CHAPTER 6

PERSONAL FACTORS AND INVESTOR BEHAVIOUR

In this chapter it is proposed to study the relationship between the personal factors and investor behaviour. The personal factors included for the study are:

(i) Age
(ii) Education
(iii) Income
(iv) Investment Experience
(v) Influence on Investment decision

The twenty-five variables (described in chapter 5) were grouped under three heads, namely Company related variables, External variables and Individual investor related variables.

In this chapter, classification of respondents as to age, education, income, investment experience and influence on investment decision has been made. The significant difference between the respondents and the 3 groups of variables influencing the investment, viz, company related variables, external variables and individual investor related variables through analysis of variance (ANOVA) has been attempted.
Though information was collected as regards marital status also, this factor was excluded for the purpose of analysis for a specific reason. After the data was tabulated, it was found that more than 80% of the sampled respondents fell in the married category, and hence this factor was omitted in the final analysis.

6.1 GROUPING OF INVESTOR DECISION VARIABLES

In order to employ the ANOVA technique, it was found necessary to group the twenty-five variables used in the study. The grouping of the variables was done under the following categories. They were (i) Company related variables (ii) External variables (iii) Individual investor related variables.

6.1.1 Company related variables

All those variables pertaining to the company's prospects, products, share price and reports were included in this group. The specific variables are listed hereunder.

<table>
<thead>
<tr>
<th>Var. No.</th>
<th>Name of Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>$V_1$</td>
<td>Expected Corporate earnings</td>
</tr>
<tr>
<td>$V_2$</td>
<td>Diversified business activities</td>
</tr>
<tr>
<td>$V_3$</td>
<td>Influence of the nature of firm's product and quality of service</td>
</tr>
<tr>
<td>$V_4$</td>
<td>Information from financial statements</td>
</tr>
</tbody>
</table>
6.1.2 External Variables

In this group is included all those variables which relate to investment environment. In other words, these are variables which are neither company related nor individual investor related variables. They are as follows:

\[ V_6. \] Stock broker's recommendations

\[ V_{11}. \] Institutional holding

\[ V_{14}. \] Expected stock market performance

\[ V_{16}. \] Current economic indicators

\[ V_{20}. \] Friends' or Co-workers' recommendations

\[ V_{22}. \] Exchange listing

\[ V_{23}. \] Influence of tips and information from Business journals

\[ V_{25}. \] Political stability
6.1.3 Individual Investor related variables

These are the variables which pertain to individual needs, expectations and perceptions. The specific variables included in this group are,

\[ V_{12} \] Risk-return analysis
\[ V_{13} \] Tax concessions/exemptions
\[ V_{15} \] Past performance of investors' stock portfolio
\[ V_{19} \] Competing financial needs of investors
\[ V_{24} \] Attraction for non-stock investments

6.2 Age – Wise Classification of Respondents and its Significance towards the group of variables

In almost all areas of Social Sciences Research, age is taken as one of the important personal factors. Therefore, it was decided to study whether age had an influence on investment decision making also. It is a matter of common knowledge that one's perception and thought-process change with the age. For the present study age groups were defined as

\[ \text{Upto 25 Yrs.} \quad 26 - 35 \text{ Yrs.} \quad 36 - 45 \text{ Yrs.} \]
\[ 46 - 55 \text{ Yrs.} \quad \text{Above 55 Yrs.} \]

The sample profile of the respondents with reference to age is presented in Table 6.1 and Fig. 6.01.
### TABLE 6.1

Age pattern of individual investors

<table>
<thead>
<tr>
<th>Age (years)</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 25</td>
<td>38</td>
<td>9</td>
</tr>
<tr>
<td>26 – 35</td>
<td>120</td>
<td>29</td>
</tr>
<tr>
<td>36 – 45</td>
<td>151</td>
<td>36</td>
</tr>
<tr>
<td>46 – 55</td>
<td>86</td>
<td>21</td>
</tr>
<tr>
<td>Above 55</td>
<td>19</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>414</td>
<td>100</td>
</tr>
</tbody>
</table>
Fig. 6.01
Age Pattern of Individual Investors

- 36 - 45: 36% (36%)
- 26 - 35: 29% (29%)
- Upto 25: 9% (9%)
- Above 55: 5% (5%)
- 46 - 55: 21% (21%)
6.2.1. Let the hypothesis be that there is no significant difference between Age and Investor behaviour as regards Company related variables (Group A).

Calculated value of $F = 8.0552$

Table value $= 2.37$

As the calculated value is more than the table value, the hypothesis is rejected. Hence, there is significant difference between Age and investor behaviour with reference to Company related variables.

6.2.2. Let the hypothesis be that there is no significant difference between Age and Investor behaviour as regards External variables (Group B).

Calculated value of $F = 6.0419$

Table value $= 2.37$

As the calculated value is more than table value, the hypothesis is rejected. Hence, there is significant difference between Age and Investor behaviour so far as External variables are concerned.
6.2.3. Let the hypothesis be that there is no significant difference between Age and Investor behaviour as regards individual investor related variables (Group C).

Calculated value of $F = 7.6581$

Table value $= 2.37$

As the calculated value is more than table value, the hypothesis is rejected. Hence, there is significant difference between Age and Investor behaviour with reference to individual investor related variables.
6.3 Education – Wise Classification of Respondents and its Significance towards the group of variables

For the purpose of making a prudent investment decision, it is necessary to acquaint oneself with information in reports, bulletins and so on. Educated persons have greater access to relevant corporate information and therefore, it was found essential to collect information as regards the educational qualification of the respondents. The educational qualifications were categorised as follows:

(i) Matric       (ii) Graduate

(iii) Post-Graduate (iv) Professional

This information is presented in Table 6.2 and Fig. 6.02. From this table it may be observed that more than 90% of the sample consists of persons who are well qualified. (Graduates and above)
TABLE 6.2

Educational pattern of Individual Investors

<table>
<thead>
<tr>
<th>Educational Qualifications</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matric</td>
<td>26</td>
<td>6</td>
</tr>
<tr>
<td>Graduate</td>
<td>149</td>
<td>36</td>
</tr>
<tr>
<td>Post-Graduate</td>
<td>140</td>
<td>34</td>
</tr>
<tr>
<td>Professional</td>
<td>99</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>414</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Fig. 6.02
Educational Pattern of Individual Investors

- Graduate: 36%
- Post-Graduate: 34%
- Matric: 6%
- Professional: 24%
6.3.1 Let the hypothesis be that there is no significant difference between Education and Investor behaviour as regards Company related variables (Group A).

Calculated value of $F = 11.5624$

Table value $= 2.60$

As the calculated value is more than table value, the hypothesis is rejected. Hence, there is significant difference between Education and Investor behaviour with reference to Company related variables.

6.3.2 Let the hypothesis be that there is no significant difference between Education and Investor behaviour with reference to External variables (Group B).

Calculated value of $F = 11.2836$

Table value $= 2.60$

As the calculated value is more than table value, the hypothesis is rejected. Hence, there is significant difference between Education and Investor behaviour so far as External variables are concerned.
6.3.3 Let the hypothesis be that there is no significant difference between Education and Investor behaviour with reference to individual investor related variables (Group C).

Calculated value of $F = 8.3322$

Table value $= 2.60$

As the calculated value is more than table value, the hypothesis is rejected. Hence, there is significant difference between Education and Investor behaviour with reference to individual investor related variables.

6.4 Income – Wise Classification of respondents and its significance towards the group of variables.

When it comes to investment, unless a person has surplus income i.e. extra income after meeting the living expenses of his family and himself, he will not be able to engage himself in any investment activity.

In the questionnaire, the income groups identified were as follows:

Below Rs.5,000;  Rs.5,000 - Rs.10,000;  Above Rs.10,000

The sample distribution as per income level is presented in Table 6.3 and Fig. 6.03.
### TABLE 6.3

**Income level of Individual Investors**

<table>
<thead>
<tr>
<th>Income (Rs.)</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5000</td>
<td>34</td>
<td>8</td>
</tr>
<tr>
<td>5000 - 10000</td>
<td>196</td>
<td>47</td>
</tr>
<tr>
<td>More than 10000</td>
<td>184</td>
<td>45</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>414</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Fig. 6.03
Income level of Individual Investors

- 5000 - 10000: 47%
- Less than 5000: 8%
- More than 10000: 45%
From the table it may be observed that 92% of the sampled respondents fall in the above Rs. 5000 income group and only 8% of them earn an income of less than Rs.5000. It may be noted that only when there is sufficient income any kind of investment activity is possible.

6.4.1. Let the hypothesis be that there is no significant difference between the income of the investor and investor behaviour with reference to the company related variables (Group A).

Calculated value of $F = 0.9822$

Table value = 2.99

As the calculated value is less than the Table value, the hypothesis is accepted. Hence it may be concluded that there is no significant difference between income of the investor and the investor behaviour with reference to Company related variables.

6.4.2 Let the hypothesis be that there is no significant difference between the income of the investor and the investor behaviour as regards External variables (Group B).
Calculated value of $F = 1.1702$

$Table value = 2.99$

As the calculated value is less than Table value, the hypothesis is accepted. Therefore, there is no significant difference between the income of the investor and the investor behaviour as regards External variables.

6.4.3 Let the hypothesis be that there is no significant difference between the income of the investor and the investor behaviour with reference to individual investor related variables (Group C).

Calculated value of $F = 9.3276$

$Table value = 2.99$

As the calculated value is more than Table value, the hypothesis is rejected. Hence, there is significant difference between the income of the investor and investor behaviour with reference to individual investor related variables.

6.5 Investment experience (Years)

In general, investment experience may be identified in terms of success and failure of investments in the past. For the purpose of the present study investment experience was considered in terms of the
number of years that the respondents have been actively involved in investing in company securities. Data was collected under the following categories.

- Upto 5 Yrs.
- 6 - 10 Yrs.
- 11 - 15 Yrs.
- Above 15 Yrs.

The sample distribution as per years of investment experience is presented in Table 6.4 and Fig. 6.04.
<table>
<thead>
<tr>
<th>Years of Investment experience</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 5 Yrs.</td>
<td>153</td>
<td>37</td>
</tr>
<tr>
<td>6 - 10 Yrs.</td>
<td>197</td>
<td>47</td>
</tr>
<tr>
<td>11 - 15 Yrs.</td>
<td>53</td>
<td>13</td>
</tr>
<tr>
<td>Above 15 Yrs.</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>414</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Fig. 6.04
Years of Investment Experience of Individual Investors

- Upto 5 Yrs: 37%
- 6 - 10 Yrs: 47%
- 11 - 15 Yrs: 13%
- Above 15 Yrs: 3%
4.5.1 Let the hypothesis be that there is no significant difference between years of investment experience and investor behaviour as regards Company related variables (Group A).

Calculated value of $F = 5.5239$

Table value $= 2.60$

As the calculated value is more than table value, the hypothesis is rejected. Hence, there is significant difference between the years of investment experience and investor behaviour with reference to company related variables.

6.5.2 Let the hypothesis be that there is no significant difference between years of investment experience and investor behaviour as regards external variables (Group B).

Calculated value of $F = 5.9486$

Table value $= 2.60$

As the calculated value is more than table value, the hypothesis is rejected. Hence, there is significant difference between the years of investment experience and investor behaviour with reference to external variables.
5.3 Let the hypothesis be that there is no significant difference between years of investment experience and investor behaviour as regards individual investor related variables (Group C).

Calculated value of $F = 3.0253$

Table value = 2.60

As the calculated value is more than table value, the hypothesis is rejected. Hence, there is significant difference between years of investment experience and investor behaviour with reference to individual investor related variables.

6.6 Influence on investment decision of the respondents and its significance towards the group of variables

In all matters, generally speaking, decisions are either made by oneself or decisions are influenced by others. Assuming it is so, even in the case of investment decisions, it was felt imperative to find out whether the decisions were made by the individual investors themselves or were they influenced by others. For this purpose, influences on investment decision making were specified as

(i) Self  
(ii) Brokers

(iii) Friends and Colleagues  
(iv) Family members
Table 6.5 and Fig. 6.05 represents the influence on investment decisions of individual investors. From this table it may be observed that a major portion of the respondents (72%) made the decisions by themselves.

**TABLE 6.5**

Investment decision of Individual Investors

<table>
<thead>
<tr>
<th>Investment Decision</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self</td>
<td>297</td>
<td>72</td>
</tr>
<tr>
<td>Brokers</td>
<td>47</td>
<td>11</td>
</tr>
<tr>
<td>Friends</td>
<td>60</td>
<td>15</td>
</tr>
<tr>
<td>Family Members</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>414</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Fig. 6.05
Investment Decision of Individual Investors

Self 72%

Family Members 2%

Friends 15%

Brokers 11%
6.6.1 Let the hypothesis be that there is no significant difference between influence on investment decision and investor behaviour as regards Company related variables (Group A).

Calculated value of $F = 1.2920$

Table value $= 2.60$

As the calculated value is less than table value, the hypothesis is accepted. Hence, there is no significant difference between influence on investment decision and investor behaviour as regard company related variables.

6.6.2 Let the hypothesis be that there is no significant difference between influence on investment decision and investor behaviour with reference to External variables (Group B).

Calculated value of $F = 0.7098$

Table value $= 2.60$

As the calculated value is less than table value, the hypothesis is accepted. Hence, there is no significant difference between influence on investment decision and investor behaviour with reference to External variables.
Let the hypothesis be that there is no significant difference between influence on investment decision and investor behaviour with reference to individual investor related variables (Group C).

Calculated value of $F = 1.3740$

Table value $= 2.60$

As the calculated value is less than table value, the hypothesis is accepted. Hence, there is no significant difference between influence on investment decision and investor behaviour as regards individual investor related variables.

6.7 CONCLUSION

The ANOVA technique which was employed to consider the relationship between personal factors and investor decision variables (Group A, B and C) has brought to light the following:

(i) The Age, Education level and Years of investment experience have a definite relationship with all the three groups of variables, viz., Company related variables, External variables and Individual investor related variables.

(ii) The income level of an individual has no impact on company related and external variables.
(iii) The income level has a sure influence on individual investor related variables. Thus when the individual takes a decision to invest, he will be guided by his income.

(iv) The individual investors are not influenced at all by other persons as regards all the three groups of variables. The study emphasises that individual investment decision are made by oneself and not with external help.

Thus it may be concluded that an individual’s income level influences his investment behaviour as far as Group C (individual investor related variables) are concerned. Whereas people who are educated and who have investment experience make a highly balanced investment decision, taking into consideration all the three groups of variables. Further, the decisions are made by themselves without any external influence.