



A Study of effect of Gender on Preferred Asset Allocation Decisions of Individuals in Indore

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Abstract

Finance and investment has evolved as a big industry in recent years throughout the globe. Those involved in such business mainly the financial institutions and the advisors are always in search of new products and services to satisfy the financial needs of their clients. This demand and need create scope for research in the area of behavioural finance which study the participants of financial market and specific behaviour of them in a given situation. With this background, this research work explored the effect gender on asset allocation decisions of individuals in Indore. The research work attempted to explore the association between preferred asset allocation decisions of individuals with their gender and found that gender of the respondents is significantly associated with the preferred asset allocation decision of individuals in Indore. The study focused on gender as the key demographic variable of individuals in Indore from the perspective of their asset allocation decisions.

Key words: preferred asset allocation decisions, Gender, Demography, Individuals in Indore

Introduction

Behavioural researches carried out in the various countries provides that the decision of Asset Allocation of an individual depends on many factors including personality, circumstances, educational attainment, level of financial knowledge and experience and to the extent of financial product portfolio. The researches carried out in the United States also describes a similar range of factors including income, wealth, age, marital status, gender and level of education (see Finke and Huston, 2003). Asset allocation decisions vary from individual to individual, as every individual is governed by his own set of circumstances. These circumstances describe his needs and objectives behind investment, which ultimately guides his asset allocation. Many researchers have explored the relationship between asset allocation and personal characteristics. These findings largely reflect the evidence of effect of attitude on risk. In an analysis of 401(k) administrative data from 1994-1998, it was found that Asset allocations were higher among higher earners, married participants, and those with more job seniority (See Agnew et al., 2003).

Further one most important factor which affects the Asset Allocation Decision of individuals is availability of investment options. An individual has so many assets to choose from and there are a large number of factors which alter the values of specific assets. As per the research conducted by Tapia and Yermo (2007), there is significant evidence (mainly from the US in relation to 401(k) retirement savings plans) that too many investment options can cause information overload. This, in turn, may lead to declining rates of pension participation and a greater use of the default fund option. At the same time, the amount of information available to the investors is staggering fast, and the means of transforming the information are more efficient and continuously growing. This together with inflation has increased the significance of wise financial planning.

Rationale of the Study

The rationale behind this study lies in the fact that exploring association of demographic variables with preferred asset allocation decisions is of key importance from the perspective of those offering investment avenues to individuals.

Asset Allocation : The Concept

Asset allocation is the strategy used in choosing between the various kinds of possible investment, in other words, the strategy used in choosing in what asset class such as stock and bond one wants to invest [www.wikipedia.com].

Dividing investment portfolio between different asset classes, namely Equity Shares, Bonds and Debentures, money market instruments etc. With an objective to get a regular income and appreciation in the value of investment is called Asset Allocation.

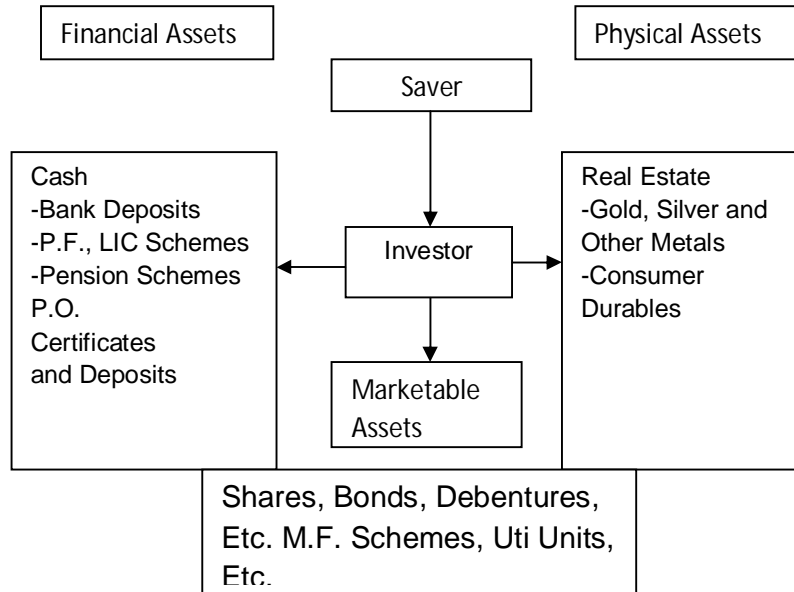
Asset Allocation Decisions of Individuals

Asset allocation is the practice of dividing investible funds available with an individual among different categories of investible assets such as stocks, bonds, mutual funds, investment partnerships, real estate, cash equivalents and private equity to get desirable returns on it. An individual investor does not invest all his money in a single avenue because all avenues have different risk-return combination. He can lessen risk and optimize returns by selecting various categories of assets or what is technically known as diversification.

Asset Options for Individuals in Current Scenario

Investment decisions in present scenario have become very difficult now a day, the no. of investment avenues have considerably increased with the growth of economies all across the globe. Some of the investment avenues available for individual investors have been classified by Avadhani (2008). The same has been exhibited below:

Investment Avenues for Individuals



Source: Avadhani V A. (2008), *Investment & Securities Market in India*.

Literature Review

Demographics are the physical characteristics of a population such as age, gender, marital status, family size, education, geographic location, and occupation. In other words, demographics are selected population characteristics like gender, race, age, income, disabilities, mobility educational attainment, home ownership, employment status, and even location.



Gender and its impacts on asset allocation decisions of individuals is always an interest area for researchers. Man, due to his inherent nature of risk taking usually invest in the assets where they get more return although it bears more risk, whereas woman tends to invest in assets classes where they found secure returns. A lot of work has been conducted by many on the subject and almost all have got the similar conclusions. Chakraborty and Digal (2011), in their research on study of saving and investment behaviour of individual households in Orissa, concluded that there is a basic difference regarding asset choice amongst male and female respondents. Similar conclusion were drawn by Lachchwani and Chaurasia (2015), in their work on effect of demographic factors on investment decisions & risk taking ability, where the authors explored that gender of an individual do influence the choice of investment avenues of individuals. Mehta and Aggarwal (2011), explored that the differences among genders plays an important role in making asset choice, females behave more conservatively than males.

Achar (2012), in his study on analysis of the saving and investment behaviour of teaching community, revealed that savings and investment tend to be high in the case of females, on the contrary, savings and investment tend to be low in the case of the males. In a research by Sireesha and Laxmi (2013), on 165 individuals from Hyderabad and Secunderabad, the researchers studied the impact of demographics on select investment avenues and explored that gender generally influence the investment decisions of the respondents.

Brahmabhatt et al. (2012), discovered that investing through financial instruments is mostly done by man in the family and woman does savings but very few of them use financial instruments. Women are attracted towards investing gold than any other investment avenue.

Bhat and Dar (2013), revealed in their work the role of demographic factors in relationship between emotional Influences and investment decisions in Kashmir, India, found that gender has significant influence on investor in the decision making.

Yogesh and Charul Y (2012), analyzed that low returns makes the conventional investment options like Post Office Saving Schemes, Public Provident Funds less preferred for the investors. However, investment on gold is always preferred by female investors. Researchers also found that elderly female in Taiwan are more likely to have saving deposits at banks and to invest in risky assets than male elderly. Similarly Suriyanarayanan and Arivazhagan (2012), revealed that female investors dominate the investment market in India.

Research Question

Is there any significant association of Gender of Individuals in Indore with their Preferred Asset Allocation Decisions?

Objective

On the basis of literature gap identified and research area of the study, this research work adhered to meet the following objective:

To explore the association between gender and Preferred Asset Allocation Decisions of individuals in Indore.

Research Design

The study is exploratory and empirical in nature. An attempt has been made to explore the association of Gender of Individuals in Indore with their Preferred Asset Allocation Decisions. An empirical investigation of the respondents from Indore has been undertaken on the similar lines. Primary data has been collected for the purpose. Respondent individuals have been identified using convenient cum judgmental non-probability sampling. A total of 428 questionnaires (out of 500 distributed) with a response rate of 85.6% were received back. Finally, 404 questionnaires were considered for the purpose of data analysis.

Instrument for Preferred Asset Allocation Decisions and Demography



A self structured instrument was developed to obtain information on demography and asset allocation decisions of individuals in Indore. In order to finalize the asset options for individuals in Indore, a detailed review of the existing literature on investment avenues available for individuals was done. As considered by Sitlani B. (2013) in her Ph.D. dissertation, six investment avenues were finally considered to collect the required data to meet the key objectives of this research work. Demographic traits incorporated in the instruments were finalized on the basis of extensive literature survey of existing literature available on the subject.

Research Hypothesis

Traditionally, it is believed that males and females have different inherent traits which make them behave differently while taking their asset allocation decisions. A large number of earlier researchers have also evidenced that gender is significantly associated with investment decisions of Individuals.(see Kogan & Wallach; 1964, Powel and Ansic; 1997, Clark & Garrens; 2001, Saber Sebai; 2014). Based on this premise, the following hypothesis has been framed for this research work:

H01: Gender of Individuals in Indore is significantly associated with their Financial Exposure.

Data Analysis

Demography of the Respondents

The information collected on demography of respondents is presented in form of frequencies and percentages. As listed in table 6.1, the male respondents are in majority i.e. (61.6%), whereas the females were only (38.4%) as the major focus of study was on working population this indicates that in jobs percentage of female candidates still less than the male candidates.

Gender		
Female	155	38.4
Male	249	61.6

Frequency of Preferences Given to Various Investment Options

Rank Investment avenues	Ranks given by respondent						Total
	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Rank 6	
Shares/commodities/De rivatives	58	48	24	52	59	163	404
%	14.4	11.9	5.9	12.9	14.6	40.3	100
Fixed Return Investments	110	66	85	58	58	27	404
%	27.2	16.3	21	14.4	14.4	6.7	100
Gold, Silver, Precious Stone	45	117	80	60	68	34	404
%	11.1	29	19.8	14.9	16.8	8.4	100
Mutual Funds	21	37	56	72	133	85	404
%	5.2	9.2	13.9	17.8	32.9	21	100
Real Estate	104	66	75	85	41	33	404
%	25.7	16.3	18.6	21	10.1	8.2	100
Insurance	67	69	86	78	45	59	404
%	16.6	17.1	21.3	19.3	11.1	14.6	100



Most Preferred	57	111	44	21	104	67	404
%	14.1	27.5	10.9	5.2	25.7	16.6	100
Total	404	404	404	404	404	404	404
%	100	100	100	100	100	100	100

The table above exhibits that out of 404 respondents, 110 respondent (27.2%) have ranked Fixed Return Investments, Bonds etc as their most preferred Asset choice which is the maximum out of total ranks, Real Estate (104, 25.7%) scored 2nd and Insurance with (67, 16.6%) stood at 3rd place. Mutual funds have been ranked by 21 respondents (5.2%) as their Most preferred Asset choice which is the least preferred amongst all. Similar observation found that as high as 163 (40.3%) respondents have ranked Shares/commodities/ Derivatives as their least preferred Asset choice, followed by Mutual Funds (85, 21%) and Insurance (59, 14.6%). A very few i.e. 27 respondents (6.7%) ranked Fixed Return Investments, Bonds as least preferred Asset choice.

To be clearer on the preferred asset choice of respondent individuals, the data collected from respondents was further analyzed by using basic statistical analysis tools including descriptive and mean rank analysis. Results generated from the analysis are exhibited in table below:

Table 5.2.3 Descriptive Statistics for Preferred Asset Allocation Decisions of Respondents

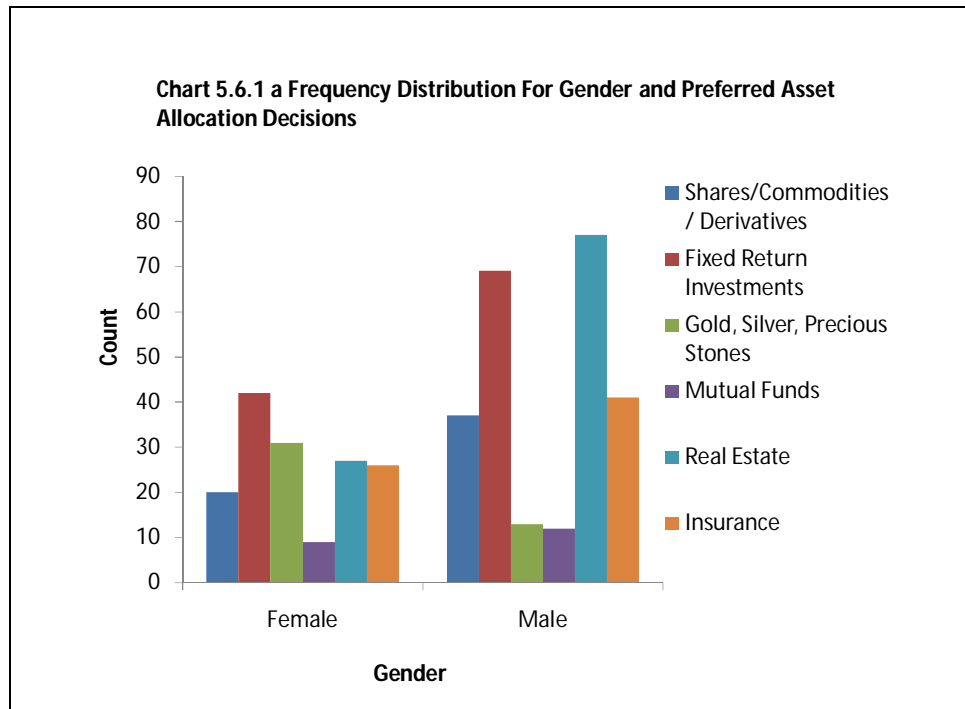
Descriptive Statistics						
Investment avenue	N	Minimum	Maximum	Mean	Std. Deviation	Rank
Shares/commodities/Derivatives	404	1	6	4.23	1.883	5
Fixed Return Investments	404	1	6	2.92	1.604	1
Gold, Silver, Precious Stone	404	1	6	3.23	1.506	3
Mutual Funds	404	1	6	4.27	1.44	6
Real Estate	404	1	6	2.98	1.597	2
Insurance	404	1	6	3.35	1.634	4
Most preferred	404	1	6	3.5074	1.77868	
Valid N (list wise)	404					

As seen from the table above, fixed return investments with a mean value of 2.92 is the most preferred investment avenue for the respondent individuals in Indore. The results of standard deviation analysis of this investment avenue (1.60) is close to the minimum standard deviation amongst all the investment options (1.44), which verify that the respondent individuals in Indore do prefer the fixed return investments when it comes to asset allocation. This asset choice is followed by Real Estate and Gold, Silver, Precious Stones respectively. The results further clearly show that the Mutual Funds with a mean value of 4.27 and a standard deviation of 1.44 have been considered as the least preferred asset choice by the respondent individuals.

Association between Gender and Preferred Asset Allocation Decisions

The descriptive statistics of Gender and Preferred Asset Allocation Decisions of respondent individuals and related chi-square statistics is exhibited in bar graph and table given below:

Frequency Distribution of Gender and Preferred Asset Allocation Decisions



Descriptive and Chi-square Statistics of Gender and Preferred Asset Allocation Decisions

Most Preferred Asset Choice Gender		Shares/Commodities/ Derivatives	Fixed Return investments	Gold, Silver, Precious Stones	Mutual Funds	Real Estate	Insurance	Total
Female	Count	20	42	31	9	27	26	155
	%	12.9	27.1	20	5.8	17.4	16.8	100
Male	Count	37	69	13	12	77	41	249
	%	14.9	27.7	5.2	4.8	30.9	16.5	100
Total	Count	57	111	44	21	104	67	404
	%	14.1	27.5	10.9	5.2	25.7	16.6	100
Pearson Chi-Square				Value	26.384a			
				DF	5			
				Asymp Sig. (2-sided)	.000			

The data presented in table above indicates that a maximum of 30.9% of male respondents have ranked Real Estate as their most preferred Asset choice, whereas the maximum of 27.1% female respondents opted the Fixed Return Investments as most preferred asset choice. Second most preferred asset choice for male respondents is Fixed Return Investments as out of total, 27.7% gave it rank 2 whereas 17.4% female respondents ranked Real Estate as their second preference. A minimum of 5.8% male respondents have ranked Mutual Funds as their least preferred asset choice. Similarly, a minimum of 4.8% of male respondents have also ranked mutual funds as their least preferred asset choice. The chi-square value of 26.384 with asymptotic significance value of .000 reveals that there is a significant association between Asset choice and gender of Individuals in Indore. Hence the hypothesis H01: Gender of



Individuals in Indore is not significantly associated with their Financial Exposure stands not rejected.

Major Findings

This research work has been undertaken to explore the association of preferred asset allocation decisions of individuals in Indore with their gender. On the basis of the data analysis conducted in course of this research work, it has been explored that gender of Individuals in Indore is significantly associated with their preferred asset allocation decisions. As evidenced by this study and as supported by existing worldwide studies, it is apparently clear that the male and female individuals in Indore do take asset allocation decision and behave in different manner while taking investment decisions. The demography of individuals, specifically gender, has an impact on their asset allocation decisions.

Key Recommendation

An important finding of the study indicated that the individuals in Indore prefer to take different asset allocation decisions on the basis of gender. Hence, it is recommended to the players of investment industry and finance companies and other players in the market to design and promote different investment products for these two different genders. It is suggested in many other researches also that the investment industry should not treat investors as one homogenous group and men and women should be offered investment proposals as per their specific demographic characteristics. The preferred asset choice differs for both the genders differ significantly. Hence female investors should be offered less risky investment options whereas risk is not a major consideration for men. Males in Indore can be attracted for real estate investments while female investors should be offered fixed return investments.

Conclusion

The research result depicts that gender of the respondents is significantly associated with the preferred asset allocation decision of individuals in Indore which confirms the contradictory behaviour of male and female respondents in Indore with relation to their financial decision making.

Since ages it is found by many researchers in their studies that, there is a basic difference in financial decisions taken by male and female respondents, man and woman think and act differently in almost all aspects of life, but do they show similar behaviour when they take asset allocation decision? Lori L. Embrey and Jonathan J. Fox (1996), revealed that men and women do think differently while taking investment decisions. Similarly Patti J. Fisher (2010), found Gender differences in personal saving behaviours. Kathleen Arano and Carl Parker et al (2009), investigated whether women have higher risk aversion than men on the basis of their retirement asset allocation and found that women do differ from their male spouse when it comes to investments. Vickie L. Bajtelsmit, Alexandra Bernasek (1996), Hinz, McCarthy and Turner (1996), also found that women are more risk averse.

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