INTERNATIONAL JOURNAL OF ENGINEERING MANAGEMENT AND SOCIAL SCIENCES (IJEMSS)

e-ISSN : 3139-065X

www.ijemss.com

editor@ijemss.com

Vol. 01, Issue 5, September 2026, pp :138-142

Unravelling Women's Investment Decision-Making: The Interplay of Financial Literacy and Behavioral Biases in an Emerging Indian Market

[1]Dr.N. Suhasini [2]Dr.T. Naresh Babu

[1]Dr.N. Suhasini, Professor & Head, Department of Management Studies, K.S.R.M. College of Engineering(A), Kadapa, Andhra Pradesh. Email: drsuhasininallam@gmail.com

[2]Dr.T. Naresh Babu, Associate Professor, Department of Management Studies, K.S.R.M. College of Engineering(A), Kadapa, Andhra Pradesh. Email:Nareshbabuksrmcms@gmail.com

DOI: https://doi.org/10.5281/zenodo.22934579

ABSTRACT

Women's participation in financial markets has expanded considerably with increasing educational attainment, employment opportunities, financial awareness, and access to diverse investment products. However, investment decisions are not determined solely by financial knowledge and rational evaluation of risk and return; they may also be shaped by psychological and cognitive biases. Drawing on the behavioral finance perspective, this study examines the interplay between financial literacy and behavioral biases in shaping the investment decision-making of women investors in an emerging Indian market. The study specifically investigates the influence of selected behavioral biases, including overconfidence, herding, loss aversion, and anchoring, alongside financial literacy encompassing knowledge of savings, investment, risk, interest rates, and financial planning. Using primary data collected from women investors in Kadapa, Andhra Pradesh, the study empirically evaluates the extent to which financial literacy and behavioral tendencies are associated with investment decision-making across different investment avenues. The study further considers whether greater financial literacy contributes to more informed investment choices despite the presence of behavioral biases. By integrating cognitive and financial capability perspectives, the study contributes to the behavioral finance literature by providing evidence on women investors in an emerging-market context, where gender, financial capability, and psychological factors intersect in investment decisions. The findings are expected to provide implications for financial educators, policymakers, financial institutions, and investment advisors in designing gender-responsive financial literacy and investor-awareness interventions that encourage informed and sustainable investment participation among women.

Keywords

Behavioral Finance, Financial Literacy, Behavioral Biases, Investment Decision-Making, Women Investors.

Introduction

Investment plays an important role in achieving financial security and wealth creation. In recent years, women have become more active in financial planning and investment decisions. With increasing education, employment opportunities, and awareness, women are gradually participating in different investment avenues such as bank deposits, gold, mutual funds, insurance, and stocks. Behavioral finance explains how psychological factors or behavioral biases influence the financial decisions of investors. Traditional finance assumes that investors make rational decisions, but in reality, many investors are influenced by emotions, personal beliefs, and cognitive biases. Common behavioral biases include overconfidence bias, herding behavior, loss aversion, and anchoring. Another important factor affecting investment behavior is financial literacy. Financial literacy refers to the knowledge and understanding of financial concepts such as savings, investment, risk, interest rates, and financial planning. Women with higher financial literacy are more likely to make informed and effective investment decisions, while lack of financial knowledge may lead to poor financial planning. This study focuses on women in Kadapa district and aims to analyze how behavioral biases and financial literacy influence their investment behavior. The study helps identify the level of financial awareness among women and the psychological factors that affect their investment decisions.

Industry profile

The investment and financial services industry in India plays a major role in mobilizing savings and channeling them into productive investments such as stocks, mutual funds, bonds, and other financial instruments. With the growth of capital markets, digital trading platforms, and increasing financial awareness, more individuals are participating in investment activities. This industry includes services like stock broking, investment banking, asset management,

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wealth management, and financial advisory, which help investors manage their funds and achieve long-term financial goals.

Monarch Net worth Capital Limited operates within this dynamic financial services and investment industry in India. It is a diversified financial services company providing services such as retail broking, institutional equities, investment banking, wealth management, portfolio management services, and distribution of financial products like mutual funds and insurance. These services support both individual investors and corporate clients in making informed investment decisions.

Company profile

Monarch Net worth Capital Limited is a well-known financial services company in India that provides a wide range of investment and financial solutions to individuals, institutions, and corporate clients. The company was originally incorporated in 1993 under the name Net worth Finance Limited and later renamed Monarch Net worth Capital Limited in 2015. Its headquarters is located in Ahmedabad, Gujarat, India.

The company mainly operates in the financial services sector and offers services such as stock broking, investment banking, mutual fund distribution, wealth management, insurance services, and portfolio management services. It also provides trading facilities in equity, commodity, currency derivatives, and other financial instruments through advanced digital trading platforms.

Monarch Net worth Capital Limited has developed a strong presence across India with more than 55 branches, 900+ sub-brokers, and over 3 lakh clients. The company serves retail investors, high-net-worth individuals, institutional investors, and corporate clients by offering diversified financial products and advisory services

Need for the study

The study on the impact of behavioral biases and financial literacy on the investment behavior of women in Kadapa is important to understand how women make financial and investment decisions. In recent years, women have started participating more in financial activities, but many still lack adequate knowledge about different investment options such as savings schemes, mutual funds, insurance, and stock markets. Financial literacy plays a significant role in helping women make informed and effective investment decisions. At the same time, behavioral biases such as overconfidence, risk aversion, herding behavior, and emotional decision-making may influence their investments. Therefore, this study is needed to examine how financial knowledge and psychological factors affect the investment behavior of women.

Scope of the Study

- focuses on understanding and financial knowledge influence the investment decisions of women. The scope of the study is limited to women investors in Kadapa district and examines their level of financial literacy, awareness about different investment options, and the behavioural biases that affect their decision-making.
- The study covers various behavioural biases such as overconfidence, herd behaviour, loss aversion, and mental accounting that may influence women while choosing investment alternatives. It also analyses the level of financial literacy among women and how their knowledge about savings, risk, return, and financial planning affects their investment behaviour. Furthermore, the study aims to identify the relationship between behavioural biases, financial literacy, and investment decisions of women. The findings of the study will help understand the investment patterns, preferences, and challenges faced by women investors in Kadapa.

Review of Literature

- Many researchers have studied the role of behavioural biases and financial literacy in influencing investment decisions. Daniel Kahneman and Amos Tversky (1979) introduced the concept of Prospect Theory, which explains how individuals make decisions under risk and uncertainty. Their study found that investors are often influenced by psychological factors such as loss aversion and risk perception rather than making completely rational decisions.
- According to Brad Barber and Terrance Odean (2001), behavioural biases play an important role in investment decisions. Their study revealed that overconfidence bias affects investors' trading behaviour and

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that women investors tend to be more cautious and less overconfident than men when making investment decisions.

- A study conducted by Annamaria Lusardi and Olivia S. Mitchell (2014) highlighted the importance of financial literacy in financial decision-making. The study concluded that individuals with higher financial knowledge are better able to plan their savings, manage risks, and choose suitable investment options.

Objectives of the Study

- To identify major behavioral biases influencing women's investment decisions.
- To study the level of financial literacy among women investors in Kadapa.
- To analyze the impact of behavioral biases and financial literacy on the investment behavior of women in Kadapa.

Research Methodology

The study adopts a descriptive research design to systematically examine the research problem and describe the characteristics of the respondents. Both primary and secondary data were used for the study. Primary data were collected from the respondents through a structured questionnaire, while secondary data were obtained from various sources such as books, journals, and relevant websites to provide theoretical and contextual support. The study was conducted among 100 women respondents from Kadapa district, who constituted the sample for the research. The collected data were analyzed using appropriate statistical tools, namely the weighted mean to assess the relative importance of different factors and correlation analysis to examine the relationship between the variables under study.

Data analysis and interpretation

I Demographic Profile:

- Age: The majority of the respondents (43%) belong to the 25–34 years age group, followed by below 25 years (35%), 35–44 years (12%), 45–54 years (8%), and above 55 years (2%), indicating that most respondents are young adults.
- Marital Status: The majority of the respondents are married (68%), while 32% are single, indicating that married women constitute the larger share of the study sample.
- Educational Qualification: The majority of the respondents are graduates (58%), followed by postgraduates (18%), higher secondary qualified (14%), professionally qualified (8%), and doctorate holders (2%), indicating that the sample is predominantly composed of graduate-level respondents.
- Employment Status: The majority of the respondents are salaried employees (63%), followed by students (15%), homemakers (14%), self-employed/businesswomen (6%), and retired respondents (2%), indicating that salaried employees form the largest occupational group in the study.
- Occupation Type: The majority of the respondents are employed in the private sector (75%), followed by business/entrepreneurship (18%), government sector (6%), and professional occupations (1%), indicating that private-sector employees dominate the study sample.
- Monthly Personal Income: The majority of the respondents (43%) earn a monthly personal income between ₹20,001 and ₹40,000, followed by below ₹20,000 (27%), no personal income (22%), ₹40,001–₹60,000 (7%), and above ₹60,000 (1%), indicating that most respondents belong to the middle-income group.

II Behavioral biases influencing investment decision

1. Overconfidence Bias: -

The findings indicate that respondents exhibited a moderate level of agreement regarding the influence of overconfidence bias on investment decisions, with an overall weighted mean of 3.372. Among the dimensions, confidence in new financial products recorded the highest mean (3.49), followed by investment management (3.41), past investment history (3.37), risk-handling ability (3.34), and confidence in predicting market movements (3.25).

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These results suggest that respondents demonstrate moderate overconfidence in their investment knowledge and decision-making abilities.

2. Herding Bias

The findings indicate that herding bias moderately influences investment decisions, with an overall mean score of 3.244. Among the dimensions, safe investment decisions recorded the highest mean (3.42), followed by relying on others before investing (3.30) and following popular investment trends (3.20). Respondents also reported a moderate tendency to feel uncomfortable investing when others are not investing (3.19). Blindly following expert recommendations recorded the lowest mean (3.11), suggesting that while investors are influenced by experts, they also exercise independent judgment. Overall, the results reflect a moderate level of herding behaviour, indicating that social influence affects investment decisions without completely replacing individual evaluation.

3. Loss Aversion Bias

The findings indicate that loss aversion bias moderately influences investment decisions, with an overall mean score of 3.25. Respondents exhibited a moderate tendency to avoid potential losses, as reflected in their preference to avoid investments that may result in losses (Mean = 3.27), hesitation in taking investment risks (Mean = 3.26), and preference for safer investments despite lower returns (Mean = 3.25). They also showed moderate hesitation to invest during market downturns (Mean = 3.25). The lowest mean score was observed for feeling losses more strongly than gains (Mean = 3.15). Overall, the results suggest that investors exhibit a moderate level of loss aversion, with potential losses exerting a noticeable influence on their investment decisions

Anchoring Bias

The findings indicate that **anchoring bias moderately influences investment decisions**, with an overall mean score of **3.294**. Respondents showed a moderate tendency to rely on **available data as reliable information** (**Mean = 3.37**), followed by **price and market trends** (**Mean = 3.34**) and **past prices influencing current expectations** (**Mean = 3.32**). They also reported moderate agreement that anchoring **affects risk assessment** (**Mean = 3.25**). The lowest mean score was observed for **remaining committed to the original investment decision despite changing market conditions** (**Mean = 3.19**). Overall, the findings suggest that investors exhibit a **moderate level of anchoring bias**, indicating that initial information and historical price references significantly influence their investment decisions.

4. Mental Accounting Bias

The findings indicate that mental accounting bias moderately influences investment decisions, with an overall mean score of 3.314. Respondents demonstrated a moderate tendency to categorize money based on its source (Mean = 3.40), distinguish between short-term and long-term investments (Mean = 3.36), treat bonus income differently from regular income (Mean = 3.34), and manage funds separately for different purposes (Mean = 3.33). They also moderately agreed with using long-term funds less frequently (Mean = 3.30), while maintaining emergency funds (Mean = 3.24) and treating investment money separately from household money (Mean = 3.23) received comparatively lower mean scores. Overall, the findings suggest that investors exhibit a moderate level of mental accounting bias, reflecting a tendency to mentally segregate financial resources, which influences their investment decisions.

5. Confirmation Bias: The results indicate that confirmation bias moderately influences investment decisions, with an overall mean score of 3.232. Respondents showed a moderate tendency to prefer information that confirms their existing beliefs while overlooking contradictory evidence. The highest mean scores were observed for preference for belief-consistent information and ignoring conflicting financial information (3.28 each), followed by reliance on favourable information (3.27). Overall, the findings suggest a moderate inclination among investors to seek information that reinforces their existing investment beliefs.

III Financial literacy

Financial Knowledge: The findings indicate that financial knowledge moderately influences investment decisions, with an overall mean score of 3.313. Respondents demonstrated a moderate level of financial literacy, with the highest mean score for understanding the concepts of saving and investing (3.33), followed by awareness of tax benefits

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associated with investments (3.31) and knowledge of different investment avenues (3.30). Overall, the results suggest that respondents possess a moderate level of financial knowledge that supports their investment decision-making.

Financial Awareness and Knowledge: The findings indicate that financial awareness and knowledge moderately influence investment decisions, with an overall mean score of 3.253. Respondents reported the highest agreement for the influence of financial news and social media on investment decisions (3.31 each), followed by access to investment information through digital platforms (3.28) and the role of educational programs in improving financial awareness (3.27). Overall, the results suggest that investors possess a moderate level of financial awareness and knowledge, which contributes to their investment decision-making.

Investment Opinions: The findings indicate that investment opinions moderately influence investment decisions, with an overall mean score of 3.301. Respondents reported the highest agreement for the influence of market trends on investment returns (3.41), followed by the impact of interest rate changes on investments (3.35) and the role of professional advice in improving investment decisions (3.32). Overall, the results suggest that investors hold moderately positive investment opinions that shape their decision-making.

Risk and Return Awareness: The findings indicate that risk and return awareness moderately influences investment decisions, with an overall mean score of 3.277. Respondents showed the highest agreement for the impact of lower-risk investment options (3.34) and the effect of market fluctuations on investment returns (3.33), while the association between higher returns and higher risk received a relatively lower mean score (3.16). Overall, the results suggest a moderate level of risk and return awareness among investors.Investment Behaviour: The findings indicate that investment behaviour moderately influences investment decisions, with an overall mean score of 3.248. Respondents reported the highest agreement for aligning investments with financial goals (3.35) and the role of reducing behavioural biases (3.33), while financial awareness reducing emotional investment decisions received the lowest mean score (3.12). Overall, the results suggest a moderate level of investment behaviour among respondents.

Hypotheses Findings:

H1: Behavioural biases and financial literacy impact on women investment behaviour.

The R value (0.621) indicates a moderate positive relationship between behavioural biases & financial literacy, and women's investment behaviour. The R^2 value (0.386) shows that 38.6% of the variation in investment behaviour is explained by the independent variables (behavioural biases and financial literacy), while the remaining 61.4% is influenced by other factors.

The regression analysis reveals that both behavioural biases and financial literacy play a significant role in shaping women's investment behaviour. Among the two, behavioural biases have a slightly stronger influence compared to financial literacy.

Suggestions

- Financial Education helps investors to understand the concepts of Risk/Return Awareness regarding various investment options. Focus on teaching investors how to calculate risk-adjusted returns rather than just looking at raw performance.
- Workshops on Investment helps investors to enhance financial knowledge emphasizing on portfolio diversification, predictions about investments in market. Focus on teaching investors how to calculate risk-adjusted returns rather than just looking at raw performance.
- Focus on Diversification: Education should specifically target the "moderate responses people" by showing how even "expert" predictions can fail, emphasizing the need for a diversified portfolio.
- Create women-focused investment campaigns women often show regret aversion, so confidence-building is important.

Conclusion: - The study suggests that financial literacy significantly improves investment decisions among women, while behavioural biases negatively influence rational decision-making. Therefore, increasing financial awareness and reducing psychological biases can enhance better investment behaviour among women investors.