



THE EFFECT OF PHANTASY ON FANTASY AND RISKY INVESTMENT INTENTION: MEDIATING THE ROLE OF POSITIVE AND NEGATIVE EMOTIONS

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Abstract

Research background: It is a psychologically difficult and corrosive process for investors to make decisions in financial markets where uncertainty prevails. Uncertainty triggers different emotions such as fear, anxiety and hope in investors. For this reason, trading in financial markets requires controlling emotions.

Purpose: In this study, the mediating role of positive and negative emotions in the effect of phantasy on both fantasy and risky investment intention was investigated.

Research methodology: The pilot data of the study consists of 204 participants and the original data consists of 831 participants. The data were collected from Turkey with convenience sampling using an online questionnaire. The fantasy variable was developed within the scope of this study. Accordingly, an exploratory factor analysis was performed for this variable. A confirmatory factor analysis was performed for other variables, and finally, the research model was tested with structural equation modeling (SEM).

Results: According to the findings, it was seen that phantasy positively affects risky investment intention and fantasy. Considering the mediation effects, there was partially a mediating effect of positive emotions on the effect of phantasy on risky investment intention, while the mediating effect of negative emotions was not found. It was also found that both positive and negative emotions have a partial mediating effect on the effect of phantasy on fantasy.

Novelty: The effect of emotions on the decision-making process was reported by some researchers in the past. In this study, conscious and unconscious processes were included in the model as well as emotions, thus expanding the scope and providing a better understanding of investors' decision-making processes. In addition, the newly developed fantasy scale will also make a significant contribution to the literature.

Keywords: phantasy, fantasy, positive emotions, negative emotions, risky investment intention

JEL classification: G40, G41

Introduction

Although it has been thought that emotions should be avoided in the decision-making process for many years, it has been stated in recent studies that emotions are related to the cognitive system in the decision-making process (Emmerling, Cherniss, 2003). Raghunathan and Pham (1999) also stated that many important decisions are made in situations when there is emotional intensity. While researchers focus on the role of emotions in decision making (Fessler et al., 2004; Kuhnen, Knutson, 2011), some studies have revealed their relationship with risk (Conte et al., 2018; Brooks et al., 2022). Even Kugler et al. (2012) stated that emotions can be affected by risky decisions and, at the same time, can also affect them.

Emotion, which inclusory affect and mood, is an important factor in the decision-making process of individuals (Park et al., 2006; Li et al., 2009; Eberhardt et al., 2019). While Watson and Tellegen (1985) typically classify emotions in two orthogonal dimensions, positive and negative, similarly, Wen-Hai et al. (2019) also stated that emotions have positive and negative sub-dimensions. Lazarus (1991), on the other hand, defined two approaches to classify emotions, categorical and dimensional. The categorical approach is based on identifying personal, innate, and basic emotions such as fear, anger, happiness, sadness, and surprise. The dimensional approach to classifying emotions is based on the belief that emotions have two or three dimensions (e.g., emotional states that can be positive or negative). From this point of view, Fujimura and Suzuki (2010) provided the identification of various positive and negative emotions by using both dynamic and static facial expressions. While emotions such as hope, excitement, and happiness are handled positively, emotions such as fear, anxiety, disgust, and sadness are handled negatively (Ekman, 1992). Conte et al. (2018) emphasized that positive and negative emotions involve separate cognitive processes and their effects on risk preference

should be explained with separate models. Positive emotions facilitate decision making (Isen et al., 1982). There is causal evidence that positive emotions trigger healthy financial behaviors and increased income (De Neve, Oswald, 2012). Asebedo et al. (2022) also stated that positive emotions will cause wealth creation. In negative emotional states, individuals are more cautious and tend to perceive the risk as high (Foo, 2011). Accordingly, risk is perceived more in negative emotional states than in positive ones (Fehr-Duda et al., 2011). At the same time, people in a more positive emotional state tend to have less decision complexity and shorter decision times (Isen, 1984). In addition, positive emotions increase people's confidence in their ability to evaluate risky investments (Kuhnen, Knutson, 2011).

The investment process includes cognitive elements as well as emotional elements, and it also varies from person to person (Kanagasabai, Aggarwal, 2019). In this context, Koriat (1993) mentioned the effect of both unconscious and conscious elements on the feeling of knowing and emphasized the importance of unconscious processes. While phantasy is the most basic unconscious process, fantasy can be considered as a conscious process. While fantasy is defined as dreams realized under the control of consciousness, phantasy is dreams created by the mind and realized unconsciously (Winnicot, 1998; Jimenez, 2016). At the same time, phantasies are also expressed as fantasies without conscious awareness. Studies in the literature have shown that just like conscious processes, unconscious ones also affect decision making (Bagh, Morsella, 2008; Taffler, Tuckett, 2010; Taffler, 2018; Aren, Hamamcı, 2022b). Phantasy creates a strong desire for asset in individuals and this desire eliminates doubt (Tuckett, Taffler, 2008). In this way, it plays an important role in the decision (Taffler, Tuckett, 2010).

In this study, the effect of phantasy, which is defined as the unconscious dreams of individuals, on the risky investment intentions and fantasies, which are conscious dreams, was investigated. In addition, it was aimed to evaluate the mediating effect of positive and negative emotions in these relationships. While hope and excitement were considered as positive emotions, fear and anxiety were considered as negative emotions. With this study, variables related to both unconscious and conscious processes related to investment decisions were analyzed together. At the same time, it contributes to the literature with the development of a new scale within the scope of the study.

The second part of the study is the "literature review" and in this part, the variables of the study were explained in detail. In the third part, "methodology", information about variables, model and data set was given. The fourth part includes the results of the analysis, and the last part is the "conclusion" section, where the findings are evaluated.

1. Literature review

1.1. Phantasy and fantasy

Unlike shared reality, phantasy is a reality specially created by the mind (Jimenez, 2016). Klein stated that phantasies exist before verbal speech (Bohleber et al., 2016), and emphasized that they are the most basic unconscious activities that individuals have from birth (Gerson, 2008). To solve the conceptual problem of phantasies, Sandler and Sandler (1994) divided phantasies into two, and named them past phantasies and present phantasies. They stated that past phantasies emerged in the first 4–5 years of life, and present phantasies can be considered as partial derivatives of the past subconscious. Guistino (2016) stated that past phantasy is considered to be the repository of an unremembered or implicit memory, but present phantasy contains an autobiographical memory. In addition, phantasies, by their nature, play a decisive role in the spiritual development of individuals, their effect can continue throughout life and leave deep traces on both intellectual and emotional development (Aren, Hamamci, 2021). The tangible and visible state of the phantasy is defined as the ‘phantastic object’. While phantasy and the phantastic object suppress negative emotions such as anxiety and fear in individual investors (Tuckett, Taffler, 2008; Tuckett, 2011) and trigger positive emotions such as excitement and desire (Taffler, Tuckett, 2008). In this context, the excitement created by the expectation of gains suppresses fear and anxiety (Aren, Hamamci, 2022b). For this reason, Tucket and Taffler (2008) and Taffler (2018) explained with ‘phantasy’ that investors do not have to worry about high-risk assets, even if the financial bubble processes contain uncertainty due to their nature.

Unlike phantasy, which is an unconscious process, ‘fantasy’ is defined as repressed and conscious dreams (Guistino, 2016). Similarly, Winnicot (1988) stated that fantasy occurs under the control of consciousness. In addition, Philips (2017) argues that fantasies are under the control of the individual, and that differs from unconscious processes such as hallucinations and phantasy by this feature. At the same time, fantasy is what teaches us how to organize and express our emotions (Zizek, 1998). Fantasy is important because it offers simple solutions to make sense of events in complex and complicated situations (Akkermans, Kubasch, 2017). But at the same time, it is considered a refuge and a place of escape from the real world and therefore involves the processing of both the real and the unreal (Knudsen et al., 2016; Bennett et al., 2023). To ensure conceptual clarity, it is essential to compare the boundaries of fantasy with adjacent constructs such as imagination and wishful thinking. Fantasy and imagination are often used interchangeably, leaving their exact meaning unclear (Valkenburg,

2008). One key difference is that imagination is goal-oriented; for example, trying to visualize the appearance of a monster described in a book (Valkenburg, 2008). Furthermore, fantasy must be distinguished from wishful thinking. Wishful thinking is considered a logical fallacy and expresses beliefs devoid of evidence that are influenced by desires. Individuals tend to overestimate the likelihood of positive outcomes without reason (Aue et al., 2012). However, in fantasy, people are aware that their mental simulations are different from reality.

As a result, although often confused in everyday language, psychoanalytic literature draws a clear line between conscious and unconscious processes using the letters “f” and “ph”. Accordingly, “phantasy” is used as a technical concept referring to unconscious psychic processes linked to impulses, object relations, anxiety, and defenses. This is not a consciously constructed fantasy; it is a hidden scenario constantly running in the background without your awareness, determining how you perceive the world and people. In contrast, the term “fantasy” has a broader meaning and often refers to conscious or semi-conscious imaginary constructs and mental visualizations. These are also scenarios we can control and know are not real. For example, imagining winning the lottery, starting a very successful business, or going on your dream vacation while looking out of the window of a bus is a fantasy. Therefore, the difference between the two terms reflects not only a typographical distinction but also a theoretical one.

1.2. Positive and negative emotions

Emotion is defined as the feelings of individuals regarding external stimuli, and it includes physical and psychological elements and also affects judgment and behavior (Aren & Hamamcı, 2020). According to the dimensional approach, which is one of the approaches to the classification of emotions, emotions can be classified in two dimensions as positive and negative (Lazarus, 1991). Positive emotions, the first of these dimensions, are indispensable in our lives (Fujimura et al., 2012). Positive emotions contribute to an expanded mindset that recognizes behavioral pathways that invite a range of thoughts, strengthen attention, enhance cognition, and produce meaningful and productive actions (Asebedo et al., 2022). Positive emotions facilitate decision making (Isen et al., 1982) and can contribute to more successful decisions (Schwarz, Clore, 2003). Folkman and Maskowitz (2000) stated that positive emotions act as a coping strategy aimed at reducing stress levels. Foo (2011) stated that entrepreneurs evaluate the job opportunities of that day as appropriate due to the positive emotions they experience during the day. It is seen that there are different results in the literature regarding the relationship between positive emotions and risk. Fessler et al. (2004) stated that individuals stay away from taking risks when they are in a positive mood. Likewise, Delis and Mylonidis (2015)

stated that investors avoid taking risks for fear of harming their current positive emotions, and found that, in this context, happiness reduces the probability of buying risky assets. In contrast, according to Kuhnen and Knutson (2011) positive emotional states such as excitement encourage people to take risks and to be confident in their ability to evaluate investment options. Fishbach and Trope (2005) stated that positive emotions will increase investors' willingness to trade and may reduce the price gap between buyers and sellers. Positive emotions also provide a potential explanation for higher stock returns on pre-holiday days compared to other days (Boyle et al., 2004; Teng, Liu, 2013).

According to the emotion classification, the second dimension is negative emotions. Strong negative emotions are closely related to being more cautious in decision-making processes (Breaban et al., 2016). In negative emotional situations, there is a tendency to be alert to slight changes in the environment and in-depth analytical processing is activated (Kashdan et al., 2015). Ekman (1992) considered emotions such as fear, anxiety, disgust, and sadness as negative emotions. Fear, one of these negative emotions, is expressed as one of the basic emotions (Buckley, 2016). Fear is the most relevant negative emotion in the context of financial decision making. People feel fear when faced with uncertainty or in situations they cannot control (Lerner, Keltner, 2001). Lerner et al. (2015) stated that fear is related to risk perception, and Foo (2011) found that individuals experiencing fear are more likely to perceive high risk. In this case, fear may also cause investors to stay away from profitable and risky investments that will provide higher returns in the long run (Brooks et al., 2022). In support of this situation, Lee and Andrade (2011) found that fearful investors sell their stocks faster as a result of their experiment. In addition, the literature generally suggests the existence of a negative relationship between fear and risk tolerance (Brooks et al., 2022). Another negative emotion is anxiety. Anxious people may choose to avoid dealing with risky financial products and thus lose the opportunity to gain investment experience over time (Gambetti, Giusberti, 2012). Brooks et al. (2022) stated that individuals who are worried prefer short-term savings accounts and sell their risky assets as soon as possible. In other words, negative emotions such as anxiety predict conservative financial decisions (Au et al., 2003; Gambetti, Giusberti, 2012). Kuhnen and Knutson (2011) also stated that anxiety causes risk aversion and, in this context, individuals do not have enough confidence in their ability to evaluate investment options.

2. Methodology

2.1. Data

Within the scope of this study, a pilot study was performed with 204 participants in April 2022. The collected pilot data were used to test the fantasy scale, which is an independent variable in the research model and developed specifically for this study, in terms of reliability. In addition, an exploratory factor analysis for this scale was also performed using the pilot data set. Then, original study data were collected from 831 participants in May 2022. Both of the datasets were collected from Turkey on the basis of convenience sampling with an online questionnaire. Turkey presents a hybrid cultural structure where collectivist tendencies coexist with modern individualistic values. Positive emotions are experienced in a more “relational” form, while the overt expression of negative emotions varies depending on the context. Negative emotions are particularly shaped within the framework of cultural norms such as avoidance of high uncertainty and hierarchical power distance. Demographic information for the two data sets is presented in Table 1. It can be seen that the data sets are similar to each other, and young and university graduates, who are balanced in terms of marital status and gender, participated in the research.

Table 1. Demographic Variables for Both Data Set

Specification		Pilot data set (204 participants)		Original data set (831 participants)	
variable	category	frequency	percent	frequency	percent
Age Group	20–30	91	44.6	388	46.7
	31–40	76	37.3	278	33.5
	41–50	26	12.7	127	15.3
	+51	11	5.4	38	4.6
Gender	Male	68	33.3	440	52.9
	Female	136	66.7	391	47.1
Marital Status	Married	113	55.4	468	56.3
	Single	91	44.6	363	43.7
Education	Primary School	5	2.5	12	1.4
	High School	42	20.6	103	12.4
	Undergraduate	121	59.3	554	66.7
	Graduate	36	17.6	162	19.5

Source: authors' calculations based on the research data.

2.2. Variables

Five different variables (one independent, two dependent and two mediator variables) were included in the study. Accordingly, while phantasy is the independent variable, fantasy and risky investment intention are the dependent variables, and positive and negative emotions are the mediating variables. Two emotions (excitement and hope) were taken into account as a positive emotions variable and, positive emotions were measured using their scales. Similarly, for the variable of negative emotions, fear and anxiety emotions were handled and, negative emotions were measured using their scales. Detailed information about the variables and scales in this study is presented in Table 2.

Table 2. Variables, Items and Scales Information

Latent Variables	Scale Reference
1	2
Phantasy	
P1: I believe that with enough research, I can find risk-free, high-return financial instruments that not many people know about	Aren and Hamamci (2021)
P2: If I discover a new financial asset that not many people know about, I will invest in it	
P3: I believe that investing in a new financial asset that not many people know about will be very profitable	
P4: I would feel privileged if I invested in a new financial asset that not many people know about	
P5: I believe I can achieve my dreams if I invest in a new financial asset that not many people know about	
P6: For me, the excitement and happiness I experienced from investing in a relatively unknown financial instrument are just as important as the return I received	
Fantasy	
FA1: I often dream of being rich	Developed by us
FA2: I enjoy imagining the returns on my investments	
FA3: I like to dream about the results of my investments	
FA4: I am happy to dream of the money I will earn from my investments	
FA5: From time to time I dream of what I'll do when I'm rich	
Positive Emotions	
HO1: I energetically strive to achieve my goals	Excitement (EX1-5) – Chanaka and Wright (2009)
HO2: My past experiences have prepared me well for the future	
HO3: I've been quite successful in life	
HO4: I am achieving the goals I set for myself	
EX1: Investing excites me	Hope (HO1-5) – Aren and Akgüneş (2018)
EX2: The idea of investing interests me	
EX3: The idea of investing is fascinating to me	
EX4: I find the idea of investing very appealing	
EX5: I feel great when I invest	

1	2
Negative Emotions	
F1: I'm often worried about the impression I make on others	Fear (F1-5) – Aren and Akgüneş (2018)
F2: I'm afraid of not being approved of by others	
F3: I'm afraid of others noticing my mistakes	
F4: I worry about what other people think of me	
F5: When I talk to someone, I worry about what they'll think of me	
AN1: I feel worried due to my financial circumstances	
AN2: I'm having trouble sleeping because of my financial situation	
AN3: I'm having difficulty concentrating on my school/work due to my financial situation	
AN4: I feel irritable because of my financial situation	
AN5: I feel anxious about my financial position	
AN6: I feel nervous because of my financial situation	Anxiety (AN1-7) – Grable et al. (2014)
AN7: I experience anxiety regarding my financial position	
Risky Investment Intention	
RII1: When making investment decisions, I generally prefer alternatives with higher risk	Aydemir and Aren (2017)
RII2: If I were to invest, I would consider taking on risky investment options	
RII3: I am highly likely to invest in risky instruments	
RII3: I have a strong desire towards risky investment choices	

Source: authors owns elaboration.

2.3. Research Model

In the study, the mediating effect of positive and negative emotions on the effect of phantasy on risky investment intention and fantasy is investigated, and the research model was presented in Figure 1. In order to mention about the existence of a mediator effect between the dependent and independent variable, both the relationship between the dependent and independent variable should be significant, and the relationship between the mediator variable and the dependent and independent variable should be statistically significant (Aren, Hamamcı, 2022a). While analyzing the mediator effect, the steps suggested by Baron and Kenny (1986) were taken into account.

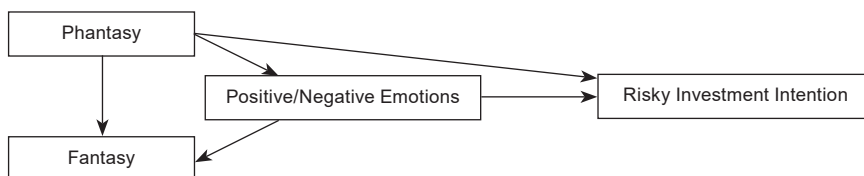


Figure 1. Research model

Source: authors' owns elaboration.

3. Analyses

Since the fantasy scale developed within the scope of this study was used for the first time, an exploratory factor analysis (EFA) and reliability analysis were performed for this scale. The findings obtained as a result of the analyses made using the pilot data set can be seen in Table 3.

Table 3. Exploratory Factor Analysis (EFA) for Varimax Rotation

Variable	Factor 1
FA1: I often dream of being rich	0.740
FA2: I enjoy imagining the returns on my investments	0.885
FA3: I like to dream about the results of my investments.	0.897
FA4: I am happy to dream of the money I will earn from my investments.	0.898
FA5: From time to time I dream of what I'll do when I'm rich	0.848
Kaiser-Meyer-Olkin (KMO)	0.856
Bartlett's Test of Sphericity	715.517 ^(0.000)
Reliability	0.907

Source: authors' calculations based on the research data.

The Fantasy scale was developed based on a comprehensive literature review and expert opinions. During the pilot study phase, five items were tested. As can be seen from Table 3, five items in the fantasy scale were loaded on a single factor and, factor loadings were found to be high. EFA results showed that these five items conceptualized a strong, unidimensional structure with high internal consistency. Since all factor loadings were significantly above the recommended thresholds, no items were removed. Since the Kaiser-Meyer-Olkin (KMO) value was found to be 0.856 and this value is above the threshold value of 0.700, we can say that the data is suitable for a factor analysis. At the same time, Bartlett's Test of Sphericity is significant at the 0.000 error level. Since the reliability value of the scale was well above the threshold value (0.70), the scale also ensured the reliability condition.

Two-stage confirmatory factor analyses were performed for positive and negative emotions, and a one-stage confirmatory factor analyses for other variables, with the results presented in Table 4. When the results are examined, it has been determined that the fit indices of all variables are well above the threshold values accepted in the literature (e.g., Aren, Hamamci, 2023).

Table 4. Confirmatory factor analyses for variables

Variable	CMIN/DF	RMSEA	GFI	AGFI	CFI	TLI	NFI	RFI
Phantasy	4.960	0.069	0.989	0.961	0.992	0.980	0.990	0.974
Fantasy	3.241	0.052	0.994	0.976	0.997	0.993	0.996	0.989
Positive Emotions	3.007	0.049	0.982	0.965	0.990	0.984	0.985	0.976
Negative Emotions	4.670	0.066	0.955	0.929	0.979	0.972	0.974	0.965
Risky Investment Intention	1.149	0.020	0.994	0.992	1.000	0.999	0.997	0.998

CMIN/df: Chi-square/Degrees of Freedom; RMSEA: Root Mean Square Error of Approximation; GFI: Goodness of Fit Index; AGFI: Adjusted Goodness of Fit Index; CFI: Comparative Fit Index; TLI: Tucker-Lewis Index; NFI: Normed Fit Index; RFI: Relative Fit Index.

Source: authors' calculations based on the research data.

After the factor analyses, the mediation effect in the research model was analyzed by structural equation modeling (SEM) using the original data set. Modern approaches were considered when conducting mediation analyses, and the bootstrapping technique was used (Preacher, Hayes, 2008). According to modern approaches, even if the total effect is insignificant, if the indirect effect is significant, there is a mediating effect (Preacher, Hayes, 2008; Rucker et al., 2011). In this context, firstly, the mediating effect of positive emotions was tested and the findings are presented below in Table 5.

Table 5. The mediation effect of positive emotions

Relationship					β		S.E.	
Phantasy $\rightarrow$ Positive emotions					0.449***		0.027	
Positive emotions $\rightarrow$ Risky investment intention					0.192***		0.158	
Phantasy $\rightarrow$ Risky investment intention					0.466***		0.067	
Phantasy $\rightarrow$ Fantasy					0.332***		0.053	
Positive emotions $\rightarrow$ Fantasy					0.280***		0.156	
Indirect Effect ¹ (Phantasy $\rightarrow$ Risky investment intention)					0.066 (0.001 – 0.134)			
Indirect Effect ² (Phantasy $\rightarrow$ Fantasy)					0.160 (0.108 – 0.217)			
CMIN/DF	RMSEA	GFI	AGFI	CFI	TLI	NFI	RFI	
4.036	0.060	0.911	0.890	0.948	0.940	0.932	0.922	

* <0.05; *** <0.001.

β = standardized regression estimate values were taken into account; 5000 bootstrap samples; percentile confidence intervals = 95.

S.E. – standardized estimation.

Source: authors' calculations based on the research data.

As can be seen in Table 5, all of the fit indexes of the model were found to be convenient in accordance with the generally accepted threshold values in the literature. This means that the model is suitable for analysis.

According to the results, it was found that phantasy had a positive effect on positive emotions. Secondly, the effect of positive emotions, which is the mediating variable, on risky investment intention was also found to be positive and statistically significant. In addition, the direct effect of phantasy on risky investment intention is also positive, and this effect is statistically significant at the 0.001 error level. In other words, since all the relationships between the variables are significant, positive emotions have a mediating effect on the effect of phantasy on risky investment intention, and we can say that this effect is partial mediation. In addition, since the range values (0.001–0.134) given for “Indirect Effect¹” in the table do not include zero, this mediation effect is also statistically significant.

Considering the mediating effect with fantasy, it was found that the direct effect of phantasy on fantasy was positive and statistically significant. The effect of positive emotions, which are mediator variables, on fantasy was also found to be significant. Since the effect of phantasy on positive emotions is currently positive, it was found that positive emotions have a mediating effect in the relationship between phantasy and fantasy, and there is partial mediation here as well. In addition, since the range values (0.108–0.217) given for “Indirect Effect²” in the table do not include zero, this mediation effect is also statistically significant.

Finally, the mediating effect of negative emotions on the effect of phantasy on risky investment intention and fantasy was also analyzed by SEM using the original data set, the results are shown in Table 6.

According to Table 6, it can be seen that the fit indices of the model are at acceptable levels. In this context, we can say that the model is appropriate and sufficient to explain the mediation effect.

According to the results, it was determined that phantasy had a positive effect on negative emotions. Secondly, negative emotions, which is the mediating variables, was not found to have an effect on risky investment intention. For this reason, there is no need to look at the direct effect of the independent variable on the dependent variable. Because the mediating variable has no effect on the dependent variable, the necessary condition for mediating an effect analysis could not be met. In other words, we can say that negative emotions do not have a mediating effect on the effect of phantasy on risky investment intention.

Table 6. The mediation effect of negative emotions

Relationship					β	S.E.	
Phantasy $\rightarrow$ Positive emotions					0.190***	0.033	
Positive emotions $\rightarrow$ Risky investment intention					0.028	0.058	
Phantasy $\rightarrow$ Risky investment intention					0.529***	0.066	
Phantasy $\rightarrow$ Fantasy					0.413***	0.051	
Positive emotions $\rightarrow$ Fantasy					0.154***	0.054	
Indirect Effect ¹ (Phantasy $\rightarrow$ Risky investment intention)					−0.033	0.043	
Indirect Effect ² (Phantasy $\rightarrow$ Fantasy)					−0.013 ((−0.063) − 0.037)		
Phantasy $\rightarrow$ Positive emotions					0.036 (0.016 − 0.061)		
CMIN/DF	RMSEA	GFI	AGFI	CFI	TLI	NFI	RFI
4.672	0.067	0.893	0.868	0.938	0.929	0.923	0.911

*** <0.001.

β = standardized regression estimate values were taken into account; 5000 bootstrap samples; percentile confidence intervals = 95.

Source: authors' calculations based on the research data.

Considering the mediating effect with fantasy, it was found that the direct effect of phantasy on fantasy was positive and statistically significant. The effect of negative emotions, which are mediator variables, on fantasy was also found to be significant. Since the effect of phantasy on negative emotions is currently positive, negative emotions also have a mediating effect in the relationship between phantasy and fantasy, and this effect is partial mediation. In addition, since the interval values (0.016–0.061) given for “Indirect Effect²” in the table do not include zero, this mediation effect is statistically significant.

Conclusions

It is a psychologically difficult and corrosive process for investors to make decisions in financial markets where uncertainty prevails. Uncertainty triggers different emotions such as fear, anxiety and hope in investors. For this reason, trading in financial markets requires controlling emotions. In addition, investors associate financial assets with conscious and unconscious dreams (fantasy and phantasy) in their minds (Aren, Hamamcı, 2024). Emotions, conscious and unconscious processes have a significant impact on financial decision making. In this direction, the mediating role of positive and negative emotions in the effect of phantasy, which is unconscious dreams, on both fantasy and risky investment intention was investigated.

Within the scope of the study, the fantasy scale was developed and its statistical validity and reliability were ensured. Then the research model was analyzed by SEM. Phantasy and positive emotions were found to have a direct positive effect on risky investment intention. This finding is consistent with the positive effect of phantasy on risky investment intention reported in the studies of Eshraghi and Taffler (2014) and Aren and Hamamcı (2021; 2022b). The direct effect of phantasy on positive emotions was also found to be statistically significant, and this finding is consistent with Taffler and Tuckett (2008) and Raines and Leather (2011), who stated that phantasy triggers positive emotions such as excitement and desire. It was also found that there was a positive and statistically significant partial mediation effect of positive emotions in the effect of phantasy on risky investment intention. This finding is consistent with the results of Kuhnén and Knutson (2011) and Haase and Silbereisen (2011), who stated that positive emotions would encourage risk taking, and Fishbach and Trope (2011), who stated that positive emotions would increase the willingness to trade. Likewise, a partial mediation effect of positive emotions was found for the effect of phantasy on fantasy.

Then, the mediating effect of negative emotions was tested. There is partial mediation effect of negative emotions on the effect of phantasy on fantasy. On the other hand, it was found that negative emotions did not have a direct effect on risky investment intention, and accordingly, there was no mediating effect on the relationship between phantasy and risky investment intention. This finding is consistent with Aren and Akgüneş (2018), who stated that a negative emotion such as anger has no effect on risk taking. It is also possible to relate this result to the demographic structure of the study. Younger individuals tend to perceive the risks they face as opportunities rather than threats, compared to older groups. Therefore, although they may feel fear or anxiety in the face of uncertainty, their self-confidence and positive expectations for the future can prevent these negative emotions from suppressing their risk-taking behavior.

As a result, emotions and conscious and unconscious processes have an impact on investor decisions. The effect of emotions on the decision-making process has been reported by some researchers in the past. In this study, useful findings were revealed for market makers, individual investors and financial advisors to understand the decision-making processes of investors by including emotions as well as conscious and unconscious processes in the model. Being aware of these processes in terms of individual investors will contribute to the better use of opportunities when they encounter existing and new financial products. In addition, investment instruments that are not fully known and understood cause the dream of wealth in individuals to be triggered and the enthusiasm for the fulfillment of wishes to increase.

This situation prevents individuals from assessing the risks as they should be. For this reason, understanding that both emotions and conscious and unconscious processes can be the source of the irrational rise in the market will be a guide for public authorities and market makers.

In addition, financial advisers mostly use ways of persuasion at the cognitive level and provide information-based advice to individual investors. However, advice given without understanding the feelings of individuals and without being aware of their unconscious desires will be incomplete. According to the findings, we think that the effects of emotions and unconscious processes in individuals' risky investment decisions should not be ignored.

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