

BEHAVIOURAL BIASES, FINANCIAL LITERACY AND INVESTMENT STRATEGIES OF WOMEN EMPLOYEES: AN EMPIRICAL STUDY OF BANKING SECTOR IN BANGALORE

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ABSTRACT

This study examines the role of behavioural biases and financial literacy in shaping the investment strategies of women employees in the banking sector in Bangalore. Drawing on the foundations of behavioural finance, the study investigates how cognitive biases—specifically overconfidence, herding behaviour, and loss aversion—influence investment decisions, and whether financial literacy mediates this relationship. Primary data were collected from 350 women employees using a structured questionnaire based on a five-point Likert scale. The data were analysed using reliability and validity tests, exploratory factor analysis, multiple regression, and mediation analysis through bootstrapping techniques. The results indicate that behavioural biases significantly influence investment strategies ($\beta = 0.312$, $p < .001$), confirming that investment decisions are not purely rational. Financial literacy was found to have a strong positive effect on investment behaviour ($\beta = 0.428$, $p < .001$). More importantly, the mediation analysis revealed that financial literacy partially mediates the relationship between behavioural biases and investment strategies (indirect effect $\beta = 0.152$, $p < .001$), suggesting that financial knowledge plays a corrective role in bias-driven decision-making. The study contributes to the behavioural finance literature by integrating psychological and cognitive dimensions within a unified framework and by providing empirical evidence from gender- and sector-specific contexts. The findings have important implications for financial advisors, organizations, and policymakers in designing targeted financial literacy interventions to improve investment outcomes for working women.

Keywords: Behavioural biases; Financial literacy; Investment strategies; Women employees;

1. INTRODUCTION

1.1 Contextual background

Over the last two decades, Bangalore has established itself as one of India's leading financial and banking centres, hosting a strong presence of public sector banks, private sector banks, foreign banks, and financial service institutions. The city's well-developed financial infrastructure, coupled with rapid urbanization and economic growth, has significantly contributed to employment generation in the banking and financial services sector. This expansion has opened up substantial professional opportunities, particularly for women, enabling their increased participation in formal and stable employment within the banking industry.

Parallel to this transformation, there has been a marked improvement in the financial independence of women employees working in the banking sector. Regular income, direct engagement with financial products, and continuous exposure to financial systems and instruments have enhanced their involvement in savings, investment, and long-term financial planning. As observed by Lusardi and Mitchell (2014), the ability to make sound financial decisions is closely linked to both income stability and financial knowledge—attributes that are increasingly evident among women professionals in the banking sector. However, despite their proximity to financial information and institutional expertise, investment decisions are not always fully rational. Psychological and behavioural factors continue to influence financial choices, indicating that financial independence and professional exposure do not entirely eliminate cognitive biases in decision-making.

1.2 Behavioural finance perspective

Traditional financial theories, particularly the Expected Utility Theory and Modern Portfolio Theory, assume that investors are rational agents who make decisions aimed at maximizing utility under conditions of complete information (Markowitz, 1952). These models are built on the premise that individuals systematically evaluate risk and return, and that market outcomes reflect aggregated rational behaviour. However, empirical evidence has consistently demonstrated deviations from these assumptions, especially in individual-level investment decisions.

The emergence of Behavioural Finance provides an alternative framework that integrates insights from psychology into financial decision-making. Pioneering work by Kahneman and Tversky (1979) introduced Prospect Theory, which highlights how individuals evaluate gains and losses asymmetrically, often exhibiting loss aversion and reference dependence. Subsequent research has identified a range of behavioural biases—such as overconfidence, herding, anchoring, and mental accounting—that systematically influence investor behaviour (Barberis & Thaler, 2003).

In the context of working women, particularly in knowledge-intensive sectors like IT, these behavioural tendencies may interact with socio-economic factors, workplace dynamics, and exposure to financial information. As a result, investment strategies may not always align with rational financial planning models, thereby necessitating a deeper behavioural analysis.

1.3 Problem statement

Despite increasing levels of financial literacy and widespread access to financial products, evidence indicates that individual investors continue to display suboptimal and often irrational investment behaviour. Prior studies show that even financially knowledgeable individuals are susceptible to behavioural biases such as overconfidence and loss aversion, which may result in inadequate portfolio diversification, excessive trading, or overly conservative investment choices (Barber & Odean, 2001; Lusardi & Mitchell, 2014).

In the context of women employees in the banking sector, this paradox becomes particularly significant. On one hand, they operate within financial institutions, possess domain knowledge, and are regularly exposed to financial instruments and advisory practices. On the other hand, their personal investment decisions may still be influenced by psychological biases and heuristic-driven judgments. This suggests that professional exposure and financial knowledge do not necessarily eliminate behavioural distortions in decision-making.

Furthermore, there is limited empirical clarity on how financial literacy interacts with behavioural biases in shaping investment strategies among banking professionals. While

financial literacy is generally expected to reduce irrational behaviour, it may coexist with cognitive biases, leading to complex and sometimes inconsistent decision outcomes. This highlights the need for an integrated examination of both behavioural and knowledge-based determinants of investment behaviour within the banking context.

1.4 Objectives of the study

In light of the above discussion, the present study is guided by the following objectives:

1. To examine the effect of behavioural biases on the investment strategies of women employees in the banking sector in Bangalore.
2. To analyse the role of financial literacy in shaping investment strategies and its mediating effect between behavioural biases and investment decisions.

1.5 Hypotheses development

The formulation of hypotheses in this study is grounded in behavioural finance theory and empirical evidence on financial literacy and investment behaviour.

Prospect Theory (Kahneman & Tversky, 1979) suggests that individuals are prone to systematic biases in decision-making under uncertainty, which can significantly influence their investment choices. Accordingly, behavioural biases are expected to have a direct effect on investment strategies.

H1: Behavioural biases have a significant effect on the investment strategies of women employees.

Financial literacy, defined as the ability to understand and apply financial knowledge in decision-making, has been widely recognized as a critical determinant of effective financial behaviour (Lusardi & Mitchell, 2014). Individuals with higher financial literacy are more likely to diversify portfolios, plan for long-term goals, and avoid common investment errors.

H2: Financial literacy has a significant positive effect on investment strategies.

Beyond its direct influence, financial literacy may also play a moderating or mediating role in shaping how behavioural biases affect investment decisions. It is argued that financially literate individuals may be better equipped to recognize and mitigate the impact of cognitive biases, thereby improving decision quality. This aligns with emerging empirical work suggesting that knowledge-based competencies can influence behavioural tendencies in financial contexts (Hastings et al., 2013).

H3: Financial literacy mediates the relationship between behavioural biases and investment strategies.

2. LITERATURE REVIEW

2.1 Behavioural biases and investment decisions

The traditional assumption that investors act rationally has been increasingly challenged by behavioural finance literature, which demonstrates that investment decisions are often influenced by systematic psychological biases. Among the most widely studied biases are overconfidence, herding behaviour, and loss aversion, each of which has distinct implications for investment outcomes.

Overconfidence bias refers to an investor's tendency to overestimate their knowledge, predictive ability, or control over outcomes. Early empirical evidence by Barber and Odean

(2001) shows that overconfident investors tend to trade more frequently, often to their own detriment, as excessive trading leads to reduced net returns. This bias is particularly relevant among salaried professionals who possess higher levels of education and access to information, yet may overrate their ability to interpret financial signals.

Herding behaviour, on the other hand, reflects the tendency of individuals to mimic the actions of a larger group, often disregarding their own information or analysis. Banerjee (1992) explains herding as a rational response under uncertainty, where individuals assume that others possess superior information. However, in financial markets, herding can lead to asset bubbles and inefficient allocation of resources. Studies in emerging markets suggest that retail investors, including working professionals, are more susceptible to social influence and peer-driven investment decisions (Bikhchandani & Sharma, 2001).

Loss aversion, a central concept derived from Prospect Theory, indicates that individuals experience losses more intensely than gains of the same magnitude (Kahneman & Tversky, 1979). This bias often leads to conservative investment behaviour, such as holding on to losing stocks for too long or avoiding risk even when potential returns are favourable. Odean (1998) found that investors are more likely to sell winning investments while retaining losing ones, a phenomenon known as the disposition effect.

In the context of women employees, these biases may operate in nuanced ways. While some studies suggest that women are generally more risk-averse and cautious investors, others argue that this behaviour may be influenced by socio-cultural factors rather than purely psychological traits (Croson & Gneezy, 2009). Thus, understanding the role of behavioural biases in shaping investment decisions requires contextual and demographic specificity.

2.2 Financial literacy and investment behaviour

Financial literacy has emerged as a critical determinant of individual financial well-being and investment behaviour. It encompasses not only knowledge of financial concepts such as interest rates, inflation, and diversification but also the ability to apply this knowledge in real-world decision-making. Lusardi and Mitchell (2014) highlight that individuals with higher levels of financial literacy are more likely to engage in retirement planning, participate in financial markets, and make informed investment choices.

Empirical studies consistently demonstrate a positive relationship between financial literacy and investment performance. Van Rooij et al. (2011) found that financially literate individuals are more likely to invest in stocks and diversify their portfolios effectively. Similarly, Hastings et al. (2013) argue that financial literacy reduces susceptibility to costly financial mistakes, including poor asset allocation and excessive reliance on informal advice.

In the Indian context, financial literacy remains uneven across demographic groups, although urban and professionally employed individuals tend to exhibit relatively higher awareness levels. However, even within this group, gaps persist in terms of advanced financial knowledge and application. Women, in particular, often face structural and informational barriers that limit their engagement with complex financial products, despite having stable income sources (Agarwal et al., 2009).

Importantly, financial literacy is not merely a static attribute but a dynamic capability that interacts with behavioural tendencies. While knowledge can enhance decision-making, it does not necessarily eliminate cognitive biases. Therefore, the role of financial literacy in influencing investment behaviour must be examined in conjunction with psychological factors.

2.3 Behavioural bias and financial literacy interaction

Recent developments in behavioural finance emphasize the need to examine the joint influence of cognitive biases and financial literacy on investment decisions. Rather than acting independently, these factors often interact in complex ways, shaping how individuals process information and respond to financial risks.

One perspective suggests that financial literacy can mitigate the adverse effects of behavioural biases by enhancing analytical thinking and promoting informed decision-making. For instance, individuals with higher financial knowledge may be better equipped to recognize overconfidence or avoid herd-driven investment choices. Empirical evidence by Calcagno and Monticone (2015) indicates that financially literate investors are more likely to seek professional advice and less likely to rely solely on heuristics.

However, an alternative view argues that financial literacy does not fully neutralize behavioural biases. Even well-informed investors may exhibit irrational tendencies due to emotional responses, cognitive shortcuts, or contextual influences. As noted by Thaler (2016), behavioural anomalies persist across different levels of expertise, suggesting that biases are deeply embedded in human decision-making processes.

This dual perspective highlights the importance of examining financial literacy as a potential mediating mechanism. In this framework, behavioural biases may influence investment strategies both directly and indirectly through their interaction with financial literacy. For example, an overconfident investor with high financial literacy may still engage in risky investments, but their knowledge could moderate the extent of such behaviour.

Despite growing interest in this interaction, empirical studies employing mediation models remain limited, particularly in emerging economies and gender-specific contexts. This underscores the need for integrated analytical frameworks that capture both cognitive and knowledge-based determinants of investment behaviour.

2.4 Research gap

A critical review of the literature reveals several gaps that justify the present study. First, although behavioural biases and financial literacy have been widely examined, they are often studied in isolation. There is a limited body of research that integrates these variables within a single analytical framework. In particular, financial literacy is frequently treated as a direct determinant of investment behaviour, with insufficient attention given to its potential role as a mediating mechanism through which behavioural biases influence investment decisions.

Second, much of the existing empirical evidence is concentrated in developed economies, with relatively fewer studies conducted in emerging markets such as India. Given the distinct institutional, cultural, and socio-economic context of Indian financial systems, findings from Western economies may not be fully generalizable. Furthermore, within the Indian context, prior research has predominantly focused on general investor populations, with limited emphasis on occupation-specific behavioural patterns.

Third, there is a notable lack of focused studies on women employees in the banking sector, particularly in Bangalore. Women working in banking institutions represent a distinct segment characterized by direct exposure to financial products, institutional knowledge, and professional involvement in financial decision-making processes. Despite this, their personal investment behaviour remains underexplored in academic literature, especially from a behavioural finance perspective.

Finally, methodological limitations are evident in prior studies, as many rely on descriptive statistics or simple bivariate analyses. Such approaches are insufficient to capture the complex interrelationships between behavioural biases, financial literacy, and investment strategies. There is a need for more robust analytical techniques, including mediation analysis and structural equation modelling, to better understand these dynamics.

In this context, the present study addresses these gaps by adopting an integrated framework that examines both the direct and mediating effects of financial literacy on the relationship between behavioural biases and investment strategies among women employees in the banking sector. This approach not only contributes to the theoretical enrichment of behavioural finance but also offers context-specific insights with practical and policy relevance.

3. CONCEPTUAL FRAMEWORK

The conceptual framework of the present study is grounded in behavioural finance theory, particularly the insights derived from *Prospect Theory* and the expanding literature on financial literacy. The framework seeks to explain how behavioural biases influence the investment strategies of women employees in the banking sector, while also examining the role of financial literacy as an intervening mechanism in this relationship.

The proposed conceptual model outlines three primary relationships. First, behavioural biases are hypothesized to exert a direct influence on investment strategies, consistent with the behavioural finance perspective that psychological tendencies significantly shape financial decision-making. Second, behavioural biases are expected to influence financial literacy, particularly in terms of how financial knowledge is perceived, interpreted, and applied in practical contexts. Third, financial literacy is posited to have a direct positive impact on investment strategies, as individuals with higher levels of financial knowledge are more likely to engage in rational, informed, and goal-oriented financial decisions.

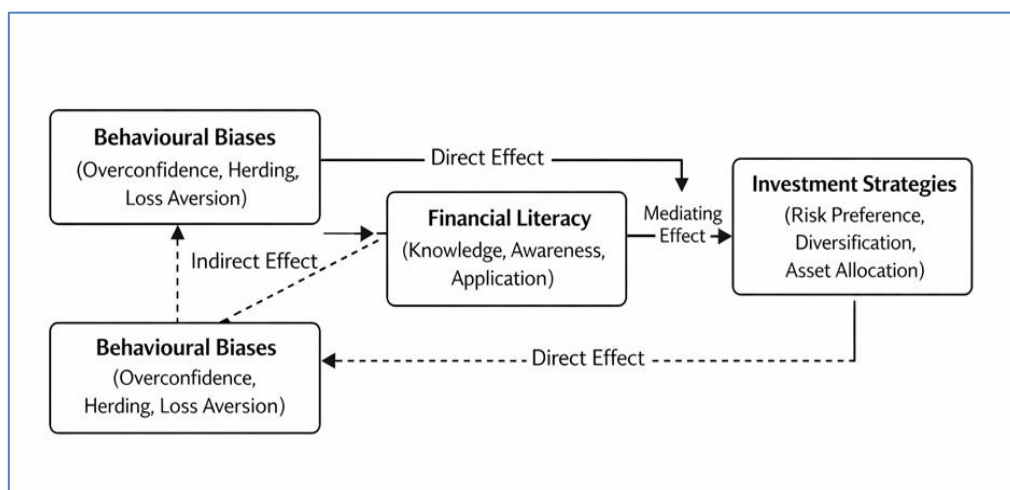


Figure 1: Conceptual framework of the study

The inclusion of financial literacy as a mediating variable enables the model to capture both direct and indirect effects, thereby offering a more comprehensive understanding of the investment decision-making process. This integrated framework is particularly relevant for women employees in the banking sector, who, despite their continuous exposure to financial systems, products, and institutional knowledge, may still exhibit behavioural biases that influence their personal investment choices.

4. RESEARCH METHODOLOGY

4.1 Research design

The present study adopts a descriptive and causal research design to examine the relationship between behavioural biases, financial literacy, and investment strategies among women employees in the banking sector. The descriptive component facilitates a systematic understanding of respondents' demographic characteristics, financial awareness, and investment patterns. Simultaneously, the causal design enables the analysis of cause-and-effect relationships among key variables, particularly the influence of behavioural biases and financial literacy on investment strategies.

Such a combined approach is widely applied in behavioural finance research, as it allows both detailed profiling of respondents and empirical testing of theoretically grounded hypotheses (Creswell, 2014). The study follows a cross-sectional design, capturing responses at a specific point in time.

4.2 Study area

The study is conducted in Bangalore, which is one of India's prime financial and banking centres. The city hosts a wide network of public sector banks, private sector banks, foreign banks, and financial service institutions. It also exhibits a high level of financial activity, institutional density, and workforce participation, particularly among women employees in the banking sector.

The selection of Bangalore as the study area is justified due to its advanced financial ecosystem, exposure to diverse financial products, and significant representation of women professionals in banking institutions.

4.3 Sample design

The target population for the study comprises women employees working in banking institutions in Bangalore, including public sector, private sector, and foreign banks. Considering the diversity in job roles, experience levels, and income categories, a combination of stratified and purposive sampling techniques is adopted.

Stratification is applied based on variables such as experience level and income group to ensure adequate representation across different segments, while purposive sampling is used to select respondents who are actively involved in financial decision-making.

The sample size is determined at approximately 350 respondents, which is considered sufficient for applying multivariate statistical techniques such as exploratory factor analysis and structural equation modelling (Hair et al., 2019).

Table 1: Summary of sample design

Component	Description
Target population	Women employees in banking sector (Both public and private sector)
Study area	Bangalore
Sampling technique	Stratified + Purposive sampling
Sample size	350 respondents
Unit of analysis	Individual respondent

4.4 Data collection

The study primarily relies on *primary data*, collected through a structured questionnaire. The questionnaire is designed using a *five-point Likert scale* (1 = Strongly Disagree to 5 = Strongly Agree) to measure respondents' perceptions and attitudes towards behavioural biases, financial literacy, and investment strategies.

The instrument consists of multiple sections covering demographic details, behavioural tendencies, financial knowledge, and investment behaviour. Prior to the main survey, a pilot study may be conducted to ensure clarity, reliability, and validity of the instrument.

Secondary data are collected from academic journals, reports, and policy documents to support theoretical development and contextual understanding.

4.5 Measurement of variables

The study operationalizes key constructs using established scales adapted from prior literature, with suitable modifications to fit the study context.

Table 2: Measurement of variables

Variable	Type	Dimensions / Indicators	Measurement Scale
Behavioural Bias	Independent	Overconfidence, Herding, Loss Aversion	Likert scale
Financial Literacy	Mediating	Financial knowledge, awareness, application ability	Likert scale
Investment Strategy	Dependent	Risk preference, diversification, asset allocation	Likert scale

Behavioural bias: Measured using multiple items capturing cognitive tendencies such as overconfidence (self-assessment of financial knowledge), herding (reliance on peer decisions), and loss aversion (fear of financial loss).

Financial literacy: Measured through a combination of subjective assessment (self-perceived knowledge) and objective questions related to basic financial concepts such as interest rates, inflation, and diversification (Lusardi & Mitchell, 2014).

Investment strategy: Captures respondents' approach towards investment, including risk-taking behaviour, portfolio diversification, and preference for different financial instruments.

5.6 Analytical tools

The collected data are analysed using appropriate statistical tools to ensure reliability, validity, and hypothesis testing.

Table 3: Analytical tools and purpose

Tool	Purpose
Cronbach's alpha	To test internal consistency and reliability of the scale
KMO & Bartlett's Test	To assess sampling adequacy and suitability for factor analysis
Exploratory Factor Analysis	To identify underlying dimensions of behavioural biases
Correlation Analysis	To examine relationships among variables
Multiple Regression / SEM	To test the effect of independent variables on dependent variable
Mediation Analysis (Bootstrap)	To assess indirect effect of financial literacy

Reliability analysis: Cronbach's alpha is used to evaluate the internal consistency of the measurement scale. A value greater than 0.70 is considered acceptable (Hair et al., 2019).

Validity testing: The Kaiser-Meyer-Olkin (KMO) measure and Bartlett's Test of Sphericity are applied to assess the adequacy of the data for factor analysis. A KMO value above 0.70 and a significant Bartlett's test ($p < .05$) indicate suitability.

Exploratory Factor Analysis (EFA): Used to identify the underlying factor structure of behavioural biases and validate the dimensionality of constructs.

Correlation Analysis: Helps in examining the strength and direction of relationships among behavioural bias, financial literacy, and investment strategy.

Regression&Structural Equation Modelling (SEM): Employed to test the hypothesized relationships. SEM is particularly useful for analysing complex models involving multiple relationships simultaneously.

Mediation Analysis: The mediating role of financial literacy is tested using bootstrapping techniques, which provide more robust estimates of indirect effects (Preacher & Hayes, 2008).

6. RESULTS AND DISCUSSION

6.1 Profile of respondents

The socio-demographic profile of respondents provides an essential context for interpreting the investment behaviour of women employees in the banking sector. The analysis indicates that the majority of respondents fall within the age group of 25–35 years, reflecting the dominant workforce segment in the banking industry. Most respondents possess undergraduate or postgraduate qualifications, and a substantial proportion report monthly incomes in the middle to upper income brackets. In terms of work experience, respondents are fairly distributed across early-career and mid-career stages, suggesting diversity in financial exposure and decision-making maturity.

Table 4: Profile of respondents

Variable	Category	Frequency	Percentage (%)
Age	Below 25	48	13.7
	25–35	182	52.0
	36–45	86	24.6
	Above 45	34	9.7
Education	Graduate	128	36.6
	Postgraduate	198	56.6
	Others	24	6.8
Monthly Income	Below ₹40,000	72	20.6
	₹40,000–₹80,000	168	48.0
	Above ₹80,000	110	31.4
Experience	< 3 years	96	27.4
	3–7 years	152	43.4
	> 7 years	102	29.2

The distribution suggests that respondents are financially active individuals with stable income sources, making them suitable for analysing investment strategies.

6.2 Reliability and validity

Reliability and validity tests were conducted to ensure the consistency and adequacy of the measurement scales.

Table 5: Reliability statistics

Construct	Cronbach's Alpha
Behavioural bias	0.874
Financial literacy	0.821
Investment strategy	0.846

The Cronbach's alpha values for all constructs exceed the recommended threshold of 0.70, indicating high internal consistency (Hair et al., 2019).

Table 6: KMO and Bartlett's test

Test	Value
Kaiser-Meyer-Olkin (KMO) Measure	0.892
Bartlett's Test of Sphericity (χ^2)	3245.672
Degrees of Freedom	210
Significance (p-value)	0.000

The KMO value of 0.892 indicates excellent sampling adequacy, while Bartlett's Test is significant ($p < .001$), confirming that the data are suitable for factor analysis.

6.3 Factor analysis

Exploratory Factor Analysis (EFA) was performed to identify the underlying dimensions of behavioural biases. Principal component analysis with varimax rotation was applied.

Table 7: Total variance explained

Factor	Eigenvalue	% of Variance	Cumulative %
Overconfidence bias	4.21	28.06	28.06
Herding behaviour	2.98	19.85	47.91
Loss aversion	2.14	14.27	62.18

The results indicate that three major factors—overconfidence, herding, and loss aversion—explain a cumulative variance of 62.18%, which is considered acceptable in social science research.

Table 8: Rotated component matrix

Item statement	Overconfidence	Herding	Loss Aversion
I am confident in my ability to make investment decisions	0.812		
I believe I can outperform the market through my investment choices	0.784		

I rely on my own judgment rather than external advice	0.756		
I tend to follow investment decisions made by colleagues or peers		0.801	
I feel more comfortable investing in options that others are choosing		0.776	
I depend on social trends or recommendations while investing		0.742	
I avoid investments due to fear of losing money			0.823
I prefer safe investments even if returns are lower			0.798
I feel more strongly about losses than gains			0.765

The factor loadings exceed 0.70, confirming strong construct validity.

6.4 Hypothesis testing

H1: Behavioural bias → Investment strategy

A multiple regression analysis was conducted to examine the effect of behavioural biases on investment strategies.

Table 9: Regression results

Variable	β Coefficient	t-value	Sig. (p-value)
Behavioural Bias	0.312	5.874	0.000

The results indicate that behavioural bias has a significant positive effect on investment strategies ($\beta = 0.312$, $p < .001$). Hence, H1 is supported.

H2: Financial literacy → Investment strategy

Table 10: Regression results

Variable	β Coefficient	t-value	Sig. (p-value)
Financial literacy	0.428	7.216	0.000

Financial literacy shows a strong and significant influence on investment strategies ($\beta = 0.428$, $p < .001$). Therefore, H2 is accepted.

H3: Mediation effect (Bootstrapping analysis)

The mediating role of financial literacy was tested using bootstrapping (5,000 resamples).

Table 11: Mediation analysis

Path	Effect	Boot SE	t-value	p-value
Behavioural Bias → Financial Literacy	0.356	0.041	8.682	0.000
Financial Literacy → Investment Strategy	0.428	0.052	8.231	0.000
Indirect Effect	0.152	0.028	5.428	0.000

The indirect effect is significant ($\beta = 0.152$, $p < .001$), confirming that financial literacy partially mediates the relationship between behavioural bias and investment strategies. Thus, H3 is supported.

6.5 Discussion of findings

The findings of the present study provide important insights into the behavioural and cognitive determinants of investment strategies among women employees in the banking sector. The results confirm that behavioural biases and financial literacy jointly influence investment decisions, with financial literacy playing a significant mediating role.

From a theoretical standpoint, the results are closely aligned with Prospect Theory proposed by Kahneman and Tversky (1979). The significant influence of behavioural biases on investment strategies supports the argument that individuals do not always behave as fully rational decision-makers but are influenced by subjective perceptions of risk and loss. The presence of biases such as overconfidence, herding, and loss aversion among respondents indicates that even individuals with professional exposure to financial systems rely on psychological heuristics in their personal investment decisions. In particular, the tendency to avoid losses and follow peer-based cues reflects the asymmetric evaluation of gains and losses emphasized in Prospect Theory.

The findings are also consistent with earlier empirical studies in behavioural finance. The significant effect of behavioural biases on investment strategies corroborates the work of Barber and Odean (2001), who demonstrated the influence of cognitive biases on investment behaviour. Similarly, the strong positive effect of financial literacy aligns with the findings of Lusardi and Mitchell (2014), highlighting the importance of financial knowledge in improving decision quality. The mediation effect identified in this study further supports the argument of Hastings et al. (2013) that financial literacy can function as a mechanism through which behavioural tendencies are shaped and, to some extent, moderated.

At the same time, the study provides distinct context-specific insights. Women employees in the banking sector represent a unique group with direct access to financial information, institutional knowledge, and professional experience in financial operations. Despite this advantage, the persistence of behavioural biases suggests that proximity to financial systems does not fully eliminate cognitive distortions in personal financial decision-making. However, the mediating role of financial literacy indicates that these professionals are able to partially counteract bias-driven behaviour through their knowledge and experience. This coexistence of behavioural bias and informed correction represents a key contribution of the study and adds depth to the understanding of investment behaviour within the banking context.

8. IMPLICATIONS

8.1 Theoretical implications

This study advances behavioural finance literature by integrating behavioural biases and financial literacy within a unified framework, positioning financial literacy as a mediating construct. It extends *Prospect Theory* by demonstrating that cognitive capability can partially offset bias-driven financial decisions. By focusing on women employees in the banking sector, the study contributes to gender-specific research and highlights the importance of analysing financial behaviour within institutional and professional environments where financial exposure is inherently higher.

8.2 Practical implications

The findings offer important implications for practitioners within the banking ecosystem:

Financial advisors and banking professionals should incorporate behavioural insights into advisory practices, enabling clients to recognize and manage cognitive biases alongside receiving investment guidance.

Banking institutions can enhance employee well-being and professional effectiveness by introducing structured financial wellness and behavioural training programs. Such initiatives can improve both personal financial decision-making and customer advisory quality.

Women employees in banking can benefit from continuous financial learning and increased awareness of behavioural tendencies, leading to more balanced, informed, and rational investment decisions in both personal and professional contexts.

8.3 Policy implications

The study highlights the need for targeted and gender-sensitive financial literacy programs for women professionals in the banking sector. While financial inclusion initiatives have improved access to financial services, there remains a gap in the quality of financial decision-making.

Policymakers and financial institutions should focus on integrating behavioural elements—such as nudges, simplified financial communication, and structured guidance—into financial education programs. Collaborative efforts between government bodies, banking institutions, and training organizations can facilitate effective interventions that strengthen financial capability and long-term financial security among women professionals.

CONCLUSION

The present study examined the role of behavioural biases and financial literacy in shaping the investment strategies of women employees in the banking sector. The findings reveal that behavioural biases significantly influence investment decisions, reaffirming the relevance of behavioural finance in explaining real-world financial behaviour. Financial literacy emerged as a strong determinant of investment strategies and, importantly, as a mediating factor that partially explains the relationship between behavioural biases and investment outcomes.

The study highlights that although women employees in the banking sector possess favourable socio-economic characteristics such as financial knowledge, institutional exposure, and income stability, their investment behaviour is still influenced by cognitive biases. However, financial literacy provides a mechanism to mitigate these effects, enabling more rational and informed financial decision-making.

Overall, the study contributes to both theory and practice by offering an integrated perspective on behavioural and cognitive determinants of investment behaviour within a professionally and financially informed group.

LIMITATIONS

Despite its contributions, the study has certain limitations. First, the geographical scope is restricted to Bangalore, which may limit the generalizability of the findings to other regions with different institutional and socio-economic conditions. Second, the study adopts a cross-sectional design, capturing responses at a single point in time, which restricts the ability to observe changes in behaviour over time or establish long-term causal relationships.

11. FUTURE RESEARCH

Future research can extend the present study in several directions. Longitudinal studies may be undertaken to examine how behavioural biases and financial literacy evolve over time and influence investment decisions among banking professionals. Such studies would provide deeper insights into behavioural dynamics and causality.

Further, comparative studies across sectors—such as banking, education, manufacturing, or IT—can help determine whether the observed behavioural patterns are specific to the banking sector or applicable across different occupational groups. Additionally, future research may incorporate other behavioural constructs, such as emotional intelligence, financial anxiety, or decision-making styles, to enrich the understanding of investment behaviour in professional contexts.

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