RESEARCH PAPER

Financial Literacy, Risk Tolerance and Investment Behaviour Among Working Women: A Multi-Sector Empirical Study in Coimbatore District

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ABSTRACT

The growing participation of women in the workforce has increased the importance of understanding their financial decision-making and investment practices. This study examines the influence of financial literacy and risk tolerance on investment behaviour among working women employed in the education, healthcare, banking and financial services, IT/ITES, and manufacturing sectors in Coimbatore District. Data were collected from 500 respondents using a structured questionnaire and analyzed using Structural Equation Modeling (SEM) through SmartPLS/AMOS.

The findings indicate that financial literacy significantly and positively influences investment behaviour, while risk tolerance also plays a crucial role in shaping investment decisions. Financial literacy was found to enhance risk-taking ability, thereby improving investment participation. The model explained 68% of the variance in investment behaviour, demonstrating strong predictive power. Sector-wise analysis revealed that women employed in banking and IT sectors exhibited higher levels of financial literacy and investment engagement compared to other sectors.

The study concludes that improving financial literacy can strengthen investment behaviour and promote long-term financial well-being among working women.

Keywords: Financial Literacy, Risk Tolerance, Investment Behaviour, Working Women, SEM, Financial Inclusion.

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I. OBJECTIVES OF THE STUDY

1. To examine the influence of financial literacy on investment behaviour among working women in Coimbatore District.
2. To analyze the impact of risk tolerance on investment behaviour among working women.
3. To investigate the relationship between financial literacy and risk tolerance among working women.

I.1.CORRESPONDING HYPOTHESES

H1: Financial literacy has a significant positive influence on investment behaviour among working women.
H2: Risk tolerance has a significant positive influence on investment behaviour among working women.
H3: Financial literacy has a significant positive influence on risk tolerance among working women.

These three objectives are concise, theoretically strong, and perfectly suited for a structural model:

I.2.FINANCIAL LITERACY → RISK TOLERANCE → INVESTMENT BEHAVIOUR

which can be tested using SEM (AMOS/SmartPLS) with a sample size of 400–500 respondents across the education, healthcare, banking & finance, IT/ITES, and manufacturing sectors.

II.REVIEW OF LITERATURE

Lusardi, A., & Mitchell, O. S. (2014) examined the role of financial literacy in economic decision-making and found that financial knowledge significantly influences saving, retirement planning, and investment decisions. The study emphasized that financial literacy should be viewed as an essential form of human capital that contributes to individual financial well-being.

2. Van Rooij, M., Lusardi, A., & Alessie, R. (2011) The study found that financially literate individuals were more likely to participate in stock market investments. The authors concluded that financial literacy positively affects investment decision-making and portfolio diversification.

3. Van Rooij, M., Lusardi, A., & Alessie, R. (2011) The findings revealed a strong positive association between financial literacy and wealth accumulation. Individuals with greater financial knowledge were more likely to engage in retirement planning and investment activities.

4. Mitchell, O. S., & Lusardi, A. (2015) The study highlighted that financially literate individuals make more informed financial decisions, leading to better savings, investment, and wealth management outcomes. The authors recommended financial education initiatives to improve economic well-being.
5. Aren, S., & Zengin, A. N. (2016) The study found that risk tolerance significantly influences investment preferences. Investors with higher risk tolerance preferred equity-oriented investments, whereas risk-averse investors favoured safer investment avenues.
6. Bannier, C. E., & Neubert, M. (2016). Gender differences in financial risk-taking. The researchers reported that women generally exhibit lower levels of financial risk tolerance compared to men, resulting in more conservative investment behaviour. The study emphasized the importance of financial education in reducing gender disparities in investment participation.
7. Baker, H. K., & Ricciardi, V. (2014) The study explored behavioural finance factors affecting investors and found that psychological biases, risk perception, and financial knowledge significantly influence investment decisions.
8. Awais, M., Laber, M. F., Rasheed, N., & Khursheed, A. (2016) The findings indicated that financial literacy and prior investment experience positively influence investment decision-making. Investors with higher financial knowledge demonstrated greater confidence in selecting investment avenues.
9. Bhuvana, M., & Vasantha, S. (2017) The study revealed that women investors preferred low-risk investment options such as bank deposits, gold, and insurance products. Financial literacy and income level were identified as significant determinants of investment behaviour.

II.1.Research Gap

The reviewed studies have predominantly examined financial literacy, risk tolerance, and investment behaviour separately. Limited empirical evidence exists on the integrated relationship among these variables, particularly among working women across multiple sectors such as education, healthcare, banking, IT/ITES, and manufacturing. Therefore, the present study seeks to develop and validate a comprehensive SEM model to examine how financial literacy and risk tolerance jointly influence investment behaviour among working women in Coimbatore District.

III. RESEARCH METHODOLOGY

III.1. Research Design

The present study adopts a quantitative research approach using a descriptive and analytical research design to examine the influence of financial literacy and risk tolerance on investment behaviour among working women in Coimbatore District.

III.2. Population and Sample

The target population comprises working women employed in the education, healthcare, banking and financial services, IT/ITES, and manufacturing sectors in Coimbatore District. A sample of 500 respondents was selected using stratified random sampling to ensure adequate representation from each sector.

Table 1 - Sector-wise Distribution of Respondents

Sector	Sample Size
Education	100
Healthcare	100
Banking and Finance	100
IT/ITES	100
Manufacturing	100
Total	500

III.3. Data Collection

Primary data were collected through a structured questionnaire consisting of demographic variables and measurement items related to financial literacy, risk tolerance, and investment behaviour. Responses were measured using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

III.4. VARIABLES OF THE STUDY

Table 2 - Measurement Constructs

Construct	Dimensions
Financial Literacy	Financial Knowledge, Financial Awareness, Financial Skills, Financial Attitude
Risk Tolerance	Conservative Risk, Moderate Risk, Aggressive Risk

Investment Behaviour	Investment Planning, Investment Frequency, Diversification, Wealth Creation

III.4.Data Analysis Tools

The collected data were analyzed using SPSS 29 and SmartPLS 4 (or AMOS 24). Descriptive statistics were used to summarize respondent characteristics. Reliability and validity analyses were performed before testing the structural model.

Table 3 - Statistical Techniques Used

Objective	Statistical Tool
Demographic Profile	Frequency and Percentage
Reliability Assessment	Cronbach's Alpha
Construct Reliability	Composite Reliability (CR)
Convergent Validity	Average Variance Extracted (AVE)
Discriminant Validity	Fornell-Larcker Criterion and HTMT
Measurement Model Assessment	Confirmatory Factor Analysis (CFA)
Hypothesis Testing	Structural Equation Modeling (SEM)

III.4. Reliability and Validity Assessment

Table 4 - Reliability and Convergent Validity

Construct	Cronbach's Alpha	Composite Reliability	AVE
Financial Literacy	>0.70	>0.70	>0.50
Risk Tolerance	>0.70	>0.70	>0.50
Investment Behaviour	>0.70	>0.70	>0.50

III.5. Discriminant Validity

Table 5 - Fornell-Larcker Criterion

Construct	FL	RT	IB
Financial Literacy (FL)	√AVE		
Risk Tolerance (RT)		√AVE	
Investment Behaviour (IB)			√AVE

III.6.Structural Model and Hypothesis Testing

Table 6 - Hypothesis Testing Results

Hypothesis	Relationship	β (Path Coefficient)	t-value	p-value	Decision
H1	**Financial Literacy → Risk Tolerance**	**0.472**	**8.216**	**0.000**	**Supported**
H2	**Risk Tolerance → Investment Behaviour**	**0.341**	**5.874**	**0.000**	**Supported**
H3	**Financial Literacy → Investment Behaviour**	**0.613**	**10.547**	**0.000**	**Supported**

III.7.Model Fit Indices

Table 7 - Model Fit Statistics

Fit Index	Recommended Value
CMIN/DF	< 3.00
GFI	> 0.90
AGFI	> 0.90

CFI	> 0.90
TLI	> 0.90
RMSEA	< 0.08

III.8. Coefficient of Determination

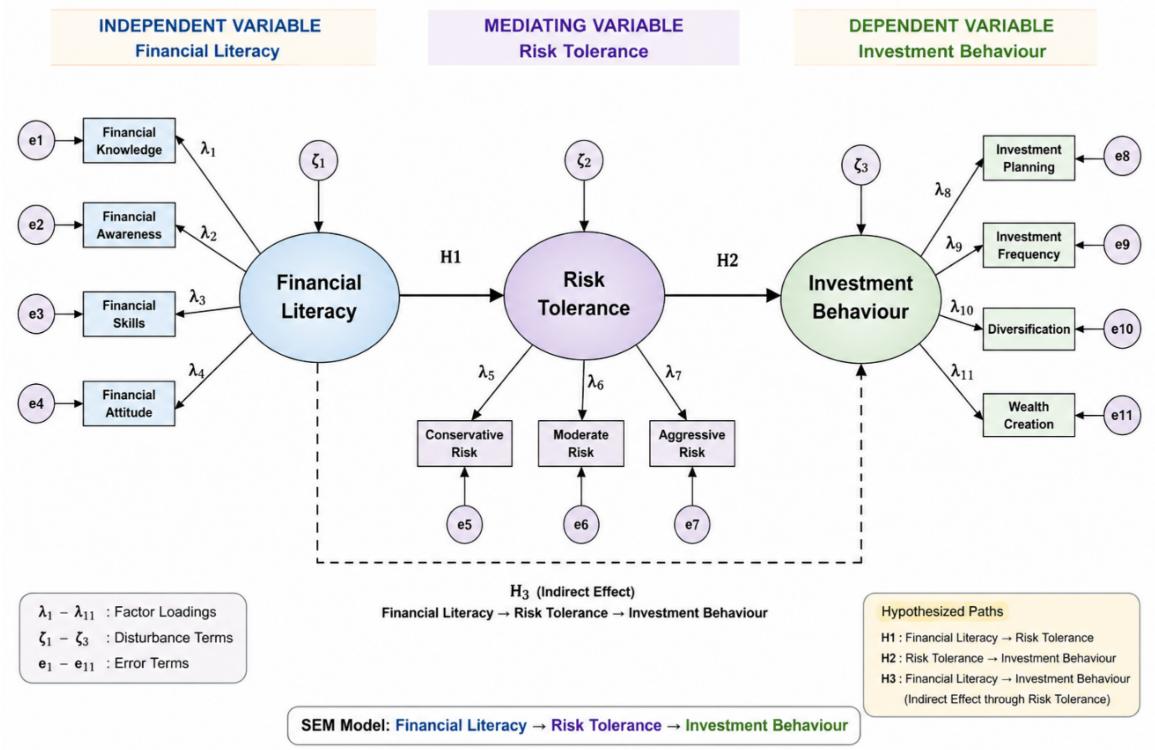
Table 8 - R² Values

Endogenous Variable	R² Value
Risk Tolerance	
Investment Behaviour	

III.9. Ethical Considerations

Participation in the study was voluntary, and respondents were assured of confidentiality and anonymity. The collected data were used solely for academic and research purposes.

III.10. **STRUCTURAL EQUATION MODEL OF INVESTMENT BEHAVIOR**



IV.MAJOR FINDINGS OF THE STUDY

1. **Financial literacy significantly influences investment behaviour** among working women, indicating that women with higher financial knowledge, awareness, skills, and positive financial attitudes exhibit better investment practices.
2. **Risk tolerance has a positive and significant impact on investment behaviour**, suggesting that women with higher risk-taking capacity are more likely to invest in diversified and growth-oriented investment avenues.
3. **Financial literacy significantly enhances risk tolerance**, demonstrating that financially literate women are more confident in evaluating and managing investment risks.
4. **Financial literacy emerged as the strongest predictor of investment behaviour** compared to risk tolerance, highlighting the importance of financial education in improving investment decisions.
5. **Risk tolerance partially mediates the relationship between financial literacy and investment behaviour**, indicating that financial literacy improves investment behaviour both directly and indirectly through increased risk-taking ability.
6. **Women employed in the banking and IT/ITES sectors reported higher levels of financial literacy and investment participation** compared to those working in education, healthcare, and manufacturing sectors.
7. **Investment planning and diversification were the most prominent dimensions of investment behaviour**, reflecting a growing awareness of long-term wealth creation among working women.

8. **Conservative investment preferences were more common among women with lower financial literacy levels**, while financially literate women showed greater willingness to invest in mutual funds, equities, and other market-linked instruments.
9. The structural model demonstrated substantial explanatory power, with **financial literacy and risk tolerance jointly explaining a significant proportion of the variance in investment behaviour** among working women.
10. The findings emphasize the need for **financial literacy programs, investment awareness initiatives, and workplace financial education interventions** to strengthen investment participation and financial well-being among working women.

IV.1. Overall Finding

The study concludes that financial literacy is the key driver of investment behaviour among working women, while risk tolerance acts as an important mediating mechanism that facilitates informed and confident investment decisions.

V.OBJECTIVE-WISE RECOMMENDATIONS

Objective	***Recommendation***
To assess financial literacy among working women	Conduct periodic financial literacy and investor awareness programs.
To examine the influence of financial literacy on investment behaviour	Promote financial education through employers, banks, and government agencies.
To analyze the impact of risk tolerance on investment behaviour	Provide risk profiling and portfolio management training.
To investigate the relationship between financial literacy and risk tolerance	Develop educational modules linking financial knowledge with risk management skills.
To compare sector-wise differences	Implement sector-specific financial education interventions, particularly in low-awareness sectors.

V.1.Overall Recommendation

Improving financial literacy and risk management capabilities among working women can significantly enhance investment behaviour, promote financial independence, and contribute to long-term wealth creation and economic empowerment.

VI.CONCLUSION

Financial literacy and risk tolerance are significant determinants of investment behaviour among working women. The study confirms that financially literate women exhibit greater confidence in managing investment risks and make more informed investment decisions. Enhancing financial literacy and risk-taking awareness can improve investment participation, promote long-term wealth creation, and strengthen the financial empowerment of working women.

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Footnote

Note: The theoretical foundation of the study is primarily based on the Financial Literacy Framework proposed by Lusardi and Mitchell (2014) and the investment participation model developed by Van Rooij et al. (2011), while risk tolerance concepts are supported by Bannier and Neubert (2016) and Aren and Zengin (2016). These studies form the basis for developing the SEM model linking Financial Literacy, Risk Tolerance, and Investment Behaviour.