



Impact of Demographics on the Investment Behavior of Individual Investors of Kashmir

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ABSTRACT

Investment is the flow of capital which is used for productive purposes. Investment behavior for the present study is measured through the various investment avenues available for investment. The main objective is to check the impact of demographic factors on investment behavior. The data for the present study determining investment behavior of individual investors of Kashmir has been collected through a well-structured questionnaire. The sample was geographically stratified into three districts of Kashmir viz., Srinagar, Anantnag and Baramulla. The total respondents across these districts were 392. The impact of demographics on the investment behavior is found using the t test and ANOVA analysis. The results depict that Age and Occupation has significant impact on the investment decision making of the investors of Kashmir while Gender and Marital Status exhibits no significant relation with the investment behavior

KEYWORDS : Investment behavior, Demographics, Kashmir

1. Introduction

Investment is an engine of growth. There is a great emphasis on investment for being the primary instrument of economic growth and development for a country. Investment means an increase in capital spending and it helps in creating a robust economy. Investment is a component of aggregate demand. There are a large number of investment instruments available today. Some of them are marketable and liquid while others are non-marketable and illiquid. There are instruments which are highly risky while others are almost riskless. The investors choose avenues, depending upon their specific need, risk appetite, and return expected. Investment avenues can broadly be categorized into two spheres, namely, Economic Investment and Financial Investment. Economic investments contribute to the net additions to the capital stock of a society. Financial investments, on the other hand, help in creating the capital stock of the country.

Perhaps making an investment decision is the most critical challenge faced by the investors. Each investor is different from another due to a number of factors that can include the demographic differences, the socio-economic background and cognitive psychology of each investor. Investment behavior is the study of the decision making.

2. Literature Review

Rajarajan V (1998, 2000 and 2003) classified investors on the basis of their demographics. He also emphasized the investors' characteristics on the basis of their investment size. It was found that the proportion of risky assets to total financial investments had declined as the investor moves up through various stages in life cycle. Furthermore investors' lifestyles based characteristics has been identified.

Herrmann, Andrew. F. (2007) gave the estimation results and discussed that supported the initial hypotheses regarding the roles of race/gender in investment preferences. Using multiple specifications and leveraging multiple risk/return measures, the evidence pointed to significant effects with respect to both race and gender.

Mittal M and Vyas (2008) explored the relationship between demographic factors and the investment personality exhibited by the investors. Empirical evidence advocated that elements such as marital status, income and education effect an individual's investment decisions.

Kaleem, Wajid and Hussain (2009), in a study of factors affecting financial advisors perception in portfolio management in Pakistan, found that age, income, language and orientation of education have a significant role in determining the investment style of an investor.

Saurab Singh (2009) stated that investment decisions made by investors are not solely dependent on price movement and stability of the markets. His study has resulted in listing factors as family, education,

age, sex, and the past performance of a company's securities as variables or attributes, devoting substantial influence and impact on the investors' investment decision making process.

Kabra.G., Mishra.P.K., and Dash.M.K. (2010) deliberate the factors effecting investment behavior and concluded that investors' age and gender are the main factors which decide the risk taking capacity of investors and that the modern investor is a mature and adequately groomed person.

Shaikh and Kalkundrikar (2011) contended that the factors influencing investors' investment decisions are based on various demographic factors like educational qualifications, level of income, level of market knowledge, marital status, gender, age, gender, and the number of dependents.

Jain and Mandot, (2012) conducted their research in Rajasthan and indicated that the investment decision is effected by the demographic elements. They have diverse outlooks towards decision making; several are risk seekers while some are risks averse. People with different marital status, occupation, knowledge, gender, income level and ages makes different decisions.

3. Hypotheses

The gender and marital status of the investors has no impact on the investment decisions.

The investment behavior of individual investors differs with the age and occupation of investors.

4. Research Design and Methodology

For the present study, investment behavior is measured by finding out the inclination of the investors towards investing in financial markets. The financial markets comprises of various investment avenues in which the individual investors in Kashmir like to put their resources. The investment avenues of financial markets for the present study includes – Fixed deposits, Shares, Mutual Funds, Postal Savings, Insurance policies (except term end) and ULIPS.

Data has been collected through questionnaire survey. Since the population for the present study is unknown, the sample size is calculated using the formula Population-sample dispersion tolerance limit, (Whitley, E., & Ball, J., 2002). The formula is:

Sample size = $(P_significance\ level * P_standard\ deviation) / P_standard\ error$

Using this formula, we get 384 as our sample size at Significance level = 1.96, Standard deviation = 20 and Standard error = 2.

Further, various statistics tools like T test and ANOVA have been used for the empirical findings i.e. to check the impact of demographic factors viz. age, gender, marital status and occupation on the investment behavior.

5. Results and Discussion

Table 5.1 and 5.2 exhibits the impact of gender, marital status, age and occupation on the investment behavior of the individual investors of Kashmir using T test for gender and marital status and ANOVA for age and occupation.

Table 5.1

		N	Mean	T value	p value
GENDER	Male	294	1.49	-.932	.353
	Female	98	1.54		
MARITAL STATUS	Single	140	1.47	-.842	.400
	Married	252	1.52		

*Source: Primary Data

As shown in table 5.1, with regard to gender, the insignificant p value .353 of Investment behavior reveals that male and female respondents in Kashmir have same investment preferences. This means that respondents across gender have sufficient knowledge of risk-return profile of various financial assets or investment avenues. Additionally, introspecting the figures on marital status, the results also reveals that the marital status has no impact on the investment behavior of the investors. The investors build their portfolio and invest within the limited avenues available and the choices are revealed to be somewhat similar regardless of their marital status which differs with the findings of Mittal and Vyas (2008) and Shaikh and Kalkundrikar (2011) where both the studies observed that there is a significant impact of marital status on investment behavior. The difference in this finding can be purely ascribed to different social background in which those studies were conducted.

Table 5.2

		N	Mean	F	Sig
AGE	20-25 years	65	1.38	5.006	.002
	26-30 years	113	1.46		
	31-35 years	110	1.46		
	Above 35 years	104	1.65		
	Total	392	1.50		
OCCUPATION	Student	27	1.30	2.520	.029
	Self Employed	136	1.43		
	Govt. Employee	83	1.54		
	Private Employee	106	1.57		
	Unemployed	14	1.64		
	Retired	26	1.62		
	Total	392	1.50		

*Source: Primary Data

Table 5.2 displays the results of the impact of age and occupation on the investment behavior of individual investors of Kashmir. It is found that investment behavior ($p = .002$) has a significant relation with

the age of an investor. The inclination towards the financial markets grows along the age. These findings of age having a significant impact on the investment behavior is corroborated with other studies like Kaleem, Wajid and Hussain (2009), Kabra, Mishra and Dash (2010) and Shaikh and Kalkundrikar (2011).

The occupation of the investors in Kashmir (the region where the study is based) plays a vital role in their financial decision making. Occupation has a significant role vis-a-vis. investment behavior of an investor ($p = .029$). The impact of occupation on the investment behavior is also found significant by other researchers such as Singh, Sandhu, Kundu (2010), Jain and Mandot (2012) and Mishra (2007). Thus, the findings of the present study in this dimension corroborates with the findings of these studies.

6. Conclusion

Finance is a field that deals with the study of investments. Investment means employment of funds or savings in certain activities with the aim of achieving future benefits. It plays an important role in economic growth. In the present study, the investment behavior of individual investors is studied with regard to demographic factors which includes gender, age, marital status and occupation. The data has been collected across the three major districts of Kashmir through questionnaire survey. The total number of respondents are 392. It is found through the results that gender and marital status has no impact on the investment behavior while on the other hand age and occupation has a significant relation with the investment behavior of individual investors of Kashmir.

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