

Individual's risk attitudes in sub-Saharan Africa: Determinants and reliability of self-reported risk in Burkina Faso

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Abstract

Understanding individual risk taking is an important topic in Africa, as access to financial institutions and social security is scarce, and where markets and government policies largely fail to understand investment decisions of poor households. Data on risk attitudes in Africa is limited and the available data collected might not be reliable. We investigate the determinants of risk attitudes in different domains and the reliability of survey data in a sub-Saharan African country, Burkina Faso, using a large representative panel survey of 31,677 individuals from 10,800 households. Our results show that determinants such as individual's sex and age are significantly associated with willingness to take risk. Reliability differs across determinants of risk taking and risk domains. Women, older individuals or those with high education have more reliable risk measures compared to men, younger individuals or people with low education. Risk taking in traffic has the highest test-retest reliability followed by willingness to take risk in general and financial matters.

Keywords: Risk attitudes; determinants of risk taking; test-retest reliability; Burkina Faso

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