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A Descriptive Interpretation of the Relationship between Culture and Investment Decisions

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ABSTRACT: *The investment world is impacted heavily by a myriad of factors including interest rates, inherentrisks, income levels, and economic and politicalfactors. However, a noneconomic factor such as culture, alsodirectly or indirectly impacts how individuals make their investment choices. Culture has influence on how a group of individuals view, value, and approach things differently from their cultural perspectives which includes their investment behavior. Studies exist that different people approach businesses differently due to their cultural values and belief systems. The impact of culture on investment decisions is a phenomenon that has received little attention by finance and academic researchers. In this paper l use descriptive statistics to explore how culture influences investment concentration in the Ghanaian economy. Other factors such as education, and stock market awareness are also used to study investment concentration (why individuals choose to invest in certain areas) in the Ghanaian market. Results in indicate that Ghanaians are immersed in their deeply rooted cultural belief systems that impact how they make their investment decisions. Culture and other factors such as financial education and stock market awareness also accounts for the weak growth potential of the Ghanaian stock market.*

KEY WORDS*: belief system, behavioral finance, culture, Investment concentration, stock market*

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I. INTRODUCTION

The impact of culture on investment decisions is an emerging area of behavioral finance that spurred renewed interest among researchers lately. Culture is the way a group of people live. A way of life impacts how a group of people or individuals view, value, and approach things differently. Studies exist that different people approach businesses differently due to their cultural values and belief systems. The quest to understand how culture impacts economic decisions of individuals and household is trending in the behavioral finance researchplatform. In this paper l used descriptive statistics explore how culture and other factors such as education, and stock market awareness influence investment decisions in the Ghanaian context.

II. REVIEW OF LITERATURE

Culture is what identifies a group of individuals, a community, or a society of the people side of a country. This study would be incomplete and not well understood without reminding its diverse audiences what culture entails. Various authors, textbooks, sociologists and anthropologistsoffer various definitions about the concept of culture. Purnell and Paulanka (2003), defined culture as; “the totality of socially transmitted behavioral patterns, arts, beliefs, values, customs, life-ways, and all other products of human work and thought characteristics of a population of people that guide their world view and decision making.” Damen (1987), views culture as “learned and shared human patterns or models for living; day-to-day living pattern. These patterns and models pervade all aspects of human social interaction” (P. 367).Additionally, popular author of cultural dimension, Hofstede (1984), defined culture as “the collective programming of the mind which distinguishes the members of one category of people from another.” (p. 51).Kroeber and Kluckhohn (1952)’s version of culture is that;

Culture consists of patterns, explicit and implicit, of and for behavior acquired and transmitted by symbols, constituting the distinctive achievements of human groups, including their embodiments in artifacts; the essential core of culture consists of traditional ideas and especially their attached values; culture systems may be considered as products of action, and as conditioning elements of further action. (P 181).

Though, there is rich literature and a varied definition of the concept of culture, the common theme emerging from each is that it’s a behavior pattern. A case in point is one that is given by Kluckhohn and Kelly, (1945).Kluckhohn and Kelly posited that "By culture we mean all those historically created designs for living, explicit and implicit, rational, irrational, and nonrational, which exist at any given time as potential guides for the behavior of men."Also, according toLederach (1995), "Culture is the shared knowledge and schemes created by a set of people for perceiving, interpreting, expressing, and responding to the social realities around them" (p. 9).

2.1 The Building Blocks of Culture

Typical of cultural components include a host of identifiable units such as beliefs, values, institutions, and artifacts that characterizes or are tied to a particular group of people. Belief systems, value systems, and behavioral traits constitute the core elements that define and tie a particular group of people together. A belief system may entail a collection of beliefs that inform society's way of viewing and interpreting human phenomenon and events. Belief systems are central to how a group of people approach things differently. Beliefs make people to act or behave in a certain way and any individual who behaves or acts contrarily to existing beliefs is seen as a nonconformist or social outcast. For example, while an American beliefs that meeting a black cat may be a signal of bad luck, some group of Africans may not go to the farm on some days of the week with the belief that such days are sacred days for the gods. So people spend productive days sitting in their homes.

Cultural values may be perceived as common social principles, ideas, goals or standards upheld or appreciated by all within a cultural group. People from different cultural backgrounds differ by way of behavior. Behavioral traits are being transmitted from generation to generation which may be influenced by certain cognitive biases.

2.2 Belief Systems and Investment Decisions

Beliefs can influence how people make investment decisions and strategiesMinahan, (2012). The financial market is full of investment beliefs that largely impact how the investing public moves capital towards a particular asset market (Goltermann, 2010). Some common investment beliefs that move investors towards a certain asset market direction include but are not limited to; cash and U.S. treasury bonds are safe;gold is always a terrible investment and is obviously in a bubble; emerging markets carry excessive risk, and the dollar will always be the reserve currency of the world (Goltermann, 2010).

Belief systems are central to how a group of people approach things socially, politically, religiously and economically. However, in the investment world similar beliefs drive how people channel their economic resources. Grinblatt and Keloharju, (2001) document that native tongue and other cultural attributes affect how investors own, sell or buy stocks in Finland Finnish firm.Shamsoni, Fariborz, Mohammad, and Morieza, (2012) also find that cultural variables such as values, facilities, and behavior have an impact on investment decisions in the Khorasan Razavi stock exchange market.

Other non-cultural beliefs that impact investment decisions is the awareness of the stock market, geographic location, and familiarity. In Nigeria, Aregbeyen and Mbadiugha (2011) report as part of their findings that awareness of the gains from investing in stocks play a role in investment decisions. Investor awareness of the prospects of a given investment source may affect decision making but distance and familiarity seem to impact more on investment decisions (Huberman, 1999). Huberman investigated the correlation between the geographic location and familiarity of U.S Regional Bell Operating Companies (RBOC). Huberman (1999) find that investors tend to invest in organizations that they not only are familiar with but also are visible to them. Investing in the familiar (know companies) is driven by the comfort associated with the known and the discomfort or fear of the unknown and distant (Huberman, 1990). Consistent with what is called home bias to investment choice, people including investment managers invest in investment types and companies they are more familiar with. This behavior may be as a result of lack of confidence in stock brokers and dealers. In this situation the concept of investment diversification is often ignored.

2.3 What impacts investment decisions in the Ghanaian cultural setting?

Investment opportunities exist in Ghana for the Ghanaian potential investors. The investing public in Ghana has the opportunity to invest in many financial assets including companies (through stock ownership), petty retail trade in second-hand clothes, commodities, or in commercial farming. However, the decision to invest in one or more of these investment areas is much influenced by the following factors:

i) *Beliefsystem:* The Ghanaian investment environment is characterized by high rate of risk aversion due to lack of confidence in investment brokers/ dealers and the companies themselves. It's often believed within the uneducated community that most educated, especially accountants, and stock broker/dealers are less trustworthy and unreliable in the Ghanaian cultural setting. The belief is that this social class tends to take advantage of their predicaments to exploit them of their wealth.
ii) *Value system:* Hard work is associated with wealth. Ghanaians put much premium on wealth dispositions of individuals which is acquired through hard work.

iii) *Awareness of traditional investment areas:* Equity, bond, and alternative investments constitute investment opportunities with varying degrees of returns and risk potentials in Ghana. The Ghana Stock Exchange (GSE) is the sole investment market that brings potential investors and borrowers together. Education and awareness of the GSE market and its associated activities is limited in publicity to the growing potential investing public. Investment brokers/dealers are only concentrated in the nations' capital Accra.
iv) *Lack of education:* forcing or pushing others to invest in areas where they are doing now.
v) *Family members/successful business mentors:* The motivation for most people to invest in areas is either as a result as of family business continuity, friendship advice or successful business mentors.

2.4 Risk Tolerance and Investment Decisions

The investment world identified individuals and investors in terms of how they tolerate risk. Embarking on any form of investment often requires capital outlay. And doing business is motivated by the perceived rewards associated with it. People engage in business ventures not only based on their capital outlay requirement but also the potential risk and return outcomes associated with them. In the world of wealth maximization under uncertainty, there are some individuals who are either risk seekers, risk avoiders or even those are neutral. The choice of an investment type and how much to hold in a portfolio is dependent on individuals' risk tolerance level. Risk seeking and/or avoidance may have some impact on how individuals decide on what and where to invest. Our risk preferences determine which asset class and how much to invest in it. A risk-averse investor is one who, given two or more investment opportunities with almost the same reward and different degrees of risk, would by no means choose the one with minimal risk. While a risk-averse investor, would typically try to minimize losses by avoiding risk, the same cannot be said for a risk seeking investor. Asset classes such as stock, bonds, cash, and commodities have different risk and return levels. An individual's decision to invest in one or a combination of an asset class depends on his/her level of risk tolerance.

2.5 Education and Investment Decisions

Investment in such areas as the stock market requires some level of education, formal or non-formal to be able to understand simple arithmetic and numeracy. Traditional education provides numeracy and cognitive ability to be successful inbusiness endeavors. Experience indicates that most entrepreneurs engage in different businesses due to various factors such as self-drive or interest, family inheritance, and educational status. People engage in businesses for what they believe they have interest in and can do better in their lives. Some entrepreneurs also engage in businesses that were handed over to them by their families. And one critical success factor to successful entrepreneurship is education. Khan (2014) found that educational background significantly impacts entrepreneurial success. Successful entrepreneurship is believed to be a direct result of education. Studies exist that individuals with higher education level tend to engage in entrepreneurial activities than those without (Bloom, Canning&Khan, 2006). Education not only prepares the manpower needs of a country but also provides individuals with various career paths. Individuals' career path choices are dependent on the type of education they have.

Financial advisors and dealers are available in the stock markets to assist the investing public. The extent to which potential investors take advantage of them via consultations, however, remains skeptical. Experience also indicates that the uneducated not only understand the traditional investment language, but also have engrossed mistrust of the educated. The investment pattern within the Ghanaian economy is clearly divided between the educated and uneducated. United Nations Educational, Scientific, and Cultural Organization (UNESCO) report indicates that a little over 78% of Ghanaian adults are educated as at 2010. The remaining over 20% has no education. While most of the uneducated investors engage in the alternative investments such as in the commodity market (cattle, used cloths, foodstuff, etc.) and farming which they understand better and have confidence in, small to medium scale businesses are in the hands of the few educated individuals. A greater proportion of Ghanaians are uneducated and do not participate in the stock market. Several factors account for this nonparticipating behavior among the illiterate individuals. Risk aversion and mistrust partly explain their avoidance in the stock market investment. Culturally, most Ghanaians have little to no trust on investment managers, mutual fund managers, and accountants. The belief is that such group of people and other educated folks are not trustworthy when it comes to entrusting them with their hard earned wealth. To avoid economic exploitation from the few educated individuals they tend to engage in more risky investments leading to low stock market participation.

2.6 Financial Education, Awareness, and Stock Market Participation

We propose to investigate how financial education and awareness of the available financial markets and products impact individuals and institutional investors' decisions in Ghana. Individuals and familiesmake important investment, retirement, education, and insurance decisions in their life time. The need for financial education to effectively make these important decisions is motivated by the fact that developed and emerging economies experience growth in new financial markets and products. (Amoah, 2016). Nonetheless, most people, especially in the developing countries where there is scarce or no such financial literacy, lack the ability to effectively exploit the benefits of the available financial markets and products. Studies reported a positive correlation between financial literacy and stock market participation (Moore, 2003: Thomas & Spataro, 2015).Lack of awareness of financial markets and assets can make an individual less active or interested in the stock market participation (Guiso & Jappelli, 2005).

Ghana is a developing economy with limited financial markets and products available for its investment population. The Ghana commercial bank and other commercial banks and institutions are the major financial intermediaries that provide capital for the investing population. The Ghana stock exchange (GSE) market plays a major role in bringing investors and resource owners together through buying and selling ofstocks. The majority of the stock market participants, however, seem to be institutional investors versus individual investors. The 2015 executive report from AngloGold Ashanti, for example, indicated that the majority of the company's investors are institutional investors coming from Great Britain, U.S, South Africa, and the rest of the world. Lack of financial education and awareness of the stock market activities play a significant role in low market participation in the GSE. Tables 1 and 2 provide information on the capital stock traded in the GSE and companies listed therein.

2.7 The Capital Market and GSE Market Products

The Ghana stock exchange (GSE) is the major stock market in the Ghanaian economy. As an emerging market, theGSE officially commenced trading in 1990, a year following its incorporation in 1989. It has 39 listed companies and trades over 42 equities and corporate bonds as at 2015.The GSE has recently transitioned from AllShare Index (ASI) to composite Index (CI). The major trading sectors include manufacturing, banking, mining, insurance, brewing, and petroleum sectors. Like the New York Stock Exchange (NYSE), the GSE operates indifferent financial markets including the Ghana fixed income market (GFIM), the equity market, and the Ghana alternative market (GAX). Products of the GFIM include government notes and bonds, euro bonds, and corporate bonds. The equity market trades in the traditional investment instruments such as publicly traded equities or shares while the GAX deals in private equities, mutual and pension funds.

III. METHODOLOGY

3.1 Research Design/Sample Size

I utilized the cross-sectional design to make descriptive analysis of the proposed study and the survey technique was the best option to collect data. To minimize issues that come with purposeful sampling, survey items were randomly administered to participants to provide each potential participant equal opportunity to participate. The researcher proposed to survey 120 participants, a representation of 3100 Ghanaians based in the city of Columbus Ohio. These participants comprised of a mix of adult workers, self-employed, and students. Table 1 represents participants' demographic characteristics. Out of the 120 the proposed sample size, 96 participants constituting 80% returned valid responses to the research questions.

Questionnaire items were developed based on the under listed major themes: The researcher wanted to study Whether or not:

i) Cultural attributes; belief and value systems impact how investors make theirinvestment choices.
ii) Investors' awareness of the stock market and investment opportunities impact his/her investment decisions?
iii) Financial literacy generally impacts how one makes investment decisions?
iv) Family members/inheritance or successful business mentors influence investors' choice of investment?

Subsequent sections of this paper record descriptive analysis of the number of responses to each of the questionnaire items.

Table 1 ***Participants Demographic characteristics***

Participant Type	Number (n)	Percent (%)
Sex:		
Males	69	72%
Females	27	28%
Employment:		
Adult Workers	78	81%
Self-employed	2	2%

Students16 17%
Education:
Graduate 40 43%
College 38 40%
High Sch.18 17%

3.2 Results:

Results collected were based on participants' responses to the questionnaires including their education statuses, awareness of all or some listed companies in the GSE, and cultural values on investment (e.g. to sustain family economic status, to foster decent family life, to supplement family income, etc).

3.3 Cultural Attributes and Investment Decisions:

Culture and decision making was extensively discussed in the literature of this study. A questionnaire item pertaining to the research question seeking whether cultural attributes, beliefs, and value systems can potentially impact how investors make their investment choices was responded by participants. Table 2 represents the various responses to this item.

Table 2*Que. Do you think cultural attributes may have an impact on the way you make your financial decisions?*

Response	Frequency	Percent
Yes	36	46%
No	30	38%
Maybe	11	14%
None	1	2%

From table 2 the survey item sorts the views of participants. While 38% of respondents think not all cultural attributes have no effect on the way they make their financial decisions, 46% think they all play a role in influencing their decision making. Further, while 14% of participants doubt the efficacy of the perceived cultural attributes to influence investment decisions, 2% confidently declared none of the attributes affect decisions.

3.4 Stock Market Awareness and Investment Decisions

Financial education and awareness of the capital market and its activities were projected to play a role in how investors and prospective investors take financial decisions and/or participate in the stock market. Table 3 contains data collected on the research question whether investor awareness of the stock market and investment opportunities impacts his/her investment decisions.

Table 3Que. Are you awareness of the existence of the stock market and its associated investment opportunities?

Response	Frequency	Percent
Yes, and l know What they do	**67**	**70%**
Yes, but do not know What they do	18	19%
No, at all	11	11%

From table 3 the majority of responses to this question were skewed in favor of awareness of the stock market and its activities and how that impacts investor investment decisions and involvement. While 70% admitted capital market awareness affect their decisions on how, when, and where to invest, 19% of respondents said they heard of the stock market but do not know its operations. This category of 70% respondents not only indicate their awareness of the stock market and its activities and that impacts investment decisions, but also had formal course in finance or received employer-sponsored seminars on financial literacy, invest in stocks/bonds, 401K, and own property. Also, those whose (19%) responses indicated they heard of the stock market but do not know what entails do not have or received formal course work in finance, employer-sponsored nor own any investment products such CDs, 401K, stock/bonds, mutual funds, and money market accounts because they do not even understand what they are. Furthermore, only 11% of participants indicated they never head of stock markets and/or its operations. They did not only receive any kind of financial education but also own none of the investment products as their counterparts.

3.5 Financial literacy and investment decisions

Responses for this category of the research question were based on what form of financial education participant have had and what investment choices they had made. For instance, out of 96 participants 78% had formal and/or informal education in financial matters. They either had one or a combination of the following; college degree in finance, formal coursework in finance, financial planning workshops or employer-sponsored seminars.Based on participants' responses to the survey questions, this category of respondents indicated they took basic financial decisions including not only owning savings and checking accounts but also invested in money market accounts, stocks and bonds, 401K or retirement accounts, mutual funds as well as residential properties. On the contrary, 22% of the participants who indicated they did not have formal or informal education in financial literacy opportunities from either college degree in finance, formal coursework in finance, financial planning workshops or employer-sponsored seminars also indicated though they own savings and/or checking accounts, they did not indicate they invested in investment instruments such as CD,s treasury bills, stocks and bonds, 401K or retirement accounts, mutual funds as well as residential properties.

Table 4 3.6 How family members and business mentors can affect investment choice:

Data collected from this question was intriguing. A total of 38 participants indicated in the survey that they were self-employed. Table 4 represents the analysis of responses.

Response	Frequency	Percent
Decision Influence By:		
Self Interest	30	79%
Family/business mentor	8	21%

From table 4 while 8 participants representing 21% indicated they were self-employed and that family business/inheritance and/or successful business mentors were their main source of motivation for running own businesses, 30 participants constituting 79% indicated they run their own businesses out of their own interest, and motivation. The decision for this category of participants was not only influenced by family and/or business mentors but also the fact that they did not have financial education, formal or informal, and do not own any investment instrument.

We were also revealed in the study about the aversion level of participants. The risk aversion statuses of participants was a split opinion. Forty-nine (49%) of participants indicated in the study that they would not invest in stocks because in their opinion investing in stocks/bonds is risky. The participants also indicated they would rather invest $200,000 in building a house, buy cars or establish their own business than investing in stocks and bonds. While 3% of participants failed to reveal their risk-averse statuses by skipping the questionnaire, 48% (1% fewer than the risk-averse participants) indicated they either did not think investing in stocks and bonds is risky or did not care whether or not investing in the stock/bond markets is risky and would in either one.

IV. CONCLUSION

Like other emerging economies the stock market in the Ghanaian economy experiences increased growth and development over the past two decades. This growth potential could be enhanced if there were free flow of vital information and other factors to make the market efficient. The result of this study indicates that cultural and other factors such as financial education and stock market awareness hold back the growth potential of the Ghanaian stock market. Familiarity is key to making investment decisions that subsequently lead to movement of capital towards a particular direction of investment. The market efficiency of the Ghana stock exchange could be improved if more people became aware and familiar with the stock market activities. Research also indicates that investing in financial literacy not only improves the individual's economic wellbeing but also leads to national savings (Jappelli & Padula's, 2011).It would be a worthwhile cause if leadership could invest in financial literacy programs. A step, which not only would improve the economic wellbeing of the individuals, but also the economic health of the nation.

The result of this study brought forth an enormous wealth of knowledge. The outcome of the study revealed that individuals are immersed in their deep rooted cultural belief systems which have a negative impact on how they make investment decisions. By taking active management of one's belief system can potentially make one a better investor (Minahan, 2012).

V. RECOMMENDATIONS

This study was limited toa descriptive analysis of responses provided by participants in order to take a cursory look at the empirical outcome. A causal-and-effect study utilizing statistical analysis needs to be conducted to reveal the extent to which these cultural and other factors impact investment decisions.

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