

Financial Thinking of Working Professionals: A Gender Based Study

Rakhi Arora¹ and Shivani Mahna²

¹Assistant Professor, USB, Chandigarh University, Punjab, India

²PhD Scholar, IM, JK Lakshmipat University, Jaipur, India

Email: ¹rakhi_arora5@yahoo.com, ²shivanimahna@jklu.edu.in

Abstract

Indian economy is growing at a rapid pace which has ultimately paved way to higher income level and access to new investment avenues. Government saving departments, banks, financial institutions and mutual fund houses have an urge to attain a stash in the investment of the investors. Nowadays investors have many options for making investments into stocks, mutual funds, NSC/PPF, Real estate, gold etc. Since the role of women is gaining incredible importance in the society as well as the family, therefore, it is of significant importance to understand and explore the behaviour of the women while investing by knowing their knowledge, perception and preference amongst various investment avenues.

OBJECTIVE; The present study aims to compare the investment practices and factors influencing investment decisions making among male and female working professionals in Jaipur, India.

METHOD/STATISTICAL TOOL: The study is descriptive in nature and data collected are statistically tested by t-statistic.

FINDINGS: This study concludes that males have the higher tendency to invest large portion of their income against females and there is no perceptual gap as well between males and females in relation to preference towards concept of investment. Both believe that “Investment is saving for the future”.

Keywords: *Investment Behaviour, Investment Avenues and Investment Preference.*

1. Introduction

Investment decision making process initiates with the process of an investor to decide on as what marketable securities he should invest in and to what extent and when the investment should be made. Investment is considered as a sacrifice of rupees in present for rupees in future (Kathuria & Singhania, 2012). There are two attributes of investment: Time and Risk. The sacrifice that is been taken currently

is certain but the reward that it will generate in future is generally uncertain. In some instances, element of time is the one that dominates (e.g., Government bonds and securities), otherwise it is risk or time or both that are substantial (Sharpe et al.,1996).

India economy has served an exponential number of opportunities to men and women both in the past few years with a motive to improvise the GDP growth rate which further has led to the higher levels of income and availability of various investment avenues. There has been a constant urge on the part of various government savings departments, banks and financial institutions, stock market, mutual fund houses and commodities market to attract the sort of investors to invest in their offered range of investment options. Investors make investment in shares, mutual funds, provident fund, real estate, gold, etc. Due to the strengthening of the role of the women in the family and society, it has somehow become important to examine the investment behaviour of women investors in the society.(Singh 2013)

A number of studies conducted in past reveal that women are less confident in investment than men as men are risk-takers whereas women want to play safe. Women are more risk-averse than men (Bernasek & Shwiff, 2001). Gender and marital status are essentially related to allocation of assets. It has also been proved that gender risk aversion is related to age, income, wealth, marital status, race/ethnicity and the number of children under 18 in the household (Hibbert et al.,2008).

The small saving departments of central and state government, banks, financial institutions, mutual fund houses etc., have necessitated the need to enquire about the awareness level of investors of different class towards knowledge on different investing schemes and avenues available in the market. The aim of this study is to analyze the level of knowledge related to various investment avenues, investment practices and factors influencing the investment decision making among male and female working professionals in Jaipur, India.

2. Literature Review

CM & Naidu (2016) suggested that the recent rise of gender investing has opened gateways to apply considerations for gender across various asset classes commonly found in diversified investor portfolio from conventional asset class (cash, fixed income, and public equities) to alternative asset class (private debt, private equity, and venture capital). **Maxfield et al. (2010)** found evidence of gender neutrality in risk inclination and managerial decision making other than

portfolio allocation. **Croson and Gneezy (2009)** reviewed the literature on gender differences and identified differences in risk preferences, social preferences, and competitive preferences. **Hibbert et al. (2008)**, measuring the gender difference in risk aversion, suggested that given the same level of education, irrespective of their knowledge of finance, women's risk aversion is same as that of men. **Mittal and Vyas (2007)** noted that traditional economics describes human beings as rational decision makers, but it has been observed that investors do not always act rationally. This paper investigates how investment choice gets affected by the demographics of the investor and provides evidence that investment choice depends on and is affected by the demographic variables. **Roszkowski and Grable (2005)**, in a study, determined the degree of correspondence between advisors' subjective clinical judgments about their clients' financial risk tolerance and the clients' actual financial risk tolerance. **Felton et al. (2003)** examined the role of gender and optimism on the riskiness of investment choices of students. The analysis suggested that males make more risky investment choices than females, and this difference was mainly due to riskier choices made by optimistic males. **Graham et al. (2002)** observed that female investors are more risk-averse and have less confidence in their investment decisions than male investors in same circumstances. He proposed that gender differences in information processing styles may account for lower risk-taking tendencies among female investors as well as the tendency towards lower confidence levels. **Olsen and Cox (2001)** stated that women are more risk-averse than men when confronted with social and technological hazards, even when both genders have the same expertise and experience. Also, during portfolio decisions, women tend to emphasize on risk reduction more than men. **Barber and Odean (2001)**, in a large sample study of over 35,000 households, found that men trade 45% more than women and trading reduces men's net returns by 2.65 percentage points a year as compared to 1.72 percentage points for women.

3. Significance of The Study

The role of women is of imperative nature in Indian society. Thus, the present study is significant as it aims to analyse and compare the awareness and Perception of female professionals with the male professionals regarding Investment by highlighting the factors affecting the financial thinking of men and women.

4. Objectives of The Study

- To study the awareness and perception about Investment avenues amongst male and female working professionals.
- To determine the factors influencing the choice of investment for male and female working professionals.

5. Research Methodology

5.1 Population of Study: Working professionals above the age of 25 years are considered the population of study.

5.2 Sampling Method: Judgement Sampling Technique has been used. The sample size is of 58.

5.3 Type of Research: A Descriptive research is used to achieve Research Objectives.

5.4 Data Collection Method: Survey Method has been used. Data was collected through a structured questionnaire floated amongst academic professionals through Google forms. Various statistical tools like percentage, mean score, rank score and descriptive statistic are applied for the analysis.

5.5 Research Hypothesis

H₀₁: There is no significant difference between factors influencing Investment Decision making amongst male and female working professionals.

6. Data Analysis

Table 6.1: Distribution of Respondents

Gender	Frequency	Percentage
Male	29	50
Female	29	50
Total	58	100

Source: Primary data

Interpretation: The total size of the population is 58 comprising 50% of males and females both i.e., 29.

Table 6.2: Frequency Distribution of Respondents Age wise

Age Group	Male	Female	Frequency	N
	(n = 29)	(n = 29)		
18-25 years	5 (17.24%)	7 (24.14%)	12	20.69%
26-35 years	14 (48.27%)	8 (27.60%)	22	37.93%
Above 36 years	10 (34.49%)	14 (48.26%)	24	41.38%

Source: Primary data

The majority of population surveyed belong to the age group of above 36 years comprising 34.49% of males and 48.26% of females.

Table 6.3: Frequency Distribution of Respondents Income wise

Annual Income	Male	Female	Frequency	N
	(n = 29)	(n = 29)		
Less than 5 lakh	8 (27.58%)	9 (31.03%)	17	29.31%
5-10 lakh	15 (51.72%)	13 (44.38%)	28	48.27%
Above 10 lakh	6 (20.70%)	7 (24.14%)	13	22.42%

Source: Primary data

The majority of population had an annual income in the range of 5-10 lakhs comprising 51.27% of males and 44.38% of females.

Table 6.4: Frequency Distribution of Respondents according to type of Investment

Type of Investment	Male	Female	N	%
	(n = 29)	(n = 29)		
Risky	9 (31.03%)	3 (10.34%)	12	20.69
Risk-free	7 (24.14%)	17 (58.63%)	24	41.38
Hybrid	13 (44.83%)	9 (31.03%)	22	37.93

Source: Primary data

Interpretation: Majority of population surveyed preferred Risk-Free avenues. In terms of risky investments, male investors have high rate of preference in comparison to female investors interpreting males have high appetite for risk in comparison to females.

Table 6.5: Frequency Distribution of Investment of Income of Respondents

Percentage of Income in Investment	Male	Female	N	%
	(n = 29)	(n = 29)		
Less than 15%	9 (31.03%)	20 (68.9%)	29	50
15-30%	18 (62.07%)	6 (20.69%)	24	41.38
30-45%	2 (7%)	3(10.41%)	5	8.62

Source: Primary data

Interpretation: Majority of population invest less than 15% of income into different investment avenues i.e., 50% out of which females are more in number to invest in such a less proportion out of income. Whereas majority of males invest around 15-30% of income in comparison to females which is quite less in number i.e., 20.69%. It interprets that male overall have the higher tendency to invest large portion of their income against females.

Table 6.6: Frequency Distribution of Respondents for their related sources

Source of Investment information	Male	Female	N	%
	(n = 29)	(n = 29)		
Advisor	9 (31.03%)	10 (34.48%)	19	32.76
News Channels	5 (17.24%)	6 (20.69%)	11	18.97
Investment related websites	3 (10.35%)	5 (17.24%)	8	13.79
Peer Group	12 (41.38%)	8 (27.59%)	20	34.48

Source: Primary data

According to data collected, majority of population precisely males get their investment information from the peer group followed by advisor, new channels or investment related websites.

Table 6.7: Frequency Distribution of Respondents for their perception towards Investment

Perception towards Investment	Male (n=29)	Female (n=29)
Investment means saving for the future.	19 (65%)	15 (52%)
Investment is current commitment of Income in order to derive future payments that will compensate the investor for time value of money, rate of inflation and uncertainty.	6 (20%)	8 (28%)

Investment refers to investing in shares, stocks, commodities or in any financial instrument for the purpose of gaining profits.	4 (15%)	6 (20%)
--	------------	------------

Source: Primary data

The feedback from the respondents were collected based on the concept of Investment where majority amongst males and females both believe that Investment means saving for the future. Thus there is no perceptual gap between the two groups.

Table 6.8: Frequency Distribution of Respondents about their awareness

Awareness	Male	Female
	(n = 29)	(n = 29)
Highly Aware	12 (40%)	11 (36%)
Moderately Aware	17 (60%)	18 (64%)

Source: Primary data

In context of knowledge related to various investment avenues amongst males and females, the figures infer that majority of males and females are moderately aware i.e., 60% and 64% respectively. Whereas 40% of males and 36% of females are highly aware. Therefore there is no difference in the overall awareness level of the respondents.

Table 6.9: Frequency Distribution of Respondents for their satisfaction level

Satisfaction Level	Male	Female	N	%
	(n = 29)	(n = 29)		
Satisfied	15 (51.72%)	16 (55.17%)	31	53.45

Neutral	9 (31.03%)	11 (37.93%)	20	34.48
Dissatisfied	5 (17.25%)	2 (6.9%)	7	12.07

Source: Primary data

Majority of the surveyed respondents are satisfied with the current state of investment in their respective portfolio. Amongst both the groups, females have higher satisfaction level towards their investment i.e., 55.17% against 51.72% of males.

7.0 Hypothesis Testing

Table 7.1: T-Test

		Male			Female		N=58
Factors		(n = 29)		(n = 29)			t-Statistic
Influencing	Mean	Rank	Standard	Mean	Rank	Standard	
Investment	Score		Deviation	Score		Deviation	
Rate of return	3.72	3	0.6	3.57	4	0.59	-1.49
Liquidity	3.21	8	0.47	3.22	8	0.5	0.16
Capital appreciation	3.64	5	0.71	3.58	3	0.57	-0.63
Regular income flows	3.72	2	0.68	3.52	6	0.6	-2.02*

Tax benefit	3.62	6	0.75	3.53	5	0.7	-0.78
Safety of principal amount	3.94	1	0.52	3.8	2	0.59	-1.61
Risk taking capacity	3.64	4	0.65	3.49	7	0.6	-1.56
Family & Friends' advice	3.62	7	0.71	3.86	1	0.66	2.13*

Source: Primary data computation and compilation through SPSS by Authoers

Hypothesis Inference

The *t*-statistic revealed that for factors such as 'regular income flows', and 'family and friends' advice', significant differences exist between male and female respondents regarding the influence of the above-mentioned factors on their investment decision making.

8.0 Findings and Conclusion

- Males have high appetite for risk in comparison to females.
- Males overall have the higher tendency to invest large portion of their income against females.
- Majority of population precisely males get their investment information from the peer group followed by advisor, new channels or investment related websites.
- Thus there is no perceptual gap between males and females in relation to preference towards concept of investment. Both believe that "Investment is saving for the future".
- Therefore there is no difference in the overall awareness level Investment avenues amongst males and females. Both the groups are moderately aware.

- For factors such as ‘regular income flows’, and ‘family and friends’ advice’, significant differences exist between male and female respondents regarding the influence on their investment decision making.

9.0 Scope for Further Research

Since this research work was limited to the Gender based classification, there are certain other important categorical segments that have not been taken into consideration while conducting this research. Therefore, the research work can be extended in future by comparing the Investment perception and awareness on the basis of specified Industries.

References

- Barber B M and Odean T (2001), “Trading is Hazardous to your Wealth: The Common Stock Investment Performance of Individual Investors”, *The Journal of Finance*, Vol. 55, No. 2, pp. 773-806.
- Bernasek A and Shwiff S (2001), “Gender, Risk, and Retirement”, *Journal of Economic Issues*, Vol. 35, No. 2, pp. 345-356.
- Croson R and Gneezy U (2009), “Gender Differences in Preferences”, *Journal of Economic Literature*, Vol. 47, No. 2, pp. 448-474.
- Decourt R F, Accorsi A and Neto J M (2007), “Behavioral Finance and the Investment Decision-Making Process in the Brazilian Financial Market”, *The IUP Journal of Behavioral Finance*, Vol. 4, No. 3, pp. 59-74.
- Felton J, Gibson B and Sanbonmatsu D M (2003), “Preference for Risk in Investing as a Function of Trait Optimism and Gender”, *Journal of Behavioral Finance*, Vol. 4, No. 1, pp. 33-40.
- Graham J F, Stendardi E D, Myers J K and Graham M J (2002), “Gender Differences in Investment Strategies: An Information Processing Perspective”, *International Journal of Bank Marketing*, Vol. 20, No. 1, pp. 17-26.
- Hibbert A M, Lawrence E and Prakash A (2008), “Are Women More Risk-Averse Than Men?”, Downloaded from http://new.cffit.de/fileadmin/docs/docs_cfp/paper_2009/hibbert_lawrence_and_prakash_-_are_women_more_risk-averse_than_men.pdf.
- Maxfield S, Shapiro M, Gupta V and Hass S (2010), “Gender and Risk: Women, Risk Taking and Risk Aversion”, *Gender in Management: An International Journal*, Vol.25, No.7, pp. 586-604.
- Singh, K. M., Meena, M., Kumar, A., & Singh, R. (2013). An Overview of Gender Issues in Agriculture. *Ssrn*, 6(June), 6–11.
<https://doi.org/10.2139/ssrn.2237993>