# An Analysis of Investment Behaviour of Working Women: Indian Context

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***Abstract***

*We invest in order to improve our future welfare. Funds to be invested come from assets already owned, borrowed money, and savings or foregone consumption. By foregoing consumption today and investing the savings, we expect to enhance our future consumption possibilities. Anticipated future consumption may be by other family members, such as education funds for children or by ourselves, possibly in retirement when we are less able to work and produce for our daily needs. Regardless of why we invest, we should all seek to manage our wealth effectively, obtaining the most from it. This includes protecting our assets from inflation, taxes and other factors. The investment behaviour of working women has wide diversity.*

***Key words:*** *Indian Context, Investment Avenues, Investment Behaviour, Risk and Return, Working Women.*

## Introduction

Investment involves making of a sacrifice in the present with the hope of deriving future benefits. Investment has many meanings and facets. The two most important features of an investment are current sacrifice and future benefit. We can identify a variety of activities which display the two features of investment. For example, a portfolio manager buys 10,000 shares of ITC Ltd. for his mutual fund; your relative may have subscribed to the 6-year Post Office Monthly Income Scheme. A corporate firm may spend Rs. 5 crores for expansion programmers; a middle-aged man with a family decides to spend Rs. 10 lakhs to buy an apartment in a city and so on. All these constitute investment activities because they involve current sacrifice of consumption and hope of future gain. Perhaps, an investment in an apartment for the purpose of living in it may involve, partially at least, certain current consumption but because the family will continue to live in the house for a very long period of time, the act of purchasing a house or apartment may be taken as an Investment activity.

We can now give a simple yet a broad definition of investment. We can define investment as "postponed consumption. When you postpone consumption, sacrifice takes place in the present and is certain whereas the benefits occur in future and are uncertain. Therefore, risk and expected return from the investment are the two key determinants of investment process.

At this point, it is necessary to distinguish between certain activities which are in the nature of gambling and those which are genuine investments. For instance, if you buy Rs. 1000 worth of lottery ticket you may be sacrificing current consumption in the hope of winning a handsome return, but you are not really investing, In gambling or chance games, winning involves a lot of luck and the outcome as largely very uncertain. A buyer of lottery tickets knows that he will lose the money spent if he does not win and that the act of winning is not in his hands. However, an investor, not being a speculator, does not proceed with the assumption that he would lose his money because the act of investment decision-making is a well-thought out process. Genuine investors would always have appropriate information, which is analyzed in relation to the risk profile of the investor, and thereafter the actual investment avenue is selected. However, in real life, it is very difficult to draw a very clear demarcating line to separate speculative or gambling moves from genuine investment motives and the difference is purely a matter of opinion.

In other words, investment refers to a commitment of funds to one or more assets that will be held over some future time period. Almost all individuals have wealth of some kind, ranging from the value of their services in the workplace to tangible assets to monetary assets. Anything not consumed today and saved for future use can be considered an investment. For our purposes, investment will mean a measurable asset retained in order to increase one's personal wealth.

**Investment Decisions**

If we are making investment decisions today that will directly affect our future wealth, it would make sense that we utilize a plan to help guide our decisions. Surprisingly, the majority of people do not have in place any type of formalized investment plan. Taking some time to put together a financial plan can reap tremendous benefits. First, let's define financial planning.

Financial planning is the process of meeting your life goals through the proper management of your finances. Life goals can include buying a home, saving for your child's education or planning for retirement.

Financial planning provides direction and meaning to your financial decisions. It allows you to understand how each financial decision you make affects other areas of your finances. For example, buying a particular investment product might help you pay off your mortgage faster or it might delay your retirement significantly By viewing each financial decision as part of a whole, you can consider its short and long-term effects on your life goals. You can also adapt more easily to life changes and feel more secure that your goals are on track.

Investment decisions to buy/sell securities taken by individuals and institutions are carried through a set of rules and regulations. There are markets - money and capital - which function subject to such rules and established procedures and are, in turn, regulated by legally constituted authority. Then there are securities or financial instruments, which are the objects of purchase and sale. Finally, the mechanism which expedites transfers from one owner to another comprises of a host of intermediaries. All these elements comprise the investment environment. Investors have to be fully aware of this environment for making optimal investment decisions

**Nature of Investment Decisions**

You have understood that an individual invests or 'postpones current consumption only in response to a rate of return which must be suitably adjusted for inflation and risk. The basic postulate, in fact, unfolds the nature of investment decisions.

Cash has an opportunity cost and when you decide, to invest it, you are deprived of this opportunity to earn a return on that cash. Also, when the general price level rises the purchasing power of cash. This explains the reason why individuals require a 'real rate of return' on their investments. Now, within the large body of investors, some buy government securities or deposit their money in bank accounts that are adequately secured. In contrast, some others prefer to buy, hold, and sell equity shares even when they know that they get exposed to the risk of losing their money much more than those investing in government securities. You will find that this latter group of investors is working towards the goal of getting larger returns than the first group and, in the process, does not mind assuming greater risk. Investors, in general, want to earn as large returns as possible subject, of course, to the level of risk that can possibly bear.

The risk factor gets fully manifested in the purchase and sale of financial assets, especially equity shares. It is common knowledge that some investors lose even when the securities markets boom. So, there lies the risk.

You may understand risk, as the probability that the actual return on an investment will be different from its expected return. Using this definition of risk, you may classify various investments into risk categories.

Thus, government securities would be seen as risk-free investments because the probability of actual return diverging from expected return is zero. In the case of debentures, say of a company like TELCO or GRASIM, again the probability of the actual return being different from the expected return would be very little because the chance of the company defaulting on stipulated interest and principal repayments is quite low. You would obviously put equity shares in the category of 'high risk' investment for the simple reason that the actual return has a great chance of differing from the expected return over the holding period of the investor which may range from one day to a year or more.

Investment decisions are premised on an important assumption that investors are rational and hence prefer uncertainty. They are risk averse which implies that they would be unwilling to take risk just for the sake of risk. They would assume risk only if an adequate compensation is forthcoming. And the dictum of 'rationality' combined with the attitude of 'risk aversion' imparts to investment their basic nature. The question to be answered is: how best to enlarge returns with a given level of risk? Or how best to reduce risk for a given level of return? Obviously, there would be several different levels of risk and different associated expectations of return. The basic investment decision would be a trade-off between risk and return.

**The Investment Process**

After understanding the concept of investment and the nature of the investment decision you might now like to know as to how does an investor go about the task or business of investing. How much to invest at any moment? And when to make or unmake the investment? These questions essentially relate to the investment process which is briefly outlined in this section. A typical decision undergoes a five step procedure which, in turn, forms the basis of the investment process. These steps are

I. Determine the investment objectives and policy,
II. Undertake security analysis,
III. Construct a portfolio,
IV. Review the portfolio, and
V. Evaluate the performance of the portfolio.

You may note at the very outset that this five step procedure is relevant not only for an individual who is on the threshold of taking his own investment decisions but also for individuals and institutions who have to aid and work out investment decisions for others i.e., for their client. The investment process is a key process entailing the whole body of security analysis and portfolio management.

**Types of Investor**

Investing may look like a jovial, friendly business. The salespeople, the managers, the newsletters and the advertisements all seem deeply and exclusively concerned with your well-being. But I have been in the business for almost three decades, as a broker, a money manager, a newsletter editor, a teacher and even an occasional advertiser and I know better!

It's true that most of the investment industry would like to do something nice for the clients and customers. But in the real world, that pleasant intention is often far from the top of the industry's priority list. The industry is highly organized, highly motivated and highly trained to do whatever it takes to get your money under management.

Indian investors have hung out at the two extreme ends of the risk return matrix - we are usually at zero risk, with sudden spurts of lunacy. What else accounts for the huge retail participation, over the years, in dud IPOs, plantation schemes and the Z category stocks in the markets from a nation of FD-makers and gold buyers? Does that mean that the average middle-class householder has a wild side to his personality? If the latest from 'behavioural finance' (the new economics branch that studies why investors behave the way they do) is true, then yes, he does.

According to Dr Jeff of the University of Melbourne, identifies three broad types of investors found operating in the stock market -

- The contrarians,
- Trend followers, and
- Hedgers and holders.

The 'contrarian' buys when the rest of the world sells. Trend followers' are more conservative and tend to invest in products such as bank stocks. The last is the very conservative 'hedger and holder' - the famous 'small investor' of India who wants high return and low risk, preferably guaranteed by the government. Researchers in this field have also found that investor personality may differ across asset classes, with more risks being taken with a more familiar category. A person comfortable with real estate may take large risks in property, but may want to stick to a diversified equity fund for his stock market exposure.

Alternatively, a conservative investor may rank the risk of loss of purchasing power due to inflation lower than the risk of losing money even in a low-risk equity product.

**Investment Pattern of Working Women**

In India, women's have gone ahead to partake in all actions like education, sports, politics, IT, business, performing various jobs and so on. They have also kept one step beyond in investing their savings. In primeval days, women were used to keep their small savings from household expenditure either at the bottom of their old steel trunk or in spice box at kitchen. In contemporary, these savings habits have squash away from the mindset of working women. Now-a-days working women have dynamically play a part in investing their surplus money.

The women population in India accounts to around 48% of the total population. The total female worker population is 31.6% of the total worker population in India. The literacy rate of women in India is around 53.7%. The investment behavior of working women based upon diverse structure viz., degree of their risk taking capability. influence of family members and associates they are dare to get exposed to modern and pioneering investment avenues. The investment approaches of working women amend as vary in their age.

***Young Adult Epoch Verdict***

At the age of working women around 23-29, as young, they prefer more risk in investment choices and picking up long term investments to yield good return at apt time. They go for investing in equities and mutual funds. Most of the working women willing to invest in mutual fund rather than equities because in mutual funds they get the support of professionals in managing their money and at the same time look for high liquidity.

***Adult Epoch Verdict***

By the age of 30-39 working women get married and have children. So, they are prone to take care of family as well as children's education and future. At this stage they make their investments based upon children education and tax planning. For this purpose, they make investment either in insurance or mutual funds or in gold. They even choose real estate for long term growth. In earlier days, working women usually prefer to make deposits in bank or buy gold ornaments, but now, they are aware of saving gold ornament lead to loss in wastage and making charges. Instead, they invest in gold either in form of coins, bars or in gold mutual funds. Women give more importance to family health so they go for health insurance which protects the women's family as well as they are investing in pension plans to protect their retirement life. By means of investing in health insurance and pension plans, they are getting tax deduction under Section 80C and 80CC.

***Middle Epoch Verdict***

At the age of 40, earnings of working women will be more. During this stage, they desire to save for children's marriage or else higher education. Some of them plan to build house through home loan on paying EMIs where they could get deductions from tax. Few women have a wish to make investment for their retirement.

In the age of 50-59's, working women are nearing to their retirement, they invest on low risk instruments. Most of them try to change their equity instruments into debt instruments in order to protect them from cause of fall in the market as well as in this period they require funds to meet out their children's marriage.

***Independent Elder Epoch Verdict***

After their retirement time, they try to protect and safeguard their investment. So, they prefer investing in fixed deposits at banks, post office, and senior citizen saving scheme. Women always forecast the future events and make investment in precautionary motive. Women's intention to make investment is to execute their individual and monetary goals.

Working women invest in gold, mutual funds, shares, real estate, insurance products, bank products, chit funds and pension scheme. Always women are engaged in many activities such as to take care of home, to prepare food, to wash clothes, to clean home, to help children in studies and go to work. So, they do not have much time to read articles relating to various financial products available in market and to make their investment more effective. They can just have a view on these articles during travelling time or while waiting for any activity to perform. Women are scared about the scams, frauds, trickers, speculation because of these they are not interested to invest huge amount in stock and shares. Women are not aware of the protection and regulation made by SEBI to overcome them in stock market.

**Conclusion**

Through the statistical data it is understood that contemporary women of all epoch are interested in portfolio investment to enjoy the tax benefits as well to earn high rate of return from their investments. This article enables to line up the verdict of young adult epoch to independent elder epoch women regarding their investment pattern of current scenario. It is concluded that investment pattern changes according to the epoch of women to undertake the risk of investment to fetch returns. In the young adult stage women are interested to undergo high risk for high return. As the days passes, their interest drip slowly to undergo low risk for constant return. Therefore we can understand that women always want to be in safer zone regarding their investment plans.

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