solve the problem - this tendency can be called approaching. Fear on the other hand prompts avoiding the object that elicits the emotion - this tendency can be called withdrawal. It is worth noting that such emotions can be triggered by various stimuli - fear can be evoked by a spider or by a difficult situation in the labor market, alike anger, which can be triggered by loud neighbours as well as political situation.

People also make decisions every day. Many of the decisions contain a risk factor, which is in some way a part of human functioning - often taking risk is necessary to achieve benefits, but the risk is associated with the possibility of failure. Financial and investment decisions seem to be some of the most significant in the modern world, after all, money is the universal resource that can provide security and development, while sudden financial loss can cause irreversible consequences. Decisions related to financial risk have great significance not only for individuals, but also companies depending on the decisions of management boards.

Emotions affect decisions related to financial risk, positive states lead to more risky decisions, while negative ones lead to rather low-risk investment decisions. The influence of approach and withdrawal tendencies caused by emotions on risky financial decisions does not seem so obvious - the emotions of anger and fear are negative states, but they cause different reactions in humans. In this research project we intend to explore the influence of emotions differing in behavioral tendency they evoke on financial risk-taking. Emotions that evoke approach tendency, promoting action, may lead to more risky behaviors, while emotions that evoke avoidance may encourage risk avoidance. In addition, the influence of behavioral tendencies on financial risk-taking may be amplified by other traits of emotions, like the complexity of emotional state and the arousal it evokes.

The project will include tasks in which participants make decisions related to financial risk in controlled conditions. The experimental methods will require subjects to make decisions about the height of stake in a game of chance and engaging in further game or not. In addition to decisions the studies will collect reaction times of the participants and neurophysiological data that will illustrate how decisions are processed after stimulation with specific emotions. Evoking the avoidance tendency, especially if it is very strong, may result in prolonged decision time. In addition, the difference in voltage recorded by the electroencephalograph between decisions taken after stimulation with emotions evoking approach or withdrawal tendency may indicate the effort associated with making decisions when processing emotions. It is especially important to collect behavioral and neurophysiological data to complement the already existing models of emotion-decision interplay.

The results of research conducted in this project will bring a lot of information to models explaining financial decision making. Exploring the role of emotions evoking approach or withdrawal behavioral tendency in decision-making process can be important for understanding and predicting risk-related financial decisions. Due to the methodology used, the research will also allow to understand the emotional processes that influence playing games of chance or gambling.