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Familism and Risk Aversive Investment Behaviour – Mediating Role of Risk Perception and Financial Discipline

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Abstract

The UNSDGoal of Zero poverty is proving to be a distant dream to attain for many countries worldwide. Wealth creation and generation through multiple avenues is a must if a Nation has to achieve the goal of zero poverty. For an individual to take responsible risk aversive investment decisions, financial discipline and ability to perceive risks is important. Apart from this, the social and family setting of individuals can also have significant effect on their investment behaviour. In this context the present study has examined the possibility of a significant relationship between Familism and individuals' risk aversive investment behaviour through Risk perception and Financial Discipline. The study which is descriptive in nature has collected data from 175 respondents of Coimbatore, Tamil Nadu. The data collected through Judgment sampling has been analyzed with Process Macro in SPSS 21, to find that Financial Discipline and Risk Perception fully mediate the relationship between Familism and individuals' risk aversive investment behaviour

Keywords: Financial Discipline, Risk Perception, Zero poverty, UNSDG, Risk Aversive Investment Behaviour, Process Macro

Introduction

The pursuit of the United Nations Sustainable Development Goal (UNSDG) of Zero Poverty is in dire need of heterogeneous strategies to address the intricate dynamics of poverty eradication. Among the diverse factors that influence poverty alleviation efforts, a basic understanding of the risk aversion behaviour among both the policymakers and the individuals plays an important role in the outcome of poverty reduction initiatives. Risk aversion implies the tendency of investors to prefer outcomes with certainty over uncertain ones, even if the uncertain opportunities offer a high expected rate of return. In the preview of poverty alleviation, risk aversion influences at different levels, influencing decision-making processes, resource allocation, and the implementation of social welfare policies. In this exploration of the intersection between Zero Poverty and risk aversion behaviour, the present study focuses on the complexities of decision-making processes within the preview of poverty alleviation. There are numerous factors that affect Individuals' investment behaviour. Among them Risk Perception and Financial Discipline are significant especially in the context of risk aversive investment behaviour. Individuals who are guarded against risks and who indulge in detailed financial planning and strict adherence to them are highly likely to invest in less riskier investment options. The family/social/cultural setting of individuals also plays an important role in determining the risk perception and financial discipline of individuals. Raghunathan et al. (2020) in their study have also recorded how children who received more parental care turned out to be more financially disciplined and also earned more. Family relations, family welfare, the significance of blood ties, and interdependence on each other represent the pillars of Familism. Because Familism is about prioritizing family welfare above self, the present study posits a positive relationship between Familism and individuals' risk aversive investment behaviour through Risk perception and Financial Discipline.

Review of Literature

Familism and Financial Discipline

Familism introduced by Burgess & Locke(1945) can be defined as a value that places significance on obligation, filial piety, family support and obedience (Stein et al. 2014). Familism in research has been widely known to predict psychosocial, entrepreneurial and educational outcomes. According to Stein et al. (2014), Familism has been

conceptualized to include three factors namely: Familial Obligations (The individual's obligation to support their families); Perceived support from the family (The extent to which family members are supportive); Usage of family as referrents (The use of family members as behavioral and attitudinal referents).According to Steidel & Contreras (2003) a key aspect of Familism also includes the desire of an individual to protect their family name; family reciprocity; interconnectedness and sacrificing oneself for one's family. This attitude has behavioral implications wherein, the individuals are known to exhibit pro social behaviour like supporting families socially and financially. Stone et al. (2017) have found that individual with high level of Familism were more likely to use financial planning and exhibit financial discipline. Similar results have also been confirmed by Birtch et al. (2017) and Spolter et al. (2018). A study by Nazaripour & Zakizadeh (2024) has also found that cultural values are an important predictor of Individual's financial planning and financial discipline.

Familism & Risk Perception

Birtch et al. (2017)in their study found that individuals high in Familism are more likely to seek capital from and provide capital to family members. This suggests that these individuals have high risk perception and also display greater risk aversive behaviours. High Familism levels are often seen to be associated with low risk behaviours. A Study by Wheeler et al. (2017) found that Mexican Youth who reported high on Familism reported low risk behaviours. Telzer (2012) argues that when individuals are more obliged to their family, their cognitive control increases. This results in them being more risk aversive.

Financial Discipline, Risk perception and Risk Aversive Investment Behaviour

Ainia & Lutfi, 2019 in their study have concluded that Risk Perception has negative significant effect on Investment Decision Making, i.e. when individuals perceive an investment avenue to be highly risky, they do not pursue it. Similar results have been recorded by Awais et al., 2016 and Sahul Hamid et al., 2013.Studies by Aren and Zengin (2016); Lim et al., 2018 and Alaa et al. (2021) also find a significant negative relationship between Risk perception and investment behaviour of individuals. Within the concept of Investor decision making, risk aversive investment decision making is gaining importance. Olsen & Cox (2001) in their study found that risk perception of women is generally high and hence they exhibit greater risk aversive behaviour when choosing investment avenues. When investors place more emphasis on risks, they tend todisplay risk aversive investment behaviour (Sarkar & Sahu, 2018). The high perception of risk may be due to the family upbringing, family values or the commitments one might have towards one's family. Individuals high on Familism would be more wary of risks in investments especially if any loss resulting from investments can affect their family members. The same value also results in them placing more importance on financial plans, budgets and adherence to one's plan of action. Thus Familism may affect Risk aversive investment behaviour through intervening variables like risk perception and Financial Discipline.

Conceptual Framework

The present study also draws support from The Theory of Planned Action by Ajzen (1987). The study finds that the attitude (one's evaluation of investment behaviour), subjective norms (social /family pressure to exhibit risk aversive investment behaviour) and perceived behaviour control (difficulty/ ease of exhibiting risk aversive investment behaviour) can explain the proposed relationship between Familism, Risk Perception, Financial Discipline and Risk Aversive Investment Behaviour

Based on the above discussions the present study has generated the following Hypothesis

H1: Risk Perception will mediate the relationship between Familism and Risk Aversive Investment Behaviour

H2: Financial Discipline will mediate the relationship between Familism and Risk Aversive Investment Behaviour

Objectives of the study

- ✓ To assess Familism, Risk perception, Financial Discipline and Risk aversive investor behaviour
- ✓ To examine if Risk perception mediates the relationship between Familism and Investment behaviour.

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- ✓ To examine if Financial Discipline mediates the relationship between Familism and Investment behaviour.

Proposed Research Model

Research Methodology

The present study is Descriptive and has employed Judgmental sampling method. Data collection was carried out through Survey method among 175 residents of Coimbatore, Tamil Nadu. The study has attempted to obtain data only from respondents who actively earned and invested. A conscious attempt has been made to avoid non income generating individuals. A well-structured questionnaire was used to measure all the study variables. The research instrument to measure the variables were borrowed from studies by Ramu,2021;Bhanu, 2020;Nguyen et al., 2016 and Khan, 2017. All the statements were measured on a 5 point Likert scale. For instance, "I can maintain financial records of my income and expenditure" is an item under Financial Discipline which was measured on a "5 point Likert scale" where 5 means "Strongly Agree" and 1 meant "Strongly Disagree". The results of the reliability analysis are given below in Table 1. From the results, it is evident that the questionnaire had good reliability with Cronbach's alpha values for all variables exceeding 0.7. Most of the respondents (42.3%) were in the age group of 35 – 45 years, male (66%) and married (61.7%) and possessed a post graduate degree (57.1%). The present study has used Descriptive statistics, Correlation and Mediation Analysis using Andrew Hayes Process Macro in SPSS 21. The usage of parametric tests on Non probability sampling data has been supported by studies like that of Wadgave & Khaimar, (2019).

Table 1: Reliability Analysis

Study Variables	Cronbach's Alpha
Risk Perception	0.865
Familism	0.885
Financial Discipline	0.891
Risk Aversive Investment Behaviour	0.762

Analysis & Discussion

Descriptive Statistics

Table 2: Descriptive Statistics

Study Variables	Mean
	Statistic
Risk Perception	3.686
Familism	4.211
Financial Discipline	3.973
Risk Aversive Investment Behaviour	3.688

From the results displayed in Table 2, it is evident that respondents have reported to have greater Familism with a mean value of 4.211. The reason could be that most of the respondents are married and hence might have family commitments. It is also seen that the respondents exhibit financial discipline (Mean = 3.973). Again being married and wanting to provide financial support to families requires them to plan, create budgets and strictly follow the same.

Correlation Analysis

Table 3: Correlation Analysis

Study Variables	Risk Perception	Familism	Financial Discipline	Risk Aversive Investment Behaviour
Risk Perception	1			
Familism	0.535**	1		
Financial Discipline	0.600**	0.731**	1	
Risk Aversive Investment Behaviour	0.627**	0.530**	0.630**	1
**. Correlation is significant at the 0.01 level (2-tailed).				

From the results shown in Table 3, it is clear that Risk aversive investment Behaviour has a significant positive correlation with Risk perception($r=0.627, p<0.000$),Familism ($r=0.530, p<0.000$) and Financial discipline($r=0.630$, $p<0.000$) at 0.01 levels. This implies that individual's Risk perception, Familism and Financial discipline are associated to their Risk aversive investment Behaviour. High correlation between Financial Discipline and Familism ($r = 0.731$) indicate that individuals who intend to support their families financially, tend to resort to financial planning, budgeting to do the same. Likewise a positive significant association between Risk perception and Familism ($r = 535$) and Financial discipline ($r= 600$) indicates that those who are committed to provide for their families and disciplined in managing their finances have higher risk perception. These individuals are highly likely to indulge in Risk aversive investment behaviour.

Mediation Analysis

Parallel Mediation using Hayes Process Macro

The proposed model constitutes four interactions or paths

a1 – Effect of Familism on Risk Perception

b1 - Effect of Risk Perception on Risk Aversive Investment Behaviour

a2 - Effect of Familism on Financial Discipline

b2 - Effect of Financial Discipline on Risk Aversive Investment Behaviour

c' – Direct effect of Familism on Risk Aversive Investment Behaviour

Indirect Effect 1 = a1 x b1

Indirect Effect 2 = a2 x b2

Total Indirect Effect = a1b1 + a2b2

Total Direct Effect = c'

Total Effect = c' + a1b1 + a2b2

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The above mentioned analysis was carried out using Model 4 of Process Macro by Andrew Hayes in SPSS 21 and the results are given below.

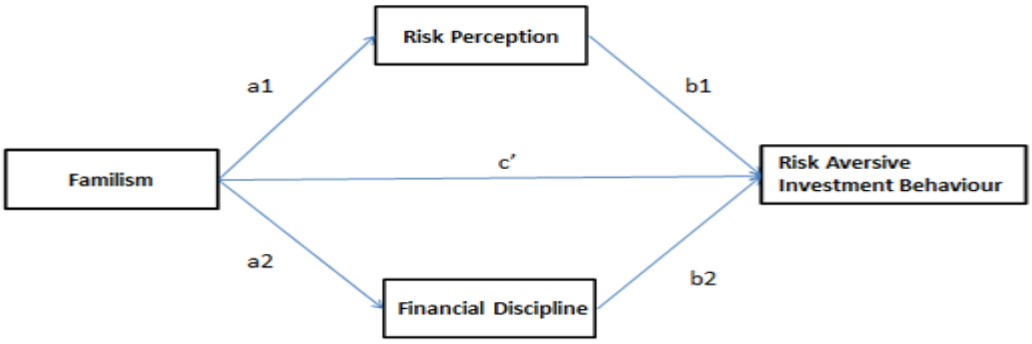

Figure 1: a1 – Direct effect of Familism on Risk Perception

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OUTCOME VARIABLE:
 AVGRP

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .5345      .2857      .3725    69.1991     1.0000   173.0000      .0000

Model
             coeff         se          t          p       LLCI       ULCI
constant    1.6215      .2524     6.4244      .0000     1.1233     2.1197
AVGFM        .4901      .0589     8.3186      .0000      .3738      .6064

Standardized coefficients
           coeff
AVGFM      .5345
```

From the result displayed in Figure 1 it is clear that Familism has a positive significant influence Risk Perception (β = 0.5345) with an adjusted R square of 28.57% at p<0.000.

Figure 2: a2 - Effect of Familism on Financial Discipline

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OUTCOME VARIABLE:
 AVGFD

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .7312      .5347      .2668   198.7862     1.0000   173.0000      .0000

Model
             coeff         se          t          p       LLCI       ULCI
constant    1.0116      .2136     4.7359      .0000      .5900     1.4332
AVGFM        .7031      .0499    14.0992      .0000      .6046      .8015

Standardized coefficients
           coeff
AVGFM      .7312
```

From the results displayed in Figure 2, it is evident that Familism has a positive significant influence Financial Discipline (β = 0.7312) with an adjusted R square of 53.47% at p<0.000.

Figure 3: The effect of Familism (c'), Risk Perception (b1) and Financial Discipline (b2) on Risk Aversive Investment Behaviour

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OUTCOME VARIABLE:
 AVGNRB

Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .6312      .3984      .2171    37.7435     3.0000   171.0000      .0000

Model
              coeff         se          t          p       LLCI       ULCI
constant     1.3440      .2178     6.1713      .0000      .9141     1.7738
AVGFM         .0717      .0670     1.0708      .2858     -.0605      .2040
AVGRP         .2671      .0623     4.2883      .0000      .1442      .3900
AVGFD         .2400      .0736     3.2608      .0013      .0947      .3852

Standardized coefficients
           coeff
AVGFM      .0946
AVGRP      .3229
AVGFD      .3042
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Figure 4: Total, Direct and Indirect effects of Familism (X) on Risk Aversive Investment Behaviour (Y)

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Total effect of X on Y
     Effect         se          t          p       LLCI       ULCI       c_cs
      .3714      .0503     7.3864      .0000      .2721      .4706      .4896

Direct effect of X on Y
     Effect         se          t          p       LLCI       ULCI      c'_cs
      .0717      .0670     1.0708      .2858     -.0605      .2040      .0946

Indirect effect(s) of X on Y:
          Effect     BootSE   BootLLCI   BootULCI
TOTAL      .2996      .0579      .1874      .4127
AVGRP      .1309      .0378      .0657      .2138
AVGFD      .1687      .0566      .0551      .2753

Completely standardized indirect effect(s) of X on Y:
          Effect     BootSE   BootLLCI   BootULCI
TOTAL      .3951      .0783      .2363      .5394
AVGRP      .1726      .0468      .0887      .2730
AVGFD      .2225      .0774      .0695      .3699
```

Total Effect = 0.0717 + 0.1309 + 0.1687

= 0.3714

From the results shown in Figure 3& 4, it is evident that the direct effect of Familism on Risk Aversive Investment Behaviour is not significant ($p = 0.2858$). Whereas, the effect of Risk Perception ($\beta = 0.3229$, $p<0.000$) and Financial Discipline($\beta = 0.3042$; $p=0.0013$) is positive and significant. This confirms that the relationship between Familism and Risk Aversive Investment Behaviour is fully mediated through Risk Perception and Financial Discipline. **Hence H1 and H2 are accepted**. Individuals who are high on Familism will give more emphasis on Risks and financial Discipline. This in turn results in them exhibiting Risk Aversive Investment Behaviour. The intention to provide for one's family and closeness with family members/ relatives affects how one perceives risk. The need to provide financial help to the family

naturally makes the individuals to carefully evaluate risks and cultivate financial discipline. This in turn affects their investment decisions. They are highly likely to look for investment opportunities that are devoid of risks.

Limitations & Future Implications of the Study

The limited geographical extent and sample size is a primary limitation of the study. The present study confirms the importance of Familism – a cultural value in the context of investment behaviour. Studies in future could also try to explore other cultural values/factors that could predict risk aversive investment behavior of individuals. A cross cultural study can also help to derive more insights on the implications of culture in the context of investor behavior.

Conclusion

The present study has tried to understand the intervening effect of Risk perception, and financial discipline in the relationship between Familism and Risk aversive investment behavior. The use of Familism in the context of Investment behavior is a contribution of this study. Earlier studies (Ahmad et al., 2018) have documented the importance of Familism in determining the risk Perception of individuals, individual decision making process and in countries with collectivistic cultures like India.The findings of the present study apart from expanding the available literature on risk aversive investment behaviour can also provide assistance in developing investment options. Especially for individuals who are more family oriented. Also the present study also shows that interconnectedness in family can ensure children will be more disciplined in making financial decisions and will make responsible investment decisions.

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