INVESTMENT BEHAVIOUR OF WOMEN TOWARDS SELECT AVEUNUES WITH REFERENCE TO BACKWARD DISTRICTS OF ANDHRA PRADESH (Cognitive Favouritism)

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Abstract

Behavioural Finance, similar to all fields of science, is a work in progress, and there are no exact timelines for splitting the second generation of behavioural finance from the first. The first generation commonly described people as *'irrational'* mislead by cognitive errors and emotional errors on their way to their *'rational'* wants. The second generation of behavioural finance describes investors and people more generally as *'normal'* – neither *'rational'* nor *'irrational'*. The only difference between first generation and second generation of behavioural finance lacks in theory, evidence and practice and whereas for second generation it lacks unified structure. Various behavioural theories such as Loss aversion and Regret of decision, Anchoring effect, Disposition effect and Herding are various theories of cognitive bias which guide the path of women investors in taking their financial decisions.

Keywords: Behavioural, cognitive, generation.

Introduction

Investment is no longer a hypothetical process with the emergent of behavioural finance by way warding of standard finance theory. Standard finance theory coined as the first generation frequently labelled people as "*irrational*" deluded by cognitive and emotional errors on their way to their rational wants. Standard finance theory is no longer fused because wide cracks have opened between the theory that it embraces and the evidence. First generation of behavioural finance, starting in early 1980's widely accepted but it lacks in desired outcomes. With the advent of the second generation of behavioural finance describes investors and people more generally as "normal" neither "*rational*" nor "*irrational*". Behavioural finance lacks the unified structure of standard finance.

As Meri Statman related in the book (2017) "*Finance for Normal People: How Investors and Markets behave*", offers behavioural finance as a unified structure that incorporates part of standard finance, replaces other, and contains associations between theory, evidence, and practice. It discriminates normal wants from cognitive and emotional errors and offers supervision on using shortcuts and evading errors on the way to satisfying wants.

LOSS AVERSION AND REGRET OF DECISION

Investors don't like to lose money. However, humans are not born with flawlessness thus faults are common. Hence, regret is common in decision making. Regret happens to investors when investors feel bad about their choice of investment. The theory of regret runs through two suppositions: investors experience regret, and investors anticipate the regret under uncertainty. Loss aversion and regret of decision are the common cognitive favouritism of the investors (from factor analysis). The research measures the loss aversion and regret of decision with the below variables (Likert's five-point scale);

- Women investors don't favour to invest in avenues whose value drops unceasingly.
- Women investors regret their investment choice.
- Women investors prefer to evade losses to acquire corresponding gains.
- Women investors can antedate regret under uncertainty.
- Women investors like to invest in avenues whose value alters minimum.

ANCHORING EFFECT

Esch et al. (2009) define the anchoring effect as "a biased judgment of a stimulus based on an initial assessment of another stimulus and an insufficient adjustment away from that initial assessment". Investors because of time and other restraints take the investment choices based on historical enactment, advisor evidence, etc., and ignore the present-day information of the investment. Anchoring is the psychological state of the investors and it happens when the investors take the investment decisions based on the existing information. The research measures the anchoring effect with the below variables;

- Women investors take investment decisions based on historical yields of the investments.
- Women investors can take investment decisions based on advisor' information.
- Women investors don't use current information on investment avenues for outlay.

DISPOSITION EFFECT

In the words of" Hersh Shefrin's" analysis of the '*disposition effect'* the disposition to realise gains quickly and procrastinate in the realization of losses. If the investment value drops, investors generally suspend for the investment, however, investors sell the investment immediately if the investment value rises suddenly. It makes the investors increase the feeling of the winner –disposition effect. The research measures the disposition effect with the below variables;

- Women investors' sense delighted if they vend the investment at a higher price.
- Women investors won't prefer to trade the investment if the investment value drops.
- Women investors sell the investment if the investment value upsurges abruptly.
- Women investors evaluate diverse investment avenues before taking the decision.

HERDING

The tendency is a very big word in investment some time investors allot their money in trending investment avenues. Along with trend, investors often emulate other investors i.e. investors follow what other investors are doing (copy what other investors doing rather than own analysis of investments). Herding favouritism of investment happens when the investors just follow the trend or imitation of other investors. The herding favouritism in investment is measured with the below variables;

- Women investors' believe investment trends and track them.
- Women investors follow family decisions and take their suggestions in investment.
- Women investors won't do their scrutiny of investments and duplicate what other investors are doing.

Literature Review

Soufian, Forbes, and Hudson (2014) have conducted a study on "Adapting financial rationality: Is a new paradigm emerging? Critical Perspectives on Accounting" and reconnoitred the substitute to the efficient markets hypothesis. The efficient market hypothesis goes through the rational behaviour of the investors. The alternative to an efficient market hypothesis is called as Adaptive Markets Hypothesis (AMH). The AMH elucidates the irrational behaviour of the investors and particularly loss aversion, overreaction, and behavioural favouritisms. **Heukelom (2014)** work on "Behavioural economics" stated behavioural finance as a consequence of prospect theory. Heukelom also stated the significance of Prospect Theory in investment decisions. **Athur (2014)** has steered a research on "Effect of behavioural biases on investment decisions of individual investors in Kenya" and acknowledged the relationship between investment decisions and the behavioural prejudices like "overconfidence, representativeness, herding, anchoring, cognitive dissonance, regret aversion, gamblers, fallacy, mental accounting, prospect theory, hindsight bias, etc." **Misal (2013)** has conducted research on "A study of behavioural finance and investor's emotion in Indian capital market" and accredited that investors commit two types of errors i.e. overconfidence and regret aversion and it makes them irrational. **Sahi et.al (2013)** have led research on "An exploratory inquiry into the psychological biases in financial investment behavior" and examined the biases of the investors as "prefer known risks over unknown risks, rely on a point of reference, make investment decisions based on easily available information, play it safe with regards to risk, invest differently based on income source, invest with a view of social responsibility, invest in instruments which are familiar, feel that past decisions could have been better or were inevitable, be averse to losses, feel regret, be confident in one's ability, rely on family and friends and follow trends."

Objectives

1. To study the cognitive favouritism of women investors.
2. To explore cognitive favouritism concern towards various investment avenues.

Hypothesis

H_0: Cognitive favouritism of women investors don't differ with their age.

Research Methodology

Sampling

The population of the study includes women investors. As the sample is entire universe of six districts, it is not possible for the researcher to include each and every population. Hence, by using convenience sampling method a modest sample of 85 from each district is taken for the study. A total sample of 510 women investors are selected by covering the backward districts of Andhra Pradesh (Table 1).

Table -1: District wise sample selection

S.No	Name of the District	Sample size
1	Anantapuram	85
3	Chittoor	85
2	Kurnool	85
4	Srikakulam	85
5	Vijayanagaram	85
6	Y.S.R Kadapa	85
	Total	**510**

Source: Primary data

Data Collection Method:

The Study uses both primary and secondary sources of information. The secondary sources embrace books on investment behaviour, magazines and analysis reports of investment behaviour. The primary information was collected through 510 structured questionnaires. For the aim of the study all women residents in backward districts are taken as sample. The questionnaire furnishes the data about the socio-economic profile of women investors, sources of monetary awareness, perceptions and preferences of women investors.

Data Analysis

Women investors don't value more highly to invest in avenues whose value declines unendingly

Investment avenues available in many forms from low risk to high risk, however, the return depends on risk. Investors generally don't like to invest in avenues whose value declines continuously because it is a risky decision. Women investors' responses to the statement "Women investors don't prefer to invest in avenues whose value decline continuously" are explored and presented in table 2.

Table - 2

Women investors don't prefer to invest in avenues whose value declines continuously

Attributes	No. of respondents	Per cent
Strongly disagree	15	2.9
Disagree	1	.2
Neutral	19	3.7

	Agree	351	68.8
	Strongly agree	124	24.3
	Total	510	100.0

Source: Primary data

As regards the statement "Women investors don't value more highly to invest in avenues whose price declines unendingly "out of 510 women respondents, 2.9 per cent are strongly disagreed, 0.2 per cent is disagreed, 3.7 per cent are neutral, 68.8 per cent are agreed and 24.3 per cent are strongly agreed.

Women investors can take investment decisions based on advisors' information

The role of financial advisors is unavoidable in investments. Sometimes the investments happen based on the reputation of the financial investors. Hence, an attempt is made to explore the role of advisors in investment and results are presented in table- 3.

Table-3

Women investors can take investment decisions based on advisors' information

Attributes	No. of respondents	Per cent
Strongly disagree	14	2.7
Disagree	4	.8
Neutral	17	3.3
Agree	455	89.2
Strongly agree	20	3.9
Total	510	100.0

Source: Primary data

A glance at the table shows that 2.7 per cent are strongly disagreed, 0.8 per cent is disagreed, 3.3 per cent are neutral, 89.2 per cent are agreed and 3.9 per cent are strongly agreed with "Women investors can take the investment decision based on existing information".

Women investors will sell an investment if the investment value rises suddenly

Sudden rise in the value of investment change the attitude of investor and might influence buy and sell behaviour of investment. How the rise of investment value influences the women investors are examined and details are illustrated in table-4.

Table-4
Investors will sell an investment if the investment value rises suddenly

Attributes	No. of respondents	Per cent
Strongly disagree	144	28.2
Disagree	6	1.2
Neutral	8	1.6
Agree	339	66.5
Strongly agree	13	2.5
Total	510	100.0

Source: Primary data

As concerns the testimonial "Women investors will sell an investment if the investment value increases rapidly" 28.2 per cent are strongly disagreed, 1.2 per cent is disagreed, 1.6 per cent is neutral, 66.5 per cent are agreed and 2.5 per cent are strongly agreed.

Women investors trust investment trends and follow them

Investors sometimes follow investment trends. Women investors' response to the statement "Women investors trust investment trends and follow them" is explored and results are presented in table-5.

Table-5:
Women investors trust investment trends and follow them

Attributes	No. of respondents	Per cent
Strongly disagree	131	25.7
Disagree	199	39.0
Neutral	111	21.8
Agree	48	9.4
Strongly agree	21	4.1
Total	510	100.0

Source: Primary data

Out of the 510 women investors, 25.7 per cent are strongly disagreed with "Women investors trust investment trends and follow them", 39.0 per cent are disagreed, 21.8 per cent are neutral, 9.4 per cent are agreed and 4.1 per cent are strongly agreed.

Table - 6: Cognitive favouritism of women investors along with their age

		N	Mean	Std. Deviation	Std. Favouritism	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
Loss aversion & Regret of decision	Up to 30	96	-.0129455	.74045240	.07557211	-.1629751	.1370841	-1.65622	1.29872
	31 - 40	112	.1375811	.66148046	.06250403	.0137252	.2614370	-1.25002	1.26070
	41 - 50	237	-.1056047	1.25373365	.08143875	-.2660444	.0548351	-4.66475	1.29872
	51 - 60	60	.1525832	.71014927	.09167988	-.0308679	.3360342	-1.25002	1.26070
	Above 60	5	.3413987	.46803059	.20930964	-.2397380	.9225354	-.18004	.69493
	Total	510	0E-7	1.00000000	.04428074	-.0869955	.0869955	-4.66475	1.29872
Anchoring	Up to 30	96	-.4548778	1.61127606	.16445017	-.7813527	-.1284029	-4.30460	1.07724
	31 - 40	112	.1558800	.61906268	.05849592	.0399664	.2717936	-1.01081	1.20409
	41 - 50	237	.0480277	.84433565	.05484549	-.0600216	.1560770	-4.36590	1.28075
	51 - 60	60	.2628376	.61644019	.07958209	.1035942	.4220810	-.64159	1.20409
	Above 60	5	-.1886221	.65207620	.29161734	-.9982816	.6210375	-.67616	.54269
	Total	510	0E-7	1.00000000	.04428074	-.0869955	.0869955	-4.36590	1.28075
Disposition effect	Up to 30	96	-1.0346168	1.00375607	.10244542	-1.2379967	-.8312369	-3.21943	1.08686

	31 - 40	112	.4337623	.52488238	.04959672	.3354830	.5320415	-.62351	1.30539
	41 - 50	237	.1155400	.98239790	.06381360	-.0101771	.2412570	-2.92567	2.64138
	51 - 60	60	.3079073	.53690625	.06931430	.1692097	.4466049	-.62351	1.30539
	Above 60	5	.9768859	.34408549	.15387971	.5496473	1.4041244	.54559	1.30539
	Total	510	0E-7	1.00000000	.04428074	-.0869955	.0869955	-3.21943	2.64138
Herding	Up to 30	96	.1338504	1.21200437	.12369968	-.1117245	.3794253	-2.68539	2.59829
	31 - 40	112	-.3401784	.67083315	.06338777	-.4657855	-.2145713	-1.74337	1.05235
	41 - 50	237	.2884024	.99313483	.06451104	.1613113	.4154934	-1.39659	2.96326
	51 - 60	60	-.7386114	.55998991	.07229439	-.8832721	-.5939507	-1.74337	.29548
	Above 60	5	.2431322	.44808742	.20039079	-.3132418	.7995062	-.31493	.61517
	Total	510	0E-7	1.00000000	.04428074	-.0869955	.0869955	-2.68539	2.96326

Test of Homogeneity of Variances

	Levene Statistic	df1	df2	Sig.
Loss aversion & Regret of decision	5.147	4	505	.000
Anchoring	17.226	4	505	.000
Disposition effect	14.642	4	505	.000
Herding	9.944	4	505	.000

ANOVA

		Sum of Squares	Df	Mean Square	F	Sig.
Loss aversion & Regret of decision	Between Groups	6.759	4	1.690	1.699	.149
	Within Groups	502.241	505	.995		
	Total	509.000	509			

Anchoring	Between Groups	27.455	4	6.864	7.198	.000
	Within Groups	481.545	505	.954		
	Total	509.000	509			
Disposition effect	Between Groups	137.458	4	34.364	46.708	.000
	Within Groups	371.542	505	.736		
	Total	509.000	509			
Herding	Between Groups	67.422	4	16.855	19.276	.000
	Within Groups	441.578	505	.874		
	Total	509.000	509			

Source: Primary data

ANOVA is applied to test the cognitive favouritism of women investors along with their age. ANOVA's significance values for cognitive favouritism are:

- Loss aversion & Regret of decision = 0.149
- Anchoring = 0.00
- Disposition effect =0.00
- Herding =0.00

Hence the null hypothesis rejected; the alternative hypothesis accepted and concluded that women investors' anchoring effect, disposition effect, and herding cognitive favouritism differ along with their age.

Concerned with the loss aversion & regret of decision, the null hypothesis accepted and alternative hypothesis rejected hence it can be concluded that women investors' loss aversion & regret of decision doesn't differ along with age.

Findings

As issues to the statement "Women investors don't opt to invest in avenues whose price declines unendingly "out of 510 ladies respondents, 2.9 per cent area unit powerfully disagreed, 0.2per cent is disagreed, 3.7 per cent area unit neutral, 68.8 per cent area unit in agreement and 24.3 per cent area unit powerfully in agreement. Relating to "Women investors will take the investment call supported obtainable information", 2.7 per cent is strongly disagreed, 0.8 per cent area unit disagreed, 3.3 per cent area unit neutral, 89.2 per cent area unit in agreement and 3.9 per cent area unit powerfully in agreement. To the statement" women investors analyse totally different investment avenues before taking the decision" 3.3 per cent area unit powerfully disagreed, 1.0 per cent area unit disagreed, 5.1 percent area unit neutral, 42.9 per cent area unit in agreement and forty 7.6 per cent area unit powerfully in agreement With relation to the statement "Women investors conform family choices and follow their suggestions in investment", out of 510 respondents, 3.5 per cent area unit powerfully disagreed, 2.4 per cent area unit disagreed, 45.7 per cent area unit neutral,44.5 per cent area unit in agreement and 3.9 per cent area unit powerfully in agreement.

Suggestions

The psychological feature errors have varied with the socio-economic profile of the investors. This truth is accepted by most of the sample respondents. Hence, organizations of insurance, gold and silver, bank deposits, post workplace savings, shares, property, and mutual funds have to be compelled to address them in line with socio-economic profile. There's a necessity for a holistic approach to the complete drawback women investors.

Conclusion

The factor analysis has extracted four psychological feature errors of girls investors like loss aversion and regret of call, anchoring impact, disposition impact and gregarious. The data regarding psychological feature errors of women investors plays a spirited role in understanding the irrational behaviour of women investors. Hence, this paper serves very useful for academicians and practitioners.

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