Original Article
ISSN (Online): 2582-7472

ShodhKosh: Journal of Visual and Performing Arts
January- June 2024 5(1), 2904–2911

BEHAVIORAL FINANCE AND GENDERED PATTERNS IN INVESTMENT CHOICES

Surabhi Sugathan[1,2], Dr. Amit Kumar[3]

[1] Research Scholar, Om Sterling Global University
[2] Assistant Professor, Metas Adventist college, India
[3] Associate Professor, Om Sterling Global University, India

Corresponding Author

Surabhi Sugathan,
Surabhi12890@gmail.com

DOI
10.29121/shodhkosh.v5.i1.2024.3141

Funding: This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

ABSTRACT

This research explores behavioral finance to understand gendered investment choice patterns and focuses on how cognitive biases, emotional influences, and social factors shape financial decision-making. Thus, this study also examines several important data from various secondary sources such as women demonstrating a minimum of 72% higher participation in health insurance and 74% higher participation in life insurance than men. In contrast, fixed deposits are recurring at a rate of 54% for men and 49% for women to 46%. Using a mixed methods approach highlights disparities in investment choices and outcomes and provides a gender gap in financial decision-making in particular. In addition, the research, sustained with inductive methods and qualitative data, guides policymakers and financial institutions in developing gender-sensitive strategies that increase equitable investment opportunities and address biases in financial behaviors.

Keywords: Investment, Behavioral finance, Financial literacy, Investment

1. INTRODUCTION

BACKGROUND

Behavioral finance emphasizes the role of cognitive biases and heuristics in shaping investor behaviors. Biases like overconfidence, and decision-making that diverge from rational expectations. Psychological factors like herd mentality, strong participation, and strong tendency. Moreover, the psychological factors that affect business such as loss aversion, confirmation bias, regret aversion, mental accounting and herd bias. Thus, behavioral finance deals with the impact of psychological factors on investment decisions and sudden drops in the price of stock. Financial savings there are significant differences in choosing to allocate their investing money (Pompian *et al*., 2012). Also, the differences depend on many things but often it is investing in risky assets. Gender differences have also been shown to play in investment decisions as women often invest less in stocks to consciously take less financial risk in their portfolios. In general, males tend to be the ones to take greater risks. Also, 80% to 90% of females are responsible for their finances at some point in their lives. In addition, females are perceived to be less risk-prone than males and ceiling on how they can climb the corporate ladder (Fish, 2012).

Aim:
This research aim is to investigate behavioral finance and gendered patterns in Investment choices.

Questions:
- What are gender patterns in investment and their performance in investment?
- What is the role of financial literacy in reducing behavioral biases between male and female investors?
- What strategies and digital platform tools influence and change traditional gender investment patterns?
- What are the effects of gender-specific social and cultural factors on gender patterns of financial decision-making?

Objectives:
- To investigate gendered patterns in investments and their separate performances in investments.
- To analyses the role of financial literacy in mitigating behavioral biases among male and female investors.
- To identify strategies and influences of digital platform tools on changing traditional gendered investment patterns.
- To evaluate the impact of gender-specific societal and cultural factors shaping gendered patterns in financial decision-making.

Research Significance:
This research highlights the critical role of gender dynamics in behavioral finance and offers insights into biases influencing decisions. By addressing disparities and identifying strategies to increase equitable practices in its financial institutions in tailoring gender-inclusive policies and tools and improving decision-making in the investment landscape.

2. LITERATURE REVIEW
Behavioral finance examines the psychological influence on financial decision-making, revealing deviations from traditional assumptions of rationality. Gendered patterns in investment choices are also crucially focused on studies showing distinct behavioral differences between men and women. Women generally gravitate towards safer options like bonds and savings accounts, this tendency reflects a cautious approach driven by financial security priorities (Annamaria, 2023). Therefore, men are often influenced by overconfidence and engage in higher-risk investments such as stocks and cryptocurrencies. Loss aversion also plays a key role as women tend to avoid frequent trading to minimize potential losses that also reflect a conservative approach. Men are also action-biased and actively adjust portfolios often aiming to capitalize on market trends (Mutai, 2024). Thus, behavioral finance combines a psychological and economic purpose. Also, it helps us to understand why people make certain financial decisions. By looking at the psychology behind these choices also investors make mistakes and then they resolve them. Also, behavioral finance focuses on money matters that do not assume investors always act rationally.

3. METHODOLOGY
This research about behavioral finance and gender patterns in investment also maintains secondary data to explain crucial parts of gender enrollment in investment. Thus, this research utilized qualitative methods, and thematic analysis to evaluate behavioral finance and gendered patterns in investment choices. Secondary data was chosen to leverage existing and reliable studies on gendered investment behaviors and resources. Therefore, thematic analysis is employed to identify recurring themes such as risk tolerance and decision-making styles, across diverse data sources (Peel, 2023). Therefore, using secondary sources also includes academic journals and industry reports that ensure comprehensive credible information. Therefore, the inductive approach is adopted to explore emerging patterns without imposing a predefined hypothesis allowing themes to naturally develop from the data (Proudfoot, 2023). Moreover, it also collects crucial information from academic journals, industry reports, and case studies and ensures access to comprehensive credible information.

4. RESULTS & DISCUSSION

4.1 Risk Tolerance Variations Across Genders

Risk tolerance is also the most crucial factor because it is also maintaining decision making often varying significantly across genders. Behavioral finance research consistently shows that men exhibit higher risk tolerance compared to women.

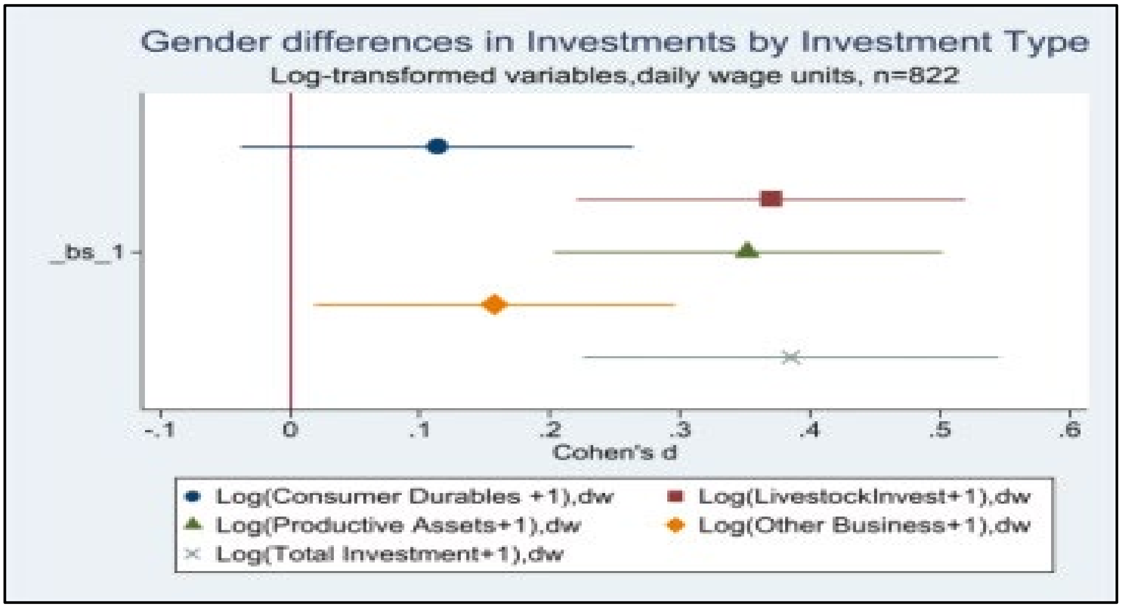

Figure 4.1: Gender differences in Investment-by-Investment Type (Source: Stein *et al*, 2022)

Gender and risk tolerance in the general trend that women are less risk tolerant than men. Women tend to adopt more conservative financial decisions like investing in lower-risk assets like certificates of deposit compared to men who suffer from higher risks. Thus, variables like marital status and education significantly influence risk tolerance (Stein *et al*, 2022). Moreover, single women have lower risk tolerance than single men because in education students both have some opportunities but especially opportunities for women or girls that cause men or boys to face many situational unexpected complexities than girls.

4.2 Gender-Based Preferences in Asset Classes

Gender-based preferences in asset classes highlight distinct investment behaviors. Men often favor riskier assets like equities and women lean towards safer options such as fixed deposits.

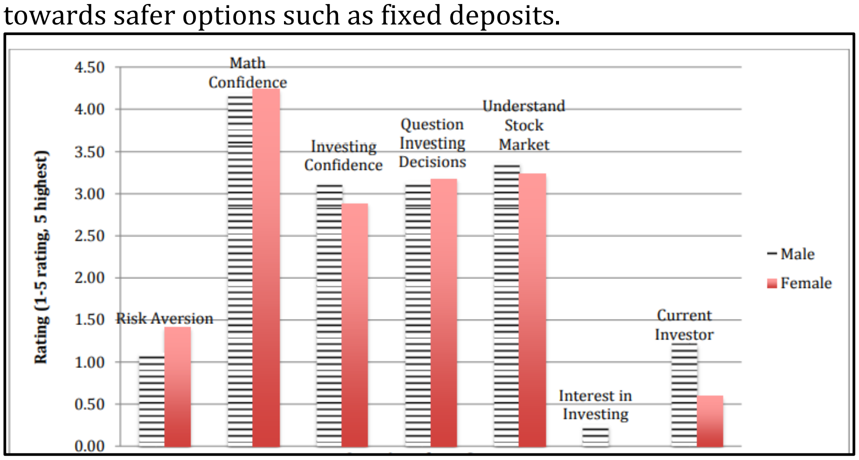

Figure 4.2: Gender Effects on Investing Decisions (Source: Jenna Leigh, 2012)

This included that females are more risk averse than males. In a sample, males on average were more confidential in their investing decisions and less likely to question their choice in investment. Thus, this chart also evaluates male and female responses to investment-related attributes that are rated from 1 to 5 (Jenna Leigh, 2012). Males demonstrate higher confidence in math, investing and understanding the stock market. Interest in investing is similar for males and females as current investors. These patterns also highlight gendered differences in confidence, suggesting that women approach investing more confidence. Bridging these gaps also requires financial education and strategies to encourage female participation in investment strategies.

4.3 Emotional Bias in Investment Decision-Making

the gender behavior in investment where it is clear that women approach financial decision making and they are also generally more conservative investors for every higher type of aversion and prefer risk avenues like fixed deposit health insurance.

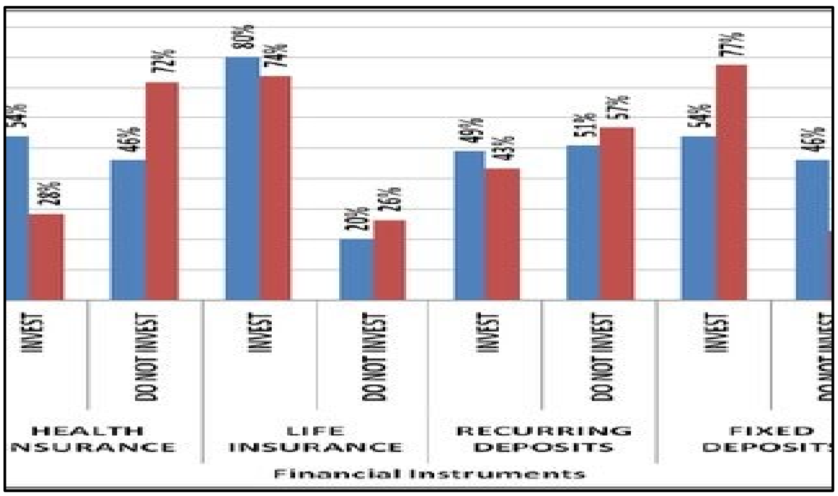

Figure 4.3: Gender differences in investment behavior among employees (Source: Puneet *et al.*, 2013)

In contrast, it is also known that women handle consumer performance more than male participants. They also try to establish a specific stage between the customer and their investigation and they also can give their customers more comfortless than male investors. In contrast, men demonstrate a greater inclination toward riskier investments like market linked toward riskier investment strategies and equities level in investment (Puneet *et al*., 2013). Moreover, women are also focused on financial security and stable returns but men also notice the variability in outcomes. Thus, here this included graph also illustrates gender differences in investment preferences for financial instruments. Women exhibit higher participation in health insurance minimum 72% and life insurance 74% compared to men. In contrast, men also recurring fixed deposits at 54% and women at 49% to 46%. These trends reflect women's preference for secure life insurance while men lean slightly more toward stable, interest-earning deposits.

4.4 Influence of Financial Literacy on Gendered Choices

Financial literacy significantly shapes gendered investment choices. Women who maintain higher financial knowledge tend to diversify portfolios, including mutual funds and stocks. Thus, men often display greater confidence in financial decisions and invest more in riskier assets that also developing financial education bridges gender disparities.

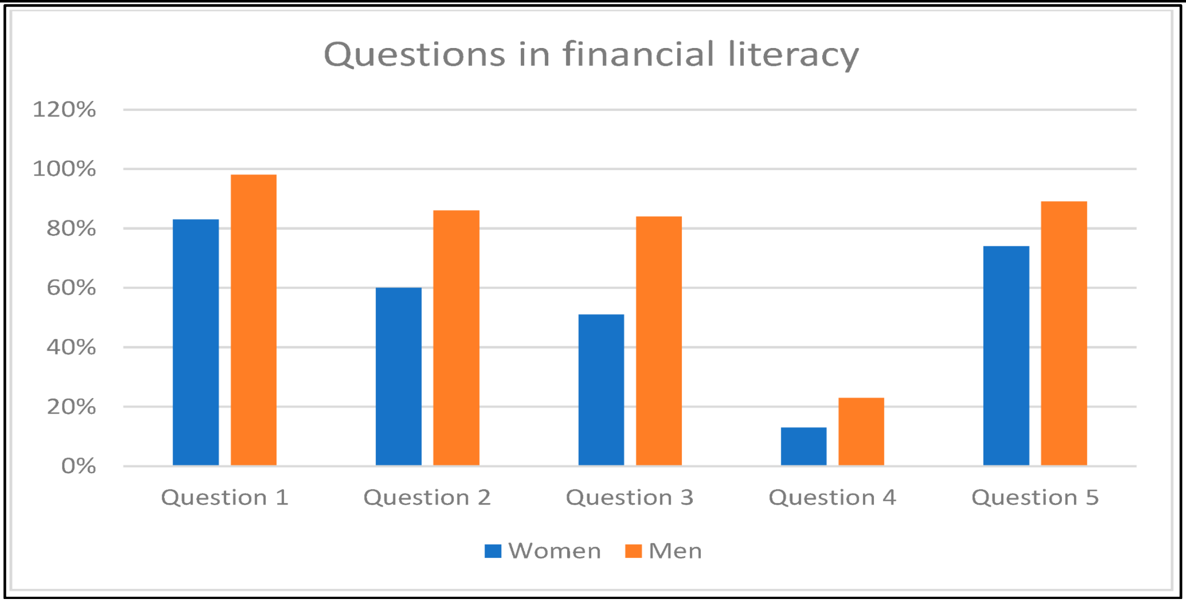

Figure 4.4: Question financial literacy (Source: Sigurdur *et al.*, 2022)

The abovementioned figure also evaluates that men outnumber women in financial literacy, answering 89% of key mortgage questions correctly compared to 74% for women. Thus, regression analysis reveals gender, age and education significantly influence financial literacy. Men are slightly more likely than women to have completed upper women having completed this level of schooling (Sigurdur *et al.*, 2022).

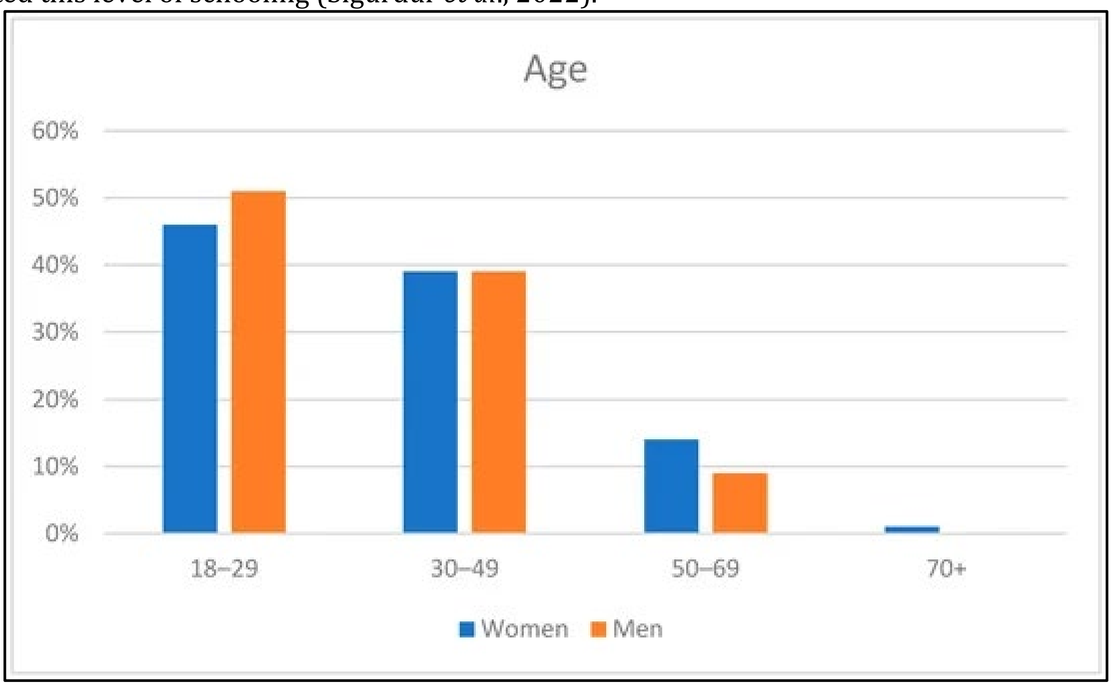

Figure 4.5: Age qualification in investment ratio (Source: Sigurdur *et al.*, 2022)

The above included figure illustrates that 51% of men and 48% of women have completed this level of schooling. Women, on the other hand, are more likely than males to have completed university study at the undergraduate level with 29% of women. However, only 29% of men are likely to complete their university studies, which also affects the investment sectors.

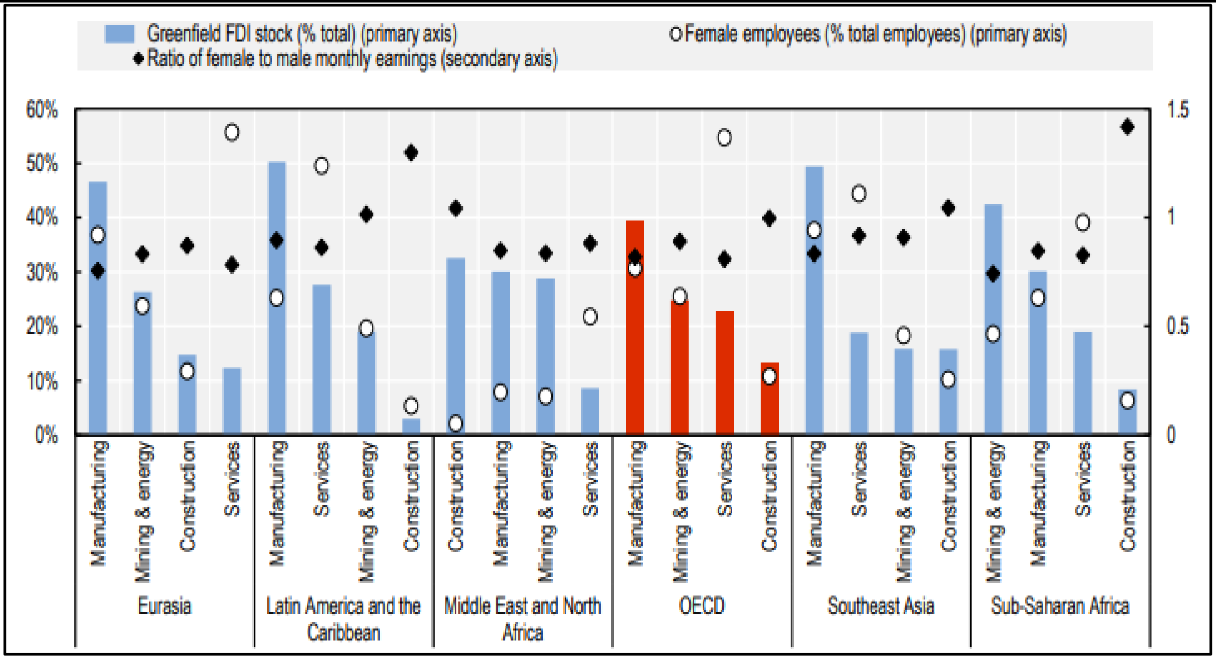

Figure 4.6: Gender FDI stock (Ratio of female to male earnings) Source: (Letizia *et al.*, 2023)

Here the above also illustrates the gender FDI stocks in different countries' portfolios. Also, in most countries, foreign affiliates of MNEs are productive and pay higher wages than domestic firms. This is because foreign firms are also trending to be larger and more technology-intensive which reason also accesses the technologies of parent companies. But such countries like the Middle East, North Africa, and Southeast Asia also stand in higher positions by women ownership (Letizia *et al*., 2023). Also, the OECD area in all regions under analysis has on average higher shares of female employees than domestic firms.

4.5 Impact of Income and Economic Factors

Gender equality has a strong and positive impact on gross domestic product and its investments while growing over time. Also, know that by 2050 its improving gender equality would lead to an increase in EU per capita by 6.1 to 9,6% while amounting to €1.95 to €3.15 trillion.

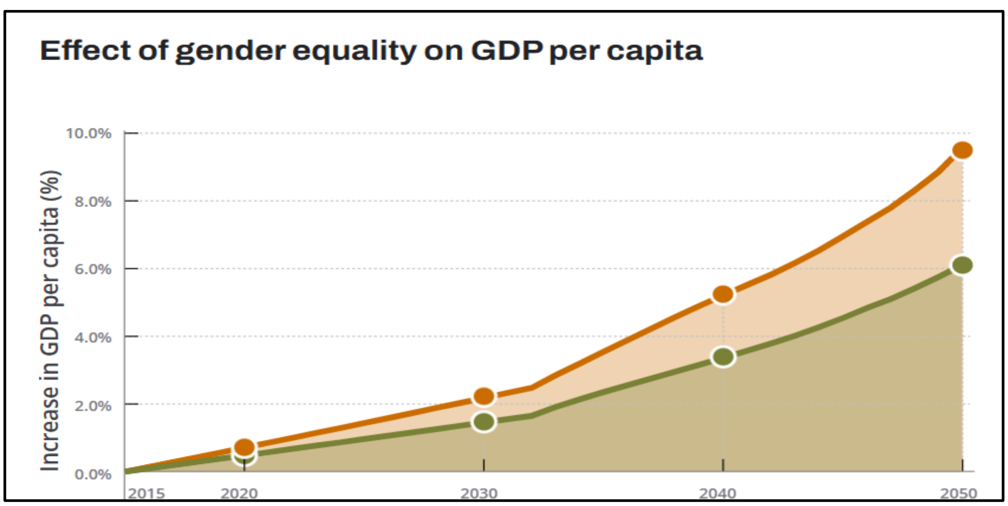

Figure 4.7: Effect of gender equality on GDP per capita (Source: Europa, 2024)

The abovementioned figure evaluates how gender equality affects GDP per capita. Thus, compared with labor market and education policies, they have a strong impact on GDP. Thus, EU member states would lead to a 2.2% increase in EU

GDP in 2050 (Europa, 2024). Thus, some of the other economic factors can impact gender behavior in many ways like income inequality. Gender wage gaps and unequal labor force participation rates contribute to income inequality. Thus, in the tax system, women participate in the labor force. For example, family taxation can apply a higher tax wedge to secondary earners who are often married women (Europa, 2024). Also, monetary policy shocks have specific gendered effects on the lab our market. Men's employment may fall more and women's aftershocks with contractionary monetary policy shocks.

4.6 Behavioral Patterns in Long-Term vs. Short-Term Investments

Risk perception:

Women generally exhibit a preference for long-term investments such as retirement accounts or real estate due to their risk aversion and focus on financial security. On the other hand, men are also driven overconfident, and lean toward short-term investments like stocks for quicker returns despite higher volatility.

Emotional influence:

Behavioral loss aversion affects both genders but manifests differently. Women are also cautious and avoid trading to minimize losses. Other side, men are prone to action bias in short-term investments (Teixeira *et al*., 2021).

Decision-making style:

Women rely on detailed research and long-term financial goals but men make quick decisions influenced by market trends and priorities short-term gains.

Impact of financial literacy:

Enhanced financial literacy also increases a balanced approach. Men improve short-term strategies with better risk assessment leading to disciplined trading (Alhawamdeh, 2023). But women with high literacy increasingly invest in growth-focused, long-term instruments like equities.

5. CONCLUSION

In conclusion, this research explores gender dynamics in investment decision-making through the lens of behavioral finance and emphasizes how psychological factors and risk preferences shape investment behavior. It also reveals that men tend to exhibit higher risk tolerance while women often priorities stability. Such differences impact portfolio diversification and long-term financial goals. Moreover, recognizing specific dynamics and charts from several secondary sources to improve the research. Thus, addressing gender biases and increasing financial literacy evolve toward equality and empowering individuals to make informed and confident financial decisions.

CONFLICT OF INTEREST

None

ACKNOWLEDGEMENTS

None

REFERENCES

Alhawamdeh, H., Al-Eitan, G.N., Hamdan, M.N., Al-Hayek, Y.A.M., Zraqat, O., Alhawamdeh, A.M., Hussien, L.F. and Alkhawaldeh, B.Y., 2023. The role of financial risk tolerance and financial advisor management in mediating the relationship between financial attitudes, financial knowledge, financial anxiety, and sustainable financial retirement planning. Journal of Namibian Studies: History Politics Culture, 33, pp.5071-5100. Available at https://dx.doi.org/10.29121/shodhkosh.v5.i1.2024.3141

Annamaria Lusardi Olivia S Mitchell, 2023. Financial literacy: The importance of a new field. Available at https://dx.doi.org/10.29121/shodhkosh.v5.i1.2024.3141

Europa, 2024. Economic Benefits of Gender Equality in the European Union. Available at https://eige.europa.eu/newsroom/economic-benefits-gender-equality[Accessed on 08.12.2024].

Fish, J., 2012. Behavioural Finance: A study of gender effects on investing decisions. https://conservancy.umn.edu/handle/11299/132175 [Accessed on 08.12.2024]. Letizia Montinari, 2023. Harnessing foreign direct investment for gender equality. Available at https://dx.doi.org/10.29121/shodhkosh.v5.i1.2024.3141[Accessed on 08.12.2024].

Mutai, N., Katusiime, J., Dervishaj, V. and Popoola, O.M., 2024. Roadmap towards gender equality: analyzing the influence of foreign direct investment on wage dynamics. Available at https://scholar.archive.org/work/hw3mfbiw7jewpctj5usb6kqvau/access/wayback/https://assets.researchsquare.com/files/rs-3936840/v1/a93cbb95-e857-4835-b99f-fdba5ab5a19f.pdf?c=1707499322 [Accessed on 08.12.2024].

Peel, E. and Newman, H.J., 2023. "I don't think that's something I've ever thought about really before": a thematic discourse analysis of lay people's talk about legal gender. Feminist Legal Studies, 31(1), pp.121-143. Available at https://link.springer.com/article/10.1007/s10691-022-09508-3 [Accessed on 08.12.2024].

Pompian, M.M., 2012. Behavioral finance and wealth management: how to build investment strategies that account for investor biases (Vol. 667). John Wiley & Sons. Available at https://books.google.com/books?hl=en&lr=&id=QNDQQA0zZcYC&oi=fnd&pg=PR23&dq=Behavioral+finance+emphasizes+the+role+of+cognitive+biases+and+heuristics+in+shaping+investor+behaviours.+Bi&ots=Zrr3IcE4qP&sig=TVdgmZ3tT7A7zirQDXvBTNZcwQM [Accessed on 08.12.2024].

https://dx.doi.org/10.29121/shodhkosh.v5.i1.2024.3141

Puneet Bhushan, Yajulu Medury, 2013. Gender differences in investment behaviour among employees. Available at https://www.google.com/url?sa=i&url=https%3A%2F%2Fwww.researchgate.net%2Fpublication%2F264354342_Gender_differences_in_investment_behaviour_among_employees&psig=AOvVaw3SC72gKdPhWN35Ek9s3f1y&ust=1733767591902000&source=images&cd=vfe&opi=89978449&ved=0CBcQjhxqFwoTCMDL893hmIoDFQAAAAAdAAAAABAE [Accessed on 08.12.2024].

Sigurdur Gudjonsson, Inga Minelgaite,Kari Kristinsson and Sigrún Pálsdóttir, 2022. Financial Literacy and Gender Differences: Women Choose People While Men Choose Things? Available at https://www.google.com/url?sa=i&url=https%3A%2F%2Fwww.mdpi.com%2F2076-3387%2F12%2F4%2F179&psig=AOvVaw0-OaLEEqq9ugUwwA82kDD5&ust=1733767589234000&source=images&cd=vfe&opi=89978449&ved=0CBcQjhxqFwoTCNCVot3hmIoDFQAAAAAdAAAAABAE [Accessed on 08.12.2024].

Stein T. Holden, Mesfin Tilahun, 2022. Are risk preferences explaining gender differences in investment behaviour? Available at https://www.sciencedirect.com/science/article/pii/S2214804322001203 [Accessed on 08.12.2024].

Teixeira, M.A., 2021. Behavioural Biases and Choices of Capital Structure: A Sample from Portugal (Master's thesis, Universidade Católica Portuguesa (Portugal)). Available at https://search.proquest.com/openview/80c6a381774a6a7f2b1e952b6c408957/1?pq-origsite=gscholar&cbl=2026366&diss=y [Accessed on 08.12.2024].