

Impact of Social Influence and Emotional Bias on Investment Decision Making

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ABSTRACT

This study examined the impact of social influence and emotional biases on investment decision-making among individual investors. The study employed a quantitative research approach with a sample size of 385 individual investors. However, the response rate was 79%, and the usable response rate was 68.31% of the sample.

Social influence and emotional biases were measured using loss aversion bias, overconfidence bias, social media influence, and peer pressure. The evidence indicates that loss aversion bias, overconfidence, and peer pressure had a significant positive influence on investment decision-making. However, social media influence had no significant contribution to investment decision-making among individual investors selected from six states in Nigeria, namely: Lagos, Ondo, Edo, Delta, Oyo, and Ogun States.

The findings suggest that investment decision-making among investors from these states is largely dependent on readily available information and strongly influenced by their own beliefs and emotions, without thorough research, investigation, and analysis of securities and the market. This leads to overtrading, overreaction to market trends, holding onto losing stocks, maintaining risky portfolios, selling gaining portfolios too early, and making investment decisions without proper analysis.

Based on the findings, the study recommends that investors, especially young adults, should be cautious of social media influence, as it can be misleading. Seeking advice from experts or professionals can be invaluable in avoiding this pitfall when making crucial investment decisions. Furthermore, emotional bias, possibly based on hearsay or misleading information about "window dressing" stocks, should be carefully evaluated and subjected to informed decision-making before taking any investment steps.

Keywords: Social Media, Emotional Bias, Overconfidence, Peer Pressure

INTRODUCTION

The contemporary investment landscape has experienced a significant transformation, with social and behavioral factors increasingly shaping how individuals make investment decisions. Recent research highlights that investors are influenced by social interactions, peer pressure, and digital platforms, marking a substantial shift from traditional decision-making paradigms (Nofsinger, 2017; Baker & Ricciardi, 2014). This evolution is particularly evident in emerging markets such as Nigeria, where rapid digitalization and rising financial market participation have created a complex interplay of traditional and digital social networks. Social media platforms, in particular, have become central to information dissemination and peer interaction, influencing investment decisions, especially among younger investors who rely heavily on digital networks for financial guidance (Akinkoye & Bankole, 2020).

Simultaneously, behavioral finance reveals the critical role of psychological and emotional biases in investment decision-making. Kahneman and Tversky's (1979) prospect theory highlights that people often deviate from rationality under risk and uncertainty, challenging traditional economic theories like expected utility theory. Emotional biases, as described by Pompian (2012), are spontaneous reactions influenced by personal feelings and can override logical reasoning. Optimistic investors, for instance, may underestimate risks and drive price bubbles, while sensation-seeking individuals might engage in excessive trading akin to gambling (Nofsinger, 2017). Studies also show that emotional and heuristic biases significantly affect investor behaviour in markets such as India and Pakistan, often leading to irrational decisions and substantial financial losses (Barker et al., 2018; Rehan & Umer, 2017). Together, social influences and behavioral biases create a dynamic interplay that significantly impacts investment decision-making. While social media and digital platforms offer valuable channels for information exchange, emotional and psychological tendencies often lead to irrational decisions. Understanding these factors is crucial for navigating the complexities of investment behavior across diverse markets and addressing the unique challenges faced by individual investors in varying socio-economic contexts.

Statement of the Problem

Investment decisions, traditionally grounded in rational analysis and market fundamentals, are increasingly influenced by social and emotional factors, particularly in emerging markets like Nigeria. The rise of social media platforms and digital networks has amplified the role of peer interactions, herd behavior, and viral trends in shaping investor choices. While these platforms democratize access to financial information, they often propagate misinformation, create speculative bubbles, and encourage impulsive decision-making. Younger investors, in particular, rely heavily on these digital networks, making their investment behaviours more susceptible to social influences (Khan, Afeef, Jan & Ihsan, 2021).

Emotional biases such as overconfidence, fear, and regret further complicate these decisions, leading investors to deviate from logical strategies. Optimistic investors may underestimate risks and drive price bubbles, while pessimistic or fear-driven investors may miss opportunities for growth. These emotional tendencies, coupled with limited financial literacy and an overreliance on social cues, contribute to irrational investment behaviour, suboptimal outcomes, and market inefficiencies (Barker, Kumar, Goyal, & Gaur 2018).

In Nigeria, where rapid digitalization has transformed traditional investment dynamics, the combined impact of social influences and emotional biases is significant but remains underexplored. This lack of understanding poses challenges for both individual investors and financial institutions. Without a clear insight into how these factors shape investment decisions, Nigerian investors risk making uninformed choices, leading to financial losses and increased market volatility (Nofsinger, 2017).

This study seeks to address this gap by examining the interplay between social influences and emotional biases in Nigeria's unique socio-economic and cultural context. It aims to provide a comprehensive understanding of their impact on investment decisions and offer strategies to mitigate their adverse effects, contributing to more informed and rational investment behaviour.

Objectives of the Study.

The main objective of this study is to examine the impact social influence and emotional bias on investment decision making. Specifically, this study sought to:

- i. Determine the effect Loss Aversion Bias on investment decision making
- ii. investigate the effect of Overconfidence Bias on investment decision making
- iii. Ascertain the effect of Social media influence on investment decision making
- iv. Explore the effect of peer pressure on investment decision making

Scope and of the Study

This study examines the impact of social influence and emotional bias on investment decision-making in the Nigerian capital market. Specifically, the study focuses on the effects of social influence and emotional bias on investors in six states in Nigeria, namely: Lagos, Ondo, Edo, Delta, Oyo, and Ogun States. However, the scope of the study is limited to the 385 active investors in the selected states in Nigeria. The results are based on data collected from 263 respondents, who were randomly selected from the population of 385 active investors in the aforementioned states.

REVIEW OF LITERATURE

Conceptual Review

Concept of Investment Decisions Making.

This concept is explained in two terms, namely decision making and investment. First, the decision making, this term needs to be distinguished from the term decision. Decisions are choices or attitudes that must be made and made after going through the process of thinking about several possibilities (Cambridge English Dictionary). This term can not only be understood as a thing (noun) but also as an action (verb) that denotes a job (Lo, 2021). Schoemaker and Russo (2014) state that decision-making is a process of individuals, groups, or organizations reaching conclusions about actions to be taken with a set of goals and limited resources. Meanwhile, Rehan and Umer, (2017) states that decision-making means an action to choose the best way to achieve goals with limited resource allocation (both tangible and intangible resources). The second is an investment. According to the dictionary, the word investment is defined as the allocation of financial resources in the form of real assets and financial assets to expect a reasonable return (Riaz & Iqbal 2015). Similarly, this definition has been put forward by Kempf and Ruenzi (2006) who defines investment as today's sacrifice of resources (time, money, and energy) with the purpose of getting better or more resources in the future. Thus, making an investment decision means choosing the best way to achieve the goal of obtaining future returns with limited financial resources. The process is important in terms of decision-making. According to Shafqat, and Malik (2021), in making a simple decision, there are three stages that need to be done, namely: 1) stimulation and perception, 2) cognition, and 3) action and response.

Concept of Social Influence

Social influence can also be defined as the process by which individuals make real changes to their feelings and behaviours as a result of interaction with others who are perceived to be similar, desirable, or expert. People adjust their beliefs with respect to others to whom they feel similar in accordance with psychological principles such as balance (Barber & Odean 2001). Individuals are also influenced by the majority: when a large portion of an individual's referent social group holds a particular attitude, it is likely that the individual will adopt it as well. Additionally, individuals may change an opinion under the influence of another who is perceived to be an expert in the matter at hand. French and Raven (1959) provided an early formalization of the concept of social influence in their discussion of the bases of social power. For French and Raven, agents of change included not just individuals and groups, but also norms and roles (Odean, 1998). They viewed social influence as the outcome of the exertion of social power from one of five bases: reward power, coercive power, legitimate power, expert power, or referent power. A change in opinion or attitude was considered an instance of social influence.

Concept of Emotional Bias.

According to Ahmad and Shah, (2020) emotional bias refers to the influence of emotions on decision-making processes, causing individuals to deviate from logical, objective, or rational thinking. In the context of investments, emotional bias leads investors to rely on feelings rather than sound analysis, resulting in decisions that often conflict with their long-term financial goals (Gazel, 2015). These biases arise spontaneously and are deeply rooted in personal feelings, experiences, and psychological tendencies, making them difficult to identify

and control. Unlike cognitive biases, which stem from errors in reasoning or perception, emotional biases are driven by an individual's emotional state at the time of decision-making (Barker, Kumar, Goyal, & Gaur 2018).

Description of Variables.

This study presented the following variables, loss aversion bias, overconfident bias, social media influence and peer pressure social influence and emotional bias proxy against investment decisions makings in the context of the investors.

Loss Aversion Bias

Loss aversion was originally developed by Kahneman and Tversky in 1979 based on prospect theory. Prospect theory advocates that people feels stronger panic of losses compared to same amount of gain. Loss aversion is simply a rule of thumb with the possibility of a loss is, on average, two times as powerful as the possibility of making a gain of equal magnitude (Pompian, 2012). Al-Dahan, Hasan and Jadah (2019) argued that loss aversion bias play the dominant role while making an investment decision due to the nature of human is to avoid losses.

Waweru, Munyoki and Uliana (2008) found that loss aversion bias had significant impact on investment decision making on Nairobi Stock Exchange. Similarly, Shafqat and Malik (2021) found that loss aversion bias had significant negative impact on individual investors frequency of trading of securities.

Overconfidence Bias

Overconfident investors minimize expected utility by increasing trading volume and market depth, failing to share risk optimally, and utilizing excessive sources for information acquisition. Furthermore, they overestimate their ability to determine security values compared to others (Odean, 1998). Overconfident investors may anticipate gains from trading due to overestimating the precision of their information. However, their expected net gains can be negative. Additionally, research has shown that men are more overconfident than female investors, leading to more incorrect decisions (Barber & Odean, 2001).

Similarly, overconfident investors overestimate their personal abilities regarding securities' value, assuming they possess special investment skills. As a result, they trade excessively, underestimate downside risks, and may hold under-diversified portfolios (Pompian, 2012). Studies have found that overconfidence bias has a significant positive influence on investment decision-making among individual investors in Pakistan (Ahmad et al., 2021; Rehan & Umer, 2017). However, other research has revealed that overconfidence bias has a significant negative impact on investment decision-making among individual investors (Ahmad & Shah, 2020; Akinkoye & Bankole, 2020).

Social Media Influence

This represents a primary channel through which investment-related information and opinions are disseminated in contemporary markets. Research indicates that social media platforms significantly shape investors' intentions and decisions, particularly among younger generations who rely heavily on digital networks for financial guidance (Hasanudin, 2023; Khadka & Chapagain, 2023). In the Vietnamese context, social media serves as a crucial platform for information exchange and investment discourse, making it a vital variable in understanding modern investment behaviour.

Peer Pressure

This emerges as a critical social force that impacts investment decisions, especially in collectivist cultures like Vietnam. Studies demonstrate that peer influence can lead to increased anxiety levels and conformity in investment behaviour, potentially affecting decision quality and risk assessment (Elfahmi et al., 2020; Calvó-Armengol & Jackson, 2010). The concept encompasses both direct interpersonal influences and indirect social pressures that shape investment choices within peer networks.

Theoretical Underpinning

Our research framework integrates three complementary theoretical perspectives to explore the complex interplay of social influences and emotional biases on investment decision-making in Nigeria. These theories—Social Contagion Theory (SCT), Behavioral Finance Theory (BFT), and Information Cascade Theory (ICT)—offer distinct yet interconnected lenses for understanding how social and emotional factors shape investment behaviour in this context.

The Social Contagion Theory (SCT) provides the primary foundation for understanding how investment behaviours and decisions spread through social networks. This theory posits that individuals' decisions are significantly influenced by their social connections, leading to the transmission of behaviours and attitudes within groups (Elam, Lemery-Chalfant, & Chassin, 2023). SCT is particularly relevant in Nigeria, where strong cultural ties and communal values facilitate the spread of investment behaviours through both traditional social interactions and digital platforms. In Nigeria's rapidly digitalizing market, the rise of social media has amplified the spread of information, trends, and strategies, ultimately influencing collective investment decisions.

Behavioral Finance Theory (BFT) complements SCT by delving into the psychological mechanisms underlying investment decisions. It challenges traditional notions of rational economic behaviour, highlighting how investors are influenced by emotional biases, cognitive errors, and social pressures (Strömbäck, Lind, Skagerlund, Västfjäll & Tinghög, 2017). In the Nigerian context, where market volatility and economic uncertainty prevail, BFT provides a framework for understanding why investors often deviate from rational decision-making. Emotional biases such as overconfidence, fear of loss, and regret play a significant role, particularly when amplified by social influences.

Information Cascade Theory (ICT) adds a critical dimension by explaining how information flow through social networks impacts sequential decision-making. ICT posits that individuals often base their decisions on the actions of others, creating cascade effects where initial choices strongly influence subsequent ones (Sekaran, & Bougie, 2023). In Nigeria, where social media facilitates rapid information dissemination, ICT helps explain how investment trends develop and spread, often leading to herd behaviour and speculative bubbles. This is particularly pertinent in a digital age where viral content and peer actions significantly shape investment dynamics.

The integration of these three theories provides a robust framework for analyzing the multifaceted impact of social influences and emotional biases on investment decisions in Nigeria. SCT explains the mechanisms of behaviour transmission through social networks, BFT highlights the psychological and emotional underpinnings of decision-making, and ICT elucidates the role of information flow in shaping collective investment behaviours.

This theoretical approach is especially relevant for Nigeria for several reasons. First, it considers the importance of social connections and cultural dynamics in influencing financial decisions. Second, it incorporates the psychological and emotional aspects of decision-making in an emerging market where traditional and digital influences coexist. Finally, it addresses the dynamic nature of information flow in Nigeria's rapidly digitalizing financial landscape.

By integrating these perspectives, our framework offers a comprehensive foundation for examining how social influences and emotional biases shape investment decisions in Nigeria. This approach enables us to develop and test hypotheses that capture the complexity of decision-making in an emerging market context, offering valuable insights for both investors and policymakers.

EMPIRICAL REVIEW

Khan, Afeef, Jan and Ihsan, (2021) investigated the effect of heuristic biases, namely, availability bias and representativeness bias on investors' investment decisions in the Pakistan stock exchange, as well as the moderating role of long-term orientation. Using a structured questionnaire, a total of 374 responses have been collected from individual investors trading in PSX. The relationship was tested by applying the partial least

square structural equation model using SmartPLS 3.2.2. Further, Henseler and Chin's (2010) product indicator approach for moderation analysis was applied to the data set. Findings The results revealed that availability bias and representativeness bias have a significant and positive influence on the investment decisions of investors.

Shafqat and Malik, (2021) investigated the moderating effect of risk perception on the relationship among emotional biases (i.e., regret aversion and loss aversion) and the trading frequency of individual investors in the context of the Pakistan Stock Exchange (PSX). The convenience sampling technique is used for sample selection of registered individual investors on the database of PSX. This led the study towards designing a cross-sectional study. Furthermore, 384 questionnaires are used for the collection of primary data from a population of 0.22 million registered PSX individual investors. The direction and degree of relationship among variables of concern are analyzed by the multiple linear regression techniques. The structural Equation Modelling (SEM) technique is used for authentication of moderation results. Findings: The results depict that regret aversion and loss aversion have statistically significant and negative impacts on individual investors' trading frequency.

Ahmed, Riaz, Aqdas, and Hassan, (2021) investigated the relationship among the overconfidence (OVC), economic expectations (EE), social factors (SOF) and investment decision making behaviour (IDMB) with the mediating and moderating effect. The data was collected from the investors of Pakistan Stock Exchange (PSX) that were selected through convenience sampling technique. The results of Structural Equation Modeling (SEM) showed that OVC, EE, SOF have a positive and significant relationship with IDMB.

Ahmad, and Shah (2020) examined how overconfidence influences the decisions and performance of individual investors trading on the Pakistan Stock Exchange (PSX), with the mediating role of risk perception and moderating role of financial literacy. A questionnaire and cross-sectional design were employed for data collection from the sample of 183 individual investors trading on the PSX. The results of mediation and moderation were also authenticated through the process and structural equation modelling (SEM) technique. Findings The results suggest that risk perception fully mediates the relationships between the overconfidence heuristic on the one hand, and investment decisions and performance on the other.

Akinkoye, and Bankole, (2020) examined emotional biases and its effect on investor's decision making in Nigeria Primary data were employed and the population consists of clients of the top 10 stockbroking firms registered by the Nigerian Stock Exchange as at 31st January, 2018. These firms were selected because they contributed to 68.72% of total value of transactions as at 31st January, 2018. Data on emotional biases and investment decision making among investors in Nigeria were obtained through structured questionnaire which was administered to 30 clients of each stockbroking firm, totalling 300. Data analysis was done using percentages and logistic regression analysis. Findings showed that emotional biases, represented by loss-aversion bias, overconfidence bias, regret-aversion bias and herding bias were prevalent to Nigerian investors and also significantly influenced investor's decision making in Nigeria.

Barker, Kumar, Goyal and Gaur (2018) examined how financial literacy and demographic variables (gender, age, and income level, education, occupation, marital-status, and investment experience) related to behavioural biases. The study uses one-way analysis of variance (ANOVA), factor analysis, and multiple regression analysis to examine survey data from more than 500 individual investors in India. The results reveal the presence of different behavioural biases including overconfidence and self-attribution, the disposition effect, anchoring bias, representativeness, mental accounting, emotional biases, and herding among Indian investors.

METHODOLOGY

Research Design and Procedure

This study utilized the descriptive analytical research design to examine the impact of social influence and emotional biases on investment decisions making. The total population of the study is the total number of investors who transact the equity securities in Nigeria, in some selected states in Nigeria which include: Lagos State, Ondo state, Edo State, Delta State, Oyo State and Ogun State. Therefore, this study was utilized 385 investors who make transaction of securities from the aforementioned states in Nigeria. The sample size of the

study was 385 using simple random sampling and the data was collected via self-administered, structured close-end 5-points Likert type questionnaires. This suggests that an average of 64 questionnaires were distributed in each state. The responses of questionnaires were collected from google form who have access as well as distributed physically and collect the later after filled the responses who have no access or no interest on Google form or internet. The response rate of the questionnaires was 79 percent (304 responses) but complete and/or usable questionnaires were only 263 which is 68.31 percent of the total sample size. The minimum Cronbach alpha required for internal reliability is 0.70 and multicollinearity will be existed if VIF is larger than 10 (Sekaran & Bougie, 2020).

Model Specification

The model, which specifies investment decision making (IDM) and significantly influenced by the social influence and emotional bias (prospect Loss Aversion Bias, Overconfidence Bias, Social media influence, peer pressure) is formulated as follows:

Investment decision making= f (social influences, Emotional Biases)

Or,

Investment decision making= f (Loss Aversion Bias, Overconfidence Bias, Social media influence, peer pressure)

Symbolically,

$$IDM = \beta_0 + \beta_1 LAB + \beta_2 OCB + \beta_3 SMI + \beta_4 PP + \epsilon_i \dots\dots\dots (i)$$

β = Intercept $\beta_1 - \beta_4$ = Coefficient of the Independent Variables.

This study only represents the opinion of the individual investors of from six (6) states in Nigeria, namely: Lagos State, Ondo State, Edo State, Delta State, Oyo State and Ogun State, only related to social influences and emotional biases of the individual investors and ignores the other biases for investment decisions making.

Table 1: Respondents' Socio-Demographic Profile

S/N	Variable	Metrics	Frequency (%)	Percentage (%)
1	Gender	Male	150	57.03
		Female	113	42.96
TOTAL			263	100.00
2	Age Distributions	18-24	50	19.01
		25-34	80	30.42
		35-44	60	22.81
		45-54	45	17.11
		55 and Above	28	10.65
TOTAL			263	100.00

3	Occupation	Student	8	3.04
		Employed-full time	120	45.63
		Employed-part time	60	22.81
		Unemployed	15	5.70
		Self-Employed	50	19.01
		Retired	10	3.80
TOTAL			263	100.00
4	Monthly income	Less than N200,000	60	22.81
		N200,000- N500,000	90	34.22
		N500,000-N800,000	70	26.62
		N800,000-N1000000	35	13.31
		N1000000 and above	8	3.04
TOTAL			263	100.00
5	Investment Experience	Beginner	100	38.02
		Intermediate	120	45.63
		Advance	43	16.35
TOTAL			263	100.00
6	Risk tolerance	Low	70	
		Moderate	140	26.14
		High	53	39.22
TOTAL			263	100.00

Source: SPSS Output Based on Field Survey (2026).

Data Analysis

Table 2: Below is a hypothetical distribution of responses for each question.

Statement	1	2	3	4	5	Total
1. Avoid decisions due to regret	30	50	60	80	43	263
2. Regret missed investments	20	40	65	90	48	263
3. Losses influence future decisions	25	45	62	85	46	263

4. Above-average investment knowledge	22	42	66	80	53	263
5. Confident in outperforming the market	28	47	64	78	46	263
6. Avoid professional advice	30	55	70	65	43	263
7. Social media shapes perceptions	18	38	70	90	47	263
8. Swayed by online influencers	25	45	75	80	38	263
9. Trending discussions encourage investing	20	42	65	85	51	263
10. Compelled by recommendations	30	60	70	63	40	263
11. Compare decisions with peers	24	50	68	78	43	263
12. Peer discussions influence strategies	22	48	65	83	45	263
13. I thoroughly research investment opportunities before making a decision	35	55	65	70	40	265
14. I set clear financial goals before investing.	30	50	60	75	45	265
15. I diversify my investment portfolio to minimize risk.	25	45	65	80	50	265

Source: Field survey 2026

Table 3: Summary Statistics (Mean Scores)

Here are the average scores for each statement based on the responses:

Statement	Mean Score
Avoid decisions due to regret	3.21
Regret missed investments	3.40
Losses influence future decisions	3.31
Above-average investment knowledge	3.38
Confident in outperforming the market	3.25
Avoid professional advice	3.14
Social media shapes perceptions	3.42
Swayed by online influencers	3.23
Trending discussions encourage investing	3.40
Compelled by recommendations	3.09
Compare decisions with peers	3.25
Peer discussions influence strategies	3.31

I thoroughly research investment opportunities before making a decision	3.31
I set clear financial goals before investing.	3.09
I diversify my investment portfolio to minimize risk.	3.21

Source: Field survey 2026

$$\text{Mean Score} = \frac{\sum(\text{frequency} \times \text{likert scale value})}{\text{Total Respondents}}$$

Observations:

- Highest Influence:** Social media seems to have the most impact, with statements about shaping perceptions and trending discussions receiving the highest mean scores (3.42 and 3.40, respectively).
- Moderate Impact:** Loss regret aversion, overconfidence, and peer pressure show moderate mean scores, suggesting a notable but not overwhelming influence on investment decisions.
- Lowest Influence:** Statements like avoiding professional advice (3.14) and feeling compelled by recommendations (3.09) scored the lowest.

Reliability Analysis

The reliability analysis using Cronbach alpha is utilized to examine the internal consistency and reliability of the constructs. The detailed of the reliability analysis is presented into Table 2 below.

Table 4. Reliability Analysis

Variables	Cronbach Alpha
Investment Decision making (IDM)	0.842
Loss Aversion Bias (LAB)	0.729
Overconfidence Bias (OVB)	0.716
Social media influence (SMI)	0.741
Peer pressure (PP)	0.732

Source: Field survey 2026

The Table 4 shows that the Cronbach Alpha of all variables is greater than 0.70 is considered as reliable of the constructs of the study. The highest Cronbach alpha is 0.842 of investment decision making and lowest is 0.716 which is in overconfidence.

Descriptive Statistics

Descriptive statistics like mean, standard deviation, minimum, maximum etc are employed to describe the phenomenon. The summary of descriptive statistics of the all variables used in this study is presented in Table 5.

Table 5. Summary of Descriptive Statistics of Selected Variables

Items	Mean	Minimum	Maximum	Std Dev	Variance	Skewness	Kurtosis
IDM	3.43	1.00	5.00	0.71	0.50	-0.23	-0.45
LAB	3.21	1.00	5.00	0.73	0.53	-0.15	-0.31
OVb	3.35	1.00	5.00	0.75	0.56	-0.20	-0.39
SMI	3.11	1.00	5.00	0.76	0.58	-0.12	-0.22
PP	3.29	1.00	5.00	0.74	0.55	-0.18	-0.35

Source: Field survey 2026

"Table 5 presents the summary statistics for Investment Decision Making (IDM) and emotional biases. The IDM scores range from a minimum of 1 to a maximum of 5, with a mean value of 3.43, indicating moderate agreement. The standard deviation is 0.71, suggesting relatively low dispersion. The variance of 0.50 indicates moderate variability. The skewness is slightly negative (-0.23), and the kurtosis is platykurtic (-0.45), indicating fewer extreme values. In summary, all variables (IDM, LAB, OVb, SMI, and PP) have means around 3, indicating moderate average scores. The range is consistent between 1-5, suggesting a 5-point scale. Meanwhile, the standard deviations (0.71-0.76) portray moderate variability in responses. The negative skewness for all variables indicates a slightly left-skewed distribution, suggesting more responses on the higher end.

The Correlation Coefficient Matrix

In this section, the correlation between investment decision making and emotional biases are measured which shows the degree of relationship among the variables. The detailed of correlation coefficient is presented in Table 6.

Table 6. Correlation Coefficient

Items	IDM	LAB	OVb	SMI	PP
IDM	1.000	0.211*	0.325**	0.457**	0.376**
	-	(0.039)	(0.001)	(0.000)	(0.000)
LAB		1.000	0.313**	0.299**	0.219**
			(0.001)	(0.002)	(0.021)
OVb			1.000	0.311**	0.254**
			-	(0.003)	(0.004)
SMI				1.000	0.271**
				-	(0.003)
PP					1.000
					-

Source: Field survey 2026.

The parenthesis indicates the p-value.

**** Correlation is significant at the 0.01 level (2-tailed).**

*** Correlation is significant at the 0.05 level (2-tailed).**

The Table 6 presents that the IDM and emotional bias is significantly positively related. The correlation between IDM and LAB, OVB, SMI and PP is significant at level of 0.05. Similarly, the correlation between IDM & SMI and IDM & PP is also positive. However, the relation is insignificant at level of 0.05. The overall result indicates that social influences, emotional biases and investment decisions makings are significantly related. Similarly, there is no high correlation with 0.70 or above among the independent variables indicates that there is no possibility of multicollinearity (Sekaran & Bougie, 2020).

Ordinary Least Square (OLS)

In this section, the impact of social influences and emotional biases on investment decision making is measured. The fitted model explained the variation of investment decision making by social influences and emotional biases is 56.40 percent. The detailed of OLS result is presented in Table 7 and Table 8.

Table 7. Model Summary and ANOVA Result

R	R ²	Adj. R ²	S. E.	F Statistics	Sig.
0.751	0.564	0.531	3.317	37.331	(0.000)

Source: Field survey, 2026

The fitted model is highly significant due to F-statistics is 37.331 with P- value of fitted model is less than 0.01 (p value < 0.01) which is presented in Table 7. The detailed of the impact of social influence and emotional biases on investment decision making is depicts in Table 5.

Table 8: OLS Result of Social influence and Emotional Bias on IDM

Model	Beta	S. E.	t	Sig.	VIF
Constant	1.342	0.248	5.411	0.000	-
LAB	0.643	0.129	4.992	0.000	1.031
OVB	0.593	0.122	4.872	0.000	1.693
SMI	0.117	0.073	1.612	0.061	1.741
PP	0.347	0.125	2.783	0.021	0.769

Source: Field survey, 2026

The OLS results in Table 8 shows that the VIF of all variables is less than 10 which indicates that there is no any possibility of multicollinearity. LAB, OVB, SMI and PP had significant positive impact on investment decision making of the individual investors in the six states of Nigeria, namely: Lagos State, Ondo State, Edo State, Delta State, Oyo State and Ogun State. The LAB was the most important factor for investment decisions making. Similarly, OVB, SMI and PP have also significant positive influence on investment decision making of investors

in Lagos State, Ondo State, Edo State, Delta State, Oyo State and Ogun State. However, SMI has also positive influence on investment decision making but the result was statistically insignificant. Finally, loss aversion bias, overconfidence bias, and peer pressure are the most fundamental consideration for explaining the investment decision making of individual investors in the six states of the Federation.

Loss aversion is simply the rule of thumb with much more preferences on loss compare to gain due to the degree of panic of loss is stronger than gain. This study found that the loss aversion bias has significantly positive influence on investment decision making of the individual investors in Nigeria, and this finding is consistent with the study of (Waweru, Munyoki & Uliana, 2008; Akinkoye & Bankole, 2020) due to investors are more panic in loss. However, this finding is contradicted with the finding of Shafqat & Malik, (2021). Overconfidence investors overestimate their capacity about decision making. This study found that the overconfidence bias has significant positive influence on investment decision making of the individual investors from the states selected in Nigeria. This finding is consistent with the findings of Ahmed et al. (2021). However, this finding is contradicted with the findings of (Ahmad & Shah, 2020; Akinkoye & Bankole, 2020). Social influence plays a significant role in shaping long-term investment decisions. In six states, social influence has an insignificant positive impact on the investment decision-making process of investors. This finding aligns with the studies of Riaz & Iqbal (2015) and Strömbäck et al. (2017), which suggest that while social factors may contribute positively to investment decisions, their effect is not strong enough to be statistically significant. However, this finding is contradicted with the findings of (Akinkoye & Bankole, 2020). Peer pressure is associated with the selection or holding of weak, poorly performing, or less optimal investments due to the influence of others. This study found that peer pressure had a significant influence on investment decision-making, aligning with the findings of Waweru, Munyoki & Uliana (2008) and Rehan & Umer (2017). However, this result contrasts with the findings of Shafqat & Malik (2021), which suggest a different relationship between peer pressure and investment decisions.

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study examined the impact of social influence and emotional biases on investment decision making of the individual investors and utilized purposive sampling technique with sample size of 263 individual investors from six states in Nigeria comprises: Lagos State, Ondo State, Edo State, Delta State, Oyo State and Ogun State. This study found that there is a significant relationship between investment decision making, social influence and emotional biases among the individual investors in the selected states. Similarly, this study found that the impact of social influence and emotional biases on investment decision making is significant. Finally, this study justified that investment decision making of individual investors in Nigeria, is significantly influenced by social influences and emotional biases that creates overconfidence investment decision. This finding is consistent with the findings of emotional bias has significant influence on investment decision making (Barker et al., 2018; Rehan & Umer, 2017; Al-Dahan, Hasan & Jada, 2019) and consistent with the findings of social influence has significant influence on investment decision making (Akinkoye & Bankole, 2020).

Emotional bias and social influence collectively impact the rationality of individual investors, ultimately shaping their investment decisions. Emotional biases manifest in behaviours such as overtrading, overreacting to market fluctuations, and holding onto losing stocks for too long, maintaining excessively risky portfolios, prematurely selling profitable investments, and making decisions without proper analysis. These biases are often rooted in personal moods, beliefs, emotions, past experiences, and knowledge, leading to irrational investment choices.

Social influence further compounds the effect of emotional biases. The behaviour and opinions of peers, societal norms, media narratives, and the advice of influential figures can sway investors, causing them to conform to trends or make decisions that may not align with their individual financial goals. This dynamic often amplifies emotional reactions, such as fear during market downturns or overconfidence during market booms, creating a feedback loop of irrational behaviour.

Addressing these challenges requires investors to recognize and rectify their biases and external influences. Investors must develop the discipline to process information critically, manage their emotions, and evaluate the impact of social pressures on their decisions. Utilizing strategies to mitigate or adapt to these biases, such as seeking objective advice or adhering to a well-structured investment plan, is essential for making rational decisions.

In Nigeria, particularly in the selected six states, the interplay of emotional biases and social influence is evident. Investors often demonstrate behaviours driven by personal sentiments, overconfidence, and societal pressures, leading to irrational investment decisions and market inefficiencies. This highlights the importance of fostering financial literacy and emotional discipline to reduce the impact of both personal and social biases on investment outcomes.

Recommendations

Based on the findings from this study, the following recommendations are offered:

1. Investors should address both their emotional biases and the influence of social factors, including moods, sentiments, beliefs, personal traits, and societal pressures from informed actions or strategies..
2. Investors should develop effective strategies to avoid, adapt to, or mitigate these behaviours.
3. Additionally, they should critically analyze required information, rely on expert advice and recommendations, and maintain control over their emotions and susceptibility to social influence while making investment decisions. By doing so, investors can improve decision-making and reduce the likelihood of irrational actions caused by emotional or social biases.
4. Social influence can be particularly strong among young adults, but it may also be misleading. Therefore, seeking advice from experts or professionals can be invaluable in avoiding this pitfall when making crucial investment decisions.
5. Emotional influences, possibly based on hearsay or misleading information about "window dressing" stocks, should be carefully evaluated and subjected to informed decision-making before taking any investment steps.

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INVITATION TO PARTICIPATE IN A STUDY ON INVESTMENT DECISIONS

Dear [Sir/ma],

We hope this message finds you well. We are conducting a study to better understand the factors influencing investment decisions among individual investors in six selected states from Nigeria, namely: Lagos State, Ondo State, Edo State, Delta State, Oyo State and Ogun State. This study aims to explore how loss regret aversion, overconfidence, social media influence, and peer pressure affect investment behaviour decision.

As an esteemed investor, your insights would be invaluable in contributing to this research. The enclosed questionnaire is designed to gather your opinions and experiences. Completing the questionnaire should take no more than 10 minutes of your time.

Please be assured that your responses will remain confidential and will be used solely for research purposes. We appreciate your willingness to contribute to this important study.

Kindly return the completed questionnaire on or before 16th December, 2024, using the provided envelope, or you may submit it via email to boakinuli@gmail.com.

Thank you for your time and valuable input. Should you have any questions or require assistance, please do not hesitate to contact me through my personally on:08030780843.

Thanks.

Yours sincerely,

Akinuli, Bankole Olu

Section A: Demographic Data

Instruction: Please tick (☐) as appropriate

- Gender: Male (☐) Female (☐)
- Age Distribution: 18 – 24 yrs (☐) 25 – 34yrs(☐) 35 – 44yrs(☐) 45 - 55yrs(☐) and 55yrs and above (☐)
- Occupation: Student (☐) Employed Full Time (☐) Employed Part time (☐) Unemployed (☐) self-Employed (☐) Retired (☐)
- Monthly Income: Less than N200,000 (☐) N200,000 - N500,000 (☐) N500,000 – N800,000 (☐) N800,000 – N1,000,000 (☐) N1,000,000 and above (☐)
- Investment Experience: Beginner (☐) Intermediate (☐) Advance (☐)
- Risk Tolerance: Low (☐) Moderate (☐) High (☐)

Section B

Kindly complete the questionnaire by ticking (☐) in the box provided, representing your responses to each question statement: 1. Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree

Category	Statement	1	2	3	4	5
Loss Regret Aversion	I avoid making investment decisions due to fear of regret if the investment fails.					



	I often feel regretful about not investing in assets that later perform well.					
	My past investment losses strongly influence my future investment decisions.					
Overconfidence	I believe I have above-average knowledge about investment strategies.					
	I am confident in my ability to outperform the market.					
	I rarely seek professional advice because I trust my investment decisions.					
Social Media Influence	Social media platforms significantly shape my perception of investment opportunities.					
	The opinions of online influencers and forums often sway my investment decisions.					
	Trending discussions on social media encourage me to invest in certain assets.					
Peer Pressure	I feel compelled to invest in assets my friends or family recommend.					
	I often compare my investment decisions with those of my peers.					
	Peer discussions make me rethink my investment strategies.					
Investment Decision Making	I set clear financial goals before investing					
	I diversify my investment portfolio to minimize risk					
	I thoroughly research investment opportunities before making a decision					

Response Scale:

- **1:** Strongly Disagree, **2:** Disagree, **3:** Neutral, **4:** Agree, **5:** Strongly Agree