

# A Study on the impact of Demographic Factors affecting Investment Decisions Of Investors with special reference to Chennai City, Tamil Nadu, India

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**Abstract :** In today's modern world, there are several investment avenues which are available to individual investors to make their preferred type of investment. This study was undertaken to examine the impact of demographic factors affecting the investment decisions of investors with reference to Chennai City, Tamil Nadu, India. The main objective of this study is to analyze the impact of demographic factors such as age, gender, education, annual income, occupation etc on the investment decisions of investors. The research was a descriptive research with a sample size of 120 and the data was collected from the respondents with the help of a structured questionnaire. For the purpose of this research convenience sampling was used. From this study, it is identified that there is an impact of demographic factors which affects the investors decisions. The major reason behind their purpose of investment was safety, children education/marriage, retirement benefit, liquidity and wealth maximization. And the most preferred investment avenues among individual investors are bank deposits, gold, mutual funds, post office savings, provident fund, insurance, real estate and government bonds. The tools used for the purpose of study are percentage analysis and one way ANOVA through which the behavior of individual investors have been tested and analyzed.

**Keywords – Investment avenues, demographic factors, individual investors behavior.**

## I. INTRODUCTION

Investment is a sacrifice of certain product value for an uncertain future return. It is the process of divesting money in securities. It also refers to the exchange of money into some tangible assets or wealth. In other words, it is the commitment of funds to one or more financial assets to be held for future return. There are a wide range of investment alternatives available to individual investors such as bank deposits, gold, provident fund, real estate, mutual funds, government bonds etc. Investors with low risk taking ability prefer to invest in bank deposits, provident fund, government bonds etc as the level of risk is less when compared to other investment avenues. On the other hand, investors with high risk taking ability prefer to invest in mutual funds, stock market etc in spite of market fluctuations in order to maximize the return from such investment.

Investing requires a lot of planning and hence it is very important for an individual investor to decide on the right type of investment alternative depending on their investment objective. It is not only important for an investor to choose the right investment alternative but also to diversify the risk associated with a particular investment avenue so that he/she will be exposed only to a minimal level of risk in case of uncertainty. In order to decide on the right investment alternative, the investor has to keep in mind the annual income, purpose of investment, period of investment, type of family, occupation etc.

According to RBI data, the household sector contributed around 60 percent of gross savings in the Indian economy thereby investing 52.6% in bank deposits, 23.2% in life insurance funds, 13.4% in currencies, 7% in mutual funds and 3.8 % in cooperative banks as on March 2020. Thus, the household sector prefer to invest in investment avenues where the income is fixed and stable.

## Investment avenues

In India, Investors are provided with an array of investment avenues and an investor can select the investment avenues after analyzing its pros and cons. The following are the different kinds of investment avenues that are popular in India and used extensively:

- Bank deposits (Fixed deposits, recurring deposits)
- Gold and Silver
- Provident Fund, Public Provident Fund and other tax saving schemes such as National Savings Schemes, National Pension Schemes etc.
- Bonds and Debentures
- Mutual Funds
- Investment in equity and commodities
- Investment in Real Estate
- Small government investment schemes like Sukanya Samridhi Scheme
- Life Insurance Policies such as whole life policy, endowment policy, retirement policies etc.

**RESEARCH OBJECTIVES:**

- To study the impact of demographic factors affecting the investment decisions of investors in Chennai.
- To study the relationship between the demographic factors and the level of risk taking ability of investors in Chennai.
- To determine the most preferred investment avenues by the investors and study the significant relationship between age and period of investment.

**II LITERATURE REVIEW**

**Mansi Gupta and Dr Kavitha D** in their article “Various investment avenues with a special focus on Real Estate Investment Trusts (REITs)” published in Journal of Emerging Technologies and Innovative Research, February 2019 concluded that in current scenario people are more interested towards investing in mutual funds and the least preferred investment is towards post office savings. It is also found that majority of the respondents have not preferred to invest their savings in Real Investment Trusts due to lack of awareness.

**Dr D.Padmavathi and S.Saranya** in their article “Investor preferences over risk mapped investment avenues” published in International Journal of Research and Analytical Reviews, 2018 concluded that investors are mostly following a conservative approach and prefer to invest in investment avenues that offer low level of risk. They should also be educated about diversifying their investments in order to create a balance between risk and return.

**S. Uma Priyadharhini and Dr.S.A.Lourthuraj** in their article “Influence of Demographic Variables on investment decisions of retail investors with special reference to Cuddalore Town” published in Global Journal for Research Analysis, March 2017 concluded that the demographic factors have a major impact on the investment decisions and behaviour of retail investors. The major purpose of the study was to induce the retail investors to make more use of bonds, mutual funds and share market investment when compared to other investment avenues like bank deposits, post office savings etc.

**Dr Asif Baig and Dr Jamal Radi EL Zoubi** in their article “A Study on preferred avenues of Investment of Investors and their exposure to Equity Market” published in Research Journal of Finance and Accounting, 2017 concluded that bank deposits and gold are the most preferred avenues of investment, while insurance schemes and post office savings are gaining increased attention. Majority of the respondents have not preferred to invest their savings in UTI and Mutual funds which are the latest investment schemes and hence the government should take appropriate steps to persuade the investors to invest in the above schemes.

**Muhammad Nauman Sadiq & Hafiz Muhammad Ishaq** in their article “The effect of demographic factors on the behaviour of investors during the choice of investment : Evidence from Twin Cities of Pakistan” published in Global Journal of Management and Business Research : Finance, 2014 concluded that there is an association between demographic characteristics of investors age, academic qualification, income level, investment experience and level of risk tolerance. On the other hand, other demographic characteristics such as gender, marital status, occupation and family size have no significant effect on investor’s level of risk tolerance.

**RESEARCH METHODOLOGY**

For the purpose of study, Descriptive Research has been used. Descriptive research describes a particular phenomenon from which statistical analysis are made. The investment behavior of the investors in Chennai were studied with the help of a structured questionnaire where responses were collected from 120 respondents in Chennai. The sampling technique used for the purpose of study are percentage analysis and one way ANOVA.

**III DATA ANALYSIS****PERCENTAGE ANALYSIS OF DEMOGRAPHIC FACTORS**

FACTORS	OPTIONS	NO OF RESPONDENTS	PERCENTAGE
<b>Age</b>	18-25 years	73	60.8
	26-40 years	24	20
	41-60 years	22	18.3
	Above 60 years	1	0.8
<b>Gender</b>	Male	47	39.2
	Female	73	60.8
<b>Qualification</b>	Schooling	1	0.8
	Diploma	4	3.3
	UG	49	40.8
	PG	42	35.5
	Professional	24	20
<b>Occupation</b>	Private Employee	84	70
	Public/Government employee	5	4.2
	Self employed	13	10.8
	Professional	17	14.2
	Retired	1	0.8

<b>Marital Status</b>	Single	81	67.5
	Married	39	32.5
<b>Annual Income</b>	Less than 250000	60	50
	250001-500000	44	36.7
	500001-750000	12	10
	750001-1000000	0	0
	Above 1000000	4	3.3
<b>Type of family</b>	Nuclear Family	81	67.5
	Joint Family	39	32.5
<b>Investment Objectives</b>	Safety	46	38.3
	Children's education/marriage	33	27.5
	Retirement benefit	10	8.3
	Liquidity	7	5.8
	Wealth maximization	24	20
<b>Source of Information</b>	Friends and family	72	60
	Advertisement	7	5.8
	Internet	26	21.7
	Fund manager/agent	12	10
	Colleague	3	2.5
<b>Period of investment</b>	Less than a year	45	37.5
	1-3 years	41	34.2
	3-5 years	15	12.5
	Above 5 years	19	15.8

#### LIKERT'S SCALE

Investment Avenues	Total	Very Low (%)	Low(%)	Neutral (%)	High (%)	Very high(%)	Total
Bank deposits	120	47%	27%	24%	2%	1%	100%
Gold	120	31%	34%	28%	6%	1%	100%
Mutual Funds	120	13%	20%	34%	26%	8%	100%
Post office savings	120	38%	35%	23%	4%	1%	100%
Insurance	120	24%	38%	33%	3%	1%	100%
Real Estate	120	14%	17%	40%	28%	1%	100%
Government Bonds	120	29%	33%	31%	6%	1%	100%
Provident Fund	120	33%	29%	33%	4%	2%	100%

#### INFERENCE

Majority of the respondents have indicated the level of risk for bank deposits, provident fund, post office savings and government bonds to be very low. The level of risk in case of gold and insurance is considered to be low while mutual funds and real estate possess a neutral level of risk.

#### RANKING OF INVESTMENT AVENUES

Investment Avenues	Total	Rank
Bank deposits	793	1
Gold	645	2
Mutual Funds	619	3
Post office Savings	564	4
Insurance	473	6

Real Estate	432	7
Government Bonds	267	8
Provident fund	527	5

### INFERENCE

The above table indicates the ranking of investment avenues given by the respondents based on their order of preference where bank deposits has been ranked first followed by gold, mutual funds, post office savings, provident fund, insurance, real estate and government bond.

### ONE WAY ANOVA BETWEEN AGE AND PERIOD OF INVESTMENT

$H_0$  : There is no significant difference between the age of the respondents and the period of investment.

$H_1$  : There is significant difference between the age of the respondents and the period of investment.

#### Count

Age	PERIOD OF INVESTMENT				TOTAL
	Less than a year	1-3 years	3-5 years	Above 5 years	
18-25 years	36	22	9	6	73
26-40 years	6	7	5	6	24
41-60 years	3	11	1	7	22
Above 60 years	0	1	0	0	1
<b>TOTAL</b>	45	41	15	19	<b>120</b>

#### ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	10.487	3	3.496	5.919	.001
Within Groups	68.505	116	.591		
<b>Total</b>	78.992	119			

### INFERENCE

From the above table it is observed that the calculated value is 0.001 and the significance value is 0.05 at 5% level of significance. Since the calculated value is less than the table value, the null hypothesis is accepted. Therefore, there is no significant difference between the age of the respondents and the period of investment

### IV RESULTS AND DISCUSSION

From the above analysis it is found that majority of the respondents belong to the age group of 18-25. Most of the respondents are female and single and show more interest towards investment because they are not burdened with commitments unlike married respondents. Most of the respondents have completed their under graduate degree and are employed in a private organization with an annual income below 250000. Majority of the respondents live in a nuclear family and invest for the purpose of safety, children's education/marriage and retirement benefit in order to have a safe and secure future. Friends and family play an important role in creating awareness among the respondents about the various investment avenues.

Based on the rankings of investment alternatives given by the respondents, majority of the female respondents prefer to invest in bank deposits and gold due to very low level of risk and high rate of return. Following bank deposits and gold, an equal amount of investment is made by both male and female respondents in mutual funds as it is subject to high rate of market fluctuations. Post office savings, provident fund and insurance have been ranked as four, five and six respectively as it is the most preferred form of investment for people employed in public and private organizations. Real estate has been ranked as 7 due to economic slow down, lack of job security and increased prices of land and building as a result of which people are not ready to invest in real estate. Government bond has been ranked as 8 due to lack of awareness and interest on the part of the investors.

From the ANOVA test it is found that, there is no significant difference between the age of the respondents and the period of investment thereby implying that the age of the respondent does not determine the period of investments as the respondents may make their investment based on their purpose of investment which varies accordingly from individual to individual.



## V CONCLUSION

A county's economic development is mainly influenced by the investment pattern of the individuals especially household sector. This study elucidates that demographic factors such as age, gender, educational qualification, annual income etc have an impact on the investment decisions of investors. However in case of relationship between demographic factors and periods of investments, it was found that a few demographic variables such as family size, annual income and annual savings have significant relationship. But the rest of the variables such as gender, age, education and occupation have no significant relations with the period of investments made by the investors. Due to the emergence of various investment avenues, it is not possible for all the investors to be aware of the various investment alternatives. Though, bank deposits, gold and provident fund have been traditional forms of investment avenues it is also highly important for the investors to make use of other investment alternatives like mutual funds, share market etc so that it boosts the financial performance of the economy. It is also suggested that it is the responsibility of the financial institutions to create awareness about the various investment alternatives so that it benefits the prospective investor. This study also recommends all its investors to diversify its portfolio based on their investment objective in order to maximize the return and minimize the risk from such investment.

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