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Influence of Gender on investment decisions of Investors in Sultanate of Oman

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Abstract: The purpose of the study is to explore the impact of gender differences on investment decisions in Sultanate of Oman. A questionnaire was prepared and administered which included psychological factors, economic factors, corporate governance and ethical issues and decision making process. Responses are collected on a 5 point Likert scale. Factor Analysis was conducted and found that there is a significant differences between male and female respondents in psychological factors, economic factors and decision making process. The results extracted has briefly concluded that female are conservative and analyse things based on past performance whereas male are confident about themselves and explore new investments. As per the findings of this study male focused only on the profitability, whereas female examined the growth and reputation of the company. Male investors feel that increasing income level of an individual persuade to invest more which is not observed in female investors. Male feel more market experience is what is required to make a good choice of investment unlike female.

Keywords: Gender; Investment decision; Investors; Sultanate of Oman

JEL Codes: G41, G4



1. Introduction

An investment is a term that refers to an asset or thing which is obtained or purchased in order to generate income in the future or that could be sold at a higher price later for a profit. It comprises of purchasing stocks, bonds or real estate property, in the financial aspect. The economic growth of any country to a great extent is dependent on investment. Investment calls for predicting and anticipating the future and analysing various features in order to accomplish particular objectives (Chandra, 2008).

Traditional finance always believed and assumed that investors are rational in their decision making process as far as investments is concerned. But according to Byrne & Utkus (2013) investor behaviour is rarely dependent on the traditional finance and economic theories and assumptions. According to Lintner (1998) behavioural finance is how humans take, understand and respond or act on the information in order to create rational investment choices. Kengatharan (2014)., Qadri and Shabbir (2014)., Nofsingera and Varmab (2013) researched and found that psychological factors have a major impact an investor decision making process. Hence, behavioural finance considers all the psychological insights and applies them to financial decision making. Even investors with good experience are effected by various psychological factors and behavioural biases which results in irrational or illogical decisions. These illogical decisions sometimes lead to adverse conditions resulting in bad investment.

Over the years female are slowly playing an active role in investment decision making in the Sultanate. This is because of the increasing woman in work force resulting in their financial independence. According to National Centre for Statistics and Information (NCSI) June 2015 woman represented 23 percent of the workforce (Source: Times of Oman, 11 September, 2015) Hence, this research is undertaken to examine and analyse gender differences in investment behaviour and investment decisions in Sultanate of Oman. A questionnaire is prepared to dwell more into the psychological, economic, corporate governance and ethical factors and to understand how confident respondents are on their decisions related to investment. These factors are adopted from past studies done on investor behaviour. The study is confined to Oman region. Respondents of the study are investors who have been taking part in investment activities in Oman.

2. Literature Review

Studies on gender differences in investing is mostly done in the countries like US (Charness & Gneezy, 2007, Coleman,2003). Not many studies are done in the middle east especially Sultanate of Oman. Investors in US may drastically differ from the people in Oman in terms of investment. Past studies say that there are gender differences in the risk preference and expectation of return from an investment activity. The effect of cultural, social and psychological factors may result in male taking more risk than female (Eckel & Grossman 2008). Gender differences may also occur due to financial knowledge and confidence. Barber & Odean (2001) in their study found that female are less confident about their knowledge of investments than men and tend to be conservative in their investment compared to their male counterparts.

(Alawi, 2017) conducted the study which was based on the GCC markets in order to explore the factors that have an effect on the Investor's decision-making which includes information gathered from Oman and Saudi Arabia as evidence. Generally, the findings from Oman and Saudi Arabia reflected that both the internal and external factors have a strong effect on the decisions made by individual investors. The extent of influence did not always follow the same pattern. According to the study religious factors had the largest impact in both Oman and Saudi. Among the internal factors, psychological factors had very less impact. External factors when examined, resulted that environmental and ethical factors have the greatest influence and cultural factors have the extreme influence in Saudi Arabia and Oman respectively. Economic factors had the least impact in Oman when compared to the corporate governance factors in Saudi Arabia.

(Kannadhasan, 2015) conducted a research on various behavioural biases affecting investments and concluded that behavioural finance doesn't ensure that every investor will go through similar misperception simultaneously. The liability of an individual investor to face a certain misconception/illusion is due to how the various aspects or variables function. Similarly, behavioural factors act as an important part in the process of investors' decision making. As a result, the investors should take the essentially required steps to minimize or eliminate illusions that might have an impact on the decisions that are to be taken, investment decisions in particular. A research was conducted by (Bakar & Yi, 2015) on the Malaysian Stock Market to detect and ascertain the effect the psychological factors have on Investors' decision making. The study has found that gender and psychological factors are dependent on each other.

(Sharma, 2014) conducted a study to find out and analyze the different preferred areas of investments in Oman and the factors which influences the investment decisions of the investors. The investment choices or decisions are influenced by two categories of factors, rational and irrational. This study came up with 25 key factors that affected the selection of investment alternatives and thereby investment decision. No such important relationship was detected by him between the education attained, number of years of work experience, the occupational level and the selection/choice of investment. In Oman, the most opted and preferred Investment avenue was 'real estate' and the least opted was 'company fixed deposit'. Whereas the 'Market Trend' and 'Rumours'

were the most influential and ‘Policies formed by the government’ and ‘Dependent Behaviour’ were the least influential.

3. Methodology

The study is predominantly based on primary data. A questionnaire with 33 questions was administered to 200 sample respondents in Sultanate of Oman. Purposive sampling is used in this study. The questions are on a five point Likert scale. This survey was carried out in order to explore the gender differences which arise in investment decisions of individuals. Principal Component Analysis is carried out in order to find the differences in their investment behaviour.

4. Analysis & Results

The sample respondents constituted 49 percent female respondents and 51 percent male. The demographic profile of the respondents are as follows. The majority of the sample respondents fall in the age group of 28-50 years. The maximum number of respondents filling the questionnaire had done Masters or Ph.,D followed by a bachelors’ degree. Majority of the respondents have an income ranging from OMR 600 to more than OMR 1000 per month. All the sample respondents had experience in different forms of investment ranging from 3 years to 10 years. The preference of the duration of investment of sample respondents are 39 percent of the respondents wanted to invest for both long and short term, 32 percent of the respondents were interested to invest for a short period of time basically speculators and 29 percent of the respondents wanted long term investment. The risk profile of respondents is as below

Table(1): Risk Profile of Respondents

Risk Profile of Investors	Respondents
Aggressive investor wanting more risk	15%
Moderately aggressive investor willing to moderately take risk	26%
Conservative investor willing to take less risk	48%
Conservative investor willing to take no risk at all	11%
Total	100%

Table(2): Factor Loadings of Female Respondents in terms of Psychological Factors

Rotated Component Matrix ^a			
Factor Loadings of Female Respondents - Psychological Factors	Component		
	1	2	3
I prefer low risk low return investments with a stable and steady performance	.864	.155	.086
I would opt for small gains to larger ones	.824	-.066	.258
I prefer less risky investments than more risky investments	.747	.021	.138
I like to explore different investment opportunities	-.702	.369	.052
I prefer to invest for a long period than short period	-.453	.402	.069
I have got the ability to develop from others ideas	.046	.168	.062
I always feel confident and learn from my experience ie., I always focus on bright side of the situation	.057	.065	.186
I am confident enough to solve any investment obstacles	-.332	.415	.290
Others decisions regarding the choice of stock influences my investment decision	.206	.034	.421
My intuition does influence me while choosing an investment	-.066	.256	.242
I prefer investment with best possible return if there was risk involved	.127	.109	.094

Table(3): Factor Loadings of Male Respondents in terms of Psychological Factors

Rotated Component Matrix ^a				
Factor Loadings of Male Respondents - Psychological Factors	Component			
	1	2	3	4
I have got the ability to develop from others ideas	.782	-.154	.029	.320
I always feel confident and learn from my experience i.e., I always focus on bright side of the situation	.754	.170	.193	-.002
I have got the ability to develop from others ideas	.708	.059	.161	.058
I like to explore different investment opportunities	.699	.174	.300	-.260
I prefer to invest for a long period than short period	.534	.167	-.081	.261
I prefer low risk low return investments with a stable and steady performance	.080	.163	-.099	.089
I prefer less risky investments than more risky investments	.126	.443	.113	-.044
I would opt for small gains to larger ones	.068	.025	.042	.426
My intuition does influence me while choosing an in	.189	-.018	.141	-.054
I prefer investment with best possible return if there was risk involved	.119	.048	.465	.289
Others decisions regarding the choice of stock influences my investment decision	.158	.134	.178	.354

Table(4): Factor Loadings of Comparison of Female and Male Respondents in terms of Psychological Factors

Psychological Factors - Female			Psychological Factors - Male		
Variables		Factor Loadings	Variables		Factor Loadings
I prefer low risk/return investments with a steady and stable performance.	FP8	.864	I am confident enough to solve any investment obstacles.	M4	.782
I would opt for small certain gains to large uncertain ones.	FP9	.824	I always feel confident and learn from my experience i.e., I always focus on the bright side of the situation.	M3	.754
I prefer less risky investments than more risky investments.	FP6	.747	I have got the ability to develop from others' ideas.	M2	.708
			I like to explore different investment opportunities.	M1	.699

Factor Analysis was conducted based on the responses given by the respondents in the questionnaire to explore whether there are any predominant differences in the investment behaviour between male and female. The variables FP8, FP9 & FP6 have loaded well in factor analysis in the female’s psychological factors. The results shows that females are less likely to invest on high risk ventures. They prefer investments with low risk and opt for small certain gains than large uncertain ones. They proved to be conservative investors willing to take less risk.

(Fellner & Maciejovsky, 2007) found that female choose less risky and investments which are less volatile compared to male. They are less active in buying and selling stocks in the market compared to men. UBS Investor Watch (2014) carried out a survey and found out that female were

happy with a small guaranteed rate of return than male did. The result of this study also supported the studies done in the past.

Analysing the psychological factors of male respondents resulted that they are much more confident than females in making and exploring new investment opportunities. They tend to be ready for any challenges and ready to learn from the obstacles they might face while trying new investment options. They are confident about their abilities.

There was no factors common in them as they are two different kinds of investors, female being less likely to invest on high risk ventures whereas male being high risk takers.

Table(5): Factor Loadings of Female Respondents in terms of Economic factors

Rotated Component Matrix^a			
Factor Loadings of Female Respondents- Economic factors	Component		
	1	2	3
A company or investment that gave profit in the past is preferred	.804	-.080	.043
The status or reputation of the company in the industry like market share, profitability makes a difference in investment decisions	.752	.169	.409
Consistent growth of the company attracts investors	.684	-.037	.470
Investments paying good and reasonable amount of dividend are preferred	.662	.492	-.173
Inflation rates affect the investment decisions made by investors	-.120	.305	.145
Interest rates influence investment decisions made by investors	.039	.490	-.036
Increasing income levels increase investors interest to invest	.281	.169	.274
Fully disclosed accounting information in the annual reports is useful to make investment decisions	.414	.125	.356
Investment decisions are influenced by its share price affordability	.023	.080	.849
Analysing market conditions is crucial before investing	.441	.196	.660

Table(6): Factor Loadings of Male Respondents in terms of Economic factors

Rotated Component Matrix^a		
Factor Loadings of Male Respondents in terms of Economic factors	Component	
	1	2
A company or investment that gave profit in the past is preferred	.772	.191
Increasing income levels increase investors interest to invest	.756	.089
Investments paying good and reasonable amount of dividend are preferred	.753	.041
Analyzing market conditions is crucial before investing	.746	.313
Fully disclosed accounting information in the annual reports is useful to make investment decisions	.592	.252
Inflation rates affect the investment decisions made by investors	.312	.789
Interest rates influence investment decisions made by investors	-.060	.762
Investment decisions are influenced by its share price affordability	.158	.661
Consistent growth of the company attracts investors	.572	.601
The status or reputation of the company in the industry like market share, profitability makes a difference in investment decisions	.432	.576

Table(7): Factor Loadings of Comparison of Female and Male Respondents in terms of Economic factors

Economic Factors - Female			Economic Factors - Male		
Variables		Factor Loadings	Variables		Factor Loadings
A company or an investment that gave a profit in past is preferred.	FE8	.804	A company or an investment that gave a profit in past is preferred.	ME8	.772
The status or reputation of a company in the industry makes a difference in investment decisions.	FE7	.752	Increasing income level increases investors interest to invest.	ME1	.756
Consistent growth of the company attracts investors.	FE9	.684			

Factor Analysis was conducted to understand the differences in the investment behaviour related to economic factors. Female respondents analyse the market keenly before making any investment decision. They prefer to invest in companies which have given them dividends or profits in the past. This is common for both male and female respondents. Female respondents prefer to do a quantitative analysis of the companies which allows them to go through the financial statements taking into account the company’s assets, liabilities expenses & revenues along with other financial aspects and past performance. All this would let them gain an insight of the company’s performance in the future. Baker and Haslem (1974) in their research found that dividends paid by companies, expected return and firms financial standing are important investment considerations for investors. (Olsen & Coz, 2001) conducted a survey on investment decision making among professionals and concluded that when female weigh risk attributes, such as the possibility of loss and uncertainty, more heavily than male. So, they would opt for those companies which had a good past i.e., a profitable company with a good reputation, growth and so on. Hence, they are risk averse, conservative and not so challenging investors who do not want anything new to be explored.

Analysing the impact of economic factors on investment decision of male depicted that they too feel it’s a safer bet to invest in companies which gave them good returns in the past. In addition, they strongly feel that the investors’ rising income persuades them to invest more. Both the genders prefer to invest in those investments which were profitable in the past. They want to opt for those companies which have actual financial projections to be shown, which will help them to know how long it takes to get a profit so that they could exit and try another deal/investment or so on. So, as per the factor loadings for male, income level plays a major role in making investment decisions.

Table(8): Factor Loadings of Comparison of Female & Male Respondents in terms of Corporate Governance and Ethical factors

Corporate Governance and Ethical factors -Female			Corporate Governance and Ethical factors -Male		
Variables		Factor Loading	Variables		Factor Loading
Investment is better with companies that take care of the wellbeing and interests of others.	FCG4	.796	Investment is better with companies that take care of the wellbeing and interests of others.	MCG4	.767

Factor analysis of the corporate responsibility and ethical factors result shows that both male and female prefer to invest in those companies or investments which take care of wellbeing and interests of others. How ethical the company where the money is invested also plays a predominant role in the investment process.

Table(9): Factor Loadings of Female Respondents in terms of Decision making process

Rotated Component Matrix ^a		
Factor Loadings of Female Respondents - Decision making	Component	
	1	2
I perceive higher the share price better the company	.763	.080
Diversifying my portfolio has reduced my risk that I have faced	.721	-.284
Advertisements and news write-ups about companies in the internet and media positively influence my investment decision	.699	.494
I believe that enough market experience is required to make a good investment	.650	.041
My investments have demonstrated to be profitable in the past few years	.545	-.316
Losses incurred in the past makes me feel nervous and avoid risk	.031	.891
I invest in stocks which have high degree of safety	-.113	.858

Table(10): Factor Loadings of Male Respondents in terms of Decision making process

Rotated Component Matrix ^a			
Factor Loadings of Male Respondents - Decision making	Component		
	1	2	3
My investments have demonstrated to be profitable in the past few years	.801	-.052	-.031
I believe that enough market experience is required to make a good investment	.758	.202	-.028
Diversifying my portfolio has reduced my risk that I have faced.	.723	.090	.260
I invest in stocks which have high degree of safety	.252	.435	-.131
Losses incurred in the past makes me feel nervous and avoid risk	.004	.158	.384
Advertisements and news write-ups about companies in the internet and media positively influence my investment decision	.495	-.507	.234
I perceive higher the share price better the company	.106	-.152	.485

Table(11): Factor Loadings of Comparison of Female & Male Respondents in terms of Decision making factors

Decision Making factors - Female			Decision Making factors - Male		
Variables		Factor Loadings	Variables		Factor Loadings
I perceive higher the share price, better the company.	FD5	.763	My investments have demonstrated to be profitable in the past few years.	MD7	.801
Diversifying my portfolio has reduced the risk that I might have faced.	FD6	.721	I believe that enough market experience is required to make a good investment.	MD2	.758
Advertisements and news write-ups about company positively influence my investment decision	FD4	.699	Diversifying my portfolio has reduced the risk that I might have faced	MD6	.723

On conducting factor analysis in analysing factors affecting female decision making process resulted that they perceive that the companies having expensive share price i.e. expensive shares means that the company is performing better. According to them, the share price of a company shows how strong and healthy a company is. Hence, increasing share price shows the reputation of the company as shareholders and investors are willing to pay a higher price. They totally agree that diversification of their investments have reduced risk and have resulted to be profitable. Past literature says that there are significant gender differences between male and female when it comes to investing options. (Gill & Biger, 2009) conducted a survey in Canada and obtained a gender gap in

the choice of investment. According to their study gender plays an important role in the nature and intensity of investment. (Charness & Gneezy, 2003) also supports this statement by concluding that male invest in more variety of investments than female. Advertisements and news write-ups in magazines, newspapers and internet would positively impact women and influence their investment decision where as, analysing the male decision making factors depicted that majority male feel that the more stock market experience an investor has the better investment decision he/she would make. In addition, they also have agreed upon profit being earned due to diversification.

5. Conclusion

The study concludes that the gender differences do exist in investment decision making process. As per the findings of this study the impact of psychological factors, economic factors, corporate governance and ethical issues of companies and the decision making process are very different for male and female investors. Female opted for low risk/return, steady and stable investments being conservative investors. Whereas, male have resulted to be much more confident than females in making and exploring new investment opportunities which supports the past studies. They tend to be ready for any challenges and learn from the obstacles or issues(risk) they might face while trying new investment options. They are self-confident about their abilities and are risk takers. Analysis of the economic factors depicted that there is no difference in terms of expectations of both the genders with regard to profits. They want to opt for those companies which have actual financial projections to be shown, which will help them to know how long it takes to get a profit so that they could exit and try another. Male focused only on the profitability, whereas females in addition to profitability examined the growth and reputation of that company. Furthermore, unlike the females, the male investors feel that increasing income level of an individual persuade to invest more which is not observed in female investors.

Analysis of the corporate governance and ethical factors resulted that both males and females wish to invest in those companies or investments who care for wellbeing of people or investors. Basically, they want the investments or offers to be tailored and made as per their requirements. Analysis of the decision making factors concluded that both the genders had profitability in common. Hence, they are rational decision makers as their investments had proved to be profitable in the past years due to diversification. Where on one hand females feel that costlier shares are of better companies as it depicts the strength of the company. On the other hand, male feel more market experience is what is required to make a good choice of investment.

To sum up, females have resulted to always be conservative and grounded when it comes to investment. Whereas males have resulted to be self-confident and risk takers which goes with the findings of the past research.

Practical Implications

The findings of this research paper would help investment companies to understand investors in Sultanate of Oman better and tailor their products accordingly. The gender differences which are prevalent in the decision making process assists the regulators and policy makers to make better policies and decisions. The limitation of the study is 200 sample responses are collected from Salalah, Sultanate of Oman and the results are generalised for the whole of Oman.

The scope for further research is comparison of the demographic factors such as age, literacy and income level with the choice of investment based on gender.

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