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A Gender Based Study on the Impact of Culture in Investment Decision Making

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ABSTRACT

Purpose: Savings and Investments are a path to overcome uncertainties in the future. Investments has gained its momentum due to increase in the rate of inflation and expectancy of high standard of living among individuals. Investments are considered to be the best alternative, as there is a possibility of capital appreciation and good returns in future. But deciding on when to invest, where to invest, how to invest and how long to invest are the primary focus while making investment decisions. The existence of heterogeneous behavior among individuals leads to behavioral biases creating an impact on decision making and investment performance. Empirical studies on Cultural variables like auspicious day & auspicious time and the influence of Family has been researched very rare. **Objective / Methodology:** The main objective of the study is to find out the impact of cultural variables like auspicious time and auspicious day and influence of family in the process of decision making. Related literature has been cited through various sources like Journals, articles and newspapers. **Findings:** The findings of the study reveals the impact of auspicious day and auspicious time as a mediator and the influence of family as a moderating variable in the process of decision making. The Demographic variable gender is found to be influencing the financial decision making process. **Implications:** The findings of the study will be helpful to the individual investors to know the influence of these variables in the process of decision making. It is helpful to the financial advisors to suggest the best investment alternatives according to the needs of the investors.

1. Introduction

Traditional finance theory suggest that humans are rational and markets are efficient. As the perception and opinion of individual differs from each other, they act as irrational which paves the way for differences in investment decision making and investment performance. (Kumar & Goyal, 2016) The

participation of women in all the fields paves way for economic growth. Increase in the level of education, job opportunities and the level of income made women to enter into the field of investments particularly in stock markets (Graham, et al., 2002) Though more than half of women income is utilized for the family welfare, (Kover, 1999 ; Graham et al., 2002) they tend to explore and invest their money in stocks and securities. Empirical evidence proves the impact of psychological factors like overconfidence (Barber & Odean , 2001) and risk aversion (Barksey, et al., 1996) (Bajtelmsmit & Bernasek, 1996) among men and women in the process of decision making. But studies relating to the impact of cultural variables like Belief in Auspicious time and auspicious days and the influence of Family on the investment decision making has been rare. Thus

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the present study focuses on the influence of gender and the impact of cultural factors in investment decision making.

2. Literature Review

2.1.1 Gender difference and Investment decision making

Humans have the tendency to fall prey to their emotions. Emotions creates positive or negative impact which makes the individual to become overconfident or risk averse. Thus the innate nature of the humans causes difference in their decision making (Liersch, 2015). The nature of male and female in terms of investment decision making appear to be the same. But the factors such as education, occupation, income of an individual creates differences in the process of financial decision making (Liersch, 2015).

Individuals save money for the future to protect them and their family after retirement. According to the survey report of DSP Black Rock India, most of the Indians have started saving for their post retirement. Individuals who receives less income, tend to avoid retirement planning. It was found that 60% of the male respondents believe that the female counterpart is knowledgeable in terms of investment avenues and 90% of the female respondents believe that the male counterpart is well informed. (Correspondent, 2016) In a family, nearly 60% of the decisions are taken by men compared to 31% by women in many situations (Correspondent, 2016).

2.1.2 Gender & Information Processing

Information from the stock market helps the investors to know about the status of the stocks traded in the stock exchange. It helps the investors to decide whether to invest in a particular stock or not. The information about the stock market creates emotion in the minds of the investor which eventually leads to the increase or decrease in the price of stocks. (Jamil & Khan, 2016) Women try to process all the available information and make decisions. Whereas men tend to examine the information which they feel as required and meaningful. Women engage themselves in a detailed study of all the available information. Women equip themselves to gain knowledge about various investments from financial advisors (Graham et al., 2002; Benyamini, et al., 2000; Gilligan , 1982 ; Pearsall, et al., 1997; Poole, 1977) Processing all the available information is helpful to make apt decisions in the long run rather than short term. Women were able to make good decisions as they have processed all the available information. But hesitation by male investors to process the available information in the long run lead them to make wrong decisions (Chung & Monroe, 2001).

2.1.3 Gender & Level of Confidence

Once the market information is gathered and analysed, individual becomes confident in his/her decisions and begins to invest further. At times, this confidence may lead them to overestimate their ability and skills leading to overconfidence and over trading, which in turn lead to earn less returns. Male investors are found to be over confident than women investors (Jamil & Khan, 2016).

2.1.4 Gender & ability to take Risk

The primary intention of making investments is to earn more returns with less risk. The preference towards risk differs from individual to individual depending upon many factors. Individuals may opt for high risk to earn more returns whereas others may opt for fewer risk with less returns. Men have more financial knowledge than women. The level of knowledge about the investments have an impact on the risk taking ability of an individual (Liersch, 2015).

Male investors prefer more risk when compared to women investors (Jamil, & Khan, 2016; Bajtelsmit et al., (1996) and women prefer to have less risky asset allocation than men (Embrey & Fox, 1997) Women prefer investing their retirement funds in a low risk investments, which will provide them with less returns. As the life span of women is higher than men, the returns received at the time of their retirement will be very less (Graham et al., 2002) In the present scenario, women receives good education and they are independent due to their employment and high salary. Due to this, they are ready to take high risk. But they are inclined to be influenced by their spouse's decision after their marriage (Embrey & Fox, 1997) Even though women are engaged in the joint decision making of the family, the final decision is taken only the male partner (Liersch, 2009). The level of risk taking increases with the increase in the age for men (Embrey & Fox, 1997). Women are ready to take risk when they receive guidance from financial advisors (Liersch, 2009).

2.2 Culture and Investment decision making

The development of human behavior in terms of knowledge, tradition and customs is alluded as culture. Indian culture is known for its sustainability over the years. It is the most famous and existing cultures across the world. People tend to follow their culture even when they move to other countries. Indian culture is embedded with savings for the future, Family bonding, tradition and beliefs (SivaKumar & SathyaNarayanan, 2007).

2.2.1 Influence of Family in Investment decision making

In India, Individuals have the custom of saving for the future, which is followed across generations to overcome uncertainties. Savings involves Cash deposited in Bank, Fixed deposits and other risk free investments which were utilized after their retirement. Due to the increase in the Standard of living, high cost of Education and medical expenses, savings for retirement is impossible. Individuals tend to invest in stock market to earn more returns. The survey report of Black Rock Global Investor pulse reveals that Indians are willing to invest in gold and real estate instead of holding cash. It was also found that buying gold, investing in real estates and child's education are the top most priorities of an individual, which clearly states the impact of family in investment decision making (Correspondent, 2016) Retirement planning or investments in other assets are made to increase the wealth of the family, which can be utilised across generations. In a family, both husband and wife tend to have the same idea of savings & investing for

the next generation. The female partner is more inclined to save for the next generation. (Liersch, 2009)

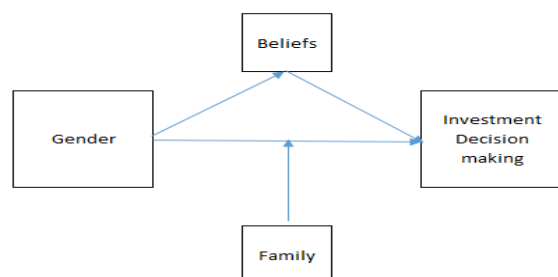
2.2.2 Influence of Beliefs in Investment decision making

Generally, Individuals have the tendency to follow the traditions and beliefs laid down by their ancestors. In times of uncertainty, individuals scrutinize the reasons for their problem and search for the remedy through astrology (Gupta, 2003) Individuals have an impulse to concentrate on astrology, as it predicts the position of the Planet in an individuals' astrometry. The position of the Planet has a significant effect on human behavior and decision making process. To overcome the ill effects of the planets, humans move behind auspicious day and auspicious time (SivaKumar & SathyaNarayanan, 2007) Even in the modern era, they choose to follow auspicious time or auspicious day while making investments (Sankararaman, et al., 2009) Stock investments made during the period of new moon day yield high returns than the investments made during full moon day (Dichev & Janes, 2008; Yuan, et al., 2006; Lisa, 2006) There is a change in the mood of the Investors, which causes the change in the price of stocks and reduction in the gain on investments (Lisa, 2006).

Cultural factors like auspicious day and auspicious time in Astrology has an impact on investment decision making. People tend to avoid inauspicious time like Raahu Kalam & Yama Kandam and inauspicious days like Ashtami & Navami in the process of decision making. Individuals tend to opt for another auspicious day if they fail to invest on the particular auspicious day. The belief in auspicious day and auspicious time increases with the increase in age. It was found that gender has an influence on such beliefs (Sankararaman et al., 2009; Siva Kumar & SathyaNarayanan, 2007) Decision making in big industries also considers auspicious time for the welfare of the business (Harris John, 2003) Individuals who followed auspicious time to make investments yielded more returns than others (Weingarten & Henry, 2007).

Akshaya Tritiya & Dhanatrayodhasi are considered to be the auspicious days for making investment decisions. People in India follow this belief and make most of their investments in these days. It is believed that investments made during these days will have a tremendous growth. Erst while, people tend to invest in Gold and Jewellery. Now the trend of investing in real estates and stock markets has emerged (Gadgil, 2017; Anon., 2015).

3. Conceptual Model



4. Discussion & Conclusion

Investment decision making should be made in consideration with the financial goal that has to be achieved, level of risk that can be tolerated, the duration for which the investment is to be made. Depending on these factors, an individual selects the investment avenue which is favorable to them (Butler & Domian, 1991). Every investment has its own intensity of risk associated with it. To relish more returns, one has to accept more risk. Generally, women tend to have safety of the principal with less returns. In the current scenario, women accept to take risk with the help of financial advisors to earn more returns. (Liersch, 2009) Mostly investors tend to avoid analyzing the market information and follow other investors in the market to earn better returns which is followed mutually by both men and women investors. (Jamil & Khan, 2016).

The impact of culture has mediating effect in investment decision making. Individuals make decisions and invest on auspicious days and auspicious time. It was found that the investors trading in stock market avoid inauspicious time like Raghukalam and Yama Kandam & inauspicious days like Ashtami & Navami. The activity of the stock market has a doom during this period. (Sankararaman et al., 2009; Siva Kumar & Sathya Narayanan, 2007).

Influence of Family has an indirect impact on investment decision making. The decision making behavior of a male with dependants in the family will differ from a male without dependants. (Embrey & Fox, 1997) Hence there exists a moderating effect in the investment decision making process. The Findings of the study will be helpful for the individuals to choose the investments which will be highly beneficial to his/her family. Finance professionals can frame constructive investment strategies for the welfare of the investors.

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