

# Gender, Age and Income Influence on Choice of Investment: An Empirical Study in South India

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## Abstract

Investments by individuals play a significant role in the economic development of any country in accelerating economic growth. Although there are many investment avenues, people are aware of only traditional investment avenues. The present study focuses on investor perceptions of investment avenues. The study found that the majority of the people have shown interest to invest in bank deposits and followed by Gold, postal savings, silver. On the other hand, the study also found that there is a positive relationship between investment avenues selection and age, gender, and income. The study suggested that it is necessary to educate people or investors about new investments to get a better rate of return and improve the size of investments as well as to improve the economic growth rate.

**Keywords:** Investors perception, investment avenues, investor preferences, investment choice, alternative investments

## I. INTRODUCTION

Savings and investments play a major role in the economic development of any country, and the primary objective of all government's policy has been to promote savings and capital formation in the economy which is a primary instrument of economic growth. Investment refers to the commitment of funds at present, in anticipation of some positive rate of return in future. Today the horizon of investment is certainly wide. An investor is confronted with an array of investment avenues. The income earned by an individual is partly spent, and the rest is saved for meeting future expenses. Instead of keeping the savings idle people may like to use their savings to get returns on it in the future, which is known as 'investment'. Though there are many investment avenues available to the investors, it is all discretion of the investor to choose the investment avenue for investment. There are a number of factors, such as age, gender, income, investment knowledge, risk and return etc. that influence the investors to

choose the investment option. In this context, this study has initiated to know the investors' perception of different investment avenues.

## II. METHODOLOGY

The study has used the both primary and secondary data. The primary data has been collected by using a structured questionnaire. The sample size which was used in the study 200 and convenient sampling technique was used. In order to test the relationship between Investment avenue and the factors influencing Investment avenue, such as age, gender, income, are analyzed by using multiple regression technique.

**Following hypotheses have been developed based on extant literature.**

### Hypothesis

H<sub>1</sub>: There is a significant relationship between Investment Avenue and age of the investor

H<sub>2</sub>: There is a significant relationship between Investment Avenue and gender of the investor

H<sub>3</sub>: There is a significant relationship between Investment Avenue and income of the investor

### III. LITERATURE REVIEW

Mutual funds are hot investment vehicles for many individual investors. This is primarily because the small savings can be systematically invested in different types of financial assets such as equity and debt. Studies also reveal that majority of the investors do prefer mutual funds as their primary choice of investment (**Gurusamy, 2011**). Equity investment (investment in shares) is also the second most preferred investment by individuals in major cities such as Mumbai. This is perhaps the knowledge of investors about risk and return relationship. Studies also reveal that Mumbaikars prefer more equity than any other investment vehicle to park their savings (**Brahmabhatt, Kumari, & Malekar, 2012**). This is perhaps Mumbai is the financial capital of India and a lot of people do actively participate in share market. This is because the world reputed exchange BSE is located in Mumbai. However, there are investors who are risk averse and choose less risky investment vehicles. Gold and bank deposits are the most preferred investment avenues for such investors (**Jothilingam&Kannan, 2013; Pandian&Thangadurai, 2013; Dakshayani G.N, 2014; Koti, 2014**). There are several studies that have focused on gender and marital status of investors and their choice of investment. Studies reveal that married and young women prefer shares as investment vehicle, whereas middle-aged women showed more interest in real-estate investments (**Jamuna&Kavitha, 2013**). This perhaps the risk taking capacity of young adults when compared to the older people. Married

women preferring shares is somewhat surprising, because women usually prefer a study and safe income sources to park their surplus funds (**Sreelatha&Lalitha, 2015**). There are also studies focused on demographic factors and investment choice. Age, education, occupation, annual income had significant relationship with choice of investments (**Jothilingam&Kannan, 2013; Shukla, 2016**). Geographical location also plays a significant role in investment choice. Rural investors prefer more of banking deposits as they do not have sufficient institutional support or awareness about other investment opportunities. Majority of the investors from both rural investors were investing their investment in banking deposits for the security and safety purpose (**Selvi, 2015**). Safety plays an important role in investment choice.

Investors who emphasize on safety are more likely to invest in insurance and gold (**Parimalakanthi& Kumar, 2015**). Liquidity is another important factor that influences the choice of investment. People prefer bank deposits and bullion as their investment avenues for the want of high liquidity. Factors such as liquidity, safety, regular income, less transaction cost and chance for continuous savings are major reasons for household investors (**Geetha and Vimala, 2014**). After thorough review of the literature on various factors influencing the investment choice of individuals, this study focuses primarily on influence of demographic and economic factors, such as gender, age and income, on the choice of investments by individual investors in India.

### IV. RESULTS AND ANALYSIS

Table 1: Respondents profile

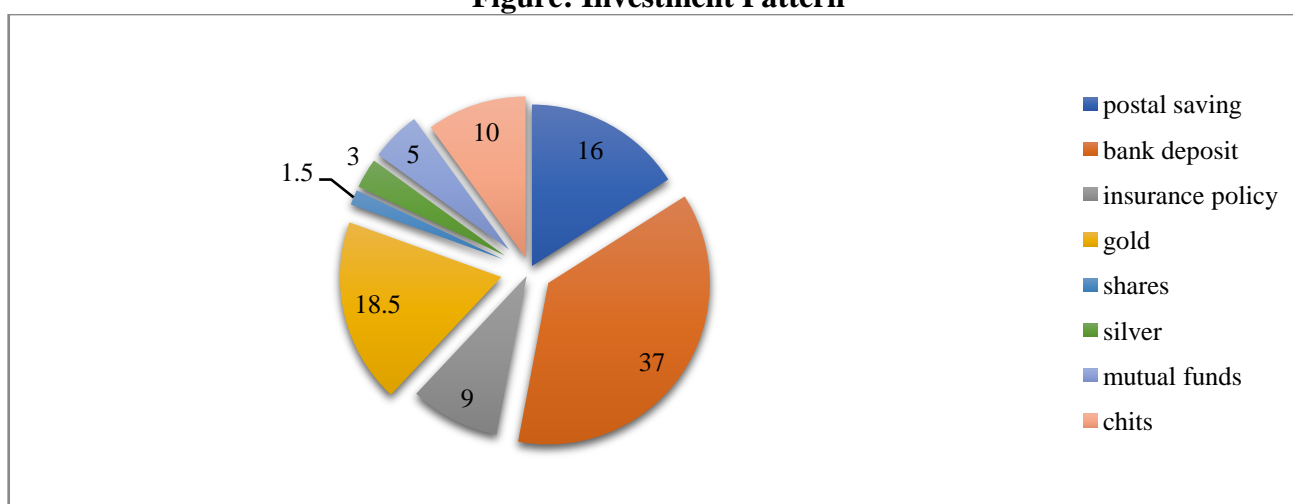
| VARIABLE | CATEGORY | FREQUENCY | PERCENTAGE |
|----------|----------|-----------|------------|
| GENDER   | Male     | 183       | 91.5       |
|          | Female   | 17        | 8.5        |
|          | TOTAL    | 200       |            |
| AGE      | 20-30    | 92        | 46         |
|          | 30-40    | 49        | 24.5       |
|          | 40-50    | 46        | 23         |

|                             |                       |     |      |
|-----------------------------|-----------------------|-----|------|
|                             | 50-60                 | 9   | 4.5  |
|                             | 60-70                 | 3   | 1.5  |
|                             | TOTAL                 | 200 |      |
| MARITAL STATUS              | Married               | 141 | 70.5 |
|                             | Unmarried             | 59  | 29.5 |
|                             | TOTAL                 | 200 |      |
| EMPLOYMENT                  | Govt Job              | 35  | 17.5 |
|                             | Private Job           | 103 | 51.5 |
|                             | Business              | 52  | 26   |
|                             | Profession            | 4   | 2    |
|                             | Other                 | 6   | 3    |
|                             | TOTAL                 | 200 |      |
| EDUCATION                   | Below graduation      | 33  | 17   |
|                             | Graduation            | 88  | 44   |
|                             | Post-graduation       | 68  | 34   |
|                             | Other                 | 11  | 5    |
|                             | TOTAL                 | 200 |      |
| ANNUAL INCOME               | Below 2 Lakhs         | 121 | 60.5 |
|                             | 2-5 Lakhs             | 47  | 23.5 |
|                             | 5-10 Lakhs            | 24  | 12   |
|                             | Above 10 Lakhs        | 8   | 4    |
|                             | TOTAL                 | 200 |      |
| INVESTMENT TENURE           | Long Term Investment  | 147 | 73.5 |
|                             | Short Term Investment | 53  | 26.5 |
|                             | TOTAL                 | 200 |      |
| SOURCE OF INVESTMENT ADVICE | Financial Advisors    | 33  | 16.5 |
|                             | Friends               | 89  | 44.5 |
|                             | TV Channels           | 78  | 39   |
|                             | TOTAL                 | 200 |      |
| INVESTMENT CHOICE           | Postal savings        | 32  | 16   |
|                             | Bank deposits         | 74  | 37   |
|                             | Insurance policy      | 18  | 9    |
|                             | Gold                  | 37  | 18.5 |
|                             | shares                | 3   | 1.5  |
|                             | silver                | 6   | 3    |
|                             | Mutual funds          | 10  | 5    |
|                             | chits                 | 20  | 10   |
|                             | Total                 | 200 | 100  |

Probably, post retirement investors tend to be inactive in investment activity as they form a very minute portion of our sample (~ 2%). Most of the sample falls into the young and middle-aged investors (~70%). Off course, that's the most active age-group for active investment decisions. That's also the age for planning the income for later years in one's lifecycle. It seems investors prefer passive investment behavior as majority of the investors prefer long-term investments (73.5%). The major

finding from the above demographic and other details is that the investors highly dependent on friends (44.5%) followed by TV channels (39%) for investment related advice. So, friends can be a major influencing factor for choice of investment. They also reach out to investment advisors for information but it doesn't turn out to be the significant portion in the sample. This could be due to the cost of sourcing the information from the advisors as they collect some service fee.

**Figure: Investment Pattern**



Our sample respondents prefer more bank deposits (37%), Gold (18.5%) and postal savings (16%). This could be purely due to the majority of people in our sample are job holders (69%). Job holders usually plan for retirement and more soft in nature when their investment behavior is concerned. They prefer more liquidity and safety, hence invest in deposits, Gold and postal savings. What is so surprising is, a very minute portion of our sample

respondents prefer mutual funds (5%). Indeed, India is now witnessing a good sign of mutual fund industry growth. This is due to increasing awareness among the investors about the mutual funds. However, job holders (majority respondents in our sample) might aware that mutual funds are more risky than bank deposits and postal savings. This clearly states that our respondents are majorly risk-averse.

**Table-2: Multiple Regression table**

**Dependent Variable: Investment Choice**

| Source             | Sum of Squares | df            | Mean Square | F-ratio |
|--------------------|----------------|---------------|-------------|---------|
| Regression         | 3.09269        | 6             | 0.515448    | 0.524   |
| Residual           | 187.72         | 191           | 0.98283     |         |
| Variable           | Coefficient    | s.e. of Coeff | t-ratio     | prob    |
| Constant           | 1.80462        | 0.6944        | 2.6         | 0.0101  |
| occupation         | 0.0640388      | 0.08906       | 0.719       | 0.473   |
| educ qualification | 0.0291541      | 0.08096       | 0.36        | 0.7192  |
| Income             | 0.0195420      | 0.09036       | -0.216      | 0.829   |
| age                | 0.0133785      | 0.009603      | 1.39        | 0.1652  |
| gender (Male)      | -0.105672      | 0.2572        | -0.411      | 0.6817  |

|                          |           |       |       |        |
|--------------------------|-----------|-------|-------|--------|
| Marital status (Married) | -0.247951 | 0.195 | -1.27 | 0.2051 |
|--------------------------|-----------|-------|-------|--------|

The above table shows that the choice of investment is adversely affected by marital status and gender, though none of the variable is significantly associated. Which means that, Unmarried, Female respondents are more likely to invest in risky investments such as shares. Occupation, Income, educational qualification and age have positive association with investment choice, though these variables do not have significant association with investment choice in our sample. This indicates that the level of education, age and business occupation will have positive association with more risky investment choices such as shares. These results also force us to reject the hypotheses developed, i.e., Investment Avenue doesn't have significant association with (i) Age (ii) Gender (iii) Income of investors in our study.

## V. CONCLUSION

Savings and investments play a significant role in the economic development of any country and boost up the economic progress rate. Though there are many investment avenues, people are aware of only traditional investment avenues. To test the relationship between investment avenues and whether any factors influencing the investor behavior regression techniques were applied. The study found that the majority of the people have shown interest to invest in bank deposits and followed by Gold, postal savings, silver. On the other hand, the study also found that there is a positive relationship between investment avenues selection and age, gender, income. The study suggested that it is necessary to educate people or investors about modern investments to get a better rate of return and improve the investments as well as to improve the economic growth rate.

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