

# The Use of the Internet as a Source of Financial Information

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# Overall Objective

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The overall objective of this paper is to investigate the use of the Internet as a tool in seeking personal finance information and in performing investment related tasks

# Specific Objectives

- To explore relationships between socio-demographic variables and the use of the Internet as a source for financial matters
- To identify reasons for not using the Internet as a source of financial and investment information
- To explore differences in the use of Internet among different ethnic groups (Caucasian, African, Asian, and Hispanic Americans)

# Literature Review

- A large percentage of people use Internet as a source of financial information. Smith (2007) found that:
  - 43% of respondents had searched for online savings accounts
  - 23% of respondents had looked for information on mortgages
  - 55% of respondents had compared prices before making a financial decision
  - 46% of respondents believed that they are able to find all the financial and monetary advice they need on the Internet
  - 50% of respondents would get preliminary information from the Internet before seeing a professional

# Literature Review

- From 2000-2002, financial and transaction based activities were growing more than any other type of online pursuit, with online banking increasing by 127% and the use of the Internet to search for financial information increasing by 32% (Madden, 2003).
- Horrigan & Raine (2006): 45% of Internet users said the Internet played a major role in making a major investment decision.

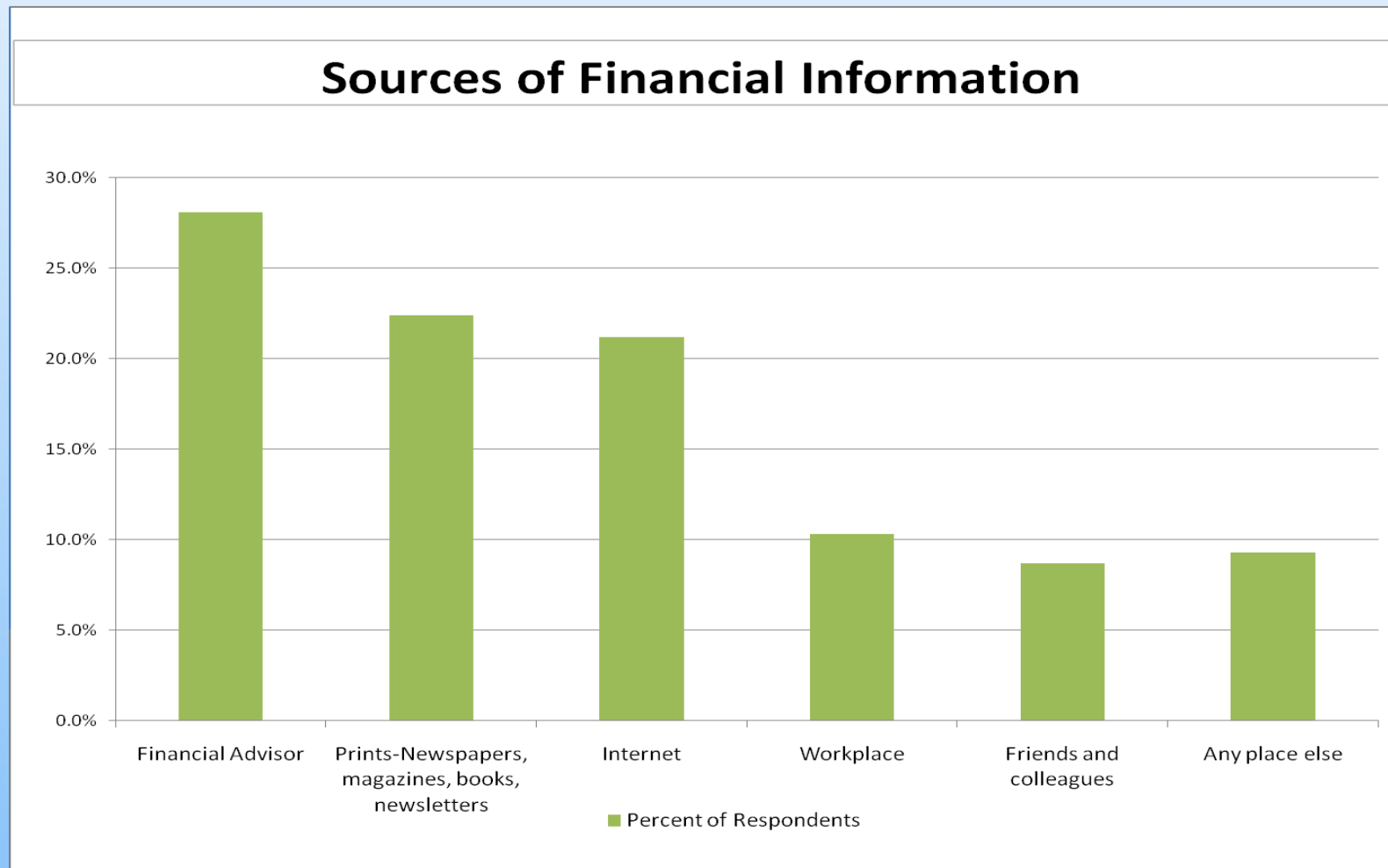
# Data Set

- Data were collected through a national telephone survey of the primary investor in 911 high income U.S. households
- The focus was on high income households due to their capacity to invest
- The survey was conducted between October 2005 and February 2006
- The overall response rate was 22%

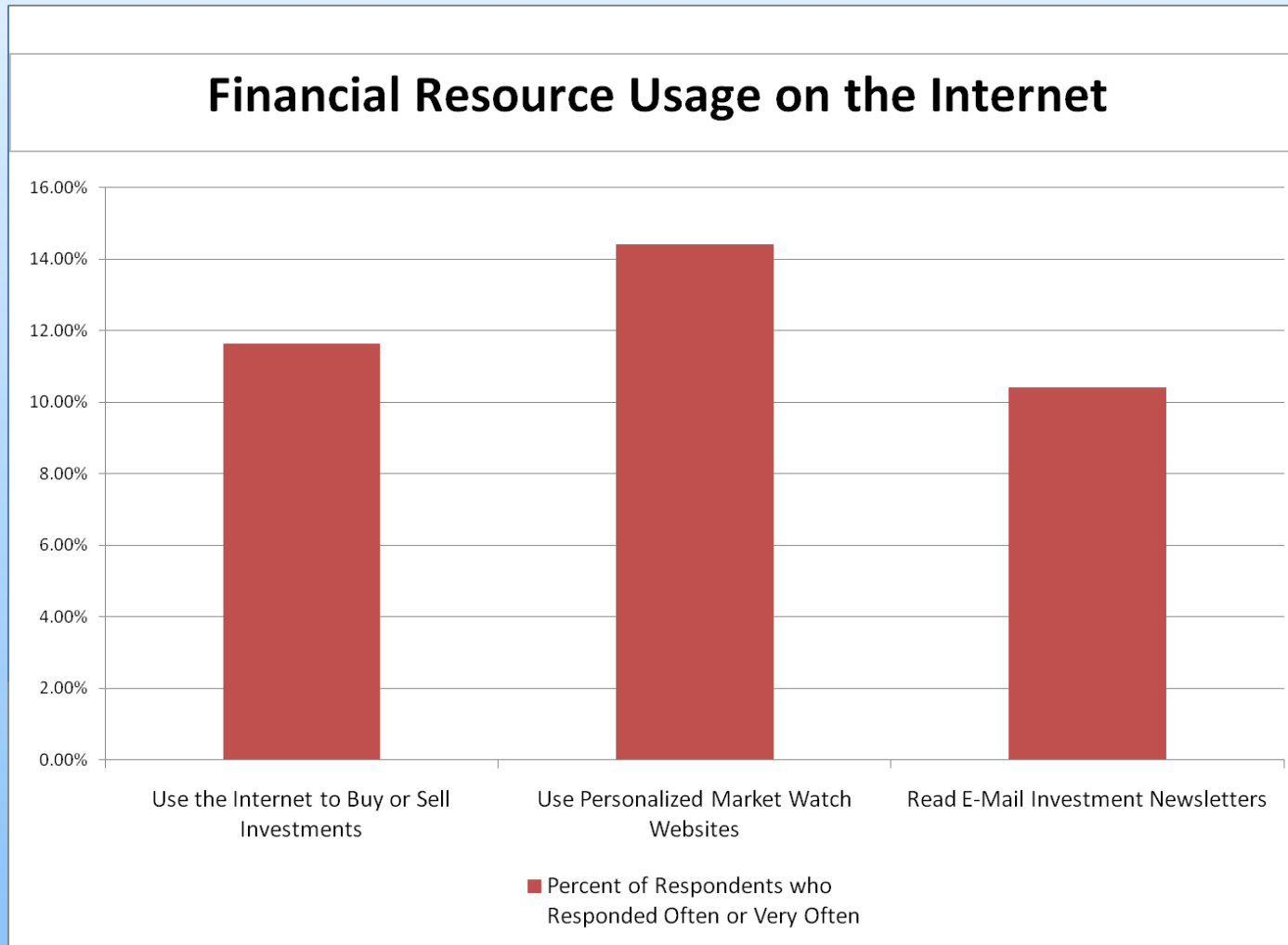
# Respondent Profile

- Males - 65%
- 40-59 years old - 66%
- Caucasians - 82%
- College or higher degree - 67%
- \$75,000 to 150,000 HH Income - 73%

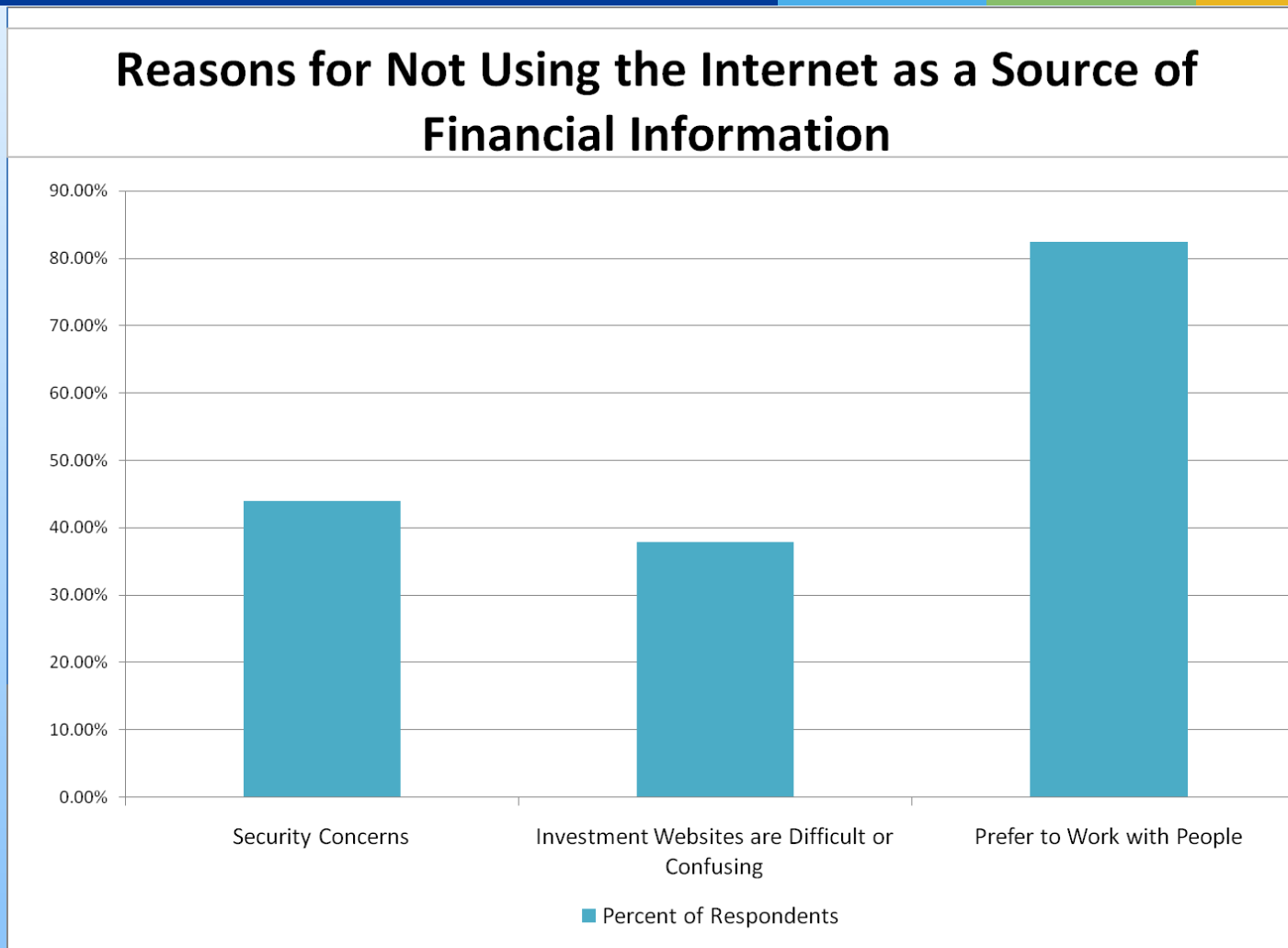
# Sources of Financial Information



# Uses of the Internet



# Reasons for Not Using the Internet



# Conceptual Model

## Socio-economic Variables

- Gender
- Age
- Race
- Education
- Income



- Use of Internet as a Source of Financial Information
- Reasons for Not Using the Internet as a Source of Financial Information
  1. Security Concerns
  2. Investment Websites Difficult or Confusing
  3. Prefer to work with People

# Significant Characteristics

- ▣ Age\*\*\*
- ▣ Education\*\*
- ▣ Gender\*\*\*
- ▣ Income \*\*\*
- ▣ Ethnicity
  - ▣ Caucasian\* , Hispanics\*\*
  - ▣ African Americans\*\*

\* p-value < 0.05 \*\* p-value < 0.01 \*\*\*p-value < 0.001

# Reasons for Not Using the Internet

- Prefer to Work with People
  - Ethnicity: Asian Americans\*, Hispanic Americans\*
- Security Concerns
  - Education\*\*
  - Income\*
  - Ethnicity: African Americans\*\*\*, Hispanic Americans\*
- Investment Websites Difficult or Confusing
  - Education\*\*
  - Ethnicity: Asian Americans\*
  - Gender\*: Males

\* p-value < 0.10 \*\* p-value < 0.05 \*\*\*p-value < 0.01

# Conclusions – Major Findings

- Internet is the third largest source of financial information (after advisors and print media)
- Investment e-mails, view market websites and buying and selling investments were used by a large amount of individuals
- A preference for working with people, security concerns and confusing and difficult website are significant concerns when using the Internet
- Financial advisors are important to investors
  - majority of the investors prefer financial advisors to seek financial information

# More Findings

- Age, gender and race are important factors
  - Older respondents used the Internet for investment related purposes, while younger to seek financial information in general
  - More women found information on Internet confusing, difficult, and they prefer working with a person
  - Asians more likely than others to use Internet for financial information, find investment websites confusing and prefer to work with a person

# Implications for Financial Advisors

- Be aware of the needs of the different groups of current and potential clients
  - Women and Asians prefer personal contact when making investment decisions
  - Women are less likely to find the Internet appealing as a source of financial information
  - Take steps to help younger clients become comfortable in using the Internet to make investment decisions as well as seeking financial information

# Other Implications

- Educators can use these findings as they develop educational materials and prepare future professionals
- Researchers must identify reasons for such a limited use of Internet for financial management in general, and investment decisions in particular
- Professionals must explore ways to improve women's comfort level in using the Internet

# Limitations

- Sample consists of high income, middle age, and highly educated investors
- The proportion of each group of minority respondents is very small
- Sample is 4 years old
- Response rate is only 22%
- The survey did not include a comprehensive list of the uses or concerns in using the Internet as a source of financial information

# References

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# Questions?