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# An Analytical Study on the Existence of Gender Differences in the Personal Investment Pattern of Informed Investors in Urban Bangalore, India

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***Abstract:***
*Finance has the ability to make or break an individual's life, but its influence depends on how possessors use and manage it. This blatant truth signifies the importance of Personal finance. Personal Finance is the application of principles of finance to the monetary decisions of an individual or family unit. Another noteworthy fact is that women do not have the same relationship to finance as men because there are many striking differences between them. Both men and women should be financially efficient to take appropriate financial decisions for themselves and their families. The study aims to get a clear understanding of the existence of a gap in the investment pattern and investment distribution of women as compared to men with the objective of providing a basis for assessment as to what should be done in order to make sure that women are not financially disadvantaged. The data was collected by distributing structured questionnaires to 150 respondents in Urban Bangalore.*

***Keywords:*** *Personal finance, gender finance, investment pattern*

## 1. Introduction
Finance is the life blood of an economy, organization and an individual and hence managing it becomes very crucial. People have realized this blatant truth and this had led to the evolution of the concept of personal finance. This realization forces them to devote their time proper management of their personal finance., poor financial management behavior impact professional and personal life (Garman et al., 1996) An effective management of personal finance will help them to run ahead of others and grab the unbound opportunities ahead. An overall understanding of the personal finance will make an individual a happier person because they will not be stressing about money and will be prepared for the future. Managing personal finances is no child's play. The main goal of personal Finance is the efficient allocation of financial resources which in turn paves way for financial security and independence. Deciding on an efficient investment pattern is of utmost importance in this regard. This requires strict discipline, severe perseverance and most importantly knowledge of various financial products. There are a wide variety of financial products in the market ranging from traditional real estate and fixed deposits to modern and contemporary stock market products. Asset allocation to the different types of avenues and securities is a fundamental issue in personal finance and gender plays a very important role in determining this. According to Sitkin and Weingart (1995), The characteristics of the individual affects investment decision making indirectly There is also a difference in their financial goals as well as in their level of financial confidence. The researcher here analyses *gender* not simply as another a 'characteristic' but rather, a factor that has a profound influence on various aspects of personal finance like investment decisions and financial experiences since Gender represents a stabile factor that does not traditionally change during the individual's life in contrary to age, education or mental condition etc.

## 2. Gender Finance
Gender is defined on the basis of social norms, behaviors, activities, relationship, responsibilities which are assigned by the society as appropriate for male and female **(WHO, 2010).).** There are significant differences between men and women in all aspects from biological to physical to emotional to social. Women till date face a lot of gender discrimination. Generally, women have less economic opportunities to improve their lives. They often face obstacles when dealing with ownership of wealth, monetary return for their work, financial opportunities etc. The legal and cultural norms and taboos play a major role in aggravating this. Thus women face various strange and unique challenges when dealing with money and finance. In comparison to men, women share a large burden of raising families, start to work later and earn less during their careers, live longer, have inadequate pension or survivors' benefits and face more challenges in financial management (**Alcon, 1999; Anthes and most, 2000; Timmermann, 2000).**

These differences automatically get reflected in their investment behavior and decisions also. The saying Men buy shares from Mars and Women have a savings account on Venus highlights this blatant truth. **Chase Lancaster and Anubhav Raj (2009)** found that women are more conservative than men while allocating assets in their retirement account. They concluded that gender differences are a significant factor in explaining individual investment decisions.

It can be seen that there are a lot of differences in the financial perception, expectations, goals and confidence of men and women which ultimately influences their investment pattern. The following factors contribute to this;

a) Longer longevity: Women have a biological advantage that allows them to live longer. This is because they have fewer behaviors' that are bad for health than men. There are various studies which have proved the positive relation between female hormones and life longevity. Studies have also shown that current advances in health care and living conditions have benefitted women more than men. Women s greater longevity implies that, even with the same investment strategy and pension accumulation, retirement wealth must support alonger period of retirement. for women. Women also have potentially higher living costs.
b) Career choices with low average income: In majority of the cases, women are forced to make career choices with low average income. They consider alternative work arrangements and flexibility over remuneration and promotions. They don't indulge themselves in physically challenging jobs even if the pay is more. Studies have revealed that they are less assertive than men when demanding promotions and increments. All these contribute to them having a lower average income as compared to their male counterparts.
c) Shorter working lives with breaks: The total work time that women are able to put in as compared to men is significantly less. This is because they have a shorter working life which is subject to many breaks. They are committed to various care giving tasks and hence have less time to devote to work. They are prone to taking more family leave which in turn affects their career advancement and in turn hampers their financial prospects.
d) Fear and intimidation: Women generally are tightlipped about money. According to Fidelity investments money FIT women study (2015),8 out of 10 women confessed they have refrained from having financial conversations. According to Graham, Stendardi, Myers and Graham (2002),women are less overconfidence and hence they are more likely to avoid financial issues in general."Beneath women's reticence to talk about money lies a lack of confidence in their knowledge of financial planning and investing," says Kathy Murphy, president of Fidelity's Personal Investing. There is also a fear and intimidation in women when it comes to dealing with money or investments

Thus women face unique challenges both in terms of making money as well as making it grow for the future. Normally they are risk averse also due to child bearing and reproduction. **Jianakoplos and Bernasek (1999)** in their study showed that women are more risk averse than men. This is mainly because they weigh these risks against the potential impact on their households. They emphasized on the old belief that while men are financial daredevils who take risk, women are cautious and want more security.

## 3. Literature Review

Chase Lancaster and Anubhav Raj (2009) found that women are more conservative than men while allocating assets in their retirement account. They concluded that gender differences are a significant factor in explaining individual investment decisions.

A study by a major Swedish brokerage firm found that women are more long term oriented with their investments because men tend to buy and sell more often that women

According to Graham et al (2002) women are more thoughtful and likely to ask more questions than men do and to consider all relevant investment factors.

Schubert, Brow, Gyster and Brachinger (1999) contrary to many other studies found that women under controlled economic conditions generally do not make less risky financial decisions.

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Powell and Ansec (1997) conducted a study and found that there are relative gender differences in allocation of investments in retirement plans. They suggested that women exhibit a greater risk aversion while choosing retirement savings account.

Thus it can be concluded that researches overtime have indicated that significant differences occur in the financial decision making of an individual depending on the gender.

## 4. Objectives of the Study

1. To provides an insight into the existence and reasons of gender gap in the investment pattern of informed investors.
2. To study the gender gap in factors affecting investment decisions.
3. To find out the association between gender and choice of investment product.

## 5. Need for the Study

Financial and investment experiences of women play a critical role in any economy because they are the key decision makers and caregivers in their households which ultimately have an impact on the economy as well. Financially secure families are better able to contribute to vital, thriving communities and thereby further foster community economic development **(Marianne A. Hilgert and Jeanne M. Hogarth, 2003)** The researcher felt that both men and women should be financially efficient to take appropriate investment decisions for themselves and their families.

### 6. Methodology

This is an analytical paper. The data used is both primary and secondary. It employs a review through personal experience and background study. Secondary sources have also been made use of in relation to figures and statistics. Simple statistical tools like Chi square and percentages have been used for the analysis. The sample of the study includes 150 respondents (75 male and 75 females) from Bangalore city. The respondents were selected using stratified convenient sampling.

Hypothesis testing: A hypothesis has been formulated and tested to see if there is any association between gender and choice of financial products. Chi –square test has been used to test the dependence of the above attributes. The hypothesis is framed as follows:
H1: There is significant association between gender of the respondents and the choice of financial products.

### 7. Analysis

| **Primary factor** | | **Frequency** | **Percentage** |
|---|---|---|---|
| Preservation of capital | Male | 30 | 0.4 |
| | Female | 35 | 0.47 |
| Increase in current income | Male | 12 | 0.16 |
| | Female | 8 | 0.1 |
| Growth and income | Male | 10 | 0.13 |
| | Female | 12 | 0.16 |
| Liquidity | Male | 7 | 0.09 |
| | Female | 6 | 0.08 |
| Tax benefits | Male | 8 | 0.1 |
| | Female | 4 | 0.05 |
| Personal experiences | Male | 4 | 0.05 |
| | Female | 8 | 0.1 |
| Others | Male | 4 | 0.05 |
| | Female | 2 | 0.02 |

*Table 1: Primary factor affecting investment choices*
*Source: Primary data*

The table shows that while 47% of women consider preservation of capital as their primary factor for choosing an investment option, only 40% of men do so. As compared to 5% of women, 10% of men give preference to tax benefits while investing. It can also be seen that personal experiences are more important for women than men since 10% of take their experiences into consideration while making investments as compared to 5% of men.

| **Financial product** | **Male** | | **Female** | | **Total** |
|---|---|---|---|---|---|
| | **Observed frequency** | **Expected frequency** | **Observed frequency** | **Expected frequency** | |
| Fixed deposits | 14 | 19 | 24 | 19 | 38 |
| PPF | 14 | 11.5 | 9 | 11.5 | 23 |
| Gold | 6 | 10 | 14 | 10 | 20 |
| Insurance products (traditional) | 6 | 5 | 4 | 5 | 10 |
| Real estate | 6 | 8 | 10 | 8 | 16 |
| Stock market products | 17 | 12.5 | 8 | 12.5 | 25 |
| Commodities | 11 | 6.5 | 2 | 6.5 | 13 |
| Art and passion | 1 | 2.5 | 4 | 2.5 | 5 |
| Total | 75 | | 75 | | 150 |

*Table 2: Table showing association of gender with the choice of financial product*
*Source: Primary data*

The calculated Chi-square test value is 19.58 whereas the table value at 5% level of significance (at 7 degrees of freedom) is 14.067

### 8. Observation

Since the calculated value is more than the table value, H1 is accepted. Hence there is significant association between gender of an individual and the choice of financial products.

### 9. Findings

Personal finance is largely about making the right investment decisions. Investment decisions are an integral part of an individual's life. An individual's ability to make the right investment decisions determines his short term and long term financial well-being. The decisions that an individual takes today determines his tomorrow. Men and women have huge differences between themselves (Orasanu and Connolly,1993). The gender differences exist especially when decision making is financial and also in the personal investment decision making (Johson & Powell, 1994). This blatant truth is being highlighted in the study also. It can be concluded from the study conducted that there is a difference in the factors considered for investment by men and women. These differences are reflected in their choice of financial products also.

**10. Conclusion**

It is often seen that women are expected to take primary responsibility of child bearing, taking important decisions relating to distribution of household resources and most importantly in transmitting financial habits and skills to the next generation. This makes it very important for us to attend the needs of women as financial consumers. In the light of this, it becomes our utmost priority to make sure there is no gender gap in finance especially relating to investment decision and thus ensure that women are not financially disadvantaged.

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