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Influence of Demographic Factors on the Investment Behaviour of Individual Investors of Rayalaseema Region

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Abstract: An investment is commitment of funds to acquire financial asset or item with the hope that it will produce income or will create wealth in the future. Investment behaviour for the present study is measured through the various investment avenues available for investment. The main objective is to check the impact of demographic factors on investment behaviour. The data for the present study determining investment behaviour of individual investors of Rayalaseema has been collected through a well-structured questionnaire. The sample was geographically stratified into four districts of Rayalaseema viz., Kurnool, Anantapur, Kadapa and Chittor. The total respondents across these districts were 396. The impact of demographics on the investment behaviour is found using the t test and ANOVA analysis. The results depict that Age and Occupation has significant impact on the investment decision making of the investors of Rayalaseema while Gender and Marital Status exhibits no significant relation with the investment behaviour.

Keywords: Investment, Investment Behaviour, Demographic Factors.

I. INTRODUCTION

Investment plays vital role in economic growth. Hence there is a great significance of investment as it is being the primary instrument of economic growth and development for a country. Investment leads to an increase in capital spending and helps in creating a healthy economy. There is huge number of investment opportunities are available as on today. Some of them are marketable and liquid while others are non-marketable and illiquid. There are instruments which are highly risky while others are almost riskless. All the investors choose investment alternatives, depending upon their specific requirements, risk tolerance level, and expected return. The investment behaviour consists of why they want to invest, how much of their disposable income they want to invest, for how many years/months they want to invest and most importantly the timing of such investment. Investment avenues can broadly be categorized into two categories, namely, Economic Investment and Financial Investment. An economic investment leads to the net additions to the capital stock of a society. On the other hand, financial investments help in creating the capital stock of the country. Perhaps making an investment decision is the most critical challenge faced by the investors. Every investor is not same to another due to various reasons that can demographic variances, the socio-economic factors and psychological condition of each investor.

II. LITERATURE REVIEW

National Council of Applied Economic Research (NCEA) (1961), in its 'Urban Saving survey' noticed that irrespective of the occupation, education and age of the households, they desired to save for the future. It was found that desire to make provision for emergencies were a very important motive for saving for old age. Warren et al. (1990) and Rajarajan (2000) predict individual investment choices (e.g., stocks, bonds, real estate) based on lifestyle and demographic attributes. These investors see rewards as contingent upon their own behaviour. The ET Retail Equity Investor Survey (2004) in the secondary market identified different categories of investors based on their characteristics and attitude towards secondary market investments. A study on 245 Kuala Lumpur Stock Exchange individual investors from Kula Lumpur by Petaling Jaya, reveal that there are some differences between active and passive investors in terms of demographic and psychographics, investment characteristics as well as investment behaviour. Securities and Exchange Board of India (SEBI) and NCEAR (2000) 'Survey of Indian Investors' had been reported that Safety and Liquidity were the primary considerations which determined the choice of an asset.

Murithi Suriya, Narayanan and Arivazhagan (2012), in their study reveal that female investors dominate the investment market in India. According to their survey, majority of the investors are found to be considering two or more sources of information to make investment decisions. Most of the investors discuss with their family and friends before making an investment decision. Horvarth and Zuckerman (1993), suggested that one's biological, demographic and socio-economic characteristics, together with his/her psychological makeup affects one's risk tolerance level. Rajarajan V (1998, 2000 and 2003) classified investors on the basis of their demographics. He also emphasized the investors' characteristics on the basis of their investment size. It was found that the proportion of risky assets to total financial investments had declined as the investor moves up through various stages in life cycle. Furthermore investors' lifestyles based characteristics has been identified. Herrmann, Andrew. F. (2007) gave the estimation results and discussed that supported the initial hypotheses regarding the roles of race/gender in investment preferences. Using multiple specifications and leveraging multiple risk/return measures, the evidence pointed to significant effects with respect to both race and gender. Mittal M and Vyas (2008) explored the relationship between demographic factors and the investment personality exhibited by the investors. Empirical evidence advocated that elements such as marital status, income and education effect an individual's investment decisions.

Kaleem, Wajid and Hussain (2009), in a study of factors affecting financial advisors perception in portfolio management in Pakistan, found that age, income, language and orientation of education have a significant role in determining the investment style of an investor. Saurab Singh (2009) stated that investment decisions made by investors are not solely dependent on price movement and stability of the markets. His study has resulted in listing factors as family, education, age, sex, and the past performance of a company's securities as variables or attributes, devouring substantial influence and impact on the investors' investment decision making process. Kabra.G., Mishra.P.K., and Dash.M.K. (2010) deliberate the factors effecting investment behavior and concluded that investors' age and gender are the main factors which decide the risk taking capacity of investors and that the modern investor is a mature and adequately groomed person. Shaikh and Kalkundrikar (2011) contended that the factors influencing investors' investment decisions are based on various demographic factors like educational qualifications, level of income, level of market knowledge, marital status, gender, age, gender, and the number of dependents. Jain and Mandot, (2012) conducted their research in Rajasthan and indicated that the investment decision is effected by the demographic elements. They have diverse outlooks towards decision making; several are risk seekers while some are risks averse. People with different marital status, occupation, knowledge, gender, income level and ages makes different decisions.

A. Objectives of the Study

- To study the impact of gender and marital status of investor on investment decision.
- To study the influence of age and occupation of investor on investment behaviour.

III. HYPOTHESES

- There is no significant impact of gender and marital status of the investors on the investment decisions.
- The age and occupation of investors will show impact on the investment behaviour of individual investor.

IV. RESEARCH DESIGN AND METHODOLOGY

In this study, behaviour of investor is measured by finding out the preferences of the investors towards investment in financial markets. There are various investment avenues in financial markets in which the individual investors in Rayalaseema like to invest. The investment avenues of financial markets for the present study considered – Fixed deposits, Insurance policies, Postal Savings, Shares, Mutual Funds. Primary data has been gathered through structured questionnaire. Further, various statistics tools like T test and ANOVA have been used for the empirical findings i.e. to check the impact of demographic factors viz. age, gender, marital status and occupation on the investment behaviour.

V. DATA ANALYSIS

Table I shows the impact of gender and marital status on the investment behaviour of the individual investors of Rayalaseema using T test.

TABLE I:

		N	Mean	T-Value	P-Value
Gender	Male	296	1.49	-.930	.363
	Female	100	1.54		
Marital Status	Married	144	1.47	-.841	.400
	Single	252	1.52		

As shown in table I, with respect to gender, the insignificant p value .363 of Investment behaviour reveals that male and female respondents in Rayalaseema have same investment preferences. This means that respondents across gender have sufficient knowledge of risk-return profile of various financial assets or investment avenues. And, observing the figures on marital status, the results also reveal that the marital status has no impact on the investment behaviour of the investors. The investors build their portfolio and invest within the limited avenues available and the choices are revealed to be somewhat similar regardless of their marital status. Table II shows the impact of age and occupation on the investment behaviour of the individual investors of Rayalaseema using ANOVA test.

TABLE II:

		N	Mean	F	Sig
AGE	20-30 years	66	1.38	5.007	.003
	31-40 years	114	1.46		
	41-50 years	110	1.46		
	Above 50 years	106	1.65		
	Total	**396**	**1.50**		
Occupation	Student	27	1.30	2.522	.028
	Business	136	1.43		
	Govt. Employee	83	1.54		
	Private Employee	106	1.57		
	Unemployed	16	1.64		
	Retired	28	1.62		
	Total	**396**	**1.50**		

**Source:* Primary Data

TableII displays the results of the impact of age and occupation on the investment behaviour of individual investors of Rayalaseema. It is found that investment behaviour (p = .003) has a significant relation with the age of an investor. The inclination towards the financial markets grows along the age. The occupation of the investors in Rayalaseema (the region where the study is based) plays a vital role in their financial decision making. Occupation has a significant role vis-a-vis. investment behaviour of an investor (p = .028). Thus, the findings of the present study in this dimension corroborates with the findings of these studies.

VI. CONCLUSION & SUGGESTIONS

From the above study it is found that gender and marital status has no impact on the investment behaviour while on the other hand age and occupation has a significant relation with the investment behaviour of individual investors of Rayalaseema. It is evident from the study that there is a relationship between the saving objectives with the age, occupation of the small and medium household investors. The financial behaviour of individual investors has a connection with the various available investment options, preference and selection. Unlike the elder ones, the young investors are not very keen on saving for their post retirement days and, as of now; do not think of investing long-term. Therefore, various issuers of financial products in money and capital market should initiate effective awareness programs for the younger generation to inculcate the saving habits in them. Looking at the trend and investment style of female investors, financial instruments with the features of low risk, regular income, etc., be floated to enhance their savings and investments.

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