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## Behavioral finance and investment decision making of working women in Karnataka: A conceptual review

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### Abstract

Behavioral finance disrupts the traditional way of thinking about money. Rather than assuming everyone behaves completely rationally, it incorporates real human psychology, emotions, routines, and instinctive decisions. In India, more women are joining the workforce, and they're not just earning; they're also making important choices about how the family's money is managed. That's why it's essential to explore what truly influences their financial decisions.

The current study explores how behavioral finance impacts the investment decisions of working women in Karnataka. By examining established theories and reviewing research from both India and other countries, the study breaks down how certain biases like overconfidence, risk aversion, mental accounting, herding, anchoring, and loss aversion are actually influence decisions of investors' particularly women investors. These aren't just technical terms; they affect how women assess risks, select investments, and make financial choices every day.

But the paper goes further. It also considers how financial knowledge and local culture blend into these decisions. This research focuses specifically on working women in Karnataka, making the findings not just general but tailored, meaningful, and useful for the region. The key message: to help women make better and more confident investment choices, financial education and guidance must be relatable and grounded in their actual behavior.

**Keywords:** Behavioral finance, investment decisions, working women investors

### 1. Introduction

#### 1.1 Background of the Study

Making smart investment choices is really central to managing finances. It's all about decide where to put earnings and savings, whether that's stocks, bonds, mutual funds, or whatever suits best to build long-term security and, ideally, real wealth. By following traditional financial theories, investors are expected to act rationally, gather all the facts, and always aim for the best possible outcome. But in reality, people don't actually behave that way. The sequence of studies find that when it comes to money, emotions, habits, and psychology decides the most.

That's where behavioral finance steps in. Instead of assuming everyone is a perfectly logical machine, it draws from psychology and behavioral economics to explain how biases, mental shortcuts, and feelings shape the financial choices one make. This is especially important for individual investors, since everyone brings their own background personal history, beliefs, and even influence from those around them can affect decisions.

#### 1.2 Working Women and Investment Decisions in Karnataka

Take Karnataka as an example. It's one of India's fastest-growing states with new industries emerging, expanding cities, and a thriving service sector. More women are joining the workforce, particularly in areas like IT, education, healthcare, banking, and public administration. With more women earning their own incomes, they're not just saving—they're making genuine investment decisions.

But the journey isn't without roadblocks. Working women still deal with persistent challenges: lower wages compared to men, career interruptions, and social expectations to be cautious with money. These issues combine with the usual mental biases, influencing how women in Karnataka approach investments and what they feel comfortable doing. To make women financial independent and support women in taking control of their financial futures,

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should understand how all these factors interact in making investment choice.

### 1.3 Research Gap and Rationale

Here's the issue: most studies on behavioral finance treat investors as one big group or focus mainly on major cities, overlooking the specific experiences of working women in regions like Karnataka. There's simply not enough targeted research exploring how women here, with their unique circumstances, actually make investment decisions or how their biases come into play. This study intends to address that gap, providing a focused, region-specific look at how working women in Karnataka are really making investment choices.

## 2. Objectives of the Study

The present study is undertaken with the following objectives:

1. To review the theoretical foundations of behavioral finance relevant to individual investment decision making.
2. To examine key behavioral biases influencing the investment decisions of working women.
3. To analyze the impact of behavioral finance factors on the investment decision-making process of working women in Karnataka.
4. To study the role of financial literacy and socio-cultural factors in shaping investment behavior.
5. To provide policy and practical implications for improving investment decision quality among working women.

### 2.1 Review of Literature

#### 2.2 Behavioral Finance: Conceptual Foundations

Behavioral finance turns traditional finance on its head. It acknowledges that investors aren't always rational, emotions and psychology have a big impact. Kahneman and Tversky's Prospect Theory makes this clear: people see gains and losses differently, with losses hurting more than equivalent gains feel good. Because of this, people often go to great lengths to avoid losses. Shefrin (2007) highlighted that these biases aren't just random; they regularly steer our financial choices away from what would be called "optimal" investing.

#### 2.3 Overconfidence and Investment Decisions

Overconfidence bias is just what the name suggests. Investors believe they know more than they actually do, and think they can outguess the market. Barber and Odean (2001) found that overconfident investors tend to trade much more frequently, which often backfires and lowers their net returns. When you break it down by gender, studies show women are generally less overconfident than men. This leads them to invest more cautiously, but sometimes that caution keeps them away from the equity markets altogether.

#### 2.4 Risk Aversion and Loss Aversion

Women investors, especially in India, are usually more risk-averse. They prefer safe investments like fixed deposits, provident funds, and insurance-things that safeguard their capital. Loss aversion is a big part of this. The pain of losing money outweighs the happiness of making money, so taking the safe route feels like the smart choice.

### 2.5 Mental Accounting and Investment Choices

Mental accounting is about how people divide their money into different mental categories. Working women often allocate funds for specific purposes children's education, medical needs, retirement, and more. This habit helps them save for particular goals, but it can also result in portfolios that aren't well-diversified.

### 2.6 Herding Behavior and Social Influence

Herding behavior happens when people follow what others are doing instead of making their own decisions. For working women, this often comes from family, friends, or co-workers. In India, social approval matters a lot, especially with new or unfamiliar financial products. Because of this, women often rely on their networks for reassurance before they invest.

### 2.7 Anchoring Bias in Financial Decision Making

Anchoring bias is when people latch onto the first piece of information they receive like an earlier investment's performance or the initial price paid. Even if new information is available, it's tough to move away from that original anchor. For women investors, this can affect when they make investment decisions and how they move their money.

## 3. Women Investors in India and Karnataka: An Overview

### 3.1 Evolution of Women's Participation in Financial Markets

For many years, women in India were excluded from financial decisions, with men in the family making the calls. This has changed over time. Education, improved job prospects, and financial inclusion efforts have helped women take charge of their own finances.

### 3.2 Socio-Economic Profile of Working Women in Karnataka

Working women in Karnataka are found in a variety of sectors-IT, teaching, healthcare, banking, and government. Their income, education, and familiarity with financial products vary widely, especially when comparing urban and rural regions. Women in cities often have better access to financial information and digital investment options, while rural women tend to favour traditional savings methods.

### 3.3 Investment Preferences of Working Women

Studies indicate that working women prefer low-risk, long-term investments. They tend to choose bank deposits, provident funds, life insurance, mutual funds, and government savings schemes. Fewer women invest in equities, mainly because they're more cautious and often don't trust the stock market.

## 4. Conceptual Framework of the Study

We've built this study on the backbone of behavioral finance and what earlier research says about how people invest. When it comes to working women, investment decisions aren't just about crunching numbers or weighing risk against reward. Emotions get involved. Mental shortcuts kick in. These things matter more than you'd think. The study focuses on major behavioral factors: overconfidence, risk aversion, mental accounting, herding, and anchoring. These have a real pull on the choices women

make about investing. The influence of behavioral biases is further conditioned by levels of financial literacy and the broader socio-cultural environment in which investment decisions are made. The study emphasizes actual about most is what women actually do, what they invest in, how much risk they're willing to take, how they spread their money around, and how long they stay invested.

The core idea here is pretty simple. When behavioral biases run high, women tend to play it safe or miss out on better investment opportunities. But with solid financial knowledge, some of those habits can shift. This framework doesn't just help us organize our thoughts. It gives a real way to understand how working women in Karnataka approach investing, and it opens the door for more research down the line.

## 5. Research Methodology

This study follows a conceptual research design. Instead of relying on primary data collection through surveys or experiments, it draws upon a detailed examination of existing scholarly work. Prior theoretical frameworks and empirical findings are critically reviewed to identify dominant patterns, gaps in the literature, and emerging insights. Through this approach, the study develops a coherent understanding of the role played by behavioral finance in shaping investment decision-making processes.

### 5.1 Sources of Data

The study relies exclusively on secondary sources of data. Academic material was collected from peer-reviewed journals, scholarly books, conference proceedings, doctoral dissertations, government publications, and official reports issued by regulatory bodies such as the Securities and Exchange Board of India (SEBI) and the Reserve Bank of India (RBI). To ensure comprehensive coverage of the literature, major academic databases including Scopus, Web of Science, Google Scholar, and SSRN were systematically consulted.

### 5.2 Inclusion Criteria

The literature review was confined to studies published between 2000 and 2024, with particular emphasis placed on research appearing from 2018 onwards to capture recent developments in the field. Both Indian and international studies were included, with a focus on behavioral finance, gender-based differences in investment behavior, and women investors. In addition, region-specific and demographic-focused studies were reviewed to obtain a contextual and comparative understanding of the subject.

### 5.3 Method of Analysis

Following the collection of relevant literature, the studies were systematically organized and analyzed based on key behavioral biases and recurring thematic areas. Findings across studies were compared to identify consistent patterns as well as areas of divergence, with particular attention given to evidence relating to working women investors. This analytical approach facilitated the identification of dominant trends in the literature and helped highlight gaps that warrant further empirical investigation.

## 6. Analysis and Discussion

Digging into the research, it's clear that behavioral finance shapes how working women make investment decisions.

Risk aversion and loss aversion stand out. They push women toward safer, more conservative choices. Mental accounting is everywhere, especially when women set financial goals and try to stick to them. Then there's herding—decisions aren't made in a vacuum. Family and friends matter, and their opinions often guide what women do with their money. Overconfidence bias shows up too, just not as strongly as it does with men. Still, it affects when women invest and what products they pick. Anchoring plays a role in how women set expectations for returns and value their assets. All these behaviors don't exist in a bubble; social and cultural norms around security and stability make them even stronger.

One thing that really stands out: financial literacy changes the game. Studies show that women with more financial knowledge don't rely as much on gut feelings or mental shortcuts. They diversify their investments more. In Karnataka, women in cities have more exposure to financial products, while those in rural and semi-urban areas tend to stick with traditional savings.

## 7. Implications of the Study

### 7.1 Theoretical Implications

This study adds a fresh angle to behavioral finance by focusing on both gender and region. It backs up the idea that behavioral theories fit well in emerging markets and shows that context really shapes how people invest.

### 7.2 Practical Implications

Financial advisors and institutions can't ignore these findings. They need to bring behavioral awareness into their advice, tailor it for working women. Knowing which biases matter helps them design better products and communicate in ways that actually connect with women's needs and preferences.

### 7.3 Policy Implications

Regulators and policymakers should boost financial literacy programs that target women investors. Bringing financial education into the workplace and running digital awareness campaigns can seriously improve how women make investment decisions.

## 8. Limitations of the Study

This study is restricted to secondary data, there's no original survey or fieldwork here. Karnataka isn't all the same either, so what holds true in one area might not in another. And since there's no number crunching to back up the claims, it's hard to say exactly how big the behavioral biases are.

## 9. Scope for Future Research

There's a lot left to explore. Future studies can collect fresh data and really test these ideas on the ground. Comparing women's investment behaviors across states, or between urban and rural areas, could reveal even more. Plus, with fintech and digital platforms taking off, looking at how women use these tools opens up new questions worth studying.

## 10. Conclusion

This review-based study brings out the important role played by behavioral finance in shaping the investment decisions of working women. The analysis of existing literature clearly indicates that behavioral biases such as risk aversion, mental accounting, herding behaviour, anchoring,

and overconfidence influence how working women assess financial risk, select investment avenues, and plan for the future. These behavioural tendencies often result in cautious investment choices and a strong preference for secure and familiar financial instruments.

The study also highlights that financial literacy and socio-cultural influences significantly affect the extent to which these behavioural biases operate. Working women with better financial knowledge are more capable of evaluating investment alternatives objectively, whereas limited awareness tends to increase dependence on informal advice and emotionally driven decisions.

By focusing on working women within the Indian context, this study adds to the growing body of behavioural finance literature from a gender-specific perspective. The findings have practical relevance for policymakers, financial institutions, and investment advisors, suggesting the need for focused financial education programmes and advisory approaches that account for behavioural patterns. Strengthening such initiatives can help working women make more informed investment decisions, thereby supporting financial security, inclusion, and long-term economic empowerment.

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