

## Investment Decisions of Women Entrepreneurs - An Empirical Study

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### Abstract

*The number of Women entrepreneurs are growing day by day and thus their contribution in the overall economic development cannot be ignored. They are using different investment avenues to channelize their monetary fund and savings. This channelization of fund helps not only in securing their future but is useful in contributing financially towards their business needs. However, their decision to invest is influenced by various personal and environmental factors. These factors play an important role not only in the way these women entrepreneurs choose to save but also to obtain finances for their businesses to expand and growth. Thus, this study aims to provide an insight on the behavioural aspects of the investment decisions of women entrepreneurs with special reference to Rajasthan. An attempt is made through the study to analyze relationship between investment objective, investment behaviour and factors influencing investment decisions. Data is collected through a structured questionnaire distributed using Snowball sampling method. The findings are based on responses from 384 women entrepreneurs. In this study, it is found that friends, relatives, and family members are the main source of investment information used by women entrepreneurs. Financial stability is the most important objective of investment by women followed by wealth creation. Majority of the investments are done considering the future needs. A significant relationship is found between the investment behaviour and factors affecting investment decisions of women entrepreneurs in Rajasthan. Based on this study can be concluded that investment behaviour of women entrepreneurs is influenced by both personal and external factors.*

**Keywords:** Behavioural finance, Investment decisions, Women entrepreneurs, Risk, Return.

### Introduction

The concept of investment decision relates to the decision made by the investor with respect to the amount of funds to be deployed in investment opportunities after considering all the necessary components associated with the investment scheme like, the authenticity of the scheme, risk associated with it, expected return, tax benefit, maturity period etc. Investment decisions are not only the outcomes of the personal characteristic of the investors but also the external factors like market trends, investment horizon, investible surplus; investor's needs and expected returns on investment. Thus, the interplay of all these factors influences the investment decisions of individual investors. Proponents of Behavioral Finance argue that behaviors and mood states of people are determinant factors that influence their investment preferences. As a field of study, Behavioral Finance has demonstrated great progress in the last three decades and has been the main theme of numerous interdisciplinary studies. Behavioral Finance focuses on how investors interpret knowledge in order to make investment decisions based on information and how they act with their investment decisions.

The concept of women entrepreneur has gained a lot of importance in the recent years due to the growth in education, urbanization, industrialization, and awareness of democratic values. Women Entrepreneurs are using different investment avenues to channelize their monetary fund and savings. This channelization of fund helps not only in securing their future but is useful in contributing financially towards their business needs. However, their decision to invest is influenced by various personal and environmental factors. These factors play an important role not only in the way these women entrepreneurs choose to save but also to obtain finances for their businesses to expand and growth.

### Review of Literature

Several studies have been done in the field of Behavioural finance. An effort is made to review few of them and presented below-

**Chaudhary (2013)**<sup>1</sup> examined the meaning and importance of behavioral finance and its application in investment decisions. Further, he also discussed some trading approaches for investors in stocks and bonds to assist them in manifesting and controlling their psychological roadblocks. According to new **Merrill Lynch research (2009)**<sup>2</sup>, gender differences among investors tend to be overstated. In fact, the ways in which men and women approach their financial lives are often strikingly similar. Understanding who they are as investors can help women better focus on ways to successfully work toward their personal goals. **Chaturvedi and Joshi (2019)**<sup>3</sup> the paper develops an understanding of risk among women entrepreneurs in their socio-economic context. It challenges the viewpoint of seeing women entrepreneurs as risk averse. An attempt is made through the study to analyze association between

socio economic factor and investment behavior of women entrepreneurs. The data is collected through a structured questionnaire from women entrepreneurs of Rajasthan, Distributed through snowball sampling method. **Mittal and Agarwal (2017)**<sup>4</sup> analyzed the relation of different factors and investment decision of working women of Ludhiana district of Punjab. **Syal and Walia (2017)**<sup>5</sup> study various factors that influence the women investors of Punjab while taking their investment decisions and found that four major factors influenced the investment decision making of the women investors of Punjab. **Prasad, Shollapur and Patted (2014)**<sup>6</sup> examined whether the human emotions of greed, fear, love, and disbelief influence the decision-making process of women investors considering investment opportunities in the Indian stock market. **Chowdhury (2016)**<sup>7</sup> analyzed the savings objectives, investment nature, and risk tolerance level of working women in Chittagong. The study finds that amount of investment depends on the income level of investors and investment experience comes through time. It is also found that women save in a disciplined manner and are quite rational and cautious in dealing with their savings. **Santhiyavalli and Usharani (2014)**<sup>8</sup> also found that investing their savings acts as a source of empowerment, security, and confidence for women. However, majority of women investors were risk averse and preferred to save in investment options with low but assured returns. Moreover, investing their income/savings made them feel empowered and confident in making investment decisions for their family's benefit. However, **Sellappan, Jamuna, and Kavitha (2013)**<sup>9</sup>, found that young women are risk takers and seem to invest in risky assets like share and mutual funds as compared to older women to seek to invest in risk free assets. In addition to this, marital status also affected the risk, tolerance and investment attitude of women investors as unmarried women preferred risky assets while married women preferred to invest in less risky assets. **Jagongo and Mutswenje (2014)**<sup>10</sup> also found the results like that of **Al- Tamimi (2006)**<sup>11</sup> and **Obamuyi (2013)**<sup>12</sup> that investment decisions are significantly influenced by expected earnings, past performance, company's industry status, dividend policy, expected economic conditions and profitability of the company. Further, they also found that investment behaviour of investors was also affected by the economic condition of the country, the potential strategies of the firm related to diversification, loss and risk minimization and the investor perception regarding the same. Similarly, **Purohit, Dua and Saxena (2014)**<sup>13</sup> found that demographic factors significantly influence the investment behavior of investors with age, occupation, income, and education being the significant determinants. Further, the investors also consider the advice of their analysts/ brokers, and other sources before investing. Moreover, investors being rational individuals also considered many demographic, economic and psychological factors before investing.

After reviewing the literatures, the research gap observed is that Investment sector has gained a lot of importance and has become an essential part of life. Rajasthan is the largest state of the country and it has started seeing the growth and development in women entrepreneur making investment decisions. Investment sector is at a fast pace during the past few years. Distinctive studies have been done on financial literacy, Financial management investment decision making various factors. However, no studies have been conducted focusing on investment decisions of women entrepreneurs in Rajasthan.

### Purpose of the study

The purpose of the study is to unfold the behavioral factors that influence the investment decisions of a women entrepreneur. The proposed research is both exploratory and descriptive in nature as it not only seeks to identify the various factors that affect investment related decisions but also seek to explain the relation between these factors and investment decisions.

<b>RESEARCH METHODOLOGY</b>	
<b>Variables of the study</b>	Independent Variable: Personal and External factors influencing investment decisions Dependent Variable: Investment Behaviour of women Entrepreneur
<b>Objectives of the study</b>	1. To find out the information sources used by women entrepreneurs for investment decisions. 2. To explore the objectives of women entrepreneurs for financial decision making. 3. To analyze relationship between investment behaviour and factors influencing investment decisions.
<b>Hypothesis of the study</b>	Ho: There is no relationship between investment behavior and factors affecting investment decisions.
<b>Research Design</b>	Descriptive and empirical research design has been used for the analysis.
<b>Sampling Technique</b>	Snowball sampling has been used.
<b>Sample and Data collection</b>	Primary data has been collected through a structured questionnaire from 384 women entrepreneurs of Jaipur.
<b>Statistical Tools</b>	Weighted arithmetic mean, Ranking, Pearson's Correlation

**Reliability testing of Data.**

Reliability is chiefly concerned with making sure the method of data gathering leads to consistent results. The reliability of data is done on 384 responses of the Women Entrepreneur of Rajasthan.

**Table: 1: Reliability Statistics**

<b>Cronbach's Alpha</b>	<b>N of Items</b>
.941	86

To check whether the data is reliable or not Cronbach's Alpha technique is used. The result stated that the Cronbach's alpha value is 0.941 which shows a high level of internal reliability of our scale with the specific sample.

**Analysis and Discussion**

In this study a sample size of 384 Women Entrepreneurs were taken to analyse their decision to invest into different investment avenues. Following is the analysis of demographic profile of the 384 respondents.

**Table 2: Demographic Profile**

	<b>Frequency</b>	<b>Percentage</b>
<b>Age</b>		
20-40	254	66.1
40-60	127	33.1
Above 60	3	.8
<b>Marital Status</b>		
Single	116	30.2
Married	248	64.6
Divorced /widowed	19	4.9
Other	1	.3
<b>Educational Background</b>		
School Education	25	6.5
College Education	185	48.2
Professional	169	44.0
Other	5	1.3
<b>Years of business</b>		
1-3 years	101	26.3
3-5 years	86	22.4
5-7 years	48	12.5
More than 7 years	149	38.8
<b>Monthly income</b>		
Less than 2 lakh	123	32.0
Rs. 2 lakh – Rs 4 lakh	95	24.7
Rs. 4 lakh – Rs. 6 lakh	57	14.8
Rs. 6 lakh & above	109	28.4

From the above table almost 66.1% of the respondent are of the age between 20-40 years and 33.1% of the respondents were from the age between 40-60 years and only .8% of respondents were above the age of 60 years. Marital statuses of 116 respondents out of 384 respondents were single, 248 respondents were married, and 19 respondents were Divorced/widowed and only one respondent was in other category. When asked about their Education background 185 respondents were college pass outs and 169 respondents were professionally educated and 25 respondents were school pass outs only 5 respondents were in the other category (not educated or didn't completed their schooling). 26% of 384 women entrepreneur were doing their business between 1-3 years, 22.4% of women entrepreneur were doing their business form 3-5years, and majority of women entrepreneur with 38.8% out of 384 women entrepreneur respondents were doing their business from 7 and above years, only 12.5%of respondents were doing their business from 5-7years. When women entrepreneur respondents were asked about their monthly income moajority of the123 respondents were under less than 2 lakhs', 28.4% of respondents were having the monthly income above 6 lakhs', and 24.7% of respondents were having monthly income between 2-4 lakh's, only 14.8% of respondents were having monthly income between 4-6 lakh's.

**Objective1: To find out the knowledge level of women entrepreneur about the Investment Avenues.**

Table-3: Knowledge Level

Investment Avenue	Knowledge Level					Total	Weighted Average
	Not at all	Slightly	Somewhat	Moderate	Extreme		
Bank & Post Office saving	2	32	82	111	157	1541	4.0130
Gold / Silver	15	17	87	160	105	1475	3.8411
Real Estate	18	59	95	118	94	1363	3.5494
Share	53	26	78	126	101	1348	3.5104
Debentures and bonds	48	43	68	134	91	1329	3.4609
Mutual Funds	27	30	76	159	92	1411	3.6744
Insurance Policies	12	24	76	148	124	1500	3.9062

According to the table women entrepreneur have the extreme knowledge about the bank and post office and insurance policies as the weighted average is 4.0130 and 3.9062, respectively. All the women entrepreneur have the knowledge of all the investment avenues as the weighted average of knowledge level is above 3.

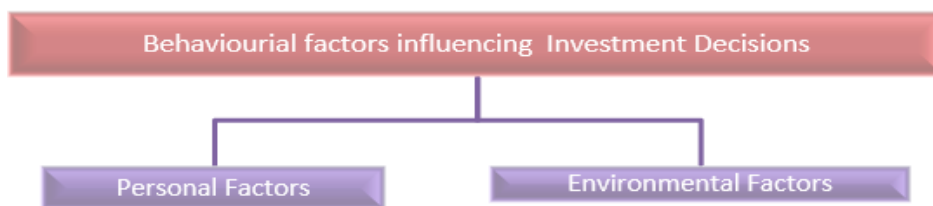
**Objective 2: To explore the objectives of women entrepreneurs for financial decision making.**

Table-4: Investment Objectives

S. No.	Investment Objective	Highly important	Important	Neutral	Somewhat important	Unimportant	Weighted Arithmetic Mean	Ranking
1	Financial stability	269	94	21	0	0	144.5333	1
2	Wealth creation	193	157	34	0	0	138.6	2
3	Product development	132	150	82	16	4	128.4	5
4	Diversification	106	150	108	16	4	124.9333	6
5	Retirement	146	142	60	36	0	128.9333	4
6	Purchase of personal needs	133	168	66	17	0	130.2	3

Women entrepreneurs have different objectives of Investment. It is found that financial stability is the most important objective followed by wealth creation and purchase of personnel needs. Product development and diversification is the least preferred objective for investment.

**Objective 3: To analyze relationship between investment behaviour and factors influencing investment decisions.**



**Figure-1: Behavioural factors influencing Investment Decisions**

There are various factors influencing investment decisions of women entrepreneurs. These have broadly been classified into two categories-

- 1) Personal factors including liquidity, future needs, regular income, tax benefit, good return and safety & security.
- 2) External factors including economic conditions, past decisions, government policies, expert advice and maturity period.

Table-5: Personal factors affecting investment decisions

Investment Avenues	Bank & Post Office saving		Gold / Silver		Real Estate		Share		Debentures and bonds		Mutual Funds		Insurance Policies	
	WAM	Rank	WAM	Rank	WAM	Rank	WAM	Rank	WAM	Rank	WAM	Rank	WAM	Rank
Personal Factors														
Factors	118.8667	3	119.2667	2	108.2667	4	118.9333	2	114.7333	2	117.8667	5	110.2	5
Future Needs	121.2667	2	121	1	116.8	1	116.6667	3	115.4667	1	119.8667	3	121.6	2
Regular Income	116.4667	5	109.8	5	107.5333	5	116	4	114.6667	3	119.3333	4	108	6
Tax Benefit	118.3333	4	108.3333	6	106.7333	6	114	5	114.1333	4	120.4	2	116.4	3
Well Return	114	6	117.7333	4	113.2667	3	119.2	1	113.2	5	121.1333	1	115.7333	4
Safety & Security	122.4	1	118.0667	3	115.7333	2	109.5333	6	112.2	6	117	6	122.7333	1
Combined WAM	118.5555		115.7		111.3888		115.7222		114.0666		119.2666		115.7777	
Rank	II		V		VI		IV		V		I		III	

WAM: Weighted Arithmetic Mean

On analyzing data, it is found that Safety and Security is the most important factor influencing investment decision in Bank & Post office saving and in Insurance policy. Whereas Future needs is the most important factor influencing investment decision in Gold/Silver, Real Estate and Debentures & Bonds. However, In case of Share and Mutual Funds Well Return is the most important factor for investment. It can be seen from above table that Mutual funds is the most preferred investment avenue of women entrepreneurs, followed by bank & post office saving and Insurance Policies whereas the least preferred option is investment in Real Estate.

Table-6: External factors affecting investment decisions

S. No.	Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
1	Your decision to invest is highly affected by the economic conditions in the country.	122	158	93	9	2
2	Your behavior is positively influenced by the concerned Government policies related to tax reductions, contributions and the likes.	120	170	83	8	3
3	Your investment decisions are influenced by investment experts and other investors.	86	156	109	24	9

On analyzing data it is found that the investment decision of majority of the women entrepreneurs is highly affected by the economic conditions in the country, positively influenced by the concerned Government policies related to tax reductions, contributions and the likes and is also influenced by investment experts and other investors.

Table-7: Investment Behaviour

S. No.	Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	A high level of confidence is evident in your investment decisions	182	143	53	5	1
2	Your behaviour is positively influenced by financial publications that are presented through communication channels like internet and media	120	146	99	17	2
3	Preference of Long-term investments over short-term investments.	149	150	65	15	5
4	Preference of Low risk investments like bank deposits and bonds gain over risky investments like shares, futures, etc.	110	159	91	21	3
5	While selecting banks, you tend to discriminate between public and private banks	115	153	94	12	10
6	Traditional investment tools like gold, real estates, etc. are still preferred by you	115	154	87	20	8

It can be seen from the above table that majority of the respondents have high level of confidence in their investment decisions, their behaviour is positively influence by financial publications, prefer long term investment over short term investment , prefer low risk investments and while selecting banks for investment tend to discriminate between public and private banks.

**Hypothesis Testing**

**Ho:** There is no relationship between investment behavior and factors affecting investment decisions.

To test the hypothesis correlation is applied and the results are shown in the table below.

Table-8: Relationship between investment behaviour and the factors

Investment Behaviour	Personal Factors		External Factors
	Pearson Correlation	0.380	0.445
Sig. (2-tailed)	0.00	0.00	
N	100	100	

Correlation is significant at the 0.01 level (2-tailed)

The correlation coefficient is 0.380 between personal factors and investment behavior and is 0.445 between external factors and investment behavior. The degree of correlation is positive and moderate degree of correlation. Since the  $p < 0.01$ , the null hypothesis is rejected. Thus, it is concluded that there is a significant relationship between investment behavior and factors (both personal as well as external factors) affecting investment decisions.

### Conclusion

Many research studies agree that there is a difference in investment behaviour of men and women. As the number of women entrepreneurs has shown considerable growth in recent years, it is important to study their investment decisions. Every individual while investing seeks to take decisions that maximize his/her returns on investment. However, their decisions are influenced by various personal and external factors that further affect their risk appetite and choice of financial instrument to invest their saving. The personal and external factors associated with the investors significantly affect their investment decisions in both positive and negative manner. The study is confined to identify the investment decision of the women entrepreneurs of Rajasthan. The population covered for the study is Rajasthan. In this study, it is found that friends, relatives, and family members are the main source of investment information used by women entrepreneurs. Financial stability is the most important objective of investment by women followed by wealth creation. Majority of the investments are done considering the future needs. A significant relationship is found between the investment behaviour and factors affecting investment decisions of women entrepreneurs in Rajasthan. Based on this study can be concluded that investment behaviour of women entrepreneurs is influenced by both personal and external factors. But there are some limitations which are evidently part of the research may be summarized as: The undertaken research is confined to Women Entrepreneurs of Jaipur city of Rajasthan state only, thus the results may only be able to define this precise area under the study and not to the entire universe. Data was collected from the Women Entrepreneurs and they were busy in their work, so they were less responsive and pre-occupied. Though the resources seem sufficient and enough to achieve high standard for this research, but the major limitation of the study was the availability of time for data collection and analysis.

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