Financial Choices Under Gains, Losses, and Short-Term Targets.

Abstract

This study looks at how adults respond to financial decisions involving gains, losses and short-term business targets. An anonymous questionnaire received 60 submissions, of which 56 met the age and consent requirements. Each respondent answered paired gain/loss questions and two business scenarios involving research and development (R&D) spending and cybersecurity. In the second gain/loss pair, 73.2% chose a gamble when facing a loss, compared with 48.2% when facing a gain (exact McNemar p = 0.0125). Respondents were also more willing to reduce R&D spending (32.1%) than postpone a cybersecurity upgrade (14.3%; p = 0.0129). Both comparisons remained below 0.05 after a Holm adjustment across three selected paired tests. Experience with numerical performance targets did not show a consistent relationship with either business choice. The questionnaire describes stated choices in specific scenarios; it does not establish that quarterly pressure causes risky decisions. The findings point to the importance of context when people assess financial trade-offs.

Keywords: Financial Decision-Making, Gain-Loss Framing, Short-Term Targets, Risk Preferences, Long-Term Investment, Behavioural Finance

1. Introduction

A financial decision can look different depending on where the risk falls. Someone who has lost money on an investment may prefer waiting for its value to recover. A manager, meanwhile, may have to choose between meeting a quarterly target and paying for work whose benefits will appear much later. Both involve uncertainty, but the stakes and responsibilities are different.

These differences matter because financial decisions are often discussed as though people have a fixed appetite for risk. Behavioural economics suggests otherwise. In prospect theory, Kahneman and Tversky (1979) show that choices can change depending on whether outcomes are seen as gains or losses. Research on the disposition effect finds that investors tend to sell winning positions more readily than losing ones (Shefrin & Statman, 1985; Odean, 1998). In companies, a separate concern is that pressure to meet current performance expectations may discourage worthwhile investment (Stein, 1989; Graham et al., 2005).

The starting question for this project was whether short-term performance pressure leads people to accept risks that may be costly in the future. The questionnaire could not test that question causally: participants were not randomly assigned different levels of quarterly pressure. It could, however, compare how the same adults answered several choices and whether their reported experience with targets was associated with those answers.

The study therefore asks: How do adults' stated financial choices vary between gain and loss situations and between two business decisions involving short-term targets? It also examines whether formal financial training, responsibility for financial decisions and familiarity with numerical targets are related to these choices. These questions are exploratory. The analysis does not claim to identify a single psychological trait behind each response.

2. Background and Previous Research

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2.1 Gains, losses and investment decisions

Expected utility theory treats a risky option as a combination of possible outcomes and their probabilities. Prospect theory starts from the observation that the same result can feel different depending on a person's reference point. Kahneman and Tversky (1979) showed that people sometimes prefer a sure gain but are more willing to gamble to avoid a sure loss. Their work also describes loss aversion: a loss may weigh more heavily than a comparable gain. These are related ideas, though they are not identical. Choosing a gamble in a loss scenario does not, by itself, measure how much more strongly a person values losses.

This distinction becomes important when interpreting survey data. A respondent may gamble because of the outcome probabilities, the starting amount, the way the alternatives are worded or a personal preference for uncertainty. Comparing two responses from the same person helps show whether choices change across frames. It does not isolate the reasons for that change.

A closely related issue is whether investors find it difficult to sell an asset for less than they originally paid. Shefrin and Statman (1985) connected this tendency to mental accounting, anticipated regret and other behavioural explanations. Odean (1998) tested the disposition effect against actual trading records and found that investors were more likely to realise gains than losses. His evidence is stronger than a hypothetical survey response because it records what investors did, although trading records still cannot reveal every motive.

This project includes a choice between selling an investment below its purchase price and holding it for an uncertain outcome. The question offers an illustration of how respondents handle a possible realised loss. It cannot establish the disposition effect in Odean's sense because there is no comparable scenario involving the sale of a winning investment.

2.2 Why short-term performance can influence investment

Company managers face a different problem. Spending on research, technology or other long-term projects can lower current earnings even when it may improve a company's future position. Stein (1989) developed a model showing why managers concerned about current market valuations may act too narrowly, sacrificing projects that could be valuable over time. The idea is known as managerial myopia.

There is empirical evidence for this concern. Graham, Harvey and Rajgopal (2005), drawing on a large survey of financial executives and interviews, found that meeting earnings expectations could take priority over some economically valuable activities. Roychowdhury (2006) examined company financial records and found patterns consistent with managers changing real business activities, including discretionary spending, to reach earnings benchmarks. These studies suggest that short-term targets can affect more than accounting presentation; they may change operational choices.

The direction of the effect is not settled, however. Bebchuk and Stole (1993) showed theoretically that short-term objectives can lead to underinvestment or overinvestment, depending on what outsiders know and what spending signals about a company. This is a useful caution: a choice to spend more is not automatically better, and a reduction is not necessarily evidence of short-termism. Whether the expenditure would have created value remains central.

Research on reporting frequency provides a similar debate. Kraft, Vashishtha and Venkatachalam (2018) linked more frequent corporate reporting with lower investment in an archival setting. In a laboratory experiment, Davis et al. (2025) found modest evidence of short-termism under frequent reporting. Hillegeist et al. (2026), by contrast, reported that more frequent disclosure could improve the information available to managers through market prices. Taken together, these studies suggest that the design of reporting and incentives matters more than a blanket claim that frequent evaluation is harmful.

2.3 Rare losses and apparently safe returns

Some financial strategies offer a small gain most of the time but expose the investor to a much larger loss on rare occasions. Such strategies may seem reassuring because successful outcomes are frequent.

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Gennaioli, Shleifer and Vishny (2012) examined how neglected adverse outcomes could help create fragile financial products that appeared safer than they were.

There is an important difference between understanding a risk and deliberately accepting it, and overlooking the risk in the first place. This study includes a hypothetical strategy with a low chance of a very large loss. However, the questionnaire itself states that experts expect the strategy to lose money over time. The response therefore cannot be used as a direct measure of mathematical ability or of respondents' willingness to knowingly accept a negative expected return.

2.4 What remains to be examined

The research above covers personal investment behaviour, managerial incentives and rare financial losses, often in different settings and samples. This project places several of these decisions before the same respondents. Its contribution is modest but useful: it compares answers across contexts and documents where common explanations fit and where they do not. The results can suggest better questions for future controlled studies, even though the survey cannot establish a cause for any particular choice.

3. Research Method

3.1 Survey and participants

The study used an anonymous, cross-sectional online questionnaire with fixed-response financial scenarios. The final revised form received 60 submissions between 16 July and 5 November 2026. The first question asked whether each participant was at least 18 and agreed to take part. Fifty-six answered yes and were retained; four did not affirm both conditions and were excluded. Every eligible respondent completed the compulsory closed-ended questions. The researchers confirmed that 12 earlier responses collected through an inconsistent version of the questionnaire had already been excluded from the supplied final-form export and were not used in this analysis.

Participants were recruited through non-probability channels. The number of people invited is not available, so a response rate cannot be calculated. The sample included students, business owners and working adults, but very few respondents who specifically identified as finance professionals. It should not be treated as representative of company executives or the wider adult population.

Table 1. Characteristics of the Analysed Sample (N = 56)

Characteristic	n	%
Working professional	22	39.3
Business owner/entrepreneur	14	25.0
Student	13	23.2
Other roles (combined)	7	12.5
Finance-related higher education or professional training	26	46.4
Major financial decision responsibility	12	21.4
Regular numerical-target exposure	21	37.5
Any personal investing experience	40	71.4

Note. Occupation groups are mutually exclusive; the final four characteristics overlap. The other-roles group combines four other occupations, one finance professional, one full-time investor/trader and one retired respondent.

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3.2 Measures

Two pairs of gain/loss questions asked respondents to choose between a certain monetary outcome and a gamble. In each pair, the alternatives had the same stated expected monetary value. A further question presented an investment bought for ₹100,000 that was now worth ₹90,000. Respondents could sell or hold, with holding leading to a 50% chance of ₹100,000 and a 50% chance of ₹80,000. The options had the same expected final value. Holding was therefore not scored as a mistake.

The business questions described two trade-offs. One asked about cutting six months of research and development (R&D) expenditure to meet a quarterly profit target after a 4% shortfall. The other asked whether to delay a cybersecurity upgrade for nine months after a 3% shortfall, with the question describing a fourfold increase in the risk of a serious incident. Because these scenarios differ in more than one feature, their comparison reflects a difference between the specific vignettes, not a controlled comparison of R&D with cybersecurity.

Additional items recorded occupation, finance-related training, responsibility for business financial decisions, investing experience and how regularly participants faced numerical targets. The survey also included a rare-loss strategy, five statements on short-term accountability and long-term planning, a question about the chief consideration behind the business choices, three numeric rating items and an optional comment. The original endpoints of two five-point rating scales could not be independently verified. Their response codes were kept in the dataset but were not assigned directional approval meanings in this paper.

3.3 Data handling and analysis

The data were checked against the eligibility item before analysis. All 56 eligible records were kept; there was no imputation or removal based on respondents' decisions. Finance-trained status was coded from university-level finance-related study, a relevant degree or advanced professional qualification. Regular target exposure included the survey categories explicitly marked "Regularly". Major responsibility required respondents to state that financial or business decisions formed a major part of their role. These categories simplify the questionnaire responses and are not validated measures of expertise.

Frequencies and percentages are reported for the main decisions. Because the same people answered each pair of questions, two-sided exact McNemar tests were used to compare paired yes/no outcomes. Fisher's exact tests were used for independent-group comparisons with small cell counts. Three main paired tests were also examined using Holm's adjustment for multiple comparisons. Respondent-level bootstrap confidence intervals were calculated for the two principal percentage-point differences, with 60,000 resamples and a fixed random seed. The analysis remained exploratory: the first 47 eligible responses had been examined before nine further eligible responses were added, and no sequential testing plan was registered in advance.

The numeric ratings and open comments were reviewed as supporting material. Seven eligible respondents supplied substantive optional comments, too few and too selectively provided to treat them as a separate qualitative study. The analysis did not use regression models or claim formal institutional ethics approval.

4. Results

4.1 Choices under gains and losses

The first gain/loss pair produced almost the same level of risk-taking in both frames: 30 of 56 participants (53.6%) chose the gamble when facing a gain and 31 (55.4%) when facing a loss. Fourteen

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chose the gamble only in the gain version and 15 only in the loss version. The exact McNemar test found no detectable difference (p = 1.000).

The second pair showed a clearer contrast. Twenty-seven participants (48.2%) chose the gain gamble, while 41 (73.2%) chose the loss gamble. Seven gambled only in the gain version; 21 did so only in the loss version. The exact paired test gave p = 0.0125. The loss-minus-gain difference was 25.0 percentage points (exploratory bootstrap 95% CI: 7.1 to 41.1 points). The result is consistent with more loss-domain gambling in this question pair, but that pattern did not appear in both pairs.

Table 2. Paired Scenario Comparisons

Comparison	First choice	Second choice	Discordant*	Exact p	Holm p
Gain/loss pair 1	30/56 gain	31/56 loss	14 / 15	1.000	1.000
Gain/loss pair 2	27/56 gain	41/56 loss	7 / 21	0.0125	0.0376
Reduce R&D / delay cybersecurity	18/56 R&D	8/56 cyber	12 / 2	0.0129	0.0376

Note. *Discordant counts indicate first-choice-only / second-choice-only respondents. Two-sided exact McNemar tests. The Holm adjustment covers these three selected exploratory tests only.

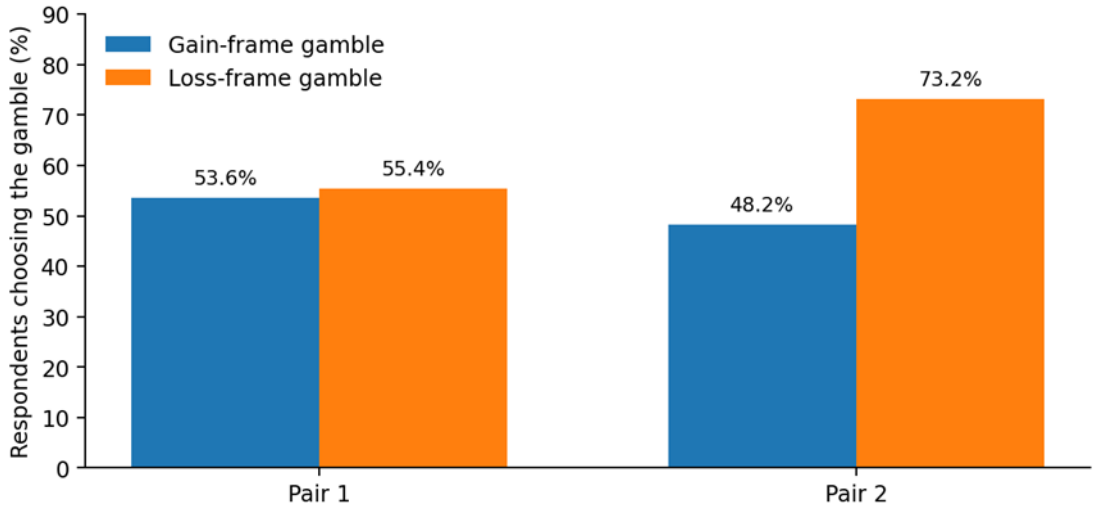


Figure 1. Gamble Selection Under Gain and Loss Framing

Note. Each bar represents answers from the same 56 participants; the paired result was significant for pair 2, not for pair 1.

4.2 Holding a losing investment

Forty-four respondents (78.6%) preferred holding the investment after a ₹10,000 decline rather than selling it. A Wilson 95% confidence interval for this proportion was 66.2% to 87.3%. This result describes how respondents answered the hypothetical choice; it does not show that holding was financially worse, because selling and holding had equal expected final monetary values.

The respondent-level patterns were also informative. Twenty-five participants (44.6%) chose to hold the loss while protecting both long-term business expenditures. Eleven others (19.6%) chose to sell the investment and still protect both business expenditures. Personal investment choices therefore did not map neatly onto a single approach to the business questions.

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4.3 R&D and cybersecurity decisions

Eighteen respondents (32.1%) chose to cut R&D spending to meet the quarterly target. Eight (14.3%) chose to delay the cybersecurity upgrade. Twelve supported the R&D cut but not the security delay, while two made the opposite combination of choices. The exact McNemar test gave p = 0.0129. The difference was 17.9 percentage points (exploratory bootstrap 95% CI: 5.4 to 30.4 points).

The result remained below the 0.05 threshold after adjustment across the three selected paired tests (Holm-adjusted p = 0.0376). Nevertheless, the prompts were not matched on the size of the missed target, the length of the spending change or the way possible harm was described. It is not possible to tell whether respondents reacted to the investment category or to those other differences.

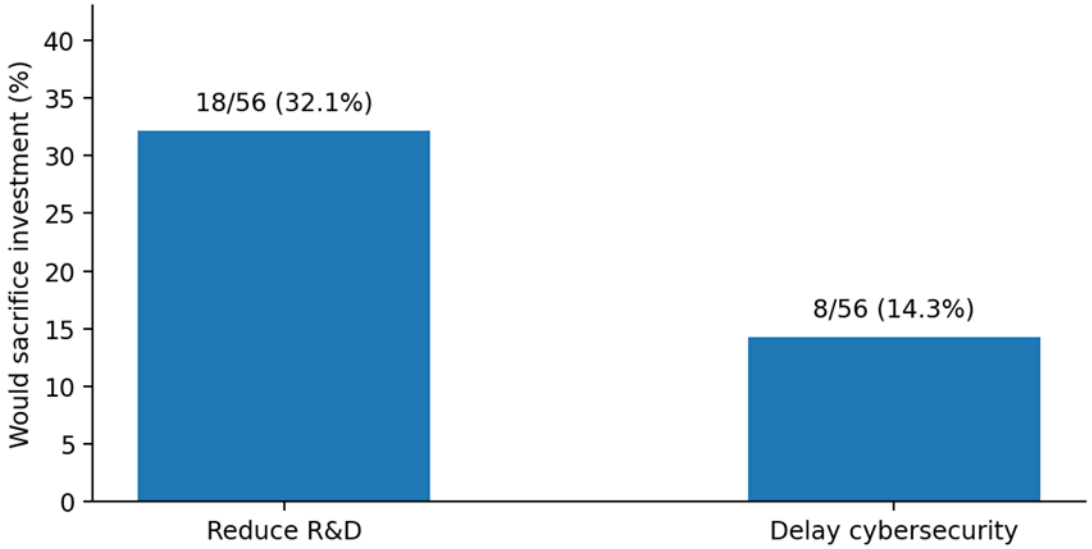


Figure 2. Choices Involving Long-Term Business Investment

Note. These percentages refer to the specific R&D and cybersecurity vignettes rather than matched versions of the same decision.

4.4 Experience with targets and financial training

Twenty-one participants reported regular exposure to numerical targets. Within this group, five (23.8%) chose the R&D cut, compared with 13 of the 35 other respondents (37.1%). Five of the 21 (23.8%) chose to postpone cybersecurity, compared with three of 35 (8.6%). Neither association was statistically conclusive (Fisher's exact p = 0.382 and p = 0.136, respectively), and the observed directions were different.

Among 26 respondents meeting the finance-trained definition, six (23.1%) supported cutting R&D and six (23.1%) supported delaying cybersecurity. The corresponding counts among the 30 other respondents were 12 (40.0%) and two (6.7%). Again, neither comparison was statistically conclusive. Similar exploratory tests based on major professional decision responsibility were also inconclusive.

Table 3. Exploratory Differences Between Respondent Groups

Group and decision	With characteristic	Others	Fisher p
Regular targets: cut R&D	5/21 (23.8%)	13/35 (37.1%)	0.382
Regular targets: delay security	5/21 (23.8%)	3/35 (8.6%)	0.136
Finance-trained: cut R&D	6/26 (23.1%)	12/30 (40.0%)	0.253

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Group and decision	With characteristic	Others	Fisher p
Finance-trained: delay security	6/26 (23.1%)	2/30 (6.7%)	0.127

Note. Two-sided Fisher exact tests; all group comparisons were exploratory and unadjusted. A non-significant result does not prove that there is no association.

4.5 Rare-loss strategy and attitudes

When asked to interpret a strategy with frequent gains and an occasional severe loss, 26 respondents (46.4%) selected the answer that it would lose money overall, 22 (39.3%) said the information was insufficient and eight (14.3%) selected an overall gain. Because the question itself supplied an expert warning about long-run losses, these answers should not be treated as a direct test of participants' ability to calculate expected value. Among finance-trained respondents, 11 of 26 chose the negative-outcome answer, compared with 15 of 30 others (Fisher's exact $p = 0.601$).

The accountability questions showed broad support for monitoring and long-term planning together. Thirty-seven respondents (66.1%) agreed that short-term checks can identify poor decisions; 44 (78.6%) agreed that important long-term investments should be protected. Thirty-five (62.5%) endorsed both. Forty-three (76.8%) agreed that short-term checks and long-term planning can work together. Asked to choose their main consideration in the business vignettes, 41 (73.2%) selected protecting the company's long-term future.

Table 4. Agreement With Statements on Financial Accountability

Statement (shortened)	Agree / strongly agree	%
Regular checks can reveal poor choices	37/56	66.1
Managers should explain missed targets	42/56	75.0
Important long-term investment should be protected	44/56	78.6
Assess current and future outcomes	36/56	64.3
Short-term checks and long-term planning can coexist	43/56	76.8

Note. Each question was answered by 56 eligible participants. Items are described individually; they were not combined into an unvalidated scale.

5. Discussion

5.1 When the way a choice is presented matters

The main gain/loss finding is in the direction anticipated by prospect theory: in the second pair, respondents were more willing to gamble when a loss was at stake. The first pair, however, showed almost no difference. It would be misleading to describe this as a general measurement of loss aversion. The answers are evidence of a framing difference within one particular pair of lotteries, under a fixed sequence of questions. Probability structure and question order may also have influenced the results.

The investment-holding choice adds a related observation. Most participants wanted to wait rather than sell below the purchase price. That is consistent with the concern addressed by Shefrin and Statman (1985) and Odean (1998), but it is not the same as observing the disposition effect in trading records. The option to hold had the same expected monetary value as selling. Recovery expectations or the

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reluctance to turn a paper loss into a realised one could both matter; the survey did not ask respondents to distinguish them.

5.2 The business scenarios raise a different question

The difference between the R&D and cybersecurity answers was one of the clearest findings. Fewer respondents were willing to delay cybersecurity, but the prompts also made its potential consequences more explicit. The cybersecurity question described a fourfold increase in serious-incident risk; the R&D question used a less direct description of future harm. It is plausible that respondents were reacting to the clarity or severity of the risk rather than simply choosing security over innovation.

The study does not show that quarterly targets caused either decision. Everyone saw a target in both questions, and the questions differed on several other details. The result is best understood as a comparison between two scenarios in which immediate and future concerns were presented differently. A new experiment would need to vary the presence of pressure while holding costs and outcomes constant before drawing causal conclusions.

The target-exposure results also resist a simple story. Respondents familiar with numerical targets were less likely to choose the R&D cut, but more likely to choose the security delay. Neither difference was statistically conclusive. It would be a mistake to treat experience with school grades, workplace outputs and corporate earnings targets as though they were identical forms of pressure. This is one reason the findings should not be generalised to financial executives.

5.3 Accountability need not come at the expense of planning

An encouraging finding is that participants did not generally see monitoring and long-term planning as opposites. Nearly two-thirds supported both regular short-term checks and protection of important longer-term investments. Most also agreed that the two can work together. These responses express a preference, not evidence that an organisation can always balance both goals. Still, they fit the more careful view in the literature: short-term reporting may create incentives for narrow decisions, but it can also supply information that helps managers plan and respond to problems (Hillegeist et al., 2026).

This matters for the original research question. If performance targets sometimes produce poor decisions, the problem may lie less in measurement itself than in what the target rewards, what it ignores and whether a manager can explain a temporary shortfall. The present survey cannot test these mechanisms directly, but it points to questions that are worth separating in future studies.

5.4 What the larger sample changes

The dataset grew from 47 to 56 eligible respondents after the first analysis. Six of the nine additions were students. With the original 47, the second gain/loss comparison had an exact p-value of 0.093; with 56, it fell to 0.0125. In the 43 non-students, that paired test gave $p = 0.115$; in the 13 students, $p = 0.070$. These smaller group tests are less precise, so they do not demonstrate that students and non-students behave differently. They do show why a result near a conventional statistical threshold should be interpreted with caution.

For the R&D–cybersecurity comparison, the exact p-value changed from 0.0064 with 47 participants to 0.0129 with 56. The key contrast remains, but it depends on 14 people who made different decisions across the two questions. Because the earlier responses had been analysed before the sample was expanded, the statistical tests should be considered exploratory even after the Holm adjustment. The sample size and sample composition should be kept in view when interpreting both findings.

6. Limitations and Further Research

The sample was small and recruited through non-probability channels. Only one participant identified specifically as a finance professional. The questions asked for hypothetical decisions, not observed behaviour under real financial incentives. Respondents answered the scenarios in a fixed order, and the

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two business situations changed several features at once. The questionnaire therefore cannot identify which part of a scenario changed a decision, and it cannot estimate a psychological loss-aversion coefficient.

There were also measurement limitations. The rare-loss question supplied an expert conclusion, so responses should not be taken as an independent test of financial literacy. The original wording at the ends of two five-point rating scales could not be verified; those raw values were retained in the analysis file without assigning an unsupported direction. A prior set of 12 records collected with a compromised form was excluded before the final export, and four records in the final export lacked affirmative age-and-consent confirmation. The present results use all 56 eligible responses and no others.

A stronger follow-up study would randomly give different participants the same investment decision with or without quarterly-target pressure. Another experiment could keep target shortfalls, investment costs and possible harms identical while changing only whether the project involved R&D or cybersecurity. Counterbalancing the gain and loss questions would help examine order effects. These designs would answer questions that a cross-sectional survey cannot resolve.

7. Conclusion

The survey found two clear differences in how its 56 participants answered financial scenarios. In one pair of questions they were more willing to gamble when the outcome was framed as a loss; in the two business vignettes they were more willing to cut R&D spending than postpone cybersecurity. These patterns were not uniform across all questions, and prior exposure to numerical targets did not consistently predict either business choice. The study does not show that quarterly pressure causes risky decisions. What it does show is that a financial choice cannot be understood without paying attention to the situation, the information provided and the kind of future cost at stake.

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