



GENDER DIFFERENCE IN INVESTMENT DECISION MAKING: EVIDENCE FROM GHANA

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Abstract

Investment decisions have mainly been described as a man's world. The impact of culture has marginalised mainly women in areas where men are perceived as front liners. One of such areas is the making of investment decisions. However, in recent times, the debate on the participation of women in investment activities and decisions have gained much attention. This research seeks to investigate gender difference in investment decision making in terms of financial risk tolerance, financial literacy and types of investment among EAIS Ghana employees. The research is a descriptive research design with 100 working-class men and women randomly selected from a population of 125 at EAIS institution to answer survey questions. The researcher used an independent sample t-test in SPSS v 22. The research concludes that there is a significant gender difference for both risk tolerance and financial literacy among EAIS employees in Ghana. It is therefore recommended that women must be more aware of the difficulties preventing them from investing in riskier securities. Furthermore, Security and Exchange Commission, in collaboration with Bank of Ghana, must enforce the policy that ensures that only certified investment managers can give employees professional investment advice as this will boost the confidence of employees, particularly women.

Keywords: Gender Differences, Financial Literacy, Risk Tolerance, Types of Investment, Investment Decision Making

INTRODUCTION

Investment decisions have mainly been described as a man's world. The impact of culture has primarily marginalised women in areas where men are perceived to be front liners. One of such areas is the making of investment decisions. However, in recent times, the debate on the participation of women in investment activities and decisions have gained much attention. Economic units such as individuals, firms, and government do make investment decisions in different ways. For example, an institutional investor may decide whether to invest its funds in shares or bonds. Similarly, a retail investor may make a decision between investing to generate a retirement income or for education. Firms, including large organisations, may decide whether to finance their operations using debts or shares. On the other hand, government may choose a range of alternatives that would maximise social welfare in the long run.

According to the World Development Report on Jobs (2004), women are more economically excluded than men. Women's labour force participation (ages 15-64) appears to have been stable over the last two decades, decreasing from 57 to 55 per cent internationally. In the Middle East and North Africa, participation is as low as 25%. Gallup estimates that men are nearly twice as likely as women to have full-time jobs globally as and more than three times as likely in South Asia. As a result, given that males make up a larger share of the workforce, it is clear that they can have a more significant say in investment decisions (D'Acunto, 2015).

Similarly, many scholars in recent times have emphasised the relevance of behavioural finance in men and women's investment decisions. Behavioural finance aims to figure out why people forget about the fundamentals and invest based on their feelings (Rasheed, Zahid & Akhtar, 2018). It provides descriptions and explanations for investors who want to know how emotions and biases affect stock values (Alquraan, Alqisie, & Al Shorafa, 2016). As a result, characteristics such as loss aversion, overconfidence, and risk perception significantly impact men and women's investment decisions (Alquraan et al., 2016).

Psychological study, on the other hand, shows that women and men have different perspectives and preferences in areas such as financial decision-making (Hakeem, 2016). Women investors are a force that cannot be ignored, given their greater engagement in the labour market and the trend toward increased lifespan and rising net worth. In developing nations like Ghana, the husband is still the primary decision-maker for reproductive issues. Up to 50% of women agreed that their husbands make the decisions. Many women in more developed countries make their own decisions about these issues because they now have easier access to information, finances, and a sense of control over their own lives (Koneru, 2017).

Moreover, women make use of emotions in the process of making investment decisions (Arti, Sunita, & Julee, 2011). Kusev et al. (2017), discovered that the impacts of emotions on

risky behaviour have solid empirical evidence and that men engage in total risky behaviours than women. Also, women have been described as risk avoiders while men are risk-takers (Graham et al. 2002).

In conclusion, men have fallen victims to the collapse of investment firms and Ponzi schemes compared to women in Ghana over the years. This is as a result of the yearnings for higher returns. However, there is limited literature investigating gender difference in investment decision-making among Ghanaian employees. This study investigates gender differences in investment decision-making among Ghanaian employees at EAIS institution. EAIS is an international Co-Educational Institution located in Accra, Ghana. The research will predict the probable impact of gender on investment decision-making.

Research Questions

The research questions to consist of:

1. Is there a significant difference between gender and financial risk tolerance?
2. Is there a significant difference between gender and financial literacy?
3. Is there a significant difference between gender and types of investments?

Hypotheses

The null hypotheses of the study include:

1. There is no significant difference between gender and financial risk tolerance.
2. There is no significant difference between gender and financial literacy.
3. There is no significant difference between gender and types of investment.

LITERATURE REVIEW

Financial Risk Tolerance

The highest degree of uncertainty that someone is willing to take when making a financial decision is financial risk tolerance (Lawrenson, 2020). It is the level of discomfort a person is ready to put up with in exchange for future wealth gain (Fisher & Yao, 2017). According to Nguyen, Gallery, and Newton (2019), financial risk tolerance is the amount of uncertainty or investment return volatility that an investor is ready to accept. In effect, financial risk tolerance is the readiness to engage in behaviours where the outcomes are uncertain, and there is a danger of a bad outcome that can be identified (Masenya, 2020).

Furthermore, several studies on the gender gap in financial risk tolerance have been undertaken in the past. When it comes to risk tolerance, women assess risk features such as the prospect of loss and uncertainty more highly than males, according to a survey conducted

by Oslen and Coz (2001) among professionals in investment decision making. In a similar vein, Fisher & Yao (2017) published an article in the *Journal of Economic Psychology* that decomposed gender variations in financial risk tolerance.

A baseline analysis revealed that a much lower proportion of women than males claimed both some and high-risk tolerance. Jawaheer, Vikneswaran, and Manual (2016) conducted a similar study and discovered that Mauritian women prefer lower-risk investments than their male counterparts. Conversely, although many studies have shown that women are more risk-averse than males, some studies have also shown the opposite. Badunenku (2009), for example, found that gender has no significant effect on risk tolerance levels in Germany

Financial Literacy

Financial literacy is the basis for comprehending and effectively using various financial abilities, such as personal financial management, budgeting, and saving (Idris, Yazid, Faique, and Daud, 2016; Isomidinova and Singh 2017; Rai, Dua and Yadav, 2019). Furthermore, with financial literacy, one can understand basic financial ideas and perform simple computations (Lusardi, 2009).

According to Stella and Cervellati (2020), financial literacy is the capacity to analyze new and sophisticated financial instruments and make informed decisions about which instruments to use and how much of them to use in the long run. Similarly, Mandel (2008) argued that financial literacy could be viewed as an individual's ability to make financial decisions while keeping their own short and long-term interests in mind.

In addition, numerous research has been undertaken to demonstrate how financial literacy affects investment decision-making by gender. In a survey conducted by Potrich, Vieira, and Kirch (2018) to investigate the level of financial literacy among women in Brazil, the majority have a low level of financial literacy, and a significant relationship between financial literacy and gender was shown to exist. Moreover, the proportion of men is higher among those with a high level of financial literacy. Furthermore, in harmony with the findings of Potrich, Vieira and Kirch (2018), Bannier and Neubert (2016), standard investments are substantially correlated with both real and perceived financial literacy for males, but only with actual literacy for women.

Types of Investment

A financial investment is an asset purchased with the intention of reselling it at a greater price in the future (capital gains) or the expectation that the item will immediately provide income (Siegel, 2021). According to Greenwald, Kahn and Bellissimo (2020), all investments being it stocks, bonds and mutual funds are associated with risk and returns. Selecting an

investment type is also influenced by gender, and several studies have been done to prove this relationship. For example, a study by Lascu, Babb and Phillips (1997) on the influence of gender on investment type found that females were more likely to invest conservatively, choosing to invest in safer vehicles, such as CDs and government bonds, while males were less conservative, choosing to invest in riskier vehicles, such as stocks with a high growth rate. Another study done by Hira and Loibl (2008) found that men prefer to learn about investment options independently, while women seek financial advisers for help.

Based on past studies, it is evident that women have a lower involvement in risky investments with high returns because of their emotional level. Thus, they would prefer to have more thorough information from financial advisers before proceeding; however, this is opposed to men.

Research Paradigm

The conceptual research model for this study is shown in figure 1

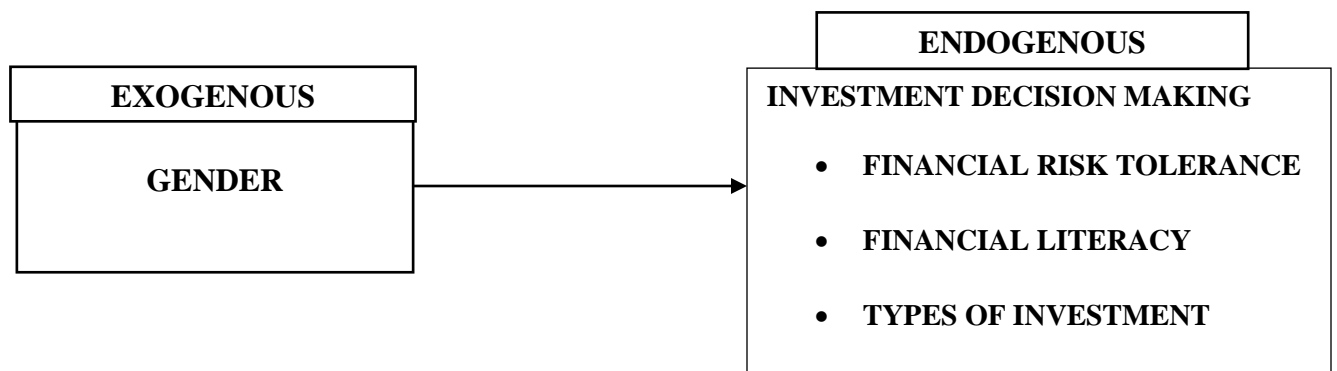


Figure 1 Conceptual Framework

RESEARCH METHODOLOGY

This study used a descriptive research design. It is a quantitative study that used IBM SPSS v 22 to analyze data using parametric inferential statistics. The respondents in this study were the employees of East Airport International, which had a population of 125 people. A sample size of 100 was recommended by the Raosoft sample size calculator to be used for the study at a 95% confidence interval. One hundred respondents were chosen at random for the study. A self-constructed questionnaire created with Google Forms was emailed to 100 respondents, and the results were collected for data analysis during the same period. Based on the Cronbach Alpha, the self-constructed questionnaire had an internal consistency of 0.779, 0.728, and 0.710 for financial risk tolerance, financial literacy, and types of investment,

respectively, where Alpha obtained was more significant than 0.7 according to Nunnally (1978), who considers it to be reliable. The researchers applied parametric inferential statistics with the help of SPSS version 23 analyzing the t' Test for the differences.

RESULTS AND DISCUSSION

The respondents used in this study were 54 males and 46 females, of which 34 had attained degrees, 17 had diploma/HND, 28 had SHS certificates, and 21 had post-graduate degrees. In the study, males were represented by 1 and females by 2 for statistical encoding for gender interpretation. Respondents were required in the first section of the questionnaire to answer questions pertaining to demographic factors such as sex, marital status, age group and educational status. Table 1 is a summary of respondents categorized by demographic factors.

Table 1: Respondents categorized by demographic factors

Gender		Age			Marital status			Educational status			
males	Female	Youth (15-34)	Adult (35-50)	Old (51-65)	Divorced	Single	Married	SHS	Diploma/ HND	Degree	Post graduate
54	46	56	36	8	1	67	32	28	17	34	21

Table 2 presents the descriptive statistics for gender differences in investment decision making.

Table 2 Descriptive Statistics

Group Statistics						
	Gender	N	Mean	Std. Deviation	Std. Error Mean	
FINANCIAL RISK TOLERANCE	Males	54	3.1508	1.12819	.15353	
	females	46	2.4275	1.17097	.17265	
FINANCIAL LITERACY	Males	54	3.0217	.53618	.07297	
	females	46	2.2775	.94134	.13879	
TYPES OF INVESTMENT	Males	54	2.3889	.90682	.12340	
	females	46	2.1830	.86774	.12794	

An Independent sample t-test was conducted to compare the investment decision making scores for males and females (Table 3). For Financial risk tolerance, there was a significant difference for males ($M=3.15$, $SD= 1.13$) and females ($M= 2.43$, $SD= 1.17$; $t(94.26) = 3.13$, $p = 0.02$, two-tailed). The magnitude of the difference in the means (mean difference = 0.72, 95% CI: 0.27 to 1.18) was very small (eta squared = 0.01).

From the above results, because 0.02 is less than the p-value of 0.05, the study rejects the null hypothesis that states that there is no significant difference between gender and financial risk tolerance and concludes that there is a significant difference between gender and financial risk tolerance.

For Financial Literacy, there was a significant difference for males (M= 3.02, SD= 0.54) and females (M= 2.28, SD= 0.94; $t(68.65) = 4.75$, $p = 0.00$, two tailed). The magnitude of the difference in the means (mean difference = 0.74, 95% CI: 0.43 to 1.06) was very small (eta squared =0.0001).

Table 3 Independent Samples t Test

Independent Samples Test		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2- tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference Lower Upper	
FINANCIAL RISK TOLERANCE	Equal variances assumed	.016	.900	3.140	98	.002	.72326	.23034	.26615	1.18037
	Equal variances not assumed			3.13094	261	.002	.72326	.23104	.26454	1.18197
FINANCIAL LITERACY	Equal variances assumed	25.632	.000	4.946	98	.000	.74424	.15047	.44565	1.04283
	Equal variances not assumed			4.74668	846	.000	.74424	.15680	.43141	1.05707
TYPES OF INVESTMENT	Equal variances assumed	.110	.741	1.154	98	.251	.20592	.17839	-.14809	.55993
	Equal variances not assumed			1.15896	651	.250	.20592	.17776	-.14689	.55873

From the above results, because 0.00 is less than the p-value of 0.05, the study rejects the null hypothesis that states that there is no significant difference between gender and financial literacy. The study therefore concludes that there is a significant difference between gender and financial literacy.

For Types of Investment, there was no significant difference for males ($M = 2.39$, $SD = 0.91$) and females ($M = 2.18$, $SD = 0.87$); $t(98) = 1.15$, $p = 0.25$, two tailed). The magnitude of the difference in the means (mean difference = 0.21, 95% CI: -0.15 to 0.56) was very small (eta squared = 0.0004). From the above results, because 0.25 is greater than the p-value of 0.05, the study fails to reject the null hypothesis and concludes that there is no significant difference between gender and the types of investment.

The study however found that EAIS employee men choose higher risk investment plans than their women counterparts. The findings of the study are consistent with Jawaheer & Vikneswarm (2016) who argued that employee women view investment decision making as a stressful process compared to men and as result, exhibit lower risk tolerance than men.

Secondly, results for financial literacy found that EAIS employee women are less literate in relation to financial matters. The reasons are well explained in a similar studies by Potrich, Vieira, and Kirch (2018) and Bannier and Neubert (2016) who argued that women lack financial education and the knowledge to make informed decisions when it comes to investment.

Thirdly, results for types of investment show that both Ghanaian men and women in EAIS choose the same type of investment. This is consistent with Bailey, Kumar & Ng (2010) who argued that the types of investment might be the same for both genders if they both lack investment experience.

CONCLUSION

The study has provided information regarding how employees in EAIS behave towards investment decision making. There is a gender gap whenever employees have to take the risk of investing in existing and new financial products. Females in EAIS tend to express emotions when it comes to investing in a financial product. Therefore, they are not confident enough to take the initiative regarding investment decisions.

However, this is consistent with numerous studies that argue that generally, women are more risk-averse than men, leading them to choose more conservative instruments for investment decision-making. Moreover, numerous studies have also argued about how women are less informed in investment issues. For example, the study by Chen and Volpe (2002) showed that women generally have less knowledge about personal finance and investment topics than men. However, this explains why EAIS female employees are less willing to engage

in any investment decision. In addition, both men and female employees invest in almost the same instruments like treasury bills and shares, thus explaining the absence of the gender gap in investment decisions.

RECOMMENDATIONS

The findings of the study regarding the gender gap for financial tolerance, are consistent with others. However, EAIS women must be more aware of the difficulties preventing them from investing in riskier securities. Investment firms could also use the study results to educate more employees, particularly women, to show more investment interest. Furthermore, there is the need to introduce new investment products in the market so that employees will not be used to the same investment products as this will enhance their knowledge in investment matters. Additionally, the Security and Exchange Commission, in collaboration with Bank of Ghana, must enforce the policy that ensures that only certified investment or fund managers give employees professional advice, including women who want to invest. This, in the long run, will build confidence, particularly in women. Further studies are required to understand the females' investment risk adverse syndrome than males.

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