

# Effect of Demographics on Investment Objectives

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**Abstract**— The markets have been moving from status to more of energy and are continuously changing the propaganda to risk. As the level of risk has been increasing, more and more money is at stake among different demographic profiles. This paper explores relationship between level of risk and demographic factors of investors. Depending upon risk appetite, there is an increase in number of investment avenues available for investors like bank deposits, government / private bonds, shares and stocks, mutual funds, insurance, derivatives, gold, silver, currencies, real estate, etc. Most of the investors’ primary objective of investment is to earn capital appreciation and expected rate of return differs from individual to individual based on their level of market knowledge and risk taking ability. This paper further reveals that there is a negative correlation between Marital Status, Gender, Age, Educational Qualification and Occupation of the investors’ also there is a positive correlation between Cities, Income Level and Knowledge of the investors’. This has been identified on the basis of cross analysis by applying Correlation analysis.

**Key words:** Investment, Investors, Occupation & Investment Objectives

## I. EFFECT OF DEMOGRAPHICS ON INVESTMENT OBJECTIVES

The recent developments in financial and capital market have opened a wide collection of investment choice. Investors depending upon the options available take the investment decisions and the expected level of return and risk they can bear. This study scrutinizes the demography of investors and their investment purpose with the various choices available in the financial market and Indian Money market. A examine of 20 investors was taken. The survey found that insurance is the most favored source of saving and investment, followed by bank deposits and PPF, NSC, post office savings, property. Bonds, followed by equity investment and debentures are the least preferred of investment. Professional group, gender of respondents, age, marital status, income, and level of education has significant association with various investment purposes.

Following investment objectives are mentioned in questionnaire:

- 1) Capital Appreciation
- 2) Liquidity
- 3) Safety
- 4) Tax Saving
- 5) Periodic Returns

## II. RESULT ANALYSIS

Demographic Variables	Categories	No. of Respondents	Percentages
Gender	Male	14	70
	Female	6	30
Income Classification	Up to 300000 lakhs	6	30
	300001 – 500000 lakhs	5	27.8

	500000-800000 lakhs	5	27.8
	Above 800000 lakhs	4	4
Age (in years)	20-35 years	4	20
	35-50 years	9	45
	Above 50 years	7	35
Occupational Category	Business	6	30
	Private Sector Employees	3	15
	Public Sector Employees	4	20
	Professionals	7	35
Education Level	Matriculate	1	10
	Graduate	6	30
	Post Graduate	7	35
	Professional Degree	6	30
Marital Status	Married	15	75
	Single	5	25

Table 1: Demographic Profile of Investors

Objectives of Investment	Frequency	Percentages	Rankings
Capital appreciation	8	40	1
Liquidity	2	10	4
Safety	6	30	2
Tax savings	3	15	3
Periodical returns	1	5	5
Total	20	100	

Table 2: Objective wise Distribution of Investors

Percent age of income invested	Objectives of Investment					
	Capital appreciation	Liquid ity	Safe ty	Tax savi ng	Periodi cal returns	Tot al
Up to 10 %	3	1	2	0	0	8
11-20%	4	0	1	0	0	5
20-30%	1	0	2	2	0	5
Above 30%	0	1	1	1	1	4
Total	8	2	6	3	1	20

Table 3: Cross-classification of Investment Objectives and Percent of Income Invested

Sr. No.	Savings & Investment Options	No. of Respondents	Percentages
1	Government Bonds	8	40
2	Stock Market	12	60
3	Bank Deposits	15	75
4	Bonds	8	40
5	Property	12	60
6	Debentures	8	40
7	NSC	8	40
8	PPF	7	35
9	Mutual Funds	15	75

10	Post Office Savings	7	35
11	Gold	9	45
12	Equity Investment	12	60
13	Insurance Premium	7	35

Table 4: Distribution of Respondents according to the Type of Instruments Opted for Investment

Objective of investment	Gender		Total
	Male	Female	
Capital appreciation	6	2	8
Liquidity	1	1	2
Safety	3	3	6
Tax savings	3	0	3
Periodical returns	1	0	1
Total	14	6	20

Table 5: Distribution of Investors According to Gender Group and Objectives of Investment

Objective of investment	Marital status		Total
	Married	Unmarried	
Capital appreciation	3	5	8
Liquidity	1	1	2
Safety	4	2	6
Tax saving	3	0	3
Periodical returns	1	0	1
Total	12	8	20

Table 6: Distribution of Investors According to Marital Status and Objectives of Investment

Objectives of investment	Income group				Total
	Up to 30000	300001 - 500000	500001 - 800000	Above 800000	
Capital Appreciation	2	4	1	1	8
Liquidity	0	0	1	1	2
Safety	0	2	2	2	6
Tax Savings	0	0	1	1	2*
Periodical Returns	0	0	0	0	0*
Total	2	6	5	5	18*

(\*HERE 2 REOPENED DOES NOT DISCLOSE THEIR INCOME)

Table 7: Distribution of Investors According to Income Group and Objectives of Investment

Objectives of investment	Educational group				Total
	Matriculate	Under Graduate	Post-Graduation	Professional Degree	
Capital appreciation	0	4	2	2	8
Liquidity	0	0	1	1	2
Safety	1	1	2	2	6
Tax savings	0	0	1	2	3
Periodical returns	0	1	0	0	1
Total	1	6	7	6	20

Table 8: Distribution of Investors According to Educational Group and Objectives of Investment

Objectives of investment	Occupation				Total
	Business	Private Sector employee	Public sector employee	Professional	
Capital appreciation	3	2	1	2	8
Liquidity	1	0	0	1	2
Safety	1	1	2	2	6
Tax savings	1	0	0	2	3
Periodical returns	0	0	1	0	1
Total	6	3	4	7	20

Table 9: Distribution of Investors According to Occupational Group and Objectives of Investment

Objectives of investment	Age Group			Total
	20-35 years	35-50 years	51-60 years	
Capital appreciation	3	5	0	8
Liquidity	0	1	1	2
Safety	1	2	3	6
Tax savings	0	1	2	3
Periodical returns	0	0	1	1
Total	4	9	7	20

Table 10: Distribution of Investors According to Age Group and Objectives of Investment

### III. MAJOR FINDINGS

- 1) Mutual funds and equity investment were found the most popular instrument of saving and investment for investors covered under study. Further it was found that Insurances & PPF saving secured last positions.
- 2) The highest number of respondents have opted to invest up to 10% of their total income, followed in line are those who invest 11-20 % out of their total income.
- 3) While studying the objectives of investment, it has been creating that the highest % of the respondents are investing their money for capital appreciation purpose, followed by the objective of growth. Safety is the objective of almost in middle of the respondents and the least preferred objective is periodical returns.
- 4) Occupational group and gender of respondents seem to have important impact on investment objective.
- 5) The percentage of those who favor primarily safety objective and tax safety is the highest in case of married respondents. The respondents of married group have shown first preference towards safety & tax. The unmarried group has given first choice to capital appreciation, followed by safety. In terms of outcome of chi-square test, the objective of investment is found depending significantly on the marital status.
- 6) The investment objectives differ across various income groups. The highest % of respondents among all the income groups except one i.e. 3-5 lakhs invest for capital appreciation. Safety and capital appreciation is highly preferred by the respondents belonging 3-5 lakhs income group. The study implies that the income group and

investment objectives have important association between them.

- 7) The association between age and preferred of investment objective revealed that there is a significant impact of age in choice of investment objective. Overall, all age groups invest for capital appreciation, followed by tax investment for saving and safety. An inter age group analysis presents that the highest percentage of investors falling in 36-50 years and 51- 60 years invest to save tax whereas the middle age-group i.e. 20-35 invest for the objective of safety. The respondents falling in age group i.e. 51-60 year least prefer capital appreciation.
- 8) The study further concludes that income, area of residence and occupation of investors have significant effect on objectives of investment whereas age of investors effects holding of investment instrument.

#### IV. CONCLUSION

The recent developments in financial and capital market have opened a vast range of investment options. Investors depending upon the options available take the investment decision and the expected level of return and risk they can bear. Safety and capital gain are the most preferred investment objectives. The survey also concludes that demographic variable and investment objectives have a significant association among them. Stock market & mutual funds is the most favored source of saving and investment, followed by debentures & Bonds. Followed by PPF & insurance and are the least preferred source of investment.

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