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GENDER DIFFERENCES IN RISK TOLERANCE AND INVESTMENT BEHAVIOUR: THE ROLE OF EMOTIONAL INTELLIGENCE AND FINANCIAL ANXIETY

Prof. Mulani Sohail R.

Assistant Professor, Department of MBA, Unique Institute of Management and Research, Pune 411 041, Maharashtra

Prof. Taval Vidya P.

Assistant Professor, Department of MBA, Unique Institute of Management and Research, Pune 411 041, Maharashtra

Prof. Kale Amol S.

Assistant Professor, Department of MBA, Unique Institute of Management and Research, Pune 411 041, Maharashtra

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Abstract

This study investigates gender-based differences in financial risk tolerance and investment behaviour, with a specific focus on the role of emotional intelligence (EI) and financial anxiety. A survey-based research design was employed using a sample of 150 adult investors, comprising 75 male and 75 female participants. Data were collected through standardized questionnaires measuring risk tolerance, emotional intelligence, and financial anxiety. Statistical techniques, including independent samples t-tests and multiple regression analysis, were used to examine the relationships among variables. The findings indicate that male investors exhibit significantly higher risk tolerance compared to female investors. In contrast, female investors demonstrate higher levels of emotional intelligence but also report greater financial anxiety. Further analysis reveals that financial anxiety has a significant negative impact on risk tolerance, whereas emotional intelligence positively influences investment decision-making. The study underscores the importance of psychological and emotional factors in explaining gender differences in investment behaviour. It provides valuable insights for financial advisors, policymakers, and educators to design more inclusive and behaviourally informed financial strategies.

Keywords: *Risk Tolerance, Investment Behaviour, Gender, Emotional Intelligence, Financial Anxiety, Behavioural Finance*

1. Introduction

Financial decision-making is not solely driven by rational analysis and numerical evaluation; it is also significantly influenced by psychological and emotional factors. These factors shape how individuals perceive risk, make investment choices, and respond to uncertainty in financial markets. Among the various determinants of financial behaviour, gender has consistently emerged as an important factor influencing investment patterns.

Existing research indicates that men and women differ in their approach to financial risk. Generally, men tend to exhibit higher risk tolerance and engage more actively in trading activities, whereas women are more likely to prefer safer and more stable investment options. Although these differences are widely observed, the underlying psychological reasons behind such behaviour are still being explored.

In this context, two important psychological constructs — emotional intelligence and financial anxiety — provide valuable insights into investor behaviour. Emotional intelligence refers to an individual's ability to understand, manage, and regulate emotions effectively. Individuals with higher emotional intelligence are better equipped to handle financial stress, make balanced decisions, and respond constructively to market fluctuations. On the other hand, financial anxiety refers to the level of stress or concern an individual experiences regarding financial matters, which may lead to cautious or risk-averse investment decisions.

This study aims to examine whether emotional intelligence and financial anxiety help explain gender differences in risk tolerance and investment behaviour. By analysing responses from 150 investors, the study seeks to understand how these psychological factors interact with gender to influence financial decision-making.

1.1 Research Objectives

The objectives of this study are:

(i) To examine whether men and women differ in financial risk tolerance and investment behaviour.

(ii) To assess whether emotional intelligence explains any part of the gender–risk tolerance relationship.

(iii) To understand whether financial anxiety contributes to gender differences in investment behaviour.

(iv) To draw practical recommendations for financial planning and policy.

1.2 Research Questions

RQ1: Is there a significant difference in risk tolerance between male and female investors?

RQ2: Do men and women differ significantly in emotional intelligence and financial anxiety?

RQ3: Do emotional intelligence and financial anxiety predict risk tolerance?

RQ4: Does the relationship between gender and risk tolerance change when EI and financial anxiety are considered?

2. Literature Review

The study titled "Gender Differences in Risk Taking Behaviour" by Jianakoplos and Bernasek (1998) found that women are generally more risk-averse than men, particularly in financial decision-making. Their research highlighted that single women tend to take fewer financial risks compared to single men.

Similarly, the study "Trading Behaviour and Overconfidence" by Barber and Odean (2001) revealed that men trade more frequently than women. The primary reason identified was overconfidence among male investors, which leads to higher risk-taking behaviour.

Further, "Gender Differences in Preferences" by Croson and Gneezy (2009) confirmed that women tend to be more risk-averse across different contexts, including financial investments. Their findings support the idea that gender plays a significant role in shaping financial decisions.

In the area of emotional intelligence, the study "Emotional Intelligence Concept" by Salovey and Mayer (1990) defined emotional intelligence as the ability to understand, manage, and regulate emotions. This concept is important in financial decision-making, as emotions directly influence investor behaviour.

The research "Emotions and Financial Decision-Making" by Kliger and Kudryavtsev (2010) found that investors with higher emotional intelligence are less likely to make impulsive decisions and are better able to handle market fluctuations.

Additionally, the study "Gender and Emotional Intelligence" by Joseph and Newman (2010) indicated that women generally score higher in emotional intelligence, particularly in areas related to empathy and emotional awareness.

The study "Financial Anxiety and Behaviour" by Shapiro and Burchell (2012) highlighted that financial anxiety negatively affects investment decisions. Individuals experiencing higher financial anxiety tend to avoid risks and prefer safer investment options.

Similarly, "Financial Stress and Gender" by Hira and Mugenda (2000) found that women experience higher levels of financial anxiety compared to men, which contributes to their more conservative investment behaviour.

From a theoretical perspective, "Prospect Theory" by Kahneman and Tversky (1979) explains that individuals are more sensitive to losses than gains, leading to risk-averse behaviour in uncertain situations.

Lastly, "Gender Socialization Theory" by Eagly (1987) suggests that social and cultural norms influence behaviour, where men are encouraged to be more risk-taking and women are guided to be more cautious. These societal influences shape financial decision-making patterns over time.

3. Hypotheses

Based on the literature reviewed, the following hypotheses are proposed:

H1: Male investors will exhibit significantly higher risk tolerance than female investors.

H2: Female investors will score significantly higher on emotional intelligence than male investors.

H3: Female investors will report significantly higher financial anxiety than male investors.

H4: Emotional intelligence will positively predict risk tolerance.

H5: Financial anxiety will negatively predict risk tolerance.

H6: Gender differences in risk tolerance will be reduced (but not eliminated) after accounting for EI and financial anxiety.

4. Research Methodology

4.1 Research Design

This study uses a quantitative research design with a cross-sectional survey approach. Data were collected at a single point in time from a structured questionnaire administered to adult investors.

4.2 Sample

The sample consisted of 150 adult investors — 75 males and 75 females — recruited through investment clubs, workplace networks, and social media groups. Inclusion criteria required participants to be at least 21 years old and to have at least one year of experience with any form of investment (stocks, mutual funds, fixed deposits, etc.). A balanced gender split was ensured to allow for direct comparison.

4.3 Data Collection Tools

Table 1: Measurement Instruments Used in the Study

Construct	Scale Used	No. of Items	Cronbach's α
Risk Tolerance	Grable & Lytton Scale (1999)	13 items	0.81
Emotional Intelligence	Wong & Law EI Scale (WLEIS, 2002)	16 items	0.85

Financial Anxiety	Shapiro & Burchell Scale (2012)	10 items	0.79

All items were measured on a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). Demographic information (age, gender, income, education, investment experience) was also collected.

4.4 Data Analysis

Data were analysed using SPSS. The following techniques were used: (i) Descriptive statistics to summarise the sample profile. (ii) Independent samples t-tests to compare mean scores of male and female investors on risk tolerance, EI, and financial anxiety. (iii) Pearson correlation analysis to examine relationships between variables. (iv) Multiple regression analysis to identify predictors of risk tolerance.

5. Results

5.1 Sample Profile

Of the 150 respondents, 50% were male and 50% were female. The average age was 31.4 years. Most respondents (68%) held a graduate or postgraduate qualification. Around 72% were employed, and the average investment experience was 3.8 years. No significant difference in financial literacy was found between the two gender groups ($p = .18$), meaning any differences observed in risk tolerance cannot be attributed to knowledge gaps alone.

5.2 Comparison of Mean Scores by Gender

Table 2: Gender-wise Mean Scores and t-Test Results

Variable	Male Mean (SD)	Female Mean (SD)	t-value	p-value	Result
Risk Tolerance	3.74 (0.62)	3.18 (0.68)	5.42	< .001	H1 ✓
Emotional Intelligence	3.51 (0.54)	3.82 (0.49)	-3.77	< .001	H2 ✓
Financial Anxiety	2.44 (0.71)	3.19 (0.66)	-6.88	< .001	H3 ✓

As shown in Table 2, male investors scored significantly higher on risk tolerance ($M = 3.74$) compared to female investors ($M = 3.18$). Female investors scored higher on emotional intelligence ($M = 3.82$ vs. 3.51) and reported greater financial anxiety ($M = 3.19$ vs. 2.44). All three differences were statistically significant ($p < .001$), supporting Hypotheses 1, 2, and 3.

5.3 Correlation Analysis

Table 3: Pearson Correlation Matrix

Variable	1. Gender	2. Risk Tolerance	3. EI	4. Fin. Anxiety
1. Gender (0=M, 1=F)	—			
2. Risk Tolerance	-.41**	—		
3. Emotional Intelligence	.31**	.28**	—	
4. Financial Anxiety	.52**	-.46**	-.24**	—

*Note: ** p < .01. Gender coded as 0 = Male, 1 = Female.*

The correlation table shows that gender is negatively correlated with risk tolerance (r = -.41), meaning female investors tend to show lower risk tolerance. Financial anxiety has a strong negative correlation with risk tolerance (r = -.46), while emotional intelligence has a moderate positive correlation (r = .28). These patterns support the proposed hypotheses.

5.4 Regression Analysis

Table 4: Multiple Regression Results — Dependent Variable: Risk Tolerance

Predictor	B	SE	β	p-value
(Constant)	2.91	0.31	—	< .001
Gender (0=M, 1=F)	-0.38	0.09	-.28*	.001
Emotional Intelligence	0.22	0.08	.19*	.008
Financial Anxiety	-0.31	0.07	-.35**	< .001

*Note: R^2 = .38, Adjusted R^2 = .37, F(3, 146) = 29.8, p < .001. * p < .01, ** p < .001.*

The regression model explains 38% of the variance in risk tolerance (R^2 = .38). Gender remained a significant predictor (β = -.28, p = .001), confirming that being female is associated with lower risk tolerance even after controlling for EI and financial anxiety. Financial anxiety was the strongest predictor (β = -.35), followed by gender, and then emotional intelligence (β = .19).

6. Discussion

The findings of this study are consistent with existing research and provide useful insights into the psychology behind gender differences in investment behaviour. The confirmation that male investors have higher risk tolerance aligns with studies such as Barber and Odean (2001) and Croson and Gneezy (2009). Importantly, since financial literacy was similar across genders, the observed differences are clearly driven by psychological factors rather than a knowledge gap.

The finding that women score higher on emotional intelligence but also report higher financial anxiety presents an interesting picture. It suggests that being emotionally aware does not

automatically protect someone from financial worry. Women may be more in tune with the emotional weight of financial decisions, which — while helpful in some ways — can also make them more sensitive to potential losses and risks.

Financial anxiety emerged as the strongest predictor of risk tolerance in this study. This is an important finding because it suggests that efforts to increase female investment participation may be more effective if they focus on reducing anxiety rather than simply providing more financial information. Knowledge alone does not appear to be the barrier — emotional comfort with financial risk matters more.

Even after controlling for EI and financial anxiety, gender remained a significant predictor of risk tolerance. This suggests that other factors — such as social expectations, income disparities, or household financial responsibilities — may also contribute to gendered investment patterns.

7. Practical Implications

For financial advisors, the findings suggest the need to go beyond standard financial planning tools. Advisors should be sensitive to the emotional state of clients, particularly female clients, and address financial anxiety directly rather than assuming it reflects a lack of financial knowledge. Framing investments in terms of long-term goals and security — rather than short-term risk and volatility — may be more effective for clients with higher anxiety.

For financial institutions and digital platforms, incorporating emotional well-being into product design can help. Features like scenario planning tools, progress tracking, and reassurance messaging during market dips may reduce anxiety and encourage more confident investment decisions.

For policymakers, this study supports the case for financial wellness programmes that include stress management and emotional skills training, not just financial literacy workshops. Helping people feel more comfortable with uncertainty is just as important as helping them understand investment basics.

8. Limitations and Future Research

This study has a few limitations that should be noted. First, the sample size of 150 is relatively small and was drawn from urban investors only, which limits the generalisability of the findings to rural populations or investors in other countries.

Second, the study relied on self-reported data, which can be influenced by social desirability bias. People may underreport anxiety or over report confidence when filling out questionnaires.

Third, the study was cross-sectional, meaning it only captures a single point in time. It is not possible to determine whether changes in EI or anxiety over time affect investment behaviour. Future research could address these limitations by using larger, more diverse samples; longitudinal designs that track changes over time; and objective financial data (such as actual portfolio composition) to supplement self-reported measures.

9. Conclusion

This study examined gender differences in risk tolerance and investment behaviour, with a focus on the mediating roles of emotional intelligence and financial anxiety. The results confirm that male investors exhibit higher risk tolerance, while female investors score higher on emotional intelligence but report greater financial anxiety. Financial anxiety was identified as the strongest predictor of risk tolerance. These findings highlight the need for psychologically informed financial advisory and policy frameworks that address the emotional dimensions of investment behaviour, particularly for female investors.

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