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GENDER AND FINANCIAL WELL-BEING OF SOUTH AFRICAN INVESTORS

Abstract:

Financial well-being is characterised by an individual's attitude towards their financial status. Financial well-being can be influenced by various factors, such as socioeconomic characteristics, financial behaviours and financial stressor events. Limited research has been conducted on gender differences regarding perceptions of financial wellness. An opportunity for research in this area emerged, where the main focus of this paper was to determine the difference in financial well-being levels between male and female South African investors. Secondary data collected by an investment company was used with a total sample size of 600 investors. These investors used a self-report measure for financial well-being. The results of the study indicated that there is a statistically significant difference between male and female investors' level of financial well-being. The results also suggested that male investors have a higher level of financial well-being compared to their female counterparts. These results concur with results from previous research conducted by international researchers.

Keywords:

financial well-being, financial behaviour, gender, investors

JEL Classification: G11, G23, G24

1. Introduction

Financial well-being is considered a sub-construct of general well-being, which depicts a state of being financially healthy, happy and worry-free(Joo, 2008). Cox, Hooker, Marwick and Reilly (2009) argued that financial well-being consists of an individual's subjective perceptions and objective indicators of his or her personal financial status. Similarly, Porter (1990) defined financial well-being as an individual's attitude towards his or herfinancial status.It is deemed necessary that all aspects of financial situations be assessed against standards of comparison in order for an individual to shape his or herfinancial situation; and ultimately define his or herlevel of financial well-being (Porter, 1990).

Financial well-being can be influenced by various factors, namely demographic and socioeconomic characteristics, financial behaviours, and financial stressor events (Kim, 2000). Demographic and socioeconomic characteristics include gender, marital status, household size, education and ethnicity, among many others.It is assumed that there are gender differences in levels of financial well-being. Financial behaviours refer to positive behaviours such as paying credit card bills on time and investments(Gutter & Copur, 2011),as well as negative behaviours such as accumulating debt and no regular savings(Lown, 1992).

Positive financial behaviours contribute to an increase in financial well-being levels(Gutter & Copur, 2011); whereas, negative financial behaviours reduce levels of financial well-being. Financial stressor events refer to life situations that have a financial impact on individuals such as marriage, moving, investment losses, job losses, births, and deaths(Joo &Grable, 2004). Financial stressor events increase financial stress,which, in turn, decreases financial well-being (Joo, 1998). Therefore, financial well-being can be interpreted as a consequence of demographic and socioeconomic characteristics, financial behaviours, and financial stressor events.Rath, Harter and Harter (2010) suggest that individuals who have high levels of financial well-being tend to manage their personal finances well and spend their money wisely. Financial well-being levels are subject to change based on the amount of debt an individual accumulates when their financial aspirations have not fully been met (Ali, Rahman, Bakar, 2015). Therefore, it can be assumed that low levels of financial well-being will be associated to individuals with bad financial behaviours.

2. Literature review

Based on demographic information and economic factors, males and females differ in a myriad of ways, from education attainment to employment, earning to wealth and life expectancy (Theodos, Kalish, McKerman, Roshan, 2014).There is not a great dealof literature available that focuses solely on the demographic variable, gender, and its relationship with financial well-being; however, gender plays a dual role in understanding financial well-being. Previous research has indicated that males and females differ in their knowledge of and behaviours in the financial marketplace (Bajtelsmit & Bernasek, 1996; Woodyard & Robb, 2012; Theodoset al., 2014). These differences, in turn, have an influence on the level of financial health and financial well-being males and females report on(Brüggen,Hosgreve, Holmlund, Kabadayi, Löfgren 2017).

Gerrans, Speelman and Campitelli (2014) found that the relationship of certain variables withpersonal well-being ismediated by financial well-being with gender differences. It was established that the main source of financial well-being for females isfinancial status, and for males it is financial knowledge. Moreover, Gerranset al. (2014) found a significant gender difference in financial wellness between males and females.Correspondingly, Sabri, Cook and Gudmunson (2012) conducted a study wherein the relationships between personal and family background, academic ability, childhood consumer experience, financial socialisation, financial literacy, and perceived financial well-being wasexamined. In the study, it was found that females reported higher levels of financial well-being than males(Sabriet al., 2012). Similarly, Malone, Stewart, Wilson, and Korsching(2010)found that older females who were more educated, earned a higher income, and contributed more money to household income, had a more positive perception towards their financial wellness. Sabriet al. (2012)are of the opinion that different personal expectations in terms of money saved, current financial situation, and financial management skills between males and females could explain why females reported higher levels of financial well-being.

Previous gender studies have proven that there are certain risk tolerance differences in the mannerthat males and females manage their finances(Grable, 1997; Hanna & Lindamood, 2004). Bajtelsmit and Bernasek (1996) and Grable and Roszkowski (2007) mentioned that studies have found that females invest more conservatively than males; and that females tend to be risk averse when managing their finances. As such, females tend to have lower lifetime earnings, lower earnings growth, lower wealth and lower pension coverage (Bajtelsmit & Bernasek, 1996). Therefore, these females are more likely to be less satisfied with their finances and report lower levels of financial well-being.Danigelis and McIntosh (2001) found that the income difference between older males and older females suggests that older males should experience higher levels of financial satisfaction, and, in turn, higher levels of financial well-being.

Hira and Mugenda (2000) conducted a study wherein they determined gender differences in terms of financial beliefs regarding individuals' current and future financial situations; financial concerns pertaining to individuals' current financial situation and the impact of those concerns; individuals' spending behaviour; and individuals' satisfaction with certain aspects of individuals' finances. It was found that males and females differ significantly in their satisfaction with certain aspects of finances(Sabriet al., 2012). Moreover, more females than males were dissatisfied with their current financial situation(Hira &Mugenda, 2000). It was mentioned that the differences were not statistically significant; however, still give insight into gender differences regarding financial beliefs and financial well-being.

Research suggests that there is a gender gap in the level of financial knowledge demonstrated by males and females(Lusardi & Mitchell, 2008). This suggestion might explain why males experience higher levels of financial well-being compared to females. Previous studies have indicated that higher levels of financial knowledge lead to increased financial well-being and fewerfinancial concerns(Joo & Grable, 2004; Woodyard &Robb, 2012).Females with lower levels of financial knowledge tend to make poor saving and investment decisions(Lusardi, Mitchell, 2008), which compromises their level of financial well-being.Alternatively, males who are financially knowledgeable tend to make better financial decisions, which has a positive effect on their level of financial well-being(Shim, Barber, Card, Xiao, Serido, 2010).

Taft, Hosein, Mehrizi, Roshan (2013)conducted a study wherein they assessed the relation between financial literacy, financial well-being and financial concerns. Within the study, it was also tested whether there is a significant difference between males and females in financial well-being. The results indicate that there was no significant difference between males and females in their levels of financial well-being (Taftet al., 2013). This result is contrary since most other research suggest that, compared to females, males are more likely to indicate higher levels of financial well-being(Danigelis & McIntosh, 2001; Shimet al., 2010). It is suggested that males have higher levels of financial knowledge, are more financially risk tolerant, earn more income, and display better financial behaviour than females, and therefore are more likely to be satisfied with their financial position(Grable, 1997; Hira &Mugenda, 2000).

3. Research methodology

In this section, the research approach and instrument used areoutlined, including the sample size and method used, the hypotheses and the statistical analysis.

3.1 Research purpose and design

The primary objective of this paper was to determine the perception difference among male and female investors in terms of their current financial well-being. This study utilised a quantitative research approach using secondary data, whereby a positivistic research paradigm was applied. Positivism holds the viewpoint that only reliable knowledge, based on experience and achieved by using scientific methods, is regarded as truthful knowledge (Dudovskiy, 2016).

3.2 Research sample selection

For this study, the research population was selected based on the client base of a South African investment company where the clients of this specific investment company were distributed over the nine provinces in South Africa. Purposeful sampling was used in order to include the most productive sample. The final sample within the investment company included 600 individual investors.

3.3 Research instrument

The survey was conducted in 2018 by a South African investment company. The survey was sent electronically to a South African investment company and the company reloaded the survey onto a platform that is used to interact with their clients. This electronic version of the survey was distributed to the participants via the company's system, and responses were returned electronically. Section A of the survey collected the demographic information of the participants, whereas Section B asked participants questions regarding their perception of their current financial well-being (FWB) status. InCharge Financial Distress/Financial Well-Being Scale(IFDFW scale) provided by the Consumer Financial Protection Bureau was used. The standard scale administers precise and clear changes to a participant's response regarding financial well-being using eight items identified by the Delphi experts ranging from 0 to 10. The IFDFW scale score is a standardised number ranging from 0 to 100 (Consumer Financial Protection Bureau, 2015). In terms of reliability, the original scale obtained a Cronbach alpha value of 0.956, which makes this scale highly reliable. The scale further divides participants' financial well-being into three categories, namely low financial well-being that was categorised with a mean score of 1.0 to 4.0, average financial well-being with a mean score of 4.1 to 6.9, and high financial well-being with a mean score of 7.0 to 10.0.

3.4 Hypothesis

The following hypotheses were formulated and are aligned with the primary objective of this paper, which is to analyse the influence of gender on financial well-being of South African investors.

Null hypothesis (H_0): mean of male FWB = mean of female FWB

Alternative hypothesis (H_α): mean of male FWB ≠ mean of female FWB

The hypotheses mentioned above suggest that there is no variation with regard to the gender and the financial well-being of South African investors.

3.5 Statistical analysis

An analysis of variance test (ANOVA), one-way, was used as well as descriptive and cross-tabulations. The null-hypothesis had to be used to determine the statistical difference between financial well-being among male and female investors. Differences were determined by undertaking a one-way ANOVA set at a confidence level of 95 percent.

4. Empirical results and discussion

4.1 Demographical background of the sample

This section serves to provide demographic information related to all seven independent variables based on the statistical outcome given by SPSS™.In terms of gender, more than half of the participants were female (56.8%) and, of the total sample, 43.2 percentwere male participants.

4.2 Descriptive statistics

Table 1 below indicated the descriptive statistics for the financial well-being status of male and female investors.

Table 1: Descriptive statistics of financial well-being

Items	Male	Female	Mean	Mean Difference
What do you feel is the level of your financial stress today?	5.68	4.57	5.05	1.11
How satisfied are you with your present financial situation?	5.17	4.32	4.69	0.85
How do you feel about your current financial situation?	5.04	3.96	4.43	1.08
How often do you worry about being able to meet normal monthly living expenses?	5.38	4.12	4.67	1.26
How confident are you that you could	6.55	4.81	5.56	1.74

find the money to pay for a financial emergency that say costs R10 000?				
How often does this happen to you? You want to go out to eat, go to a movie or do something else and do not go because you cannot afford to?	5.44	4.41	4.86	1.03
How frequently do you find yourself just getting by financially and living pay check to pay check?	4.86	3.58	4.13	1.28
How stressed do you feel about your personal finances in general?	5.61	4.29	4.86	1.32
Overall score	5.47	4.26	4.78	

In Table 1, the overall mean value for financial well-being is indicated as 4.78,representing that the mean financial well-being is average for male and female investors. However, when comparing the mean values, it can be noted that male investors indicated that they have a higher financial well-being.The highest mean value for male (6.55) and female (4.81) investors were found for the statement "*how confident are you that you could find the money to pay for a financial emergency that costs R10 000?*". However, the largest mean difference (1.74) between males and females was also found at this variable. This indicates that male investors were more confident that they will be able to pay for a financial emergency compared to female investors. For both male and female investors the lowest level of financial well-being was found at statement seven, indicating that investors often find themselves living pay check to pay check.

4.3 Financial well-being according to gender

Table 2 represents the percentage distribution of male and female investors' perception regarding their current financial well-being.

Table 2: Gender and financial well-being scale cross tabulation

Variable	Category	Low financial well-being	Average financial well-being	High financial well-being
Gender	**Male**	26.3%	44.8%	29.0%
	Female	50.4%	34.9%	14.7%

In Table 2, it can be seen that male investors tend to have an average financial well-being. Only 26.3 percent of male investors perceive themselves to have a low financial well-being. This is in comparison with the 50.4 percent of female investors whoindicated that they have low financial well-being. The majority of male investors (44.8%) indicated that they have average financial well-being, while only 34.9 percent of women have average financial well-being. Overall, when comparing male and female investors, males proved to have higher financial well-being, with 29 percent having high financial well-being compared to the 14.7 percent of females. These results concurs with previous research done internationally on gender, financial literacy and financial well-being (Danigelis & McIntosh, 2001; Shimet al., 2010).

4.4 ANOVA

ANOVA was performed to determine whether a statistically significant difference exists between male and female investors in terms of their current financial well-being. Table 3 represents the results from the ANOVA.

Table 3: Regression analysis using analysis of variance

FWB scale	Sum of squares	Df	Mean square	F	Sig
Between groups	21.796	1	21.796	40.583	0.000*
Within groups	321.163	598	0.537		
Total	342.958	599			

**Significant at 1% level of significance*

Table 3 above indicates that a statistical difference exists between male and female investors in terms of their financial well-being. Theone-way ANOVA showed that the F-value = 40.583; p<0.00. This result indicates that there is definitely a statistically significant difference between thefinancial well-being between male and female investors. In conclusion,the alternativehypothesis can beconcluded and the null hypothesis rejected. This result concurs with a previous study conducted by Shim et al. (2010) that concluded in their research that males have a higher financial well-being compared to females.

5. Conclusion

Financial well-being refers to an individual’s attitude towards their financial status based on objective aspects. Previous research indicates that compared to females, males experience higher levels of financial well-being. It is suggested that this occurs due to males having higher levels of financial knowledge, earning higher income, having a higher risk tolerance when it comes to investments, and engaging in healthy financial behaviours. All of these factors make a positive contribution towards an individual’s level of financial well-being.Consequently, the primary objective of this study was to determine the difference in financial well-being levels between male and female South African investors.This study aimed to place investors in a certain category of financial well-being based on their gender. Three categories of financial well-being were identified, namely low financial well-being, average financial well-being and high financial well-being.

The results ofthe study indicated thatthere is a statistically significant difference between the financial well-being ofmale and female investors. Moreover, it was found that male investors have a higher level of financial well-being compared to their female counterparts. As a result, male investors can invest more than female investors due to higher levels of financial well-being. This research concurred with previous research conducted by non-South African researchers.

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