

WHY ARE WOMEN LESS FINANCIALLY MOTIVATED THAN MEN?

by

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## Abstract

A previous group in the honors college wrote a research paper about women's motivation to become financially literate. They found that, on average, women reported lower motivation to learn about personal finance than men did. Women who expect to make financial decisions with a spouse reported lower motivation to learn finance than women who expect to make financial decisions alone. Men's motivation to learn personal finance did not vary according to those expectations. They surveyed college students at ECU and got 176 participants. One problem with this study was the low response rate and small sample size. In our study, we plan to increase this survey size and survey staff and faculty at ECU, along with people 18 and older in the surrounding community. Another limitation of the study is that although the survey was based on surveys used in published papers on financial literacy, it was not written to directly test implications of the Expectancy Theory of Motivation.

## Introduction

Research indicates that women care and know less about finances than men. Women are at a higher risk than men of having financial problems and of approaching retirement with insufficient savings (Foncesca 2012). Financial literacy is defined as the “knowledge to manage finances in financial decision makings.” (Mu’izzuddin 2017) Financial literacy is important because it allows people to manage money effectively. It allows people to manage their money with more confidence and gives them the knowledge to make decisions regarding budgets, debt, and investing.

Our research will help us understand why women are less motivated financially and what can be done to motivate them. In a previous study done by two students in the honors college, they surveyed college students. We chose to survey staff and faculty at ECU, along with people 18 and older in the surrounding community because we wanted to increase our sample size and see whether changing the age and professional/financial status of the respondents changes the results. We wanted to survey people who are more likely to be married or have been married and working full-time so that their responses are based more on their experiences rather than their expectations for the future. In this paper we will revisit the hypotheses/research questions examined in the previous study to see how differences in age, marital status, and professional status affect the results. We will also examine the variance in education, income, degree of financial independence, and whether a person has children affects motivation to learn personal finance.

## Literature Review

Mu'izzuddin says that "financial literacy is a basic need for every individual to avoid financial problems." Financial literacy is defined as the "knowledge to manage finances in financial decision making." (Mu'izzuddin 2017) Those who have less financial literacy tend to end up with financial distress. Financial distress can be a result of low income, misuse of credit, and a lack of financial planning. (Mu'izzuddin 2017) A study found that older women in the US have very low levels of financial literacy, and the majority of women have undertaken no retirement planning. It was also found that women who display higher financial literacy are more likely to plan and be successful planners. This study also found that women are less likely to plan and less likely to be prepared for their retirement than men. They mention that differences in financial literacy may have emerged due to specialization within the household, where men traditionally make the majority of household financial decisions. (Bucher-Koenen 2016) In this study, it was also found that married women exhibit lower levels of financial literacy than married men. Single women display very low levels of financial literacy. Women are much less likely to ask for advice and less likely to use online resources for information. (Bucher-Koenen 2016)

Mitchell defines motivation as the "process that explains the intensity, direction, and persistence of an individual to achieve his goal." (Mitchell 2008) There are three main categories of motivation. The first type is amotivation which is defined as "the absence of motivation towards an activity." The second type of motivation is intrinsic motivation which is defined as "doing an activity for its own sake, that is, because it is interesting and enjoyable in itself." The last type of motivation is extrinsic motivation which is defined as "engaging in the

activity for instrumental reasons, such as receiving rewards and approval, avoiding punishments or criticism, boosting one's self-esteem, or reaching a personally valued goal." (Gagné 2015)

Extrinsic motivation is then broken down into three subtypes. The first type of extrinsic motivation is external regulation which is "doing an activity to obtain rewards or avoid punishments administered by others." The second type of extrinsic motivation is introjected regulation which is "the regulation of behavior out of internally pressuring forces, such as ego-involvement, shame, and guilt." The last type of extrinsic behavior is identified regulation which is "doing an activity because one identifies with its value or meaning and accepts it as one's own." (Gagné 2015)

People have different reasons for being motivated to become financially literate. When designing our survey questions about motivation, we gave responses from each type of motivation. Expectancy-value theory says that "individuals' choice, persistence, and performance can be explained by their beliefs about how well they will do on the activity and the extent to which they value the activity." (Wigfield 2000) We also used this theory to form some of our survey questions.

## Methodology and Data

The link to an online Qualtrics survey approved by the University's Institutional Review Board was shared on Facebook and emailed to faculty of the College of Arts and Science at East Carolina University. We chose to send this survey out to East Carolina's surrounding community to increase our sample size. The survey is composed of twenty-four questions. Participants could exit the survey at any time. The purpose of this survey was to see how differences in gender, age, marital status, and professional status affect financial motivation.

The entire survey and answer choices are in the Appendix. The first five survey questions address demographics, including how they are affiliated with East Carolina University, their gender, age, marital or partnership status, and how many children they have. The next questions ask how motivated the respondent is to learn about finances and how important they think personal finance is. Next are some questions where respondents are asked to use a scale to indicate how much they agree with the statements. These questions are closely related to expectancy theory and what motivates them to be financially literate. The next question asks about how financial responsibilities are split in respondents' households. We then asked about their bank account ownership. Next are some questions that require respondents to choose true or false for the following statements. The questions relate to their financial strain, financial optimism, and financial self-efficacy. Next, we ask respondents about what they do or who they reach out to when they have an important financial decision. Next are questions about what steps they have taken in the past and plan to take in the future to learn about finance topics. We end the survey with a few more demographic questions, including their education, if they

have a degree in business, finance, or economics, their personal and household income, and finally their race.

## Analysis and Results

We received 405 responses to our survey. There were 339 female respondents, 65 male respondents, and 1 non-binary. We received responses from ages 18 and up. Most of our respondents were 60 and older, with 24 and under closely following. Most of our respondents have completed a bachelor's degree or master's degree. 209 respondents are married or living with a partner with joint accounts and pooled resources, 81 respondents are married or living with a partner with separate accounts and resources, and the remaining 118 respondents are not currently married or living with a partner.

First, we asked respondents how important they think personal finance is, and 278 respondents said it was very important. 63 respondents said it was important, and only 58 said it was very unimportant. 69 percent of males and 69 percent of females said personal finance was very important. 15 percent of males and almost 15 percent of females said that personal finance was not important. The data between women and men was very similar for this question. When we look at motivation to do finances, only 111 are very motivated. It seems as if respondents know it is important but may be lacking motivation. Most respondents are slightly motivated to learn about finance topics. 41 percent of males respondents said they were very motivated to learn about personal finance, while only 25 percent of females said they were very motivated. Most female respondents said they were slightly motivated.

The next questions respondents are asked to use a scale to indicate how much they agree with the statements. These questions are closely related to expectancy theory and what motivates them to be financially literate. The first question is why do you or why would you try to understand and manage your finances. The responses vary from I don't try to understand my



finances because I feel like I would be wasting my time to I spend time managing my finances so I can afford nicer, clothes, cars, vacations, or house. With each of the responses they can choose whether they agree with this statement not at all, very little, a little, moderately, strongly, very strongly, or completely. One choice was “I spend time managing my finances so I can afford nicer clothes, cars, vacations, or houses.” More men than women chose strongly, very strongly, or completely. Another choice was “I don’t try to understand and manage my finances, because I really feel that I’d be wasting my time. It’s too confusing.” 13 percent of females said they moderately, strongly, very strongly, or completely agree with this statement versus 9 percent of males choosing these options. More females than males said they would feel ashamed of themselves if they did not try to understand and manage their finances. More women than men say they don’t try to understand and manage their finances because their spouse takes care of it. It seems like women are more confused by their finances or let their spouses take care of it.

We then asked respondents about how financial responsibilities were split in their household. The choices were I primarily handle this responsibility, my partner primarily handles this responsibility, my partner and I equally share this responsibility, or a professional advisor handles this responsibility. I broke the results from this question down to see male versus female responses. When it comes to choosing investments, 46 percent of male respondents primarily handled this responsibility, and only 23 percent of female respondents handled this responsibility. But when it comes to making sure bills get paid on time, 46 percent of male respondents handled this responsibility versus 50 percent of female respondents handling this responsibility primarily. When it comes to choosing loans, men and women respondents mostly

said they equally share this responsibility, but for those who said they primarily handled this responsibility, 39 percent were men versus 24 percent women. With this data, it seems that women oversee the simple tasks like making sure bills are paid on time, and more men oversee risky choices like choosing loans and investments.

Another question we asked participants is which steps they have taken in the past to learn about personal finance topics like investing, retirement planning, or borrowing. The option for participants includes completed a personal finance course, completed an economic or business course, attended seminars on personal finance topics, met with a personal financial advisor, met with a retirement plan advisor, researched a finance topic, or none. More men have completed finance courses, attended seminars, met with personal advisors, and researched a finance topic than women. The only steps women had taken more than men were meeting with a retirement plan advisor and taking no steps. This data shows that men are taking more steps to learn about finance and improve their finances.

After asking about what steps participants had taken in the past, we asked them about what steps they plan to take in the future. We gave participants the same choices as the previous question. Men planned to complete courses, attend seminars, and research finance topics more than women in the future. Women planned to meet with advisors or take no steps more than men in the future. This data is similar to the previous question, in that it seems men are taking more steps to improve their financial literacy.

## Conclusion

Our results are consistent with research that states that women are less prepared for retirement and less confident with finances. We also found that women do not take as many steps to learn more about personal finance topics and do not plan to take as many in the future. Our data also shows that women play more of a part in day-to-day financial choices like making sure bills are paid on time, whereas men take on more risky tasks like choosing investments and loans. It seems that women and men both know finance is important but may be lacking the motivation to take control of their finances. More men responded that they were very motivated than women.

The principal limitation to this study, like the previous honors college study, is that there are still much fewer male respondents than females. Our results are consistent with prior literature in that women seem to be less financially motivated and confident than men.

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## Appendix: Survey

The following survey questions were administered electronically via Qualtrics. Answer choices are italicized following the question.

1. How are you affiliated with East Carolina University? *Current undergraduate, Current graduate, Former student/alumnus, Faculty/staff, Not affiliated*
2. What is your gender? *Male, Female, Non-binary/third gender, Prefer not to disclose*
3. What is your age? *24 and under, 24-29, 30-39, 40-49, 50-59, 60 and older*
4. What is your marital or partnership status? *Married or living with a partner with joint accounts and pooled resources, Married or living with a partner with separate accounts and resources, Not currently married or living with a partner*
5. How many children do you have? *None, 1, 2, 3, 4+*
6. How motivated are you to learn about personal finance topics such as budgeting, investing, retirement planning, and borrowing? *Very unmotivated, slightly unmotivated, slightly motivated, very motivated.*
7. How important do you think personal finance is? *Very unimportant, Unimportant, Important, Very important.*

For the following question, use the scale to indicate how much you agree with the statement. Choices are *not at all, very little, a little, moderately, strongly, very strongly, and completely*

8. Why do you or why would you try to understand and manage your personal or household finances?
  - a. I spend time managing my finances so I can afford nicer clothes, cars, vacations, or house.
  - b. I will gain financial wealth only if I put enough effort into understanding and managing my finances.
  - c. I don't try to understand and manage my finances, because I really feel that I'd be wasting my time. It's too confusing.
  - d. I have fun learning about and managing my finances.
  - e. Taking the time to understand and manage my finances aligns with my personal values.
  - f. If I don't try to understand and manage my finances, I will feel ashamed of myself.
  - g. Understanding and managing my finances has personal significance to me.
  - h. It makes me feel proud of myself when I understand and manage my finances.
  - i. I spend little time trying to understand and manage my finances, because I don't think it is worth putting effort into.
  - j. If I don't try to understand and manage my finances, I will feel bad about myself.
  - k. I try to understand and manage my finances to avoid being criticized by others (e.g., partner, family, friends, colleagues)
  - l. I run the risk of bankruptcy or poverty if I don't put enough effort into understanding and managing my finances.

For the following question, use the scale to indicate how much you agree with the statement. Choices are *not at all, very little, a little, moderately, strongly, very strongly, and completely*

9. Why do you or why would you try to understand and manage your personal or household finances?
- a. I spend time managing my finances so I can help my children or other relatives.
  - b. I don't try to understand and manage my finances because my partner/spouse takes care of it.
  - c. It is interesting to learn about and manage my finances.
  - d. I will have more financial security if I am able to understand and manage my finances.
  - e. I try to understand and manage my finances to get the approval of my partner, family, friends, or colleagues.
  - f. I spend time managing my finances so I can retire early.
  - g. I have to prove to myself that I can understand and manage my finances.
  - h. I find it exciting to learn about and manage my finances.
  - i. I don't know why I try to understand my finances. It's pointless.
  - j. I try to understand and manage my finances so I will have greater financial independence.
  - k. I try to understand and manage my finances because my partner, family, friends, or colleagues will respect me more.

Questions that follow are contingent on the partnership status indicated in question 4.

If partnered:

10. How are the following financial responsibilities split in your household?  
Choices are *I primarily handle this responsibility, my partner primarily handles this responsibility, my partner and I equally share this responsibility, a professional advisor handles this responsibility*
- a. Making sure bills get paid on time
  - b. Choosing investments
  - c. Preparing tax forms
  - d. Choosing loans
11. Which of the following best describes your account ownership? *My partner and I have joint bank accounts with equal access, My partner and I have separate bank accounts, My partner manages our bank accounts and gives me an allowance, I manage our bank accounts and give my partner an allowance, My partner has a bank account, but I do not, I have a bank account, but my partner does not, Neither my partner nor I have a bank account*

12. Please select true or false for the following statements:
- a. I am confident that I can manage my/our finances without my partner's help.
  - b. I am more knowledgeable about finances than my partner.
  - c. My partner is more interested in finance than I am.
  - d. I believe it is important that my partner and I share the responsibility of making important financial decisions.
  - e. It is important that I make financial decisions independently.
  - f. I feel comfortable leaving financial decisions up to my partner.
  - g. My partner is good at math
  - h. My partner is creative
  - i. My partner enjoys working with his/her/their hands
  - j. My partner enjoys solving puzzles

Questions that follow are contingent on the partnership status indicated in question 4.

If not partnered:

13. How are the following financial responsibilities split in your household?  
*Choices are I primarily handle this responsibility, someone else primarily handles this responsibility for me, I equally share this responsibility with someone else, a professional advisor handles this responsibility*
- e. Making sure bills get paid on time
  - f. Choosing investments
  - g. Preparing tax forms
  - h. Choosing loans
14. Which of the following best describes your account ownership? *I have my own bank account, I have a joint account with someone else with whom I share equal access, I have a joint account with someone else who gives me an allowance, I have a joint account with someone else and give them an allowance, I do not have a bank account*
15. Please select true or false for the following statements:
- a. I am financially dependent on someone else.
  - b. I am confident that I can manage my finances
  - c. I feel stressed about my personal finances in general
  - d. When I think about my financial situation, I am optimistic about the future
  - e. I feel in control of my finances
  - f. I worry about being able to pay my current monthly expenses
  - g. I am confident in my ability to plan for my financial future
  - h. When faced with a financial challenge, I can figure out a solution
16. Please select true or false for the following statements:
- a. I am not interested in finance.
  - b. I currently have sufficient knowledge to manage my personal finances.



- c. I have a partner, family member, friend, and/or advisor available to help me when I need to make important financial decisions.
  - d. Knowledge of personal finance is necessary to make good financial decisions.
  - e. I am able to learn about and understand finance topics such as car loans when I need to.
  - f. Understanding personal finance is necessary to my financial well-being.
  - g. Bad financial decisions will negatively affect my overall well-being.
  - h. I am good at math
  - i. I am creative
  - j. I enjoy working with my hands
  - k. I enjoy solving puzzles
17. Please answer never, occasionally, sometimes, often, or always. When I need to make an important financial decision,
- a. I research my choices
  - b. I consult family members or friends
  - c. I consult a professional financial advisor
  - d. I rely on someone else to make the decision for me.
  - e. I consult with my partner (answer given if partnered)
18. Which of the following steps have you taken in the past to learn about personal finance topics such as investing, retirement planning, or borrowing?
- a. Completed a personal finance course in high school, college, or continuing education
  - b. Completed an economics or business course that covered these topics in high school, college, or continuing education
  - c. Attended seminars on personal finance in general or specific topics such as retirement planning
  - d. Met with a personal financial advisor
  - e. Met with a retirement plan advisor
  - f. Researched a specific finance topic, such as mortgages, IRAs, or college savings accounts
  - g. Other with fill in the blank
  - h. None
19. Which of the following are you likely to undertake in the near future?
- a. Complete a personal finance course
  - b. Complete an economics or business course
  - c. Attend a seminar on personal finance in general or specific topics such as retirement planning
  - d. Meet with a personal financial advisor
  - e. Meet with a retirement plan advisor
  - f. Research a specific finance topic, such as mortgages, IRAs, or college savings accounts

- g. Other with fill in the blank
- h. None

20. What is the highest degree or level of school you have completed?

- a. Less than high school diploma
- b. High school or GED
- c. Vocational/Trade/Technical School
- d. Some college
- e. Associate degree
- f. Bachelor's degree
- g. Master's degree (MA, MS, MBA, etc.)
- h. Professional degree beyond bachelor's degree (JD, MD, DDS, etc.)
- i. Doctorate degree

If they answered associates' degree, bachelor's degree, master's degree, professional degree, or doctorate degree this question will be displayed

21. Do you have a degree in business, finance, or economics?

- a. Yes
- b. No

22. Which of these describes your personal income last year?

- a. Less than \$39,999
- b. \$40,000 to \$79,999
- c. \$80,000 to \$149,999
- d. \$150,000 or more

23. Which of these describes your household income last year?

- a. Less than \$39,999
- b. \$40,000 to \$79,999
- c. \$80,000 to \$149,999
- d. \$150,000 or more

24. What is your race?

- a. African American/Black
- b. Asian/Asian American
- c. Hispanic/Latinx
- d. Hawaiian/Pacific Islander
- e. Native American/American Indian/Alaskan Native
- f. Middle Eastern/Arab American
- g. White or European American
- h. Prefer not to disclose