



Impact of demographics and level of knowledge on equity investors investment decision

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Abstract

The primary purpose of this study is to investigate how investment choice gets affected by the demographics and Knowledge of the investor. Investor's behavior is influenced by many factors at the time of investment decision making. Demographic profile and knowledge play an important role to select a particular choice of investment. This paper helps to enhance the knowledge on different investment avenues like bank deposits, life insurance policies, mutual funds and equity which in turn will be highly useful to the financial advisors as it will help them advise their clients regarding these avenues with respect to their demographic profiles. The data was collected among the 935 individual equity investors of Coimbatore city and the data was analyzed using chi square technique. The Findings and necessary suggestions are made based on the analysis.

Keywords: demographics, behavioural finance, investment markets

Introduction

Investment markets are becoming riskier every day that makes investors behave differently upon different market dynamics. The basic methods of market analysis (Fundamental, Technical and Quantitative) though are playing a key role in investor's investment decision, the behavior of the investors has become more important and hence the study on behavioral Finance emerged and became the topic of various researches and studies. This study seeks to determine the main factors influencing investment decisions of investors and how these factors are related to the investors' socio-economic characteristics in the Indian Capital Market.

Review of literature

Prashant Kumar Mishra, Manoj Kumar Dash (2010) ^[1] examined the factors that affect the individual investor's investment and their perception based on age and gender. The study examines about several factors influencing investment decisions using 2 factors age and gender. It was found that the investor's behavior and decisions is influenced by several factors that affect their investment decisions. People who differ in age and gender have varying needs and their investment behaviors differ accordingly. It was found that investors age and gender are the two key factors in deciding the risk tolerance level of the investors and that has to be considered in designing the financial instrument.

Bennet, Selvam, Eva Ebenezer, Karpagam, Vanitha (2011) ^[2] in their study titled "Investor's Attitude on Stock Selection Decision" found that the five factors, such as, ROI, Management Quality, ROE, PE Ratio and various ratios of the company influences the investment decision makers. Further, other five factors, such as, Analysts recommendation, Broker and market Research Reports, recommendation by Friends, Family members and Peer group, Location of the Company (Geographical) and Social Responsibility of the

company were found to have lower influence on the investors decision in stock selection.

Francis Gnanasekar (2016) ^[3] in his study entitled "A Study on Factors Influencing Investment Choice on Investments in Tiruchirappalli City. Corporation" examined several Factors that are considered important before making an Investment Choice. The study showed that regular income and the safety of principal is considered most important before making an investment decision. The factors like capital appreciation, regular return, investment return, and reducing future risk does not show any difference while selecting a financial instrument.

Objectives

1. To study Impact of Demographics and Level of Knowledge on Equity Investors Investment Decision
2. To provide suitable suggestions based on the study.

Research Methodology

Research Design: The Research design used for the study is Descriptive Research design.

Sources of data

Primary Data

The primary data was collected using a well-structured questionnaire.

Secondary Data

The secondary data for the study was gathered from the records of various website like NSE, BSE, etc., The secondary data was also collected from leading journals and number of standard text books.

Tools used for analysis

The researcher has adopted various statistical techniques in an

efficient manner for analysing the stated objective.

Data Analysis

Gender and level of investor knowledge

Null Hypothesis (H₀): “There is no significant relationship between Gender and level of investors knowledge”.

Alternative Hypothesis (H₁): “There is a significant relationship between Gender and level of investors knowledge”.

Table 1: Chi Square table

Factor	Calculated Value	Table Value	D.F	Remarks
Gender	6.760	5.991	2	Significant at 5% Level

The above table (table 8) states the calculated value of Chi square (6.760) is higher than the Chi square table value (5.991) with a degree of freedom 2, and $\alpha=0.05$. Therefore, the null hypothesis (H₀) is rejected and accept H₁.

Age and level of knowledge

Null Hypothesis (H₀): “There is no significant relationship between Age and level of investors knowledge”.

Alternative Hypothesis (H₁): “There is a significant relationship between Age and level of investors knowledge”.

Table 2

Factor	Calculated Value	Table Value	D.F	Remarks
Age	23.291	15.5	8	Significant at 5% Level

The above table (table 8) states the calculated value of Chi square (23.291) is higher than the Chi square table value (15.5) with a degree of freedom 8 and $\alpha=0.05$. Therefore, the null hypothesis (H₀) is rejected and accept H₁.

Education and level of investor knowledge

Null Hypothesis (H₀): “There is no significant relationship between Education and level of investors knowledge”.

Alternative Hypothesis (H₁): “There is a significant relationship between Education and level of investors knowledge”.

Table 3

Factor	Calculated Value	Table Value	D.F	Remarks
Education	3.901	12.6	6	Significant at 5% Level

The above table (table 8) states the calculated value of Chi square 3.901 is lesser than the Chi square table value (12.6) with a degree of freedom 6 and $\alpha=0.05$. Therefore, the null hypothesis (H₀) is accepted and reject H₁.

Findings

- Gender and Age factor of the investors have an impact on the level of knowledge of the investors.
- Educational qualification of the investors is not found to be related to level of market knowledge because the investors knowledge is not gained through completion of any degree. Basic knowledge of understanding the market is more than enough to make necessary investment decision.
- The male respondents with an average age of 30-39 years was found to be at higher percentage. 55% of them were found to be married.

Suggestions & Conclusion

The Participation of female respondents was lower than the male respondents. Among the various avenues of investment, equity investments was found to be attractive, because of the high return earned.

References

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