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Does psychological factors enhance women empowerment through saving and investment? Evidences from Coimbatore

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Abstract

This study examines the influence of psychological factors on women's savings and investment behaviour and their role in enhancing economic empowerment in Coimbatore. Primary data were collected from 150 women respondents using a structured questionnaire administered through a convenient sampling method. Mean score analysis was employed to assess the importance of various factors and objectives considered in financial decision-making. Findings indicate that respondents generally agree on the significance of psychological and financial factors such as availability of options, family situation, past experience, and service quality in shaping their choice of savings and investment patterns, with an overall mean score of 3.63. Similarly, objectives including children's education, financial stability after retirement, and generating regular future income received an overall mean score of 3.60, reflecting respondents' prioritization of these goals. These results underline the critical role of psychological considerations like risk perception, self-control, financial self-efficacy, and future orientation in guiding informed financial choices and enhancing women's financial independence. The study provides evidence that psychological factors serve as strategic enablers of women's empowerment through savings and investment, highlighting the need for targeted interventions to strengthen financial literacy and decision making capacity.

Keywords: Psychological factors; savings and investment; women empowerment

1. Introduction

Savings and investment are integral components of a nation's economic development and individuals' personal financial management. They influence both short-term and long-term financial goals. Although the objectives of saving and investing are universal the factors that influence these behaviours vary widely and cannot be attributed to a single determinant.

Men and women also differ in their perceptions of money. Men often regard money as a symbol of success, whereas women tend to view it as a safety net and, at times, a source of anxiety. And there is gender gap in income and economic opportunity (Oloo & Parkes, 2021)^[13]. These structural inequalities negatively influence women empowerment (Manhas, 2025). financial decision-making is shaped by a combination of socio-cultural, economic, environmental, and psychological factors. Among these, psychological factors play a particularly significant role in influencing women's saving and investment behaviour.

According to Mental Accounting Theory (Thaler, 1999)^[18], individuals especially women plan their savings and investments across different stages of life and mentally allocate funds for specific purposes such as education, retirement, and emergencies. Shefrin (2000)^[15] further emphasized that psychological factors strongly affect an individual's decision-making style. These psychological influences are shaped by both internal and external elements, including human capital, behavioural biases, life-cycle perspectives, and institutional frameworks.

Evidence suggests that women belonging to higher economic strata tend to experience better mental well-being across different contexts, including South Africa, rural India (Weiss & Mabey, 2001). Financial decisions are not solely influenced by income, education, or socio-economic status; psychological factors play a critical role in shaping individuals' financial behaviour, particularly among women. Although humans are generally considered rational decision-makers, their financial choices often differ based on factors such as financial socialization and risk perception (Barber & Odean, 2001; Bajtelsmit & Bernasek, 1996)^[3, 2].

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Conversely, limited access to resources restricts individuals' capacity to make meaningful choices, undermining their agency. In this context, women's empowerment fundamentally involves enhancing access to material, economic, institutional, social, and informational resources, thereby strengthening their capacity for autonomous decision-making (Kabeer, 1999) [7]. Despite the increasing participation of women in the workforce and financial markets, many continue to exhibit risk and loss aversion, often adopting cautious investment patterns due to household financial responsibilities and a preference for security over higher returns (Charness & Gneezy, 2012) [4]. Understanding the influence of psychological factors on women's saving and investment behaviour is crucial for enhancing financial literacy, fostering informed decision-making and promoting the adoption of diversified financial strategies. Therefore, this study seeks to examine the extent to which psychological factors contribute to women's empowerment through savings and investments and to identify the key psychological determinants that shape their financial choices.

2. Review of Related Literature

Understanding the factors influencing saving and investment behaviour is vital for fostering financial inclusion and strengthening women's economic empowerment. Traditional studies have primarily highlighted the role of demographic and socio-economic variables such as age, income, education, occupation, and family size in shaping financial decisions. However, recent research has increasingly recognized the critical role of psychological factors including risk perception, future orientation, self-control, and financial self-efficacy in guiding individuals' financial behaviours. These factors determine not only how individuals allocate their financial resources but also their willingness to adopt diversified investment strategies. Exploring these dimensions provides a more holistic understanding of how financial behaviour can drive women's empowerment and economic resilience. Several studies have examined the factors influencing saving and investment behaviour across different populations. Mangar *et al.* (2023) [12] found that demographic factors significantly affect both saving determinants and saving behaviour among individuals in Ludhiana. Similarly, Sumathi and Mythili (2018) [16] reported that age and educational qualification play a key role in shaping women's investment choices, with a clear risk-averse preference for safe and secure investment avenues. Kadakia (2013) [8] observed that experience, income and gender are significantly associated with savings among degree lecturers in Hyderabad, who predominantly prefer low-risk, secured investments. In a broader context, Tabak *et al.* (2022) [17] highlighted differences in financial literacy across gender, education, political orientation, and geographic region noting that low financial literacy exacerbated financial difficulties during the COVID-19 pandemic. In Ethiopia, Workineh Ayenew (2014) [20] found that income and engagement in urban agriculture positively influenced women's saving behaviour, whereas access to credit and larger family size had a negative impact; age and

education, however, were not significant determinants. Extending the perspective to entrepreneurship, Kappal and Rastogi (2020) [6] emphasized that women entrepreneurs often view investment as a long-term instrument and tend to mirror the investment behaviour of their parents reflecting both familial influence and cautious investment strategies. Beyond demographic and socio-economic determinants psychological factors have been shown to significantly enhance saving and investment behaviour. Studies indicate that traits such as risk tolerance, future orientation, self-control and confidence influence individuals' willingness to save and invest (Thaler & Shefrin, 1981; Pompian, 2006) [15, 19]. For instance, individuals with higher risk tolerance are more likely to diversify their investments and consider higher-return assets, while loss aversion and overconfidence can either hinder or motivate savings depending on perception of financial security (Kahneman & Tversky, 1979) [9]. Additionally financial self-efficacy the belief in one's ability to make effective financial decisions—has been found to positively correlate with both saving and investment behaviour (Lusardi & Mitchell, 2014). Psychological influences also interact with demographic variables; for example, women, despite having comparable financial knowledge, often display greater risk aversion which shapes their cautious investment patterns (Sumathi & Mythili, 2018; Kappal & Rastogi, 2020) [16, 6]. Collectively, these findings underscore that psychological factors, alongside demographic and financial literacy variables, play a critical role in enhancing saving habits and guiding investment decisions.

Psychological factors serve not merely as complementary influences but as strategic enablers of women's economic empowerment through saving and investment. This evidence provides a strong conceptual foundation for the present study, which seeks to examine the extent to which psychological factors enhance women's empowerment in the financial domain.

3. Methodology

The primary data was collected from 150 respondents through a structured questionnaire designed to examine key psychological factors influencing savings and investment decisions. The questionnaire comprised sections on factors considered before savings and investment, including both institutional and personal factors, as well as questions addressing the objectives of preferred savings and investment. This systematic approach provided a comprehensive understanding of the underlying motivations and considerations shaping individuals' financial behaviors. Additionally weighted mean score were calculated to assess the level of importance assigned by respondents to each variable.

4. Results and Discussion

4.1 Mean Score analysis

The study examined the factors influencing women's savings and investment decisions and the objectives driving their financial behaviour in Coimbatore district. Mean score analysis was used to assess respondents' perceptions of various factors and objectives.

Table 1: Factor Considered to Take Savings and Investment Related Decisions

Sl. No	Factor Considered to Take Savings and Investment Related Decisions	Mean Score	Average
1	Availability of options	3.99	3.63
2	Family situation	3.93	
3	Income after normal expenses	3.46	
4	Interest rates and returns	3.57	
5	Liquidity of investment scheme	3.64	
6	Maturity period	3.67	
7	Past experience	3.69	
8	Policy and procedure and related information	3.35	
9	Flexibility in premium and interest payment	3.57	
10	Level of risk involved	3.55	
11	Service quality	3.71	
12	Unexpected expenses	3.40	

Source: Primary Data

From the above table it is identified that the various factors considered for choosing appropriate savings and investment pattern among women. The mean score analysis reveals a compelling hierarchy where women's financial empowerment in Coimbatore progresses through distinct psychological stages, beginning with accessibility as the primary driver—availability of options (3.99) and family situation (3.93) form the foundational layer, indicating that empowerment initiates when diverse financial products align with domestic responsibilities. Security considerations then emerge as crucial intermediaries, with service quality (3.71), past experience (3.69), and liquidity (3.64) creating psychological comfort through trust and flexibility, while return optimization factors interest rates (3.57), payment

flexibility (3.57), and risk assessment (3.55) demonstrate a balanced approach where financial gains are weighed against practical constraints. The foundational economic realities of income after expenses (3.46) and unexpected expenses (3.40) frame these decisions, while the lowest-scoring policy procedures (3.35) highlight that bureaucratic complexity remains the primary barrier, suggesting that psychological empowerment is maximized through accessible, secure systems that accommodate women's practical realities while minimizing administrative hurdles. In other words, policy details are considered moderately important, but they do not strongly influence financial decisions.

Table 2: Objectives of Preferred Savings and Investment

Sl. No	Reason For Preferring Various Savings and Investment	Mean Score	Average
1	To secure money and life	3.26	3.60
2	To meet marriage expenses	3.51	
3	To meet children's education	4.13	
4	To manage household expenses	3.70	
5	To meet medical expenses	3.56	
6	To start a new business	3.20	
7	To have financial stability after retirement	3.79	
8	To purchase land, house, vehicle, etc.	3.67	
9	To gain regular income in future	3.73	
10	To gain tax benefit	3.47	
11	To repay my debt	3.52	
12	To meet the unexpected expenses	3.66	

Source: Primary Data

The above table: 2 shows that the mean score analyses of selected twelve variables to identify the reason for preferring available savings and investment platforms among women. The objectives analysis reveals a compelling narrative of women's financial empowerment priorities in Coimbatore, where family-centric security and future planning dominate decision-making. Children's education emerges as the paramount objective (4.13), significantly exceeding the average (3.60), indicating that women's financial empowerment is fundamentally driven by intergenerational aspirations and educational security for their offspring. This is complemented by retirement planning (3.79) and regular future income generation (3.73), demonstrating a strong forward-looking orientation that balances immediate family needs with long-term personal security. Household expense management (3.70) and major asset acquisition objectives like purchasing property or vehicles (3.67) reflect practical financial stewardship, while the emphasis on meeting unexpected expenses (3.66) shows

prudent risk management awareness. The cluster of marriage expenses (3.51), debt repayment (3.52), and medical expenses (3.56) reveals a comprehensive safety-net approach where women prioritize both social obligations and health security. Tax benefits (3.47) represent a more sophisticated financial consideration, though business startup objectives (3.20) and basic money security (3.26) score lower, suggesting that while women value entrepreneurial aspirations, they prioritize established security mechanisms over entrepreneurial risk-taking. This pattern illustrates that psychological empowerment through savings and investment manifests as a multi-layered strategy where women balance immediate family responsibilities with long-term security planning, using financial instruments primarily as tools for ensuring educational opportunities, retirement stability, and comprehensive family protection rather than purely wealth accumulation or business ventures.

5. Conclusion

The study confirms that psychological factors significantly influence women's savings and investment behaviour in Coimbatore district. Respondents emphasized factors such as availability of options, family situation, past experience, and service quality when making financial decisions, while prioritizing objectives like children's education, financial stability after retirement, and generating regular future income. The mean score analysis (overall scores: 3.63 for factors, 3.60 for objectives) indicates that these considerations are widely acknowledged and actively guide financial choices.

Psychological dimensions, risk perception, self-control, future orientation, and financial self-efficacy, emerge as key determinants that shape prudent saving and investment strategies. By influencing both the choice of instruments and the objectives behind saving, these factors contribute to informed decision-making, financial autonomy, and long-term economic security. The findings provide empirical evidence that psychological factors enhance women's empowerment through savings and investments, reinforcing the importance of financial literacy programs, confidence-building initiatives, and behavioural interventions to strengthen women's participation in the financial domain.

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