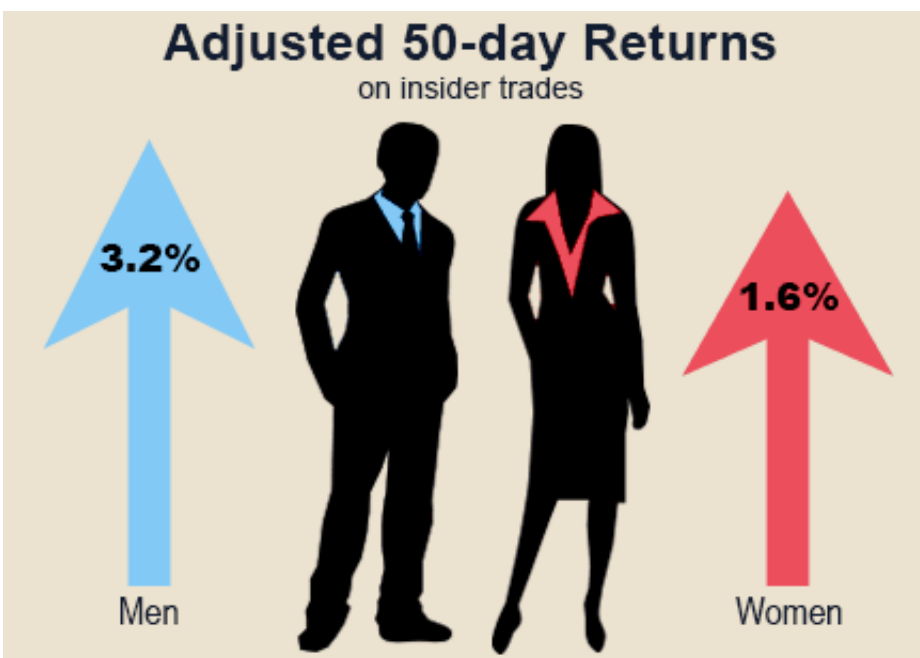


Gender Trading Gap: Male executives fare better than their female colleagues on insider trades

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(Phys.org) —You've heard of the gender pay gap, but how about the gender trading gap?

New research shows that male executives make a higher return off their registered insider trades, and trade more, than their female colleagues. Their results point to a stronger informal network among male

executives. The research is from University of Michigan Stephen M. Ross School of Business professors M.P. Narayanan and Nejat Seyhun, along with A. Can Inci of the Bryant University College of Business.

Their paper, "Gender Differences in Executives' Access to Information," provides the first evidence of gender differences in executive trading activity. These [gender differences](#) exist among all ranks—officers, board directors, top executives, and surprisingly, even CEOs and CFOs.

"It really looks like an information gap, and that female executives have a disadvantage in these informal networks even if they have equal formal status," said Narayanan, the Robert Morrison Hoffer Professor of Business Administration and professor of finance.

He and Seyhun analyzed the insider trades registered with the Securities and Exchange Commission from 1975 to 2011. They found that while both male and female executives both did better than the average trader, the adjusted 50-day return of 3.2 percent for males was much higher than the 1.6 percent for females.

What accounts for this difference? Narayanan and Seyhun did a number of drill-downs with the data, eliminating gender dispositional differences and adjusting for the larger number of high-ranked male executives. They compared male and female executives of the same rank and still saw superior returns for male executives.

However, the profit advantage for male executives disappears at firms with a large number of highly-placed women. That shows when women have a stronger network, they have the same amount of information and make the same level of profit on their trades.

"Based on what we've found, male executives talk to other male executives more often than they talk to [female executives](#)," said Seyhun,

the Jerome B. & Eilene M. York Professor of Business Administration and professor of finance. "This builds up their informal network, where they have ordinary discussions about company issues. Our research finds women aren't as much a part of that discussion unless they are represented well in the higher ranks. It's not enough to have a few women executives. To be fully informed, they have to have a strong network."

Provided by University of Michigan

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