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Exploring Women's Participation in Finance: Analyzing Trends in Investing, Stock Markets, and Gender Roles

Kyna Aggarwal
mypublishedpaper@gmail.com
Heritage Xperiential School, Gurgaon

Abstract

Over the past few years, investing in the stock market has proven to be an effective method of securing a person's long-term financial needs. Parents often invest to ensure that their child's future financial needs such as education, health, living expenses, etc, are met. Studies have shown that Investing, along with other fields in finance, is prominently male-dominated. Due to lower levels of financial education and a more risk-averse outlook, Women tend to opt for more traditional income methods. However, the rate of women's participation in the stock market has steadily been increasing. Younger women who are highly educated & have independent streams of income have shown to take an interest in investing. Married women, as well, are participating more in the stock market, possibly due to future familial responsibilities. This paper delves into women's investment habits, the setbacks they face, and their reasons for choosing to or not to invest.

Keywords: *Finance, Women in Finance, Household Finances, Sexism, Investing, Stock Market, Investment Preferences*

I. Introduction

Investing is an essential financial instrument for parents, as it enables them to ensure their family's long-term needs are met. By making prudent investments, parents can provide for their children's education and establish a safety net in the event of unforeseen circumstances. However, in the majority of households, husbands typically make the primary investment decisions (Sharma and Kota, 2019). This trend has been observed due to several factors. Research has revealed that women tend to be more risk-averse and take fewer chances than men. Furthermore, women exhibit a greater interest in risk metrics and a tendency to avoid investments with volatile rates of return (Martenson, 2008). They are often burdened by family responsibilities, which may lead them to opt for fixed-income alternatives (Bernasek and Bajtelsmit, 2002).

In recent times, there has been a growing awareness of the substantial role and impact that women play in the realms of investing, finance, and stocks. As a result, there has been a heightened focus on women's participation in these areas. Due to the uprise of single women in the workforce, they have also joined the stock market to invest their surplus money. (Mathew, Joseph & Joseph, 2020) Women's participation in the stock market has been steadily increasing, marking a significant shift in the traditionally male-dominated financial landscape. Factors such as greater access to education, increasing financial independence, and the rise of online trading platforms have empowered women to take control of their investments. Additionally, awareness campaigns with targeted financial literacy programs, and initiatives such as WIN (Women in Investing Network, Philadelphia) promoting gender diversity in finance have played pivotal roles in encouraging women to enter the stock market. Despite these advancements, there still exists a gender gap in investment participation and confidence levels, with women often facing unique challenges such as the gender pay gap and societal expectations regarding familial values.

II. Literature Review

An IZA Institute of Labor Economics (2023) study examines the relationship between child gender and household financial decisions in a culturally favored male-dominated household. Results show that having a daughter leads to lower saving rates, suggesting less competitive marriage markets and less incentive to increase assets for female heirs.

Dusseja's Study *(2016)* indicates that earning women excel in their areas of expertise, but need more confidence in investments. They prefer relying on others' advice, especially in family situations where females have never made financial decisions. Additionally, these women lack strong financial peer groups, making it crucial for them to consult others for financial advice.

Sharma & Kota's (2019) study shows that working women prioritize future security, education, saving tax, retirement, and family emergencies as their top investment reasons. However, lack of knowledge and confidence, risk aversion behavior, and lack of interest in investments are the top reasons they avoid investing. Most respondents are conservative and confident in making investment decisions. Popular investment products include bank deposits, 5-year tax saving FDs, life insurance, precious metals, public provident funds, real estate, mutual funds, and post office saving schemes. Both husband and wife share responsibility in investment decisions.

Bernasek and Bajtelsmit's (2002) paper investigates the factors influencing women's involvement in household savings and investment decisions within married and cohabitating couples. Traditionally, men are considered the domain of household behavior, but recent research indicates gender differences in risk aversion. Results suggest that women are more likely to influence financial decisions when they contribute a larger income share to the household. However, women's lower earnings and less formal financial education also contribute to a smaller involvement in household finances.

Mathew, Joseph & Joseph's (2020) Study shows that working women are more independent in investment decisions, primarily investing in risk-free options like bank deposits and savings deposits. They are less likely to invest in mutual funds and shares, preferring traditional bank investments like savings and fixed deposits. They are less likely to be risk-takers than men in choosing various modes of investment.

Through these numerous sources, we find that even when women participate more in financial decision-making, risk aversion, lack of confidence, and conventional roles still affect their decisions. There can be a slow transition toward more equitable financial decision-making in households as more women join the workforce and get financial independence. However, deeply rooted traditional and cultural influences continue to have a significant influence on how these habits are formed. To further promote more inclusive financial practices within households, initiatives assisting financial education along with having a supportive community, could be helpful.

Europe

To understand women's investing patterns more, we need to recognize the differences between different countries as each culture has its societal norms and expectations. Diverse cultural, social, and economic factors differently influence women's investment behaviors in each country. Understanding these distinctions enables policymakers, financial institutions, and investors to craft targeted approaches that resonate with the specific needs, preferences, and barriers women face in each unique context. A series of surveys conducted throughout European households in Italy, Austria, Netherlands, and Spain helps us do the same.

Through the Italy survey, We discover that women's risk-taking behavior, in a nation with extremely unequal gender role prescriptions, reacts to this unsupportive environment. Italian women abstain from the stock market more than their self-reported risk tolerance levels would imply, in line with the theory of social identity.

It is worth mentioning that Italy is at the extreme when it comes to maintaining conventional gender roles for women, which is consistent with the country's poor ranking in the gender equality index. (Alesina et al., 2008) If the nations are ranked according to each of the four sub-indices—economic participation and opportunity, political empowerment, health and survival, and so on—Italy has the biggest gender disparity in all four categories. Surprisingly, Italy ranks highest in the sub-index "educational attainment," whereas the Netherlands is last. (Barasinska & Schäfer, 2017).

According to the Austrian survey, the person who self-identifies as the head of the family or as the one with the most precise understanding of household finances is the decision maker. According to the Italian survey, the person in the household who claims to be principally in charge of the household budget is the one who makes the decisions. In the Netherlands, the individual who claims to have the most influence over household financial decisions is referred to as the decision maker, while in the Spanish survey, the decision maker is the one who mostly handles financial matters. (Barasinska & Schäfer, 2017). From these, 36 % of the decision-makers are women in Austria, 39 % in Italy, 48 % in the Netherlands and 41 % in Spain.

India

Over 100 married working women participated in a study that was carried out in three small Indian cities that are suburbs of Mumbai. The results showed that while 75% of the women had their investments, they were still dependent on their husbands, in-laws, and other family members for the same. Approximately 49% of women consult with their spouse, parents, siblings, and other family members before making financial decisions. The remaining 51% of women, however, ask their friends, coworkers, siblings, and other relatives for assistance. Regarding family investments, hardly 25% of women concurred that it is a collective decision made by the family. As a result, it was discovered that the women who provide for the family have very little influence on how that money is multiplied. (Dusseja, 2016)

Another survey that was conducted in the Dehli NCR region revealed that Future security, a child's education, tax savings, retirement, and family emergencies rank among the top 5 reasons working women invest. Their risk aversion and lack of enthusiasm for investing were the main barriers to their investing, followed by "lack of knowledge" and "lack of confidence." When it came to taking risks and feeling confident while making investing decisions, the majority of respondents were cautious. When selecting a financial advisor, people would rather work with someone who can help them generate more returns and who will act in their best interest. The majority of respondents disagreed with the claim that a female advisor will be more able to grasp their goals and requirements than a male counsel. Investment products where women have a greater influence than their spouses include bank deposits, five-year tax-saving FDs, precious metals like gold, silver, or diamonds, public provident funds, national pension system, post office savings schemes, mutual funds, life insurance, and commodities. (Sharma and Kota)

Fig 3.1, (Sharma & Kota)

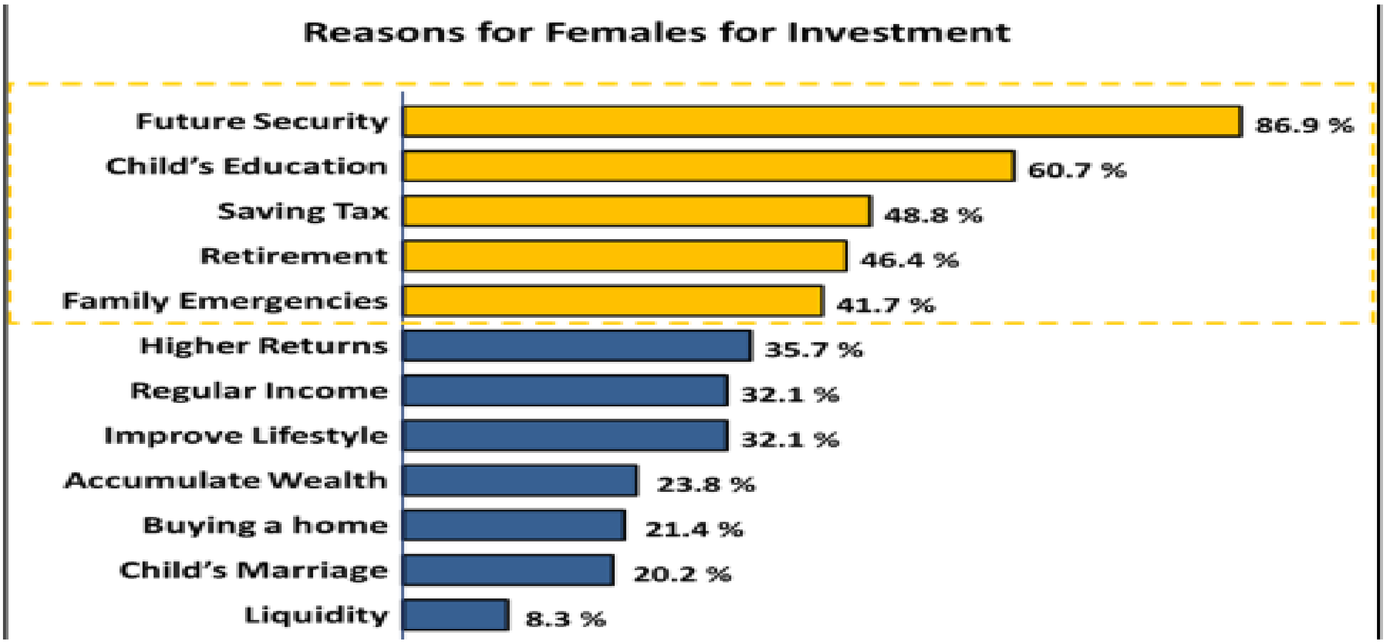

Fig 3.2, (Sharma & Kota)

III. Credit

In many countries, including India, home loan benefits for women have been established to promote gender equality, encourage female property ownership, and support financial empowerment. Following are some of the reasons why women are opting to take home loans:

Lower Stamp Duty: The central and state governments support women's homeownership. One perk of home loans for women is that many state governments reduce stamp duty by 1% to 2%. So, on a property valued at Rs. 80 lakh, a woman can save between Rs. 80,000 and Rs. 1,60,000.
Higher Chance of Approval: It has been noted that having a woman as a co-applicant or applicant increases the likelihood of the loan being granted. This observation is the result of several variables, including the disciplined saving practices that women have shown, their tendency to stay out of debt, and their careful financial management. Furthermore, records show that female borrowers have lower default rates, giving financial institutions even more confidence to issue house loan offers. These advantageous qualities have therefore led financial institutions to tackle the housing finance demands of women specifically. (*Top 5 Home Loans Benefits for Ladies - Home Loan Benefits for Women*, n.d.)
A study conducted under the National Bureau Of Economic Research (1050 Massachusetts Avenue) reveals that women generally have a better history of paying back bad loans or bankruptcies than men. Guarantors are considered a risk factor for men, while women's interest rates increase with female guarantors, indicating taste-based discrimination. Interestingly, in Italy, the failure rate of women-owned firms is lower than that of male-owned businesses. (Alesina et al., 2008)
One noteworthy feature of term insurance is that it can save women up to thirty percent on premiums. The primary reason for this is that women usually live longer than males do. The average life expectancy of Indian women is 2.5 percent more than that of Indian men. Accordingly, insurance firms benefit more from longer life spans because there is less chance of a claim being made and less risk involved. Women can therefore purchase term insurance at a lower price than men of the same age due to their higher life expectancy. Term life insurance is typically 15% less expensive for women than for males, according to Rishabh Garg, Head of Term Life Insurance at Policybazaar.com. (Kaushal, 2023)

IV. Statistics

Statistics are crucial in understanding women's investment behaviors and the current landscape of women's participation in household finance, investment, and the stock market. These not only help us illustrate current trends in women's investment but are also a tool to promote gender equality in finance and investment.
When women do invest, Studies have shown that they are more likely to depend on their family or friends for financial advice. In one of the studies conducted for DSP Blackrock by Neilson, It was shown that 77% of women in India depend on their husbands or fathers in terms of investment. Most women who invest on their own are single working women. (Sharma and Kota)

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

Fig 5.1, (Kaur & Vohra)

The data indicates that most respondents were under 30 years old (47.8%), followed by those aged 30-40 (34.8%). Fewer respondents fell into older age groups: 40-50 (11.8%), 50-60 (4.8%), and above 60 (1%). In terms of marital status, the majority were married (67.8%), while 29% were single, 2.3% were divorced, and 1% were widowed. Regarding occupation, most were in the service sector (51.8%), followed by business/self-employed (27.3%) and professionals (21%). The majority had postgraduate degrees (63.8%), followed by graduates (32.3%), undergraduates (1.8%), those with matriculation degrees (1.3%), and those with doctoral degrees

(1%). Income-wise, 43.3% earned less than Rs. 40,000 monthly, 27.8% earned Rs. 40,000-60,000, 11.8% earned Rs. 60,000-80,000, and 17.3% earned above Rs. 80,000.

Conclusions:

1. A large portion of the respondents (47.8%) are under 30 years old, indicating a growing interest in investment amongst young women in India.
2. 63.8% had post-graduate degrees, suggesting that highly educated women in India are more likely to have diverse investment avenues.
3. The majority were married (67.8%), implying a focus on financial planning which could be due to familial responsibilities.

V. Gender Roles in Angel Investing

Angel investing is a helpful tool for new entrepreneurs where relatively wealthy individuals invest in a small business or start-up in exchange for ownership equity over the company (Ganti, 2023). Compared to their male counterparts, female entrepreneurs & female-led startups receive far less venture capital funding. However, this proportion has grown over the past few years. Since the Diana Project was established in 1999, researchers associated with it have noticed a growth in the proportion of women-led companies receiving venture capital investments. Another reason why male entrepreneurs might receive more private equity than women could be that many business angels typically stereotype a successful business owner as a man. However, such stereotypes and assumptions usually only take place if there is uncertainty associated with the startup. More performance-based data indicating possible success reduces uncertainty. Another element pertinent to the bias in venture capital funding is related to the gender homophily theory which states that individuals tend to form connections with others who are similar to themselves. Since the venture capital sector is a male-dominated industry, it is inherently vulnerable to this. By this theory, men are more likely to relate to male-founded startups, and hence invest in those more as compared to female entrepreneurs. (Annie V, 2020).

Women in leadership positions (CEOs, CFOs, heads of mutual fund houses)

In today's world, leadership positions in most jobs are closely associated with men. It is a male-dominated field, regardless of its female representation. Despite comprising 51 percent of the population and 46.5 percent of the labor force, women are significantly underrepresented in higher corporate professions. In 2000, only 12.5 percent of Fortune 500 corporate officers were women and held just 11.7 percent of board of director positions. (Appelbaum et al., 2003). This does not imply that women are not equally capable as men, even if the majority of CEOs are men. The reverse is true; research has even revealed that "businesses managed by a female CEO do better than businesses of large, medium, and small sizes that are run by men" (Vieito, 2012, p. 60) (Buckalew, 2012).

According to a study conducted by the resume software company Allsorter, U.S. employees are more likely to have a CEO named David or Micheal than a female leader. This study analyzed 1,000 of the world's largest companies and found that only 64 CEOs were female and 936 were male. They found that workers are 72.3% more likely to have a CEO named David than a female CEO. Under the 2021 Women CEOs in America Report, There has been a 1.6% increase from 2019 in the Fortune 500 CEOs who are women. (Leech, 2023) Another study by S&P Global revealed that during COVID-19, female CEOs displayed a different leadership style than men. They leaned more towards empathy, communication, flexibility, and diversity, which made them preferable leaders. (Brandazza et al., 2021)

<u>The Glass Ceiling & The Glass Cliff</u> The Glass Ceiling is a metaphor referencing the invisible barrier that keeps women or people of color from reaching higher positions in businesses, politics, etc. The Glass cliff is a derivation from the Glass ceiling. It refers to the phenomenon that women or ethnic minorities are likely to be assigned to positions of power when things are going south for the business or company. In simpler terms, they are being set up to fail. In a 2003 research done by Michelle Ryan and Alex Haslam, data collected from the UK's largest companies revealed that women are more likely to be appointed as leaders during periods of decline in stock performance. (Kulich & Iacoviello, 2017)

The Impact of Women's Involvement in Finance & Leadership

Studies have shown that female borrowers repay their loans more often than their male counterparts. For example, Women in Bangladesh are more favored as borrowers due to their 97% return rate as compared to men's 87%. These results can be explained by looking at the women borrower's perspective. Women are less likely to be considered for their familial inheritance rather than men and are often pressured to take care of their children. Due to this, they usually prefer to stay where they are, financially as they are more likely to be humiliated for not repaying their loans rather than men. (Mia, Et. al, 2022)

Research has even revealed that "businesses managed by a female CEO do better than businesses of large, medium, and small sizes that are run by men" (Vieito, 2012, p. 60) (Buckalew, 2012). Women have shown to have a better understanding of consumer behavior. They make less costly strategic decisions regarding sustainability and prioritize building relationships with stakeholders, increasing business ethics and accountability. Studies have also indicated that female CEOs in MFIs perform better than males as they understand the problems that female customers face.

VI. Conclusion

While acknowledging the clear growth in the participation of women in investing, finance & the stock market, we need to recognize the barriers that prevent women from financial freedom. Women are often not given the same opportunities as men in achieving financial literacy, leading them to be under-confident in their ability to handle their finances independently.

They are more risk-averse, less confident than men and usually opt for fixed-income investments and conventional saving methods. These traits are presumably caused by the extra pressure of family responsibilities and maintaining traditional values. Evidence suggests that younger, highly educated women have multiple investment options as compared to the older population. This suggests that investment interest among women of this generation is on the rise.

Also, with more women in top leadership positions, gender diversity is increasing. Female CEOS seem to perform better than male CEOs and prefer a more caring and versatile way of management. However, this doesn't mean that it is easy for a woman to reach that level of authority. The Glass Ceiling & Glass Cliff remain prominent obstacles for women in the workforce

To conclude, it is evident that the increase of women in finance, investing & stock market has significantly risen, but they still face hurdles. For women to finally be financially free, these obstacles need to be recognized and resolved. Encouraging women's financial literacy, and creating a supportive environment for them to learn and grow may bring us to a more diverse and accepting society for women in finance.

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