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Do Men Outperform Women in Finance Classes?

Taylan Mavruk[1]
University of Gothenburg, Sweden

Abstract. This paper examines the role of both student specific and course specific factors in academic success. A particular aim is to examine whether men outperform women in finance classes. The findings suggest that men, on average, underperform women when it comes to academic success, but the reverse is true regarding finance classes. One reason behind this finding is that finance courses are male dominated, whereas there is no gender dominance in the other subjects. The results suggest that directors need to aim at increasing the attractiveness of finance courses to women. A higher participation rate of women in finance classes will lead women to perform better in this field, as well as increase their overall interest in the finance profession. Over time this may in turn reduce the wage differences between men and women and reduce the well-known "glass ceiling" effect, which suggests that only the most competent women gain promotions in the finance industry.

JEL classification: I23, I21.

Keywords: gender differences, finance, academic success.

1. Introduction

Programs in Business and Economics are becoming increasingly popular among students mainly because the industries/sectors such as banking and finance, real estate, business consulting, and retail industry have been growing tremendously, and thus providing a rise in competitive and well paid job opportunities. This paper jointly examines the probability of completing and receiving a high grade from an individual course in a Business and Economics program at a university. A particular focus is placed on whether there are gender differences in the performance of students in finance classes.

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1. Corresponding author. Centre for Finance, University of Gothenburg. Vasagatan 1, Box 100, Gothenburg, 405 30 Sweden. Phone: +46-31-786 59 58, E-mail: taylan.mavruk@handels.gu.se. I thank Carina Gråbacke, Ted Lindblom, Stefan Sjögren, and Shubhashis Gangopadhyay for valuable comments and suggestions. This project is financed by VINNOVA.

The finance industry is known as a male dominated environment with discrimination towards women. A documentary exploring the 2008 financial crises, but also the industry in general, *Inside Job*, reveals how wage inequality among men and women in, for instance, the finance industry exceeds the inequality in other industries. It has also been documented that women are often excluded from informal meetings and have been experiencing bullying (see Hunja et al. 2010). It seems as a women working in a man's job suffers a loss in utility, affecting the labor supply. Identity is associated with different social categories and individuals seem to have identity-based payoffs (see Akerlof and Kranton 2000). According to a study made by U.S. Equal Employment Opportunity Commission, about 75% of the women in the sample of finance and business firms reported that they had been the subject of inappropriate behaviour. Thus it is not surprising that only about 9% of senior roles in firms are held by women (see Feldblum and Lipnic 2016) while about 40 to 50% of the state owned employments are held by women.

One reason why women are particularly disadvantaged in the finance industry could be the gender gap in educational levels, which leads to different types of human capital being acquired by men and women overtime. For instance, previous research shows a significant relation between math test scores at universities and future income, which may explain some of the wage differences among men and women (see Sen 1999, Fryer and Levitt 2010, World Bank 2011, Bharadwaj *et al.* 2016). Thus examining the gender gap in the process of human capital accumulation will allow us to better understand differences in job opportunities and wage inequality among men and women in the finance industry. Previous research examines the gender gap in math skills. Fryer and Levitt (2010) show that a gender gap does not exist in the beginning of school education, but boys tend to do better in math by the end of the sixth grade. Bharadwaj *et al.* (2016), by examining administrative data from Chile, show that there is a significant gender gap in math test scores.

This paper contributes to the work of Fryer and Levitt (2010) and Bharadwaj *et al.* (2016) by examining the gender gap in academic success in finance courses. The paper, along with detailed student background characteristics, such as information about age, previous school experience, the priority for the accepted program, the change of status (between the study tracks) during the program, and foreign studies, examines and compares whether the probability of completing an individual course and receiving a high grade differs among female and male students. Examining how these detailed background characteristics affect academic performance enable us to reduce the biased estimates of the students' ability in many studies based on self-reported surveys and that report posterior mean scores for the academic performance. The failure to properly control for these factors in studying student ability would also lead to a biased estimate (potential upward bias) of gender gap in academic performance (see Junker, Schofield, and Taylor 2012, Jacob and Rothstein 2016).