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Demographic profile and its Relevance to Stock Market Investment[1]

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Abstract: *Study was taken up with the aim to determine the influence of demographic factors on the investment behavior in the stock market. Though investing expertise and experience play significant role in relation to stock market investments but demographic variables also have a considerable effect in this regard. Compared to females, males invest more in stock markets. Elderly keep themselves away from such investments. Marital status also impacts the investment behaviour, married individuals invest more in stock markets when compared to single. Type of occupation one has also affects the risk taking behavior in investments.*
Key words*: Stock Market, Marital Status, Demographic profile, Investments, Savings*

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I. Introduction

The term "investment" refers to receiving favourable returns in the future against what has been invested'. It may be in the form of fixed deposits, insurance, mutual funds, real estate, post office savings, and the stock market. Investment choice, investors examining return, risk, locking time, and minimum investment amount to mention a few (Ashly Lynn Joseph, 2014). Investing expertise and experience also have a considerable effect in this regard on the individual (Victoravich, 2010).

Different studies have been conducted in different countries to determine the impact of demographic factors on investment preferences and objectives with contradicting results. Age, gender, income and education have been shown to significantly influence investment behaviour. Lease, Lewellen and Schlarbaum (1974) working with investors in the United States found that significant positive correlation existed between age and the percentage of portfolio invested in income securities. Lewellen, Lease and Schlarbaum (1977) found that age, gender, income and education affect investors' preferences and attitudes towards investment decisions based on their investment objectives. Demographic factors like gender, age, marital status and capital market experience have no significant effect on the investment behavior. Differences in risk tolerance have been observed between males and females. Barber and Odean (2001) and Al-Ajmi (2008) found significant differences between males and females on their risk tolerance during financial decisions.

According to Barber and Odean (2001), men were less emotional than women and so are more confident in their investment decisions. They also had more financial knowledge and wealth and ability to take risks. Grable and Lytton (1999) agree that older people are more risk-tolerant than younger ones. This contrasts with Jain and Mandot (2012) who found a negative correlation between age and risk-tolerance level. Das and Jain (2014) found no association between investors' age and the return, risk and tax objectives of investment. Kabra et al found people of different ages and genders have varying risk tolerance levels in decision making processes by factor analysis and regression analysis.

Marital status is another factor influencing investors' investment decisions. Single people are more likely to take risks than married people because they are less likely to have dependants and responsibilities. Barber and Odean (2001) reported that single investors were more risk-taking than the married investors. Jain and Mandot (2012) also found that marital status had a significant effect as married investors were less risk tolerant than single investors. However, Muhammad and Hafiz (2014) found no significant association between marital status and risk tolerance.

Occupational status of investors has also been shown to exert influence on their risk-taking capacity. Roszkowski et al. (1993), cited in Muhammad and Hafiz (2014), reported that investors with higher ranking occupational status are more risk-seeking than those with lower occupational status. Mac Crimmon and Wehrung (1986) showed that business people take more risk than salary earners. Jain and Mandot (2012) found an association between investors' occupation and their risk-tolerance.

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George (2011) explored the investing choices of senior citizens. According to the findings, older and more experienced investors use "rules of thumb" that represent their higher financial understanding where as with less education and lower income are less successful. In old age their investment competence deteriorates owing to the negative impacts of cognitive ageing, the negative impacts of ageing outweigh the good advantages of experience.

Behavioural finance was used to investigate women's investing patterns. Women invest in a variety of ways, but the majority prefer to invest in places where their money is safe. The research found that gender has a substantial influence on investing decision-making and that female investors are less risk-averse than male investors (Liersch, 2013).

Hoang (2014) reported gender, age, stock investment performance, educational qualification, income level, and marital status are among the demographic characteristics aside from market conditions. Males are more ready to accept chances when making decisions than females. The elderly or retiree investors would rather not take a chance. The most prevalent demographical factors that impact investing decisions are gender, age, income, and education. Another study found that the variables impacting investing decisions are unaffected by gender, age, or educational attainment (Gunathilaka, 2014).

According to the report, males trade 45 percent more than women. Men's net returns are lower than women's due to overconfidence. Excessive trading decreases men's net returns by 2.65% per year and women's net returns by 1.72 percent per year, according to the research (Odean, 2001).

Aim

The aim of this paper is to determine the influence of demographic factors on the investment behavior

Population

Data was collected from three districts of Haryana i.e. Ambala, Sonipat, and Gurugram. 500 persons participated in the study, 300 males and 200 females in the age range of 18 to 65 years. Questionnaire based study was conducted on which their investing behavior in the stock market was studied. SPSS version 21 statistical software was used to carry out Descriptive analysis.

Procedure

Personal information collected from respondents along with their investment behavior in the stock market. Descriptive analysis indicated that the % of responses under each demographic variable was calculated.

Results

Five hundred south and west Haryana residents who have made at least one stock market investment provided the information. Results indicated that 90 % of males invested in stock market whereas only 10% of females. Results are shown fig.1

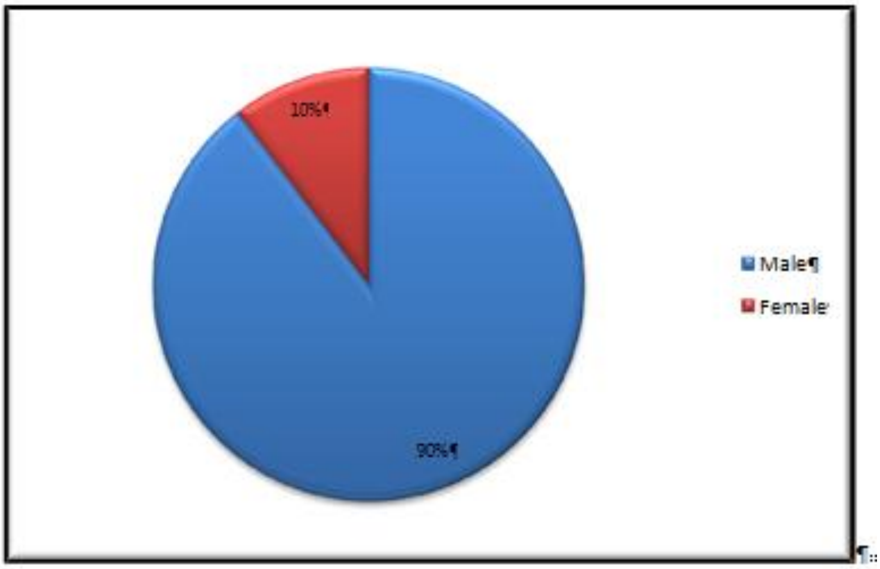

Fig.1 Gender of respondents

When analysis of the marital status of the investors in the stock market was taken into consideration, it was found that 77% of the respondents were married and 23% of investors were single. Marriage makes a person more responsible to have concern for future investments hence marital status seemed to impact the investing behaviour in the stock market. Results are shown in Fig 2

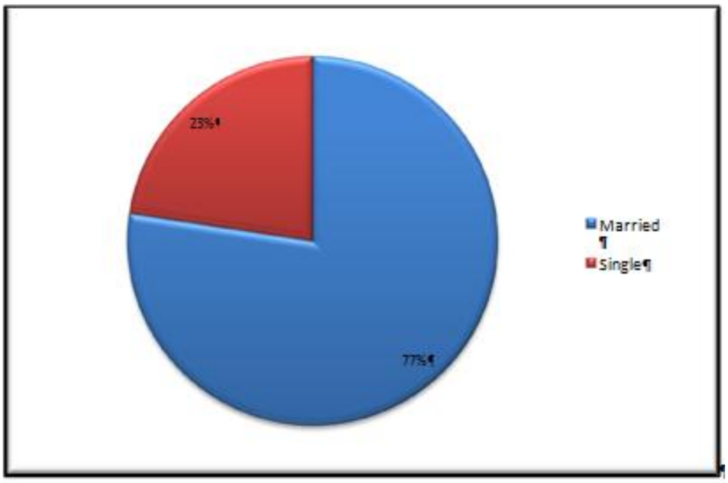

Fig: 2
Marital status of respondents

Age is another demographic variable effecting investment in stock market. When analyzed it was found that in the age range from 28-37, 49 % invested in stock market. 29% invested between the ages of 38 and 47. Only 12% invested between the age of 18-27 The age group of 48-57 makes about 7% of investment in stock market. Plus, just 3% who are 58 or older.

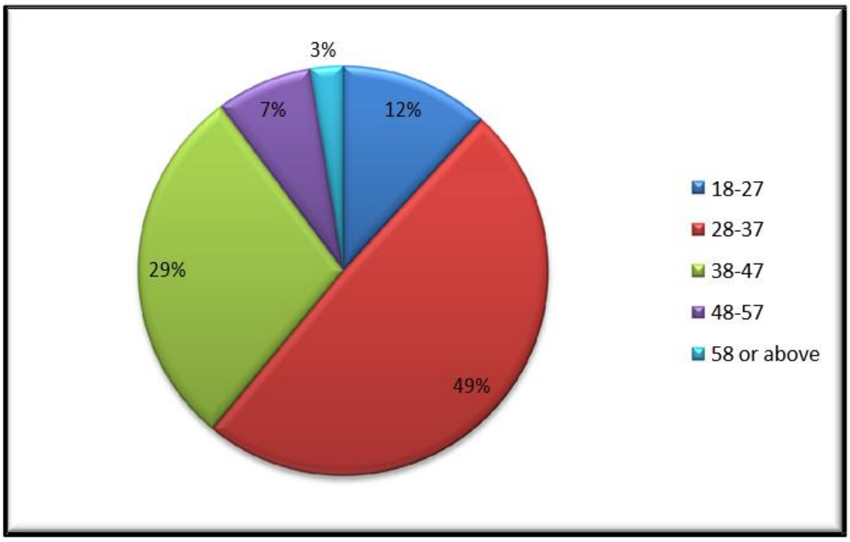

Fig: 3 Age of respondents

Education of respondents

44% of respondents were graduates who invested in stock market. 41% have a master degree, 12% were undergraduate and 3% have a PhD. Figure 4 shows the results.

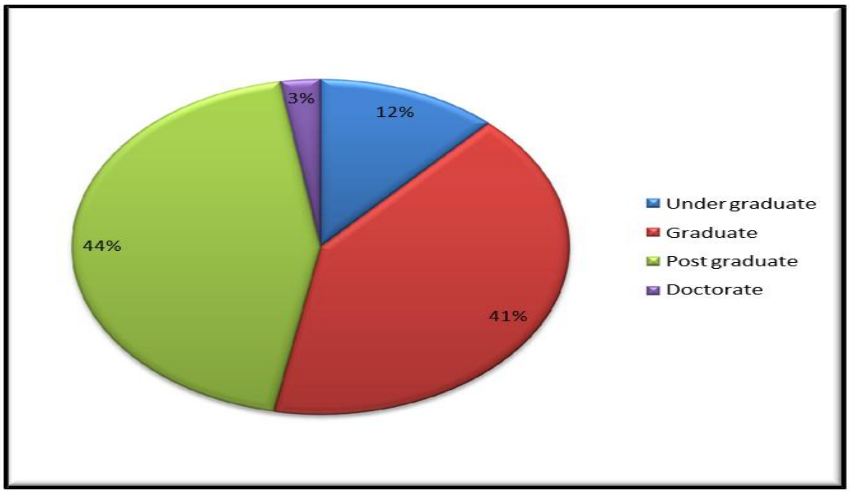

Fig: 4: respondents' level of education

Occupations of Respondents

Based on the data shown in figure 5, 52% of respondents in stock market was engaged in the private sector. 28% were government employees. One-fourth of those surveyed work independently. In this survey, students make up 4%, while those who have retired make up 2%.

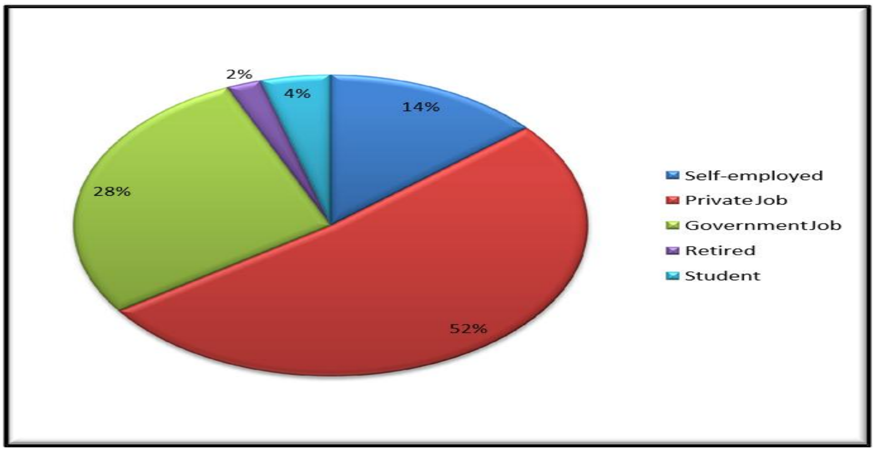

Fig. 5 occupation of respondents

II. Discussion

Demographic variables are important factors because they impact the investing behavior. Men are more confident in taking risks when compared to women. Young or middle-aged are more ready to make investments in stock markets when compared to elderly. Private-job holders take more risks when compared to government job-holders. Responsibilities towards the family also make the bread earners to get motivated to make money through stock markets.

III. Conclusion

The report indicates that brokerage companies should run awareness initiatives to educate investors on the benefits and drawbacks of different securities market investing opportunities in order to lessen the impact of demographic variables on investment in stock market.

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