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IMPACT OF FINANCIAL LITERACY ON BEHAVIOURAL BIASES AMONG WORKING WOMEN INVESTORS: A SYSTEMATIC ANALYSIS

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ABSTRACT

Investment decision-making is no longer viewed as a purely rational process, as growing evidence shows that individuals are often influenced by psychological factors known as behavioural biases. These biases, such as overconfidence, loss aversion, herding, and anchoring, can cause investors to deviate from logical judgement and make sub-optimal choices. This paper systematically examines the impact of financial literacy on behavioural biases among working women investors. Prior studies consistently show that investors are prone to biases such as overconfidence, loss aversion, disposition effect, anchoring, and herding, which often lead to irrational and sub-optimal investment decisions. Evidence from different contexts indicates that financial literacy plays a moderating or mediating role by reducing the intensity of these biases, although it does not completely eliminate them. Research focusing on women investors highlights that they are generally more cautious and risk-averse, yet the presence of limited financial knowledge and psychological influences can still distort their investment decisions. Studies on women entrepreneurs and female investors further confirm that higher levels of financial literacy improve risk assessment and support rational and informed financial choices. However, emerging findings also suggest that external influences such as social media may reinforce herd behaviour if not supported by adequate financial awareness. Overall, the literature suggests that enhancing financial literacy, along with creating awareness about behavioural biases, is essential for strengthening the quality of investment decisions among working women. This highlights the need for targeted financial education initiatives and structured investor guidance, especially in developing and emerging markets.

Keywords: Financial Literacy, Behavioural Biases, Working Women Investors, Investment Decision-Making, Behavioural Finance.

1. INTRODUCTION

Investment decision-making has increasingly been recognised as a process influenced not only by rational financial evaluation, but also by psychological and cognitive factors. Traditional finance theories assume that investors behave logically and always seek to maximise returns. However, behavioural finance has shown that individuals are often guided by emotions, perceptions, and mental shortcuts, which give rise to behavioural biases such as overconfidence, herding, loss aversion, anchoring, and the disposition effect. These biases can distort judgement, leading investors to make decisions that may not always be in their best financial interest. At the same time, financial literacy has emerged as a critical factor that enables individuals to understand financial concepts, evaluate risk, and make informed investment decisions. Higher levels of financial literacy are generally associated with better financial planning, disciplined saving habits, and improved investment outcomes.

In recent years, the participation of women in the workforce has increased significantly, resulting in greater financial independence and involvement in investment activities. Working women today are not only income earners but also key financial decision-makers for themselves and their families. Despite this growing role, many studies indicate that women may still face challenges related to financial awareness and behavioural biases. Research suggests that although women are often more cautious and risk-averse than men, they are not immune to psychological influences that may lead to irrational investment decisions, especially when financial literacy levels are low. This makes working women an important and relevant group for examining the interaction between financial knowledge and behavioural biases.

This study aims to systematically analyse the impact of financial literacy on behavioural biases among working women investors. It seeks to understand whether greater financial knowledge can weaken the influence of biases such as overconfidence, herd behaviour, and loss aversion, thereby supporting more rational and well-informed investment choices. The study is particularly significant in the context of emerging economies, where structured investor education and awareness programmes are still developing. By focusing on working women investors, the research contributes to the broader discussion on financial empowerment, gender differences in investment behaviour, and the role of education in enhancing financial decision-making. The findings of this study are expected to provide useful insights for policymakers, educators, financial advisors, and women investors themselves in promoting informed and bias-aware investment practices.

NEED OF THE STUDY:

There is a strong need to study the impact of financial literacy on behavioural biases among working women investors because this group is increasingly becoming an important participant in financial and investment decisions. As more women enter the workforce and gain financial independence, they are required to make savings and investment choices that affect both their personal security and household welfare. However, research shows that many investors, including women, are influenced by behavioural biases such as overconfidence, herd behaviour, loss aversion, and anchoring, which can lead to irrational or emotionally driven investment decisions. At the same time, limited financial literacy may make working women more vulnerable to these biases, especially in environments where formal investor education and guidance are still limited. Understanding whether financial literacy can reduce the negative effects of behavioural biases is therefore essential for improving the quality of investment decisions made by working women. This study is needed to highlight the importance of financial education, identify psychological factors affecting investment behaviour, and provide insights that can help policymakers, financial advisors, and educators design targeted programmes that strengthen financial decision-making and promote economic empowerment among working women.

SCOPE OF THE STUDY:

The scope of this study is limited to examining the relationship between financial literacy and behavioural biases among working women investors. It focuses on understanding how different levels of financial knowledge influence the presence of biases such as overconfidence, herd behaviour, loss aversion, anchoring, and the disposition effect while making investment decisions. The study is confined to working women, as they represent a segment that is increasingly involved in financial and investment activities due to rising employment and economic independence. It does not cover non-working women, students, or professional investors, as their financial behaviour and exposure to investment decisions may differ. The study is analytical in nature and is based on existing research evidence and theoretical insights rather than primary data collection. It aims to provide clarity on whether financial literacy can help minimise irrational investment behaviour and promote informed decision-making among working women, thereby helping policymakers, educators, and financial institutions design appropriate financial education and awareness programmes targeted at this group.

OBJECTIVES OF THE STUDY:

1. To examine the relationship between financial literacy and behavioural biases among working women investors.
2. To analyse whether higher levels of financial literacy reduce the influence of behavioural biases such as overconfidence, herd behaviour, and loss aversion on investment decisions.
3. To identify the key behavioural factors that affect the investment decision-making of working women and assess the role of financial literacy in promoting rational and informed investment behaviour.

2. REVIEW OF LITERATURE

Suresh (2024) examined how financial literacy and behavioural biases influence the investment decisions of individuals studied the effects of financial literacy and behavioural biases on investment decisions made by individuals. The findings indicate that though higher financial literacy helps improve the decisions of investments, investors are prone to behavioural biases such as overconfidence, loss aversion and herd behaviour. This indicates that alone financial knowledge cannot eliminate irrationality in making decision since it is mediated by psychological influences. Thus, it is necessary to provide both knowledge in finance as well as awareness on behavioural biases to make rational decision in investments.

Rasool and Ullah (2020) Empirical Evidence of Pakistan Stock Exchange, Rasool, & Ullah investigated the impact of financial literacy on behavioural biases among individual investors and observed that investors with less financial literacy have high impact of biases like overconfidence, disposition effect, and herding behaviour. This indicates that less understanding about finance lead to irrational investment decision. Based on this result, authors concluded that it is important increase financial literacy in order to minimize the behavioural distortions within investment decisions.

Adil, Singh and Ansari (2022) in their article “How Financial Literacy Moderate the Association Between Behaviour Biases and Investment Decision?” examined whether financial literacy moderate the relation between behaviour biases with investment decision. The findings confirmed that overconfidence and risk aversion behaviours have a significant negative impact on investment decision, but as an investor become more financially literate this impact weakens i.e.

financial knowledge play a moderating role for an investor to take rational and well-informed decision. In general, it supports the protective effect of financial literacy against irrational behaviour.

The research paper conducted by **Iram, Bilal and Ahmad (2023)** focused specifically on women entrepreneur i.e. "Investigating the Mediating Role of Financial Literacy on the Relationship Between Women Entrepreneurs' Behavioral Biases and Investment Decision Making". Likewise, behavioural biases affect their investment decisions but mediation analysis has shown that higher level of financial literacy helps women entrepreneurs to diminishes these negative impacts of behaviour biases specially overconfidence bias and loss aversion bias. Thus, supports argument that by enhancing financial education quality of investment decisions made by women can be improved.

In the article "Working Women Investor Behaviour: A Review of Academic Literature," **Kiruthika (2025)** reviewed different papers to understand the investor behaviour of working women. The article convenes that women as investors are generally cautious and risk-adverse in financial matters as compared to men and their investment decision are influenced by factors such as financial knowledge, risk perception, confidence level, social influence etc. The presence of behavioural biases and low-level of financial knowledge at times prevents females from taking an optimal choice regarding investment. This paper also addresses the need for improving the financial literacy and awareness amongst working women in order to have better investment.

Bihari, Dash, Kar, Muduli, Kumar and Luthra (2022) in their research work titled "Exploring Behavioural Bias Affecting Investment Decision-Making: A Network Cluster Based Conceptual Analysis for Future Research" explored that how different behavioural biases acts together or interacts with each other affects investors decision making. Using conceptual analysis along with a network-based approach authors found out that some key biases such as Overconfidence; Herding; Loss aversion; Anchoring & Regret aversion which acts collectively and influence irrationality over investor decision-making. The paper also provides with the future research scope which calls for understanding how financial literacy & awareness enables an individual to manage these cognitive errors.

In the past decade, several studies have examined the relationship between financial literacy and behavioural biases, mostly for developed countries. **Ates et al. (2016)** investigated how financial literacy affects behavioural biases of stock market investors in Turkey. They suggested that investor with higher levels of financial literacy is less likely to exhibit such biases as overconfidence, disposition effect and herd behaviour. On the other hand, according to their findings financial literacy may not totally eliminate these biases but mitigate them.

In the context of Pakistan, the study by **Mahmood et al. (2024)** looks at how common behavioural biases affect investors' decision-making and how financial literacy can mitigate these effects. The authors highlight important biases like overconfidence, herd mentality, disposition effect, and mental accounting, demonstrating how these psychological inclinations have a big impact on investment decisions and frequently result in illogical or less-than-ideal financial choices. The study uses empirical data to show that investors with insufficient financial knowledge are more susceptible to these biases and, as a result, are more likely to rely on heuristic-based or emotional judgments rather than logical analysis. However, the results also show that greater financial literacy can mitigate the effects of these biases by promoting more disciplined and knowledgeable investing practices. By repeating the idea that enhancing financial education is crucial for promoting sound investment practices, particularly in emerging markets like Pakistan where investor awareness and structured financial guidance are still developing, this work adds to the expanding corpus of behavioural finance literature.

Setyadi, Indarto, and Indriana (2025) investigate how financial literacy and behavioural biases affect female investors' investment choices. They also look at the increasing influence of social media on financial behaviour. The study emphasizes how biases like overconfidence, herd mentality, and loss aversion can cause female investors to deviate from logical decision-making, just like their male counterparts. However, the authors stress that by assisting women in better assessing risk and making more knowledgeable financial decisions, financial literacy plays a significant part in lessening the detrimental effects of these biases. This study's emphasis on social media, which has been demonstrated to serve as a source of information as well as a behavioural influencer that may spread. Overall, by placing female investors in a contemporary digital environment, the study deepens our understanding of behavioural finance and demonstrates the importance of social media engagement and financial education in promoting sound investment practices among female capital market participants.

3. RESEARCH METHODOLOGY

The present study adopts a systematic review–based research methodology to examine the impact of financial literacy on behavioural biases among working women investors. The study is descriptive and analytical in nature, relying on secondary data collected from published research papers, journals, books, and credible online academic databases. Relevant studies focusing on financial literacy, behavioural biases, women investors, and investment decision-making were identified and reviewed to understand the existing theoretical and empirical evidence. Special emphasis was placed on research that examined biases such as overconfidence, herd behaviour, loss aversion, anchoring, and the disposition effect, along with the moderating or mediating role of financial literacy. The selected literature was analysed, compared, and synthesised to identify common patterns, research gaps, and key conclusions. No primary data was collected from respondents, and therefore the study does not involve statistical testing or field surveys. Instead, it follows a qualitative synthesis approach to draw meaningful insights from prior research. This methodology supports a comprehensive understanding of how financial literacy influences behavioural biases among working women investors and provides a strong conceptual base for future empirical research in this area.

4. FINDINGS

1. Investors are influenced by behavioural biases such as overconfidence, herd behaviour, loss aversion, anchoring, and the disposition effect, which often lead to irrational investment decisions.

2. Financial literacy has a significant role in reducing behavioural biases. Investors with higher financial knowledge are generally more rational and better able to assess risk and evaluate investment options.

3. Working women investors, though usually more cautious and risk-averse, are still affected by behavioural biases, especially when their financial literacy levels are low.

4. Financial literacy acts as a moderating or mediating factor, meaning that as financial knowledge increases, the negative impact of behavioural biases on investment decisions tends to decrease.

5. Financial literacy alone cannot completely eliminate behavioural biases, as emotional and psychological factors continue to influence decision-making.

6. Social and environmental influences, including social media, can strengthen herd behaviour among women investors if financial awareness is weak.

7. There is a strong need for financial education and awareness programmes targeted specifically at working women to promote informed and rational investment decisions.

8. Improved financial literacy contributes to better financial confidence, risk understanding, and disciplined investment behaviour among working women investors.

9. Women with higher financial literacy are more likely to rely on analytical thinking rather than emotional reactions while making investment decisions.

10. Behavioural biases such as loss aversion and regret aversion strongly influence women investors, often leading them to prefer safer investment options or delay decision-making.

11. Overconfidence bias is comparatively lower among women than men, but when present, it still results in excessive trading or misjudgement of market outcomes.

12. Herd behaviour is common among working women investors, especially when they depend on friends, colleagues, family members, or online sources for investment advice.

13. Financial literacy supports better long-term planning and portfolio diversification, helping women reduce risk and improve financial security.

14. Women investors with low financial literacy are more likely to depend on informal advice rather than professional guidance or independent analysis.

15. Behavioural biases and lack of financial awareness together create barriers to active investment participation among working women, despite their increasing income and economic independence.

16. Studies consistently show that awareness of behavioural biases helps women recognise their own psychological tendencies, which improves self-control and investment discipline.

17. Financial education programmes tailored to women have been found effective in improving decision-making, especially when they include practical training, examples, and confidence-building components.

18. There remains a research gap in emerging economies regarding women-specific behavioural finance studies, highlighting the need for further empirical work focusing on working women investors.

5. CONCLUSION

The study highlights that financial literacy plays a crucial role in shaping the investment behaviour of working women by moderating the impact of behavioural biases. While biases such as overconfidence, herd behaviour, loss aversion, anchoring, and the disposition effect continue to influence investment decisions, higher levels of financial knowledge enable women investors to make more rational, informed, and disciplined choices. Working women, though generally cautious and risk-averse, remain susceptible to psychological and social influences, including peer pressure and social media, which can amplify irrational decision-making if financial awareness is low. The analysis of existing literature confirms that financial literacy alone cannot fully eliminate behavioural biases, but it significantly reduces their adverse effects and promotes confidence, risk assessment, and better long-term planning. Overall, the study underscores the importance of targeted financial education, awareness programmes, and interventions aimed at empowering working women to recognise and manage their cognitive biases, thereby improving the quality of their investment decisions and contributing to financial inclusion and economic empowerment.

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