

CHAPTER I

INTRODUCTION

1.1 Background

People in the world cannot avoid risk. Risk already existed from the human history. The prehistoric human had brutal lives, as they searched food and shelter exposed them to physical danger from the beast and poor weather. In this era, it was already accured the patriarchal culture. A patriarchy comes from the ancient Greek *patriarches*, was a society where power was held by and passed down through the elder males (womenhistory.about.com). According to modern historians and sociologists a "patriarchal society," means thatthe men hold the positions of power: head of the family unit, leaders of social groups, boss in the workplace and heads of government (womenhistory.about.com). It means that women's God's will are caring the household and reproductive responsibilities, such as clean the house; cook, and bear the children. It shows men tend to be more risk taking compared to women, because they have to be outside their house and meet the family's needs.

Indonesia also adopt the patriarchal culture (<http://www.kabarindonesia.com>). Women are subordinate to men within the family and the state or government and their primary civic duties are performed in their role as wives and mothers (www.antaraneews.com). In the Indonesia's political and economic structures also were almost exclusively to men. According to Hofstede (1973), Indonesia is a masculine country, which men are supposed to

be assertive, tough, and focused on material success; women are supposed to be more modest, tender, and concerned with the quality of life.

Talk about the ethnicity in Indonesia, there are many ethnicities there. Badan Pusat Statistik (BPS) in 2010 held an survey about how many ethnicities in Indonesia (www.jpnn.com). The result of this survey was 1128 ethnicities including the Chinese people in Indonesia. Because this research will be held in Yogyakarta, the distribution of the ethnicities in Yogyakarta shows in table 1 below.

Table 1
The Distribution of Ethnicities in Yogyakarta

No.	Ethnicities	Total Populations
1	Jawa	3.020.157
2	Sunda	17.539
3	Melayu	10.706
4	Chinese	9.942
5	Batak	7.890
6	Minangkabau	3.504
7	Bali	3.076
8	Madura	2.739
9	Banjar	2.639
10	Bugis	2.208
11	Betawi	2.018
12	Banten	156
13	Others	36.769

Source: BPS Data 2010

There are five religions in Indonesia. They are Islam, Protestant, Catholic, Buddha, and Hindu. The distribution of the religion in Yogyakarta shows in this table below.

Table 2
The Distribution of Religion in Yogyakarta

No.	Religions	Total Populations
1	Islam	3.236.719
2	Chatolic	204.252
3	Protestant	121.193
4	Hindu	7.991
5	Buddha	6.984
6	Others	n/a

Source: <http://bappeda.jogjaprov.go.id/data/dokumen/ProfilDIY2010.pdf> (2010)

The author interested with this topic, because she thought that women could be better in everything compared to men. The author wants to prove how men and women behave in the investment behavior. After read some articles and journals from the internet, there many previous studies proved that women tend to be more risk averse and have less confidence in risk taking than men. The author is curious whether is it happen in Yogyakarta also or not. The author also wants to prove whether they could affect the investment behavior or not. Because the author lives in Java Island which is Yogyakarta and Chinese economic center is getting bigger, so the author would make comparison between Javanese and Chinese people in Yogyakarta. About the religion, because in table 2 shows there are five religions, even people who are Hindu and Buddha are less than the three others, the author uses these religions also.

According Loewenstein et al. (2001) in Bhugaloo's article, risk attitudes differ betweenmen and women because of the role of emotional variables. The emotional reactions drive attitudes and behavior in a stronger way than cognitive judgments. Emotions which matter in the context of decision making are mainly anticipatory emotions. They depend on the vividness of imagery, on the

background mood of the decision maker, on the time course of the decision etc. Because of better imagery, women appear more risk averse than men.

Extensive empirical evidence suggests that women are more risk averse than men. One study conducted by Weber et al. (2002) involved a survey to quantify five distinct risk domains: financial risks, health and safety risks, recreational, ethical and social risks (<http://arethuse.webs.ull.es/mesasdetrabajo/ponenciafrancodangelo.pdf>).

Their results indicated that women were more risk-averse in all domains except social risk. Hinz et al. (1997), Sunden and Surette (1998), and Olsen and Cox (2001) found that increased risk aversion affects the investment choices of women (http://www.efmaefm.org/efma2006/papers/538612_full.pdf).

All of those issues relate with behavioral finance which is a field of finance that proposes psychology-based theories to explain stock market anomalies (www.investopedia.com). Within behavioral finance, it is assumed that the information structure and the characteristics of market participants systematically influence individuals' investment decisions as well as market outcomes (www.investopedia.com).

Generally, investors are selective and have certain preferences in investing their funds. Investors' behavior and preferences are influenced by many factors both internal and external. The dominant factor that influences the investors' investment activity is both demographic and psychographic factors. Demographic characteristics include gender, age, education level, income, marital status and employment, while the psychographic characteristics of an investor are observed through the mental attitude, lifestyle, values embraced life, and personality

(www.businessdictionary.com). Lewellen et al.(1977) in their reserach, determined that age, sex, income and education affect investor preferences for capital gains, dividend yield and overall return.

“Finance theory conventionally focuses on risk and return as the factors relevant to the construction of portfolios. But there is evidence of a growing number of investors who wish to incorporate moral or social concerns in their decision-making.”
(Anand & Cowton, 1993)

As cited from Dr. Nurasyikin Jamaludin’s research (2013), religion has been inferred as a potential determinant of savings and investment behaviour (Keister, 2003). The values, habits and attitudes of an individual could affect it. Jamaludin also stated that many studies have examined religion could affect people’s values, habits, attitudes, and behaviour.

Muhamad, S.Susela Devi, and Abdul Mu’min (2006) researched about the affect of religion on individual investment decision making. This research focused on Islamic religiosity on the investment decision making among the Malaysian Malay Muslim investors. From the research, they found that the degree of religiosity has a significant influence on investment decision making.

The research about racial differences in individual investment decisions has received less attention compared to racial differences in economic decision making (Gutter et al., 1999). The other research conducted by Zhong and Xiao (1995), to analyze the factors associated with families holding stocks or bonds, they used the 1989 Survey of Consumer Finances. They found that race also a factor in determining stock ownership. The other factors that become factors in determining stock ownership are education and age.

In this research, the author would to analyse whether gender, ethnicity, and religion effect the investment behavior, which is different types of confidence. The comparison between men and women; Chinese and non Chinese (Javanese); and Islam, Chatolic, Protestant, Hindu, and Buddha while taking a risk also stated in this research.

1.2 Problem Statements

This research concerns in gender differences toward risk preferences in investing their funds. In some research women are tend to be risk averse than men. They are more conservative in making investment decision. The other factors that influence their behaviour are age, ethnicity, and religion. Based on the research background above, so the problems of the study are as follows:

- a. Do gender, ethnicity, and religion influence the investors' risk taking level?
- b. Do gender, ethnicity, and religion influence the individual investment behavior, which is different type of confidence?
- c. Are men more risk taking than women?
- d. Are men more confidence than women?

1.3 Research Scope

The scopes of the research are as follows:

- a. This research replicated a previous study by Mohamed Albaity and Mahfuzur Rahman (2012) who invetigated a research paper of "Gender,

Ethnicity, and Religion and Investment Decision: Malaysia Evidence” in two public universities in Malaysia.

- b. The sample of the research is students in the Pojok Bursa Atma Jaya Yogyakarta (UAJY), Universitas Pembangunan Nasional (UPN), STIE YKPN, Universitas Kristen Duta Wacana (UKDW), Universitas Gajah Mada (UGM), Universitas Islam Indonesia (UII), Universitas Negeri Yogyakarta (UNY), Universitas Teknologi Yogyakarta (UTY).
- c. The author categorizes the other factors that can influence the investor behavior between men and women. They are ethnicity and religion of the investor.

1.4 Research Objectives

- a. To examine whether gender, ethnicity, and religion influence investors' risk taking level.
- b. To examine whether gender, ethnicity, and religion influence the individual investment behavior, which is different type of confidence.
- c. To examine whether men are more risk taking than women.
- d. To examine whether men are more confidence than women.

1.5 Research Benefits

Benefits of the study are:

a. For the financial advisors

This research is expected to make better understanding of how investors behave towards the market movement and the financial advisors could give the best suggestions to their clients to allocate their assets well.

b. For the investors

This research is expected to help the investors to make a right decision before they sell or buy the stocks.

c. For Academic

This research is expected to be a reference for the readers to have better understanding of investor behavior between men and women in Yogyakarta and what factors are influencing it; before they want to enter the stock market.

1.6 Research Report Outline

The writing of this proposal is divided into three chapters, they are:

a. Chapter I Introduction

This chapter presents the introduction about the research. It consists of research background, problem statement, scope of the research, benefits of the research, and research report outline.

b. Chapter II Theoretical Background and Previous Research

This chapter contains introduction, the related previous research, theoretical background, and hypothesis development.

c. Chapter III Research Methodology

This chapter provides information about population, sample, and sampling method; research method; data collection method; and analysis method.

d. Chapter IV Data Analysis

This chapter addresses the data analysis and explanation of the result obtained in this research.

e. Chapter V Conclusion and Recommendation

The last chapter consists of the conclusion of this research as well as the recommendation for further research.