A Study on the Impact of Demographic Factors on Traders Investment Decision

Krupali Bhakta[1]

Student, B.V. Patel Institute of Management, Bardoli, Gujarat, India

Corresponding Author
Bhakta Krupali
B.V. Patel Institute of Management
UkaTarsadia University, Bardoli
Gujarat, India

Abstract: - *Investor's behavior is influenced by many factors during investment decision making. Demographic profile of investors is also one of the decision influencing factors among others. The aim of this paper is to examine the effect of demographic factors on investor's level of risk tolerance regarding the choice of investment. 150 investors from bardoli city were selected as sample; chi square test was conducted to explore the effect of demographic factors on investor's level of financial risk regarding the choice of investment. Result of the paper showed that demographic factors of investors such as academic education, income level, investment knowledge, and investment experience effect the investors level of financial risk, while investors gender, marital status, occupation, and family size showed no effect on investors level of financial risk. These results are important for managers to advise their clients about better area of investment and risk level according to their demographic profile.*

*Keywords***:** Demographic Factors, Investment, Traders

INTRODUCTION

Investment behavior has become popular discussion topic in today's world. Investment is backbone of the individuals and also Investment is one of the prime concerns of the individuals. The income that a person receives may be used for purchasing goods and services that a person currently requires or it may be saved for purchasing goods and services that a person may require in the future. In other words, income can be what is spent for current consumption or saved for the future consumption. Therefore, an investment refers to the commitment of funds made in the expectation of some positive rate of return in future. Expectation of return is an essential element of investment. An investment is an important and useful factor in the context of present day condition.

According to their analysis, several factors which are social, demographic, psychological and physiological influence on their investment decision making. Investor means a person whose principal concern in the purchase of a security is the minimizing of risk, compared to the speculator who is prepared to accept calculated risk in the hope of making better than average profits or gambler who is prepared to take even greater risks. More generally it refers to people who invest money in investment product. There are a lot of investment avenues available today in Jaffna district for individuals. Investment is also commitment of funds, directly or indirectly, to one or more assets with the expectation to enhance future wealth. Direct investment may take in the forms of either physical assets or financial assets that are traded or non-traded in a financial market. Most of the investors' primary objective of investment is to earn regular income and expected rate of return differs from individual to individual based on their level of market knowledge, decision making ability and risk taking ability. Therefore, the objectives of investors can be stated as: Maximization of return Minimization of risk Hedge against inflation every individual is different from others due to various factors which include demographic factors, age, race and sex, education level, social and economic background, same is the situation with the investors. The most critical challenge faced by them is the investment decision. Investment behavior of individual is influenced by many factors during investment decision making. Socio demographic profile of individuals is also one of the core decision influencing factors among others.

REVIEW OF LITERATURE

Many studies are conducted to examine the effect of demographic factors on investor's level of risk tolerance during investment decision making. People having different gender, ages, income level, knowledge, marital status and occupation shows different attitudes towards decision making, some are risk seeker and some adverse risk. Brief literature about the effect of demographic factors on investor's behavior with international evidence is given below.

Urmila Bajaj, Dr. RameeshaKalra(2018) had done a study on the factors that affect the investment decisions of an entrepreneur. The purpose was to examine the effects of several factors such as demographics investment decision criteria, and financial literacy level.

Sheila MoraaNyang'au And Kenya Prof. Willy Muturi, (2018) had done study on "Effect of Investment Decisions on Financial Performance of Retail Investors in Kisii Town". The purpose was To assess the extent to which capital expansion decision affect financial performance of retail investors in Kisii town And To determine the influence of earning replacement decision on financial performance of retail investors in Kisii tow.

Ganga Bhavani&KhyatiShettyhad (2017)done study on Impact of Demographics and Perceptions of Investors on Investment Avenues. This study was to examine the perceptions of the investors and the investment preferences with regard to gender, age, education, occupation & income.

Mathanika.T, Tharshiga.P, Dr.R.Yogendrarajah(2017) had done study on Demographic Factors and Individual Investor's Decision Making**.** The purpose was to examine the impact of demographic variable on individual investor's decision making. The study is based on primary data.

Mark KY Makand WH I P (2017),had done study on an exploratory study of investment behavior of investors. The aims of study were to explore the individual investor behavior. The study is based on primary data.

Subramanian, V.A. Velnampy (2016),had done study on Association between Demographic Factors and Investment Decisions of few Selected State Sector Employees in Jaffna District - Sri Lanka. This study aims were to examine the association between the demographic factors and investment decision making. The study was based on primary data. This study aims to identify the association between demographic factors and investment objective, risk tolerance, frequency of investment and period of investment.

Muhammad NaumanSadiq& Hafiz Muhammad Ishaq (2014), had done a study on the effect of demographic factors on the behavior of investors during the choice of investment: evidence from twin cities of Pakistan. This paper is based on primary data. The purpose was to Find the effect of demographic factors on investor's decisions and to Find the nature of association between demographic factors and investor's level of risk tolerance.

STATEMENT OF PROBLEM

Investor's behavior is influenced by many factors during investment decision making. Demographic profile of investors is also one of the decision influencing factors among others. Demographic factor affect on investment decision. Demographic factors are age, income, gender, Education, occupation etc. This all are the factors that affects differently on individual's investment decision. It is important to identify the factors influencing on individual's investment decision.

OBJECTIVES: Every study must have to formulate its objective in order to distinguishable and take place it more rational and fruitful. This study has the primary objective of finding out impact of demographic factors on individual investor's investment decision making of in the bardoli area.

- ➢ To study the impact of demographic factors on investors' investment decisions.
- ➢ To study the dependence of the demographic factors of the investors and his/her financial risk tolerance

RESEARCH METHODOLOGY

Research design

This is a descriptive research study with expose factor research design conducted in a filled setting. the primary data for the study has been collected using survey method through the structured questionnaire.150. Responded selected using non probability convenient sampling method the responded are largely from bardoli. The data so collected have been processed using statistical package SPSS-16 version. Statistical tools namely cross tabulation has been use and table use to present the data. The present study was limited to a sample size of 150 respondents of selected areas of bardoli.

Hypothesis of the study

H_0: There is no significance association between demographic factor and investment objectives.

H_1: There is significance association between demographic factor and investment objectives.The present study considers 150 responded, from bardoli area. Data is collected from various respondents (stock traders, students etc.) through a structured questionnaire. In this study Risk is consider as a dependent variable, while demographic factors individually checked as independent factors in relation with risk taking attitude of investors.

RESULTS ANALYSIS & DISCUSSION

TABLE 1: Relationship between Dividend and Demographic Characteristics

INVESTMENT OBJECTIVES	DEMOGRAPHIC FACTORS								
dividend	Age	Gen - der	Merit -al Status	Educati -on Backgro-und	Occupat-ion	Fami-ly size	Earning Members	Houseown er ship	Exper -ience
P value	4.115	.003	2.285	1.459	3.668	0.175	1.424	2.664	60.714
Df	4	1	1	4	4	2	2	1	3
Asymp. Sig. (2-sided)	.391	0.953	0.131	0.834	0.453	0.916	0.491	0.103	0.000

Self computed

The above table calculated the relationship between Dividend and demographic factors,

As The value of chi-square of age, marital status, occupation, family size, earning member and house ownership is less than the critical value. So the Null hypothesis is accepted and alternative hypothesis is rejected, revealing that there is no relation between age, gender, marital status, occupation, family size, earning member and house ownershipand dividend.

Also the value chi-square of gender and experience is more than its critical value. So the Null hypothesis is rejected and alternative hypothesis is accepted, revealing that there is relation between experience, gender and dividend.

TABLE 2: Relationship between Capital appreciation and Demographic Characteristics

INVESTMENT OBJECTIVES	DEMOGRAPHIC FACTORS								
Capital Appreciation	Age	Gen der	Marital Status	Educatio n-on Backgrou nd	Occupati on	Fami ly size	Earning Members	House owners hip	Experie nce
P value	5.248	0.003	0.638	3.896	8.960	2.065	6.190	0.013	60.714
Df	8	1	2	8	8	4	4	2	3
Asymp. Sig. (2-sided)	0.731	0.953	0.727	0.867	0.346	0.724	0.185	0.994	0.000

Self computed

The above table calculated the relationship between capital appeciation and demographic factors.

As The value of chi-square of age, gender, marital status, occupation, family size, earning member and house ownership is less than the critical value. So the Null hypothesis is accepted and alternative

hypothesis is rejected, revealing that there is no relation between age, gender, marital status, occupation, family size, earning member and house ownership and capital appreciation.

Also the value chi-square of experience is more than its critical value. So the Null hypothesis is rejected and alternative hypothesis is accepted, revealing that there is relation between experience and capital appreciation.

TABLE 3: Relationship between Safety and Demographic Characteristics

INVESTMENT OBJECTIVES	DEMOGRAPHIC FACTORS								
Safety	Age	Gender	Marital Status	Education Background	Occupation	Family size	Earning Members	House ownership	experience
P value	7.207	2.792	3.717	5.228	10.007	5.183	1.915	0.139	70.226
Df	8	2	2	8	88	4	4	2	6
Asymp. Sig. (2-sided)	0.515	0.248	0.156	0.733	0.265	0.269	0.751	0.933	9.000

Self computed

The above table calculated the relationship between safety and demographic factots.

As The value of chi-square of age, gender, marital status, occupation, family size, earning member and house ownership is less than the critical value. So the Null hypothesis is accepted and alternative hypothesis is rejected, revealing that there is no relation between age, gender, marital status, occupation, family size, earning member and house ownership and safety.

Also the value chi-square of experience is more than its critical value. So the Null hypothesis is rejected and alternative hypothesis is accepted, revealing that there is relation between experience and safety.

TABLE 4: Relationship between Liquidity and Demographic Characteristics

INVESTMENT OBJECTIVES	DEMOGRAPHIC FACTORS								
liquidity	Age	Gender	Marital Status	Education Background	Occupation	Family size	Earning Members	House ownership	experience
P value	13.288	2.140	0.659	14.852	8.909	8.562	3.766	0.690	7.226
Df	12	3	3	12	12	6	6	3	6
Asymp. Sig. (2-sided)	0.348	0.544	0.883	0.250	0.711	0.200	0.708	.0876	0.000

Self computed

The above table calculated the relationship between liquidity and demographic factots.

As The value of chi-square of age, gender, marital status, occupation, family size, earning member and house ownership is less than the critical value. So the Null hypothesis is accepted and alternative hypothesis is rejected, revealing that there is no relation between age, gender, marital status, occupation, family size, earning member and house ownership and liquidity.

Also the value chi-square of experience is more than its critical value. So the Null hypothesis is rejected and alternative hypothesis is accepted, revealing that there is relation between experience and liquidity.

TABLE 5: Relationship between tax benefit and Demographic Characteristic

INVESTMENT OBJECTIVES	DEMOGRAPHIC FACTORS								
tax benefit	Age	Gender	Marital Status	Education Background	Occupation	Family size	Earning Members	House owner ship	experience
P value	13.044	2.509	3.019	12.376	15.589	6.098	4.746	0.182	94.968
Df	12	3	3	12	12	6	6	3	9
Asymp. Sig. (2-sided)	0.366	0.474	0.389	0.416	0.211	0.412	0.577	0.980	0.000

Self computed

The above table calculated the relationship between tax benefit and demographic factors.

As The value of chi-square of age, gender, marital status, occupation, family size, earning member and house ownership is less than the critical value, of age, gender, marital status, occupation, family size, earning member and house ownership. So the Null hypothesis is accepted and alternative hypothesis is rejected, revealing that there is no relation between age, gender, marital status, occupation, family size, earning member and house ownership and tax benefit.

Also the value chi-square of experience is more than its critical value, of and experience. So the Null hypothesis is rejected and alternative hypothesis is accepted, revealing that there is relation between experience and tax benefit

TABLE 6: Relationship between hedge against inflation and Demographic Characteristics

INVESTMENT OBJECTIVES	DEMOGRAPHIC FACTORS								
hedge against inflation	Age	Gender	Marital Status	Education Background	Occupation	Family size	Earning Members	House ownership	experience
P value	11.673	1.413	0.888	11.656	16.433	17.115	8.126	1.340	67.038
Df	12	3	3	12	12	6	6	3	9
Asymp. Sig. (2-sided)	0.472	0.703	0.828	0.474	0.172	00.9	0.229	0.720	0.000

Self computed

The above table calculated the relationship between hedge against inflation and demographic factors.

As The value of chi-square of age, gender, marital status, occupation, earning member and house ownership is less than the critical value. So the Null hypothesis is accepted and alternative hypothesis is rejected, revealing that there is no relation between age, gender, marital status, occupation, earning member and house ownership and hedge against inflation.

Also the value chi-square of family size and experience is more than its critical value. So the Null hypothesis is rejected and alternative hypothesis is accepted, revealing that there is relation between experience, family size and hedge against inflation.

TABLE 7: Relationship between quick gain and Demographic Characteristics

INVESTMENT OBJECTIVES	DEMOGRAPHIC FACTORS								
quick gain	Age	Gender	Marital Status	Education Background	Occupation	Family size	Earning Members	House ownership	experience
P value	11.090	2.869	1.596	4.983	12.012	17.671	9.328	1.127	1.290
Df	12	2	3	12	12	6	6	3	9
Asymp. Sig. (2-sided)	0.521	0.412	0.660	0.959	0.445	0.007	0.156	0.771	0.000

Self computed

The above table calculated the relationship between quick gain and demographic factots.

As The value of chi-square of age, gender, marital status, occupation, earning member and house ownership is less than the critical value. So the Null hypothesis is accepted and alternative hypothesis is rejected, revealing that there is no relation between age, gender, marital status, occupation, earning member and house ownership and hedge against inflation.

Also the value chi-square of family size and experience is more than its critical value. So the Null hypothesis is rejected and alternative hypothesis is accepted, revealing that there is relation between experience, family size and quick gain.

CONCLUSION

This study concludes that there is an association between demographic factors and stock trader's investors. Result shows that demographic factors like investor's age, gender, income level, education and marital status have no significant effect on the behavior of investors. On comparing the different groups like students, retired employees and full-time employees with stock traders on basis of their investment choices, factors that are most likely to influence investment decisions etc., it is right to conclude that there is a vast difference between students and stock traders. The important factor the investors consider during their investment decision are Past stock performances are overlooked, Higher Investors ratio matters more for investment, that is the quality investment is fascinated more than the quantity investment.

REFERENCE

[1] a. V. T. Subramaniam, "Association between Demographic Factors and Investment Decisions of few Selected State Sector Employees in Jaffna District - Sri Lanka," *International Journal of Research in Management,* vol. Vol 3, no. Issue 6, ISSN 2249-5908, 2016.

[2] M. N. S. &. H. M. Ishaq, "The Effect of Demographic Factors on the Behavior of Investors during the Choice of Investment: Evidence from Twin Cities of Pakistan," vol. Volume 14 , no. Issue 3, 2014.

[3] D. R. K. Urmila Bajaj, "A study on the factors that affect the investment decision of an entrepreneur," *Journal of Emerging Technologies and Innovative Research,* vol. Volume 5, no. Issue 12, 2018.

[4] T. a. D. Mathanika.T, "Demographic Factors and Individual Investor's Decision Making," *European Journal of Business and Management,* Vols. Vol,9, no. ISSN 2222-1905, 2017.

[5] N. M. a. N. Muhammad, "Impact of Decision Characteristics, Extent of Scanning and Information Processing Capacity on Investment Decision Making Quality," *International Journal of Global Business,* pp. pp-65-100, 2008.

[6] G. B. &. K. Shetty, "Impact of Demographics and Perceptions of Investors on Investment Avenues," vol. Vol. 6, 2017.

[7] J. K. Sheila Moraa Nyang'au, "Effect of Investment Decisions on Financial Performance of Retail Investors in Kisii Town, kenya," no. ISSN: 2617-4138.