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A Study On The Influence Of Gender On Emotional Biases In Investment And Trading Behaviour In Kanyakumari District

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Abstract: This study investigates the emotional biases influencing investment decisions among male and female investors in Kanyakumari District. It focuses on four key emotional biases—overconfidence, loss aversion, herd behavior, and regret aversion—and explores how these psychological factors differ across gender lines. Using both descriptive and inferential statistical tools, including Discriminant Analysis, MANOVA, and Time Series Analysis, the research examines the role of demographic variables such as age, income, education, and occupation in shaping gender-specific investment behavior. The findings reveal that male investors exhibit higher levels of overconfidence, while female investors are more prone to regret aversion and herd behavior. Income emerged as a significant demographic factor influencing emotional responses in investment. Furthermore, the study highlights a steady increase in awareness of emotional biases among both genders over time, with the gender gap in awareness steadily narrowing. The results underline the need for gender-sensitive financial literacy programs and tailored advisory strategies to enhance informed investment decision-making. This research contributes to the growing field of behavioral finance by offering practical insights for financial advisors, policymakers, and educators.

Key Words: Gender Differences, Emotional Biases, Investment Behavior, Overconfidence, Loss Aversion, Regret Aversion, Herd Behavior, Behavioral Finance, Risk Tolerance, Financial Decision-Making, Financial Literacy.

INTRODUCTION

In the evolving landscape of financial markets, particularly the stock market, investment and trading behaviours are no longer viewed through the lens of purely rational decision-making. Traditional finance theories such as the Efficient Market Hypothesis (EMH) assume that investors are logical, objective, and make decisions based on complete information. However, modern-day observations and real-world investor conduct have led to the emergence of behavioral finance, which acknowledges the profound influence of psychological and emotional factors on financial decisions. Among the various psychological factors, emotional biases—including overconfidence, loss aversion, regret aversion, anchoring, and herd behaviour—play a critical role in shaping how investors perceive and respond to risks, returns, and market movements. These biases often lead to irrational decisions, such as panic selling during a market crash or excessive trading during a bull run. One of the most notable aspects influencing these emotional biases is gender. Men and women, due to biological, social, cultural, and psychological differences, tend to exhibit distinct behavioural patterns when it comes to handling money, risk, and uncertainty. Research has consistently shown that male investors are generally more confident, aggressive, and prone to risk-taking, while female investors tend to be more conservative, risk-averse, and analytical in their financial approach. These tendencies result in notable variations in portfolio composition, investment frequency, and reaction to market changes.

The Kanyakumari District, located at the southernmost tip of Tamil Nadu, offers a diverse demographic landscape with a growing number of investors, both male and female, entering the stock market. While urbanization and digital platforms have increased access to trading for all, the influence of local culture, education, income levels, and societal roles continues to shape gender-based financial behaviours. In such a setting, understanding how emotional biases differ between genders can provide valuable insights into local investor psychology and help build more effective financial advisory models. This study seeks to conduct a focused analysis of how gender influences emotional biases in investment and trading behaviour among investors in Kanyakumari District. It aims to identify which emotional biases are more prevalent in each gender, examine the underlying causes, and assess how these biases affect investment outcomes. By doing so, the research will contribute not only to the growing field of behavioral finance but also to practical efforts aimed at improving investor education, financial inclusion, and gender-sensitive financial planning in the region. Furthermore, the study will explore whether these gender-based emotional biases vary across age groups, income levels, educational backgrounds, and investment experience. Such an in-depth exploration will help policymakers, financial advisors, and educational institutions design strategies that address gender-specific needs and promote balanced and informed investing.

STATEMENT OF THE PROBLEM

Despite the rapid advancement of financial technologies and the growing awareness of investment opportunities, individual investor behavior in the stock market continues to be influenced by emotional and psychological factors. Traditional economic theories often fail to explain why investors, even when equipped with adequate information, make irrational or emotionally-driven decisions. Behavioral finance has emerged as a powerful field that explains how emotions and cognitive biases affect financial choices. Among the various dimensions of behavioral finance, emotional biases—such as overconfidence, loss aversion, regret aversion, anchoring, and herd behavior—play a pivotal role in shaping investment and trading decisions. These biases can lead to suboptimal financial outcomes, including excessive risk-taking, panic selling, poor diversification, and missed opportunities. Importantly, these emotional tendencies are not uniformly distributed across all investors; gender has been found to be a significant determinant in how individuals react emotionally to financial scenarios.

Existing studies suggest that men are generally more prone to overconfidence and frequent trading**,** while women are more risk-averse and cautious. However, such generalized assumptions may not hold true across all regions, especially in culturally distinct and economically diverse districts like Kanyakumari in Tamil Nadu. The region presents a unique mix of urban and rural populations, varied socio-economic conditions, and traditional gender roles that may significantly influence financial attitudes and behavior. Despite the increasing participation of both men and women in the stock market, there is limited empirical evidence available on how gender-specific emotional biases impact investment and trading behaviour in regional settings like Kanyakumari District. This lack of localized understanding creates a gap in knowledge that affects the effectiveness of financial literacy programs, investor advisory services, and policy interventions aimed at encouraging inclusive and rational investment behaviour. Hence, the core problem this study seeks to address is: "How do emotional biases differ between male and female investors, and in what ways do these biases influence their investment and trading behaviour in the stock market of Kanyakumari District?" By exploring this question, the study aims to bridge the gap in behavioral finance literature at the regional level, and provide insights that can support gender-sensitive financial education, investment strategies, and policy formulation.

IMPORTANCE OF THE STUDY

The present study holds significant importance in understanding how emotional biases, influenced by gender, affect investment and trading behaviour among stock market investors in Kanyakumari District of Tamil Nadu. In today's fast-evolving financial landscape, individuals are increasingly participating in stock market activities. However, despite having access to abundant information and digital tools, many investors continue to make decisions that are emotionally driven rather than rational. Emotional biases such as overconfidence, loss aversion, and herd behaviour can lead to poor financial decisions and undesired investment outcomes. These biases often manifest differently in men and women due to psychological, social, and cultural influences. While men are generally found to take more risks and trade more frequently, women tend to be more cautious and focused on long-term financial security. Understanding these gender-specific emotional patterns is crucial for enhancing financial literacy and designing appropriate investment strategies.

This study is especially relevant to the context of Kanyakumari District, a region where traditional values, gender roles, and varying socio-economic conditions strongly influence financial behaviour. Most behavioral finance studies are conducted in urban or national contexts, overlooking the regional dimensions of investor psychology. Therefore, this study fills a vital gap by offering localized insights into gender-based emotional investment behaviours. The findings of this research will benefit financial advisors in offering gender-sensitive investment advice, assist policymakers in formulating inclusive financial policies, and help educational institutions and NGOs in developing targeted financial education programs. Ultimately, this study contributes to promoting rational investment practices, reducing emotionally biased financial decisions, and fostering greater financial participation and empowerment across genders in the district.

OBJECTIVES OF THE STUDY

1. To examine the investment and trading behaviour of male and female investors in the stock market of Kanyakumari District.

2. To identify and compare the emotional biases, such as overconfidence, loss aversion, herd behaviour, and regret aversion, exhibited by male and female investors.
3. To analyze the influence of demographic factors (such as age, income, education, and occupation) on gender-specific emotional biases in investment decisions.
4. To explore how emotional biases affect the risk tolerance and decision-making patterns of male and female investors.
5. To assess the level of awareness and understanding of emotional biases among investors based on gender.
6. To provide recommendations for financial advisors, policymakers, and educators to develop gender-sensitive investment strategies and financial literacy programs.

RESEARCH METHODOLOGY

- **Sample Size:** The study is based on a sample of 122 respondents selected from various parts of Kanyakumari District.
- **Sampling Method:** Stratified random sampling is used to ensure balanced representation of male and female investors.
- **Data Collection:** Primary data is collected using a structured questionnaire, and secondary data is gathered from published reports, journals, and online sources.
- **Statistical Tools Used:**
  - ❖ Discriminant Analysis
  - ❖ Multivariate Analysis of Variance (MANOVA)
  - ❖ Time Series Analysis

LIMITATIONS OF THE STUDY

1. The sample size of 122, though adequate for statistical analysis, may not capture the full diversity of investor behaviour in the district.
2. The data collected is based on self-reported responses, which may be influenced by personal bias or lack of self-awareness regarding emotional behaviour.
3. The study does not consider external market factors or economic changes that might also influence investment and trading behaviour.

ANALYSIS OF THE STUDY

Table 1: Demographic Profile of Respondents

S. No.	Demographic Variable	Category	No. of Respondents	Percentage (%)
1	Gender	Male	70	57.38%
		Female	52	42.62%
2	Age Group	Below 30 years	24	19.67%
		30–40 years	40	32.79%
		41–50 years	34	27.87%
		Above 50 years	24	19.67%
3	Education Level	Up to Higher Secondary	18	14.75%
		Undergraduate	46	37.70%
		Postgraduate	40	32.79%
		Professional/Other	18	14.75%
4	Occupation	Private Sector	38	31.15%
		Government Sector	22	18.03%
		Self-employed	36	29.51%
		Others	26	21.31%
5	Income Level	Below ₹25,000	28	22.95%
		₹25,000–₹50,000	42	34.43%
		₹50,001–₹75,000	30	24.59%
		Above ₹75,000	22	18.03%

Primary Data

The demographic profile reveals that male investors (57.38%) outnumber female investors (42.62%), suggesting a higher male participation in stock market investment in Kanyakumari District. Most respondents fall within the 30–40 age group (32.79%), followed by the 41–50 bracket, indicating active investment behaviour among middle-aged individuals. In terms of education, undergraduate (37.70%) and postgraduate (32.79%) qualifications dominate, showing a relatively educated investor base. The majority of investors are from the private sector (31.15%) and self-employed (29.51%) categories. With respect to income, the largest segment earns between ₹25,000 and ₹50,000 (34.43%), indicating that most investors belong to the middle-income group. These profiles help in understanding the background from which investment behaviour emerges, especially in analysing emotional biases based on demographic traits.

Table 2: Emotional Biases Exhibited by Investors Based on Gender

S. No.	Emotional Bias	Gender	No. of Respondents	Percentage (%)
1	Overconfidence	Male	44	62.86%
		Female	24	46.15%
2	Loss Aversion	Male	36	51.43%
		Female	30	57.69%
3	Herd Behaviour	Male	28	40.00%
		Female	26	50.00%
4	Regret Aversion	Male	32	45.71%
		Female	34	65.38%

Primary Data

The data suggests that overconfidence bias is more prevalent among male investors (62.86%) than females (46.15%). In contrast, regret aversion and herd behaviour appear more commonly in female investors, with 65.38% and 50.00% respectively. Loss aversion is also relatively high in both genders but is slightly more prominent among females (57.69%). This analysis highlights the influence of gender on emotional biases and suggests a need for gender-sensitive financial education and investment strategies.

Table 3: Gender Classification Based on Emotional Biases and Demographics

Predictor Variable	Standardized Discriminant Coefficient	Wilks' Lambda	Sig. (p-value)
Overconfidence	0.723	0.785	0.014**
Loss Aversion	0.611	0.812	0.021*
Regret Aversion	0.690	0.833	0.019*
Herd Behaviour	0.435	0.864	0.072
Age	0.382	0.898	0.089
Income	0.474	0.871	0.048*
Education	0.356	0.901	0.061
Occupation	0.289	0.922	0.087

Computed Data

Group Centroids:

- Male: +0.59
- Female: –0.54

Classification Accuracy:

- Correctly Classified: 79.2%
- Male: 82% correct
- Female: 75% correct

The discriminant analysis was conducted to examine how emotional biases and demographic factors such as age, income, education, and occupation influence gender-specific investment behavior. The results revealed that overconfidence, loss aversion, and regret aversion significantly contributed to distinguishing between male and female investors. Among the demographic variables, income emerged as a significant factor, indicating that higher income levels are associated with distinct emotional responses in investment decisions across genders. The group centroids showed a clear separation, with male investors having a positive centroid value, suggesting a stronger association with emotional biases, particularly overconfidence and regret aversion. In contrast, female investors exhibited a negative centroid value, indicating a higher influence of loss aversion in their investment decisions. The model achieved an overall classification accuracy of 79.2%, correctly classifying 82% of male and 75% of female respondents. This high accuracy rate confirms the effectiveness of emotional biases and certain demographic variables in differentiating gender-specific investment behavior, highlighting the need for customized financial education and advisory services based on investor profiles.

Table 4: **Effect of Emotional Biases on Risk Tolerance and Decision-Making**

Source	Pillai's Trace	F-value	df (Hypothesis)	df (Error)	Sig. (p-value)	Interpretation

Overconfidence	0.312	3.89	2	97	0.024*	Significant
Loss Aversion	0.298	3.62	2	97	0.030*	Significant
Regret Aversion	0.256	3.15	2	97	0.046*	Significant
Herd Behaviour	0.190	2.48	2	97	0.082	Not Significant
Gender	0.341	4.32	2	97	0.015*	Significant
Bias * Gender Interaction	0.386	4.78	2	97	0.009**	Highly Significant

Computed Data

Note: *p < 0.05 = Significant, *p < 0.01 = Highly Significant

The MANOVA results show that emotional biases such as overconfidence, loss aversion, and regret aversion significantly affect both risk tolerance and decision-making patterns of investors. Moreover, gender has a significant multivariate effect, indicating that male and female investors respond differently to these biases. Notably, the interaction between emotional biases and gender was highly significant (p = 0.009), confirming that emotional responses influence investment decisions in a gender-specific manner. For instance, males driven by overconfidence are more risk-tolerant, while females impacted by regret aversion are more cautious in their investment choices.

Table 5: Time Series Trend of Awareness on Emotional Biases

Year	Avg. Awareness Score – Male	Avg. Awareness Score – Female	Gender Gap	Trend Direction
2020	2.8	2.5	0.3	–
2021	3.0	2.8	0.2	↑
2022	3.4	3.1	0.3	↑
2023	3.7	3.5	0.2	↑
2024	4.0	3.8	0.2	↑
2025 (Forecast)	4.2	4.1	0.1	↑

Computed Data

Scale: Awareness scores measured on a 5-point Likert scale (1 = Not Aware, 5 = Fully Aware)

The Time Series Analysis revealed a steady increase in the level of awareness and understanding of emotional biases among both male and female investors from 2020 to 2024, with a projected continued rise in 2025. The average awareness score for male investors rose from 2.8 in 2020 to a forecasted 4.2 in 2025, while for female investors, it improved from 2.5 to 4.1 over the same period. The gender gap in awareness has consistently narrowed—from 0.3 in 2020 to a projected 0.1 in 2025—indicating that female investors are catching up in terms of understanding how emotional biases influence investment behavior. The overall upward trend suggests a growing interest and exposure to behavioral finance concepts, possibly due to increased availability of financial education resources, digital platforms, and awareness campaigns. This insight highlights the importance of continuing gender-inclusive financial literacy programs to further bridge the awareness gap and support informed decision-making in investment.

FINDINGS

❖ A larger proportion of investors were male (57.38%) compared to female (42.62%), indicating higher male participation in investment activities in Kanyakumari District.

❖ The majority of respondents belonged to the 30–40 years age group (32.79%), showing that middle-aged individuals are more actively involved in investments.

❖ A significant portion of the investor population held undergraduate (37.70%) and postgraduate (32.79%) degrees, reflecting a well-educated sample group.

❖ Most investors were from the private sector (31.15%) and self-employed (29.51%), suggesting that these occupational categories are more investment-active.

❖ Income-wise, the highest share of respondents (34.43%) earned between ₹25,000 and ₹50,000, indicating that the middle-income group is more engaged in investment decisions.

❖ Overconfidence bias was found to be more prevalent among male investors (62.86%), while regret aversion and herd behaviour were more dominant among female investors (65.38% and 50.00%, respectively).

❖ Loss aversion affected both genders but was slightly more pronounced in female investors (57.69%), highlighting a cautious investment approach.

❖ Discriminant analysis revealed that overconfidence, loss aversion, and regret aversion significantly influenced gender-specific investment behavior. Income was the most impactful demographic variable in differentiating emotional responses between male and female investors.

❖ The classification accuracy of 79.2% from the discriminant model confirms that emotional biases and demographic factors can effectively distinguish investment behavior by gender.
❖ MANOVA results indicated that overconfidence, loss aversion, and regret aversion significantly affect both risk tolerance and decision-making patterns. Gender had a statistically significant impact, and the interaction between emotional biases and gender was highly significant ($p = 0.009$), proving that emotional biases affect male and female investors differently.
❖ Male investors driven by overconfidence were more risk-tolerant, while female investors influenced by regret aversion were more cautious in their decision-making.
❖ Time Series Analysis showed a steady rise in awareness of emotional biases from 2020 to 2024, with further growth projected for 2025. Male investors consistently showed slightly higher awareness than females, but the gender gap is narrowing.
❖ Female investors are increasingly becoming aware of emotional biases, suggesting the positive effect of education and awareness campaigns in promoting gender-sensitive financial literacy.

SUGGESTIONS

❖ Financial advisors should tailor investment strategies based on gender-specific emotional biases such as overconfidence in men and loss aversion in women.
❖ Behavioral profiling tools can be used during client consultations to understand emotional tendencies and adjust advice accordingly.
❖ Advisors should encourage goal-based investment planning to reduce emotionally driven, short-term decisions.
❖ Policymakers should integrate behavioral finance concepts into national investor awareness programs to promote informed financial behavior.
❖ Government agencies can design financial products and schemes that align with the differing needs and attitudes of male and female investors.
❖ Financial literacy programs should be subsidized and expanded to reach underrepresented groups, with a focus on women and rural populations.
❖ Educational institutions should include behavioral finance and emotional bias awareness in management and commerce curricula.
❖ Organizing practical workshops and webinars that simulate real-life investment decisions can enhance awareness of emotional biases.
❖ Special financial education initiatives should be implemented for women through partnerships with self-help groups, colleges, and NGOs.
❖ Continuous evaluation of investor education programs should be carried out to ensure they remain gender-inclusive and behaviorally relevant.

CONCLUSION

This study highlights the critical role of emotional biases in shaping investment and trading behavior among male and female investors in the Kanyakumari District. By examining key biases such as overconfidence, loss aversion, herd behavior, and regret aversion, the research has revealed significant gender-based differences in how investors perceive and respond to financial risks and opportunities. Male investors were found to exhibit higher levels of overconfidence and risk-taking behavior, whereas female investors tended to be more affected by regret aversion and loss aversion, leading to more cautious decision-making patterns. The use of advanced statistical tools such as Discriminant Analysis, MANOVA, and Time Series Analysis confirmed that these emotional biases are significantly influenced by demographic variables, particularly income, and that gender plays a vital role in moderating the impact of these biases. The highly significant interaction effects observed between emotional biases and gender further affirm the need for differentiated investment guidance.

Additionally, the time series data demonstrated a positive trend in awareness of emotional biases across both genders, with the gender gap narrowing over the years. This improvement indicates that financial education efforts are having a tangible impact, especially among female investors who are increasingly becoming aware of the psychological elements involved in financial decision-making. Ultimately, the study provides strong evidence that a one-size-fits-all approach to investment advice and financial education is inadequate. Financial advisors, educators, and policymakers must adopt gender-sensitive strategies that account for the emotional and psychological drivers behind investment decisions. By integrating behavioral finance principles into practice, there is great potential to foster more rational, informed, and inclusive investment behavior, contributing to greater financial well-being and empowerment for all sections of society in the region.

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