

A Study on Impact of Behavioural Finance in Investment Decisions of Women with Special Reference to Thrissur District

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Abstract—Women participation in various sectors have increased rapidly. Technological advancements and increase in women literacy have paved way for this change. Behavioural finance is an emerging concept which has probability for greater future exploration. Thus, gender dilemma in investment decisions can be closely connected to behavioural finance. The perception, attitude, and psychology of women in behavioural financing are kept under the study. The attitude of women towards risk, return, decision making criteria in investment selection and role of women in the aggregate investment are widening the scope of the study. Behavioural finance recognizes that emotions and mental framing play an important role in influencing decisions. Thrissur is a district in which many famous investors are living. Moreover, Thrissur district has been characterised by more female than male.

Index Terms— Availability bias, Herding bias, Mental accounting, Representativeness bias.

I INTRODUCTION

Women are specifically noted by confidence and men are noted by over confidence. Behavioural finance theories developed by various researchers also spots on gender specifications. Females are more family oriented and they are highly thinking in nature. While men are traders who is ready to take risk to earn high return for the greater risk they undertaken. Women are reluctant to react. They are confusing in decision making. They take decisions upon extreme pressure. Whereas men always forecasting success and spontaneous in decision-making. Behavioural finance is the study of the impact of psychology or influence of human attitude on investment decisions. It also analyses the human attitude and perceptions while dealing with securities in stock exchange. People may be conservative or aggressive, proactive or reactive and rational or irrational. Thus, it is quite exciting to study the gender dilemma in behavioural financing.

1.2 STATEMENT OF THE PROBLEM

In this study the major concern is to analyse “the impact of behavioral finance in investment decisions of women investors and the attitude of women towards risk and return”. There are many sources of income. But each and every person uses these income differently. Due to the uncertainty of future, some of such income to be set aside for future. Attitude towards risk and return which will be availed with various investment avenues are considered differently by different investors. To make the investors more competitive, various institutions and agents are existing. Even though, selection of investment alternative is the major confusion of investors. Behavioural finance is the wide study of psychology of investors and major general attitude of them. This study will help to analyse the psychology of women in dealing with various investment areas.

1.3 OBJECTIVES OF THE STUDY

- To understand the behavioural factors affecting the investment decisions of women.
- To study the risk perspective of women in choosing investment alternatives.
- To analyse the psychology of women investors on investment.

1.4 RESEARCH METHODOLOGY

This is both analytical and descriptive type of research. Both primary and secondary sources have been used for the study. Primary data was collected through questionnaire method, using purposive sampling. The respondents were selected on the basis of judgments to have investment awareness and accessibility to investments. The secondary sources are used for theoretical foundation and data have been collected from textbooks, articles, published papers, websites and other internet searches.

II DATA ANALYSIS

TABLE II.1 Demographic profile of respondents

Category		Frequency	Percentage (%)
Age	18-30	45	45
	30-45	23	23
	45-60	14	14
	Above 60	18	18
	Total	100	100
Marital Status	Married	64	64
	Unmarried	36	36
	Total	100	100
Educational Qualification	Plus two or below	18	18
	Graduation	26	26
	Post-graduation	33	33
	Others	23	23
	Total	100	100
Employment Status	Employed	49	49
	Unemployed	45	45
	Retired	6	6
	Total	100	100

(Source: Primary Data)

TABLE II.2 Habit of savings and investment

Category	Frequency	Percentage (%)
Yes	92	92
No	8	8
Total	100	100

(Source: Primary Data)

From the table given above, it is clear that among the 100 respondents, 92% have the habit of savings and investment. Whereas, 8% of them do not have the habit of saving and investment.

TABLE II.3 Income set aside for investment

Category	Frequency	Percentage (%)
0-25%	53	53
25-50%	40	40
50-75%	7	7
More than 75%	0	0
Total	100	100

(Source: Primary data)

From the information given above it is clear that 53% of the respondents are keeping less than 25% of income for investment. Whereas 40% of respondents are using 25-50% of their income for investments. Only 7% of respondents are set aside 50-75% of their income for investments and none of them keep more than 75% of income for investments.

TABLE II.4 Awareness on investment opportunities (Availability bias)

Category	Frequency	Percentage (%)
Yes	34	34
No	66	66
Total	100	100

(Source: Primary data)

From the table given above it is clear that 34% of the respondents have awareness on investment opportunities and have training on it. Whereas, 66% of the respondents do not have awareness or training on investment opportunities.

TABLE II.5 Influence of act of majority of people (Herding bias)

Category	Frequency	Percentage (%)
To a large extent	39	39
To a small extent	42	42
Nothing at all	19	19
Total	100	100

(Source: Primary data)

From the table given above, it is clear that 39% of the respondents will get influenced by the act of majority of people to a great extent. 42% of the respondents will get influenced by the act of majority of people to a small extent and 19% will not be influenced by such act.

TABLE II.6 Dependency of investment decision

Category	Frequency	Percentage (%)
Independently	42	42
Depending on others	41	41
No such criteria	17	17
Total	100	100

(Source: Primary data)

From the table given above it is clear that 42% of the respondents take investment decisions independently. 41% of them depend on others to take investment decisions and 17% of them do not follow such criteria.

Reaction to decrease in the portfolio value

Category	Frequency	Percentage (%)
Transfer of money immediately	24	24
Concerned, but wait for improvement	46	46
Withdraw investment	21	21

Invest more funds	9	9
Total	100	100

(Source: Primary data)

From the table given above, it is clear that 24% of the respondents will transfer money immediately when there is a decrease in the portfolio value. 46% will be concerned, but will wait for improvement. 21% of them will withdraw their investment and 9% will invest more funds.

TABLE II.8 Influence of past experience (Representative bias)

Category	Frequency	Percentage (%)
Yes	90	90
No	10	10
Total	100	100

(Source: Primary data)

From the table given above it is clear that 90% of the respondents will get influenced by past experiences to repeat the investment and 10% will not influenced by past experiences.

TABLE II.9 Investment control variables

Category	Frequency	Percentage (%)
Confidence in ability to invest	13	13
Regular review and comparison	28	28
Consistent investment strategy	14	14
Knowledge about investing	41	41
Satisfaction with current investment mix	4	4
Total	100	100

(Source: Primary data)

From the table given above, it is clear that 13% of the respondents consider confidence in ability to invest as investment control variable. 28% consider regular review and comparison as investment control variable. with Consistent investment strategy is considered as important by 14% of the respondents. 41% considered knowledge about investment and 4% satisfaction current investment mix as investment control variables.

III FINDINGS

- Women prefer to invest. But they are less aware about the investment opportunities.
- Women are subject to herding bias. They will take decisions according to the acts of majority of people.
- Women are highly getting affected with past experiences. They are influenced by representative bias.
- Women are not much confident to take investment decisions.

- Women consider ‘knowledge about investing’ as the most important investment control variable.
- Most of the women will wait for the improvement if the portfolio value got decreased.

IV. CONCLUSION

The main objective of the study was to analyse the psychology of the women investors on investments. Risk, return and concern for future are the major factors that affect investment decisions. Most of the women prefer to have investments with moderate risk which provide moderate return. Mental accounting, overconfidence bias, representativeness bias and media effect are the behavioural factors that affect investment decisions. Married women are more effected by emotions and feelings. Most of the people have herding bias; that is, most of the women get influenced by the act of majority.

This study helps to provide useful insights and guidelines for capturing women behaviour in the area of investments. So, it is helpful to analyse various elements which can make impacts on portfolio selection of women.

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