

Difference in Gender Attitude in Investment Decision Making in India

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Abstract

As women play a more active role, they also want to get the same attention, advice, terms and deals that men get from their wealth managers and advisers. Traditionally, the right to make investment decisions normally belongs to men. However, women today are making a bigger share of the decision over whether to invest in stocks, bonds or real estate. Specifically, in 2009, women decided how to allocate about \$20 trillion in investments -- about 27% of the world's wealth, which is up by 16% from 2008. The objective of this study is to study the differences in the Investment Decision Making (IDM) process between female and male investors. In this study, chi-square test has been applied as statistical tool. The findings of this study are higher level of awareness for males than females for different investment avenues and Female investors tend to display less confidence in their investment decisions and hence have lower satisfaction levels.

Key words: IDM, investment avenues, awareness, stereotypes, self-directed

1. Introduction

As women play a more active role, they also want to get the same attention, advice, terms and deals that men get from their wealth managers and advisers, according to a report just released by The Boston Consulting Group. But at the same time, due to the very different women's needs and expectations, they also want tailored services from their advisers. Traditionally, the right to make investment decisions normally belongs to men. However, women today are making a bigger share of the decision over whether to invest in stocks, bonds or **real estate**. Specifically, in 2009, women decided how to allocate about \$20 trillion in investments -- about 27% of the world's wealth, which is up by 16% from 2008. When it comes to investing, men and women hold to traditional stereotypes, according to a recent study. Male investors are more confident, while women are more realistic and risk averse, according to the 2006 Share Builder Women & Investing Survey, which polled 965 women and 1,066 men over the age of 18. The study, surveyed clients of Share Builder Securities Corp., an online brokerage company looked up for self-directed investors, had a margin of error of plus or minus three percentage points. The findings show that Young men, not surprisingly, are the most assured/secured investors: About 33% of men under 35 are very confident they will meet their investment objectives versus 18% of women. However, about 50% of women under 35 are "somewhat confident" they'll meet their objectives, versus 45% of men."Women are more realistic about the progress they are making," quotes the Share Builder's chairman and chief executive. "They are clearly more concerned about saving for the future. Men investors are a little more self-assured, but not necessarily with good reason." Modern financial economics assumes that investors behave with extreme rationality; but they do not (Barber and Odean, 2001). The recognition that individual behavioral influences affect market outcomes initiated a new research stream in financial economics, called behavioral finance. Behavioral finance research applies lessons from psychology to financial decision by incorporating observable, systematic and very human departures from rationality into standard models of financial markets. Gender differences in investment strategies are one such departure. Psychological research demonstrates that in areas like financial decision making, women have different outlook and preferences than men. The increased participation of women in the labor force coupled with the trend towards increased longevity and rising net worth makes women investors a force that cannot be ignored. In developing

countries like India the husband remains the dominant decision maker for reproductive matters. Up to 50% of women agreed that their husbands decide. In more developed countries, as women now have easier access to information, their own finances, and a sense of control over their own lives, many are making their own decisions about these matters. When it comes to actually making the decision, women generally make decisions on a more emotive level, whereas men go more with the facts and data. Women prefer a narrative, a story with the faces and the interaction and the relationships that are occurring. In India itself, women's employment participation grew 31 percent in 2005 from 26 percent in 2000, the first rise seen in decades. A survey conducted by leading Indian newspaper of 2000 women (half of them working) revealed that income in working women households is 19 percent higher than non-working women households. The average household expenditure of working women households was also 15 percent higher than non-working women households. Given, the much higher presence of women in both professional and personal investing, it is very important to understand the role of gender in investment decision making process (IDM).

2. Review of Literature

Zuckerman and Kuhlman (2000) found in their study that "men engage in more overall risky behavior than women" (pg1024) and within financial matters Prince (1993) found that men perceive themselves as more competent.

Powell and Ansic (1997) found that gender was the most important explanatory factor affecting confidence in investment decisions. Females were less confident about their decisions after controlling for factors such as age, experience, education, knowledge, and asset holdings. In such a study of financially orientated savers, **Steinerock** (1991) found that women had a lower risk preference and a higher degree of anxiety in financial decisions than men, plus a stronger desire to use financial advisors". This demonstrates through the research that given most circumstances regarding financial matters, women seek less risk than men. **Powell and Ansic** (1997) argue, could be because of different investment strategies as men and women are motivated by different "needs". They put forward the idea that these different "needs" and therefore strategies, may be that women are looking more for security whereas men are looking for returns.

There have been many more research papers supporting the idea that women have a lower level of confidence than men in their ability to make decisions and also in the outcome of the decisions that they have made (Estes and Hosseini (1998), Stinerock (1991), Masters (1989) as cited in Powell and Ansic (1997)). Shiller R. states, "People often show, in experimental settings, excessive overconfidence about their own judgements" ("Human Behaviour and the Efficiency of the Financial System" pg12). Overconfidence it is felt (Langer and Roth (1975), Miler and Ross (1975) and Taylor and Brown (1988) cited in Daniel, Hirshleifer and Subrahmanyam (1998)) is due to the misguided belief that one knows more than one does and that people give them more credit than is due when investment decisions turn out the way that was expected. However, when decisions don't turn out the way that they were intended, this is put down to external factors beyond the individual's control.

3. Research Methodology

3.1 Objective of the Research:

- To study the differences in the Investment Decision Making (IDM) process between female and male investors.

3.2 Sample design

The well premeditated objectives of the empirical investigation required a reasonably large and representative sample of the targeted investor population. It is fairly well known from the available aspects of the residents of Hyderabad that only certain segments of the population are of direct interest. The 'targeted relevant population segment' comprises of those respondent investors who: possess reasonable level of income, are educated and well employed or engaged in economic activities such as professionals, entrepreneurs, etc. The subjectively decided sample size of 200 investors/respondents has been taken from the 'targeted relevant population segment' based on the combined judgment and random sampling covering different income, education, age and occupation groups.

3.3 Data Collection

As the focus of the research has been in the identification of female and male investor's broad/specific profile and determine of perception on investment, the data has been collected from the respondents on the income and investments of the households a whole. A total of 200 questionnaires were personally administered.

3.4 Statistical Tools

Various tools are used for the analysis and interpretation. These tools are used as per the knowledge, skill and need of the data. Some tools which I have used various tests like chi square, graphs, pie charts, bar charts, etc. A chi-square test (χ^2 test) is a statistical hypothesis test in which the test statistic has a chi-square distribution when the null hypothesis is true, or any in which the probability distribution of the test statistic (assuming the null hypothesis is true) can be made to fairly accurate.

4. Analysis and Interpretations

In the present study, we have included three broad IDM variables to investigate the female and male investors' IDM behavior on investment in shares, mutual funds, gold and 'others' so as to determine the basic profile, their investment behavior and investment decision making process. Further, the impact of these variables have also been observed on the future investment in shares, mutual funds, gold and 'others' by taking into consideration the availability of investible funds.

Result: Since the tabulated values calculated at probability level 0.05 for all the hypostasis below is less than the calculated values, therefore, null hypothesis is rejected in all the below case. Therefore it is determine that there is a significant difference in the Investment and investment Decision Making (IDM) process between female and male investors.

4.1 H₁: There is a significance difference in the occupation of male and female.

H₀: There is no significant difference in the occupation of male and female.

	Business	service	self- employed	house wives	The chi square is: 34.577, d.o.f.: 3 H₁ is accepted. H₀ is rejected. Therefore there is a significant difference.
Female	24	28	22	26	
Male	49	29	22	0	

4.2 H₁: There is a significance difference between the annual income of males and females.

H₀: There is no significant difference between the annual income of males and females.

	<50000	5- 10k	10- 30k	30- 50k	50- 100k	>100k	The chi square is: 42.875, d.o.f.: 5 H₁ is accepted. H₀ is rejected. Therefore there is a significant difference.
Male	2	8	20	40	20	10	
Female	10	40	20	16	10	4	

4.3 H₁: There is a significance difference between the investment policy of males and females.

H₀: There is no significant difference between the investment policy of males and females.

	Tax savings	secure future	increase consistent income	health	The chi square is: 10.869, d.o.f: 3 H₁ is accepted. H₀ is rejected. Therefore there is a significant difference.
Male	15	20	45	20	
Female	23	32	24	21	

4.4 H₁: There is a significance difference in taking advice or assistance in the investments decision making between the males and females.

H₀: There is no significant difference in taking advice or assistance in the investment decision making between the males and females.

	Spouse	father	mother	wife and husband father	&mother	financial adviser	The chi square is: 34.594, d.o.f :5 H₁ is accepted. H₀ is rejected. Therefore there is a significant difference.
Male	8	36	5	24	15	12	
Female	14	10	26	19	10	21	

4.5 H₁: There is a significance difference between the investment options of males and females.

H₀: There is no significant difference between the investment options of males and females.

	Banks, Post office and other govt. savings,	mutual funds,	stocks ,	gold,	insurance	pension funds	The chi square is: 31.603, d.o.f: 5 H₁ is accepted. H₀ is rejected. Therefore there is a significant difference.
Male	23	11	20	22	14	10	
Female	45	20	6	5	20	4	

4.6 H_1 : There is a significance difference between the investment period of males and females.

H_0 : There is no significant difference between the investment period of males and females.

	Short term	long term	The chi square is: 33.704, d.o.f: 1 H_1 is accepted. H_0 is rejected. Therefore there is a significant difference.
Male	73	27	
Female	32	68	

4.7. H_1 : There is a significance difference in renewing the investments of males and females.

H_0 : There is no significant difference in renewing the investments of males and females.

	0-1year	1-5year	5-10year	10-20year	The chi square is: 47.643, d.o.f: 3 H_1 is accepted. H_0 is rejected. Therefore there is a significant difference.
Male	38	46	12	4	
Female	10	32	40	18	

s5. Conclusion and Suggestion

The present study is unique in that it investigates the gender differences in the IDM process in context of Indian investors. Our empirical tests provide strong support for the behavioral finance model. The following results make the IDM process of female and male investors very informative:

- A higher level of awareness for males than females for different investment avenues.
- Female investors tend to display less confidence in their investment decisions and hence have lower satisfaction levels.
- Female investors are more cautious vis-à-vis males with regards to prospective investment in equity shares especially if availability of funds is low.
- The underlying dimension in selection of investments reveals emphasis on familiarity, opinion and demographic measures for all investment avenues both for female and male investors.

This report/research emphasized the increasing importance of female investors in the investment industry. Whereas the investment industry has recently recognised the wisdom of targeting female investors as a separate market segment, this acknowledgement has been based largely on the premise that female investors look for a different type of relationship with financial professionals than do male investors. The results also shed light on the investors' IDM process, which is an important area of academic research. Future research could replicate this study with larger sample and wider coverage. Since our study is restricted to the psycho-economic-demographic variables, future research can also explore the social as well as cultural dimensions so as to have a better understanding into the investors' decision making process.

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