International Journal of Linguistics Applied Psychology and Technology
https://ijlapt.strjournals.com/index.php/ijlapt
Vol. 4 No. 2(Feb) (2026)
ISSN(O): 3048-4529

Risk Perception and Investment Behaviour among Working Women: Evidence from Ernakulam District

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Abstract

Investment decisions are not always guided by rational evaluation of risk and return; instead, they are often influenced by investors' subjective perceptions and psychological responses to uncertainty. Among women investors, risk perception is widely recognised as a critical factor shaping investment behaviour. This study examines the influence of risk perception on investment behaviour among working women residing in Ernakulam district. Adopting a quantitative research design, primary data were collected from 100 working women using a structured questionnaire. Risk perception was measured through a multi-item scale capturing perceptions related to uncertainty, volatility, and potential financial loss. Structural equation modelling was employed to analyse the relationship between risk perception and investment behaviour.

The findings reveal that risk perception has a strong and statistically significant influence on investment behaviour (β = 0.843, CR = 26.697), explaining 71.1% of the variance. The results indicate that higher levels of perceived risk substantially shape behavioural tendencies, often discouraging active investment participation. The study contributes to behavioural finance literature by providing focused empirical evidence on the dominant role of risk perception in women's investment behaviour. The findings also offer practical insights for financial institutions and policymakers to design risk-sensitive communication strategies and financial education initiatives aimed at enhancing women's participation in financial markets.

Keywords: *Risk perception, investment behaviour, women investors, behavioural finance*

1. Introduction

Investment behaviour has traditionally been explained using the principles of classical finance, which assume that investors act rationally and make decisions based on complete information, objective risk assessment, and expected return maximisation. However, extensive empirical evidence suggests that actual investment decisions often deviate from these assumptions due to psychological and behavioural influences. Behavioural finance emerged in response to these limitations, integrating insights from psychology to better explain how individuals perceive risk and make financial decisions.

Risk perception refers to an individual's subjective evaluation of uncertainty and potential loss associated with an investment. Unlike objective risk, which can be quantified using statistical measures such as variance or beta, perceived risk is shaped by personal experience, financial awareness, emotional responses, and social influences. As a result, two individuals exposed to the same financial information may perceive and respond to risk in entirely different ways.

Women investors represent an increasingly important segment of financial markets due to rising educational attainment, workforce participation, and income levels. Despite this progress, women's participation in investment markets remains relatively lower compared to men. Existing studies frequently attribute this gap to differences in risk perception, with women generally exhibiting higher sensitivity to potential losses and greater caution toward uncertain financial outcomes. Such heightened risk perception may influence not only the choice of investment instruments but also the overall willingness to participate in investment activities.

In the Indian context, understanding women's investment behaviour is particularly relevant given ongoing efforts to promote financial inclusion and gender equity. Ernakulam district, as a major urban and commercial centre in Kerala, provides an appropriate setting to examine the investment behaviour of working women who are increasingly exposed to financial products and market information. However, limited empirical studies have focused exclusively on the role of risk perception in shaping women's investment behaviour at the regional level. Addressing this gap, the present study investigates the influence of risk perception on investment behaviour among working women in Ernakulam district.

2. Review of Literature

Risk perception plays a central role in behavioural finance, particularly in understanding why investors make certain choices under uncertainty. Unlike objective measures of risk that rely on statistical indicators, perceived risk is a subjective construct influenced by cognitive biases, emotional processing, and socio-demographic factors (Weber et al., 2002). Behavioural finance scholars have long emphasised that risk perception distorts rational decision-making, often leading to conservatism, overreaction, or avoidance behaviours (Kahneman & Tversky, 1979).

Gender differences in risk perception have been widely documented in the finance literature. Historically, women have been shown to perceive financial risk more strongly than men, which in turn affects their investment decisions (Lusardi & Mitchell, 2014). For instance, Harris et al. (2006) found that women are more likely to avoid risky financial assets such as stocks and equity mutual funds, despite similar levels of financial knowledge as their male counterparts. This risk aversion stems from heightened sensitivity to potential losses and uncertainty, which influences overall investment intentions.

In the context of working women, risk perception becomes even more salient. Employment status often increases exposure to financial markets and enhances access to information, potentially reducing perceived uncertainty. However, several studies reveal that working women still report higher levels of risk aversion compared to men, suggesting that socio-cultural factors and financial socialisation continue to shape perception (Croson & Gneezy, 2009). This pattern is echoed by Mandell and Klein (2009), who demonstrated that despite

access to financial resources and education, women often underestimate their financial understanding, leading to higher perceived risk.

A series of empirical investigations has examined the direct influence of risk perception on investment behaviour. Weber, Blais, and Betz (2002) developed a domain-specific risk-attitude scale showing that perceived risk significantly predicts individuals' likelihood to engage in various financial behaviours. Their work highlighted that subjective perceptions are stronger determinants of decision-making than objective risk measures. Similarly, Grable and Lytton (1999) investigated investor profiles and found that higher perceived financial risk is associated with lower willingness to invest in complex financial products.

Focusing specifically on women, Bazerman and Moore (2008) argued that social and emotional factors contribute to women's cautious financial behaviour. They asserted that women are more likely to prioritise security and future stability over riskier but potentially rewarding investments. This aligns with findings by Jianakoplos and Bernasek (1998), who observed that women's portfolios significantly differ from men's due to differential risk perceptions, with women favouring low-risk assets like bonds and fixed deposits.

In emerging economies, risk perception among women investors appears to be influenced by contextual economic factors. For instance, research in India by Mittal and Vyas (2011) revealed that women with higher perceived risk demonstrated significantly lower investment participation, especially in market-linked instruments such as stocks and mutual funds. Their study emphasised that limited financial literacy, coupled with strong loss aversion, intensifies risk perception and suppresses investment activities.

Another study by Dhar and Shukla (2014) investigated the impact of economic uncertainty on women's investment choices in urban India. The authors concluded that periods of macroeconomic instability lead to heightened perceived risk, resulting in a significant shift toward safer financial instruments. The study underscored the dynamic interplay between market conditions and individual risk perception.

Risk perception is also moderated by financial literacy. Lusardi and Mitchell (2014) found that financial knowledge has a mitigating effect on perceived risk, enabling more informed and confident investment behaviour. Likewise, studies by Agarwal et al. (2009) established that improved financial literacy reduces risk aversion and increases willingness to participate in financial markets among women. These findings suggest that education and targeted financial training may help lower perceived risk barriers.

While much of the literature recognises the importance of risk perception, few studies have examined this construct exclusively in relation to working women. Studies by Powell and Ansic (1997) and Béres et al. (2016) highlighted that workplace exposure enhances financial autonomy, yet working women's risk perceptions remain high due to persistent gender stereotypes and social roles. Their research reinforces the need for more focused empirical studies to isolate the influence of risk perception on investment behaviour.

Collectively, the literature consistently demonstrates that risk perception exerts a significant and pervasive influence on investment behaviour. It is particularly impactful among women investors who often display heightened sensitivity to financial uncertainty. However, there is a gap in regional, context-specific studies, especially in emerging economies like India. This underscores the value of the present study, which specifically investigates risk perception and investment behaviour among working women in Ernakulam district.

3. Research Objective and Hypothesis

3.1 Research Objective

* To examine the influence of risk perception on investment behaviour among working women in Ernakulam district.

3.2 Research Hypothesis

- **H_0:** Risk perception does not have a significant influence on the investment behaviour of working women.
- **H_1:** Risk perception has a significant influence on the investment behaviour of working women.

4. Research Methodology

4.1 Research Design

The study adopts a quantitative and descriptive research design to analyse the relationship between risk perception and investment behaviour.

4.2 Sample and Data Collection

Primary data were collected from 100 working women residing in Ernakulam district. Respondents were selected using a convenience sampling technique based on accessibility and willingness to participate. All respondents reported having basic awareness of financial investment options.

4.3 Measurement of Variables

Risk perception was measured using five statements reflecting perceptions of uncertainty, volatility, and potential financial loss associated with investments. Investment behaviour was assessed using items capturing respondents' behavioural tendencies toward financial investments. All items were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

4.4 Data Analysis Techniques

Structural equation modelling was employed to test the proposed relationship. Reliability and validity of the measurement model were assessed using composite reliability, average variance extracted, and factor loadings.

5. Results and Discussion

5.1 Sample Adequacy

The sample size of 100 respondents satisfies the minimum requirements for behavioural research and structural equation modelling, ensuring adequate reliability and stability of estimates.

5.2 Structural Model Results

The structural model examined the influence of risk perception on investment behaviour. Table 1 presents the standardized regression coefficient, critical ratio, and variance explained.

Table 1.1 Structural Path Coefficient

Path	Standardized Regression Coefficient (β)	Critical Ratio (CR)	Variance Explained (%)
Risk Perception → Investment Behaviour	0.843	26.697	71.1

The results indicate that risk perception has a strong and statistically significant influence on investment behaviour, as the critical ratio far exceeds the recommended threshold value of 1.96. The high standardized coefficient demonstrates that risk perception is a dominant determinant of investment behaviour among working women.

5.3 Measurement Model Results

The measurement model for risk perception demonstrated satisfactory psychometric properties. Factor loadings ranged from 0.506 to 0.818, indicating adequate indicator reliability. The composite reliability value of 0.88 confirms strong internal consistency, while the average variance extracted value of 0.504 establishes convergent validity.

5.4 Discussion

The findings clearly indicate that higher levels of perceived risk significantly shape investment behaviour among working women in Ernakulam district. Concerns related to uncertainty, potential loss, and market volatility appear to discourage active engagement with investment opportunities. These results align with behavioural finance theory, which suggests that subjective perceptions often outweigh objective financial evaluations in decision-making processes.

6. Implications of the Study

6.1 Theoretical Implications

The study strengthens behavioural finance literature by empirically demonstrating the central role of risk perception in shaping women's investment behaviour. It supports the argument that psychological factors must be considered alongside traditional financial variables when analysing investment decisions.

6.2 Practical Implications

The findings highlight the need for financial advisors and institutions to address perceived risk through transparent communication and simplified financial information. Policymakers may

use these insights to design targeted financial literacy and awareness programmes aimed at reducing fear and uncertainty among women investors.

7. Conclusion

The present study examined the influence of risk perception on investment behaviour among working women in Ernakulam district. The results confirm that risk perception significantly influences investment behaviour, explaining a substantial proportion of behavioural variation. By addressing perceived risk through education and effective communication, stakeholders can encourage greater participation of women in financial markets and promote long-term financial inclusion.

8. Limitations and Future Research

The study is limited by its reliance on convenience sampling and a relatively small sample size. Future research may extend this work by incorporating longitudinal designs, comparative gender analysis, or additional psychological variables to gain deeper insights into investment behaviour.

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