

A STUDY ON INFLUENCE OF INVESTORS' DEMOGRAPHIC CHARACTERISTICS ON INVESTMENT PATTERN

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Abstract—Investment behaviors are defined as how the investors judge, predict, analyze and review the procedures for decision making, which includes investment psychology, information gathering, defining and understanding, research and analysis. The whole process is “Investment Behavior” (Alfredo and Vicente, 2010). Many economic theories are based on the belief that individuals behave in a rational manner and that all existing information is embedded in the investment process. This assumption is the crux of the efficient market hypothesis. But researchers questioning this assumption have uncovered evidence that rational behavior is not always as prevalent as we might believe. Behavioral finance attempts to understand and explain how human emotions influence investors in their decision-making process. This study attempts to analyze the influence of demographic characteristics influence on their investment pattern. It also tries to study the significance between the type of investors and the corporate announcements made by the companies.

Keywords—ANOVA, corporate announcements, demographic profile, independent sample t test, investor behavior.

INTRODUCTION

The globalization of financial markets has increased the participation and number of retail investors' over the past two decades by providing a wide variety of market and investment options. However, it makes their investment decisions process more complex. There are many investment products which are available for investment to investors in the stock market ranging from bonds to options. These products vary with regard to risk factor involved and the return. Investors choose the investment products which have matching to their risk tolerance. Indian financial market is considered to be highly impulsive, responsive and combative. The role and importance of individual investors and their trading behaviour in Indian financial market is also imperative.

According to behavioural finance, investor market behaviour derives from psychological principles of decision making to explain why people buy or sell stocks. Financial risk tolerance and FRB are among the important phenomena in the field of economics, psychology, finance and management science (Roszkowski et al., 1993). Understanding the financial risk behaviour of an individual would be useful for service providers and policy makers who are interested in bringing out new financial products. Financial risk tolerance is one among the factors that determine the risky behaviours of an individual. Financial risk tolerance in-creases the investors' vulnerability to choosing a risky investment.

REVIEW OF LITERATURE

Chitra and Jayashree (2014) In their study (Does Demographic Profile Create a Difference in the Investor Behaviour?). They found that unlike the classical finance theory, individual investors do not always act rationally while making investment decisions. Individual investors suffer from several psychological and emotional biases; investor behaviour is subject to representativeness, conservatism, egret aversion, price Anchoring and overconfidence factors. Apart from these biases, on the basis of demographic variables, it is found that gender, age, education and experience have an interaction with behavioural factors in investment decisions.

Fares and Khamis (2011) investigated individual investors' stock trading behaviour at the Amman Stock Exchange, Jordan. They identified four behavioural factors (age, education, accessibility to the internet and interaction between the

investor and his/her broker) that influenced investors' trading decisions. According to the authors, investor's age, education, and his/her accessibility to the internet had a significant and positive effect on stock trading, while the interaction between the investor and his/her broker, had a highly significant and negative effect.

Gunay and Demirel (2011), in their study concluded that there is an interaction between demographic and financial behaviour factors in five of the financial behaviour factors (overreaction, herding, cognitive bias, irrational thinking, and investment decisions). They found that gender has interaction with overconfidence, and the level of individual savings has an interaction with four of the financial behaviour factors (overreaction, herding, cognitive bias, and irrational thinking).

Sadiq Ishaq (2014), in their study concludes that there is an association between demographic characteristics and investors level of risk tolerance. Result shows that demographic factors like investor's age, academic qualification, income level, investment knowledge, and investment experience have significant effect on the behaviour of investors.

NEED FOR THE STUDY

Within Behavioural Finance, it is assumed that information structure and the characteristics of market participants systematically influence individual's investment decisions as well as market outcomes. The globalization of financial markets has been increasing the number of small investors over the past two decades by providing a wide variety of market and investment options. However, it makes the investment decisions process much more complex. The small investors generally consider their investment needs, goals, objectives, demographic profile and constraints while making investment decisions. But it is not possible for them to make a successful investment decision at all times. Their attitude is influenced by a variety of factors such as dividend, get rich quickly strategy, stories of successful investors, online trading, investor awareness programme, etc. A better understanding of behavioural processes and outcomes are important for financial planners because an understanding of how investors generally respond to market movements would help them in devising appropriate asset allocation strategies for clients (Al-Tamimi, 2006). The present study attempts to study how far the demographic characteristics influence the investment behaviour of investors.

OBJECTIVE OF THE STUDY

- To analyze the influence of demographic characteristics of investor on their investment pattern.
- To examine the significance between type of investor and their perception towards corporate announcements.

SCOPE OF THE STUDY

The main purpose of investors engaged in investment is to both maximize their income and minimize their expenses. In the literature of finance, individuals are considered to behave rationally when pursuing their own benefits. In this context, individuals spare some of their income for expenditure and some for saving. Within this framework, individuals route their savings into investment. The Investors' sentiment can be defined as investors' attitude and opinion towards investing in the Stocks. The retail investors generally consider their investment needs, goals, objectives and constraints in making investment decisions, but it is not possible to make a successful investment decision at all times. Their attitude is influenced by variety of factors such as dividend, get rich quickly strategy, stories of successful investors, online trading, investor awareness programme, experience of other successful investors etc. The aim of this study is to analyse influence of demographic characteristics like gender, type of investor on their investment decision.

RESEARCH METHODOLOGY

Research Design

The research design adopted in the present study is a "Descriptive Design" of conclusive one.

Sources of Data

The study has depended on primary sources of data collected by administering a well-conceived questionnaire to the sample investors.

Statistical Tools

The statistical tools like percentage analysis, independent sample t test and ANOVA were used for the analysis and interpretation of survey data.

Sampling Design

- (a) Sampling frame : 4328 investors in Virudhunagar district
- (b) Sampling size : 340 Investors
- (c) Sample method : Simple random sampling

LIMITATION

The present study covers only the sample investors from Virudhunagar district. Hence utmost care is exercised while generalizing the result.

HYPOTHESIS

H₀₁: There is no significant difference between gender and their level of emotional tolerance in the share market.

H₀₂: There is no significant difference between type of investors and the level of importance to the corporate announcements.

DATA ANALYSIS AND INTERPRETATIONS

Demographic variable such as age, gender, marital status, education level, experience in share market and type of investor are considered as the main influencing variable that affects the investors' investment decision.

Table: 1
Percentage analysis of demographic variables

<i>Category</i>	<i>Particulars</i>	<i>Frequency</i>	<i>Percentage</i>
Gender	Male	244	71.76 %
	Female	96	28.24%
Age	below 25 yrs	30	8.82%
	25 – 35 yrs	90	26.47%
	36 - 45 yrs	115	33.82%
	46 - 55 yrs	71	20.88%
	above 55 yrs	34	10.00%
Marital Status	Married	266	78.24%
	Un married	74	21.76%
Education Status	School level	57	16.76%
	Graduate	122	35.88%
	Post Graduate	72	21.18%
	Professional	51	15.00%
	No formal education	38	11.18%
Experience	Less than one year	65	19.12%
	One – five years	59	17.35%
	five – ten years	122	35.88%
	Above 10 years	94	27.65%

Source: Primary data

The analysis shows that, majority 71.76% of the respondents are Male. 33.82% belong to the Age group of 36 - 45 years. Majority (78.24 %) of the investor are married. Nearly (35.88%) have completed their Graduation. Nearly 36% of the respondents have five to ten years of experience in share market.

Independent sample t test:

The Independent Samples *t* Test compares the average values of a characteristic measured on continuous scale between two conditions of the same group. In this study, the two independent groups are male and female investors. The dependent variable is the level of emotional tolerance that is described in five variables like Very conservative, moderately conservative, Neutral, Moderately Aggressive and Very Aggressive

H₀₁: There is no significant difference between gender and their level of emotional tolerance in the share market.

H_{A1}: There is significant difference between gender and their level of emotional tolerance in the share market.

**Table 2: Results of Independent Samples t test
Testing the significance between gender and level of emotional tolerance.**

	<i>Gender</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>t</i>	<i>Sig</i>
Level of emotional tolerance	Male	3.3743	1.23598	.412	0.020
	Female	3.3168	1.33895	.410	

Source: SPSS output

According to hypothesis testing, the results show that the p value (0.020) is lesser than that of significance value at 5%, thus we reject the null hypothesis. Hence there is significant difference between gender and their level of emotional tolerance. It can be concluded that the level of emotional tolerance differs from men and women in their financial investment decision making, especially in share market, the place where risk plays a heavier role.

ANOVA

Analysis of variance (ANOVA) is a collection of statistical models used to analyze the differences among group means and their associated procedures. Statistical technique for determining the degree of difference or similarity between two or more groups of data.

In the present study, the type of investors (Short term, long term and intraday traders) is grouping variable and the dependent variable is the importance given to the corporate announcements before making investment decisions.

H₀₂: There is no significant difference between type of investors and the level of importance to the corporate announcements.

H_{A2}: There is significant difference between type of investors and the level of importance to the corporate announcements.

**Table 3: Results of ANOVA
Testing the significance between type of investors and the level of importance**

<i>Corporate announcements</i>		<i>Sum of square</i>	<i>Df</i>	<i>F</i>	<i>Sig</i>
Dividend	Between groups	6.563	2	2.244	0.108
	Within group	492.860	337		
	Total	499.424	339		
Bonus	Between groups	6.563	2	1.634	0.036
	Within group	492.860	337		
	Total	499.424	339		
Rights	Between groups	2.660	2	0.876	0.418
	Within group	511.740	337		
	Total	514.400	339		
Split	Between groups	3.926	2	1.258	0.016
	Within group	525.777	337		
	Total	529.703	339		
Earnings report	Between groups	2.480	2	0.751	0.373
	Within group	556.567	337		
	Total	559.047	339		

Source: Summarized Data of SPSS output

The above Table 3 exhibits the results of One way ANOVA with regard to Type of Investors and the level of importance they give to each corporate announcement before making the investment decision. There is a no significant difference among the three different types of investors with respect to the importance given to Dividend, Rights and Earnings report announcements. In other cases, like bonus and split announcements there is no significant difference in importance given to announcements by the investors.

FINDINGS AND SUGGESTIONS

The findings clearly indicate that there is a significant difference between gender and the level of emotional tolerance. Gender of respondents was considered as an important factor in all researches as it has a huge impact on the investors' behaviour. Stock market investment initiatives should optimally utilize the available capacity from both sexes. This indicated the need to bring more women on board to participate in the growing financial assets sector and more specifically the Stock Exchange Industry. Having majority of the respondents in the 36-45age group implied that most of the respondents had experience in financial assets investments and were in position provide a judgment of the future and status of the sector. Further, ANOVA results prove that there is no significant difference between types of investors with respect to importance given to corporate announcements. Findings of the present study suggest that the personality of an investor influences the investment patterns and types of investments made.

CONCLUSION

Investors, before making investments, need to collect investment related information from the internet and consult with friends, peers and investment experts before making investments. Investment decision differs for each type of investors based on their demographic structure. It depends on their goal and risk taking ability. The corporate announcement also plays a vital part investment pattern of the investor which leads to a greater change in their investor behaviour.

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