

# A Study of Impact of Gender and Age on Investment Behaviour

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## ABSTRACT

Financial position of a market is moreover determined by the amount of investment and the pace with which it increases or declines. Today, Investors have become rationale and are aware of multiple sources of investment available in market. Various studies made in past confer that investment behaviour to an extent is affected by demographic variables such as age, gender, income ,occupation which also create emotional biases while choosing investment options. This study analysed the gap by applying t test on investment behaviour with age, gender. Based on the result it was found that there existed significant differences in financial investment behaviour between investment behaviour and gender and there also existed significant differences between investment behaviour and age. Thus, Gender and age seems to be important predictor which affects investment behaviour.

**Keywords:** Investment Behaviour, Risk Management, Stock Market, Savings

## INTRODUCTION

India is considered to be as fastest economy of the world and government is encouraging investments by giving them environment for growth and development. Earnings and disposable incomes needs to be properly channelized which can escalate the growth of country. After liberalization and globalization, the scenario of Indian markets have changed and individual savings market tends to grow more as well as participation in various investment avenues had been increased. An individual invests in various instruments with anticipation of good returns. It can be said that individuals opt for those alternatives which gave them psychological satisfaction and economic benefits.

**Investment :** Investment is allotment of wealth which in anticipation yields good returns over certain phase of time. Investments are done on basis of certain objectives (long term and short term) and priorities which can be high and low to maximize their wealth. They range from bank deposits, real estates, small savings, insurance schemes, bullions, small savings schemes, shares, bonds and debentures etc. An investment is the pledge that over a period of time it will derive future payments that will compensate the investor for:

- (1) The time they dedicated to particular investment.
- (2) The expected rate of inflation which occurs annually
- (3) The uncertainty related with the future payments.

**Investment Behaviour :** Investment behaviour is how investor judge predict analyze and review the process of decision making which inculcates many activities like information gathering, investment psychology and intension, research and analysis, analyzing risk and returns. A survey report found out that majority of individuals prefers to take investment decisions jointly with their spouses when they invest in mutual funds or stocks. It was found that they did investments after analyzing but still reviewed the after checking the performance and having experience. It was also observed that gender differences did not matter much in investments but varied lot in risk taking appetite. Majority of women opted for low risk investments and most

of men opted for average or above average risk investments. According to a survey done by a financial service company AMS it was found out that there are three category of investors :

1. Next generation investors (age 18 to 24) :They are those investors who are in process of accumulating wealth and tends to save more for their future dreams. They have got good risk appetite and want good returns. They try to maintain an investment mix to have stable returns and are less adhere to investment advices.
2. Wealth accumulators (Age 25 to 59):They are those individuals who accumulates wealth also and plan for their future also. They manage their current income in such way that they fulfil their responsibilities and also plan for retirement. They try maintaining an investment mix to have stable returns and are more adhere to investment advices.
3. Senior Citizen Retirees (Age 60 and over) :They are those individuals who supplement their current and future income by accumulating wealth. They look for investment mix which gave guaranteed or stable returns.

## REVIEW OF LITERATURE

People with different age respond differently to investment avenues. Although they are aware of multiple sources of investment like savings, insurance, bank deposits and many more, but most of the respondents give preference to bank deposit and insurance as an important investment source. Their investment decision is also affected by the level of income earned as stated by Joseph et al.(2014). A study by Sireesha et al. (2013) highlighted customer's behaviour to be particular for some investment avenues showing their conservative behaviour. Some common consumer trend shows most of the investments done are either in banks or in the form of savings in post office. The investor behaves to be risk averse by choosing such sources. A suggestive measure for wealth managers is to consider income array for predicting investment behaviour.

Mane et al.(2014) studied the state of consumer awareness for making a selection decision for investment. The study revealed different factors affecting investment decision like income level, investor's preference and role of women in investment related decision making. As per a study by Kumar et al. (2014) on investors attitude towards saving as an investment avenue and factors affecting their decision making, the majority agreed on considering investment in post office as a safe option and considered it to promote economic growth of country too. Chavare (2013) in his study on college teachers of Maharashtra identified the level of investor's involvement in investment decision and influence by investment planners at various stages of investment. His findings confer to the fact that there exist a positive relationship between annual income and terms of investments and also investor's age and investment sum has no correlation. His study reveals the fact that investor are highly aware of available investment avenues and take help of financial planners in making investment decisions.

Kanagaraj et al. (2014) analysed in his study on "perception of women investors towards investments" identified various factors persuading investment behaviour of women's. He also evaluated awareness level of women's for investment options and their preference in particular. The study led to concluding the fact that investment involves risk and for generating the returns and women's must have sufficient funds to invest in and enjoy capital appreciation with time. Anitha et al.(2014) in the study on "Investors' Perception towards Investment" identified effects of demographic factors directly on risk perception of investors and their decision making abilities. The findings of study stated investor behaviour of senior aged citizens to be risk perceived as compared to young investors who perceive risk in a different way. It also stated role of gender difference in decision making describing males are more prone to choosing risky investment options whereas women's play safe in making risk averse decisions. Stephan et al.(2009) in his article stressed on different investment options for senior citizens and their awareness about several investment avenues. The foremost investment avenue is savings. Apart from this there can be various sources of investment that generate a fixed return, which will help senior citizens meet up future expenditures. Thus, senior aged citizens shall be made aware of schemes & privileges to make a sound decision for choosing investment option.

Mittal et al. (2011) in his study "Psychological Reasons for Gender Differences in Preferences for Risk and Investment Decision" identified risk taking ability of men and women investors and concluded that men and women have different fund allocation in their portfolio and possess variable choices for investment avenues. Men are more confident in taking risk as compared to women's who prefer low risk investment options.

Lakshmi et al. (2013) in the research endeavour to examine extent of long term and short term stock investors and their behavioural characteristics employed a structural model that compare investment decision making and behavioural biases among investors. Using SEM and path analysis the result shows long term and short term investors significantly differ in behavioural traits. Giridhari et al. (2011) conferred in his study that male investors are more risk explorer and more dynamic than female investors. Arti et al.(2011) studied “Difference in Gender Attitude in Investment Decision Making in India”. Her study reveals a lesser amount of satisfaction & confidence to women investors after making investment decision and more awareness about investment options to male financiers. Sellappan et al.(2013) on the basis of her study on “Women’s attitude towards investing in securities” suggested importance of knowing age and marital status of women to predict her investment pattern and inferred; Married Females are more likely to make investment as compared to unmarried females, young females invest more in insurance, fixed deposit, mutual funds, shares as compared to elder females. Yang(2007)suggested through his study that age and gender are two most significant factors without which Investment behaviour of individuals can’t be studied. His study justifies Gender to be central demographic variable that influence decision-making of investor. Moreover various authors’ contribution stated “gender differences are observed in attitude towards risk and also in making investment selections for various financial products. Das et al.(2014) study on “Influence of Demographical Variables on the factors affecting Investment” favours the fact that demographic variables have an impact on investors approach backed by Age and educational qualification. According to this study the most dominant variable affecting the investment decision are Age & Gender.

## **OBJECTIVES**

- To examine influence of gender on individual investment behaviour.
- To examine influence of age on individual investment behaviour

## **RESEARCH METHODOLOGY**

**Sampling:** For this study, the researcher adopted a simple random sampling method. In this study, the researcher has taken the sampling unit as an individual from various age groups and gender. The study constituted the following segments:

Gender: 1 Male , 2. Female

Age Groups:

1. Below 25 : Young Age Group
2. Between 25-35: Lower Middle Age Group
3. Between 35-45: Middle Age Group
4. Above 45 : Higher Age Group

### **Sampling Size:**

Total sample size of 300 individuals from different demographic segments have considered for the study.

Tools used Data collection: The study is based on primary data. A well-structured questionnaire was prepared for the analysis of investment behaviour. It consisted of 40 questions from different segments based on different investment avenues. The secondary sources, which were used for data collection, were existing literature relevant to the study, journals, magazines, books and various web sites.

## **FINDINGS AND ANALYSIS**

Various review of literature indicated that gender and age are important factors that affects individual’s overall financial planning. In country like India, where gender is still very sensitive issue specially when money comes into role. This study analysed that whether different males and females have same or different level of investment behaviour. The major findings of this study are as follows:

1. Analysis of investment behaviour on different genders in Indore:

Table 2.1 Descriptives

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
1.00	73	45.5068	2.49512	.29203	44.9247	46.0890
2.00	67	47.3731	7.11983	.86983	45.6365	49.1098
3.00	84	48.2381	2.71816	.29658	47.6482	48.8280
4.00	76	52.9342	3.53397	.40537	52.1267	53.7418
Total	300	48.5700	5.03550	.29072	47.9979	49.1421

Table 2.2 ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2237.703	3	745.901	41.316	.000
Within Groups	5343.827	296	18.053		
Total	7581.530	299			

Table 2.3 Multiple Comparisons  
Dependent Variable

(I) age	(J) age	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
	2.00	-1.86629*	.71886	.010	-3.2810	-.4516
1.00	3.00	-2.73125*	.67988	.000	-4.0692	-1.3932
	4.00	-7.42736*	.69631	.000	-8.7977	-6.0570
	1.00	1.86629*	.71886	.010	.4516	3.2810
2.00	3.00	-.86496	.69597	.215	-2.2346	.5047
	4.00	-5.56108*	.71204	.000	-6.9624	-4.1598
	1.00	2.73125*	.67988	.000	1.3932	4.0692
3.00	2.00	.86496	.69597	.215	-.5047	2.2346
	4.00	-4.69612*	.67266	.000	-6.0199	-3.3723
	1.00	7.42736*	.69631	.000	6.0570	8.7977
4.00	2.00	5.56108*	.71204	.000	4.1598	6.9624
	3.00	4.69612*	.67266	.000	3.3723	6.0199

\*. The mean difference is significant at the 0.05 level.

From table 2.2, it can be seen that F value is 41.316 which is significant at 5% level of significance with degree of freedom 3/296. It means that mean score of different age groups differs significantly from each other. Further, the null hypothesis namely “There is no significant difference between various age groups with respect to investment behaviour in Indore” is rejected. This implied that investment behaviour between various age groups in India differs statistically. To explore further post hoc test was applied in SPSS, which indicates the following results.

As per Table No. 2.3 Post hoc difference between young age group and lower-middle age group was found to be 1.866 and was also found to significant. It reveals that the mean investment behaviour young age group and lower-middle age group differ significantly with each other. Thus null hypothesis namely “There is no significant difference between investment behaviour of young age group and lower middle age group” is rejected. Further the mean investment behaviour of lower-middle age group is 47.37 which is significantly higher than young age group mean 45.50. Hence, it can be concluded that investment behaviour of young age group and lower middle age group differ significantly in Indore.

As per Table No. 2.3 Post hoc difference between young age group and middle age group was found to be 2.731 and was also found to significant. It reveals that the mean investment behaviour first age group and middle age group differ significantly with each other. Thus, null hypothesis namely “There is no significant difference between investment behaviour of young age group and middle age group” is rejected. Further the mean investment behaviour of middle age group is 48.23 which is significantly higher than first age group mean 45.50. Hence, it can be concluded that investment behaviour of young age group and middle age group differ significantly.

As per Table No. 2.3 post hoc difference between young age group and higher age group was found to be 7.427 and was also found to significant. It reveals that the mean investment behaviour young age group and higher age group differ significantly with each other. Thus, null hypothesis namely “There is no significant difference between investment behaviour of young age group and higher age group” is rejected. Further the mean investment behaviour of higher age group is 52.93 which is significantly higher than first age group mean 45.50. Hence, it can be concluded that investment behaviour of young age group and higher age group differ significantly in Indore.

As per Table No. 2.3 post hoc difference between lower-middle age group and middle age group was found to be 0.864 and was also found to insignificant. It reveals that the mean investment behaviour lower-middle age group and middle age group does not differ significantly with each other. Thus, null hypothesis namely “There is no significant difference between investment behaviour of lower middle age group and middle age group” is not rejected. Hence, it can be concluded that investment behaviour of lower-middle age group and middle age group does not differ significantly in Indore.

As per Table No. 2.3 Post hoc difference between lower-middle age group and higher age group was found to be 5.56 and was also found to significant. It reveals that the mean investment behaviour lower-middle age group and higher age group differ significantly with each other. Thus, null hypothesis namely “There is no significant difference between investment behaviour of lower-middle age group and higher age group” is rejected. Further the mean investment behaviour of higher age group is 52.93 which is significantly higher than lower-middle age group mean 47.37. Hence, it can be concluded that investment behaviour of lower-middle age group and higher age group differ significantly in Indore.

As per Table No. 2.3 Post hoc difference between middle age group and higher age group was found to be 4.696 and was also found to significant. It reveals that the mean investment behaviour middle age group and higher age group differ significantly with each other. Thus, null hypothesis namely “There is no significant difference between investment behaviour of middle age group and higher age group” is rejected. Further the mean investment behaviour of higher age group is 52.93 which is significantly higher than middle age group mean 48.23. Hence, it can be concluded that investment behaviour of middle age group and higher age group differ significantly in Indore.

Ranjith, (2002) in his article titled “Risk Preference of Investors in the City of Ahmedabad” acknowledged that with growing age inclination towards investing increases and ability to take risk decreases. Young investors awareness of investment decision is restricted to financial performance of the company. Dashl (2010) in his study on “Factors Influencing Investment Decision of Generations in India: An Econometric Study”. He identified the factors affecting investment decision and risk tolerance among men and women in

different age clusters. Every individual has a different financial planning need. Age and gender plays a predominant role in determining investment avenue and risk capacity involved

During different stages of life cycle individual looks for different investments. It has been observed that younger age group when starts earning they tend to invest in risky investments as purpose of saving for future contingencies and also invest in plans with short span of lock ins. As with increase in age like of second group earning capacity increases now they start investing in schemes or plans with longer duration as they have capacity to block their money for longer duration. They also start investing in insurance mediclaims, child investment plans to make their future secured. Moving on to the third age group now individuals take more matured decisions and plan for buying a house, start doing investments in property, pension schemes, mutual funds, gold, FD's etc. to make future risk free. Fourth stage, individuals plan for risk free investments in this stage and invest in plans which gives them constant returns.

## CONCLUSION

The study concluded that females have been thought of big spenders and splashing out their money during old times but now females are gaining their reputation when it comes to savings and investments. They have learned how to handle money and their finances as compared to men. Men are prone to overconfidence which empowers them to trade too much which hampers their performance. Thus, it was found that females show better investment behaviour than males. Age is considered to be significant as with growing age, people gain maturity in making investment decisions and become more aware about different investment schemes in the market. They plan different investments differently at different stages of life. Thus, the study depicted significant difference between Investment behaviour and different age groups.

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