

# A Study on Influence of Demographic Variables on the Factor Affecting Investment

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## ABSTRACT

This paper attempts to know the saving pattern and the significance of demographic factors on the factors that influence the investor's decision towards making investments. Various demographic factors and factors compel investors to invest. The study reveals that some of the demographic factors have significant relationship with the factors influencing investor's decision. The behavioral aspect of investors plays an important role in financial decision making which has attracted a huge financial literature. Among other objectives, demographic variables are one of the important objectives which influence financial decision making of investors. This paper focuses on the relationship between the four demographic variables i.e., age, gender, education and occupation with the behavior of the investors. A sample of 100 respondents was interviewed and analysis was done through SPSS. The study emphasizes the fact that demographic variables indeed play a role on the mindset of the investor community which is driven by age and educational qualification.

**Keywords:** Annual income, Annual savings, Investment, demographic factors

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## INTRODUCTION

In the current economic scenario, money is considered as the root cause of all happiness. People start investing for a secure life and a bright future. But the most important dilemma is that investors are confused with various investments options and their risk-return profile. Investment is the sacrifice of current money or other resources for future benefits. In the financial sense, "Investment is the commitment of a person's funds to derive income in the form of interest, dividend, premiums, pension, benefits or appreciation in the value of their capital, purchasing of shares, debentures, post office savings certificates, insurance policies are all investments in the financial sense. There are large numbers of investment avenues available to the investors to park their fund . But the choice of investment avenues differs from investor to investor based on the level of financial literacy and expectations. A large number of studies have been conducted to find out the preference of investment avenues among the investors and the factors that influences the investment behavior found that age, gender, income and education affects investors' preferences and attitudes towards investment decision based on their investment objectives. Found that "The investment prejudices in individual investors has relationship with personal characteristics meaningfully and with some of the demographic variables weakly".

## OBJECTIVE OF THE STUDY

- . To find out the factor influencing investment decision of investor.
- To find out the effect of demographic factors viz. Age, qualification, income, occupation etc. on the various aspects concerning investment decisions of investors.

### Sampling design

This is a descriptive research where convenience sampling method is adopted to collect primary information from the investors.

### Sample size

It refers to the number of items selected from the universe or population. Keeping in mind the constraints of time and efforts, it is decided to take a sample of 100 persons out of total individual household from the universe.

**Source of data**

While deciding the method of data collection researcher should keep in mind the types of data viz. Primary and secondary data.

**REVIEW OF LITERATURE**

Dr. Samudra Aparna,(2012) studied the middle class investment behavior in Nagpur. Main research objective was preference of the investor followed by whether there is any increase in the saving of the investors and to know the various objectives of investment. Data were collected through primary and secondary sources .The analysis revealed that bank deposit were popular instrument of investment and the largest share participant in the investment were of the oldest(above 55) categories. The study concluded that there was difference in choice of investment in different age groups and income class of households.

Chaturvedi Meenakshi and Khare Shruti,(2012) made a study to know the awareness and preference of investors for different investment options available to them and to analysis the factor influencing their perception and preferences. Data have been collected through primary survey and secondary sources. The analysis revealed that age, gender, education has no significant difference with awareness. Occupation and income have significant difference with awareness. There was high investment in bank deposit followed to small savings schemes and insurance. Safety and income generation were two major objectives for investment. The study concluded that most of the respondents save between 10-30 per cent and preferred bank deposit as the first choice of investment. The suggestions of the study were to attract women investor by providing right information and knowledge about market, inculcate saving habit, and saving were pooled and channelized in to productive investment.

Dr. Kaur Mandeep and Vohra Tina,(2012) studied the individual investor behaviour. The prime focus of the study was to discover the factor affecting the individual investor behaviour as explored by various researchers followed studied the up to date and comprehensive reviews of the studies on individual investor behaviour. Studies were explored to gather information about the attitude and behaviour of the investor. The analysis of the studies revealed that factor such as demographic profile, stock fundamentals, life style characteristics, psychological influence and personal values influence the behaviour of the investors. The study concluded that diversification in financial service sector provide the individual investor a wide range of opportunities to invest. The individual decision to invest in financial market is greatly influenced by the variety of benefits each individual want from owing a stock. It is suggested that to understanding the behaviour of investor could be of great help in order to explain the stock market anomalies and to help the policy makers, investment agencies and the manager to respond to the varying mood of an investor.

Das Sanjay Kanti,(2012) studied the middle class household investment behaviour . The study has been conducted to know the preference of the investment of the investment instrument and investment pattern of the middle class household, to know the various objective of investment and to know whether there has been any increase in saving and reason for the same. Data have been collected through structured questionnaire based on personal interview. The study revealed that among all avenue bank deposit remains the most popular instrument of the investment followed by insurance and small saving schemes with maximum number of respondents investing in fixed income bearing option. The study concluded that bank deposit was the most popular instrument and there is increase in savings due to increase in income.

**ANALYSIS AND INTERPRETATION**

**Sample profile**

Demographical characteristics of the sample chosen for the study can be explained through sample profile. Table 1 describe total sample according to age, gender, qualification, occupation, income, no. of dependent person and marital status.

**Table 1 sample profile of the investors**

Serial no.	Variable	Options	Frequency	Percentage
1	Age of investors	Below 30	46	46.0
		30-40	30	30.0
		Above40	24	24.0
		Total	100	100.0
2	Gender of investors	Male	70	70.0

		Female	30	30.0
		Total	100	100.0
3	Qualification of investors	upto10+2	28	28.0
		Graduate	21	21.0
		Post graduate	33	33.0
		Professional /others	18	18.0
		Total	100	100.0
4	Marital status of investors	Married	77	77.0
		Unmarried	23	23.0
		Total	100	100.0
5	Occupation of investors	Business	44	44.0
		Service	39	39.0
		Professional practice	17	17.0
		Total	100	100.0
6	Number of dependent person	Two	49	49.0
		Three	27	27.0
		Four or more	24	24.0
		Total	100	100.0
7	Income	RsRs10,000-20,000	34	34.0
		Rs20,001-30,000	26	26.0
		Rs30,001-40,000	18	18.0
		Above Rs40,000	22	22.0
		Total	100	100.0

Table 1 exhibits that 46 percent respondents are below 30 year of age, 30 percent respondents are in the age group (30-40) year and 24 percent respondents are above 40 year of age. Further gender wise break up depicted that 70 percent of respondents are male and 30 percent are female respondents. Classification on the basis of education depicts that 28 percent belongs to metric or secondary qualification category, 21 percent respondents are graduate. 33 percent are post graduate and 18 percent possess professional and other qualification. Further 77 percent of respondents are married and 23 percent are single. Occupation of 44 percent of respondents is business, 29 percent are in service and 17 percent belongs to professional practice. 49 percent of respondents have 2 dependents, 27 percent have 3 dependents and 24 percent have 4 or more dependent persons.

**Table 2: The most important factor affects investment decision**

		Frequency	Percentage
Factor affect investment decision	Advice of broker	4	4.0
	Advice of friends	7	7.0
	Advice of family members	30	30.0
	Your own study	41	41.0
	Information about management	1	1.0
	Past experience	8	8.0
	Expert opinion in media	5	5.0
	Reading prospectus of the company	4	4.0
	Total	100	100.0

(Figures in parenthesis exhibit percentage)  
(Source: Primary data)

The table 2 represent the factor which is considered the most important one that affect investment. 4% respondents are affected by advice of broker and 7% by advice of friends. 30% respondents are affected by advice of family members.41% of respondent are affected by their own study. Only 1% of respondent are affected by information about management.8% of the respondents are affected by their past experience.5% of respondent are affected by expert opinion in media and 4% by reading prospect of the company. It is seen that the factor which affect the investment decision the most is investor own study.

**Table 3: Age wise classification of investors regarding factor which affect investment decision**

Age of investors	Investment decision is affected by followed factor			
	Social norms	Religious ideas	Attitude toward stock	Total
Below 30	29 (63.0)	3 (6.5)	14 (30.4)	46 (100.0)
30-40	20 (66.7)	3 (10.0)	7 (23.3)	30 (100.0)
Above40	16 (66.7)	2 (8.3)	6 (25.0)	24 (100.0)
Total	65 (65.0)	8 (8.0)	27 (27.0)	100 (100.0)

(Figures in parenthesis exhibit percentage)  
(Source: Primary data)

Table 3 represent the age-wise influence of various factors on the respondents regarding investment decision. It is observed that overall 65% of respondent are affected by social norms. Further 27 % respondents are affected by attitude toward stock. The study found that 63%, 66.7% and 66.7% of the respondents belonging to age group below 30, 30-40 and above 40 year respectively are affected by social norms.

**Table 4: Qualification wise classification of investors regarding factor which affect investment decision**

Qualification of investors	Investment decision is affected by followed factor			
	Social norms	Religious ideas	Attitude toward stock	Total
upto10+2	19 (67.9)	2 (7.1)	7 (25.0)	28 (100.0)
Graduate	16 (76.2)	2 (9.5)	3 (14.3)	21 (100.0)
Post graduate	20 (60.6)	3 (9.1)	10 (30.3)	33 (100.0)
Professional, others	10 (55.6)	1 (5.6)	7 (38.9)	18 (100.0)
Total	65 (65.0)	8 (8.0)	27 (27.0)	100 (100.0)

(Figures in parenthesis exhibit percentage)  
(Source: Primary data)

Table 4 represent the qualification-wise classification of the respondents regarding factor affecting investment decision. 67.9% and 76.2% of respondents possessing upto10+2 and graduation qualification respectively are affected by social norms. 60.6% post graduate and 55.6% having professional qualification are affected by social norms. 30.3% post graduate and 38.9% professionally qualified respondents are also affected by attitude toward stock.

**Table 5: Income wise classification of investors regarding factor which affect investment decision**

Income of investors	Investment decision is affected by followed factor			
	Social norms	Religious ideas	Attitude toward stock	Total
Rs10,000-20,000	22 (64.7)	3 (8.8)	9 (26.5)	34 (100.0)
Rs20,001-30,000	16 (61.5)	3 (11.5)	7 (26.9)	26 (100.0)
Rs30,001-40,000	12 (66.7)	1 (5.6)	5 (27.8)	18 (100.0)
Above Rs40,000	15 (68.2)	1 (4.5)	6 (27.3)	22 (100.0)
Total	65 (65.0)	8 (8.0)	27 (27.0)	100 (100.0)

(Figures in parenthesis exhibit percentage)  
 (Source: Primary data)

Table 5 represent the income-wise classification of the respondents regarding factors affecting investment decision. It is seen that 65% respondent are affected by social norms. 8% of respondents are affected by religious idea. 27% of respondent are affected by attitude toward stock. The respondents of high income group are less affected by religious ideas.

**Table 6: Occupation wise classification of investors regarding factor which affect investment decision**

Occupation of investors	Investment decision is affected by followed factor			
	Social norms	Religious ideas	Attitude toward stock	Total
Business	31 (70.5)	4 (9.1)	9 (20.5)	44 (100.0)
Service	24 (61.5)	4 (10.3)	11 (28.2)	39 (100.0)
Professional practice	10 (58.8)	0 (0)	7 (41.2)	17 (100.0)
Total	65 (65.0)	8 (8.0)	27 (27.0)	100 (100.0)

(Figures in parenthesis exhibit percentage)  
 (Source: Primary data)

Table 6 represent the income-wise classification of the respondents regarding factors affecting investment decision. Businessman, serviceman and even professionals are affected by social norms.70.5% respondents who are in business are affected by social norms. 61.5 % of respondents whose occupation is service are affected by social norms. 58.8% and 41.2% respondent who are professional are affected by social norms and attitude toward stock respectively. It is observed that the respondent who are professional are not affected by religious ideas.high income group and more qualified person are not affected by religious ideas.

### **FINDINGS**

- The factor that affects investment decision is your own study. 41% respondents are affected by their own study and 30% respondents are affected by advice of family members.
- 63% of respondents below age 30 affected by social norm. 27% respondents are affected by attitude toward stock. 60.6%, 55.6% respondents who possess post graduate, professionals qualification affected by social norms. 65% respondents are affected by social norms belong to different income group. Only 20.5% respondents who are businessman and 28.2% respondents who are serviceman are affected by social norms. 58.8% and 41.2% respondent who are professional are affected by social norms and attitude toward stock respectively. It is observed that the respondent who are professional are not affected by religious ideas.

### **SUGGESTIONS**

The study results also illustrate that 41% of the respondents of the selected households take investment decision on their own. The government initiatives in this direction would help the investors to take more sound investment decisions which would in turn improve the degree of sophistication that households bring to bear in their saving and investment decisions. The government should also design policy to make people invest in various instruments rather than stashing cash at home. 65% respondents are affected by social norms. Social characteristics are important to investor so the manager should make sure that the firm's product and their management practices should be such so as to create a positive impact on the mind of the investor.

### **CONCLUSION**

Thus, the study reveals that the various demographical variables have an association with the objectives of investment. Only 20.5% respondents who are businessman and 28.2% respondents who are serviceman are affected by social norms. 58.8% and 41.2% respondent who are professional are affected by social norms and attitude toward stock respectively. It is observed that the respondent who are professional are not affected by religious ideas. Thus, it can be concluded that demographic variables such as age, income, education, occupation plays a very important role in investment decision.

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