

To study the impact assessment of demographic variables on investors decision making in stock market.

Mr. Kafeel Ahmed¹

Assistant Professor School of Management Studies BGSB University

kafeel123786@rediffmail.com

Dr.javed iqbal²

Assistant Professor School of Management Studies BGSB University

javedkasana@gmail.com

Abstract.

Investors are investing in stock market as number of investment avenues are available for them with different risk and return characteristics. Investors prefer different securities with different risk return characteristics based on their requirement so they their overall portfolio reflect their preferences. Investors across different education see or perceive market and market forces in unique way. The present study has been conducted in order to find out whether investors across different education level have unique investment decision making or education have no effect on investor decision making. Moreover it will be found out whether Investors within educational groups have significant difference in their attitude and preference for different investment avenues or not. Moreover, different investors have different investment motives for investing in volatile market. Some wish to get higher returns, some invest because of liquidity, some for tax purpose etc.

Keywords. Education, demographic variable, investors decision making, preferences for investment avenues, etc

Introduction.

Stock market investment is associated with risk and uncertainty. However, if an investor conduct or carefully analyses various market trend and invest accordingly. There is great probability to derive above average return. Changes that take place due to up and downs of

business cycle are called cyclical changes and if they trends are identified well in advance through various indicator like leading ,lagging and coincident and invest based on these trends to derive above average return. All stocks belonging to different companies are affected differently by different market

trends. If an investor shift from one asset class to another in response to changes that are affected by business cycle it called as rotational strategy. In spite of volatility or fluctuation, there are certain securities that can resist or perform better than other in a particular trend formed by markets performs. Structural changes are because of way a economy is undergoing change or re -structuring of economy. The job of investor is to identify such trend and purchase those securities that are best suited during a particular trend.

Leading. The upcoming phase in economy can be predicted with the help of leading indicator. These are some indicator that reaches peak and trough before corresponding peak and trough in economy like it is believed that prices of securities or stock will increase before arrival of recession. Hence increase in prices of stock is seen as a leading indicator and is used a tool for restructuring of portfolio or asset allocation

Coincident. These variable are visible at the same time or they coincide with the particular phase of business cycle like wage rate etc

Lagging. These are those indicators, which reaches corresponding peak, and trough after peak and trough in business cycle .these are visible in economy after six month of particular trend in business cycle as unemployment will be visible after recession ends.

All these indicator help investor in making appropriate asset allocation inspite of the fact that phase of business cycle is not favorable. Understanding of these indicators mean, we can judge the direction in which our economy is heading. Today professional use these as tool for deciding about timing and amount of wealth to be committed for earning superior returns. Volatility or fluctuation in economy mean there are still good number of stocks who perform or give risk adjusted return irrespective of current market conditions. Now following are the stocks and companies to which they belong and phase of business cycle when they outperform of risk-adjusted returns.

A serious investment cannot be started unless and until investor do not have money to cover for contingencies, emergencies etc. The

thumb rule is that investor must have cash equivalent to six months before going for investment. The next step for the investor will be to buy sufficient insurance so that he should be able to achieve its financial goal. Once investor has adequate cash and insurance than serious, investment can be started.

Different companies and their stock perform differently during a particular phase of business cycle. Some perform well during peak and other do not. The success of investment depends on anticipating the market trend and investing in that stocks that performs well during those trends. It is believed that at the end of recession financial stock should be purchased, as their prices will increase since majority of stock will be undervalued due to low confidence of investor. Therefore, financial companies and brokerage houses are considered suitable investment at that time. Similarly, at the time of recovery stock of entertainment companies, TV, Refrigerator, car etc are considered suitable as people disposable income increases. Later on, confidence of investor become high and they start

investing in stock of companies manufacturing heavy goods and machinery. When the market is at peak companies engaged in converting raw material into finished products are preferred.

Review of literature

Bae and Joe (1999) analyses to know the effect of information released to see the changes in price volatility and trading volume of underlying stock. He used regression model and ratio analysis to derive results. The results indicate that volatility decreases from the pre-announcement period to the post –expiration period of right offering. The studies also indicate marketing of new issue or initial public offer that is unsubscribed on the firm stock as per revised information on the outcome of the right offering.

Daniel *et al.* (2002) based on his work provided extensive evidence that psychology biases affect investor behavior and prices. It also pointed out that individual as political participants remain subject to the biases and self-interest they exhibits in private settings. It also suggested that government and private planners should establish rules to improve efficiency of market through proper disclosure of information, reporting,

advertising, and default-option-setting regulation.

Wang *et al.* (2006) investigated the behavior of investors in risky asset in Chinese stock markets. A detailed questionnaire was distributed to respondent by stratified random sampling technique .the study indicate low level of risk perception among investors. Moreover, investors are not professional and lack required skills. The paper highlight that information from organization institutional level can lead to low risk preference and collective culture in china may not be beneficial to risk management in Chinese stock markets.

Du and Budescu (2007) carried out work to find out influence of past volatility on individual investors forecasting behavior. The paper highlights that past volatility has a weak effect on future forecasts that were sensitive to minor changes in characteristics of price changes. Those works suggest that low past volatility increases investors confidence and improves forecast accuracy. Whereas high volatility lower investors confidence and increases the probability of uncertainty.

Hibbert *et al.* (2008) conducted a research based on investigating the negative asymmetric risk-return tradeoff with the help of a new VIX volatility measure,

analyzing intraday volatility and NASDAQ results. It studied the relationship between S&P 500-index return and change in implied volatility at daily and intraday level. The results pointed out behavior of traders consistent with empirical results of strong daily intraday returns.

Objective of the study

1. To study the Education profile of investors in the study area.
2. To study the role of education on investors investment decision making in stock market.
3. To identify the relationship between educational level and investment dimensions like investment horizon, attitude towards risk, level of awareness etc

Research Methodology

Methodology has been followed based on the objectives and the concerned hypotheses..

Study area

The carried out in Jammu region of Jammu and Kashmir State. The information shall be collected from individual investors who have invested in share/Stock market through brokerage houses/companies /counters located in the study area.

Sample unit.

There are many brokerage houses operating in the study area. Out of the total top five namely India Bulls Securities, Share Khan Ltd, Angel Broking Ltd, Kotak Securities, and HDFC Securities, shall be selected for the present study.

Data Collection

The based on both the primary and secondary data. Primary collected through detailed questionnaire, which will be presented to investors who have made investment in shares/stocks. Secondary data will be collected from different sources like websites, newspapers, magazines, research journals, reports, monograms, proceedings of seminars, conferences and published and unpublished works of Government and Non-Governmental Organizations. All the information /data collected through different sources shall be analyzed by using appropriate statistical tools and techniques to achieve the desired output.

Dimensions of Investment versus Education

The details of investors education and its effect influence on different dimensions such as investment horizon/holding period, attitude towards risk, awareness about

various market trends and movements, weather trends adversely affect or not, and how much investors are effected by market trends and movements has been discussed one by one .Total number of investors are 380 and respondents are classified into four categories as higher secondary, graduation, post graduation and PhD.

Variation in Investment Horizon with Education

The data in table shows the relationship between education and holding period as a dimension of individual investors' behavior and describe the mean values and standard deviations of each group of respondents on basis of education. The mean values of holding period for different educational groups like higher secondary, graduation, post graduation and P.hd are 2.32, 2.08, 2.34, and 1.86, respectively. The Results of the ANNOVA test employed to know the variation in mean values across the educational qualification of the investors shows F-Value = 3.160 and Sig. value=.025 which is less than $\alpha=.05$. Hence, there exists a significant difference among the different educational groups of retail investors on the dimension of investment horizon in investment decision.

Descriptive statistics of Investment Horizon and Educational Qualification

s.no	Qualification	Total num	mean	Std.dev	F	Sig.
1	higher secondary	19	2.32	.820	3.160	.025
2	graduation	118	2.08	.823		
3	p.g	229	2.34	.931		
4	PhD	14	1.86	.363		
5	Total	380	2.24	.886		

Based on the results above, H06 which state that there exists a significant variation of investment horizon as a dimension of investors' behavior in investment decision with respect to educational qualifications is supported.

Multiple Comparisons of different Educational groups with time horizon

Respondent Qualifications(I)	Respondent Qualifications(J)	Mean difference	Sig.	Remarks
higher secondary	graduation	.231	.288	Insignificant
higher secondary	p.g	-.025	.906	Insignificant
higher secondary	PhD	.459	.000*	significant
graduation	higher secondary	-.231	.288	Insignificant
graduation	p.g	-.256*	.011	significant
graduation	PhD	.228	.360	Insignificant
Post Graduation	higher secondary	.025	.906	Insignificant
Post Graduation	graduation	.256*	.011	significant
Post Graduation	PhD	.483*	.046	significant
PhD	higher secondary	-.459	.000*	significant
PhD	graduation	-.228	.360	Insignificant
PhD	p.g	-.483*	.046	significant

The results shows that almost equal number of possible pair group (I j) are significant and equal number of pair group are insignificant. It is clearly apparent that most significant difference between various educational groups is between higher

secondary and P.hd.This really shows that with increase in education investment horizon also differ as with increases in education investors become more confident and hence invest with confidence for a long period of time as compared to that of those

with lower education as they are less confident and hence cannot invest for a long period of time. Whereas there is no significant difference among the various groups among higher secondary, graduation and post graduation.

Variation in attitude towards risk in stock market with Educational Qualification

The data in table shows the relationship between education and attitude towards risk

as a dimension of individual investors' behavior and describe the standard deviations of each group of respondents on basis of education. The Results of the chi square test employed to know the variation in mean values across the educational qualification of the investors shows chi square Value = 12.43 and Sig. value=.006 which is less than $\alpha=.05$. Hence, there exists a significant difference among the different educational groups of retail investors on the dimension of attitude towards risk in investment decision.

Descriptive statistics of attitude towards risk in stock market Educational Qualification

s.no	Qualification	Total number	Std.dev	df	Pearson Chi-Square	Sig.
1	higher secondary	19	.45241	3	12.436 ^a	.006
2	graduation	118	.40424			
3	p.g	229	.38785			
4	PhD	14	.51355			
5	Total	19	.45241			

Based on the results above, H07 which state that there exists a significant variation of attitude of investors towards risk as a dimension of investors' behavior in investment decision with respect to educational qualifications is supported

Multiple comparisons of education and attitude towards risk

Respondent Qualifications(I)	Respondent Qualifications(J)	Mean difference	Sig.	Remarks
higher secondary	graduation	.05977	.547	Insignificant
higher secondary	p.g	.07975	.406	Insignificant
higher secondary	PhD	-.30827*	.030	significant
graduation	higher secondary	-.05977	.547	Insignificant
graduation	p.g	.01998	.661	Insignificant
graduation	PhD	-.36804*	.001	significant
Post Graduation	higher secondary	-.07975	.406	Insignificant
Post Graduation	graduation	-.01998	.661	significant
Post Graduation	PhD	-.38802*	.000	significant
PhD	higher secondary	.30827*	.030	significant
PhD	graduation	.36804*	.001	significant
PhD	p.g	.38802*	.000	significant

The results shown in above table also indicate that exist a significant difference between PhD holder being the highest qualification and higher secondary being the lowest qualification, whereas there they also significant difference in attitude of investor towards risk with increase in education qualification but the variable or group which has significant difference with all others is PhD which clearly shows that investors with highest qualification are prone to take more risk as compared to that of lesser education qualification.

Variation in awareness about market trends and movements with Educational Qualification

The data in table shows the relationship between education Qualification and awareness about market trends and movements as a dimension of individual investors' behavior and describe the standard deviations of each group of respondents on basis of education. The Results of the chi-square test employed to know the variation across the educational qualification of the investors shows chi-square-Value = 5.151 and Sig. value=.162 which is more than $\alpha=.05$. Hence, there do not exists a significant difference among the different educational

groups of retail investors on the dimension of awareness about market trends and

movements in investment decision

S.No	Qualification	Total number	Std.dev	df	Pearson Chi-Square	Sig.
1	higher secondary	19	.000	3	5.151 ^a	.162
2	graduation	118	.314			
3	p.g	229	.248			
4	PhD	14	.000			
5	Total	380	.262			

Based on the results above, H08 which state that there do not exists a significant variation awareness about market trends and movements as a dimension of investors' behavior in investment decision with respect to educational qualifications is not supported

Variations in weather market trends and movements adversely affect investors or not with Educational Qualification

The data in table shows the relationship between education Qualification and movements adversely affect investment as a

dimension of individual investors' behavior and describe the standard deviations of each group of respondents on basis of education.. The Results of the Chi square test employed to know the variation across the educational qualification of the investors shows chi square-Value = 5.945 and Sig. value=.115 which is more than $\alpha=.05$. Hence, there do not exists a significant difference among the different educational groups of retail investors on the dimension of movements adversely affect investment in investment decision

S.No	Qualification	Total number	Std.dev	df	Pearson Chi-Square	Sig.
1	higher secondary	19	.315	3	5.945 ^a	.115
2	graduation	118	.304			
3	p.g	229	.205			
4	PhD	14	.000			
5	Total	380	.244			

Based on the results above, H09 which state that there do not exists a significant variation awareness about movements adversely affect investment as a dimension of investors' behavior in investment decision with respect to educational qualifications is not supported

Education and reaction towards various trends and movements.

Respondent Qualifications(I)	Respondent Qualifications(J)	Mean difference	Sig.	Remarks
higher secondary	graduation	.004	.953	Insignificant
higher secondary	p.g	.062	.288	Insignificant
higher secondary	PhD	.105	.002	significant
graduation	higher secondary	-.004	.953	Insignificant
graduation	p.g	.058 [*]	.035	significant
graduation	PhD	.102	.139	Insignificant
Post Graduation	higher secondary	-.062	.288	Insignificant
Post Graduation	graduation	-.058 [*]	.035	significant
Post Graduation	p.hd	.044	.514	Insignificant
PhD	higher secondary	-.105	.002	significant
PhD	graduation	-.102	.139	Insignificant
PhD	p.g	-.044	.514	Insignificant

The results from the above table show that there is no significant difference between most of groups other than with highest qualification as PhD and with lowest qualification. There is also significant difference among graduates and postgraduates. This shows that most of the investors with increase in education qualification their attitude or reaction towards adverse outcome is least effected as compared to that of those with lower educational groups. Hence it can be included that more educated investors are less prone to loss personization.

Variations in if yes, how much market movements adversely affect investors investment with Educational Qualification

The data in table shows the relationship between education Qualification and if yes, how much movements adversely affect investment as a dimension of individual investors' behavior and describe the mean values and standard deviations of each group of respondents on basis of education. The mean values of movements adversely affect investment for different educational groups like higher secondary, graduation; post graduation and PhD are 2.84, 2.35, 2.56, and

3.71, respectively. The Results of the ANNOVA test employed to know the variation in mean values across the educational qualification of the investors shows F-Value = 8.254 and Sig. value = .000 which is less than $\alpha = .05$. Hence, there

exists a significant difference among the different educational groups of retail investors on the dimension if yes, how much movements adversely affect investment in investment decision

s.no	Qualification	Total number	mean	Std.dev	F	Sig.
1	higher secondary	19	2.84	.958	8.254	.000
2	graduation	118	2.35	.973		
3	p.g	229	2.56	1.044		
4	p.hd	14	3.71	.914		
5	Total	380	2.55	1.043		

Based on the results above, H10 which state that there exists a significant variation if yes, how much movements adversely affect investment as a dimension of investors' behavior in investment decision with respect to educational qualifications is supported

Multiple comparison of how much investors are affected by market movements and trends.

Respondent Qualifications(I)	Respondent Qualifications(J)	Mean difference	Sig.	Remarks
higher secondary	graduation	.495 [*]	.049	Insignificant
higher secondary	p.g	.283	.243	Insignificant
higher secondary	p.hd	-.872 [*]	.015	significant
graduation	higher secondary	-.495 [*]	.049	Insignificant
graduation	p.g	-.211	.066	Insignificant
graduation	p.hd	-1.367 [*]	.000	significant
Post Graduation	higher secondary	-.283	.243	Insignificant
Post Graduation	graduation	.211	.066	Insignificant
Post Graduation	p.hd	-1.155 [*]	.000	significant
p.hd	higher secondary	.872 [*]	.015	significant
p.hd	graduation	1.367 [*]	.000	significant
p.hd	p.g	1.155 [*]	.000	significant

The above results shows that most of the pair variables are significant few which really reflect that with increase in education qualification investors attitude and fear of negative outcome is showing significant variations. This reflect that with increase in education qualification fear of loss decreases as investors become more confident as they based their decision of trading on fundamental and technical analysis as compared to that of those with lower education as they are more prone by adverse outcomes. Similarly, within lower groups there is not significant variation among various education groups.

Conclusion and findings.

From the data it is observed that majority of the investor investing in stock market are male and are unmarried.

There exists a significant difference among the different educational groups of retail investors on the dimension if yes, how much movements adversely affect investment in investment decision

This reflect that with increase in education qualification fear of loss decreases as investors become more confident as they based their decision of trading on fundamental and technical analysis as compared to that of those with lower

education as they are more prone by adverse outcomes..

There do not exists a significant difference among the different educational groups of retail investors on the dimension of movements adversely affect investment in investment decision

There they also significant difference in attitude of investor towards risk with increase in education qualification but the variable or group which has significant difference with all others is PhD which clearly shows that investors with highest qualification are prone to take more risk as compared to that of lesser education qualification.

There exists a significant difference among the different educational groups of retail investors on the dimension of investment horizon in investment decision.

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