

# A STUDY ON FACTORS INFLUENCING INVESTMENT PATTERNS OF INVESTORS AND RELEVANCE OF DEMOGRAPHIC TRAITS ON CHOICE OF INVESTMENT (WITH SPECIAL REFERENCE TO TIRUCHIRAPPALLI CITY)

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## Abstract

Investors Investment patterns will be Influenced by Various factors. Among various influencing factors, demographic traits of investors will influence the Investor's decision-making pattern with regards to Investment. The study aims to analyze factors influencing the investment pattern of investors and the relevance of demographic traits of Investors regarding the alternatives of Investments in Tiruchirappalli city. For the purpose of exploring various factors and the relevance of demographic traits and Investors Investment pattern percentage analysis, Chi-Square, and cluster analysis has been used.

**Keywords:** Demographic factors, Influencing Factors, Investment, Investors, Investors Behavior, Investment pattern.

## INTRODUCTION

An investment is considered as an asset that has been acquired with the expectation of worthwhile return which is worth buying as it is profitable in the future. It is a disbursement of money for earning profit or gain in future period. For the purpose of ensuring the security of both the principal amount and ROI (Return of Investment), investment necessitate decision making procedure. Proper analysis and research should be made by an individual investor for taking proper and effective investment decision. Risk analysis should be made wisely before Investing in any kind of assets. Investors Investment pattern is Influenced by various factors and in Indian Context, Demographic traits of an Individual Investors like age, gender, educational qualification, size of the family, saving pattern and Annual income of

the family, have more significance on investment pattern of Investors.

## OBJECTIVES OF THE STUDY

- To know the nature of Investors based on factor in which investment decision is depending on.
- To study “the Investors’ demographics and their effects on Investment pattern.

## LIMITATIONS OF THE STUDY

- The study was conducted in Tiruchirappalli City. Therefore, the derived results of the study are limited to this area.

- The study is mainly based on the response of the investors and it is assumed that the information given by them may be biased.

## REVIEW OF LITERATURE

DAS AMUTHA (2014) examined the Effect of Demographics on Investment Choice among Investors. She concluded that the individual investors prefer to invest in physical assets which gives regular income and it is mandatory for the marketers, designers of investment products., etc to take care of the demographic traits of investors as the Investors or customers are considered as the success for any business.

P.VINOTH RAJ (2012) in his paper Investor's Behavior In Vellore District explored the fact that irrespective of gender, most of the investors (41%) are found have low risk tolerance level and many others (34%) have high risk tolerance level rather than moderate risk tolerance level. It is also found that there is a strong negative correlation between Age and Risk tolerance level of the investor. Television is the media that is largely influencing the investor's decisions. Hence, this study can facilitate the investment product designers to design products which can cater to the investors who are low risk tolerant.

MS.BHOOMI PATEL (2017) in the paper titles Impact of Demographic Factors on Investment Decision: an empirical study from South Gujarat Region concludes that investment decisions are majorly affected by risk, return, market trends, past performance. Gender is having very less impact on investment decision making. Male and female are different in risk taking ability. Majority of investors are investing money for family protection and for retirement.

## RESEARCH METHODOLOGY

- Research design: Descriptive research
- Sample design: Purposive sampling technique.
- Collection of data
  1. Primary data: Structured questionnaire.
  2. Secondary data: Data collected through journals and magazines
  3. Sample size: 120
  4. Sample area: Tiruchirappalli City.

## TOOLS USED FOR THE STUDY

1. Percentage analysis
2. Cluster Analysis
3. Chi- Square

## DATA ANALYSIS AND FINDINGS

### 1. PERCENTAGE ANALYSIS

$$\text{PERCENTAGE} = \frac{\text{NUMBER OF RESPONDENTS}}{\text{TOTAL NUMBER OF SAMPLES}} \times 100$$

By applying percentage analysis, following findings have been obtained.

- ☐ Majority of respondents (42.5%) are above 38 years
- ☐ Majority of the respondents (64.17%) belong to the male category.
- ☐ (45.83%) of the respondents are graduates.
- ☐ (80%) of the respondents are salaried persons.
- ☐ (29.17%) of the respondents have their level of income between Rs.10000-Rs.20000

### 2. CLUSTER ANALYSIS

Table 1. *Showing Agglomeration Schedule*

Stage	Cluster Combined		Coefficients	Stage Cluster First Appears		Next Stage
	Cluster 1	Cluster 2		Cluster 1	Cluster 2	
1	119	120	.000	0	0	2
2	6	119	.000	0	1	12
3	115	117	.000	0	0	66
4	114	116	.000	0	0	70
5	27	111	.000	0	0	48
6	104	106	.000	0	0	67
7	84	102	.000	0	0	22
8	93	101	.000	0	0	14
9	97	99	.000	0	0	11
10	95	98	.000	0	0	12
11	21	97	.000	0	9	52
12	6	95	.000	2	10	43
13	52	94	.000	0	0	43
14	4	93	.000	0	8	16
15	90	92	.000	0	0	16
16	4	90	.000	14	15	18
17	88	89	.000	0	0	18
18	4	88	.000	16	17	20
19	86	87	.000	0	0	20
20	4	86	.000	18	19	24
21	81	85	.000	0	0	24
22	44	84	.000	0	7	23
23	44	83	.000	22	0	80
24	4	81	.000	20	21	29
25	73	80	.000	0	0	29
26	49	79	.000	0	0	68
27	74	75	.000	0	0	28
28	32	74	.000	0	27	77
29	4	73	.000	24	25	38
30	61	72	.000	0	0	38

31	69	70	.000	0	0	32
32	47	69	.000	0	31	39
33	60	68	.000	0	0	39
34	65	66	.000	0	0	35
35	62	65	.000	0	34	37
36	63	64	.000	0	0	37
37	62	63	.000	35	36	88
38	4	61	.000	29	30	56
39	47	60	.000	32	33	46
40	20	58	.000	0	0	70
41	9	57	.000	0	0	56
42	48	53	.000	0	0	46
43	6	52	.000	12	13	45
44	50	51	.000	0	0	45
45	6	50	.000	43	44	91
46	47	48	.000	39	42	106
47	23	28	.000	0	0	51
48	14	27	.000	0	5	49
49	14	26	.000	48	0	103
50	22	24	.000	0	0	52
51	3	23	.000	0	47	54
52	21	22	.000	11	50	69
53	17	19	.000	0	0	54
54	3	17	.000	51	53	55
55	3	15	.000	54	0	90
56	4	9	.000	38	41	58
57	5	8	.000	0	0	58
58	4	5	.000	56	57	87
59	12	113	.500	0	0	79
60	56	112	1.000	0	0	87
61	103	108	1.500	0	0	75
62	1	105	2.000	0	0	74
63	13	96	2.500	0	0	80

64	76	77	3.000	0	0	77
65	29	54	3.500	0	0	85
66	16	115	4.167	0	3	83
67	7	104	4.833	0	6	84
68	49	59	5.500	26	0	93
69	21	82	6.333	52	0	96
70	20	114	7.333	40	4	82
71	18	110	8.333	0	0	86
72	31	78	9.333	0	0	84
73	38	41	10.333	0	0	109
74	1	109	11.833	62	0	86
75	25	103	13.333	0	61	81
76	46	91	14.833	0	0	89
77	32	76	16.333	28	64	100
78	30	71	17.833	0	0	88
79	11	12	19.333	0	59	83
80	13	44	21.000	63	23	96
81	25	55	22.750	75	0	97
82	20	40	24.550	70	0	92
83	11	16	26.383	79	66	103
84	7	31	28.317	67	72	104
85	29	37	30.483	65	0	99
86	1	18	32.683	74	71	95
87	4	56	34.945	58	60	93
88	30	62	37.445	78	37	106
89	35	46	39.945	0	76	107
90	3	45	42.517	55	0	104
91	6	43	45.217	45	0	102
92	20	42	47.917	82	0	105
93	4	49	50.780	87	68	107
94	2	67	53.780	0	0	110
95	1	107	57.246	86	0	101
96	13	21	60.913	80	69	105

97	25	100	65.563	81	0	111
98	34	39	70.563	0	0	109
99	29	36	75.646	85	0	108
100	32	118	80.813	77	0	102
101	1	33	86.432	95	0	114
102	6	32	92.065	91	100	110
103	11	14	97.865	83	49	113
104	3	7	103.861	90	84	112
105	13	20	110.194	96	92	111
106	30	47	116.694	88	46	115
107	4	35	124.847	93	89	112
108	10	29	133.497	0	99	113
109	34	38	143.497	98	73	116
110	2	6	153.775	94	102	116
111	13	25	165.309	105	97	115
112	3	4	178.596	104	107	117
113	10	11	192.562	108	103	114
114	1	10	209.565	101	113	117
115	13	30	234.684	111	106	118
116	2	34	261.815	110	109	119
117	1	3	291.242	114	112	118
118	1	13	363.481	117	115	119
119	1	2	544.333	118	116	0

INTERPRETATION: The Agglomeration schedule clearly indicates that large scale difference between co-efficient. The values are ranging between 97.833 and 133.517. This

implies that there are four major classifications exist among investors. This is with respect to 7 factors of Investment pattern / choice.

#### K-MEANS CLUSTER

Table 2 Showing Classification Based on Factors in Which Investment Decision Is Depending On.

	Cluster			
	1	2	3	4
1. Return on Investment	.22881	-.71887	-.05835	.87631
2. Liquidity	-.38994	.43106	-.40522	1.16338
3. Tax Benefits	.98367	.18736	-.36111	-.25391

4. Frequency of Return	-.44170	.24931	.09857	-.12922
5. Safety in Investment	-.65155	-.78515	.51395	.17949
6. Risk in Investment	.57033	-.30198	.10230	-.58669
7. Maturity of Investment	-.55913	.52391	.28417	-.94610

INTERPRETATION: The table shows classification of investors on the basis of various factors in which investment decision is depending on.

Table 3 Showing Nature of Investors Decision Based on Factors

	Cluster			
	1	2	3	4
1. Return On Investment	Rank 2	Rank 4	Rank 3	Rank 1
2. Liquidity	Rank 3	Rank 2	Rank 4	Rank 1
3. Tax Benefits	Rank 1	Rank 2	Rank 4	Rank 3
4. Frequency of Return	Rank 4	Rank 1	Rank 2	Rank 3
5. Safety in Investment	Rank 3	Rank 4	Rank 1	Rank 2
6. Risk in Investment	Rank 1	Rank 3	Rank 2	Rank 4
7. Maturity of Investment	Rank 3	Rank 1	Rank 2	Rank 4

INTERPRETATION: The ranking analysis reveals that Group I Investors are strong in tax benefits and Risk in Investments. This cluster can be named as “pragmatists”. Group II Investors are strong in frequency of return and maturity of Investment. So, they can be named as “Personal Investors”. Group III Investors are strong in safety in Investment. Hence, they are named as “Diligent Investors”. Group IV Investors are strong in Return on Investment and Liquidity. Hence, they can be named as “Cautious Investors”.

Table 4 Showing Frequency Loading of Clusters of Investors Decision Based on Various Factors

Cluster	1. Pragmatist Investors	21.000
	2. Personal Investors	24.000
	3. Diligent Investors	57.000

	4. Cautious Investors	18.000
Valid		120.000
Missing		.000

INTERPRETATION: From the analysis it is found that Group I consist of 17.5% “pragmatic Investors” Group II possesses 20% “Personal Investors” Group III comprises of 47.5% “Diligent Investors” and Group IV consists of 15% “cautious Investors”.

### 3. RELATIONSHIP BETWEEN DEMOGRAPHIC TRAITS AND INVESTMENT PATTERN OF INVESTORS

Null Hypothesis (H0): There is no relationship between demographic traits and choice of investment of Investors

Alternate Hypothesis (H1): There is no relationship between demographic traits and choice of investment Investors.

Table 5 Chi Square Results

S.No:	Variables	X2 Values	df	X2 0.05	Inference
1.	Gender	3.761	3	7.815	H0 – Accepted
2.	Age	37.741	12	21.026	H0 – Rejected
3.	Education	22.108	12	21.026	H0 – Rejected
4.	Occupation	13.741	12	21.026	H0 – Accepted
5.	Income (p.a)	7.973	9	16.919	H0 – Accepted

### INTERPRETATION

On comparing the calculated value X2 with the theoretical values of X2 0.05, it could be inferred as follows for the following demographic traits:

□ In case of Gender, the calculated value is less than the theoretical value. Hence, the null hypothesis is accepted. Therefore, there is no relationship between Gender and choice of investment.

□ In case of Age, the calculated value is more than the theoretical value. Hence, the null hypothesis is rejected. Therefore, there is a relationship between Age and choice of investment.

□ In case of Education, the calculated value is more than the theoretical values. Hence, the null hypothesis is rejected. Therefore, there is a relationship between Education and choice of investment.

□ In case of Occupation, the calculated value is less than the theoretical values. Hence, the null hypothesis is accepted. Therefore, there is no relationship between Occupation and choice of investment.

□ In case of Annual Income, the calculated value is less than the theoretical values. Hence, the null hypothesis is accepted. Therefore, there is no relationship between Income and choice of investment.

## CONCLUSION:

The behavior of the investors has to be scanned by the financial advisors, as per the preferences of the Investors. The clients or Investors may be advised to Invest in the portfolio which will give them the higher yield. Various factors that influence the Investors have to be considered by the financial advisors along with the various demographic traits. When compared to all other demographic traits age and education is having more influence on the choice of making Investment decision. So, considering age and education of the individual investors, the investors should make the appropriate decisions. Young Investors can Invest on risky assets and on other hand older Investors may avoid investing in Risky assets. Education was one factor in considering investment decisions (Lubis et al., 2013). Individual investors have different level of decisions with the different levels of education (Lutfi, 2010; Obamuyi,

2013). that can provide optimal return and avoid risk.

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