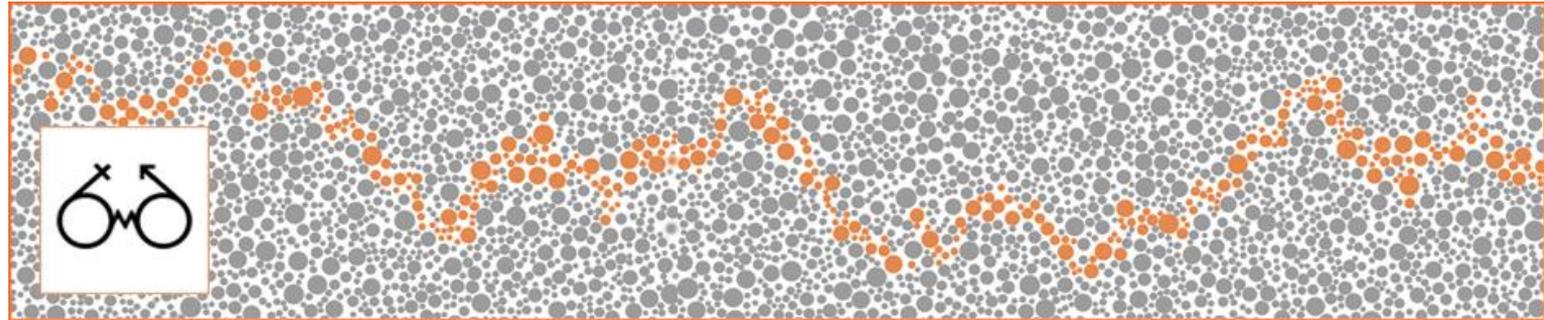


Gender & Finance Literature Review Series #5



Sameeksha Satpathy
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Gender & Finance Literature Review Series

Research presentation #5

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

About the paper :

Pondorfer A., Barsbai T., Schmidt U. (2017) **“Gender Differences in Stereotypes of Risk Preferences: Experimental Evidence from a Matrilineal and a Patrilineal Society.”** Management Science 63: 3268-3284.



Motivation

A 'WEIRD' motivation...

- Most studies of risk preferences across genders have been undertaken in Western, Educated, Industrialized, rich and Democratic (WEIRD) societies (Henrich et al. 2010)

To analyse the impact of culture on gender risk preferences and associated stereotypes, it is important to study different environments:

- Pondorfer, Barsbai and Schmidt (2017) study gender risk preferences in a matrilineal society and in a patrilineal society



Literature Review: what do we know

- Women are not always found to be more risk averse than men in traditional societies (Binswanger; 1980, Henrich and McElreath; 2002)
- There are observable gender differences in taste for competition but not in risk preferences among the matrilineal Khasi in India and the Patriarchial Maasai in Tanzania (Gneezy et al. 2009)
- 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)
- Gender stereotypes have consequences regarding the opportunities that are available to men and women (Ball et al. 2010, Roth and Voskort 2014)



Research question of Pondorfer, Barsbai and Schmidt (2017)

The paper by Pondorfer, Barsbai and Schmidt (2017) asks the following research question:

- **Is risk taking and its associated gender stereotypes a function of culture?**

To answer this question they study two distinct societies with different cultures:

- The patrilineal Palawan society in the Philippines
- The matrilineal Teop society in Papua New Guinea)
- In Teop women have inheritance rights while men have them in Palawan



Methodology of Pondorfer, Barsbai and Schmidt (2017)

Pondorfer, Barsbai and Schmidt (2017) adapt the experiment from Eckel and Grossman (2002, 2008). Participants are 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 in risk.
- guess which gamble would be chosen by a male and a female member from their particular society.

Sample size:

- Palawan society (103 participants)
- Teop society (93 participants)



What are the findings of the paper?

Pondorfer, Barsbai and Schmidt (2017) find that:

- While 55% of the Palawan sample chose risky games, only 33% of the Teop sample did so.
- Men from Palawan (patrilineal society) under-estimate women risk-taking
- Men from Teop (matrilineal society) over-estimate women risk taking.
- Women from both societies have almost accurate estimations of risk for the men in the society.

The authors conclude that **gender is not a major determinant of risk preferences:**

- **‘Nurture’ (or the cultural environment in which the people live) plays a very important role in the perception of risk taking ability.**



Based on Pondorfer, Barsbai and Schmidt (2017), we recommend:

At the corporate level, companies need to be sensitive to cultural differences:

- when they expand to different countries and geographic locations

At the societal level:

- “Nurtuting” young minds 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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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 !