

Determinants of Share of risky assets in Japan

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〈SUMMARY〉

This paper investigates the determinants of share of risky assets in Japan using a household survey conducted by Japan Post, focusing on the effect of degree of risk aversion, subjective expectation on the risky asset return and its variance, as well as behavioral biases such as overconfidence and optimism. We found the followings. First, those who expect higher excess return on risky assets show higher share in concordance with the assertion of capital asset pricing model (CAPM). Second, overconfidence is an important factor, which raises the share. Third, the observed share is lower than the prediction by CAPM. Fourth, the difference in shares between the observed and the predicted as well as between the US and Japan would become smaller by establishing the trust with securities companies and enhancing the educational level in Japan.

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