



Research Article

Applicability of Self-Selection Sampling in Behavioural Finance Studies

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Abstract

The use of sampling methods has a significant impact on the validity and reliability of research. Though methods like random sampling are known for being statistically representative of the population at hand, they tend to require a comprehensive sampling frame, which cannot be obtained in most cases in psychological studies involving investors' decisions and behaviour. Methods like non-probability sampling have generally been criticized for having the problem of bias, but sometimes this kind of sampling may be better suited because it can provide authentic results from the people willing to give sincere responses. This paper aims to study the suitability of self-selection sampling in behavioural finance especially when study about overconfidence bias, disposition effect etc. In this respect, this study focuses on the possible advantages of using self-selection sampling in situations where the respondents are expected to be sincere with their answers and thus represent the true states of mind. By discussing methodological choices and considerations, this paper attempts to show how self-selection sampling can be used intentionally in lieu of random sampling when it is impractical to do so.

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INTRODUCTION

The quality of data in behavioural finance research is directly dependent on the degree of authenticity of participant engagement. The traditional approaches to sampling usually strive for representativeness and generalization of results; however, there is always a danger that respondents who do not have any interest in the research and who are either compelled to fill out the surveys or just not paying enough attention will undermine the reliability of results (Stone et al, 2024). On the contrary, in self-selection sampling, participants are chosen based on the principle of voluntariness and interest.

While often criticised for potential bias, self-selection sampling allows researchers to obtain sincere and reflective responses from participants. In behavioural finance, where psychological factors such as cognitive biases and emotions play an important role in investment decisions, a sincere response can be more valuable to the research than a statistically correct one. For example, the studies of investors' sentiments, risk perceptions, overconfidence and other aspects of decision making in financial markets would be more fruitful if the respondents are sincerely interested in the topic.

This paper analyzes the use of self-selection sampling in behavioural finance research and suggests that the voluntary and sincere responses increase the value of behavioural insights obtained.

Importance of sampling methods in studying investor biases

The use of sampling methods in research on investor biases is very important as the quality of data collected from the study depends on how well the sampling is done. By ensuring that there is proper sampling, one ensures that those who are sampled represent the larger population and hence make it possible for true investor biases to be discovered. Since there is a need to consider factors like overconfidence, loss aversion, and herd behaviour, among others in behavioural finance, it becomes necessary to consider the type of sampling method to ensure that those biases are revealed. The significance of identifying such behavioural biases in Indian capital market is evident. These biases were also empirically tested among investors and also how it is influencing trading behaviour and market outcomes (Ganesh et al. 2020).

Additionally, the investor biases considered are personal and very sensitive issues (Kubilay & Bayrakdaroglu, 2016). Therefore, sampling methods become very important as they encourage those sampled to participate voluntarily. This is different from the sampling methods like random sampling that do not consider individual's willingness to participate (Etikan & Bala, 2017). With the self-selection sampling, one participates voluntarily and hence reveals the true investor biases that would have been hidden when the participant was forced to be involved (Creighton, 2018). It is also worth noting that many people are shy about revealing such biases especially when forced.

Significance and scope of studying self-selection sampling in behavioural finance research

The objective of this paper is to study self-selection sampling as one of the useful methods in the field of behavioural finance,

especially in terms of finding the hidden psychological biases of investors that are hard to obtain through random sampling techniques. Through self-selection sampling technique, there is liberty provided to the participants whether they want to participate or not. Hence, they can openly reveal their psychological traits and biases, which cannot be done by forcing them to take part in the research process. The main objective of this paper is to discuss the utility of this voluntary sampling method.

The scope of the paper involves discussion on the advantages and disadvantages of self-selection sampling. In addition, examples of situations where self-selection sampling has been or could be used to detect cognitive biases will be provided in the paper to offer a balanced perspective, assisting future researchers in determining when and how to use this sampling method.

Background of the Study

The pros and cons of different sampling methods were discussed by Sharma (2017) in his paper. He has discussed four probability and three non-probability sampling techniques in detail. He has pointed the time and cost savings along with low response error as the major advantages of self-selection sampling. He expressed caution about the possibility of exaggeration on both sides of the responders.

The educational applications of various random and non-random sampling methods were explained by Adeoye (2023). The merits of random sampling being representative of the population and the option to include all types of samples in the study being the advantage of non-random sampling according to this paper. This paper has not included self-selection sampling in the study.

Mujere (2016) explained various sampling types and methods, along with their sampling error and a guide to sample size determination. On comparing 14 research articles and the sampling methods adopted in each of them Khan (2020) concluded that most studies are adopting random sampling techniques as it provides generalizability of the population.

Alvi (2016) tries to provide a manual for selecting the sampling methods. He explained 7 non-Probability and 5 probability sampling methods with examples along with their pros and cons. He mentioned self-selection sampling as volunteer sampling and reports less effort, time and cost saving as its advantages and non-representative of the population as the limitation.

Narayan et al. (2023) explain the need for samples to be representative of the population for their generalisability in real world. Rahman et al. (2022) described various probability sampling methods suitable for social science researches, and guide on how to pick the suitable one for research. In their research Das et al. (2022) explains the concept of sampling and various methods with examples.

When it comes to the investor behaviour and perception related studies in India convenient sampling is the most commonly used sampling method due to the unavailability of sampling frame (Kanojia et al, 2018; Agarwal & Singh, 2024; Kansal & Singh, 2018; Chandra & Kumar, 2012; Raut & Kumar, 2018). Snowball sampling (Sharma & Firoz, 2019) and Purposive

sampling (Raut et al, 2019) were also adopted by researchers. However, as evidenced by their research methodology part, the non-response rate was significantly higher in all of these circumstances. This demonstrates the respondents' lack of interest in exposing their behavioural or personality characteristics. All of this emphasizes the importance of knowing the advantages of using self-selection sampling in behavioural finance research.

According to past research, no study has previously attempted to investigate the applicability of self-selection sampling in behavioural finance. As a result, in this study, we evaluate the adaptability of self-selection sampling in behavioural finance when a complete sample frame for random sampling is not available.

Concept and Definition of Self-Selection Sampling

Self-selection sampling is one of the non-probability sampling techniques that involve participants in research studies volunteering to participate in the study (Sharma, 2017). While random sampling is based on participants' selection by researchers to act as representations of the population, self-selection means that participants decide whether to take part or not without being invited. Self-selection is common in surveys, experiments, and other research where volunteers who meet the research criteria participate after responding to invitations or advertisements that call them to participate. In self-selection sampling, participation is the only basis for sample selection, which may have some strengths and weaknesses.

One of the benefits of using self-selection sampling in research is the ability to engage people to share information that is usually private, sensitive, or personal. Self-selection may encourage people who feel comfortable disclosing information about themselves in order to contribute to research. Additionally, the implementation of this type of sampling is simple and affordable since researchers do not have to reach all possible participants. At the same time, the major weakness of self-selection is its inability to give a sample that represents the population as a whole since participants decide to participate of their own will.

Difference Between Self-Selection Sampling and Random Sampling

Self-Selection Sampling and Random Sampling are two totally distinct methods of participant selection in research. The key distinction between the two is in the way the participants are selected; self-selection sampling is done based on people's willingness to join the study voluntarily while random sampling entails selection of the participants at random from the whole population, ensuring that each individual has an equal chance of being included in the study. In self-selection sampling, people choose to be part of the study independently; thus, the results obtained may be biased because they do not represent the whole population.

Self-selection sampling in behavioural finance studies presents the benefit of inducing honesty in reporting personal biases since the respondents themselves agree to take part, thus establishing an atmosphere of transparency. On the other hand, such a technique undermines the idea of representation since

individuals willing to participate might have certain features and views that do not represent those of all investors. In turn, random sampling is highly methodological in generating an unbiased sample, although it may encounter difficulties like low response rate or respondents' unwillingness to disclose their biases. Thus, deciding on which of the two techniques to apply means to compromise on either side – on the quality or on the representativeness of the results.

Relevance of voluntary participation in behavioural finance research

The importance of voluntary participation in behavioural finance studies cannot be overstated, as it promotes authenticity and sincerity in the reporting of investors' personal biases and psychological features. An investor's biases are a delicate feature that people may be hesitant to report due to forced or randomly selected participation in the study. The volunteers in research are more likely to openly and sincerely disclose their real behaviour and reasoning behind certain actions, which will help to obtain the most authentic data. This becomes important in studies examining psychological biases where investors may be reluctant to acknowledge irrational decision making unless participation is entirely voluntarily and self-motivated (Ganesh et al. 2016).

What is more, the feeling of freedom and trust created by voluntary participation may help to diminish such biases as social desirability bias and other types of response biases that can take place in behavioural studies. The results will give a deeper insight into the way biases affect investment decisions and thus will help to create the most effective instruments for managing them.

Merits of Self-Selection Sampling

Self-selection sampling offers advantages in behavioural finance in relation to the unique ability to discover behavioural biases via voluntary disclosure. The usefulness of obtaining willing and reflective respondents is especially relevant in behavioural finance studies investigating investor overconfidence and disposition effect, where honest self-reporting improves the quality of behavioural insights generated (Ganesh et al. 2021). As individuals decide to participate voluntarily, they tend to be more open and truthful about their psychological tendencies and biases in investments, like overconfidence or loss aversion, that might be concealed in studies involving mandatory or random sample selection. The voluntary nature of the sample helps in eliciting truthful answers from investors and gives insight into the workings of behavioural biases.

Moreover, self-selection sampling produces higher engagement from the participants, leading to increased likelihood of discussions on sensitive subjects, thus, producing reliable and relevant information. Self-selection sampling is also an economical approach since it makes use of the motivation of the participants, thereby eliminating the need to recruit or offer any inducements. For instance, in the behavioural finance research on investor sentiments and behaviours, the use of self-selection sampling allows the researcher to select those motivated individuals who give accounts of their sentiments and

behaviours. Such data may prove useful in creating intervention or finance tools that cater for the investors' needs.

Limitations

Bias within the sample, lack of representativeness: Due to the willingness to volunteer for the experiment, the sample is not representative of the population as a whole and thus cannot be generalised.

Skewedness of the sample due to self-selection of particular personality types: People with particular characteristics or biases may be more willing to participate in the study, leading to a sample being skewed to reflect only certain investor types.

Limitations in generalising the findings to the entire group of investors: Due to the non-random sampling of people, it is hard to make generalisations regarding all investors based on the findings from the sample.

The mentioned limitations mean that conclusions drawn from self-selected samples should be approached with caution, especially in the case of studies on behavioural finance.

Relevance and Suitability for Behavioural Bias Detection

Self-selection sampling holds particular relevance and suitability in behavioural finance research because it aligns closely with the sensitive and personal nature of investor biases. Unlike other sampling methods, self-selection allows participants to decide whether to participate, creating an environment conducive to the voluntary disclosure of subtle psychological traits. This method aligns better with behavioural finance because biases such as overconfidence, loss aversion, and confirmation bias are often unconscious or uncomfortable for individuals to admit, unless given the freedom to self-report. This voluntary participation enriches the data quality with authentic insights that would be difficult to capture using imposed sampling techniques.

Its effectiveness in tracing subtle, personal biases lies in higher engagement levels and participants' willingness to share honest reflections on their decision-making processes. Investors who self-select into studies tend to be more introspective and motivated, which helps uncover hidden biases that remain latent in random samples where participation is mandatory or less voluntary. For example, studies employing self-selection have identified nuanced overconfidence behaviours among active traders, which often go unreported in broader, randomly sampled populations.

Balancing the methodological biases introduced by self-selection with the benefits of authentic, in-depth insights is a critical consideration. While self-selection can introduce sample bias due to the non-random nature of participation, it is compensated for by allowing detailed exploration of cognitive biases in real-world settings. Researchers often use complementary techniques, such as weighting or triangulation, to mitigate these biases while capitalizing on the rich qualitative data self-selection sampling provides. This balance ensures that behavioural finance research remains both internally valid and practically relevant.

In conclusion, self-selection sampling remains highly suitable for detecting behavioural biases because it aligns with the covert, personal qualities of these biases while respecting

participant autonomy. This synergy makes it an indispensable tool for capturing genuine investor behaviours, enabling researchers to design more effective behavioural interventions and financial tools that cater to investors' actual cognitive and emotional realities.

CONCLUSION

In conclusion, self-selection sampling, despite its inherent limitations, offers significant advantages, particularly for behavioural finance research focused on investor biases. The method excels at uncovering hidden and sensitive behavioural traits by giving participants the autonomy to voluntarily disclose psychological biases, which are often difficult to capture with random or forced sampling techniques. This voluntary participation enhances the authenticity, richness, and depth of data, enabling researchers to observe investor behaviour in a more naturalistic and reflective manner.

However, it is important to acknowledge the potential for sample bias and representativeness issues, as participants may not accurately reflect the broader investor population. This can limit the generalizability of the findings and introduce bias due to the overrepresentation of certain personality types or investment behaviour profiles. Despite these caveats, the practical ease, cost-effectiveness, and engagement benefits of self-selection sampling make it a highly valuable tool in behavioural finance.

This interplay of biases resulting from the self-selection sampling method and the rich insights that could be generated emphasizes the appropriateness of using self-selection sampling in research areas where psychological nuances and voluntary revelation play a critical role. It can help generate valuable information about the psychological nuances of investors, hence the rationale behind the preference of this method when the objective of research is the identification of cognitive and emotional aspects affecting financial decision-making.

Conclusively, self-selection sampling will make an invaluable contribution to behavioural finance research by providing authentic insights on the psychology of investors, something that other methods will not be able to do.

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