Investor Profile of Filipino Public Servants

Dr. Jose Neil M. Hortillo

College of Management,
UP Visayas

Significance of the Study

- It is important for policy makers and decision makers in financial institutions to learn the Investor Profile of most public servants so that they can create the proper products and services that would cater to the risk appetites of their clients.

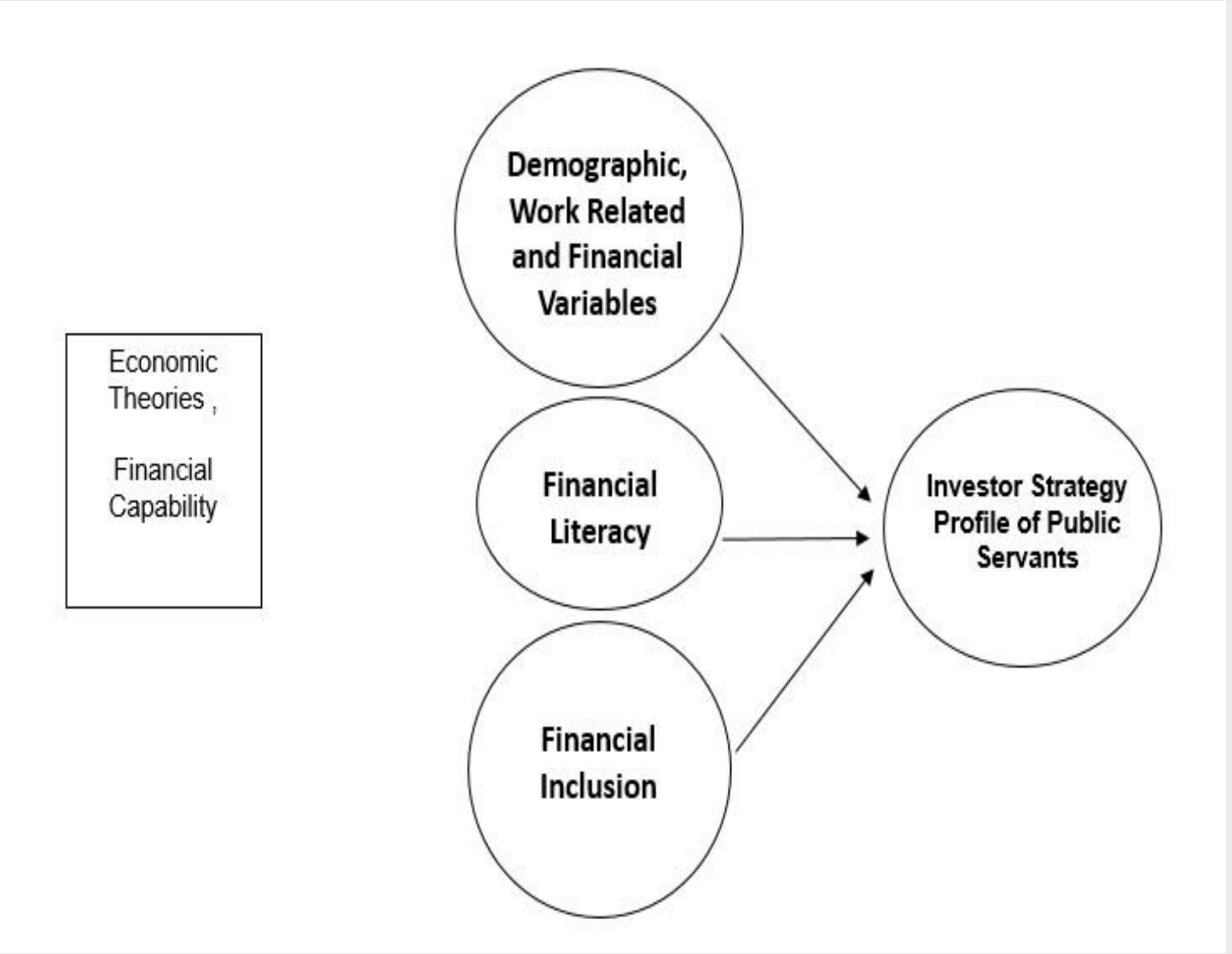
Objectives of the Study

- To determine if there is a strong correlation between financial literacy and financial inclusion and investor profile among Filipino public servants
- To determine the demographic attributes that influence Investor profile among public servant.
- To determine the percentage and profile of Filipino public servants who are engaged in the capital market

Review of Related Literature

- 2014 Philippine Consumer Finance Survey. Bangko Sentral ng Pilipinas.
- Atkinson, A., McKay, S., Kempson, E., and Collard, S. (2006). *Levels of Financial Capability in the UK*
- Cavezzali, E., & Rigoni, U. (2012). Know Your Client! Investor Profile and Tailor-Made Asset Allocation Recommendations.
- Dugbaza, E. (2014). The Effect of Investor Profile and Trust on Stock Market Efficiency: Evidence from the Ghana Stock Exchange (GSE
- Guiso, L., Paola, S., & Luigi, Z. (2008). Trusting the Stock Market. *National Bureau of Economic Research*, 1-60.
- Hortillo, JN. (2019). Financial Capability: An Enhancement to Extrinsic Motivation in Public Service. (
- Peñalosa, C. (2014), Hanapbuhay: The Filipino Bureaucracy Quest for Ginhawa in the Workplace: Its Implications for understanding bureaucratic corruption
- Sherraden, M.S. (2010). Financial Capability: What It Is and How Can It Be Created.
- Taff, Laurence G (2010). “An Analysis of Annual Household Income From the Survey of Consumer Finances.”

Conceptual Framework



Methodology

- Sampling
  - 2-Stage Stratified Random Sampling Among Selected Govt Agencies
- Analysis
  - Descriptive, Frequency Distribution
  - Inferential – Chi-square, T-test, ANOVA, Correlation and Regression

Charles Schwab Questionnaire

Investor Risk Profile (Adopted from Charles Schwab Questionnaire by JNH)

1. I plan to begin withdrawing money from my investments in:
- Less than 3 years
- 3-5 years
- 6-10 years
- 11 years and more

Points >>

2. Once I begin withdrawing funds from my investments, I plan to spend all of the funds in:
- Less than 2 years
- 2-5 years
- 6-10 years
- 11 years and more

Points >>

3. I would describe my knowledge of financial investment (savings, bonds, mutual funds and stocks)
- None
- Limited
- Good
- Extensive

Points >>

4. When I invest my money, I am:
- Most concerned about my investment losing value
- Equally concerned about my investment losing or gaining value
- Most concerned about my investment gaining value

Points >>

5. Select the investments you currently own or have owned in the past with the highest number of points
- Money Market and cash funds
- Bonds and bond funds
- Stock and stock funds
- International Securities and funds

Points >>

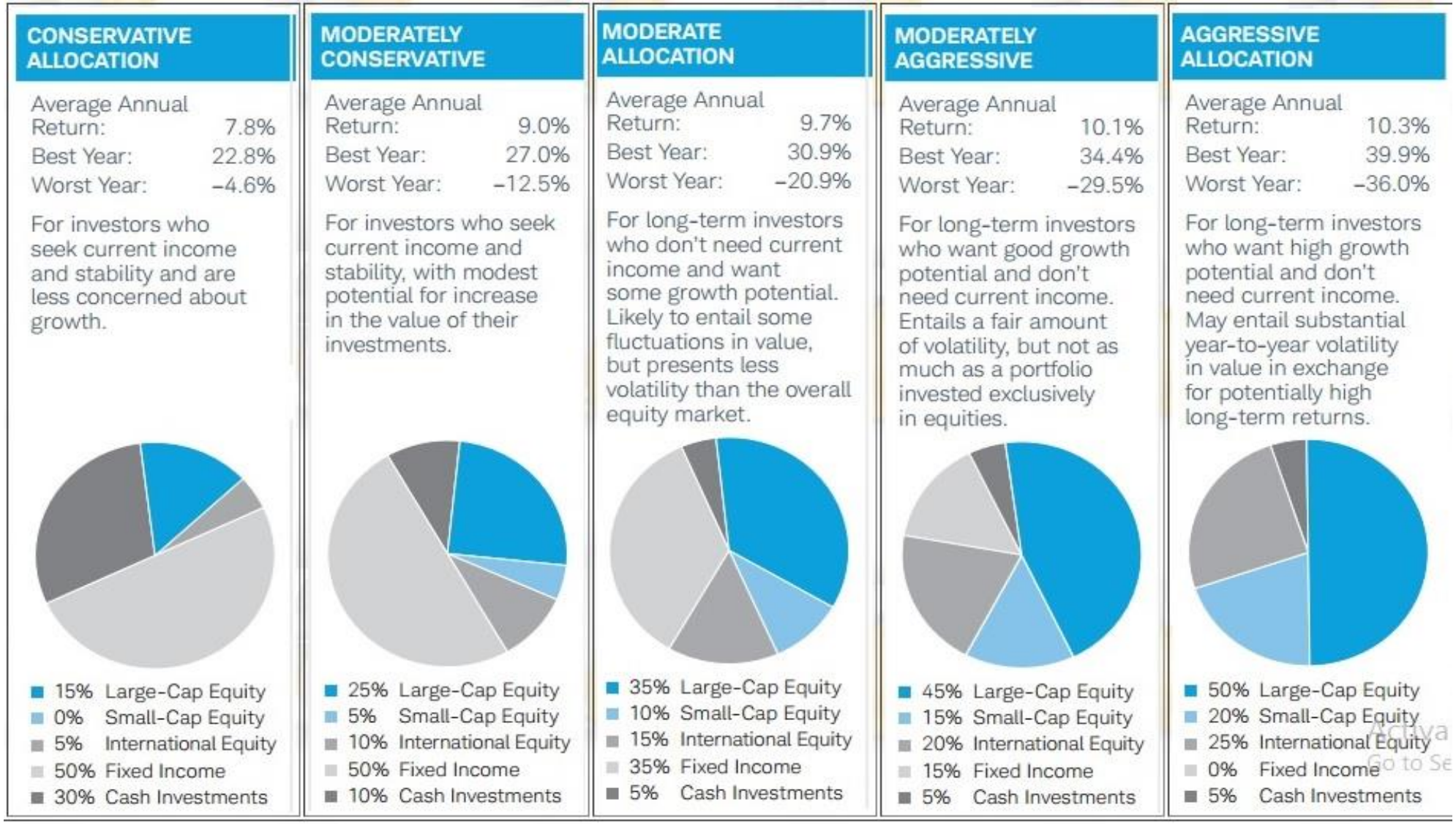
6. Consider this scenario: Imagine that in the past three months, the overall stock market lost 25% of its value. An individual stock investment you own also lost 25% of its value. What would you do?
- Sell all of my shares
- Sell some of my shares
- Do nothing
- Buy more shares

Points >>

7. Review the table below. We've outlined the most likely best- and worst-case annual returns of five hypothetical investment plans. Which range of possible outcomes is most acceptable to you? The figures are hypothetical and do not represent the performance of any particular investment.
- Ave.(7.8) BestCase (16.3) WorstCase(-5.6)
- Ave.(9.0) BestCase (25.0) WorstCase(-12.1)
- Ave.(9.7) BestCase (33.6) WorstCase(-18.2)
- Ave.(10.1) BestCase (42.8) WorstCase(-24.0)
- Ave.(10.3) BestCase (50.0) WorstCase(-28.2)

Points >>

Charles Schwab Questionnaire



Results

Table 4. Investor Profile of Filipino Public Servants		
Investor Profile	Frequency	Valid Percent
Conservative	116	29.3
Moderately Conservative	146	36.9
Moderate	89	22.5
Moderately Aggressive	34	8.6
Aggressive	11	2.8
Total	396	100.0
Mean	2.19	Moderately conservative

Results

Table 6. Investor Profile by Income Class				
Income Class	N	Mean	Std Dev	Investor Profile
Low Income - Class DE	86	1.860	0.754	Moderately conservative
Middle Income - Broad C	241	2.307	1.098	Moderately conservative
High Income - Class AB	32	2.625	1.238	Moderate
Total	359	2.228	1.061	

Results

Table 7. Crosstabulation - Chi square Analysis				
	Pearson Chi-Square Value	df	Asymptotic Significance (2-sided)	Null Hypothesis Ho: NO Association between Investor Strategy and the Corresponding Variable
Demographic				
Investor Strategy x Age-Generation	11.029[a]	8	0.200	Accept
Investor Strategy x Sex	.847[a]	4	0.932	Accept
Investor Strategy x Marital Status	7.246[a]	8	0.510	Accept
Investor Strategy x Educ. Attainment	4.595[a]	8	0.800	Accept
Work Related				
Investor Strategy x Organization	27.075[a]	16	0.041	**Reject**
Investor Strategy x Years in Service	7.923[a]	8	0.441	Accept
Investor Strategy x Position	6.424[a]	8	0.600	Accept
Investor Strategy x Tenure	7.022[a]	4	0.135	Accept
Investor Strategy x Annual Income	26.507[a]	8	0.001	**Reject**
Financial Profile				
Investor Strategy x Level of Savings	7.764[a]	8	0.457	Accept
Investor Strategy x Financial Literacy	19.473[a]	16	0.245	Accept

Results

Table 8. Analysis of Variance – ANOVA			
	F	Sig.	Null Hypothesis Ho: NO Significant Statistical Difference among Groups
Demographic			
Investor Strategy x Age-Generation	0.039	0.962	Accept
Investor Strategy x Sex	0.491	0.484	Accept
Investor Strategy x Marital Status	1.104	0.332	Accept
Investor Strategy x Educ. Attainment	1.015	0.363	Accept
Work Related			
Investor Strategy x Organization	4.053	0.003	**Reject**
Investor Strategy x Years in Service	0.083	0.920	Accept
Investor Strategy x Position	0.035	0.966	Accept
Investor Strategy x Tenure	11.540	0.001	**Reject**
Investor Strategy x Annual Income	8.397	0.000	**Reject**
Financial Profile			
Investor Strategy x Level of Savings	1.068	0.345	Accept
Investor Strategy x Financial Literacy	1.594	0.175	Accept
Investor Strategy x Financial Inclusion	5.702	0.000	**Reject**

Results

Table 9. Correlation Analysis				
	Pearson's R	Approx Sig	Spearman Correlation	Approx Sig
Demographic				
Investor Strategy x Age-Generation	-0.014	.788[c]	-0.027	.615[c]
Investor Strategy x Sex	-0.045	.378[c]	-0.044	.380[c]
Investor Strategy x Marital Status	0.076	.138[c]	0.084	.100[c]
Investor Strategy x Educ. Attainment	0.058	.255[c]	0.049	.332[c]
Work Related				
Investor Strategy x Organization	0.042	.407[c]	0.032	.528[c]
Investor Strategy x Years in Service	0.018	.741[c]	0.015	.789[c]
Investor Strategy x Position	-0.014	.797[c]	-0.005	.931[c]
Investor Strategy x Tenure	-0.105	.047[c]	-0.096	.069[c]
Investor Strategy x Annual Income	**0.211**	**.000[c]**	**0.194**	**.000[c]**
Financial Profile				
Investor Strategy x Level of Savings	0.018	.720[c]	0.014	.785[c]
Investor Strategy x Financial Literacy	0.072	.154[c]	0.079	.115[c]
Investor Strategy x Financial Inclusion	**0.227**	**.000[c]**	**0.215**	**.000[c]**

Results

Table 10. Multiple Regression: Investor Strategy Profile with Selected Demographic and Financial related Independent and Dummy variables

R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
.341[a]	0.116	0.095	0.98582	5.478	.000[b]
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.153	0.266		4.335	0.000
Annual Income	0.252	0.103	0.132	2.455	0.015
Financial Inclusion	0.056	0.052	0.065	1.074	0.284
Level of Investment in Capital Mkt	0.255	0.096	0.156	2.656	0.008
dummy nga	0.221	0.150	0.106	1.472	0.142
dummy gocc	0.533	0.200	0.177	2.668	0.008
dummy judiciary	0.502	0.318	0.089	1.577	0.116
dummy military	0.453	0.179	0.175	2.534	0.012
dummy tenure	0.090	0.154	0.031	0.581	0.561

a. Dependent Investor Strategy Profile

Conclusions

- The Investor Strategy Profile of Filipino Public Servants is generally classified as Moderately Conservative.
- Among the Financial related variables, Financial Inclusion and Investment in Capital Market have positive relationship with Investor Strategy Profile
- None of the demographic variables affects the Investor Strategy Profile of the respondents
- About 21% of the Public Servants are active participants in the financial capital market.
- Work related variables that have significant effect on Investor Strategy Profile are the Annual Income and Tenure.

Recommendations

- Since only about 1 in 5 Public Servant are engaged in investing in the financial capital market, much work is still needed to educate them about the importance of investing in these financial instruments
- It is important is that heads of offices should encourage Public Servants to learn about his risk appetite so that he makes the necessary allocation in his investment portfolio given his Investor Strategy Profile.
- Since majority of Public servants are Moderately Conservative, financial institutions should offer more products and services that cater to these group of investors
- Future study can be made that would further understand their other characteristics and specifically their investment behavior and motivations.

Thank you

Dr. Jose Neil M. Hortillo

College of Management, UP Visayas, Iloilo

jmhortillo@up.edu.ph