Gender Differences in Financial Knowledge, Attitudes and Behavior

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Abstract

Studies have repeatedly shown that women answer less financial knowledge questions correctly than men. Hence, they are often identified to be a financially 'vulnerable' group who needs more attention in financial education. This paper explores if this holds true for the Austrian population. A survey among 2,000 respondents reveals that Austrian men outperform women in terms of knowledge, even if we control for different socio-demographic characteristics and response behavior. However, according to their self-assessment women seem to be less prone to spending money instead of saving it, are more risk averse and watch their financial status more closely. A regression analysis reveals that while knowledge, attitudes and behavior are relevant for explaining financial well-being, gender clearly is not.

Differences in Behavior and Attitudes

Statements reflecting financial behaviors *(1 strongest agreement to 5 strongest disagreement)*	Male	Female
		Mean
(cumulative percentage of respondents who strongly agree or agree)		
Pondering whether I can afford a purchase**	2.03 (76.9)	1.83 (83.1)
I live for today and let tomorrow take care of itself**	3.76 (20.2)	3.87 (15.5)
I find it more satisfying to spend money than to save it**	3.38 (24.5)	3.55 (20.4)
I pay my bills on time**	1.67 (87.7)	1.52 (90.8)
Being prepared to risk some money when making an investment**	3.63 (24.6)	4.01 (13.5)
I keep a close personal watch on my financial affairs**	1.74 (86.9)	1.64 (90.1)
I set long term financial goals and strive to achieve them	2.32 (63.7)	2.32 (65.8)
Money is there to be spent**	2.56 (52.3)	2.81 (41.9)

Table 1. Financial Behavior – Comparisons of Means and Percentages of Agreement

15 items measure five attitudes towards money *(1 strongest agreement to 5 strongest disagreement)*	Male	Female
Money requires financial planning**	1.9962	1.8147
Money is important	2.2318	2.2696
Money means reputation and power*	3.9432	4.0346
You get quality for money**	3.9253	4.1191
parsimony	4.0111	3.9241

Table 2. Money Attitudes – Differences Between Male and Female Respond-
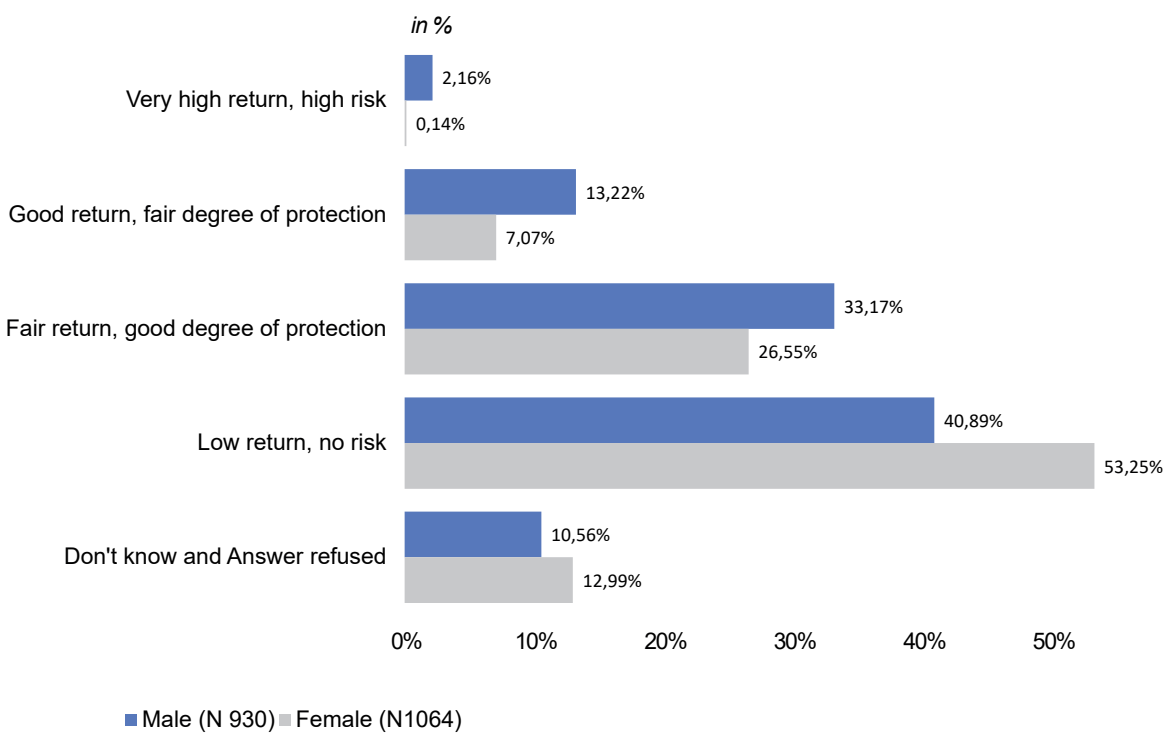

Figure 3. Risk Preferences of Male and Female Respondents

A Chi-Square-test confirms a statistically significant gender difference. Most women prefer a low return on their investment as long as there is no risk to lose the invested money. Most men are willing to accept some risk to get a higher return. If this higher risk aversion of women also applies to response behavior we should not be surprised to observe the higher tendency to answer 'Don't know'.

Differences in Financial Knowledge

With an increasing degree of sophistication of the questions the share of correct answers declines rapidly. Throughout all 11 questions the fraction of respondents giving the correct answer is higher for male than for female respondents.

However, the Box-and-Whisker-plots of the number of correct answers given by men and women on the right shows that the distribution of the second and third quartiles as well as the extensions of the whiskers are almost identical. Therefore, knowing whether a person is a man or a woman would not allow drawing conclusions on this person's financial knowledge.
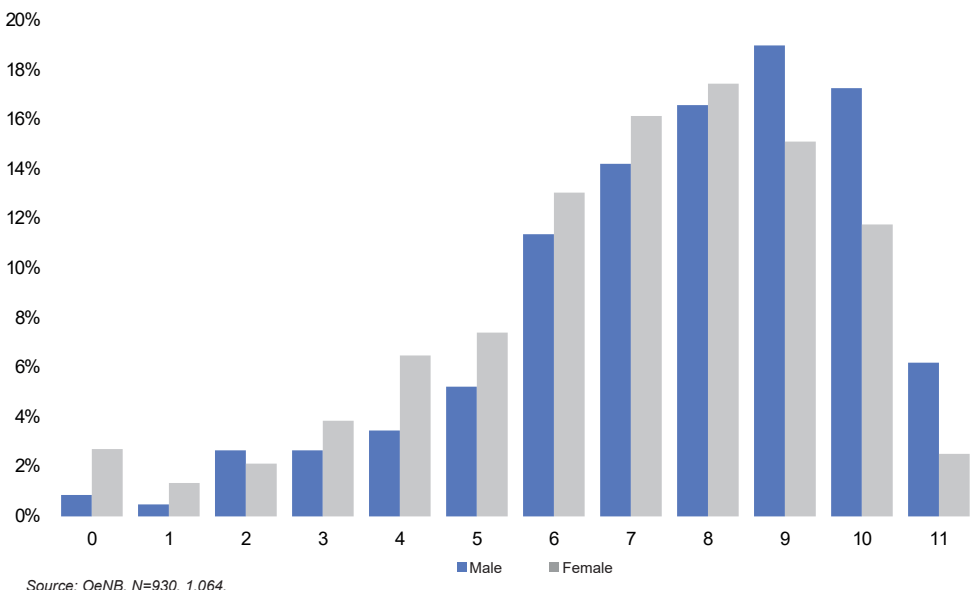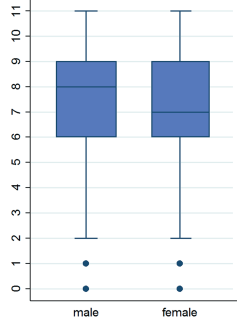

Source: OeNB. N=930, 1.064.

Figure 1. Percentage of Respondents Answering x Financial Knowledge out of 11 Questions Correctly
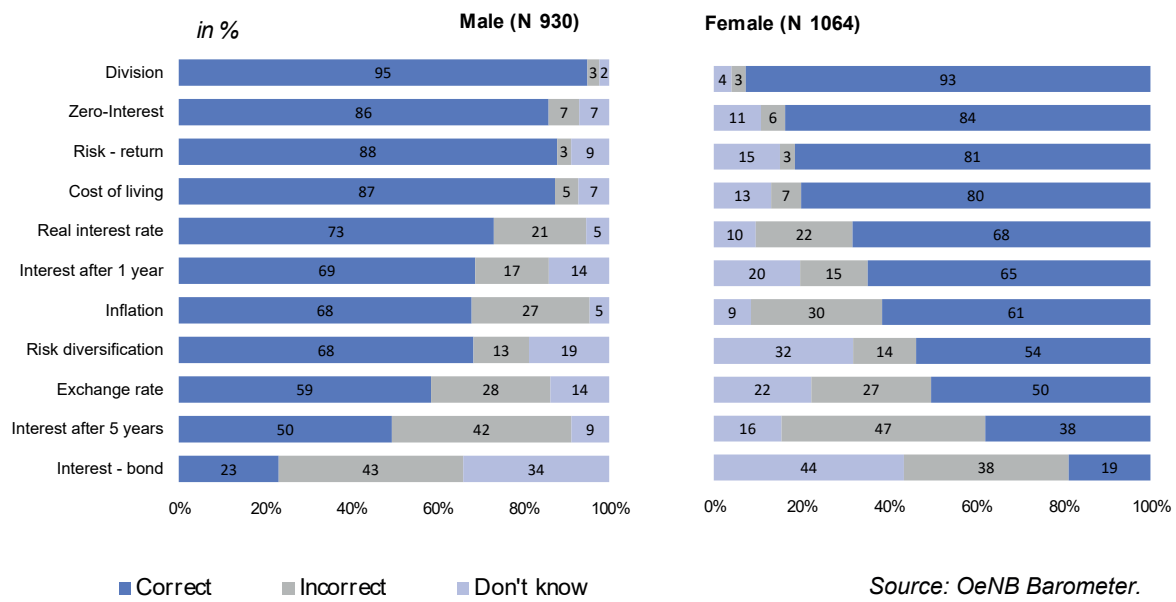

Source: OeNB Barometer.

Figure 2. Financial Knowledge of Male and Female Respondents

Explaining Financial Well-being

Dependent variable: estimated period of time that people would be able to cover their living expenses after losing their main source of income

Independent variables	Beta	t
Number of **knowledge questions** answered correctly	0.125***	4.788
Financial behaviors		
„cautious planning and saving"	-0.168***	-6.023
„big spending"	0.122***	4.636
„risk aware investing"	-0.080**	-2.957
Attitudes		
Power	0.039	1.294
Importance	0.042	1.627
Quality	-0.247***	-8.561
Parsimony	0.143***	5.297
Monthly net income	0.175***	6.205
Living with a partner	0.137***	5.185
Without partner (Ref.)		
Female	0.013	0.494
Male (Ref.)		
Age	0.246***	8.766
Const.		5.573
R² 0.349	**p<0.01	
Adj. R² 0.342	***p<0.001	

Table 3: Regression Model Explaining Financial Well-being

As expected, the variables 'net income', 'living with a partner' and 'age' all contribute significantly to the variance of the dependent variable and have the expected positive effects. But the analysis also shows that financial knowledge, attitudes and behavior make a considerable and significant additional contribution to explaining financial well-being. The model explains more than 34% of the variance of the dependent variable, the estimated period of time that people would be able to cover their living expenses after losing their main source of income as an indicator for financial well-being.

Most interestingly, the respondents' gender has no impact on financial well-being in our study. This implies that when it comes to explaining how long a person thinks (s)he can cover his or her living expenses, gender does not make a difference. However financial knowledge, attitudes and behavior do play an important role, and obviously a lack of financial knowledge can (at least partially) be compensated by favorable money attitudes and prudent financial behavior.