

# INVESTMENT PREFERENCES OF WOMEN: A COMPARATIVE STUDY OF WOMEN STOCK AND NON STOCK INVESTORS

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## ABSTRACT

With the changes in the social structure of a society, the individuals need to manage their wealth and resources in such a way so as to ensure that the various personal and family goals that arise during their lifetime are met. This calls for a choice of investment options that would meet the individual's needs and personal preferences. Since the investment preferences of women are different from that of men, therefore, the financial institutions need to target women as a separate market segment. Moreover, although the involvement of women in various sectors has grown over the past few decades, their participation in the stock market is still very limited. Thus, with greater number of women entering the workforce and with tremendous changes in financial behavior of women, studying the investment preferences of women has become all the more important. Therefore, the current study is an attempt to examine the investment preferences of women stock as well as non-stock investors in Punjab. For the purpose of the study, data were collected from primary sources using a pre tested, well-structured questionnaire. To analyze the collected data, Descriptive Statistics have been used. The results of the study brought out that Fixed Deposits are the most preferred investment avenue of women investors in Punjab. Women non stock investors aspire to invest in the stock market in the near future while women stock investors show less inclination towards the stock market. The finding highlights the fact that women who are already investing in the stock market are not satisfied and want to withdraw their investments from the stock market. The paper suggests that education and awareness camps should be organized especially for women. Increase in awareness about the stock market will lead to trust and satisfaction among women, thereby improving their participation in the stock market. Women being risk averse investors need to trust the stock market in order to continue investing in it.

**Keywords:** *Investment Preferences, Investors, Stock Market, Women.*

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## INTRODUCTION

The changes in the social structure of every society require its individuals to manage their wealth and resources in such a way so as to ensure that the various personal and family goals that arise during their lifetime are met. This calls for a choice of investment options that could help the individual's to meet their needs as well as their personal preferences.

With the increase in the number and types of financial products that are making their way into the Indian markets, the investor has various investment alternatives to choose from and direct his/her saving towards them. The availability of numerous investment alternatives has led to more complexity in the financial decision-making process of the individuals. The individual investors are not fully equipped to evaluate the available information related to their investments. They have limited information processing ability and have to rely on their beliefs, attitudes and preferences in order to make certain investment decisions.

Since the investment preferences of one individual vary from that of another, therefore, understanding of the financial product preferences of each group of individuals becomes important. The investment preferences of an individual investor are based on certain demographic predictors, therefore the investment preferences of women are different from that of men (Sahi et al., 2012).

Investment Preferences of Women: Academic Researchers have identified women as conservative investors who are less willing to commit their savings over long periods of time (Burton, 1995). In fact, paying off their current debt is considered as a primary goal by most of the women. They are also likely to place more emphasis on the measures of risk and are less likely to purchase investments which have a highly variable rate of return. Women professional investors are more security prone decision makers and therefore are less likely to invest in the stock market (Martenson, 2008). Women make different choices than men and due to greater family responsibilities are more inclined to invest in fixed income alternatives (Bernasek and Bajtelsmit, 2002). As a group, women display certain characteristics that help them make sound decisions about their finances. They tend to be holistic thinkers, aware of all aspects of an issue and equally aware of the importance of balance. Women tend to be intuitive, they are discerning and perceptive in their view of the world. They tend to be more concerned with quality rather than quantity, which can translate into better decision making in the complex world of investing (Avery, 2010).

## REVIEW OF LITERATURE

The review of literature on investments made by women provides an insight into their investment preferences. **Lewellen et al (1977)** attempted to study the asset portfolio of U.S investors and their decision making behavior. The respondents were chosen at random from a list of accounts of a brokerage firm over a period from January 1, 1964 to December 31, 1970. The authors found that only a few of nominal shareowners were women and 80 to 90 percent of them were men. On analyzing the responses it was found out that the factors such as age, income level and gender were the most dominant factors affecting individual investor's investment decisions. **Desigan et al (2006)** studied the factors considered by the women investors while making investments. 150 women respondents were chosen at random from Erode town of India. Descriptive Statistics and Chi Square test were applied to analyze the results of the study. The results revealed that saving was the major source of investment for the respondents. The authors also found bank deposits to be the most preferred investment avenue of

women. **Feng and Seaholes (2007)** studied the investment behavior of Chinese men and women in the emerging stock markets. The total sample comprised of 51,218 investors. The data were provided by 15 branches of the national brokerage firm from the People's Republic of China between January 1999 and December 2000. The data was analyzed using various statistical techniques like cross sectional statistics, descriptive statistics, survival analysis and correlation. Before and After with control designs were used to measure the differences in the level of trading of men and women. The results of the study revealed that the men in the People's Republic of China held larger portfolios and made slightly larger trades as compared to women. Mishra (2007) attempted to understand the perceptions and behavioural issues regarding the investment decision making process of employed women in India. With the aim of collecting primary data, a sample of 1200 working women was selected from the major metros of the country and the hometown of the researcher. The study was conducted between October 1999 & March 2004. A combination of probability and non-probability sampling techniques were used by the researcher to select the samples from the universe. The data were analyzed by using various statistical techniques like simple percentage, Chi Square analysis, Garret Ranking, Factor analysis and the model specifically designed to test the overall effectiveness of investment alternatives on investment decision making of employed women. The results of the study revealed that investment in fixed deposits with post offices was the women's most preferred investment avenue, followed by fixed deposits with banks and purchase of gold while investment in real estate and share market were found to be the least preferred investment avenue.

**Christiansen et.al (2009)** investigated that whether women were less likely to participate in financial markets or not. The data consisting of a random sample of 10% of the total Danish adult population for the period from 1997 to 2004 was studied. The bivariate probit model was used in order to evaluate whether women had a lower tendency to hold stocks and bonds as compared to men. Heckman (1979) type selection model was used to investigate whether there were differences between the riskiness of men and women's portfolios. Differences-in-Differences (DID) estimator was used to examine the impact of cohabitation on investment decisions. It was found out that women were not less likely to participate in the stock market.

**Kabra et.al (2010)** studied the factors that influenced the investment decision making process on the basis of gender and age of the respondents. The authors observed the behavior of various types of investors working in the government and private sectors in India on the basis of their income as well as the amount invested by them. Out of the 700 questionnaires administered, 196 usable responses were received. Techniques such as Regression analysis and Factor analysis were used to analyze the data. The authors concluded that risk averse people preferred to invest in insurance policies, fixed deposits with banks, post office, PPF and NSC. It was also found that the investor's age and gender affected their risk taking capacity.

**Kathirvel and Mekala (2010)** examined the factors associated with the financial decision making of women investors as well as to analyze the preference of women investors towards various investment outlets. The authors followed a descriptive approach to investigate the behavior of women investors. Interviews of women investors in Coimbatore district of Tamil Nadu were conducted. The district was divided into 5 parts viz. Pollachi, Udumalai, Coimbatore North, Coimbatore South and Mettupalayam. A sample of 150 women investors was studied using the convenience sampling method. Chi square test was used to test the association between variables. Variables such as age, marital status, educational qualification, occupation, monthly income, status in the family, family members, number of dependents, family income and saving were taken as the dependent variables while time was taken as an independent variable. The authors concluded that the above factors closely influence the investment decisions of the investor whereas there was no association between the saving

and the time taken for investment decision. The authors also suggested that basic knowledge must be given to women investors about all types of investments, so that they could make better investments.

**Sashikala and Prasad Ravi (2010)** studied the demographic characteristics such as gender and age as factors influencing the investment choice of the investors. The study aimed at segmenting the investors on the basis of the above characteristics. A combination of cluster analysis and logit regression was performed. The results revealed that the investment choice was affected by the demographic characteristics such as gender and age. Kansal and Singh (2013) attempted to study whether these gender differences in investment exist in India or not. The data from the 2011 Survey of National Council of Applied Economic research comprising of 38,412 respondents from 52 states and Union territories of India was used for the purpose of the study. Chi square test was used to analyze the results of the study. The results of the study revealed that there are no significant difference between the male and female households with regard to the preferred investment alternative i.e. all households prefer to invest in the secondary market.

Although a huge body of literature is available on the investment behavior of women, but none of the studies have attempted to compare the investment preferences of women stock investors and women non stock investors.

## **RESEARCH DESIGN**

### **Need of the Study**

Traditionally, financial decision making was considered as a male prerogative, whereas women were assigned the responsibility of managing the day-today financial affairs. But the recent changes in household relations as well as the changes in the society suggest that women are becoming more and more active in their financial affairs these days as compared to the past. Moreover, market segmentation based on stages in the life cycle has always concentrated on the household as a unit and therefore have very frequently marginalized women as far as household finance is concerned. But with greater number of women entering the workforce and with tremendous changes in financial behavior among women, the financial institutions need to target women in households as a separate market segment. Further, although the involvement of women in various sectors has grown over the past few decades, their participation in the stock market is still very limited. Women are also thought to be security prone decision makers and therefore are less likely to invest in the stock market. It is only the understanding of the investment preferences of these potential investors that will help the financial institutions in designing and marketing financial products in order to meet their needs. The study by comparing the investment preferences of women stock and non-stock investors will also help the policy makers in designing programs to ensure greater participation of women in all economic spheres especially the stock market.

**Objectives of the Study:** Following are the specific objectives of the study:

1. To identify the investment preferences of women investors in Punjab.
2. To find out whether the investment preferences of women stock investors are different from that of women non stock investors.

## DATA BASE AND RESEARCH METHODOLOGY

The investment preferences of women investors in India were examined with the help of a pre-tested, well-structured questionnaire. The questionnaire was divided into two parts. The first part of the questionnaire was designed to find out the investment preferences of women in India. The respondents were asked to assign percentages to various investment avenues namely Cash in a Saving Bank Account, Fixed Deposits, Insurance, Provident & Pension Funds, Post Office saving schemes, Government securities, Real estate, Precious metals & Jewellery and other stock market investments in the order of their preference, assigning a higher percentage to the most preferred investment avenue. The respondents were also asked about their future investment intentions. The second part of the questionnaire was related to the demographic profile of women investors. The data were collected from 400 women (200 stock investors and 200 non stock investors) from the four major cities of Punjab, i.e. Amritsar, Jalandhar, Ludhiana and Chandigarh. Sampled respondents were selected through Convenience cum Snowball Sampling Method. The sum of percentage assigned to the various investment instruments was used in order to analyze the collected data.

### Sample Characteristics

As far as the demographic profile of the respondents is concerned, the sample comprised of variety of respondents belonging to different economic and professional backgrounds. The demographic background of the sampled respondents is presented in Table no. 1.

**Table 1: Demographic Profile of Respondents**

<b>Demographic Variables</b>		<b>No. of Respondents (%)</b>
Age (Yrs)	<b>Less than 30</b>	191(47.8)
	<b>30-40</b>	139(34.8)
	<b>40-50</b>	47(11.8)
	<b>50-60</b>	19(4.8)
	<b>Above 60</b>	4(1.0)
	<b>Total</b>	<b>400 (100)</b>
Marital Status	<b>Married</b>	271(67.8)
	<b>Single</b>	116 (29.0)
	<b>Divorcee</b>	9(2.3)
	<b>Widow</b>	4(1.0)
	<b>Total</b>	<b>400 (100)</b>
Education Level	<b>Matriculation</b>	5(1.3)
	<b>Under Graduation</b>	7(1.8)
	<b>Graduation</b>	129(32.3)
	<b>Post Graduation</b>	255(63.8)
	<b>Any other</b>	4(1.0)
	<b>Total</b>	<b>400(100)</b>
Occupation	<b>Businesswoman/Self employed</b>	109(27.3)
	<b>Professional</b>	84(21.0)
	<b>Service</b>	207(51.8)
	<b>Total</b>	<b>400(100)</b>
Personal Monthly Income(Rs.)	<b>Less than 40000</b>	173(43.3)
	<b>40000-60000</b>	111(27.8)
	<b>60000-80000</b>	47 (11.8)
	<b>More than Rs 80000</b>	69 (17.3)
	<b>Total</b>	<b>400 (100)</b>

The table shows that the majority of the respondents (47.8%) belonged to the age group of less than 30 years, followed by 34.8% respondents belonging to the age group between 30-40 years. The next category of respondents were of the age group of 40-50 years (11.8%). The respondents falling in the age category of 50-60 were 4.8%, while those falling in the age category of above 60 formed just 1% of the sample. With regard to the marital status of the respondents, most of the respondents i.e. 67.8% respondents in the sample were married while 29% of them were single, 2.3% were divorced and the rest 1% widowed. As far as respondent's occupation is concerned, the table shows that the majority of the respondents belong to service category (51.8%), followed by businesswomen/self-employed women (27.3%). Professional women constituted 21% of the sample. Since the sample respondents were only working women, therefore housewives did not form a part of the sample. Table 1 also shows the education level of the sampled population. It brings out that 63.8% of the respondents were post graduates followed by graduates (32.3%). Few of them were undergraduates (1.8%) followed by 1.3% of the respondents with a matriculation degree and only 1% of the respondents had a doctoral degree. The income categorization, shows that 43.3% of the respondents belonged to the personal monthly income category of less than Rs.40000 followed by 27.8% belonging to the income category of Rs. 40000-60000. Only 11.8% of the respondents were of the income category of 60000-80000 while 17.3% of the women belonged to the income category of above Rs.80000 income.

## **ANALYSIS AND DISCUSSION**

The sum of percentage of amount invested by women in various investment avenues was used in order to examine the investment preferences of women investors. The respondents were asked to assign percentages to the various investment avenues namely Cash in a Saving Bank Account, Fixed Deposits, Insurance, Provident & Pension Funds, Post Office saving schemes, Government securities, Real estate, Precious metals & Jewellery and other stock market investments in the order of their preference, assigning a higher percentage to the most preferred investment avenue. The respondents were also asked to reveal their future investment intentions in a similar way i.e. by assigning a percentage to the various investment options in which they intend to invest in future. Table 2 (a) shows the sum of percentage of amount invested by women stock investors in various investment avenues. As shown in the table, the sum of percentages of the amount invested is the highest in the case of fixed deposits and stock market investments, therefore for women investors, fixed deposits and stock market investments are the most preferred investment avenues. Similar results are observed in case of women investors as far as their future investment intentions are concerned. The difference in the expected and actual investment preferences of women reveals a shift in the preference of women from stock market investments to fixed deposits. This shows that women who are already investing in the stock market do not have a satisfactory experience of investing and hence do not intend to invest in it in the future. Table 2(b) shows the sum of percentage of amount invested by women non stock investors in various investment avenues. The table shows that fixed deposit is the most preferred investment avenue of women non stock investors. The difference in the expected and actual investment intentions of women non stock investors shows a shift in the preference of women non stock investors from fixed deposits to stock market investments.

**Table 2(a): Sum of Percentage of amount invested by Women Stock Investors in various Investment Avenues**

<b>Sum of Percentage of amount invested by Women Stock Investors in various Investment Avenues (Actual)</b>										
<i>Category</i>		Cash in Saving Bank Account	Fixed Deposit	Insurance	PPF	Post Office Saving Schemes	Government Securities	Real Estate	Precious Metals & Jewellery	Stock market investments
Women Stock Investors	Sum	1120.00	5801.00	1854.00	1262.00	647.00	513.00	1325.00	2101.00	5372.00
	Rank	7	1	4	6	8	9	5	3	2
<b>Sum of Percentage of amount invested by Women Stock Investors in various Investment Avenues(Expected)</b>										
<i>Category</i>		Cash in Saving Bank Account	Fixed Deposit	Insurance	PPF	Post Office Saving Schemes	Government Securities	Real Estate	Precious Metals & Jewellery	Stock market investments
Women Stock Investors	Sum	820.00	6545.00	2294.00	1226.00	492.00	420.00	1495.00	2360.00	4348.00
	Rank	7	1	4	6	8	9	5	3	2
<b>Sum of the Difference between the Expected and Actual amount invested in various Investment Avenues</b>										
<i>Category</i>		Cash in Saving Bank Account	Fixed Deposit	Insurance	PPF	Post Office Saving Schemes	Government Securities	Real Estate	Precious Metals & Jewellery	Stock market investments
Women Stock Investors	Sum	-300.00	744.00	440.00	-36.00	-155.00	-93.00	170.00	259.00	-1024.00
	Rank	8	1	2	5	7	6	4	3	9

*Note: Sum of Percentage is obtained by adding the product of (Percentage × Frequency). Ranks are assigned in the order of preference from highest to lowest.*

**Table 2(b) : Sum of Percentage of amount invested by Women Non  
Stock Investors in various Investment Avenues**

<b>Sum of Percentage of amount invested by Women Non Stock Investors in various Investment Avenues (Actual)</b>										
<i>Category</i>		Cash in Saving Bank Accou nt	Fixed Depos it	Insuran ce	PPF	Post Office Saving Schem es	Governm ent Securities	Real Estat e	Preciou s Metals & Jewelle ry	Stock market investme nts
<b>Wome n Non Stock Investo rs</b>	<b>Su m</b>	3355.0 0	6650. 00	3174.00	1205. 00	1290.0 0	783.00	845.0 0	2528.00	.00
	<b>Ran k</b>	2	1	3	6	5	8	7	4	9
<b>Sum of Per centage of amount invested by Women Non Stock Investor s in various Investment Avenues(Expected)</b>										
<i>Category</i>		Cash in Saving Bank Accou nt	Fixed Depos it	Insuran ce	PPF	Post Office Saving Schem es	Governm ent Securities	Real Estat e	Preciou s Metals & Jewelle ry	Stock market investme nts
<b>Wome n Non Stock Investo rs</b>	<b>Su m</b>	2560.0 0	6025. 00	2930.00	1547. 00	1010.0 0	560.00	1010. 00	2700.00	1658.00
	<b>Ran k</b>	4	1	2	6	7.5	9	7.5	3	5
<b>Sum of the Difference between the Expected and Actual amount invested in various Investment Avenues</b>										
<i>Category</i>		Cash in Saving Bank Accou nt	Fixed Depos it	Insuran ce	PPF	Post Office Saving Schem es	Governm ent Securities	Real Estat e	Preciou s Metals & Jewelle ry	Stock market investme nts
<b>Wome n Non Stock Investo rs</b>	<b>Su m</b>	- 795.00	- 625.0 0	-244.00	342.0 0	- 280.00	-223.00	165.0 0	172.00	1658.00
	<b>Ran k</b>	9	8	6	2	7	5	4	3	1

*Note: Sum of Percentage is obtained by adding the product of (Percentage × Frequency).*

*Ranks are assigned in the order of preference from highest to lowest.*

This shows that working women are attracted towards the stock market and intends to invest in it in the future. Therefore, fixed deposits are the most preferred investment avenue of women stock as well as non-stock investors. This finding is in tune with the findings of SCMRD (2005); Mishra (2007); Kabra et.al (2010) and Seth et.al (2011). The findings also highlight that women non stock investors aspire to invest in the stock market in the future. On the contrary, women stock investors show less inclination towards the stock market. The finding highlights the fact that women who are already investing in the stock market are not satisfied and want to withdraw their investments from the market. Similar finding were also reported by Arti (2011).



## CONCLUSION AND RECOMMENDATIONS OF THE STUDY

With the growing involvement of women in business and finance, there is an urgent need to understand the investment profile of women. Furthermore, although the involvement of women in various sectors has grown over the past few decades, their participation in the stock market is still very limited. Women are also thought to be more security prone decision makers and therefore are less likely to invest in the stock market. Therefore the current study attempted to identify the investment preferences of women investors in Punjab and to compare the investment preferences of women stock investors with that of women who do not invest in the stock market. The results of the study brought out that fixed deposit is the most preferred investment avenue of women stock as well as women non stock investors. The differences in the expected and actual investment intentions highlights the fact that women non stock investors are attracted towards the stock market and intend to invest in it in the future, whereas women who are already investing in the stock market are not satisfied and want to withdraw their investments from the stock market.

The paper suggests that education and awareness camps should be organized especially for women. Increase in awareness about the stock market will lead to trust and satisfaction among women, thereby improving their participation in the stock market. Women being risk averse investors need to trust the stock market in order to continue investing in it. Along with this financial advisors can also play a vital role in improving the participation of women in investment activities by providing them greater assistance which is needed in order to understand financial matters. The paper also suggests the policy makers to design programs to ensure greater participation of women in all economic spheres especially the stock market.

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