



The Impact Of Demographic Factors On The Risk Appetite And Investment Decisions Of Individual Investors - A Study Of Ahmedabad City

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Abstract

People save money to remove the financial requirement of the future. The future requirement of money cannot be predicated very correctly. To enjoy the benefit to safeguard money and to maintain the regular activity everyone should save. So in Ahmedabad, there is a vast scope for savings and investment due to the large number of businessman, small-scale entrepreneurs and government employees. To avoid the idle money to meet their future demand, the staffs, workers businessman and government employees can make an attempt to save. Researcher took socio economic factors for research purpose likes Age, Gender, Income, marital status etc. Hence in this study an attempt is made to analyse investment and risk appetite pattern of investors in Ahmedabad city.

Keywords: Risk appetite, Investment Pattern, Portfolio Management, Socio economic background

Objectives Of The Study

The objectives of the study are,

- ❖ To study the socio-economic background of investors in Ahmedabad.
- ❖ To evaluate the investing habits of investors in Ahmedabad.
- ❖ To analyse the investment pattern of investors.
- ❖ To analyse the expected rate of return of return of investors their investment.
- ❖ To offer suggestions based on findings.
- ❖ To analyse the objectives of the investors.
- ❖ To evaluate the portfolio management of investment and risk appetite.



- ❖ To analyse the impact of demographic factors on risk appetite of individual investors of Ahmedabad city.

Scope Of Study

The study covers only the investors and risk taker in Ahmedabad city. It does not include the particular person who is working in out of the Ahmedabad. The study does not cover the all investors of Ahmedabad city. The researcher has collected the data in order to make analysis of pattern of investment and risk taker of Ahmedabad city.

Nature And Source Of Data

Since the study is empirical in nature, it is completely based on primary data collection by the researcher through a well designed, structured questionnaire by the researcher in view of the theoretical literature and existing research findings as also the objectives of the research study (a copy of the questionnaire is given in the Appendix). This questionnaire was administered to a sample of 100 respondents in Ahmedabad city.

Data Collection

The primary data was collected from well designed and properly tested questionnaire from the Ahmedabad city. The data collected was processed classified and tabulated with help of analytical tool, which are percentage analysis, average, ranking method, weighted average etc. to draw meaning full classification.

Methodology

The present study is based on both primary and secondary data. Primary data have been collected by conducting a survey among 100 samples of Ahmedabad city. The secondary data have been collected from books, journals, news papers, periodicals, internet and published and unpublished thesis.

Sampling Design

Keeping in view the problem and scope of the study, convenience sampling method of choosing investors were adopted to select the respondent in the Ahmedabad city of the state of Gujarat. For the purpose of the study 100 samples were selected convenient sampling method was adopted.

Broader Hypotheses Of The Study

Ho: There is no significant relation relationship between gender and risk appetite of respondents.

Ho: There is no significant relation relationship between age and risk appetite of respondents.

Ho: There is no significant relation relationship between marital status and risk appetite of respondents.



Ho: There is no significant relation relationship between qualification and risk appetite of respondents.

Ho: There is no significant relation relationship between occupation and risk appetite of respondents.

Ho: There is no significant relation relationship between monthly income and risk appetite of respondents.

Ho: There is no significant relation relationship between religion and risk appetite of respondents.

Significance Of The Study

This study gives clear picture of investment preference of investors of Ahmedabad city when they invest in different avenues of investment. Study covers various import aspects like information searching behaviour of investors. The study covers various important aspects like information searching behaviour of investors of Ahmedabad city. It is also throws a light on various types of risk which effect on investment and overall return from investment they earn from investment they earn from investment made. It gives overall scenario of investors in Ahmedabad city. The study The Impact of Demographic Factors on the Risk Appetite and Investment Decisions of Individual Investors – A Study of Ahmedabad City aims at identifying the impact of demographic factors or risk appetite.

Limitations Of The Study

The researcher is very much aware of the following limitations of the study.

Sampling approach has been used in this study. As such the study suffers from the limitations of sampling in general. The specific limitation of the study has been the non-inclusion of rural respondents and respondent of cities other than the four most populous ones, due to time constraints.

1. The present study being part of investor research as such suffers from the subjectivity biases of the respondents.
2. Again this study is limited to the Ahmedabad city so the generalization of conclusions of the study may therefore not have universal applicability.
3. This study is limited for the Ahmedabad city but more work can be done except Ahmedabad city like in Gujarat also.
4. In this study researcher has included selected only demographic factors but further study can be done with geographic factors also.



Testing Of Hypotheses

10.1 Gender and Perceived Risk Appetite

Gender	Perceive Risk Appetite					Total
	Very low	Low	Moderate	High	Very High	
Male	04	20	20	26	04	74
Female	02	04	14	04	02	26
Total	06	24	34	30	06	100
Chi-Square						7.99
Degree of freedom						4
Table Value						9.488

Source: Primary Data

Finding:

As we can see in the above given table of Chi-Square test that calculated value of Chi-Square is 7.99 and table value of Chi-Square at 5% level of significance is 9.488. In this case calculated value of Chi-Square is less than the table value of Chi-Square. This means there is no significant relation relationship between gender and risk appetite of respondents. So our null hypothesis (Ho) is accepted.

10.2 Age and Perceived Risk Appetite

Age in year	Perceive Risk Appetite					Total
	Very low	Low	Moderate	High	Very High	
18-20	4	4	0	0	0	8
21-25	2	2	12	2	2	20
26-30	2	2	4	6	4	18
31-35	4	3	2	2	2	13
36-40	0	4	4	4	0	12
41-50	2	3	2	4	2	13
50-60	2	2	2	6	4	16
Total	16	20	26	24	14	100
Chi-Square						41.94
Degree of freedom						24
Table Value						36.415

Source: Primary Data

Finding:

As we can see in the above given table of Chi-Square test that calculated value of Chi-Square is 41.94 and table value of Chi-Square at 5% level of significance is 36.415. In this case calculated value of Chi-Square is more than the table value of Chi-Square. This means there is significant



relation relationship between age and risk appetite of respondents. So our alternate hypothesis (H_1) is accepted.

10.3 Marital Status and Perceive Risk Appetite

Marital Status	Perceive Risk Appetite					Total
	Very low	Low	Moderate	High	Very High	
Married	4	8	16	22	8	58
Unmarried	8	8	20	4	2	42
Total	12	16	36	26	10	100
Chi-Square						15.68
Degree of freedom						4
Table Value						9.488

Source: Primary Data

Finding:

As we can see in the above given table of Chi-Square test that calculated value of Chi-Square is 15.6884 and table value of Chi-Square at 5% level of significance is 9.488. In this case calculated value of Chi-Square is more than the table value of Chi-Square. This means there is significant relation relationship between marital status and risk appetite of respondents. So our alternate hypothesis (H_1) is accepted.

10.4 Qualification and Perceived Risk Appetite

Qualification	Perceive Risk Appetite					Total
	Very low	sLow	Moderate	High	Very High	
Less than SSC	0	2	0	0	2	4
SSC/HSC	2	14	2	6	2	26
Graduation	4	8	4	16	8	30
Post graduation	2	4	14	4	6	30
Total	8	28	20	26	18	100
Chi-Square						41.50
Degree of freedom						12
Table Value						21.026

Source: Primary Data

Finding:

As we can see in the above given table of Chi-Square test that calculated value of Chi-Square is 41.50 and table value of Chi-Square at 5% level of significance is 21.026. In this case calculated value of Chi-Square is more than the table value of Chi-Square. This means there is significant relation relationship between qualification and risk appetite of respondents. So our alternative hypothesis (H_1) is accepted.



10.5 Occupations and Perceived Risk Appetite

Qualification	Perceive Risk Appetite					Total
	Very low	Low	Moderate	High	Very High	
Home Maker	0	2	2	0	0	4
Service	6	16	18	6	4	50
Own Business	0	2	8	18	0	28
Professionals	0	0	0	6	2	8
Others	2	4	2	2	0	10
Total	8	24	30	32	06	100
Chi-Square						48.54
Degree of freedom						16
Table Value						26.296

Source: Primary Data

Finding:

As we can see in the above given table of Chi-Square test that calculated value of Chi-Square is 48.54 and table value of Chi-Square at 5% level of significance is 26.296. In this case calculated value of Chi-Square is more than the table value of Chi-Square. This means there is significant relation relationship between occupation and risk appetite of respondents. So our null hypothesis (H_1) is accepted.

10.6 Monthly income and Perceived Risk Appetite

Monthly income in Rs.	Perceive Risk Appetite					Total
	Very low	Low	Moderate	High	Very High	
10,000-15,000	2	4	2	4	0	12
15,001-20,000	4	3	15	8	2	32
20,001-25,000	2	2	6	8	3	21
25,001-30,000	1	2	6	2	2	13
Above 30,000	0	2	4	12	4	22
Total	9	13	33	34	11	100
Chi-Square						20.71
Degree of freedom						16
Table Value						26.296

Source: Primary Data

Finding:

As we can see in the above given table of Chi-Square test that calculated value of Chi-Square is 20.71 and table value of Chi-Square at 5% level of significance is 26.296. In this case calculated value of Chi-Square is less than the table value of Chi-Square. This means there is no significant



relation relationship between monthly income and risk appetite of respondents. So our null hypothesis (Ho) is accepted.

10.7 Religion and Perceived Risk Appetite

Religion	Perceive Risk Appetite					Total
	Very low	Low	Moderate	High	Very High	
Hindu	4	12	26	22	4	68
Muslim	0	6	4	2	0	012
Sikh	0	2	6	2	2	012
Christian	0	0	2	6	0	08
Total	04	20	38	32	06	100
Chi-Square						19.88
Degree of freedom						12
Table Value						21.026

Source: Primary Data

Finding:

As we can see in the above given table of Chi-Square test that calculated value of Chi-Square is 19.88 and table value of Chi-Square at 5% level of significance is 21.026. In this case calculated value of Chi-Square is less than the table value of Chi-Square. This means there is no significant relation relationship between religion and risk appetite of respondents. So our null hypothesis (Ho) is accepted.

Findings

The findings of the study are below:

1. There were 74% male respondents and 26% female respondents.
2. From 100 respondents 8% respondent's age was 18-20 years, 20% respondent's age was 21-25 years, 18% respondent's age was 26-30 years, 13% respondent's age was 31-35 years, 12% respondent's age was 36-40 years, 13% respondent's age was 41-50 years and 16% respondent's age was 41-50 years. Majority of the respondents were married with 58%.
3. From 100 respondents 30% respondent's education was less than SSC and SSC/HSC, 40% respondents were Graduate and 30% respondents were Post Graduates.
4. From 100 respondents 50% were employees, 28% were business persons, 10% were others, 8% were Professionals and 4% were home makers. Majority of the respondents were Hindu with 68%.
5. From 100 respondents 12% respondent's monthly income was between Rs. 10,000 to 15,000, 32% respondent's monthly income was between Rs. 15,000 to 20,000, 21% respondents monthly income was between Rs. 20,000 to 25,000, 13% respondent's monthly income was between Rs. 25,000 to 30,000 and 22% above 30,000.



6. Here it is seen that highest investors were Hindu with 68%, second highest investors were Muslims with 12%, third Sikh were 12% and lowest were Christian with 8%. Majority respondents believed that as a investment avenues the Bank Deposit is very safe.
7. From total 100 respondents 38% were moderate risk taker, 24% were high risk taker, 24% were low risk taker, 10% were high risk taker and 4% were very low risk taker. Majority respondent's objective of investment was safety with 35%.
8. The most preferred investment avenues is bank deposits amounted 30% of respondents. Closely followed land and building 20%, gold and silver 29%, Government securities and secondary markets were 14% and post office were 7%.
9. 44% respondents believed that risk is uncertainty, 34% respondents believed that risk is opportunity, 12% respondents believed that risk is thrill and 10% respondents believed that risk is danger.
10. From 100 respondents 54% were self-decision maker, 26% respondents were depends on his fathers, 12% respondents were depends on others and 8% respondents were depends on her husband.
11. From the 100 respondents 60% respondent's knowledge of investment was moderate, 22% respondent's knowledge of investment was low level and 18% respondent's knowledge of investment was high level.
12. There is no significant relation relationship between age and risk appetite of respondents.
13. There is significant relation relationship between marital status and risk appetite of respondents.
14. There is significant relation relationship between qualification and risk appetite of respondents.
15. There is is significant relation relationship between occupation and risk appetite of respondents.
16. There is no significant relation relationship between monthly income and risk appetite of respondents.
17. There is no significant relation relationship between religion and risk appetite of respondents.

Suggestions

Based on the study the researcher wants to offer few suggestions and recommendations. They are:

1. The absence of saving/investment habits is fear of insecurity on return for the deposited money. This hurdle can be removed only by the savings or investment mode. It should give assurance for the repayment of deposited money.
2. By establishing money special investment schemes, saving mode can encourage the saving habits.
3. To enhance the saving habits the saving mode must attract the people by providing many offers or attractive prices.



4. The investors have to identify the market situation and price fluctuations in precious metals.
5. The persons who want to invest in stock markets should read newspapers, journals, books and other publications on investment matters.
6. Investors holding shares and debenture should, as far as possible, deal only with registered members of recognized stock exchanges, they may deal with sub-brokers who have concession with registered brokers.
7. Investors should have comprehensive knowledge about capital market.

Conclusions

The present study makes attempts to address one of the important aspects investment viz., risk appetite in relation to the profile of individual investor. The study indicated that most of the investor rated themselves of be moderate, this is followed by being rating themselves as conservative. Moderate and conservative together constitute more than 90% of the sample corroborates with the study conducted by a survey by global financial institution ING Asia/Pacific. One of the limitations of the study is that the size of the sample the area of Ahmedabad city. This requires further study to confirm the results. Though the study indicates that the association between the profile of the investor and appetite is no significant, a few important points may be considered. The study also shows that women are little more conservative, the investment plans should be designed suitably in order to cater to their needs. Further, little risky instruments may be offered to the income groups above Rs. 10,000 to 15,000 per month. Some of these considerations will help to bring more number of people into the fold of investors.