

The Study of Impact of Demographic Factors on Investment Preferences and Decisions of Individual Investors with Special Reference to Mumbai City

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Abstract-The present study is based on individual investors in Mumbai city and the factors impacting their choice of investments, patterns and the growing trends is highlighted in the study. The major part which includes demographic variables and their own experiences and knowledge relating to investments are been examined in the study. The research is conducted by collecting primary data from 200 residents of mumbai as respondents which falls in the age group of 18 to 60 years. The association between demographic factors like Age and occupation is tested with their investment decisions and choices, Chi Square and correlation between the experience of investors with volume of investment made by them is also measured.

Keywords- Investors, Demographic factors, Investment decision.

INTRODUCTION

Investment is traditionally seen as the current allocation of resources for the sake of future gains. If resources and advantages come in the form of money, investing is the act of committing money now in order to receive it later (and hopefully more money). The amount of money that will be obtained later is specifically referred to as an investment in some circumstances, such as the purchase of a bank certificate of deposit. The quantity of money collected subsequently is usually unknown, though. Investment, then, is the use of money with the intention of generating extra revenue or increasing its value. An investment must involve "waiting for a payoff" in order to be considered. It entails committing funds that have been set aside or saved from present needs. Investors and investment managers make investment decisions. Typically, retail investors conduct investment analysis using judgement, technical analysis, and fundamental analysis. Decision tools are

frequently used to support investment decisions. It is presumable that elements in the market and the information structure systematically affect investors' investment choices and market results. Investor market behaviour theories explain why people purchase or sell stocks using psychological principles of decision-making (Jagongo & Mutswenje, 2014). Numerous studies have demonstrated that markets may not be efficient, investors are not always rational, and prices may drastically differ from fundamental values (Tekçe, Yılmaz, & Bildik, 2016). Investment behaviour encompasses investment psychology, information collection, defining and comprehending, research and analysis, as well as how investors appraise, predict, analyse, and review the processes for decision making. It is the use of money with the intention of generating income or capital growth (Pandey, 2001). Economic theories of investment behaviour are largely predicated on the idea that people act rationally and that all available information, including impact of demographic factors, is incorporated into the decision-making process for investments.

REVIEW OF LITERATURE

Shiller (2000) found that market knowledge, which has a direct impact on investor behaviour, manages the stock market. In order to study the buying behaviour of investors, a number of demographic factors, including gender, age, and risk tolerance level of individuals, were empirically taken into account. Additionally, using thorough survey data on emerging markets, Kannadhasan (2015), Prosad et al. (2015), and Phan et al. (2018) confirm that demographic factors contribute to the differentiation and

classification of retail investors, and they implore practitioners to continue to take these considerations going forward. Hoffmann and Shefrin (2014), however, use brokerage data to look into investor behaviour using a sample of Dutch discount brokerage clients' initial positions, transaction histories, and matched survey responses. Their findings suggest that because their primary investment goals are to keep more concentrated portfolios, which they turnover at a higher rate, retail investors who report employing technical analyses are disproportionately likely to engage in stock market speculation.

In their study titled "A Study of Certain Aspects of Household Savings Behaviour in New Delhi," Ajay and Singh (1979) examined respondents' motives for saving, attitudes toward saving, and level of risk-taking. The authors discovered that household heads who are Delhi residents or have lived there for more than 41 years have higher satisfaction levels with their savings. According to the study's findings, people who live in their own homes, have higher incomes, higher savings, have more than two earners, and have no dependent girls are found to be happier with their savings.

OBJECTIVE OF THE PAPER

- 1) To study the growing trends of investing in economy
- 2) To study the pattern of investment of individual investors
- 3) To examine the association of demographic factors on investment decisions

Hypothesis

H0: There is no association of Age and investment decision of investors

H1: There is association of Age and investment decision of investors

H0: There is no association of Occupation and investment decision of investors

H1: There is association of Occupation and investment decision of investors

H0: There is no significant correlation between Investors Experience and Volume of investment made by them

H1: There is no significant correlation between Investors Experience and Volume of investment made by them

RESEARCH METHODOLOGY

Research Design: The research design is descriptive in nature. It is quantitative and description of demographic factors and variables are been performed

Data Source: Primary data is collected for the study

Sample Size: 200 respondents which is working population of Mumbai within the age bracket of 18 to 60 years

Sampling Technique: Cluster cum convenience sampling technique is used

Research Tool: Standardised questionnaire is used for data collection

Research Method: Survey method

RESULTS AND FINDINGS

Frequencies and Percentages

Table 1- *Frequency Table for descriptive Statistics*

| Variable | N | % |
|------------------------------|-----|-------|
| Gender | | |
| Male | 120 | 60.00 |
| Female | 80 | 40.00 |
| Age | | |
| 18-30 Years | 44 | 22.00 |
| 30-40 Years | 38 | 17.00 |
| 40-50 Years | 66 | 33.00 |
| 50-60 Years | 52 | 26.00 |
| Education | | |
| H.S.C | 55 | 27.50 |
| Graduate | 75 | 32.50 |
| Post-Graduate | 70 | 35.00 |
| Occupation | | |
| Private Sector Employee | 88 | 44.00 |
| Government Employee | 69 | 34.50 |
| Self employed / Own business | 40 | 20.00 |
| Professional | 36 | 18.00 |
| Annual Income | | |
| Upto 3 Lakhs | 54 | 28.00 |
| 3 lakhs to 6 lakhs | 36 | 18.00 |
| 6 lakhs to 12 lakhs | 58 | 29.00 |
| 12 lakhs and above | 52 | 26.00 |

Note. Due to rounding errors, percentages may not equal 100%.

The most frequently observed category of Age was 40-50 Years ($n = 66, 33\%$). The most frequently observed category of Education was Graduate ($n = 75, 32.5\%$). The most frequently observed category of Occupation was Private Employee ($n = 88, 44\%$). The most frequently observed category of Annual Income was 6 lakhs to 12 lakhs ($n = 58, 29\%$). Frequencies and percentages are presented in Table 1.

Table 2: Pattern of Investment

| Investment Preferences | Percentage |
|------------------------|------------|
| Equity shares | 73% |
| MutualFund | 51% |
| Fixed deposits | 41% |
| Commodities | 7% |
| DebenturesBonds | 9% |
| Annuities | 9% |
| Others | 12% |

The most popular investment option was a equity shares and mutual funds, followed by fixed deposits. The majority of the data sharing was made up of these three. The smaller number there was likely caused by less familiarity with the commodities and bond markets. The others comprises of Real estate and bullion market.

Table 3: Chi Square test for association between Age and Investment preferences

| Factor | Chi Square Value | Df | Significance value | Result |
|--------|------------------|----|--------------------|-----------------|
| Age | 15.607 | 6 | 0.07 | Not significant |

Since the significance level exceeds 0.05, the null hypothesis is accepted. The null hypothesis, which states that there is no connection between an investor's age and how they see different investment options, is valid. It has been found that investors' view of their available investment options is not significantly influenced by their age.

Table 4: Chi Square test for association between occupation and Investment decision

| Factor | Chi Square Value | Df | Significance value | Result |
|------------|------------------|----|--------------------|-------------|
| Occupation | 14.972 | 7 | 0.004 | Significant |

The results of the chi-square test indicate that the null hypothesis is rejected because the significant value is less than 0.05. The assertion that there is no connection between a person's profession and their decision to invest is not true. It has been found that an investor's profession significantly affects their preferences for different investment opportunities.

Table 5: Correlation between Investors Experience and volume of Investment

| Combination | r_p | 95% CI | p |
|---|-------|--------------|--------|
| Investors Experience and volume of Investment | 0.40 | [0.24, 0.54] | < .001 |

Note. $n = 200$

The result of the correlation was examined based on an alpha value of 0.05. A significant positive correlation was observed between Investors Experience and volume of Investment ($r_p = 0.40, p < .001, 95\% \text{ CI } [0.24, 0.54]$). The correlation coefficient between Investors Experience and volume of Investment was 0.40, indicating a moderate effect size. This correlation indicates that as Investors Experience increases and volume of Investment tends to increase. Table 5 presents the results of the correlation.

CONCLUSION

In particular, this study looks into how demographic factors affect how easily accessible information is to individual risk-tolerant they are, how they choose investments for their portfolios, and how experienced they are in investing. With regard to these particular investor behaviours, the study lays out a theoretical framework based on the importance of demographic factors like age, income, , occupation, , gender, , level of education, etc. The study's findings indicated that the primary factors influencing each investor's behaviour are their occupation and level of experience. The findings demonstrate that respondents in the private sector had greater access to information and were more likely to take risks and Age as such did not significantly determines investment preferences. Most sought out investment is equity investment and volume of investment highly correlated to experience of individual retail investor. This study explores the relationship between demographics, behavioural biases, and investors' investment patterns.

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