

Immigrant Status and Consumer Behavior Regarding Investment Products among College Students

This study surveyed 180 college students about their saving and investment choices. Being born in the United States (US) was associated with a greater likelihood of investing in savings accounts and stocks but not certificate of deposits. Logistic regression models with odds ratios and 95% confidence intervals were for savings accounts (OR: 3.96, 95% CI: 1.45, 10.53) and stocks (OR: 5.00, 95% CI: 1.49, 16.85). Market segmentation by status of being born in the US, along with using ethnic marketing principles can be useful to encourage investing among immigrants in the US.

Joshua Fogel, Brooklyn College¹
Placido D. Viterbo, Brooklyn College²
Jun Yin, Brooklyn College³
Jennifer Gipp, Brooklyn College⁴

Introduction

Many of the studies in the US focusing on the variables that are associated with savings and investment choice use data from the Survey of Consumer Finances (e.g., Bi & Montalto, 2004; Gutter & Clement, 2005; Kwon, 2003). This is a nationally representative survey of consumers in the US that is conducted every three years. Although nationally representative, it does not have sufficient data on the typical college student that is aged between 18 to 25 years. We explore the relationship of being born in the United States among college students with regard to their investment choices of savings accounts, certificate of deposits, and stocks.

Method

Participants

Participants consisted of 180 undergraduate students attending Brooklyn College of the City University of New York. Overall participation rate was 85.7%, with data collection occurring in March 2005.

Measures

The independent variable was whether one was born in the United States (no/yes). The dependent variable (depending upon the analysis) was whether one invested in savings accounts, certificate of deposits (CDs), or stocks (no/yes). Covariates included age (years), sex, race/ethnicity perceived risk, personal finance measures (number of expenses, money left after one week of expenses, beliefs about being financially well off and being on a tight budget), and financial knowledge measures (reading a book on investments, taking a course on investments).

Statistical Analyses

The Pearson Chi-square statistic was used to compare the country of origin variable of being born in the US to the relevant investment measure. Logistic regression analyses were conducted for the investment measure categories of savings accounts and stocks that significantly differed when compared to the independent variable. Three models were conducted. First, the investment measure was regressed onto the born in the US variable. Second, the investment measure, along with the demographic variables of age, sex, and race/ethnicity, were all regressed onto the born in the US variable. Third, the investment measure, along with the demographic variables, the risk measure, the personal finance measures, and the financial knowledge measures, were all regressed onto the born in the US variable. Dummy variables were created where appropriate. All analyses were conducted with SPSS (Version 11.5).

Results

Demographic characteristics include 39.4% (n=71) not born in the US, 60.0% (n=108) born in the US, and 0.6% (n=1) missing data. Mean age was 23.0 years (SD=5.5), 46.7% (n= 84) were men, 52.8% (n=95) were women, and 0.6% (n=1) missing data.

Comparisons of place of birth and investment choices are shown in Table 1. Those born in the US had greater percentages of individuals than those not born in the US for investing money in either savings accounts or stocks but not CDs.

Table 1
Comparisons of Place of Birth and Investment Choice

Do you invest in.....?	Not Born in US Percentage (Count)	Born in US Percentage (Count)	p-value
Savings Accounts			
No	45.1% (32)	27.8% (30)	0.02
Yes	54.9% (39)	72.2% (78)	
CDs			
No	77.5% (55)	72.2% (78)	0.43
Yes	22.5% (16)	27.8% (30)	
Stocks			
No	84.5% (60)	67.6% (73)	0.01
Yes	15.5% (11)	32.4% (35)	

In the logistic regression models for savings accounts investment, in model 1, odds ratios and 95% confidence intervals for being born in the US were 2.13 (1.14, 4.00) ($p < .05$), in model 2, 3.55 (1.49, 8.43) ($p < .01$), and in model 3, 3.96 (1.45, 10.53) ($p < .01$).

In the logistic regression models for stocks investment, in model 1, odds ratios and 95% confidence intervals for being born in the US were 2.62 (1.23, 5.59) ($p < .05$), in model 2, 4.09 (1.48, 11.34) ($p < .01$), and in model 3, 5.00 (1.49, 16.85) ($p < .01$).

Discussion

We show that being born in the US is associated with investment behavior in savings accounts and stocks. Our logistic regression models adjusted for a number of potential confounders.

Savings accounts usually have minimal risk, and surprisingly we found that many of those not born in the US did not invest in them. Possibilities for this include that they prefer to save it in a safe place at home (Johnson, 2002) or in a safe deposit box (Collins, 2005). Also, often in immigrant communities there is a mutual aid society where lending and borrowing money occurs. Lastly, their money may be sent as remittances back to the country of origin (Shanmuganathan, Stone, & Foss, 2004).

Stocks are investments which have considerable risk. Again, those not born in the US were less likely than those born in the US to invest in them. As we adjusted for knowledge about investments, it is unlikely that this affected the behavior of those not born in the US for investing in stocks.

Segmenting the market by different immigrant groups and using principles learned from ethnic marketing could be helpful to increase investment product use among college students of immigrant backgrounds (Fogel, Viterbo, Yin, & Gipp, 2006).

In conclusion, immigrant status in the US is associated with the decision about the use of investment products of savings accounts and stocks. Market segmentation by immigrant group may encourage greater use.

References

- Bi, L., & Montalto, C. P. (2004). Emergency funds and alternate forms of saving. *Financial Services Review*, 13, 93-109.
- Collins, G. (2005). Keeping luck under lock and key. *New York Times*, July 8, 2005. Retrieved July 10, 2005 from <http://www.nytimes.com/2005/07/08/nyregion/08bank.html>
- Fogel, J., Viterbo, P. D., Yin, J., & Gipp, J. (2006). Immigrant status and marketing of investment products among university students. *Journal of International Marketing & Marketing Research*, 31(1), 15-29.

Gutter, M. S., & Clement, P. (2005). Race, source of information, and wealth accumulation activities. *Consumer Interests Annual*, 51, 143-153.

Johnson, E.T. (2002). Workshops aimed at getting minorities into the habit of investing. Retrieved June 27, 2005 from <http://www.jsonline.com/bym/biz2biz/apr02/35460.asp>

Kwon, J. (2003). U. S. households' patterns of information source use for saving/investment decision-making. *Consumer Interests Annual*, 49, 1-2.

Shanmuganathan, P., Stone, M., & Foss, B. (2004). Ethnic banking in the USA. *Journal of Financial Services Marketing*, 8, 388-400.

Endnotes

¹Joshua Fogel, PhD, Assistant Professor in the Business Program of the Department of Economics, Brooklyn College of the City University of New York, 2900 Bedford Avenue, 218A, Brooklyn, NY 11210, USA, e-mail: joshua.fogel@gmail.com

²Placido D. Viterbo, BS, received his BS in Business, Management, and Finance from Brooklyn College of the City University of New York

³Jun Yin, BS, received her BS in Business, Management, and Finance from Brooklyn College of the City University of New York

⁴Jennifer Gipp, received her BS in Business, Management, and Finance from Brooklyn College of the City University of New York