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Behavioral Aspects Influencing Financial Decisions And Competitiveness Of Lebanese SMEs

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Abstract:
This study investigates the impact of behavioral factors—cognitive biases, emotional states, and personality traits—on financial decision-making within small and medium-sized enterprises (SMEs) in Northern Lebanon. Recognizing the central role of SME managers in shaping the financial strategies and competitive edge of their firms, the research examines how psychological factors influence decision-making in a challenging and often uncertain market environment. Drawing on behavioral finance theory, the study identifies specific cognitive biases such as overconfidence and loss aversion, which skew risk perception and lead to either excessive risk-taking or an overly conservative approach. Emotional factors, including fear, enthusiasm, and stress, were found to significantly alter financial choices, with emotions often overshadowing rational decision-making. Additionally, personality traits such as extraversion, neuroticism, and conscientiousness were shown to influence managers' willingness to take risks or prioritize stability.
A quantitative methodology was employed, with data collected from 450 SME managers across diverse industries. The statistical analysis revealed strong correlations between these behavioral factors and financial outcomes, suggesting that cognitive and emotional influences play a substantial role in the financial health and competitiveness of SMEs. The study advocates for the introduction of behavioral training programs and emotional regulation techniques to help managers make more balanced, data-driven decisions. By integrating behavioral insights into financial management, SMEs can enhance their strategic decision-making processes, minimize the adverse effects of biases, and better position themselves for long-term success. The findings contribute to the growing body of research on behavioral finance in the SME context and highlight areas for future exploration, including cross-cultural studies and the impact of economic fluctuations on managerial behavior.

Key Word*: Cognitive biases, behavioral finance, financial decision-making, emotional influences, personality traits, risk management, SMEs, competitiveness, Lebanon.*

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I. Introduction

Small and medium-sized enterprises (SMEs) play a critical role in the economic development of countries globally, including Lebanon. Representing a significant portion of the global economy, SMEs are often seen as engines of growth, innovation, and job creation. However, these enterprises face numerous challenges, such as limited access to financial resources, increased competitive pressure, and economic uncertainty. In this context, financial decision-making becomes crucial for ensuring their sustainability and competitiveness[1].

Traditional financial research has primarily focused on rational decision-making models, assuming that managers evaluate risks and opportunities objectively. However, recent developments in behavioral finance suggest that financial decisions are not always rational and can be influenced by cognitive biases, emotions, and personality traits. While these behavioral aspects have been extensively studied in the context of financial markets, their impact on SMEs remains less explored.

Given their smaller size and flexible organizational structures, SMEs are particularly susceptible to the behavioral influences of their managers. Cognitive biases, such as overconfidence and loss aversion, emotions like fear or enthusiasm, and personality traits such as neuroticism and extraversion, can all significantly impact financial choices[2]. Understanding how these behavioral factors influence financial decisions is essential for developing management strategies suited to the specific realities of SMEs.

This study aims to bridge this gap by exploring how cognitive biases, emotions, and personality traits of managers influence their financial decisions and, in turn, affect the competitiveness of SMEs. The findings provide insights into the internal dynamics of SMEs and suggest strategies for improving their financial decision-making processes.

Research Problem and Questions

The research problem addressed in this study is: "How do behavioral aspects, such as cognitive biases, emotions, and personality traits, influence the financial decisions of SME managers and their competitiveness in the market?"

The study aims to answer the following questions:

- What are the main cognitive aspects influencing the financial decisions of SME managers?
- How do the emotions of managers affect their financial choices?
- What is the impact of personality traits on financial decision-making?
- How do financial decisions influenced by behavioral aspects affect the competitiveness of SMEs?

Research Objectives

The primary objective of this research is to examine how cognitive biases, emotions, and personality traits of managers influence the financial decisions of SMEs and, consequently, their competitiveness. The secondary objectives are:

- To identify the main cognitive biases affecting the financial decisions of SME managers.
- To analyze the impact of emotions on the financial choices of SME managers.
- To study the influence of managers' personality traits on their financial decision-making.
- To evaluate how these behaviorally-influenced financial decisions affect the competitiveness of SMEs.

II. Literature Review

Behavioral finance has gained significant traction in recent years as researchers and practitioners recognize that financial decision-making is not purely rational. Traditional economic theories, such as the Efficient Market Hypothesis and the Rational Actor Model, assume that individuals and managers make decisions by logically weighing the risks and benefits. However, this view has been challenged by behavioral finance, which integrates psychological factors into financial decision-making. This literature review explores the primary behavioral aspects—cognitive biases, emotions, and personality traits—that influence financial decision-making in small and medium-sized enterprises (SMEs)[3].

Behavioral Finance: A Shift from Rationality to Psychology

The origins of behavioral finance can be traced back to the work of Daniel Kahneman and Amos Tversky in the late 20th century, most notably through their development of **Prospect Theory**. This theory introduced the concept of **loss aversion**, where individuals weigh potential losses more heavily than equivalent gains, thereby rejecting objectively rational opportunities if they perceive a risk of loss. In the context of SMEs, loss aversion can prevent managers from pursuing profitable opportunities due to a disproportionate fear of failure or financial losses[4].

In addition to loss aversion, **overconfidence** is another cognitive bias frequently examined in the literature. Overconfident managers tend to overestimate their ability to predict market trends, resulting in overly aggressive strategies or investments. This bias can lead to significant financial risks, as overconfidence may encourage excessive risk-taking or poor investment decisions. A survey of empirical studies reveals that overconfidence is particularly prevalent in SME managers due to the often entrepreneurial and optimistic nature of their business environments[5].

Another critical behavioral concept is **confirmation bias**, which occurs when individuals seek or interpret information in a way that confirms their pre-existing beliefs, even if contradictory evidence exists. For SMEs, this bias can manifest in the refusal to adapt business strategies or financial plans based on new information, leading to stagnation or missed opportunities. When managers are anchored to certain beliefs or predictions, their decision-making process becomes clouded, reducing their responsiveness to changing market conditions or internal financial signals[6].

The Role of Emotions in Financial Decision-Making

In addition to cognitive biases, emotions play a substantial role in financial decision-making, particularly for SMEs where managers often have close, personal ties to the success of the business. Emotions such as fear, enthusiasm, and stress can either positively or negatively influence financial decisions, depending on the context[7].

For example, **fear** often leads to overly conservative decisions, as managers may hesitate to make risky investments or expand their operations due to perceived financial instability. This fear-driven risk aversion can hinder the growth of SMEs, particularly in volatile markets where calculated risks might be necessary for competitive advantage. In contrast, **enthusiasm** or **euphoria**—often experienced during periods of rapid

business success—can lead managers to underestimate the risks involved in financial decisions, resulting in overly optimistic projections and potentially unsustainable growth strategies[8].

Studies have shown that **emotional intelligence**, the ability to recognize and regulate one's emotions, can be a key factor in mitigating the negative impacts of emotional decision-making. Managers with higher emotional intelligence are better equipped to navigate the emotional complexities of financial decision-making, enabling them to make more balanced and rational decisions even in stressful environments[9]. This is particularly relevant for SMEs, where financial resources are often limited, and the consequences of poor decisions can be immediate and severe.

Personality Traits and Financial Behavior

Personality traits are also influential in shaping financial decision-making within SMEs. The **Big Five Personality Traits**—neuroticism, extraversion, openness, agreeableness, and conscientiousness—have been extensively studied in the context of managerial behavior and financial decision-making[10].

Extraversion, characterized by high energy levels and a tendency toward risk-taking, is often associated with more aggressive financial strategies[11]. Extraverted managers may be more willing to invest in new opportunities or engage in riskier financial ventures, driven by their desire for achievement and recognition. While this can lead to higher rewards, it also increases the likelihood of financial instability if the risks are not adequately managed.

On the other hand, **neuroticism**, which involves a higher sensitivity to stress and anxiety, tends to result in more conservative financial behavior[12]. Managers with high levels of neuroticism may avoid taking risks due to fear of negative outcomes, focusing instead on maintaining the status quo. This trait can be both beneficial and detrimental, as it prevents excessive risk-taking but may also limit opportunities for growth.

Conscientiousness, another key personality trait, has been linked to more careful and methodical financial decision-making[13]. Conscientious managers are more likely to engage in detailed financial planning and risk management, ensuring that decisions are backed by thorough analysis and preparation. This trait is particularly advantageous for SMEs, as it promotes financial stability and long-term strategic thinking, which are essential for business sustainability.

Behavioral Finance in SMEs: A Contextual Perspective

While much of the behavioral finance literature focuses on large firms and financial markets, the dynamics within SMEs are often distinct. SME managers, who frequently wear multiple hats and operate in resource-constrained environments, face unique challenges that heighten the impact of behavioral factors on decision-making. The **small size** and **flexibility** of SMEs make them more susceptible to the personal characteristics and emotions of their managers, as decision-making is often centralized. In contrast to larger organizations where decisions are made through formalized processes, the decision-making in SMEs is more likely to be influenced by the manager's personal biases, emotional state, and personality.

Moreover, the **entrepreneurial nature** of SMEs adds another layer of complexity to financial decision-making[14]. Entrepreneurs tend to be more risk-tolerant and optimistic, traits that can drive innovation and growth but also lead to overconfidence and poor risk management. Studies have shown that entrepreneurial managers are more likely to exhibit cognitive biases such as overconfidence and illusion of control, which can skew their financial decisions[15].

Cultural factors also play a role in shaping the behavioral tendencies of SME managers. In regions like Lebanon, where economic instability and uncertainty are prevalent, managers may be more prone to risk aversion or emotional decision-making due to the high stakes involved in business survival. Understanding how these cultural and environmental factors interact with cognitive biases and emotions is crucial for developing tailored financial strategies that align with the realities of SMEs in these regions.

The literature on behavioral finance provides a comprehensive framework for understanding how cognitive biases, emotions, and personality traits influence financial decision-making[16]. In the context of SMEs, these behavioral factors play a pivotal role due to the unique challenges faced by smaller firms, such as limited resources, centralized decision-making, and a high degree of personal involvement by managers. As this study explores the behavioral influences on SME financial decisions in Northern Lebanon, it aims to contribute to this growing body of knowledge by offering insights specific to the local economic and cultural context. By understanding these behavioral aspects, SME managers can better navigate the complexities of financial decision-making and adopt strategies that enhance their firm's competitiveness and long-term sustainability[17].

III. Research Methodology

This section outlines the research design, data collection methods, sampling approach, and analytical tools employed to explore the influence of behavioral aspects on the financial decisions of SME managers and their impact on competitiveness in Northern Lebanon.

Research Design

The study utilizes a quantitative research design to examine the relationship between cognitive biases, emotions, personality traits, and the financial decision-making processes of SME managers. The choice of a quantitative approach is justified by the need for statistical analysis to determine the extent and significance of these behavioral factors in shaping financial decisions. The research follows a hypothetico-deductive method, beginning with a theoretical framework and specific hypotheses, which are then tested using empirical data.

Sampling Method

A non-probabilistic purposive sampling technique was employed to select participants for the study. The target population consisted of managers of small and medium-sized enterprises (SMEs) in Northern Lebanon. A total of 45 managers were selected based on their relevance to the study, ensuring they had significant decision-making authority within their organizations. The sample was chosen to represent a diverse range of SMEs across different industries, including manufacturing, retail, and services, to capture various perspectives on financial decision-making.

Data Collection

Data were collected using a structured questionnaire developed specifically for this study. The questionnaire was designed to measure three main constructs: cognitive biases, emotional states, and personality traits of SME managers, along with their corresponding financial decision-making behaviors. The questionnaire was divided into four main sections:

Demographic Information: Captured basic details such as age, gender, education level, years of experience, and the number of employees in the SME.

Cognitive Biases: Assessed through questions that measured biases such as overconfidence, loss aversion, and confirmation bias. For example, Likert scale items were used to gauge the degree of overconfidence by asking managers to rate their perceived ability to predict market trends compared to their peers.

Emotional States: Evaluated using a self-report inventory that asked managers to indicate the frequency and intensity of emotions such as fear, stress, enthusiasm, and euphoria in their decision-making processes.

Personality Traits: Measured using a short version of the Big Five Personality Traits Inventory, which includes dimensions like neuroticism, extraversion, openness, agreeableness, and conscientiousness. Each trait was linked to specific financial behaviors, such as risk-taking and decision-making under pressure.

The questionnaire was distributed both in-person and online to ensure a high response rate and was designed to take approximately 20-30 minutes to complete.

Data Analysis

The collected data were analyzed using the Statistical Package for the Social Sciences (SPSS) software. The following statistical methods were applied:

Descriptive Statistics: Used to summarize the demographic characteristics of the sample and provide an overview of the data distribution. Measures such as mean, standard deviation, and frequency were calculated for all variables.

Reliability Analysis: To ensure the internal consistency of the questionnaire, a Cronbach's alpha test was conducted. A Cronbach’s alpha value above 0.70 was considered acceptable for indicating good internal consistency among the questionnaire items.

Correlation Analysis: A Pearson correlation coefficient was calculated to examine the relationships between the independent variables (cognitive biases, emotions, personality traits) and the dependent variable (financial decision-making). The correlation test assessed whether these variables were significantly related to one another.

Multiple Regression Analysis: To determine the impact of cognitive biases, emotions, and personality traits on financial decision-making, a multiple regression analysis was performed. This analysis allowed the study to assess the strength and direction of the relationships between multiple independent variables and the dependent variable, providing a comprehensive understanding of how these behavioral aspects jointly influence financial decisions.

Validity Testing: Construct validity was assessed by examining the correlations among the variables, while content validity was ensured through expert review of the questionnaire design.

Hypotheses Testing

Three primary hypotheses were formulated and tested using the data collected:

Hypothesis 1: Cognitive biases, such as overconfidence and loss aversion, significantly influence the financial decision-making of SME managers.

Hypothesis 2: Emotional states, such as fear and enthusiasm, play a crucial role in financial decision-making.

Hypothesis 3: Personality traits, such as neuroticism and extraversion, affect the financial decisions of SME managers.

These hypotheses were tested using the results from the correlation and regression analyses, which provided insights into the strength and significance of the relationships between the behavioral aspects and financial decision-making.

Ethical Considerations

The study adhered to ethical standards by ensuring informed consent from all participants. Participants were briefed about the study's purpose, procedures, potential risks, and confidentiality of their responses. Participation was voluntary, and respondents had the right to withdraw at any time without any consequences. Data were anonymized to protect the privacy of the participants.

IV. Results And Discussion

This section presents and interprets the findings from the statistical analyses conducted on data collected from 450 SME managers in Northern Lebanon. It delves into the behavioral aspects that influence financial decision-making—cognitive biases, emotional states, and personality traits—and examines their impact on SME competitiveness. The combined insights from the results and their discussion provide a comprehensive understanding of how these behavioral factors shape financial decisions in the context of SMEs.

Demographic Characteristics of Respondents

The sample consisted of 450 SME managers representing various industries, including manufacturing, retail, services, and others. The demographic profile of respondents revealed that 55% were male, and 45% were female, providing a balanced gender representation. The majority of respondents (42%) were aged between 31 and 40 years, followed by 28% in the 41-50 age range, while 15% were aged between 21 and 30 years, and another 15% were above 50 years old.

In terms of education, most respondents (52%) held a bachelor's degree, followed by 36% who had a master's degree, and 12% with a high school diploma or equivalent. The level of experience was diverse, with 35% having between 6 and 10 years of experience, and 40% having over 10 years of experience in managing their SMEs. A significant portion of SMEs (50%) employed between 10 and 50 workers, with 30% having fewer than 10 employees, and 20% having more than 50 employees.

The demographic data indicates that the sample captures a wide range of perspectives, with diverse experience levels, educational backgrounds, and firm sizes. This diversity strengthens the generalizability of the findings, allowing for a comprehensive analysis of financial decision-making across different types of SMEs.

Cognitive Biases and Financial Decision-Making

Cognitive biases were found to play a critical role in shaping the financial decisions of SME managers, with a moderate positive correlation ($r = 0.55$, $p < 0.01$) between cognitive biases and financial decision-making. The two most prominent biases identified in this study were **overconfidence** and **loss aversion**.

Overconfidence, characterized by an inflated belief in one's ability to predict market trends and make sound financial decisions, was a significant factor in driving risk-taking behavior. Overconfident managers often made more aggressive investment decisions, assuming that their intuition or previous successes would lead to favorable outcomes. This tendency aligns with previous literature that highlights overconfidence as a common cognitive bias in entrepreneurial settings, where managers tend to view uncertainty as an opportunity rather than a threat. While this optimism can fuel innovation and growth, it also increases the likelihood of making poor financial decisions when risks are underestimated. In many cases, overconfident managers disregarded critical data or failed to adequately assess the potential downsides of their decisions, which could lead to financial instability.

Loss aversion was another cognitive bias that significantly influenced decision-making. Managers displaying loss aversion were more likely to avoid taking risks, even when those risks had the potential to yield substantial rewards. The fear of incurring losses outweighed the potential benefits of making investments, leading these managers to adopt overly cautious financial strategies. This behavior, as explained by **Prospect Theory**, suggests that individuals prioritize the avoidance of losses more than the pursuit of gains, which can result in suboptimal decision-making. For SMEs, loss aversion can stifle growth, as managers might pass up opportunities to innovate or expand, fearing the uncertainty associated with those actions.

The **regression analysis** further confirmed the significant impact of cognitive biases on financial decision-making ($\beta = 0.39$, $p < 0.01$). The analysis revealed that the presence of cognitive biases not only influenced individual decisions but also had a cumulative effect on the firm's overall financial strategy. Managers prone to overconfidence or loss aversion were found to have less adaptive financial strategies, making it difficult for their SMEs to respond effectively to changing market conditions.

Emotional States and Financial Decision-Making

Emotions were identified as the most powerful influence on financial decision-making, as evidenced by the strong positive correlation between emotional states and financial decisions ($r = 0.72$, $p < 0.001$). Emotions such as fear, enthusiasm, stress, and euphoria significantly shaped how managers approached financial risks and opportunities.

Fear was a predominant emotion among managers, particularly in uncertain or volatile market conditions. Managers who experienced high levels of fear were inclined to adopt conservative financial strategies, avoiding risky investments or expansion plans. This emotional response to perceived financial instability can protect SMEs from potential losses during economic downturns, but it can also limit their ability to capitalize on growth opportunities. Fear-driven decision-making often results in missed chances for innovation, market penetration, or new product development, all of which are critical for maintaining competitiveness in fast-changing markets.

On the opposite end of the spectrum, emotions such as **enthusiasm** and **euphoria** were associated with riskier financial behaviors. Managers experiencing these emotions tended to pursue aggressive growth strategies, often underestimating the risks involved in new investments. This overconfidence, driven by emotional highs, can lead to unsustainable growth if managers fail to consider the financial risks adequately. The tendency to make emotionally charged decisions during periods of business success can result in financial instability, particularly if the external market conditions shift unexpectedly.

The regression analysis indicated that emotional states had the strongest impact on financial decision-making ($\beta = 0.48$, $p < 0.001$). This finding suggests that the emotional responses of managers—whether negative or positive—are critical drivers of their financial behaviors. The ability to regulate emotions, therefore, becomes an essential skill for effective financial management in SMEs. Managers with higher levels of **emotional intelligence**, who can recognize and control their emotional reactions, were found to make more balanced financial decisions. They were better able to navigate the emotional ups and downs of business management, ensuring that financial strategies were aligned with long-term goals rather than being driven by short-term emotional impulses.

Personality Traits and Financial Decision-Making

Personality traits also played a significant role in influencing financial decision-making, with a moderate correlation between personality traits and financial decisions ($r = 0.49$, $p < 0.05$). The traits of **extraversion**, **neuroticism**, and **conscientiousness** were particularly influential in shaping how managers approached financial risks.

Managers high in **extraversion** were more likely to engage in risk-taking behavior, driven by their energetic and outgoing nature. These managers tended to view risk as an opportunity for achievement and growth, often pursuing aggressive financial strategies to expand their businesses. While this risk-taking behavior can lead to innovation and competitive advantage, it also increases the potential for financial volatility, particularly if risks are not carefully managed. Extraverted managers were more likely to make quick, decisive financial decisions, sometimes without fully considering the long-term implications of their choices.

In contrast, managers high in **neuroticism** exhibited more conservative financial behaviors, as they were more sensitive to stress and anxiety. These managers were less willing to take financial risks, preferring stability and predictability over the uncertainty associated with high-risk investments. While this risk-averse behavior can protect SMEs from financial losses, it can also limit their ability to grow and compete in dynamic markets. The tendency to avoid risks can prevent SMEs from seizing opportunities that require bold, decisive action, particularly in industries where innovation is key to maintaining market relevance.

Conscientiousness emerged as a positive trait in financial decision-making, with conscientious managers demonstrating a more careful and deliberate approach to financial risks. These managers were more likely to engage in detailed financial planning, ensuring that risks were thoroughly assessed and aligned with the strategic objectives of the business. Conscientiousness was associated with greater financial stability, as managers with this trait tended to make well-considered, long-term financial decisions that supported sustainable growth.

The regression analysis confirmed that personality traits significantly influenced financial decision-making ($\beta = 0.34$, $p < 0.05$). The findings suggest that understanding the personality profiles of SME managers

can provide valuable insights into their financial decision-making styles, allowing for the development of tailored financial strategies that align with their behavioral tendencies.

Integrating Behavioral Aspects into SME Financial Strategies

The combined results indicate that behavioral factors—cognitive biases, emotional states, and personality traits—play a crucial role in shaping the financial decisions of SME managers in Northern Lebanon. Cognitive biases such as overconfidence and loss aversion, along with emotional responses like fear and enthusiasm, significantly impact how managers evaluate risks and opportunities. Personality traits further influence decision-making, with extraverted managers more likely to take risks and neurotic managers tending toward caution.

To improve financial decision-making in SMEs, it is essential to address the influence of these behavioral factors. **Behavioral training** programs that raise awareness of cognitive biases can help managers recognize and mitigate the effects of overconfidence and loss aversion. Similarly, **emotional regulation techniques**, such as mindfulness or stress management training, can enable managers to make more balanced decisions, even under pressure. Understanding the personality traits of managers can also guide the development of tailored financial strategies that account for their risk preferences and decision-making styles.

In conclusion, this study highlights the importance of integrating behavioral insights into financial management practices within SMEs. By addressing the cognitive, emotional, and personality-related factors that influence decision-making, SMEs can enhance their financial resilience, improve competitiveness, and achieve sustainable growth.

V. Conclusion

This study examined how behavioral factors—namely cognitive biases, emotional states, and personality traits—influence the financial decision-making of SME managers in Northern Lebanon. The research highlights the critical role these behavioral aspects play in shaping financial decisions, often leading to suboptimal outcomes when not properly managed. SMEs, being highly dependent on the decision-making capabilities of their managers, are particularly vulnerable to these biases and emotional influences, which can directly affect their competitiveness, financial stability, and growth prospects[18].

One of the key findings is that **cognitive biases**, such as overconfidence and loss aversion, significantly influence how managers perceive risks and opportunities. Overconfident managers tend to overestimate their ability to predict market trends, leading them to take unnecessary risks without fully evaluating potential downsides. This behavior can result in financial instability if the anticipated gains do not materialize, and it highlights the need for more balanced risk assessment practices in SMEs. On the other hand, managers exhibiting loss aversion were found to be overly cautious, often avoiding profitable opportunities due to the disproportionate fear of losses. This bias can limit the potential for innovation and growth, particularly in competitive markets where calculated risk-taking is essential for expansion[19].

Emotions also played a significant role in financial decision-making, with **fear** and **enthusiasm** having opposing effects on managerial behavior. Fear led managers to adopt conservative financial strategies, avoiding risks even when market conditions favored more aggressive investments. While this cautious approach may protect SMEs from short-term losses, it can also prevent them from capitalizing on growth opportunities. Conversely, emotions like enthusiasm and euphoria often pushed managers toward riskier financial behaviors, particularly during periods of business success. This emotional-driven decision-making, although potentially beneficial in the short term, can lead to overextension and long-term financial instability if not carefully managed. The ability to regulate emotions, particularly under stress, was identified as a crucial factor in making sound financial decisions, underscoring the importance of **emotional intelligence** in business leadership.

Personality traits further influenced decision-making, with traits such as extraversion, neuroticism, and conscientiousness impacting the risk tolerance of managers. Extraverted managers were more likely to engage in risk-taking behaviors, driven by their desire for achievement and growth. While this trait can be advantageous in fostering innovation and dynamic business strategies, it also increases the risk of financial volatility. In contrast, managers with higher levels of neuroticism were more risk-averse, preferring stability over aggressive growth, which can protect the firm but may also hinder its ability to compete in fast-changing markets. **Conscientiousness**, characterized by careful planning and a methodical approach to decision-making, was found to be beneficial for financial stability, as conscientious managers were more likely to engage in long-term, well-considered financial strategies.

Given these findings, several practical recommendations can be drawn to help SME managers mitigate the negative effects of cognitive biases and emotional influences on financial decision-making. Firstly, **behavioral training programs** should be introduced to raise awareness of common cognitive biases, such as overconfidence and loss aversion. By becoming more aware of these biases, managers can adopt a more objective approach to risk assessment and decision-making, leading to more balanced financial strategies. Such

training could involve the use of decision-making frameworks or tools that encourage managers to critically evaluate their assumptions and ensure that their financial choices are based on data rather than intuition[20].

Additionally, the study emphasizes the importance of developing **emotional regulation skills** to ensure that emotions like fear or enthusiasm do not disproportionately influence financial decisions. Techniques such as mindfulness, stress management, or cognitive-behavioral strategies could be employed to help managers maintain emotional control during high-stakes decision-making scenarios. This could lead to more stable financial outcomes, particularly in volatile markets where emotional responses often drive poor decision-making[21].

From an organizational perspective, SMEs could benefit from **diversifying decision-making teams** to mitigate the effects of individual biases and emotional influences. By including individuals with varying risk appetites, personality traits, and cognitive approaches, SMEs can develop more comprehensive and balanced financial strategies. For example, risk-tolerant managers could collaborate with more cautious colleagues to ensure that decisions are both bold and thoroughly assessed, balancing innovation with stability. This collaborative approach could enhance the overall quality of financial decision-making within SMEs, fostering a more resilient organizational culture.

Despite these insights, the study's findings suggest several avenues for **future research** that could further expand our understanding of behavioral influences on financial decision-making. One potential area for further investigation is the exploration of these behavioral factors across different cultural and economic contexts. While this study focused on Northern Lebanon, it would be valuable to examine whether cognitive biases, emotions, and personality traits have the same influence on financial decision-making in other regions or countries with different economic structures and cultural norms. Such cross-cultural comparisons could provide more nuanced insights into how local conditions shape behavioral finance in SMEs.

Furthermore, future research could benefit from **longitudinal studies** that track the behavior of SME managers over time, particularly during periods of economic fluctuation or crisis. By observing how cognitive biases and emotional states evolve in response to changing market conditions, researchers could better understand how these factors influence long-term financial outcomes and business sustainability. This would provide deeper insights into the adaptive capabilities of SMEs in dynamic environments, offering practical solutions for improving resilience in the face of uncertainty.

Lastly, **qualitative research**, such as interviews or case studies, could complement the quantitative findings of this study by exploring how managers perceive and experience their own decision-making processes. Qualitative insights could shed light on the personal and contextual factors that drive behavioral tendencies, providing a more comprehensive understanding of how SME managers navigate complex financial decisions in their specific industries. This approach could also reveal how interventions, such as decision-making aids or behavioral training, are perceived by managers and how effective they are in practice.

In conclusion, this study provides valuable insights into the significant role of behavioral factors—cognitive biases, emotions, and personality traits—in the financial decision-making processes of SME managers. By understanding these influences and implementing strategies to mitigate their negative effects, SMEs can improve their financial decision-making, enhance competitiveness, and ensure long-term sustainability. As SMEs continue to face dynamic and unpredictable market environments, addressing the psychological underpinnings of financial decisions will be critical to their success and growth.

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