



“THE IMPACT OF DEMOGRAPHIC VARIABLES ON INVESTMENT PATTERN OF INVESTORS” (WITH REFERENCE TO AHMEDABAD CITY)

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ABSTRACT

It has been observed that investor behavior and asset price deviate from the predictions of simple rational models of standard finance. The proponents of behavioral finance believe that investment decision making is not a completely rational process. Individuals' investment decisions are guided by their desires, goals, prejudices and emotions. Gender, age, income, education, wealth and marital status of individuals also influence their investment decisions. This paper investigates how demographic factors, such as gender, age; marital status, education, income, and occupation affect investment behavior of Investors. The study employs primary data collected from a sample of 258 investors with the help of a structured questionnaire.

INTRODUCTION

Investment is putting money into something with the expectation of profit. More specifically, investment is the commitment of money or capital to the purchase of financial instruments or other assets so as to gain profitable returns in the form of interest, income (Dividends), or appreciation (capital gains) of the value of the instrument.

Demographic variables essentially refer to personal statistics such as income, gender, education, occupation, location (Rural vs. urban, East vs. West), ethnicity, and family size etc.

Investment behavior is related to activities of individual investors regarding searching, evaluating, acquiring, reviewing the investment products and if necessary, disposing such Investment products.

Investment behavior reveals how the individual investors allocate the surplus financial resources to various instruments available. This process consists of why they invest, where and how they get information, what factors they use to evaluate, who influence them on choice of investment and

how they act after investment.

It has also been observed that demographic variables like gender, age, income, education, wealth and marital status of individuals influence their investment decision-making process. This paper attempts to investigate the impact of demographic variable on investment behavior of investors.

The overall purpose of this research paper is to gain knowledge about key factors that influence investment behavior and ways, these key factors influence investment decision-making processes among investors.

LITERATURE REVIEW

Many researchers have investigated the impact of demographic variables like age, education, wealth, and marital status on investment decision making process of individuals. Riley and Chow (1992); and Schooley and Warden (1999) found that these factors have an impact on the risk tolerance capacity of the individual investors. Fama and French (1992); and Shefrin and Statman (1995) observed that age, education, income and, marital status have an effect on investors' preference for cash dividends.

Xiao (1992) and Olson (1993) divided household financial asset into three groups, and found that age, education, employment status, and income were factors affecting investments in the three groups of assets. Ramaswami et al. (1992) found that income, education, and life cycle variables influence financial decisions. Xiao (1995) investigated the determinants of ownership of nine financial assets and found that income, education, race, and life cycle related variables (household size, marital status, and employment status) were major factors.

Some studies indicate income as a major factor affecting investment decisions. Hira (1987) examined 10 household assets by family demographic variables and the chi-square tests indicated that income was a major factor and age, education, employment status, household size, marital status, and several other variables influenced the ownership of some of the assets. Gutter et al(1999) and Haliassos and Bertaut (1995) concluded that income is significantly and positively related to the probability of holding risky assets. Individuals with higher net worth were more likely to have participated in the stock market (Haliasos and Bertaut, 1995; Hong et al., 2004; and Gutter and Fontes, 2006).

Syed Tabassum Sultana (2010) found a strong negative correlation between Age and Risk tolerance level of the investor. It was found that Television media largely influenced the investor's decisions.

This paper attempted to study how demo graphic factors such as gender, age, marital status, education, income, and occupation affect investment behavior of investors in Ahmedabad city.

RESEARCH METHODOLOGY

This study is cross sectional descriptive research. Structured questionnaire was developed to get the primary data. Before finalizing the questionnaire, opinion of the expert panel was taken, this was followed by a pilot survey of 20 investors. Their views were incorporated in the final questionnaire and administered to 2 investors. The survey was conducted with the help of non probabilistic convenient sampling method.

ANALYSIS OF DATA AND RESULTS

We received about 288 questionnaires back but out of them some were having one or more missing/invalid responses. Such questionnaires were discarded and were not subjected for further analysis. The final sample size was 258.

Investment Avenue	Investment (%)		Total
	YES	NO	
Equity	132(51.2)	126(48.2)	258
Debenture	30(11.6)	228(88.4)	258
Bank Depo.	200(77.5)	058(22,5)	258
Life Insu.	165(64.0)	093(36.0)	258
Post savin	070(27.1)	188(72.9)	258
Gold	084(32.6)	174(67.4)	258
Real Estate	082(31.8)	176(68.2)	258
MF	042(16.3)	216(83.7)	258
PPF	009(03.5)	249(96.5)	258
Other	002(00.8)	256(99.2)	258

Table 1 shows that where investors have park their fund. Among all the investment avenues Bank Deposit (77.5%) is preferred by most of the investors followed by Life Insurance (64%) and Equity Investment (51.2%). Whereas avenues like PPF (3.5%) Debenture (11.6 %) and Mutual Fund (16.3%), Post office saving (27.1%) where less preferred avenues by investors.

Generally it is assumed that male is more risk taker than woman and generally they prefer risky assets. To verify, we have segregated the data of investment with different gender.

Investment Avenue	Gender	
	MALE (185)	FEMALE (73)
Equity (%)	110(59.5)	022(30.1)
Debenture (%)	027(14.6)	003(04.1)
BankDepo. (%)	141(76.2)	059(80.8)
Life Insu. (%)	123(66.4)	042(57.5)
Post savin (%)	043(23.2)	027(37.0)

Gold (%)	047(25.41)	037(50.7)
Real Estate (%)	069(37.3)	013(17.8)
MF (%)	031(16.8)	011(15.1)
PPF (%)	004(02.2)	005(06.9)
Other (%)	002(01.8)	000(00.0)

The study suggests that when it comes to investing money Male prefers the avenue like Bank Deposit(76.22%),Life Insurance(66.49%), Equity(59.45%) and Real Estate(37.30%) where as Female want to park their fund more safer investment avenue like Bank Deposits(80.82%), Life Insurance (57.53%) and Gold (50.68%).

Table 3 Gender and Investment Avenue		
	GENDER	
	MALE (185)	FEMALE (73)
Equity (%)	110(59.5)	022(30.1)
Bank Dep (%)	141(76.2)	059(80.8)
Life Ins. (%)	123(66.5)	042(57.5)
Real Estat (%)	069(37.3)	013(17.8)

Table 4 Chi-Square Test	
Degree of Freedom	3
Level of Significant	5%
Calculated Value	10.3173
Table Value	07.8150

To study whether there is a significant association between gender and investment pattern, chi-square test of association was applied (Table 11) for hypothesis-1. The significant level for the hypothesis is at 95% confidence level i.e.0.05 level of significance. The calculated value for is 10.3173 which is greater than the table value 07.8150 Thus, we reject the null hypothesis (Ho). Hence, we conclude that there is a significant association between gender and investment pattern.

According to the theories of finance, age and risk are inversely related. To find out the reality we have cross tabulate the data of investment pattern into age and Investment.

Table 5 Age and Investment Pattern			
Investment avenue	AGE		
	<25 (39)	25-45 (137)	>45 (82)
Equity (%)	20 (51.3)	70 (51.1)	42 (51.2)
Bank Depo.	29	103	68

(%)	(74.4)	(75.2)	(82.9)
Life Insur. (%)	19 (48.7)	87 (63.5)	59 (72.0)
Real Estate (%)	3 (07.7)	44 (32.1)	35 (42.7)

Table 6 Chi-Square Test	
Degree of Freedom	6
Level of Significant	5%
Calculated Value	8.6713
Table Value	12.592

The age has been further divided into less than 25 years, 25-45, 45-65 and more than 65 years. Here, the no. of respondents belonging to age more than 65 was so less and which created the difficulty in statistical calculation. Hence, for the purpose of our study, we had combined the age into three categories.

To study whether there is a significant association between age and investment pattern, chi-square test of association was applied (Table 6) for hypothesis-2. The significant level for the hypothesis is at 95% confidence level i.e.0.05 level of significance. The calculated value for is 8.6713 which is less than the table value 12.592 Thus, if calculated value is lesser than the table value , we accept the null hypothesis (H_0). Hence, we conclude that there is no significant association between age and investment pattern.

To study the relation between income and investment pattern we have cross tabulated the data of investment Avenue and income.

Table 7 Income and Investment Pattern			
Investment Avenue	YEARLY INCOME		
	<2 Lakh (122)	2-5 Lakh (113)	>5 Lakh (23)
Equity (%)	54 (44.3)	62 (54.9)	16 (69.6)
Bank Depo. (%)	93 (76.2)	88 (77.9)	19 (82.6)
Life Insur. (%)	66 (54.1)	80 (70.8)	19 (82.6)
RealEstate (%)	17 (13.9)	53 (46.9)	12 (52.2)

Degree of Freedom	6
Level of Significant	5%
Calculated Value	16.4389
Table Value	12.592

To study whether there is a significant association between income and investment pattern, chi-square test of association was applied (Table 8) for hypothesis-3. The significant level for the hypothesis is at 95% confidence level i.e.0.05 level of significance. The calculated value is 16.4389 which is greater than the table value 12.592 Thus, if calculated value is greater than the table value, we reject the null hypothesis (Ho). Hence, we conclude that there is a significant association between investment patterns of deferent income group.

Generally it is believed in the society that salaried people are more risk averse and hence invest in safer avenues. To find out the truth, we had collected following data.

Investment Avenue	Occupation		
	S	B	P
	(105)	(84)	(30)
Equity (%)	46 (43.8)	48 (57.1)	20 (66.7)
Bank Dep. (%)	79 (75.2)	72 (85.7)	21 (70.0)
Life Insur. (%)	67 (63.8)	55 (65.5)	24 (80.0)
Real Estat (%)	18 (17.1)	43 (51.2)	16 (53.3)

*(S= Salaried, B=Business, P=Professional)

Degree of Freedom	6
Level of Significant	5%
Calculated Value	14.4968
Table Value	12.5920

To study the association between investment pattern and occupation we had taken three categories of occupation i.e. salaried business and professional. The chi-square chi-square test of association was applied (Table 10) for hypothesis-4. The significant level for the hypothesis is at 95% confidence level i.e.0.05 level of significance. The calculated value is 14.4968 which is greater than the table value 12.5920 Thus, if calculated value is greater than the table value, we reject the null hypothesis (Ho). Hence, we conclude that occupation does have impact on investment pattern of investors.

Table 11 Purposes behind investing in particular Investment Avenue

	WC	AR	TS	SFT	RI
Equity	110	018	001	002	008
DB	001	010	008	010	017
BD	003	066	007	173	028
LI	002	007	059	149	004
PI	001	022	007	052	027
Gold	071	005	002	018	004
RE	080	000	001	012	002
MF	012	030	003	013	005
PPF	003	003	004	004	001

*(WC=Wealth creation, AR=Average Return, TS=Tax Saving, SFT=Safety, RI=Regular Income, DB= Debenture, BD= Bank Deposit, LI=Life Insurance, PI=Post office Saving, RE=Real Estate, MF= Mutual Fund, PPF=Public Provident Fund)

From the above statistic we can read that people invest in Equity, Gold and Real Estate for wealth creation and superior return whereas they park their fund in Bank Deposits, Life Insurance and PPF for safety purpose.

Generally people believe that females invest for a longer period of time and men invest for a short term. To find out the truth we had asked the question regarding time period of investment.

Table 12 Gender and Time Period of Investment

Time period of Investment	Gender		Total
	Male	Female	
Short Term (%)	21 (11.4)	03 (04.1)	024 (09.3)
Long Term (%)	67 (36.2)	37 (50.7)	104 (40.3)
Both (%)	97 (52.4)	33 (45.2)	130 (50.4)
Total (%)	185 (100)	73 (100)	258 (100)

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.212	2	.045
Likelihood Ratio	6.611	2	.037
Linear-by-Linear Association	.000	1	.999
N of Valid Cases	258		

*0 cells (.0%) have expected count less than 5. The minimum expected count is 6.79.

Table-19 concludes that Female (50.7%) preferred Long Term investment as compared to Male (36.2%). To study whether there is a significant association between gender and time period of investment, chi-square test of association was applied (Table 13) for hypothesis-5. The significant level for the hypothesis is at 95% confidence level i.e.0.05 level of significance. The p value in the above table (Table 20) is less than 0.05. Thus, if value is lesser than the significant level, we reject the null hypothesis (H_0). Hence, from the Table 13, we conclude that there is a significant association between gender and time period of investment.

CONCLUSION

The study shows that the demographic variables have impact on the investment pattern of investors as documented in the literature.

The study shows that there is a association between gender, income, occupation and investment patterns of investors Where as age, marital status and family size does not have any association with investment pattern.

There is difference in investment patterns of male and female, female invest for a longer period of time where as male prefer both the avenues.

There is difference in investment patterns of male and female, male investors monitoring their investment more frequently compare to the female investors

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