

Social Science Programme
Department of Economics
Topic Defense Seminar

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Date: 28 September 2011 (Wednesday)

Time: 10:30 a.m. – 12:00 noon

Venue: SO322, Dorothy Y. L. Wong Building

Chief Supervisor: Professor WEI Xiangdong

Co-supervisor: Professor SEADE Jesús

“Stock market participation : Evidence from China”

(in English)

Abstract

This paper is the first one systematically investigating Chinese household stock market participation. Limited stock market participation is a well-documented unresolved puzzle with many implications on both household welfare and capital market efficiency. On the other hand, as a huge developing country, China is unique due to its fast economic growth rate and extremely high household saving rate. In this context, empirical evidence on determinants of Chinese household stock market participation would be of great value to both positive household finance study and policy in China. Using data from a national representative survey, I find significant effects of variables reflecting risk preference, information cost, liquidity constraint, expectation on the future economic prospect, age, gender, marital status, wealth, and job nature. Risk aversion stands out as the single most economically significant driver of stock investment and seems to be the most important channel through which other drivers of stock market operate. The poor, less-educated, and minority are less likely to invest in stocks, while married people, female, residents in major cities, employees in state-owned enterprises, employees of financial or information sectors are more likely to participate. Optimism about future economic prospect is also found to have statistically significant positive effect on stock market participation.

“Personality and stock market participation”

(in English)

Abstract

This paper adds “personality” to a growing literature on the correlates and determinants of stock market participation. As a component of individual’s intrinsic heterogeneity which is stable, consistent, measurable, and can be categorized to limited types, personality plays significant role in individual’s financial decision on stock ownership. The channel for personality to affect stock market participation can be information cost, expectations, and preferences. To test this prediction, my empirical study uses result of the psychology test, Myer-Briggs Type Indicator® as measure on personality. Estimation on data collected from a pilot survey shows that three dichotomies of MBTI, that is, Perceiving functions, Judging functions and Orientations toward dealing with the outside world are statistically significantly correlated with person’s stock ownership decision. Additionally, the probit model shows much improved explanatory power after the control of personality dimensions in the model.