

FACTORS AFFECTING THE CHOICE OF INVESTMENTS AMONG WOMEN: A STUDY BASED ON COCHIN AND COIMBATORE

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Abstract—Women are in the forefront of every walk of life and financial markets is an area where women have made their presence felt and also have been able to come out with high returns and rewards. While there are many factors which influence investors in the choice of investment avenue, there are certain factors which are prevalent to women in particular. Financial investors today, have access to information through various ways such as Newspapers, Financial Planners, Internet, Social Media and Word-of-mouth. Exposure to financial education through various courses like traditional academic courses and online courses specific to various facets of investment are also a key factor which has led to women becoming successful in the field of investment. The decision making of women investors are depended on their investment knowledge. The study also measures the influence of risk taking propensity of women while choosing the investment avenues. The study also focusses on factors such as level of education, place of residence, age and its impact on investment choice. The study is focussed on the women population of Tier 2 cities - Cochin and Coimbatore. The data is collected using a structured questionnaire with the sample size of 90 respondents surveyed both online and offline.

Keywords –Women investors, Information Source, Financial Literacy, Risk Aversion.

I. INTRODUCTION

“You can tell the condition of a Nation by looking at the status of its Women.” says Jawaharlal Nehru, Leader of India's Independence movement, and India's first Prime Minister.

In the recent years, most women in India work and contribute to the economy in one form or another. Progress has been made, and since some years more and more women are on the rise, taking their part in public, professional and political life, resulting in the fact, that female professors, doctors, and business women are not a rarity anymore.

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According to the 1081-page report of Ministry of Statistics and Programme Implementation, as of 2010, India had an estimated 112 million female workers. Be it their own earnings, or earnings of their family members, women play a major role in investments of disposable funds as women started to realize and understand the importance of money and its investment aspect to avoid critical situations and be prepared to face it. Women with higher self-confidence in their financial management capacities are more likely to hold investment products rather than debt-related products [1].

According to the study of Sylvia Ann Hewlett and Turner Moffitt at the Center for Talent Innovation, confidence as investors is exactly what women lack than men. Until recent times, the reason why women seemed to shy away from complex investments was a lack of confidence which lead to inaction. However, this also has faced changes in the recent times. Historically, men have been more risk tolerant than men [2]. Some of the self-doubt is internal, some from cultural factors, and experts argue that some comes from the mind-set of the financial services industry, which has been slow to adapt to the rise of women as an economic force. Among women, younger women are found to be more risk tolerant than older women [3].

The present study tries to analyse the impact of different factors on the investment choices of women in Cochin and Coimbatore.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The role of Information as one of the most critical factors which drive the investment decision of individual investors is very relevant in the Indian context in the

current scenario. The source from which this information reaches the investor is an important aspect upon which light has to be shed upon. [4] studied the impact of information accessibility and superior literacy on the information front on savings for business organizations across financial professionals from five countries in the Arabian Gulf Region. [5] found that sophisticated investments are significantly related to perceived financial literacy with a stronger association for women than for men.

The present study tries to analyze the impact of various sources of information including Traditional sources like Newspapers, Word-of-mouth, Expertise of financial planners, Internet sources like Financial Websites and Social Media sources like Facebook, Twitter on investment choices made by women investors with respect to the level of risk associated with them. Each of the sources are discussed below:

[6] found that news articles were a key source of information for investors and when it came to the stock market, it affected their trading strategies consciously as well as unconsciously. Thus our study hypothesizes (null) that:

H1 : Newspapers as a source of information has no significant impact on the choice of investment of individual investors.

[7] found that there was a strong relationship between satisfaction derived from investments and communication and information transmission through word-of-mouth.

H2 : Word-of-mouth as a source of information has no significant impact on the choice of investment of individual investors.

[8] studied whether financial experts and planners could make better investment decisions when compared to others and found that while they have expertise in the area of finance, there were limitations to the value added by them. Thus our study hypothesizes (null) that:

H3 : Financial Experts as a source of information has no significant impact on the choice of investment of individual investors.

[9] found that internet plays a significant role in eliminating information asymmetry among the countries thereby causing an increase in the size of cross-border portfolio flows. [10] developed a framework for investment decision-making under the global energy Internet and analysed the factors which should be considered under the particular framework. Thus our study hypothesizes (null) that:

H4 : Internet as a source of information has no significant impact on the choice of investment of individual investors.

[11] suggests that social media has broken through and reached all sections of the society and been a critical

factor for making communication and transmission of information more organic and effective. [12] found that Microblogging has become an alternative channel for interaction between information which has brought a change to the information environment and also increased the speed of information. [13] found that online sociability, gender and frequency of Facebook usage significantly impacts the use of Facebook as a site of information. Thus our study hypothesizes (null) that:

H5 : Social Media as a source of information has no significant impact on the choice of investment of individual investors.

[14] found that certain altruistic investment behaviour existed which depended on life circumstances which were determined by age, social capital and a combination of both.[15] examined the preferences among the different categories of financial assets such as direct shareholding and indirect investment through mutual funds etc. and found that investors' attitude towards various investment types and their perception about them are related to factors like age and income, portfolio diversification practices etc. Thus our study hypothesizes (null) that:

H6 : Age Group has no significant impact on the choice of investment of individual investors.

H7 : Level of Education has no significant impact on the choice of investment of individual investors.

[16] found that there were five underlying psychological factors which drive the investment behaviour and they were prudence and precautionous attitude, conservatism, under-confidence, information asymmetry and financial addiction. [17] identified five factors as the ones which influence the investors' decision-making process and they were herding attitude, representativeness, anchoring, loss aversion and mental accounting. Thus our study hypothesizes that :

H8 : Risk aversion has no significant impact on the choice of investment of individual investors.

[18] examined the awareness level and investment behavior of salaried individuals and found that awareness about traditional financial products were pretty good whereas awareness level of new age products was low. [19] found that financial literacy is affected by income level, education and had a significant impact on the investment behavior of the individual investors. Thus our study hypothesizes that :

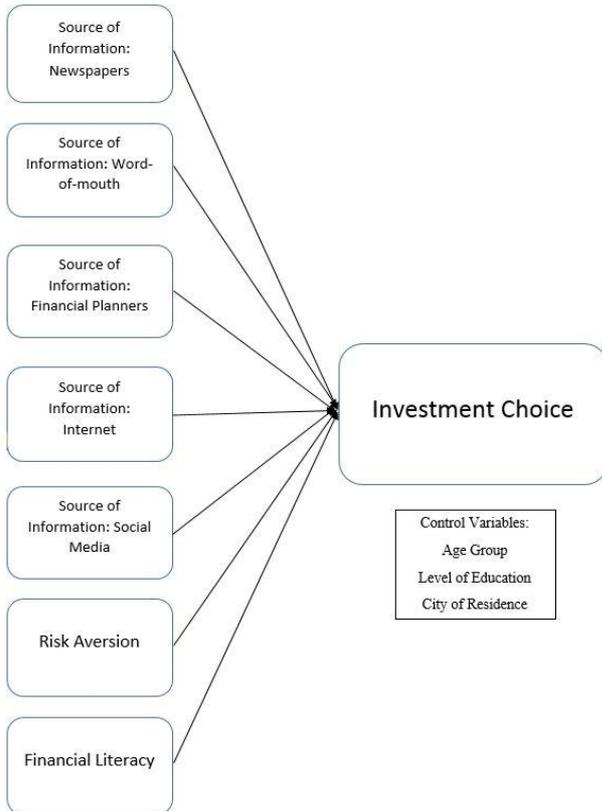
H9 : Financial Literacy has no significant impact on the choice of investment of individual investors.

The study is conducted across two regions in South India – Cochin and Coimbatore. Thus our study hypothesizes (null) that:

H10 : City of Residence has no significant impact on the choice of investment of individual investors.

III. CONCEPTUAL MODEL

The conceptual model the study follows to understand the impact of sources of information, risk propensity, financial literacy and other control variables on the choice of investment is shown below:



IV. RESEARCH METHODOLOGY

Data

The data required for the study were primary in nature. The data has been collected from a total of 100 female respondents across the two cities of Cochin and Coimbatore. 50 respondents were from Cochin and the remaining 50 respondents were from Coimbatore to get a fair proportion of the population targeted. The respondents were selected through quota sampling and included all age groups and both employed as well as homemakers.

Questionnaire Development

Online and offline questionnaires was used for this research study. 32 responses were taken offline through interviews based on the questionnaire and the remaining through online Google Docs. There were questions on the choice of investment-avenue which helped to categorize the respondents as belonging to low –risk, medium-risk and high-risk choice taker. There were also questions relating to the source of information which they rely on

for making their investment decisions. Questions on the level of exposure to financial education as well as those on the risk-taking propensity of the respondents were also included. Other basic demographic data like age, income level, level of education etc. were also obtained through the questionnaire.

Measures

The respondents were asked about their choice and participation in different investment avenues based on which they were sorted into groups of high risk, medium risk and low risk investment choice takers. The options given to them had a mix of investment-avenues such as low risk items like Bank Deposits and Public Provident Funds, medium risk items like Real Estate and Mutual Funds and high risk items like Equity Market and Hedge Funds. The sources of information based on which the respondents made their investment decisions were noted and it included Newspapers, Word-of-mouth, Financial Planners, Internet and Social Media. Financial literacy was measured using question on whether the respondents had ever taken any courses in Finance, Economics, Commerce or Investment Analysis. The risk-taking propensity was measured based on a 5-point scale question which measured how much risk the respondents were willing to take in an investment while facing losses.

Data Description

Data was collected from a sample of 100 female respondents. The respondents were spread across various age groups, income levels and backgrounds across the two cities of Cochin and Coimbatore.

TABLE I SAMPLE DESCRIPTION ACROSS CITY AND AGE GROUP

	Cochin	Coimbatore	Total
18 – 25	6	8	14
26 – 35	17	14	31
36 – 45	15	15	30
46 - 60	7	11	18
Above 60	5	2	7
Total	50	50	100

Empirical Model

The model which was used to test the hypothesis is given below:

$$IC = \beta_0 + \beta_1NEWS + \beta_2WOM + \beta_3FP + \beta_4INT + \beta_5SM + \beta_6AGE + \beta_7EDU + \beta_8RISK + \beta_9FL + \beta_{10}COR + U$$

Where,

IC = Investment Choice
NEWS = Newspapers
WOM = Word-of-mouth
FP = Financial Planners
INT = Internet
SM = Social Media
AGE = Age Group

EDU = Level of Education
 RISK = Risk Aversion
 FL = Financial Literacy
 COR = City of Residence
 U = Error term

Ordered Logistic Regression was used to estimate the model. It was preferred as investment choice was measured by sorting the respondents into 3 groups such as – High Risk, Medium Risk and Low Risk Investment Choice takers. The results of Ordered Logistic Regression are given in Table II.

V. RESULTS AND DISCUSSION

TABLE II RESULTS OF THE FACTORS INFLUENCING INVESTMENT CHOICE

Independent Variable	Odds Ratio	Coefficient	P Value
Newspapers	0.2697	-0.78	0.434
Word-of-mouth	2.0047	0.43	0.667
Financial Planners	8.04651	1.35	0.178
Internet	9.3619	2.10	0.034
Social Media	4.93769	-3.35	0.036
Age Group	0.2521	-3.35	0.001
Level of Education	1.4708	0.54	0.587
Risk Aversion	0.3681	2.39	0.043
Financial Literacy	0.2726	-1.27	0.205
City of Residence	0.5788	-0.49	0.622

From Table II, it is seen that women who have ‘Internet’ as their source of information tend to take 9 times more riskier investment choices when compared to other women and women who have ‘Social Media’ as their source of information tend to take 5 times more riskier investment choices when compared to other women. It is also seen that women who are more risk averse are 0.4 times less likely to take more risky investment choices.

The control variable age group has a negative impact on the choice of investment with women belonging to higher age groups tending to take 0.2 times less risky investment choices when compared to women of lower age groups.

The impact of sources of information being Newspapers, Word-of-mouth and Financial Planners on investment choice cannot be determined as the p value is found to be less greater than 0.1 thus making it not significant at 10% level of significance. Similarly, the impact of Level of Education, Financial Literacy and City of Residence cannot be determined as the p value is found to be less greater than 0.1 thus making it not significant at 10% level of significance.

CONCLUSION

The study reveals that there are certain factors which influence the investment choice of women. Among the different sources of information, internet and social media has been clearly shown as the ones which having significant impact on the investment choice of women with women having exposure to and utilizing these sources showing a tendency to invest in comparatively riskier investment avenues like Equity Market, Mutual Funds, Hedge Funds etc. The study also clearly shows that women who are more risk averse seem to be conservative and choose less risky investments like Bank Deposits and Provident Funds.

The study shows that while women have engaged more in the participation of different investment avenues over the recent years, there are certain factors which are responsible for this behaviour, the key ones being usage of internet and social media for obtaining key information which they use as the primary source for making their investment choice. Therefore, it is essential that focus shifts to the development of information and communication technology so as to reach to the women population in the country providing them with a plethora of information thus encouraging them to become active participants in different investment avenues.

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