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Gender Differences In Investment Behaviour: A Comparative Study With Reference To The Similar Income and Age Group

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ABSTRACT

It is important to understand investment behavior of the males and females belonging to the same income and professional class. As they are working at the same level and belonging to the same social class, companies may perceive that they have same investment requirement. Therefore our study is an exploratory analysis where we are establishing criterion of difference and similarity in the investment patterns of males and females both.

Common factors affecting investment behavior of the males and females are identified by initial review of literature and by conducting focus group study. Data was collected by structured questionnaire from the homogenous group based upon common parameters of Income and Profession. Judgemental sampling technique was and normality of the data is checked by applying Shapiro - Wilk and Kolmogorov – Simirnov test on SPSS 20.0. To rank factors affecting investment, weighted ranking technique is used. To test significance level, statistical non parametric test, Spearman rank correlation is used over parametric Pearson correlation test, as data is fitting on the assumptions laid down for the Spearman rank correlation.

Major findings revels that males and females prefer to invest in equity more but females are more conservative investors than male as they also prefer to invest in Insurance. While both groups prefer to invest least in Bonds and Debentures as compared to other investment options. Males' investment preferences and females' investment preferences across various investment options are not correlated.

KEYWORDS: Investment preference, Females, Males.

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INTRODUCTION

Economic well being of a person depends on the fact that how wisely or casually he or she invests. So, it is quite important to improve your abilities in the fields of investments.

Basically, investment is a sacrifice of current money or other monetary resources for availing future returns or benefits.

Generally the target returns on an investment include:

1. An Increment in the value of the securities or asset, and/or
2. The asset or security must give a regular income.

So, appreciation, regular income plays an important role in deciding about investment and other than these two, time and risk associated are also few vital features of any investment. The sacrifice which we make for investment is certain and takes place immediately while the returns which we can earn probably are futuristic as well as uncertain. In some investment avenues (like government bonds) the time element is the dominant one while in some other (like equities) risk element is more dominant. And basically it depends on the risk appetite of investor that which one he or she would prefer.

With the inclusion of more females in the work force, almost everyone, regardless of the gender owns a portfolio. The portfolio contains different financial assets like bank deposits, post office savings, bonds, stocks, mutual fund etc.

When it comes to gender, both male and female use to have different outlooks and orientations for different things and so is with investments.

Those were the days when women were asked to be dependent on their husbands or other family members for their investment planning. With a decline in gender inequality in society the role of women has improved alot in important decision making like investment planning also.

Although in our Indian society we cannot say that women now is at par with male members of family when it comes to investment planning but still the role of women is quite significant now specially in the families having working women. The reason of these still prevailing discrepancies might be nature of nurture means it might be dependent on the natural difference between the genders or the difference in the way parents treat a male child or female child in an Indian family.

The basic objective of this study is to explore the difference between investment habits of a selected sample of male and female living in Northern India.

The point of this research paper is not to crown one sex over other but to understand and inherit the traits of each other regarding investments.

Further this research paper is an attempt to find out those peculiar differences between investment habits of male and female.

OBJECTIVES

The major objectives of this research paper are:

1. To study gender differences in investment behaviour.

    (a) To study the differences in the area of investment between male and female.

    (b) To study differences in the purpose of investment between male and female.

    (c) To study the factors affecting investment decisions between male and female.

REVIEW OF LITERATURE

So many researches have been conducted in India and other parts of globe to study various aspects of behavioural finance. Different demographic variables like age, income, profession and gender etc may have a large bearing on the investment pattern of an economy. Infact, many studies proves that gender specially plays an important role in affecting the investment habits.

A study of Alexandra Bernaseki and Vickie L. Bajtelsmit, reveals that, Men have traditionally been more likely than women to make household savings and investment decisions, but there is evidence to suggest that women's involvement in household financial decision-making has been increasing.[1]

Fisher J Patti, also concluded in his study that, differences in saving behaviors between men and women exists.

A number of studies have shown that the economic wellbeing and financial behaviors of men and women differ significantly.

A study conducted by Gottschalck, Women hold lower levels of wealth and has significantly lower earnings than men. In addition, women spend as many as five more years than men in retirement as a result of having longer life expectancies.

As per Georgette Jasen, when it comes to investing, men sometimes have their ways of doing things, and women have different ways and each could learn from the other. Financial experts say this is a main difference between men and women when it comes to financial matters. The Merrill report from Mr. Liersch, based on data from 11,500 investment personality assessments completed by Merrill clients, found that 55% of the women questioned agreed or strongly agreed with the statement, "I know less than the average investor about financial markets and investing in general," compared with just 27% of the men.

As per R Jain, it is universally considered as, women and children in the family are consumers, not producers. But the growing importance of income earned by women raises many interesting issues worth serious consideration.

Abdisalam Ali Ibrahim et al., investigated that men and women have different investment strategies. Men tend to choose riskier investments whereas women lean towards less risky

investments. The financial theory states that individuals are risk averse in general and women are more than men in many prior studies.

Bhushan Puneet, also observed that significant gender differences occur in investment preferences for health insurance, fixed deposits and market investments.[7]

RESEARCH METHODOLOGY

Initially to explore and identify major area of investments in India a comprehensive review of literature was done. Although it was not possible to fix certain areas of investment on the basis of review only as limited study have been done so far in India regarding potential areas of investment. Therefore three focus group studies were conducted separately for both males and females to identify major areas of investments, factors affecting investments, and purpose of investment. Two groups were identified Group I named Male Investors and Group II named Female Group. Groups were selected on the basis of homogeneous characteristics like same income band, age band, education band, profession and social class. Sample size of the each group member was 10. Focus group study was conducted in the Northern India in the city like NOIDA, Agra and Gwalior. Variables which emerge out after discussion were recorded.

Later a questioner was developed and responses were recorded for the ranking of the selected variables. 50 responses were recorded from each group of males and females separately. Judgmental sampling technique was used where homogeneous sample unit was chosen on the basis of Age, Income and Profession of the respondents.

Weighted ranking technique is used separately to rank responses of males and females on the selected parameters. While considering area of preference for the investment, '1' is labelled as highest preference area of investment and weighted '6' to calculate weighted rank order and henceforth preference '2' is weighted as '5', preference '3' is weighted as '4', preference '4' is weighted as '3', preference '5' is weighted as '2' and preference '6' is weighted as '1'. Table I shows the weighted ranking of the preferred area of investment for male and female.

Table 1: Preference of Area of Investment

Males Preference of Areas of Investments									
Preference	I	II	III	IV	V	VI	Weighted Score	Percentage	Rank
Equity	20	12	2	4	3	9	215	20%	I
FD	12	0	16	6	9	7	179	17%	III
Insu.	0	10	4	18	6	12	144	14%	V
Gold	12	18	6	4	6	4	214	20%	II
PO	6	6	10	12	10	6	168	16%	IV
Bon & Deb.	0	4	12	6	16	12	130	12%	VI

Females Preference of Areas of Investments									
Preference	I	II	III	IV	V	VI	Weighted Score	Percentage	Rank
Equity	20	4	4	5	0	17	188	18%	III
FD	13	5	24	8	0	0	213	20%	I
Insurance	9	13	8	12	4	4	199	19%	II
Gold	8	8	5	8	5	16	168	16%	IV
PO	0	12	4	17	8	9	152	14%	V
Bon & Deb.	0	8	5	0	33	4	130	12%	VI
Total							1050	100%	
Total	50	50	50	50	50	50	1050	100%	

Source: Self Complied

Statistical non parametric test, Spearman rank correlation is used over parametric Pearson correlation test, as data is fitting on the assumptions laid down for the Spearman rank correlation. Spearman assumptions look for data which is measured on the ordinal scale and monotonic relationship should to be observed between two variables, our data for all variables fulfil these conditions. As scatter plot obtained with the help of SPSS 25 is showing monotonic relationship between each chosen area of investment between male and female. Further data has been checked for the normal distribution and it is found that for each variable data is not normally distributed therefore Pearson rank correlation assumption has been violated which is making data further suitable for the Spearman rank correlation. Table II shows the Spearman correlation between male preferred choice of investment and female preferred choice of investment area.

S.No.	Hypothesis	Spearman Correlation Coefficient	Results
**Table 2 Spearman correlation between male preferred choice of investment and female preferred choice of investment area**			
1.	There is no association between male investment in equity and female investment in equity.	-0.191	Insignificant and inverse relation between male and female investment in equity
2.	There is no association between male investment in FD and female investment in FD.	-0.063	Insignificant and inverse relation between male and female investment in FD
3.	There is no association between male investment in Insurance and female investment in Insurance.	-0.150	Insignificant and inverse relation between male and female investment in Insurance
4.	There is no association between male investment in Gold and female investment in Gold.	0.027	Insignificant relation between male and female investment in Gold
5	There is no association between male investment in Post Office and female investment in Post Office.	-0.103	Insignificant and inverse relation between male and female investment in Insurance
6	There is no association between male investment in Bonds & Debentures and female investment in Bonds & Debenture.	0.008	Insignificant relation between male and female investment in Gold

Source: Self Complied

Table 3 Shows Spearman correlation between investment options preferred by Male investors:

Table III Spearman correlation between investment options preferred by Male	Equity	FD	Insurance	Gold	PO	Bond & Debenture
Equity	1	-0.297 (Significant at 1% level of significance)	0.327 (Significant at 5% level of significance)	-0.266 (Not Significant)	-0.633 (Significant at 1% level of significance)	-0.212 (Not Significant)
FD	x	1	0.237 (Not Significant)	-0.40 (Significant at 1% level of significance)	0.421 (Significant at 1% level of significance)	-0.509 (Significant at 1% level of significance)
Insurance	x	x	1	-0.841 (Significant at 1% level of significance)	-0.139 (Not Significant)	-0.577 (Significant at 1% level of significance)
Gold	x	x	x	1	-0.157 (Not Significant)	0.569 (Significant at 1% level of significance)
PO	x	x	x	x	1	-0.195 (Not Significant)
Bond & Debenture	x	x	x	x	x	1

Source: Self Compiled

Table 4 Shows Spearman correlation between investment options preferred by Female investors:

Table IV Spearman correlation between investment options preferred by Female						
	Equity	FD	Insurance	Gold	PO	Bond & Debenture
Equity	1	-0.597 (Significant at 1% level of significance)	0.327 (Significant at 5% level of significance)	-0.266 (Not Significant)	-0.633 (Significant at 1% level of significance)	-0.212 (Not Significant)
FD	x	1	0.375 (Significant at 1% level of significance)	-0.40 (Significant at 1% level of significance)	0.421 (Significant at 1% level of significance)	-0.509 (Significant at 1% level of significance)
Insurance	x	x	1	-0.841 (Significant at 1% level of significance)	-0.139 (Not Significant)	-0.577 (Significant at 1% level of significance)
Gold	x	x	x	1	-0.157 (Not Significant)	0.569 (Significant at 1% level of significance)
PO	x	x	x	x	1	-0.195 (Not Significant)
Bond & Debenture	x	x	x	x	x	1

Source: Self Compiled

Weighted ranking technique is used separately to rank responses of males and females on the selected parameters, While considering area of purpose for the investment '1' is labelled as highest preference area of investment and weighted '4' while calculating rank order and henceforth preference '2' is weighted as '3', preference '3' is weighted as '2', preference '4' is weighted as '1'. Table V shows the weighted ranking of the purpose of the investment for male and female.

Table 5: Ranking of Purpose of Investment

Males Ranking of Purpose of Investments							
Purpose of Investment	I	II	III	IV	Weighted Score	Percentage	Rank
Future Need	18	20	7	5	151	30%	II
Tax Savings	7	6	19	18	102	20%	III
Financial Security	22	13	12	3	154	31%	I
Capital Growth	3	11	12	24	93	19%	IV
Total					500	100%	
Females Ranking of Purpose of Investments							
Purpose of Investment	I	II	III	IV	Weighted Score	Percentage	Rank
Future Need	7	3	28	12	105	21%	III
Tax Savings	22	16	10	2	158	32%	I
Financial Security	11	25	8	6	141	28%	II
Capital Growth	10	6	4	30	96	19%	IV
Total					500	100%	

Source: Self Complied

To find out the difference in factors affecting the investment decision between male and female we asked respondents to rank their factor from 1 to 4 where 4 is considered as highly preferred factor for investment and 1 is considered least preferred investment factor. Data obtained is tested for its normality on SPSS.25 we find that data is not normally distributed and independent therefore we used Wilcoxon Rank Sum test and Mann Whitney Test to check our hypothesis (Table VI).

Table 6: to check Hypothesis

Ranks					Test Statistics		Result
Factor Influencing Investment	Group	N	Mean Rank	Sum of Ranks	Z	Asymp. Sig. (2-tailed)	(Null Hypothesis)
Stock Fluctuation	Male	50	48.42	2421	-0.749	0.454	Not Rejected
	Female	50	52.58	2629			
Change in Gold Price	Male	50	45.59	2279	-1.671	0.061	Not Rejected
	Female	50	55.41	2770			
Government Policy	Male	50	53.52	2676	-1.106	0.269	Not Rejected
	Female	50	47.48	2374			
Level of Income	Male	50	54.76	2738	-1.664	.096	Not Rejected
	Female	50	46.26	2312			

Source: Self Complied

FINDINGS & CONCLUSION

Results of weighted ranking techniques gives us a glimpse of male and female preference areas of investments. Male consider equity as their first preference of investment and they least prefer bonds and debentures for investments.

However female prefer more to invest in equity and insurance while they prefer least to invest in bonds and debentures (just like males).

Males' investment preferences and females' investment preferences across various investment options are not correlated. This means in individual areas of investments, male investment preferences and female investment preference might be different from each other. But when we analyse within males data, direct and significant correlation is found between male rankings of preference of investments in equity and insurance. While inverse and significant correlation is found between investment in equity and Post Office (PO) savings. That means when males invest in equity more they invest less in Post Office.

Within females data inverse and significant correlation is found between investments in equity and Fix Deposits (FD) along with Post Office savings. This means when females invest in equity more they invest less in Post Office as well as Fix Deposits.

Further there is direct and significant correlation is found between the investments in FD with insurance and PO for both males and females. While inverse but significant correlation is found between the investments in FD with investments in Gold and Bonds. Very strong and negative correlation has observed between insurance and gold for both male and female. Finally, gold and bonds has shown positive and strong correlation for both male and female.

Males' top cause for the investment is financial security, for females tax saving is the main purpose behind the investments. However for females financial security is the second important purpose behind investment. It could be inferred that for our selected homogeneous set of data financial security is an important purpose behind investment along with the tax savings.

As per J Singh and P Yadav, also, female investors look more for the security of their investments.

It is most likely that females would invest in FDs with a tax saving option and males would invest in equity (large caps) having moderate risk factor.

A study of T Bashir et.al, also reveals that that females are less risk taker as compare to males.

A study by Graham, Stendardi, Myers, Graham, also says; in comparison to male investor female investors have more risk aversion in different activities like financial decision making.

Mean Rank for female is high for stock fluctuation and change in gold price as a factor putting an impact on the investment decision. While mean rank for males is high for government policy and level of income as a factor putting an impact on the investment decisions. However there is no significant difference in the males and females as far as factors putting an impact on the investment decisions are concern.

LIMITATIONS

Due precautions have been taken as far as test statistics and assumptions related to the tests are concern, but sampling frame is narrow in the current study. Where sampling unit is representing only one sector of the vast population who invest in various modes of investment. Research can be true for the sampling frame and unit which is considered but results cannot be generalized for the entire population who invest.

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