A Study on Investment Behavior of Women Investors in India- A Conceptual Study

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Abstract

In today era women represent almost half of the workforce and they are the owner or manager of a different organization. One of the roles working women play in their life is an investor. At every stage of life, they are taking a range of investment decision which is essential for realizing their dreams for tomorrow. Earning money is not only enough for becoming financially independent, but it is also equally important to invest money wisely.

This research mainly focuses on to get insights about the investment behavior of women investors including their risk capacity, investment strategy, and investment attitude and investment priorities. The study also focuses on demographic & physiological factors affecting investment behavior while investing.
Research will help financial adviser and financial service provider to deliver the best services to their clients or customer and to take a strategic level decision.

Key Words: *Women investor, Investment behavior, Investment strategy*

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Introduction

Everyone wants to earn money with the aim to live a quality life and complete future goals. Money can be earned by working for a salary, by taking profit and by investing and managing money to give extra income. The needs of money can be immediate and for the future. It is equally important to invest money wisely. Savings or investments are acknowledged as powerful tools in the prevention of poverty. Money can be invested in various financial goals like education, business, marriage, retirement and so on. Investing even a small amount can produce considerable ROI over the long-term period. But we need to make the decision of how much to invest and where to invest. To choose wisely one must be aware of different investment options available in India.

Money needs to be invested to give maximum Return on Investment (ROI) with consideration of risk, the time horizon and tax. Earlier, managing money was so easy because of convincing returns, government-sponsored retirement plans and benefits, less financial products, a strong family support system, a simpler lifestyle and lower cost of living – all made it relatively easier to manage money without any professional consultation.

Now a day's most of the Indian citizen now has a considerably higher income at the same time interest rates on debt medium have fallen and inflation is also increasing. The number of products and their complexity has also amplified considerably with no security of returns. The cost of living and aspirations have put pressure on income, which has to create the best return under the given condition.

Role of a financial consultant is also increasing day by day because people have no time to operate their hard-earned money and the introduction and accessibility of great life insurance products, mutual funds, and online stock broking is yet another cause for an individual to seek out professionals who can consult him. Interest rates on the debt instruments have drop-down and it forcing the investor to look for other assets, including equity in order to beat inflation. Thus, most of the savings which were previously done in investments like gold, real estate and fixed deposits are now shifting to alternative investment avenues which generate suitable returns and spreading risk.

Investment in India:

Over the years, India has emerged as one of the fastest-growing economies in the world and an attractive investment country is driven by economic reforms and a large consumer base. Domestic and foreign investments both have had made an effect on the country's growth. Going by the prediction of the Government of India, India will need investments of US$ 4.5 trillion to build sustainable infrastructure by 2040.

There are many Investment options in India nowadays i.e. Public Provident Fund (PPF), Mutual Funds, Equity, Real Estate, Gold, Post Office, IPO, etc.

Now India becomes an investment hub for foreigners. A new policy in India also permits ease of approval for equity investment in India and is believed to be the drivers of foreign direct investment in India.

Working women Investor:

As working women are increasing in India, their contribution to Indian Economy is also in considerable amount. Women today have more income capacity and more effectiveness over financial solution than ever before. Women represent almost half of the workforce and many businesses are owned or managed by women. As we are saying women investor put more attention on investment because of the growth of women empowerment and many ways to earn money. Nowadays the growth in the number of female investors has been increasing. Now females are also in high-profile jobs and also start the venture in metros.

The majority of all customer purchase decision & many of the investment decision have been taken by women. Whenever they take investment decisions they have to pay more attention to safety, returns, risks, tax benefits and so on in addition to the investments option.

Earning money is only half the equation for accomplishing financial independence but inverting money wisely is equally important. While investing size of household income, short-term accountability, as well as long-term goals, should be considered. The changes in the financial services industry have improved financial inclusion among Indian women. The number of women investors from small towns in India is more compared to men. Women investing in shares, gold, mutual funds, IPOs, and also investing in the start-up business.

Investment Behavior:

Investment behavior is based on uncertainty about the future and is thus an investment market is very risky. News, rumors and quickness and availability of information play major roles in investment markets. Risk propensity, hazard preference and attitude are the important concepts of investment behavior. Investors employ biases in their verdict to invest or not, and how much to invest. People tend to imitate and follow other investors, probably due to the lack of relevant and reliable information and lack of courage to behave differently.

Investment Behavior explores the relationship between demographic factors, personal awareness and perceived attitudes toward risk in shaping the behavior of individual investors (Anup kumara S. and Sahu T, 2018). The investment behavior consists of reason, amount information and time duration of such investment and profession and income category of investors. (Kasilingam and Jayabal, 2008).

Research Objective:

- To understand the different investment avenues available in India.
- To find out the factors considered by women investors while investing.

Research Design: Exploratory research was conducted to get insights about investment behavior and factors affecting investment behavior.

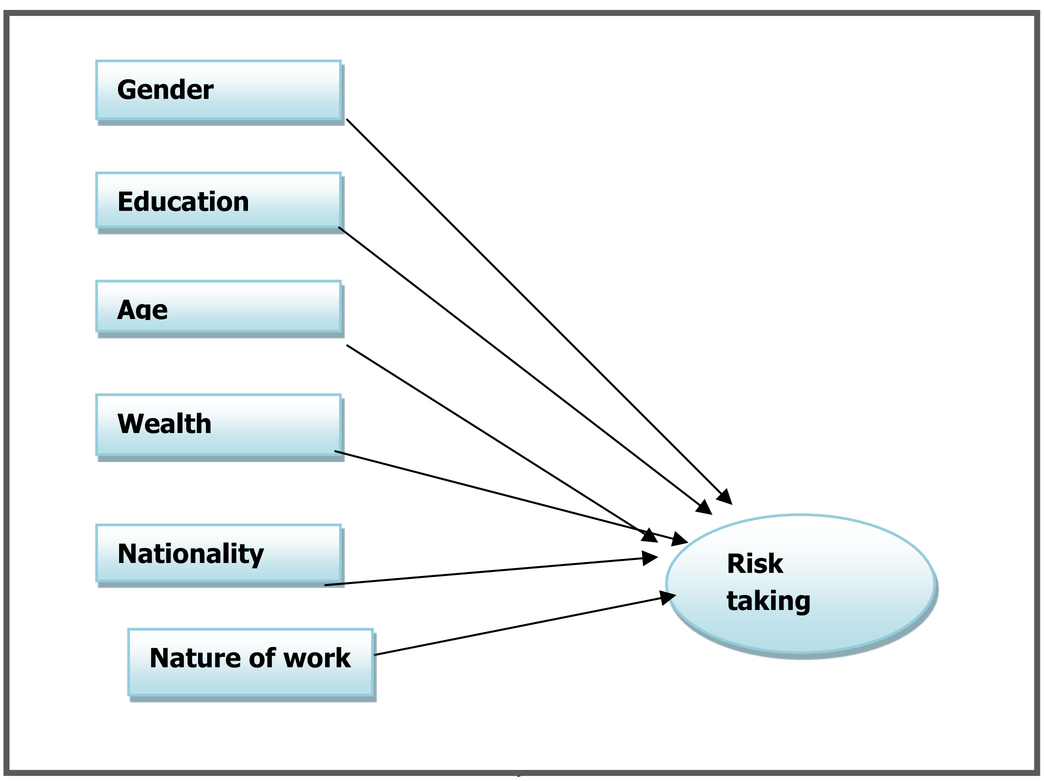
Review of Literature

Factors Affecting Behavior of Individual Investors

1. Risk-taking behavior

According to Hoffman Arvid O. I. & ShefrinHersh, PenningsJoost (1997) investors driven by speculation objective have high ambition and turnover, take more risk, judge themselves to be more advanced and perform less well than expected as compared to long-term investors. Fundamentalists have higher ambition and turnover, take more risk, are more confident and usually underperform as compared to technicalities. Winden FransV, Krawczyk Michael and Hopfensitz Astrid (2009) conducted tentative research that studies the impact of risk resolution timing on behavior toward investment. The study finds that investors anticipate their feelings during the time distance that elapses between the decision of investment and the resolution of the risk. Noise Allen and Weber Martin (2010) analyzed the determinants of investor's risk-taking behavior. The results point to that investor's risk-taking behavior is affected by their personal risk attitudes and by the risk and return of the investment avenues. The research also proposes the analysis of determinants of financial risk-taking behavior as a necessary component for investors.

Figure 1: factors affecting risk taking behavior of individual investors

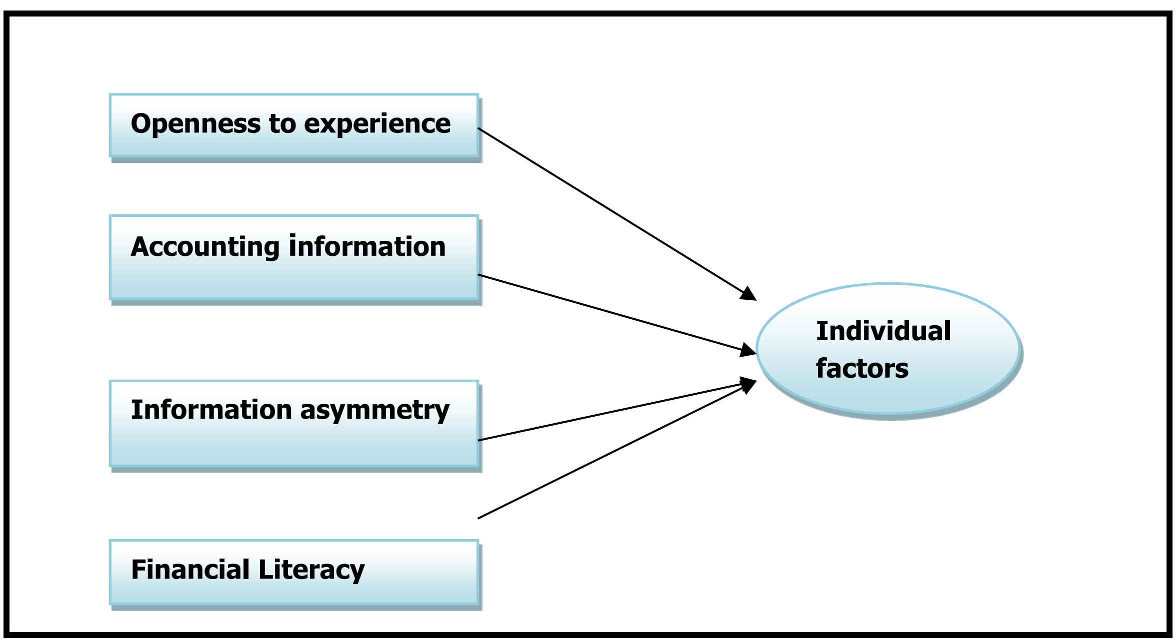


Rahmawati1, M. Dileep Kumar, Meyland Kambuaya, Farhan Jamil, Saqib Muneer. (2015). Determinants of the Risk Tolerance of Individual Investors., (pp. 373-378). Malaysia.

2. Individual Factors

Numerous studies have been conducted on the individual factors affecting the behaviour of individual investors. According to Benzion Uri, ShahrabniShosh, Shavit Tal and Weiss Rumy (2012) the economic perception and decision making of individuals would be influenced by their emotions, especially negative emotions; for instance, individuals may purchase insurance against emotionally vivid events even if those events have a low probability of occurrence. Lebbe and Rauf (2014) studied the psychological prejudices that distort the behavior of investors. Psychological biases affect investors before and during the crisis and lead to massive losses when the crisis intensifies. A positive relationship was found between regret and group behaviour.

Figure 2: Individual factors affecting investment behavior

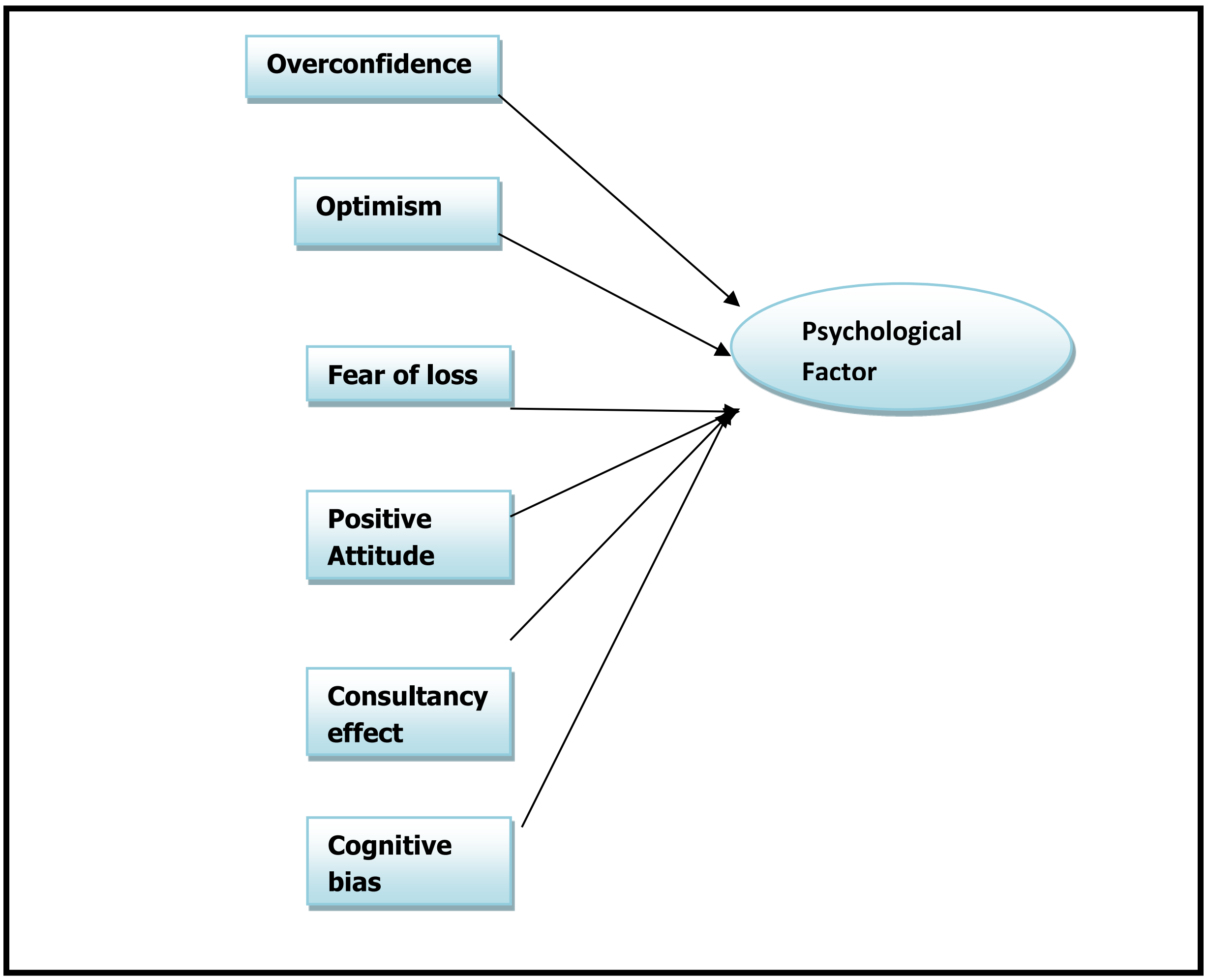


Aamir Sarwar,Ghadeer Afaf. (2016, September). A comparison between psychological and economic factors affecting individual investor's decision-making behavior. 1-19.

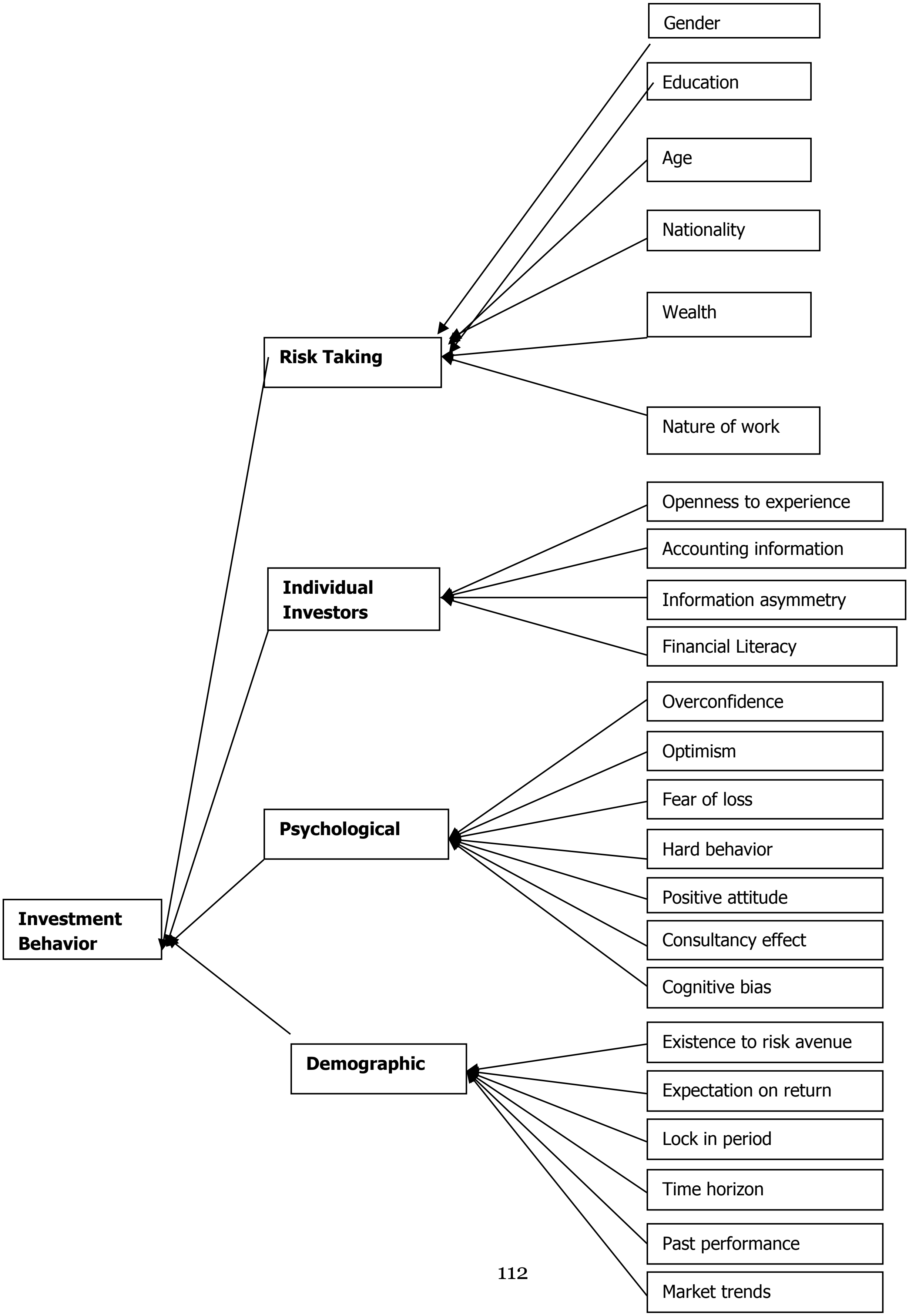
3. Psychological Factor

Psychology of a person differs and it affects their investment behavior. Personalities Traits are stable dimensions of personality along with people vary, from very low to very high.

Figure 3: Psychological factor affecting investment behaviour



2.2 Theoretical Frame Work:


Gender
Education
Age
Nationality
Wealth
Risk Taking
Nature of work
Openness to experience
Accounting information
Individual Investors
Information asymmetry
Financial Literacy
Overconfidence
Optimism
Fear of loss
Psychological
Hard behavior
Positive attitude
Investment Behavior
Consultancy effect
Cognitive bias
Existence to risk avenue
Demographic
Expectation on return
Lock in period
Time horizon
Past performance
Market trends

Conclusion:

In today's era women represent almost half of the workforce and they are the owner or manager of a different organization. One of the roles working women play in their life is an investor. At every stage of life, they are taking a range of investment decision which is essential for realizing their dreams for tomorrow. Earning money is not only enough for becoming financially independent, but it is also equally important to invest money wisely. This research was conducted to explore different factors affecting women investors in India. Factors affecting investment behaviors are risk-taking behavior of investors, individual, demographic and psychological factors. Risk-taking behavior of investors is affected by—gender, age, education, wealth, nationality, nature of work. Individual factors affect investment behaviors are openness to experience, Accounting information, Information asymmetry, Financial Literacy. Existence to risk avenue, Expectation on return, Lock-in period, Time horizon, Past performance, Market trends are the demographic factors which affect investment behavior. Psychology of investors also affects their behavior of investment. Psychological factors which affect investment behaviors are overconfidence, optimism, fear of loss, hard behavior, positive attitude, consultancy effect, cognitive bias.

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