

## UROP Spring 2019 Report

### Cross-national Differences in Financial Risk Aversion

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#### Summary

After three meetings with my mentor, Dr. Jason Turkiela, we decided to do research in the field of cross-national financial risk aversion based on my personal interest and personal experience. The focus of this project was to examine whether cross-cultural differences in financial risk decision-making exist between American and Chinese individuals. Based on the previous literature, and my personal experience, my hypothesis was that Chinese individuals were more conservative and risk-averse than Americans in financial risk decision-making behavior. A theory in that field, the “Cushion Hypothesis”, argues that the reason why Chinese are more risk-seeking is due to the additional support they receive from their social network. Accordingly, we planned to conduct a survey of undergraduate students from two business schools, one was the management school in Ocean University of China (OUC) and the other was Labovitz School of Business and Economics of University of Minnesota Duluth.

To design the survey, I conferred with Dr. Turkiela, and we designed questions based on previous studies. Because our study requires human subjects, we applied and received the approval of the Institutional Review Board. At the same time, I contacted with faculty in OUC to get their permission and support. Fortunately, an Assistant Professor of Economics, Dr. Lina Yu, agreed to help me conduct the part in China.

The survey in China was completed in the Spring 2018. Supervised by Dr. Lina Yu, two students distributed and collected the survey, and shipped back to me. Because it took some time to do survey internationally, later I found time was not enough for me to complete the rest of the

project in time, so I applied for the extension. The project was resumed in the Spring 2019, I finished the survey in the United States. We received 280 valid feedbacks in total, including 130 Chinese students and 150 American students. After I received all the data needed, we started to analyze it. Starting from basic statistical summary, we used R and Excel to analyze the data to further verify the relationships between different variables in the model. The result was consistent with some previous studies, for example, how gender or financial knowledge would affect one's attitude towards financial risk. We also surprisingly found that American students were more conservative and risk-averse than Chinese in financial risk decision-making behavior. However, unlike what was supported by the Cushion Hypothesis, our survey showed that the family support Chinese was even less than in the United States.

#### Discussion

Despite it taking more time, I have completed the project effectively following the plan in proposal. I designed and conducted the survey, tested the Cushion Hypothesis, and analyzed the reasons behind the data. Time management was what I should improve for this kind of long-term project in the future. During the process, there were some changes that were outside my expectation, which resulted in the extension, such like the complicated process to get permission of IRB, getting support in China, and my personal plan (I added Mathematics as my second major, which made the schedule busy).

#### Reflective Statement

The existing study of Cushion Hypothesis was attractive and counter-intuitive to me, which was the reason I chose it to be my research topic. Based on the result of the survey, we found that the argument supported by previous empirical experiments was true (i.e. Chinese are more risk-seeking than Americans when facing financial risky decisions). However, the reason behind this

phenomenon was not easy to explain. In today's context, only Cushion Hypothesis seems not enough to explain this difference.

During the process, interpreting numbers in the models was also interesting. Discussing with Dr. Turkiela, I found that my cognition towards some issues were kind of shallow and lack of comprehensiveness, including the consideration for some steps in the survey, some cultural and demographical reasons behind numbers, and so on. Those discussions inspired me to understand and analyze something new logically and systematically.

Through this project, I realized that perfectionism was kind of Platonic when doing research. One challenging thing is that many unknown factors may happen during the process and sometimes people cannot control them, which may lead to frustration. Thus, at the beginning of the research, setting practical objectives and having preparations for both the best and the worst cases are indispensable.

The UROP was one of the most meaningful and memorable experiences I have had at UMD. Before that, I had no idea what research would be like. Compared to those professional studies, my project is still naive and simple, but at least now I know how the process may look like and what kind of feeling working as a researcher may experience. At the beginning of the project, I regarded it as an interesting adventure. Now I realized what I have learned from it was much more than just working for fun. Definitely speaking, it made me further realize what a person I am, what are my strengths and weakness, and how could I improve myself in the future. At the end of the reflection, I want to sincerely appreciate my mentor, Dr. Jason Turkiela, for his considerable support during the whole process, methodologically, technically, and mentally.