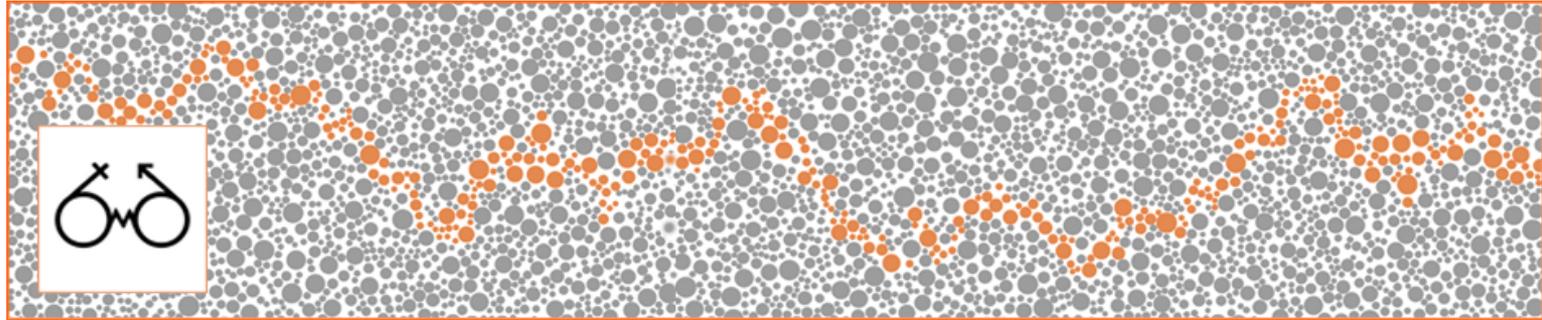


Gender & Finance Literature Review Series



Sameeksha Satpathy

Research Assistant for Gender and Finance Project



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Slides prepared by Sameeksha Satpathy
Member of the [Gender & Finance](#) project
ESSEC Business School

About the paper :

Andreas Pondorfer, Toman Barsbai, Ulrich Schmidt (2016)

“Gender Differences in Stereotypes of Risk Preferences: Experimental Evidence from a Matrilineal and a Patrilineal Society ”



Literature Review

- What do we already know?
 1. When traditional societies are examined, it cannot be said with certainty that women are more risk averse than men. (Binswanger; 1980, Henrich and McElreath; 2002)
 2. There are observable gender differences in competition but not in risk preferences among the matrilineal Khasi in India and the Patriarchial Maasai in Tanzania. (Gneezy et al. 2009)
 3. Because of the perception that women are more risk averse than men, stock brokers offer women with stock options that have lower risk and consequently lower reward. (Wang 1994)
 4. The stereotypes based on gender have implications on opportunities that are available to the particular gender group (Ball et al. 2010, Roth and Voskort 2014)



Motivation

Most analyses on gender based risk preferences have been made after analyzing WEIRD societies (Western, Educated, Industrialised, rich and Democratic) (Henrich et al. 2010). However, to analyse the impact of culture on gender risk preferences and stereotypes about them, it is important to study traditional societies where the impact of culture is higher. Hence, Pondorfer, Barsbai and Schmidt pick 2 societies that are opposite culturally when it comes to womens' status. And they use samples from these societies to analyse gender based, culture motivated, risk preferences.



Research and policy questions

- What do they want to learn?

Pondorfer, Barsbai and Schmidt want to find out the stereotypes based on gender risk taking ability while taking samples from two non-traditional societies (The patrilineal Palawan in the Philippines and the matrilineal Teop in Papua New Guinea). They are also interested in finding culture specific reasons for stereotypes based on gender.



Choosing a sample

Both the societies had similar occupational patterns with farming being the primary industry and fishing or animal husbandry being the secondary one. The population sample was picked from the Rizal area in the south of the Palawan islands and from the Northern villages of the main island (for the Teop population). The major difference was that the Teop society is matrilineal in nature which means that the line of descent goes through the daughter and not the son. This means that women have rights over resources unlike the Palawan society where men had these rights.



Methodology - How did they do it?

The experimental design followed by the authors is adapted from Eckel and Grossman (2002,2008).

The sample population is asked to choose from a series of 50/50 gambles. Each of the 5 gambles have a certain payoff and another payoff based on a particular probability. The other payoff keeps increasing in expected payoff and risk as is evident from an increasing standard deviation. Each person is asked to pick a gamble for himself/herself on which they would pay real money.

Secondly, each person is asked to guess that which gamble would be chosen by a male and a female member from their particular society. This would help to know the stereotype that is prevalent about the genders' risk preferences in the particular society.

In totality 103 people from the Palawan society and 96 people from the Teop society were asked to do this experiment.



What are the findings of the paper?

1. Irrespective of the gender criterion, Palawan members were less risk averse than Teop members. While 55% of the Palawan sample chose risky games, only 33% of the Teop sample did so.
2. There were no observable differences in gender risk preferences across both societies.
3. The entire Palawan sample makes higher predictions about the other peoples' gamble choices than the Teop samples. This result is seen to be true disregarding the gender criterion.
4. Men from Palawan (patrilineal society) underestimate womens' risk taking ability. On the contrary, men from matrilineal Teop overestimate womens' risk taking ability.



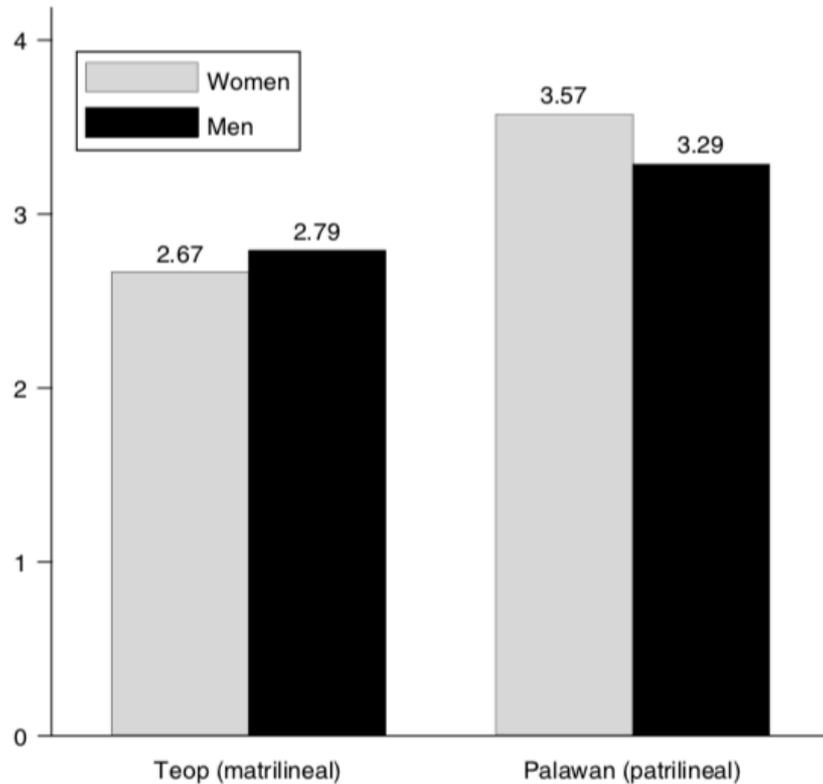
What are the findings of the paper?

5. Women from both societies have almost accurate estimations of risk for the men in the society.
6. Both men and women in both societies predict their own gender's risk taking ability very accurately.
7. Pondorfer, Barsbai and Schmidt conclude that gender is not a major determinant of risk preferences. On the contrary, 'nurture' or the cultural environment in which the people live plays a very important role in the preception of risk taking ability.



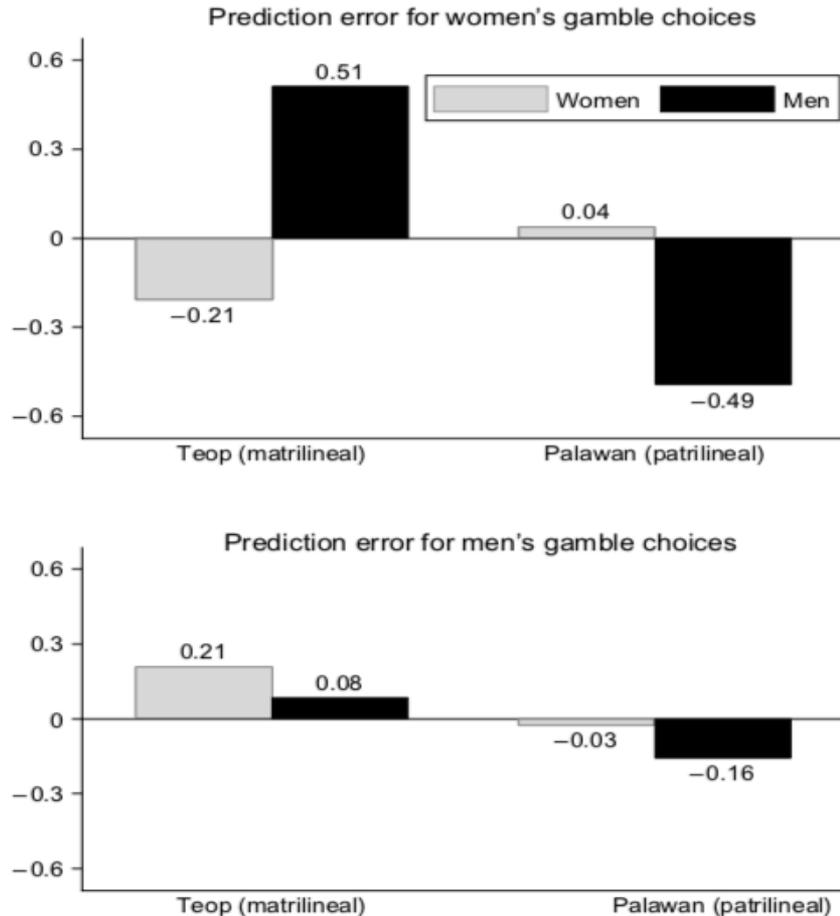
What are the findings of the paper?

Figure 2. Mean Gamble Choices



Notes. Gambles increase linearly in expected payoff and risk as measured by the standard deviation of expected payoff. Table 3 lists the distribution of gamble choices by sex and society in more detail.

Figure 3. Mean Prediction Errors for Women's and Men's Gamble Choices



Source: "Gender Differences in Stereotypes of Risk Preferences: Experimental Evidence from a Matrilineal and a Patrilineal Society" - Andreas Pondorfer, Toman Barsbai, Ulrich Schmidt (2016)



Based on the paper, we recommend

1. Companies need to be sensitive to cultural differences when they expand to different countries and geographic locations. This might be in the form of respecting religious sentiments, communal sentiments, traditional sentiments etc.
2. “Nurtuting” young minds is an important aspect which can change the risk taking ability for men and women alike. If young girls are guided well at a school level then they will themselves be more risk taking and the perception of young boys about risk taking abilities (of girls) will also improve.



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Twitter: [@GenderFinance](#)
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Website: www.genderfinance.net
- François Longin
E-mail: longin@essec.edu
Website: www.longin.fr
- Estefania Santacreu-Vasut
E-mail: santacreuvasut@essec.edu
Website: santacreuvasut.com





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Thank you !