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Impact of behavioural finance in investment decision of working women in Thoothukudi District

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Abstract

Behavioural finance is a vital field that explores how psychological factors influence market outcomes. By examining emotional and cognitive aspects of investing, it aims to enhance our understanding of how these influences affect investors. Key themes like overconfidence, cognitive dissonance, regret theory, and prospect theory highlight the intricacies of investor behaviour. This research focuses on the investment patterns of working women and the factors they consider in their financial decisions, emphasizing the significant impact of psychological influences on the decision-making process.

Key words: Behaviour, decision, psychology, working women, finance

Introduction

Behavioural finance is the study of how psychological influences affect investors and financial markets. It explains why investors often lose control, act against their best interests, and make decisions based on personal biases rather than facts. This field examines how investors interpret and respond to data when making financial decisions. Behavioural finance emphasizes investor behaviour, which can lead to various market anomalies. It explores the impact of psychological processes on the actions of financial practitioners and their effects on the market. Due to emotional involvement in financial decision-making, investors may fall victim to their own mistakes as well as those of others. Overall, it studies the effects of psychology on both investors and financial markets.

This concept extends and, to a large extent, challenges the traditional finance theory, which is based on the idea of "Homo Economicus" or the "Rational Economic Man." This theory simplifies human behaviour to a single dimension, assuming perfect self-interest. In reality, people are neither perfectly rational nor perfectly irrational (Meenu Varma, 2008). Over the past two decades, behavioural finance has gained importance as a new area of research, reflecting the observation that investors often do not behave according to the assumptions of traditional finance theory. Researchers in behavioural finance argue that finance theory should account for observations of human behaviour. They draw on psychological research to enhance the understanding of investment decision-making, thus establishing the discipline of behavioural finance (Vinay Kandpal, 2018).

Review of Literature

Vinay Kandpal, (2018)notes that behavioural finance has become increasingly important over the last two decades as a new area of research. This shift arises from the understanding that investors often do not behave according to the assumptions of traditional finance theory. Behavioural researchers argue that financial theory should take human behaviour into account. By incorporating psychological research, they aim to enhance our understanding of investment decision-making and establish the discipline of behavioural finance. The conclusion of their research is that behaviour plays a significant role in making wise investment decisions. Therefore, selecting a specific investment option requires investors to recognize their behavioural patterns, which include life goals, spending habits, expenses, income, perceptions of investments, lifestyle changes, investment duration, investment nature, thought processes, natural tendencies, financial literacy, risk tolerance, liquidity, expected returns, and alignment

of investments with goals, as well as an understanding of the investment objectives in light of these goals.[1]

Devrshi Upadhyay, (2019) emphasizes the importance of understanding the mindsets of individuals when they consider various investment opportunities. This study aims to explore the significant influence of several behavioural finance concepts—such as overconfidence, perception, representativeness, anchoring, and regret aversion—on the decision-making processes of individual investors in the stock market. The findings indicate that investors are not always rational and that these biases affect their decision-making processes to varying degrees.[2]

DeekshaChaubey, (2024)describes behavioural finance as a rapidly evolving field that connects economics and psychology. Her research delves into how psychological factors impact financial decision-making. The findings aim to enhance our understanding of investor behaviour, potentially guiding strategies for both financial advisors and investors. This research highlights the importance of integrating psychological principles into financial analysis, suggesting that such an approach could lead to improved investment outcomes through a more nuanced understanding of human behaviour. The study hypothesizes that cognitive bias positively influences investment decision-making, while emotional bias and risk perception negatively influence it. However, the literature presents mixed findings regarding the direct impact of cognitive and emotional biases on investment decisions, with some studies indicating no significant effect. This inconsistency underscores the complexities of behavioural biases in financial decision-making and the necessity for further research to fully comprehend their dynamics.[3]

Objectives of the study

1. To study the concepts of behavioural finance.
2. To find out the demographic factors of women investors
3. To analyse the investment decision of women investors
4. To determine how behavioural finance influences female investors.

Hypothesis of the study

1. There is no relationship between annual income and time horizon of investment.
2. There is no relationship between opinion while making investment pattern and educational qualification of investors.
3. There is no relationship between level of preference of investment and occupation of investors.

Significance of the study

1. This study analyse the behaviour of female investors
2. This study help to identify the various purpose of investment
3. This study identify the influencing factors of women investor.

Scope of the study

The present study cover Thoothukudi District. It deals with behaviour of women investors while investing their savings.

Methodology

The present study deals with various choice of investment done by women investors according to their preferences. By adopting simple random sampling method, respondents were selected from Thoothukudi district. The sample size is 50. Questionnaire are collected from the respondents where a great source of information. The present study is based on both primary and secondary data. The tools used for analysis are chi-square and Kurskal Wallis test.

Analysis and Interpretation

Cross Tabulation for Annual income and time horizon for investment

Annual Income wise Classification		Time horizon				
		Long term (more than 10 yrs)	medium term (more than 5 yrs)	Short term (more than 1 yrs)	as per convenience	Total
Less	Count	2	4	3	1	10

than Rs 1 lakh	% within Annual income	20.0%	40.0%	30.0%	10.0%	100.0%
	% within Time horizon	10.0%	30.8%	27.3%	16.7%	20.0%
Rs 1 - 2 lakhs	Count	3	2	3	0	8
	% within Annual income	37.5%	25.0%	37.5%	0.0%	100.0%
	% within Time horizon	15.0%	15.4%	27.3%	0.0%	16.0%
Rs 2 - 3 lakhs	Count	5	2	2	0	9
	% within Annual income	55.6%	22.2%	22.2%	0.0%	100.0%
	% within Time horizon	25.0%	15.4%	18.2%	0.0%	18.0%
Rs 3 - 4 lakhs	Count	0	0	2	1	3
	% within Annual income	0.0%	0.0%	66.7%	33.3%	100.0%
	% within Time horizon	0.0%	0.0%	18.2%	16.7%	6.0%
Rs 4- 5 lakhs	Count	8	3	1	1	13
	% within Annual income	61.5%	23.1%	7.7%	7.7%	100.0%
	% within Time horizon	40.0%	23.1%	9.1%	16.7%	26.0%
More than Rs 5 lakhs	Count	2	2	0	3	7
	% within Annual income	28.6%	28.6%	0.0%	42.9%	100.0%
	% within Time horizon	10.0%	15.4%	0.0%	50.0%	14.0%
Total	Count	20	13	11	6	50
	% within Annual income	40.0%	26.0%	22.0%	12.0%	100.0%
	% within Time horizon	100.0%	100.0%	100.0%	100.0%	100.0%

The above table shows the relationship between annual income of working women and time horizon for investment.

Chi-square test for Annual income and time horizon for investment

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.741[a]	15	.115

This table shows the relationship between annual income and time horizon for investment where the significant value (0.115) is greater than the level of significance (0.05), hence the null hypothesis is accepted. Thus, it is concluded that there is no relationship between annual income and time horizon for investment.

Chi-square test for opinion while making investment pattern and educational qualification of investors.

Opinion	Value	Df	Asymp. Sig. (2-sided)
Consult family members	27.133	9	0.001
Make good decision	6.330	9	0.706
Borrow money to invest	8.241	12	0.766
Decision by own	14.336	12	0.280
Investment as impact of life style	4.151	9	0.901
Increase in income do not help in increase in savings	7.180	12	0.845
Savings increase when increase in income	12.879	12	0.378
Never withdraw before maturity	11.813	12	0.461
Single investment	18.144	12	0.111
Cant spare time for investment	13.724	9	0.132

This table shows the relationship between opinion while making investment pattern and educational qualification of the working women, where the significant value (0.001) is less than the level of significance (0.05), hence the null hypothesis is rejected. Thus, it is concluded that there is relationship between consult with family members while making investment pattern and educational qualification.

The Significant value (0.706) is greater than level of significance (0.05), hence the null hypothesis is accepted. Thus, it is concluded that there is no relationship between make a good decision and educational qualification.

The Significant value (0.7) is greater than level of significance (0.05), hence the null hypothesis is accepted. Thus, it is concluded that there is no relationship between borrow money to invest and educational qualification.

The Significant value (0.280) is greater than level of significance (0.05), hence the null hypothesis is accepted. Thus, it is concluded that there is no relationship between make own decision and educational qualification.

The Significant value (0.901) is greater than level of significance (0.05), hence the null hypothesis is accepted. Thus, it is concluded that there is no relationship between opinion that investment as impact of life style and educational qualification.

The Significant value (0.845) is greater than level of significance (0.05), hence the null hypothesis is accepted. Thus, it is concluded that there is no relationship between opinion that increase in income do not help in increase in savings and educational qualification.

The Significant value (0.378) is greater than level of significance (0.05), hence the null hypothesis is accepted. Thus, it is concluded that there is no relationship between opinion that savings increase when increase in income and educational qualification.

The Significant value (0.461) is greater than level of significance (0.05), hence the null hypothesis is accepted. Thus, it is concluded that there is no relationship between opinion that never withdraw before maturity and educational qualification.

The Significant value (0.111) is greater than level of significance (0.05), hence the null hypothesis is accepted. Thus, it is concluded that there is no relationship between opinion that single investment is ok and educational qualification.

The Significant value (0.132) is greater than level of significance (0.05), hence the null hypothesis is accepted. Thus, it is concluded that there is no relationship between can't spare time for investment and educational qualification.

Kurskal Wallis test for level of preferences and purpose of investment

Level of preferences	Occupation	**N**	**Mean Rank**	**Chi square value**	**Sig. value**
For my children education	Govt Employee	22	22.48	7.697	.103
	Pvt Employee	23	29.76		
	Business	1	14.50		
	Professional	1	38.00		
	Others	3	14.50		
To purchase gold	Govt Employee	22	24.05	3.331	.504
	Pvt Employee	23	24.98		
	Business	1	43.00		
	Professional	1	26.00		
	Others	3	34.17		
For tax benefits	Govt Employee	22	20.43	8.272	0.82
	Pvt Employee	23	28.07		
	Business	1	27.00		
	Professional	1	27.00		
	Others	3	41.67		
My daughter marriage	Govt Employee	22	24.05	.476	.976
	Pvt Employee	23	26.67		
	Business	1	25.00		
	Professional	1	25.00		
	Others	3	27.50		
To provide for retirement	Govt Employee	22	22.75	4.758	.313
	Pvt Employee	23	26.57		
	Business	1	49.00		
	Professional	1	30.00		
	Others	3	28.17		
For purpose of wealth increase	Govt Employee	22	24.61	5.489	.241
	Pvt Employee	23	23.76		
	Business	1	25.50		
	Professional	1	46.00		
	Others	3	38.50		
To purchase land/house	Govt Employee	22	20.52	13.316	.010
	Pvt Employee	23	26.54		
	Business	1	25.00		
	Professional	1	48.00		
	Others	3	46.67		

At 5 % level of significant

The above table show the Kruskal Wallis test indicating the level of preference in investment pattern of working women and their occupation. As per accepting the null hypothesis ($p > 0.05$), the preference to purchase land/house with the p value of 0.010 is not influenced with the occupation of working women. As per rejection the null hypothesis ($p>0.05$), The preference like children education, to purchase gold, for tax benefit, my daughter marriage, to provide for retirement and for purpose of wealth increase respectively with the p value of 0.103, 0.504, 0.082, 0.976, 0.313 and 0.241 are influenced with the occupation of working women.

Findings

1. There is no relationship between annual income and the investment time horizon. However, a relationship does exist between consulting family members when making investment decisions and educational qualifications.
2. Additionally, it has been concluded that there is no correlation between opinions such as making sound decisions, borrowing money to invest, making independent decisions, the impact of lifestyle on investments, and the idea that an increase in income does not necessarily lead to higher savings.
3. While savings tend to increase with rising income, beliefs such as "never withdraw before maturity," "single investments are acceptable," and "I can't spare time for investments" show no relationship with educational qualifications.
4. On the other hand, the preference for purchasing land or a house, with a p-value of 0.010, is not influenced by the occupation of working women.
5. In contrast, preferences concerning children's education, purchasing gold, tax benefits, funding a daughter's marriage, providing for retirement, and the purpose of wealth accumulation are influenced by the occupations of working women.

Conclusion

Earnings address present needs, while savings secure one's future. Women are increasingly educated, entering the workforce, and taking charge of financial decisions. Their motivations for saving include funding their children's education, purchasing gold, benefiting from tax deductions, preparing for their daughters' marriages, planning for retirement, increasing wealth, and investing in land or homes. In addition to these traditional savings strategies, there are many innovative ideas for generating savings and profits. Research shows that annual income is not linked to the time horizon for investments. Education also plays a significant role, as individuals often consult family members when making investment decisions. The analysis reveals that there is no significant relationship between factors such as making sound financial decisions, borrowing money to invest, the impact of investments on lifestyle, or the ability to dedicate time for investment with one's level of education. Essentially, financial decisions are influenced more by personal choices and habits than by formal education. Moreover, the study concludes that although a rise in income could potentially lead to higher savings, this is not always the case. Factors such as lifestyle choices, spending habits, and individual financial discipline are more impactful in increasing savings than simply having a higher income.

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