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Research Paper

BROKERS OPINION ABOUT GENDER BEHAVIOR IN INVESTMENT DECISIONS

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ABSTRACT

It is a well known fact that many a times investors take brokers opinion for their investment decision. In other words, brokers many a times suggest the investments, based on the psychology of investor. Hence in the present piece of research work an attempt has been made to investigate whether brokers find difference among genders and the aspects in which genders differ. As far as investments are concerned more specifically equity investment, stock brokers play a vital role in providing financial service sector. A part of providing financial services of investors choice, brokers also help investors in choosing investment. Conversely they also suggest investment of investors choice based on their psychological preferences. They act as mediators between the investors and stock market. The study is an attempt to know from stock brokers point of view on the behavior of gender regarding their investment decisions. The behavior of male and female investors are considered in terms of the kind of risk, pattern of investment, category of investor, investment experience and risk tolerance in their investment decisions. For this study a sample of 91 stock brokers were considered on the basis of convenient sampling method. The collected data were analyzed using appropriate statistical tool like chi-square test. The results concluded that as regards to pattern of investment, category of investment, investment experience and risk tolerance male and female differ significantly. The difference is not conspiracies as far as kind of risk is concerned.

KEYWORDS: kind of risk, pattern of investment, category of investor, investment experience, risk tolerance.

INTRODUCTION

Stock broker is a regulated professional individual, usually associated with brokerage firm or broker - dealer who buys and sells stocks and other securities for both retail and institutional clients through a stock exchange or over the counter in return for a fee or commission. He is responsible for doing all the transactions in a stock exchange. However, nowadays the transactions are dealt online and in stock broking, it is called e-broking. The service done by brokers is a predominant one. He knows well about the investors

and their behavior regarding stock, their preference and their investment decisions. The study is an attempt to know from stock brokers point of view about the behavior of gender investors regarding their investment decisions. The behavior of male and female investors from the angle of their preference of risk, pattern of investment, category of investment, investment experience and financial tolerance in investment decisions as observed by the brokers.

OBJECTIVES OF STUDY

The main objective of the study is to assess the opinion of the brokers on the investment behavior of their clients and know whether they observe any difference among genders and if yes in which aspect?

HYPOTHESIS

Based on the above objective the following hypotheses were set. They are

1. Brokers see no significance difference in gender wise risk preference.
2. No significant difference exist in investment pattern of genders.
3. There is no significant difference in gender wise preference of investment.
4. No significant difference exist in investment experience of genders.
5. No significant difference is felt between gender based risk tolerance.

RESEARCH METHODOLOGY

- Primary data were used in this study which is collected with the help of structured questionnaires served to brokers /sub brokers.
- Data were collected from 100 broker selected using convenient sampling. Out of which 91 were finally taken for the study after eliminating the partly filled questionnaires.
- Percentage, Chi-Square test using SPSS packages 20.0 were employed for the data analysis.

ANALYSIS

1. Preference of risk:-

Risk includes the possibility of losing some or all of the original investment. In stock market risk is more conspicuous. Risk is not only the possibility of loss, it also opens the door for profit. More the risk more is the profit, and lesser the risk, the vice versa. Risk taking depends on the investor financial needs as well as desire for profit. The study aims at finding out whether differences exist between male and female as far as their risk preference is concerned from the party who deals with the investment of people in stock market i.e., the brokers. Many a time the brokers advices are taken into consideration otherwise speaking brokers advice the investors to take up certain type of investment on the basis of their psychological aptitude. The stock brokers deals with investors, so they know how investors reacts to the market. Based on the intensity of risk, the investors are classified as High, Medium, low and no risk/safe investments. In table 1.1 and 1.2 depicts, cross tabulation of opinion of investors on the aptitude of male and female about the risk and chi square test is used to find whether any significant difference exist in their psychological aptitude towards risk and investment.

Table 1.1- Cross tabulation of male and female about the preference of risk

| Female Male | High | Medium | Low | No risk/Safe investments | Total |
|----------------------------|-----------|-------------|------------|--------------------------|------------|
| High | 2 | 15 | 11 | 6 | 34(37.36%) |
| Medium | 0 | 0 | 20 | 8 | 28(30.76%) |
| Low | 0 | 2 | 0 | 15 | 17(18.68%) |
| No risk / safe investments | 0 | 2 | 7 | 3 | 12(13.20%) |
| Total | 2 (2.20%) | 19 (20.88%) | 38(41.76%) | 32(35.16%) | 91(100%) |

Table 1.1 reveals from brokers opinion that majority of male 37.36% prefer high risk, followed by medium risk 28(30.76%), 17(18.68%) low risk and 12(13.20%) out of total prefer no risk/safe investments.

Among females majority prefer low risk 38(41.76%), followed by no risk/safe investments 32(35.16%), medium risk 19(20.88%) and high risk 2(5.88%).

Table 1.2- Test of Association for Preference of risk

| | Value | Df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square | 50.565 ^a | 9 | .000 |
| Likelihood Ratio | 57.679 | 9 | .000 |
| Linear-by-Linear Association | 11.730 | 1 | .001 |
| N of Valid Cases | 91 | | |

a. 7 cells (43.8%) have expected count less than 5. The minimum expected count is 26.

To test the significant differences between male and females investors about the kind of risk they prefer from stock brokers point of view, chi-square analysis was undertaken. The null hypothesis was that there is no significant difference between male and female in the kind of risk they take and the results reveal that the asymp.sig is less than 0.05 (.000), which indicates that there is a significant difference between gender and the kind of risk they take in the perception of brokers.

2. Pattern of Investment:-

As investors may have different options for investing. To know about their pattern of investment gender wise from brokers point of view, statements about pattern of investment was posed, whether “Repeatedly invest in same set of stocks, invest in variety of stock, depend on other factors. The same is tabulated and tested in table 2.1 and table 2.2 respectively, to check whether the pattern of investment differs among genders.

Table 2.1-Cross tabulation for male and female for Pattern of Investment

| Female Male | Repeatedly invest in same set of stocks | Invest in variety of stocks | Depend on other factors | Total |
|---|--|-----------------------------------|-------------------------------|------------|
| Repeatedly invest in same set of stocks | 1 | 8 | 6 | 15(16.48%) |
| Invest in variety of stocks | 21 | 7 | 26 | 54(59.34%) |
| Depend on other factors | 7 | 13 | 2 | 22(24.18%) |
| Total | 29(31.87%) | 28(30.77%) | 34(37.36%) | 91(100%) |

The table 2.1 reveals that among males, majority invest in variety of stocks 54(59.34%), followed by 22(24.18%) depending on other factors. However,

majority of female (37%) depend on other factors for pattern of investment, followed by repeatedly invest in variety of stock (31.87%).

Table 2.2- Test of association for pattern of investment

| | Value | Df | Asymp. Sig. (2-sided) |
|---------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square | 24.022 ^a | 4 | .000 |
| Likelihood Ratio | 27.230 | 4 | .000 |
| Linear-by-Linear Association | 4.244 | 1 | .039 |
| N of Valid Cases | 91 | | |

- a. 2 cells (22.2%) have expected count less than 5. The minimum expected count is 4.62.

To test the significant differences between male and females investors about pattern of investment, chi-square analysis was undertaken. The null hypothesis for testing reveal that there is no significant difference between gender and pattern of investment. The result is depicted in Table 2.2. The results revealed that the asymp.sig is more than 0.05 (.000). Hence, null hypothesis is rejected. Therefore, it is inferred that there is significant difference between gender and pattern of investment.

3.Category of Investor:-

Investors may differ based on their category of investment. To find out this from stock brokers point of view investors are classified as conservative, medium

conservative, moderate, medium aggressive and aggressive. The conservative investor invest in lower risk securities, such as fixed income and money market securities and often blue chips or large cap equities. The moderate investor also called as balanced investor, typically use of mixture of stocks and bonds. The aggressive investor attempts to maximize higher returns by taking a relatively higher degree of risk. They emphasizes mainly on capital appreciation as their primary objective, rather than income or safety or principal. The response of brokers regarding categorization of investor based on the type of investment made is tabulated in table 3.1 and 3.2 presents the results of chi square test testing the difference whether exist.

Table 3.1-Cross tabulation for male and female for category of investor

| Female Male | Conservative | Medium Conservative | Moderate | Medium Aggressive | Aggressive | Total |
|------------------------|--------------|------------------------|------------|----------------------|------------|------------|
| Conservative | 1 | 3 | 7 | 3 | 0 | 14(15.38%) |
| Medium Conservative | 6 | 1 | 22 | 2 | 1 | 32(29.12%) |
| Moderate | 1 | 10 | 4 | 14 | 2 | 31(28.21%) |
| Medium Aggressive | 0 | 1 | 10 | 0 | 0 | 11(10.01%) |
| Aggressive | 0 | 0 | 3 | 0 | 0 | 3(2.73%) |
| Total | 8(8.79%) | 15(16.48%) | 46(50.55%) | 19(20.88%) | 3(3.30%) | 91(100%) |

In table 3.1, it is clear that, from brokers view majority male are medium conservative 32(29.12%), followed by moderate 31(28.21%) category of investors.

As far as females are concerned, majority are moderate 46(50.55%), followed by medium aggressive 19(20.88%) category of investor.

Table 3.2- Test of Association for Category of investor

| | Value | Df | Asymp. Sig. (2-sided) |
|---------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square | 47.794 ^a | 16 | .000 |
| Likelihood Ratio | 54.953 | 16 | .000 |
| Linear-by-Linear Association | 1.074 | 1 | .300 |
| N of Valid Cases | 91 | | |

a) 17 cells (68.0%) have expected count less than 5. The minimum expected count is 10.

To test the significant differences between male and females investor about category of investor they are from stock brokers opinion, chi-square test was employed. The null hypothesis was that there is no significant difference between gender and category of investor. The result is depicted in Table 3.2. The results revealed that the asymp.sig is more than 0.05 (.000). Hence, null hypothesis is rejected. Therefore, there is significant difference between gender as far as category of investor they predominantly are.

4. Investment Experience:-

To find out how the investor perceive their financial affairs and market events based on their investment experience. One should have sufficient knowledge and investing experience to weigh the risk and merits of investment opportunity. To identify whether the investors have similar experience or knowledge in investing, irrespective of gender or reality is something different options was given such as no investment experience, Moderate, Knowledgeable and very experience. The results are depicted as follows.

Table 4.1-Cross tabulation for male and female for Investment Experience

| Female Male | No Investment Experience | Moderate | Knowledgeable | Very Experience | Total |
|-----------------------------|--------------------------------|------------|---------------|--------------------|------------|
| No Investment Experience | 1 | 0 | 3 | 1 | 5(4.55) |
| Moderate | 13 | 4 | 11 | 3 | 31(28.21%) |
| Knowledgeable | 5 | 22 | 5 | 6 | 38(34.58%) |
| Very experience | 0 | 9 | 7 | 1 | 17(15.47%) |
| Total | 19(20.88%) | 35(38.46%) | 26(28.57%) | 11(12.09%) | 91(100%) |

In table 4.1 depicts in brokers opinion male 38(34.58%) are more knowledgeable, followed by 31(28.21%) moderate regarding investment experience. About their opinion on female they reveals that they are moderate 35(38.46%) followed by 26(28.57%) are knowledgeable. Overall, it is clear that in male are found to be more knowledgeable compared to female on the

opinion of brokers. As far experience is concerned in brokers opinion male are better experienced in share investment than female. To test whether genders differ in their investment experience chi square test was performed and the result is given in table 4.2.

Table 4.2- Test of Association for Investment experience

| | Value | Df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square | 30.798 ^a | 9 | .000 |
| Likelihood Ratio | 36.456 | 9 | .000 |
| Linear-by-Linear Association | .395 | 1 | .529 |
| N of Valid Cases | 91 | | |

a. 9 cells (562.2%) have expected count less than 5. The minimum expected count is .60.

To test the significant differences if exist between male and females investors with their investment experience from stock brokers point of view, chi-square analysis was undertaken. The null hypothesis was that there is no significant difference between gender and investment experience. The results revealed (table 4.2) that, the asymp.sig is more than 0.05 (.000). Hence, null hypothesis is rejected. Therefore, the inference drawn is there is significant difference between gender and investment experience.

5. Risk Tolerance:-

Risk tolerance is assumed to be an important component in investing. It is the degree of viability in investment returns that an investor is willing to withstand. The willingness to engage in a financial behavior in which the outcomes are uncertain with the possibility of an identifiable loss. To identify the risk tolerance of male and female investors stock brokers opinions were elicited, choices are given as follows: Pessimist, neutral and Optimist. The results are tabulated in table 5.1 and 5.2. respectively.

Table 5.1-Cross tabulation for male and female for Risk Tolerance

| Female Male | Pessimist | Neutral | Optimist | Total |
|----------------|-----------|------------|------------|------------|
| Pessimist | 1 | 14 | 6 | 21(19.11%) |
| Neutral | 3 | 8 | 17 | 28(25.48%) |
| Optimist | 2 | 37 | 3 | 42(38.22%) |
| Total | 6(6.59%) | 59(64.84%) | 26(28.57%) | 91(100%) |

The table 5.1 reveals that majority brokers 42(38.22%) opine that male are optimist towards risk tolerance followed by 28(25.48%) opinion neutral. As far as female are concerned, majority are neutral

59(64.84%) followed by optimist 26(28.57%). As brokers see, overall, the male are optimist but regarding female they are neutral in risk tolerance.

Table 5.2- Test of Association for Risk Tolerance

| | Value | Df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square | 27.112 ^a | 4 | .000 |
| Likelihood Ratio | 28.626 | 4 | .000 |
| Linear-by-Linear Association | 4.161 | 1 | .041 |
| N of Valid Cases | 91 | | |

a. 3 cells (33.3%) have expected count less than 5. The minimum expected count is 1.38.

To test the significant differences between gender and risk tolerance, chi-square test was employed. The null hypothesis was that there is no significant differences between gender and risk tolerance. The result is depicted in Table 5.2 revealed that the asymp.sig is more than 0.05 (.000). Hence, null hypothesis is rejected. Therefore, there is a significant difference between gender and risk tolerance as brokers see it.

CONCLUSION

This paper attempted to examine the behavior of gender investors in investment decision from brokers point of view. The stock brokers are directly in contact with the investors, and they know very well the behavior of the investors and the psychology of investors. This paper tries to find out whether there exist any differences in behavior between male and female investors in their investment decisions taking. It includes kind of risk,

pattern of investment, category of investor, investment experience and risk tolerance in investment decisions. The results reveals that male prefer high risk, but female prefer low risk investments. In pattern of investment majority of male like to invest in variety of stocks, whereas female invest, based on other factors. In the category of investor male are moderate conservative but female are moderate in investing in stocks. As far as investment experience is concerned male are knowledgeable but female are moderate and lastly in risk tolerance male are optimist but female are neutral. The results of chi square test reveals, that there is significant difference between kind of risk pattern of investment, category of investment, investment experience and risk tolerance. Thus, male investors are prone to reap the benefits from stock market when compared to female investors.

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