



# Investing in stocks: The influence of financial risk attitude and values-related money and stock market attitudes

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## Abstract

This study examined the influence of financial risk attitude, money attitudes (achievement, power, obsession, budget), negative ethical stance toward the stock market, income, and gender on willingness to invest in stocks. Data were collected from a representative mail survey conducted in Switzerland ( $N = 1569$ ). Structural equation modeling procedures were used to test the regression model. In a first step, the model was explored in an initial random sample and cross-validated in an additional random sample. In a second step, multi-group analyses were carried out across the following four groups: (1) men who have an investment account ( $n = 392$ ), (2) women who have an investment account ( $n = 213$ ), (3) men who do not have an investment account ( $n = 466$ ), and (4) women who do not have an investment account ( $n = 421$ ). The results show that the measurement models of the latent variables across groups were partially invariant. In all four groups, financial risk attitude was a significant positive predictor, and viewing the stock market as unethical a significant negative predictor, of willingness to invest in stocks. Income was a significant positive predictor for men with an investment account, and the money attitude budget was a significant negative predictor for men and women who do not have an investment account. In contrast, achievement had no significant influence on willingness to invest in stocks in any group.

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## 1. Introduction

Private investment in shares and securities has risen in importance in recent years. More and more people invest their money in stocks. One reason is the need to secure income for retirement (Clark-Murphy & Soutar, 2004; Dreman, Johnson, MacGregor, & Slovic, 2001). With the current societal developments in the industrialized countries, individuals are supposed to take increased personal responsibility for their retirement incomes. The population is becoming increasingly older, whereas the percentage of the working population is in continual decline. This is straining the financing of the social security systems of most governments. One possible way of taking personal responsibility is investing in shares and securities. For this reason, it is of great interest to find out what factors promote or inhibit investing on the stock market. The goal of the present study is to identify relevant factors that can affect people's willingness to invest in stocks.

Various studies have been conducted on the psychology of investing (Wärneryd, 2001). A number of relevant psychological factors have been found: beliefs, preferences, and psychological biases (Daniel, Hirshleifer, & Teoh, 2002; De Bondt, 1998; Hilton, 2001; Kahneman & Riepe, 1998), locus of control (McInish, 1982), affect associated with industries (MacGregor, Slovic, Dreman, & Berry, 2000), social unacceptability of firms that are perceived as creating risks to health, safety, and the environment (Fischhoff, Nadai, & Fischhoff, 2001), attitude toward saving (Euwals, Eymann, & Borsch-Supan, 2004), and risk attitude (Carducci & Wong, 1998; Morse, 1998; Tigges, Riegert, Jonitz, Brengelmann, & Engel, 2000; Wärneryd, 1996; Wood & Zaichkowsky, 2004). To date, however, little is known about the influence of values-related money attitudes and ethical stance toward the stock market on decisions to purchase stock. People invest in stock in the expectation that they will make profits and increase their capital. It seems plausible to assume that the meaning that people ascribe to money will also have an influence on their willingness to invest in stocks. Private investors also make stock purchasing decisions with ethical considerations in mind (Webley, Lewis, & Mackenzie, 2001; Winnett & Lewis, 2000). In the present study, we investigate the extent to which – in addition to financial risk attitude, which is the most important psychological factor – values-related attitudes toward money and the stock market influence decisions to invest in stocks.

## 2. Theoretical background

### 2.1. *Financial risk attitude*

A number of empirical studies have demonstrated that people who are prepared to take risks buy stocks more often than less risk-oriented persons (Clark-Murphy & Soutar, 2004; Tigges et al., 2000; Wärneryd, 2001; Wood & Zaichkowsky, 2004). Wärneryd

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