Emotional and cognitive factors in financial decision-making

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Project description:
There is increasing evidence that cognition and emotion are intertwined in human decision-making from perception through to action. Emotions drive attention, can be understood as action tendencies, are involved in memory storage and retrieval and may play an important role in expertise and in expert intuition. As such they are (just like the human capacity for calculation) important tools in rational decision-making. However just as we can make errors of calculation, our emotions may also lead us astray.

The application of these insights to financial behaviour is becoming increasingly important. Both experimental research and research in field settings points to the role played by emotions and their regulation in the decision-making of finance professionals and consumers alike (Fenton-O’Creevy, Nicholson et al. 2005, Fenton-O’Creevy, Soane et al. 2011, Fenton-O’Creevy, Lins et al. 2012, von Stumm, Fenton O’Creevy et al. 2013, Furnham, von Stumm et al. 2014).

In the personal finance sphere, there is an increasing body of work on financial capabilities (Atkinson, McKay et al. 2007). However, there is less work which considers individuals’ emotional and psychological relationships to their financial affairs. There is a particular lack of research which examines interaction between financial attitudes, capabilities, emotions and investment behaviour. This studentship will focus on this important area.

References: