

To study the impact assessment of income on investors decision making in stock market

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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 income 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 income level have unique investment decision making or education have no effect on investor decision making. Moreover it will be found out weather Investors within different income 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.

1. Introduction

Investor decision making in stock market. is a complicated process as it exposed to risk and uncertainty .The money committed in stock market exposed to number of uncertainty as most of the asset that are purchased and sold in secondary market are risky and contain beta. The success of any form of investment made in risky or risk free asset depends on the information and knowledge .Similarly to track market trend at right time, to invest right amount and in right type of asset or appropriate asset allocation. If a investor or any trader wish to derive above average or superior returns to meet his or her financial requirements of goals he has to follow a series of step taken in a consistent manner to ensure that investment leads to capital appreciation and regular income .Those investor who lack expertise and how to deal in capital market may lose his money in capital market and end up losing all his wealth. Therefore, investors require professional help or advice to select right type of securities and invest right proportion of money to get reward or compensation for sacrificing current consumption. Successful investment is not even important for investor but for economic growth of a country as it lead to capital formation. After the introduction of liberalization, privatization and globalization Indian economy has opened up for participants especially FIIS in capital markets. The revolution in development of communication technology has become so advanced that it links all the participants at common platform. All these development has promoted investor to trade across the globe to invest their surplus amount in such away to derive superior returns.

Successful decision making in market demands good understanding of investor 's psychology, anticipating market trends with the help of leading and lagging indicators, sharp skills with regard to selection of securities and understanding of how to maximize return at a given level of risk. Investors are unique in traits such as, educational level, age, gender, sex and investment goals. Therefore, investing on behalf of investor is very tricky, as investment objectives and needs of investor do not truly reflect returns generated from investment.

The impact of behavioral factors on decision-making is often sideline by bulk of investors and therefore return generated does not reflect their preferences. Moreover, small investors do not consider two traditional principles of return maximization and risk minimization

2. Review of literature

Muraleedaran (2007) carried research clearly indicating the income pattern of the households among different group. It also studied pattern of investment preference among different income group in physical and financial assets. He classified household into three groups as low, middle and high. The result indicate that different income group investors have unique propensity to save and invest. Moreover location and rural urban also play a significant role in saving and investment. He also suggested that reforms should be taken to remove rural urban disparity among households.

Gupta and Jain (2008) Compiled a book based on finding of the survey conducted about household investors. The study highlights some interesting facts about how the investor's attitudes towards various investment types are related to demographic factors as income, age, total wealth, etc

Fünfgeld and Wang (2009) in their research work classified investors based on self-stated attitudes and behaviors in a comprehensive range of daily and financial affairs. He also studied socio-demographic variables such as gender, age and education. Factors analysis reveals that five factors .anxiety, interest in financial issue, decision styles, to save and spend on precautionary way. In term of demographic factors gender, age and education plays a very important role.

Shanmugasundaram and Balakrishnan (2010) based on research work stated that often investors make poor decisions caused by psychological and emotions. Primary objective of investment is wealth maximization. Investors were supposed to make rational decision in order to derive superior returns based on information available. But mostly investor

make error as they do not react immediately to arrival of new information as investors behavior is because of overexcitement and overreaction both at the time of bull and bear. They also suggested that demographic factors influence investor's investment decisions.

3. Objective of the study

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

4. 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.

5. Dimensions of Investment versus Income

The details of investors Income 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, how much, trading approach at peak and recession, 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 upto 2 lakhs (n=90), 2 to 5 lakhs (N=108), 5 to 9 lakhs (N=155), above 10 lakhs (N=27).

6. Variation in Investment Horizon with Income

Table shows the analysis of income with investment horizon as a dimension of investors' behavior and describe the mean values and standard deviations of each group of respondents based on their income. Mean values of investment horizon with different income groups of unto 2 lakhs,2-5 lakhs,5-9 lakhs and above 10 lakhs are 2.13,2.35,2.22 and 2.30 respectively. The ANNOVA test conducted shows value of F=1.072 and Sig.Value as .361 which is more than $\alpha=.05$.Hence there does not exist a significant difference among the income groups on the dimension of investment horizon.

Table No.1.Descriptive statistics of Investment horizon and Income

s.no	Income	Total number	mean	Std.dev	F	Sig.
1	Upto 2 Lakhs	90	2.13	.889	1.072	.361
2	2 To 5 Lakhs	108	2.35	.970		
3	5 To 9 Lakhs	155	2.22	.840		
4	Above 10 Lakhs	27	2.30	.775		
5	Total	380	2.24	.886		

Based on above results, H16, which state that there is significant difference variation of investment horizon as a

dimension of investor behavior in term of income, is not supported.

Table.No.2.Multiple comparison of Annual income and investment horizon

Respondent Annual income(I)	Respondent Annual income(J)	Mean difference	Sig.	Remarks
upto 2 lakhs	2 to 5 lakhs	-.219	.085	Insignificant
upto 2 lakhs	5 to 9 lakhs	-.086	.464	Insignificant
upto 2 lakhs	above 10 lakhs	-.163	.402	Insignificant
2 to 5 lakhs	upto 2 lakhs	.219	.085	Insignificant
2 to 5 lakhs	5 to 9 lakhs	.132	.234	Insignificant
2 to 5 lakhs	above 10 lakhs	.056	.771	Insignificant
5 to 9 lakhs	upto 2 lakhs	.086	.464	Insignificant
5 to 9 lakhs	2 to 5 lakhs	-.132	.234	Insignificant
5 to 9 lakhs	above 10 lakhs	-.077	.677	Insignificant
45 to 55	upto 2 lakhs	.163	.402	Insignificant
45 to 55	2 to 5 lakhs	-.056	.771	Insignificant
45 to 55	5 to 9 lakhs	.077	.677	Insignificant

The results in the above table indicate that almost all the investors within different annual income have same or similar types of holding period of investment horizon and there does not exist a significant difference between investors of various income groups on investor's investment horizon or holding period.

Table shows the analysis of income with attitude towards risk as a dimension of investors' behavior and describe the standard deviations of each group of respondents based on their income.. The chi square test conducted shows value of chi square value=13.172 and Sig.Value as .004 which is less than $\alpha=.05$. Hence there exist a significant difference among the income groups on the dimension of attitude towards risk.

7. Variation in attitude towards risk in stock market with income

Table.No.3.Descriptive statistics of attitude towards risk and Income

s.no	income	Total number	Std.dev	df	Chi-square value	Sig.
1	Upto 2 Lakhs	90	.47405	3	13.172 ^a	.004
2	2 To 5 Lakhs	108	.39762			
3	5 To 9 Lakhs	155	.37485			
4	Above 10 Lakhs	27	.26688			
5	Total	380	.40634			

Based on above results, H17, which state that there is significant risk difference variation of attitude towards risk as a dimension of investor behavior in term of income, is supported.

Table.No.4.Multiple comparisons of Annual income and attitude towards risk

Respondent Annual income(I)	Respondent Annual income(J)	Mean difference	Sig.	Remarks
upto 2 lakhs	2 to 5 lakhs	.13889	.016	significant
upto 2 lakhs	5 to 9 lakhs	.16559	.002	significant
upto 2 lakhs	above 10 lakhs	.25926	.000	significant
2 to 5 lakhs	upto 2 lakhs	-.13889	.016	significant
2 to 5 lakhs	5 to 9 lakhs	.02670	.595	Insignificant
2 to 5 lakhs	above 10 lakhs	.12037	.164	Insignificant
5 to 9 lakhs	upto 2 lakhs	-.16559	.002	significant
5 to 9 lakhs	2 to 5 lakhs	-.02670	.595	Insignificant
5 to 9 lakhs	above 10 lakhs	.09367	.263	Insignificant
above 10 lakhs	upto 2 lakhs	-.25926	.000	Insignificant
above 10 lakhs	2 to 5 lakhs	-.12037	.164	Insignificant
above 10 lakhs	5 to 9 lakhs	-.09367	.263	Insignificant

The table shows the multiple comparisons of investors with different income groups and some of the possible pair are significant whereas some of them are insignificant. There exist a significant difference between investors of different age group and their attitude towards risk. It has been clearly seen that investors within age group of lowest and highest are having significant difference with regard to their attitude towards risk. Whereas income groups in the middle don't, have significant difference in the attitude towards risk.

8. Variation in awareness about market trends and movements with income

Table shows the analysis of income with awareness about market trends and movements as a dimension of investors' behavior and describe the standard deviations of each group of respondents based on their income. The chi square test conducted shows value of =5.990 and Sig.Value as .113 which is more than $\alpha=.05$. Hence there exist a significant difference among the income groups on the dimension of awareness about market trends and movements.

Table.No.5.Descriptive statistics of awareness about market trends and movements and Income

s.no	Income	Total number	Std.dev	df	Chi square value	Sig.
1	Upto 2 Lakhs	90	.302	3	5.990 ^a	.113
2	2 To 5 Lakhs	108	.165			
3	5 To 9 Lakhs	155	.297			
4	Above 10 Lakhs	27	.192			
5	Total	380	.262			

Based on above results, H18, which state that there is significant difference variation awareness about market trends and movements as a dimension of investor behavior in term of income, is not supported

9. Variations in weather market movements adversely affect investment with Income

Table shows the analysis of income with movements adversely affect investment as a dimension of investors' behavior and describe the standard deviations of each group of

respondents based on their income. The chi square test conducted shows value of =2.312 and Sig. Value as .513 which is more than $\alpha=.05$. Hence there does not exist a significant

difference among the income groups on the dimension of movements adversely affect investment

Table.No.6.Descriptive statistics of weather market movements adversely affect investment and Income

s.no	Income	Total number	Std.dev	df	Chi square	Sig.
1	Upto 2 Lakhs	90	.286	3	2.312 ^a	.513
2	2 To 5 Lakhs	108	.190			
3	5 To 9 Lakhs	155	.246			
4	Above 10 Lakhs	27	.267			
5	Total	380	.244			

Based on above results, H19, which state that there is significant difference variation movements adversely affect investment as a dimension of investor behavior in term of income, is not supported

Table.No.7.Multiple comparisons of investors Reaction towards trends and movements and annual income

Respondent Annual income(I)	Respondent Annual income(J)	Mean difference	Sig.	Remarks
upto 2 lakhs	2 to 5 lakhs	.052	.001	significant
upto 2 lakhs	5 to 9 lakhs	.024	.451	Insignificant
upto 2 lakhs	above 10 lakhs	.015	.000	Insignificant
2 to 5 lakhs	upto 2 lakhs	-.052	.001	significant
2 to 5 lakhs	5 to 9 lakhs	-.027	.369	Insignificant
2 to 5 lakhs	above 10 lakhs	-.037	.481	Insignificant
5 to 9 lakhs	upto 2 lakhs	-.024	.451	Insignificant
5 to 9 lakhs	2 to 5 lakhs	.027	.369	Insignificant
5 to 9 lakhs	above 10 lakhs	-.010	.851	Insignificant
above 10 lakhs	upto 2 lakhs	-.015	.000	significant
above 10 lakhs	2 to 5 lakhs	.037	.481	Insignificant
above 10 lakhs	5 to 9 lakhs	.010	.851	Insignificant

The results in the table shows that investors in different age group have significant different in the way they are affected by different market trends and movements. Those having less income and those with highest income shows the most significant difference in the way they react to different market trends and movements. Therefore based on these

results it can be concluded that there within different income groups there exist a significant difference among investors in their attitude towards risk. This is true as investors with higher income are less affected whereas those within income are more affected by the market trends and movements. Hence, the null hypothesis is rejected.

Table.No.8.Variations in if yes, how much market movements adversely affect investors investment with income

s.no	Income	Total number	mean	Std.dev	F	Sig.
1	Upto 2 Lakhs	90	2.58	1.151	.320	.811
2	2 To 5 Lakhs	108	2.56	.980		
3	5 To 9 Lakhs	155	2.50	1.028		
4	Above 10 Lakhs	27	2.70	1.031		
5	Total	380	2.55	1.043		

Table shows the analysis of income with if yes, how much movements adversely affect investment as a dimension of investors' behavior and describe the mean values and standard deviations of each group of respondents based on their income. Mean values attitude towards risk with different income groups of upto 2 lakhs, 2-5 lakhs, 5-9 lakhs and above 10 lakhs are 2.58, 2.56, 2.50 and 2.70 respectively. The ANNOVA test conducted shows value of F=.320 and Sig. Value as .811 which is more than $\alpha=.05$. Hence there does not exist a

significant difference among the income groups on the dimension of if yes, how much movements adversely affect investment

Based on above results, H20, which state that there is significant difference variation if yes, how much movements adversely affect investment as a dimension of investor behavior in term of income, is not supported

Table.No.9.Multiple comparison of how much market trends and movements effect with annual income

Respondent Annual income(I)	Respondent Annual income(J)	Mean difference	Sig.	Remarks
upto 2 lakhs	2 to 5 lakhs	.022	.882	Insignificant
upto 2 lakhs	5 to 9 lakhs	.075	.591	Insignificant
upto 2 lakhs	above 10 lakhs	-.126	.583	Insignificant
2 to 5 lakhs	upto 2 lakhs	-.022	.882	Insignificant
2 to 5 lakhs	5 to 9 lakhs	.052	.690	Insignificant
2 to 5 lakhs	above 10 lakhs	-.148	.511	Insignificant

5 to 9 lakhs	upto 2 lakhs	-.075	.591	Insignificant
5 to 9 lakhs	2 to 5 lakhs	-.052	.690	Insignificant
5 to 9 lakhs	above 10 lakhs	-.200	.358	Insignificant
above 10 lakhs	upto 2 lakhs	.126	.583	Insignificant
above 10 lakhs	2 to 5 lakhs	.148	.511	Insignificant
above 10 lakhs	5 to 9 lakhs	.200	.358	Insignificant

The data in the above table clearly shows that almost all the investors are affected in same way by market trends and movements as within different income group there does not exist a significant difference among various income groups in term of how much they are affected by market trends and movements. Hence, it can be concluded that there does not exist a significant difference among investors within different income groups in how much they are affected by market trends and movements.

10. Conclusion and findings

- There does not exist a significant difference among the income groups on the dimension of investment horizon. The results in the above table indicate that almost all the investors within different annual income have same or similar types of holding period or investment horizon and there does not exist a significant difference between investors of various income groups on investor's investment horizon or holding period.
- There exists a significant difference among the income groups on the dimension of attitude towards risk.
- There does not exist a significant difference among the income groups on the dimension of awareness about market trends and movements.

- There does not exist a significant difference among the income groups on the dimension of weather market movements adversely affect investment. The result in the table shows that investors in different age group have significant difference in the way they are affected by different market trends and movements. Those having less income and those with highest income show the most significant difference in the way they react to different market trends and movements. Therefore based on the results it can be concluded that there within different income groups there exist a significant difference among investors in their attitude towards risk. This is true as investors with higher income are less affected whereas those within income are more affected by the market trends and movements.

There does not exist a significant difference among the income groups on the dimension of how much movements adversely affect investment. The data in the above table clearly shows that almost all the investors are affected in same way by market trends and movements as within different income group there does not exist a significant difference among various income groups in term of how much they are affected by market trends and movements. Hence, it can be concluded that there does not exist a significant difference among investors within different income groups in how much they are affected by market trends and movements.

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