

Examining the Impact of Psychological and Social Factors on Investment Decision Making among Financially Independent Indian Women

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Abstract

Women, all over the world are now taking the initiative to put their skills to work in order to earn a living. The working women investment has a significant role in the economic development of nations. Women's equality in society is achieved through increased awareness. Females' economic standing in society can be improved by encouraging them to invest in a variety of investment opportunities. women are now becoming aware of making investment in shares mutual funds, insurance and fixed deposits, however, the aged women prefer investment in the real estate. In the past, women were not as conscious of investment trends as men were. This study examines the various psychological and social factors affecting financially independent women towards investment in general.

Key words - Independent women, Culture, Family, Investment, Emotional Intelligence, Financial Literacy.

1. Introduction

The development of the society is gauged from the improvement in the condition of females. During earlier times, men were the only earners in the family. The rest of the family members, children, wives, sisters, younger's, parents are dependent on only one person for their daily expenses. The scenario has drastically changed in the past few years and women are also coming in front and contributing to the growth of the nation by developing new entities.

Women, today, control 32 % of the world's wealth and are adding \$5 trillion to wealth globally every year. McKinsey reported that working towards advancing gender equality could add \$13 trillion to global GDP in the next 10 years. Financial advisors and asset managers have taken time to recognise and include this powerful group of decision-makers, but it's never too late in the current scenario. A recent survey conducted by RBC Wealth Management shows that 74 per cent of women were interested in increasing their share of investments in their current market scenario and were significantly more likely than men to have an interest in learning more about investing. According to Green Money Journal, 90 per cent of millennial women say social and environmental issues are very important to them and drive their decision-making.

1.1. **Statement of the Problem:** Recent research has indicated that individuals do not rationally behave every time and the same is applicable for Indian female investors too. Thus, behavioural finance researchers have applied great effort towards this aspect and understanding that leads to female investors to make financial decisions. Therefore, this study contributes to the existent literature. The study talks about financial Independent women who are earning money/ having capital gains for their own and are characterized by the freedom to take their own decision without being emphasized or constrained/controlled by others limitation/s.

1.2. **Objectives of the study:** The study aims to examine impact between psychological factors among financial independent women and their investment behaviour

- To examine the impact of psychological factors on investment decisions of financially independent women

- To evaluate the impact of psychological factors on investment decisions financially independent women.

1.3. **Hypothesis:** Hypothesis undertaken to meet the objective of this study are:

- H1- Emotional intelligence (Psychological factor) has significant effect on investment decision.
- H2 - Financial Literacy (Psychological factor) has significant effect on investment decision.
- H3 -Family (Social factor) has significant effect on investment decision.
- H4- Culture (Social Factor) has significant effect on investment decision.

2. Literature Review

Veena M (2020) observed the key factors that influence women investment behaviour. Psychological factors like level of confidence, belief in investment avenues, optimism of investors. The factors showed a proportional relationship with investment behaviour. Yash P and Neha S (2020) perceived the investment predilection of working women. The study scrutinized that there are few women in Mumbai who are not still alert of the investment possibilities and mostly the married women are dependent on their husbands for making decisions. Poonam S and Navdeep K (2019) explored the factors influencing the employed women of the education sector in Punjab for investment attitudes.

Rajeswari T and Eronimus A. (2019) the learning suggested that women should facilitate themselves in making decisions. Women entrepreneurs are unable to take decisions because of lack of knowledge the other hand urban women entrepreneurs are well literate are having proper knowledge but still, they are unable to take decisions on time. Tripathy (2014) conducted study on the role of psychological biases on the cognitive decision making process of individual investors.

Emotional Intelligence Olson (2006) expressed that emotions which rational choice theory has ignored, however, could have an impact on financial behaviour. Emotions are thought as disordered interims of mental activities in western tradition (Salovey and Mayer, 1990). In this respect, individuals in rational choice process have to share their energy and time between solving their problem and hence making a decision and regulating their emotional activities. Jhatiya V N and Vyakhyata S (2018) conducted the research to evaluate 1 the investment preferences, and socio-economic background of working women. The findings of the study were that private sector employed women were playing a big part in economic activities. Wamae (2013), in his study concludes that herding has positive significant impact on investment decision making. Lim (2012) in his study had examined the relationship between psychological biases, namely the overconfidence bias, conservatism bias, herding and regret and the decision making of investors in the Malaysian share market and found out that overconfidence, conservatism bias and regret have positive significant impacts on investors' decision making.

By making connection between psychological theory and practice of finance, behavioural finance has helped to explain difficult and sophisticate problems which cannot be illustrated clearly by traditional economic theory and traditional finance theory (Dao & Ton, 2014)

3. RESEARCH METHODOLOGY

The research methodology generally describes various research methods, approaches and designs in detail with highlight of those used throughout the study. Descriptive and analytical research design along with regression analysis including reliability statistics (Cronbach Alpha) is used under this study. Convenience sampling is used here as primary data and various journals, articles and websites were used as secondary source. The data are analysed using the Statistical Package of the Social Science (SPSS, 20.0).

3.1. Population and Sample

Study sample comprised of 400 financially independent women across India, either self-employed or employed. In data collection process, google forms were distributed to the various people and motivated them and their female counterparts to participate in the questionnaire. In this manner, the random sampling method giving equally chance to everyone who could get the questionnaire and had the inclination of filling it. As far as demographics is concerned, it is observed as 75% of the respondents are graduates at least. Hence, it is assumed that they have to have reading comprehension and proper indulgence to answer the questions. 50% of the respondents belong to TIER-I cities. The females aged between 30 and 40 accounted for nearly 77% of the sample. 55% females are married individuals. Briefly, it can be said that study sample comprised of relatively high educated and young females and dispersed equally in terms of employment and marital status.

3.2. Variables The study includes four fundamental variables; Two of them are Psychological (Emotional intelligence and Financial literacy and other two are Social (Family/Reference groups and Culture) as independent variables. The criteria for investment decision chosen by the women investors are considered as dependent variables that are Investment risk and repayment from the Investment.

3.3. Analysis

KMO and Bartlett's test of sphericity

KMO is a test conducted to examine the strength of the partial correlation (how the factors explain each other) between the variables. KMO Test was conducted to know if sample size is enough or not. It was calculated as 0.816 i.e. above acceptable level (good). The Bartlett's test of Sphericity was performed to test the null hypothesis that the correlation matrix is an identity matrix. Barlett sphericity test value was calculated as 2.879,103 at 0.000 significance level (Refer Table 1). It implies that that there is no relationship between variables and the observations are suitable for factor analysis.

Table 1- KMO and Bartlett's test

Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy		0.816
Bartlett's test of Sphericity	Approx. Chi Square	2.879,103
	df	183
	Sig.	.000

To test research hypotheses, firstly factor analysis and subsequently reliability analysis have been done (refer Table 2).

Table 2 shows eigenvalue, percentage of explained variance, reliability results and item numbers of each factor. Factors from F1 to F6 was called in the following way: F1: Emotional intelligence, F2: Financial Literacy, F3: Family /Reference Groups F4: Culture), F5: Investment decision criterion (risk), F6: Investment decision criterion (repay). correlation analysis, to examine the possible relationships between variables was performed after Validity & reliability analysis. Additionally, risk and repay criteria of investment decision have a positive association between each other with the value above 0.50 and at 0.000 significance level.

TABLE-2 VALIDITY & RELIABILITY ANALYSIS

Validity & Reliability	Emotional Intelligence (F1)	Financial Literacy (F2)	Family/Reference Groups (F3)	Culture (F4)	Investment Risk (F5)	Investment Repayment (F6)
	S4	S11	E3	K1	K11	K18
	S8	S14	E4	K3	K12	K19
	S6	S15	E5	K4	K13	K20
			E6	K5		
Eigenvalues	2.868	3.043	3.233	3.6588	3.060	3.700
% of variance	2.102	2.225	2.594	2.226	2.189	2.463
Reliability	0.469	0.610	0.903	0.779	0.863	0.852

TABLE 3- CORRELATION ANALYSIS

F	F6	F5	F4	F3	F1	F2
F6	1	0.532**	0.452**	0.075**	0.223**	0.432**
F5		1	0.158**	0.363**	0.332**	0.458**
F4			1	0.322**	0.365**	-0.362**
F3				1	0.289**	0.258**
F1					1	0.145**
F2						1

***p<0.05

3.4. Risk Criterion: To determine the motives of women investors focusing on risk criterion of investment decision, stepwise regression analysis was performed (Table 4). Correlation analysis indicated that there were two variables related to risk criterion: F4: Culture (0.452**), F2: Financial Literacy (0.432**), F1: Emotional Intelligence (0.223) (Refer Table 3). All models were at significant at 0.000 level.

TABLE 4- Stepwise regression results for risk criterion

	Variables	Statistics coefficient β	Significant	Adjusted R ²	Significant
1	Financial Literacy (F2)	0.489	0.000	0.205	0.000
	Family/Reference groups(F3)	0.390	0.000		
	Emotional Intelligence (F1)	0.071	0.941		
2	Financial Literacy(F2)	0.102	0.121	0.239	0.000
	Culture(F4)	0.283	0.166		
	Family/Reference groups(F3)	0.433	0.000		
	Emotional Intelligence (F1)	0.390	0.019		

TABLE 5- Stepwise regression results for Repayment criterion

	Variables	Statistics coefficient β	Significant	Adjusted R ²	Significant
1	Emotional Intelligence (F1)	0.887	0.000	0.322	0.000
	Family/Reference groups(F3)	0.311	0.046		
2	Culture(F4)	0.572	0.000	0.127	0.000
3	Financial Literacy(F2)	0.948	0.000	0.139	0.000
	Culture(F4)	0.156	0.412		
	Financial Literacy (F2)	0.046	0.000		
4	Emotional Intelligence (F1)	-0.125	0.001	0.469	
	Family/Reference groups(F3)	0.467	0.000		0.000

Repayment Criterion to identify the determinants of repayment criterion of women investment decision making, stepwise regression analysis was performed (Refer Table 5). Correlation analysis showed that there are 2 variables in relation to repay criterion: F2: financial Literacy (0.458**), F3: Family/Reference Groups (0.363**), (Refer Table 3). All models were significant at 0.000 level. Yet, all variables except Family/Reference Groups and financial literacy were not able to be significant even at 0.10 level (Table 4). It is therefore distinguished that financial literacy coefficient also became significant in estimating repay criterion of investment decision. This is notably important finding since financial literacy is, indeed, required in order to compute repay expectation of any investment alternative. The independent variable with higher level of β has higher impact on dependent variable

4. RESULTS & CONCLUSION

On the basis of the findings of the study, it is very clear that psychological factors along with social factors play an effective role in influencing financially independent women to make their investment decision. Factors F2 (Financial Literacy), F3(Family/ Reference Groups) and F1(Emotional Intelligence) play a pivotal role in determining the risk taking capability of financial independent women. The repayment from Investments and the opportunity to gain from the investments is highly dominated by the factors such as F2(Financial Literacy), F1(Emotional Intelligence) and F4(Culture).

In this study, financially independent women's' thoughts of investment decision criteria have been argued from the behavioural finance perspective. Within this framework, risk and repayment criteria of investment decisions have been tried to be explained with Emotional Intelligence, Financial Literacy, Family/Reference groups and Culture level. In this regard, this can be considered as one of the primary studies. This study has argued two components influencing financial independent women's' investment decision and all analyses have been individually performed for these two components. This study revealed that social and psychological factors have significant impact on financial risk taking behaviour. Similarly, repay expectations have importance on investment decision. According to this study results, repay criterion of individuals are

influenced by their Emotional Intelligence and Financial Literacy levels. These findings imply that financial independent women are confident and optimistic about the future, are more likely to save and demonstrate better financial behaviour and make better investment decisions.

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