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The Role of Emotional Intelligence on Risk Perception Among Financial Market Participants: A Systematic Review

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ABSTRACT
In recent decades, the rapid growth of the global economy has significantly influenced investment decision-making. Emotional Intelligence (EI) and Risk Perception have gained increasing attention in the context of investment, particularly in the highly volatile cryptocurrency market. This study aims to explore the relationship between EI and risk perception in cryptocurrency investment decision-making through a systematic review. Using the SPIDER method, the research collected and analyzed 14 relevant journals from various academic databases. The findings indicate that individuals with high EI tend to have a more rational risk perception, leading to wiser investment decisions. Conversely, individuals with low EI are more susceptible to cognitive biases and impulsive decision-making. This study contributes to behavioral finance literature by highlighting the crucial role of EI in risk management and investment strategy optimization. The implications of this research emphasize the need for financial education focusing on strengthening EI to enhance investment decision-making quality in highly uncertain markets.

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INTRODUCTION

In recent decades, global economic developments have significantly influenced investment decision-making patterns. One factor that has been gaining increasing attention in both financial and psychological literature is **emotional intelligence (EI)** and **risk perception** in the context of investing in financial markets, including cryptocurrency (Bykova et al., 2024). Due to its volatile and speculative nature, cryptocurrency requires investors to have a high level of emotional intelligence to manage their emotions and comprehend the inherent risks of digital assets (Rubaltelli et al., 2015). Furthermore, rapid technological change and instant access to information have made cryptocurrency markets more dynamic, increasing the urgency for research into the relationship between EI and risk perception in today's digital investment environment.

Emotional intelligence refers to an individual's ability to understand, manage, and regulate their own emotions as well as those of others to achieve specific goals (Effendi et al., 2024). In the investment context, EI plays a role in helping investors manage market uncertainty and avoid impulsive decisions driven by fear or greed (Bucciol et al., 2020). Investors with high EI tend to have better self-control and are more capable of considering the long-term consequences of their decisions. In contrast, low EI is often associated with speculative behavior, which can increase exposure to significant financial risks. Additionally, individuals with strong emotional intelligence are better able to resist herding behavior—the tendency to follow the majority without fundamental market analysis.

Meanwhile, **risk perception** refers to how an individual assesses and responds to risks in financial decision-making (Tariq & Hassan, 2017). This perception is shaped by various factors, including past experiences, financial literacy levels, and emotional conditions (Sharma, 2024). In the context of cryptocurrency—where extreme price fluctuations are common—risk perception becomes a key factor influencing investment decisions (Holzmeister et al., 2020). Some studies also suggest that individuals with high risk tolerance tend to be more confident in investing, while those with heightened risk perception often avoid risky assets and make more conservative decisions.

Previous research has shown that the relationship between EI and risk perception is highly complex, involving multiple psychological and behavioral dimensions (Bouzguenda, 2017). Several studies have found that individuals with high EI are more likely to have rational and balanced risk perceptions, enabling them to make better investment decisions (James & R., 2024). Conversely, those with lower EI tend to overreact to market information, which can lead to suboptimal investment outcomes (Hadi, 2017). Therefore, it is crucial for investors to develop their EI to enhance their understanding of risks and avoid emotionally driven decisions.

In the cryptocurrency market, investors often face intense emotional pressure due to extreme volatility (Ortiz-Teran et al., 2019). Hence, gaining deeper insights into how EI can help reduce cognitive bias and optimize financial decision-making becomes critical (Lashgari, 2015).

Moreover, increasing financial literacy can also support the development of emotional intelligence and improve an individual's ability to assess risks more effectively (Droj et al., 2016). Investors with good financial literacy are more likely to have an objective understanding of market dynamics and avoid overreacting to price fluctuations.

Although many studies have highlighted the role of EI and risk perception in investment decisions, there remains a gap in the literature regarding how these two factors specifically interact in the context of cryptocurrency (Lin et al., 2024). Most research has focused on traditional stock market investments, while studies related to cryptocurrency are still limited (Tamtomo et al., 2023). Furthermore, the connection between investor confidence levels and EI in assessing cryptocurrency risks is not yet fully understood. Therefore, this systematic review aims to summarize the latest findings on how emotional intelligence influences risk perception in investment decision-making within the cryptocurrency market.

This research contributes to the field of behavioral finance by providing deeper insights into how psychological factors influence investment strategies, particularly in high-risk and dynamic markets such as cryptocurrency (Kusev et al., 2017). By compiling empirical evidence from various studies over the past ten years, this study seeks to identify key patterns in the relationship between EI and risk perception and formulate recommendations for investors and policymakers in developing more effective risk mitigation strategies. This research can also offer valuable insights for financial institutions and regulators in designing financial education policies that focus more on emotional and risk management.

In conclusion, emotional intelligence and risk perception are two key factors that play a vital role in investment decision-making in the cryptocurrency market (Satriadi et al., 2023). By conducting a systematic review of existing literature, this study aims to provide a more comprehensive understanding of how investors can enhance their emotional intelligence to better manage risk and make wiser investment decisions. Therefore, understanding the interaction between EI and risk perception will not only assist individual investors but also contribute to the overall stability of financial markets by reducing excessive speculative behavior and improving the quality of investment decisions.

METHODOLOGY

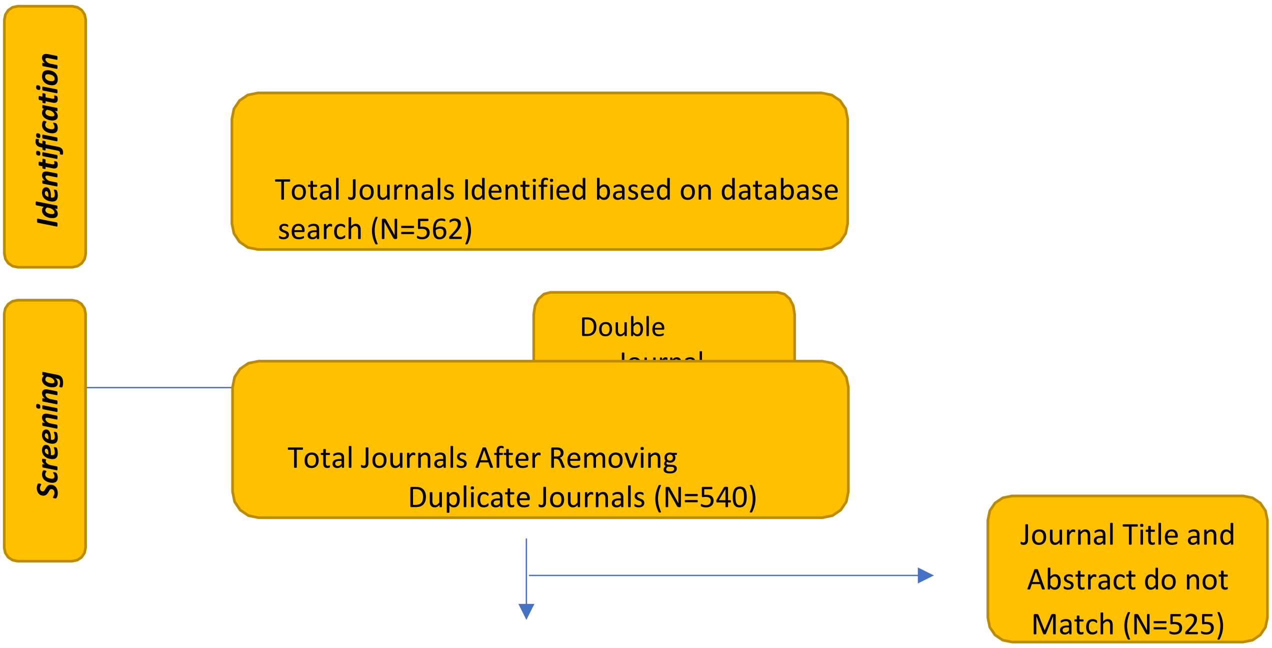
In conducting this review, the author began by formulating the research question using the SPIDER framework (Sample, Phenomenon of Interest, Design, Evaluation, Research Type). Based on this systematic question framework, the research question posed in this review is: **How does Emotional Intelligence influence risk perception and decision-making strategies in the cryptocurrency market?**

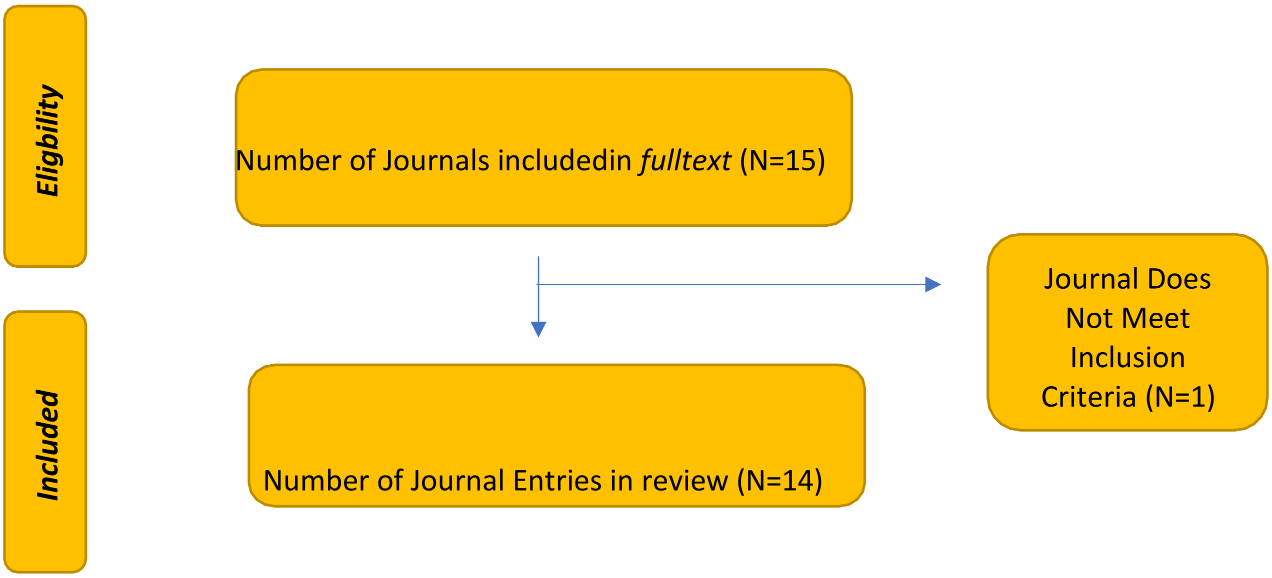
The author then proceeded to design keywords for database searches. After identifying relevant terms from the research question, the keywords used included *Emotional Intelligence*, *Risk Perception*, *Risk Tolerance*, and *Risk Assessment*. These terms were entered into various academic databases such as **Publish or Perish, Scopus, and ScienceDirect**.

After collecting the articles, the author used **Rayyan** to check for duplicates. The filtering process was conducted based on titles and abstracts, followed by full-text reviews. Out of 562 journal articles, 14 were found to meet the criteria, specifically focusing on the influence of Emotional Intelligence on risk perception.

Figure 1

Journal Selection Flow Prism Graph





The journal selection flow can be seen through the PRISMA diagram in Figure 1.

The researcher established criteria for journal inclusion in this review as follows:

1. The journal content must discuss both emotional intelligence and risk perception.
2. The publication year must fall between 2015–2025.
3. The journal must be written in English or Indonesian.
4. The research type must be either qualitative or quantitative.

As for the exclusion criteria, journals were excluded if:

1. They discussed emotional intelligence but did not address risk perception.
2. They were not written in English or Indonesian.
3. The article was in the form of a book, a meta-analysis, or lacked a clearly described methodology.

DISCUSSION

Emotional intelligence (EI) refers to an individual's ability to recognize, understand, and manage their own emotions and those of others. In the financial market context, EI plays a vital role in shaping risk perception and investment decision-making. Individuals with high EI are more capable of assessing risk objectively and are less likely to be influenced by market fluctuations that might trigger excessive emotional responses. In contrast, individuals with low EI are more vulnerable to cognitive biases and impulsive decisions, which can increase investment risk.

A study by **Chen et al. (2022)** involving 370 commodity market investors in China found that EI significantly influences investment decision-making. Optimism bias and risk perception were identified as key mediators in the decision-making process, where investors with high EI were better able to manage expectations and avoid prediction errors. This aligns with the findings of **Aisjah et al. (2024)**, who studied 500 capital market investors in Indonesia. The study revealed that EI enables individuals to manage emotions such as fear and anxiety, which directly affect how they assess risks and potential losses in investment decisions.

Furthermore, a study by **Satriadi et al. (2023)** involving 105 managers at Karawang International Industrial City found that EI has a positive impact on financial management behavior and investment decision-making. However, the study also concluded that risk perception did not serve as a moderating factor in the relationship between financial behavior and investment decisions, indicating that other factors, such as experience and financial literacy, also play significant roles in risk management.

In the stock market context, **Chaturvedi Sharma (2024)** conducted research on 761 individual investors in India, showing that EI acts as a significant moderating factor in the relationship between financial literacy and risk tolerance in shaping investment behavior. Additionally, social stigma was found to be a partial mediator in the relationship between financial literacy, risk tolerance, and investment behavior. This suggests that EI can help individuals cope with social pressure, which often influences their financial decisions.

In the world of cryptocurrency, **Tamtomo et al. (2023)** studied 370 Gen Z investors in the crypto market and found that overconfidence and investment experience influence emotional responses, which in turn contribute to increased risk perception. Meanwhile, research by **Elhoseny et al. (2024)** in the United States revealed that emotional interactions among investors on social media can heighten fears related to investment risks in crypto markets. Negative emotions expressed in online discussions often exacerbate risk perception, leading to less rational investment decisions.

Additionally, **Akter et al. (2023)** in Italy found that EI helps retail crypto investors manage stress caused by high price volatility. When risk perception increases, investors with low EI are more likely to make hasty sell decisions, whereas those with high EI can remain calm and consider long-term investment strategies. This is further supported by **Radu & Deak (2024)** in Romania, who found that EI plays a crucial role in shaping consumer behavior and investment decisions in the cryptocurrency market. Risk perception and uncertainty were key factors influencing investment decisions, with trust and perceived utility acting as the main determinants.

Moreover, a study by **Effendi et al. (2024)** in Indonesia discovered that EI is not always a primary predictor of risk management behavior or financial well-being. However, risk management behavior served as a significant mediator between personal financial management and financial well-being. This suggests that while EI has a significant impact on investment decision-making, other factors also influence individual financial stability.

List of Emotional Intelligence and Risk Perception Studies Among Capital Market Participants

No.	Author	Subject	Emotional Intelligence	Risk Perception	Country
1	Chen et al. (2022)	370 commodity market investors	EI affects investment decisions	Optimism bias and risk perception are key mediators	China
2	Aisjah et al. (2024)	500 capital market investors	EI helps manage fear and anxiety in decision-making	Emotional factors strongly influence risk and loss assessment	Indonesia
3	Satriadi et al. (2023)	105 managers in Karawang Industrial City	EI has a positive impact on financial behavior	Risk perception is not always a moderating factor; other external factors also play a role	Indonesia
4	Chaturvedi Sharma (2024)	761 individual stock market investors	EI moderates the relationship between financial literacy and risk tolerance	Social stigma mediates the impact of EI on investment decisions	India
5	Tamtomo et al. (2023)	370 Gen Z crypto investors	Overconfidence and experience influence emotions in investing	Emotions positively affect risk perception	Indonesia
6	Uçkun & Dal (2022)	Crypto investors	High-risk-tolerance investors are more confident	Older investors have higher risk perception than younger ones	Turkey
7	Elhoseny et al. (2024)	Crypto investors	Risk perception influenced by	Negative emotions in	USA

No.	Author	Subject	Emotional Intelligence	Risk Perception	Country
			investor emotions on social media	online discussions increase crypto risk fears	
8	Radu & Deak (2024)	370 cryptocurrency investors	EI plays a major role in consumer and investment behavior	Risk perception and uncertainty are key factors influencing investment	Romania
9	Akter et al. (2023)	Retail crypto investors	EI helps manage stress from price volatility	High risk perception triggers impulsive selling	Italy
10	Fadhil & Makhool (2024)	Institutional crypto investors	Use of AI in trading helps control emotional impact	AI increases risk perception but improves decision control vs manual traders	Iraq
11	Effendi et al. (2024)	41 individuals from Bank Mandiri KCP Solo	EI is not the main predictor of risk management	Risk behavior mediates the relationship to financial well-being	Indonesia
12	Droj et al. (2016)	50 capital market investors	EI influences rational financial decision-making	Cognitive bias affects risk perception in investment decisions	Romania
13	James & Seranmadevi (2024)	396 investors	Psychological factors, including EI, influence investment intent	High risk perception often hinders decision-making	India

No.	Author	Subject	Emotional Intelligence	Risk Perception	Country
14	Bouzguenda (2017)	50 financial managers	EI reduces decision-making bias in strategy	Poor risk assessment leads to suboptimal financing decisions	Tunisia

This systematic review aims to answer the research question regarding the role of emotional intelligence (EI) and risk perception in investment decision-making. Based on data from 14 journals, the majority indicate that EI significantly impacts investment decisions. Ten out of the 14 journals confirm that EI helps investors manage emotions such as anxiety, fear, and stress, contributing to more rational decision-making across stock markets, crypto markets, and financial institutions. Studies by **Chen et al. (2022)**, **Aisjah et al. (2024)**, and **Satriadi et al. (2023)** show that EI supports wiser investment decisions and assists in managing biases and risk perception.

Additionally, risk perception has also been identified as a key mediator between emotional intelligence (EI) and investment decision-making, as explained by Chaturvedi & Sharma (2024), Radu & Deak (2024), and James & Seranmadevi (2024). Furthermore, in terms of risk perception, it has been found that individuals' perceptions of risk are heavily influenced by emotions and other psychological factors. For instance, studies by Elhoseny et al. (2024) and Akter et al. (2023) reveal that negative emotions triggered by price volatility or social media discussions can heighten fear and lead to hasty decisions. Some studies also show that risk perception can be moderated by age, experience, and even technologies such as AI (Fadhil & Makhool, 2024), which can help reduce emotional influence and improve accuracy in assessing investment risks.

This indicates that the impact of EI and risk perception is contextual and shaped by multiple factors. It is also important to note that the diverse backgrounds of the study subjects enrich the results of this review. The research subjects include not only individual investors in capital and crypto markets, but also financial managers and institutional investors, as seen in studies by Bouzguenda (2017) and Fadhil & Makhool (2024). This variation illustrates that the influence of EI and risk perception extends across contexts and investor types. Despite differences in experience levels, age, and market types, nearly all groups indicate that good emotional management and realistic risk perception support more optimal decision-making processes.

Even in institutional contexts, technology-based approaches such as the use of artificial intelligence (AI) also play a role in reducing the emotional impact on decisions, suggesting that the effects of EI can be complemented or supported by technological innovation in modern investing. Furthermore, findings from several studies conducted in Indonesia also highlight the local relevance of this issue. Three of the 14 journals in this analysis are from the Indonesian context (Aisjah et al., 2024; Satriadi et al., 2023; Effendi et al., 2024), indicating that EI plays an important role within the Indonesian social and cultural setting, where emotional factors often dominate financial decision-making.

This research reinforces the importance of emotional education and increased risk awareness among domestic investors. In the long term, strengthening EI through psychological training or emotion-based financial education could be an effective strategy for building a more rational and resilient investor community in the face of fast-changing market dynamics. Thus, an approach that integrates emotional, cognitive, and technological aspects into financial education is becoming increasingly relevant for broader application, including in Indonesia.

CONCLUSION

Emotional intelligence is an essential component that every investor should possess when navigating the dynamics of the financial markets. Individuals with high EI are better equipped to manage their emotions, assess risks more objectively, and avoid impulsive decisions that may harm their investments. Several aspects of EI contribute to better decision-making, such as emotional regulation, behavioral control, and risk awareness.

From the various studies reviewed in this systematic analysis, it is evident that EI plays a significant role across different investment contexts, ranging from stock markets to cryptocurrency. In the Indonesian context, strengthening EI through training and financial education could be an effective strategy to enhance the quality of investor decision-making. Additionally, market regulations that promote emotional awareness in investing can also help improve overall financial stability.

With growing awareness of the importance of EI in the investment world, it is hoped that more individuals will develop this skill to support their success in financial markets. Thus, EI not only helps investors manage risk but also enables them to achieve more stable and sustainable long-term financial goals.

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