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IMPACT OF DEMOGRAPHICS ON INDIVIDUAL INVESTORS BEHAVIOUR IN STOCK MARKET: A STUDY ACROSS BANGALORE CITY

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ABSTRACT

In today's financial world, investment is the trendiest topic. Depending on one's objectives, there are a variety of reasons for an investor to invest in various avenues. Age, income, education, and qualification are only a few aspects of demographic factors that impact investment behaviour. The purpose of this research is to look at the impact of various demographic factors on equities market investing behaviour. Heuristic biases, prospect biases, market biases, and herding biases are all components of investment behaviour. This survey was conducted in Bangalore, with 100 respondents who are equity market participants or potential investors. The importance of the association between investing behaviour components and demographics is tested using Karl Pearson's correlation. The findings and conclusions of the survey try to present a clearer and complete picture of investors' behaviour toward equities and derivatives trading organisations.

KEYWORDS: Behavioural finances, investment behaviour, heuristics biases, herding biases, demographics.

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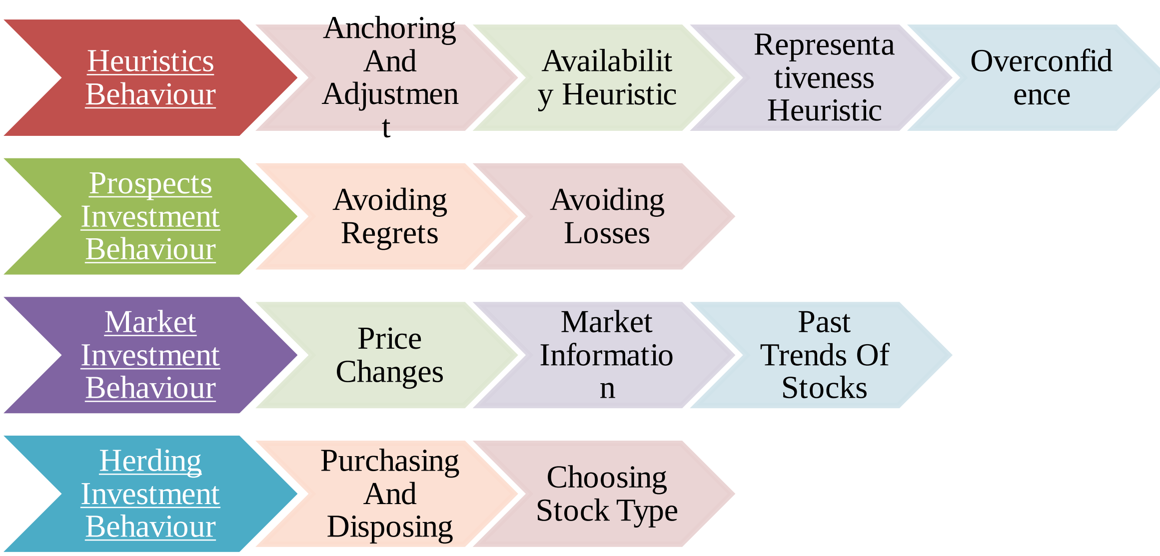
I. INTRODUCTION

Individual investment decisions and market outcomes are influenced by the market's information structure and the characteristics of market participants, according to behavioural finance. According to behavioural finance, the goal of creating a more effective financial system is to combine scientific insights into cognitive reasoning with traditional economic and financial theory. Behavioural finance, on the other hand, examines the many psychological biases that people have. When it comes to making logical investment decisions in the actual world these mental shortcuts or biases might be useful, but they can also lead to irrational conclusions in the natural world.

It is the most recent section of the secondary market activity in India that deals with derivatives. The intricacy of this investment necessitates that investors be aware of this fact. A new economic strategy was implemented in 1991, which has led to a rise in the importance of investors. As a result of the loosening of capital market restrictions, investors are shifting from saving to investing, and more brokers are entering the capital market. Depending on their needs, investors can choose from a variety of brokerage services offered under one roof. As a result, the purpose of this research is to find out how investors see these services and how they make use of them. Investors' opinions of the stock and derivatives markets and their investing decision-making processes will be examined by the researcher. It is the purpose of the study to examine the behaviour of investors when it comes to determining what sort of investment vehicle to use for their money.

Investment behaviour of individual investors' model



II. REVIEW OF LITERATURE

(B. Fong, B. Fong, B. Fong, B. F , 2021) This article presents a novel behavioural finance representative agent model to explain how empirical price implications of false news may persist in finance even when the efficient-market premise is violated. Research by Raut, Mishra and Mishra

(2019) Herding, information cascades, anchoring, representativeness, and overconfidence all affect investors, albeit the influence of contagion is minimal. (A. Mahmood and M. U. Ahmad, 2020) (Anonymous) Risk aversion was shown to be associated with three personality traits: thumb rule, natural tragedy, and double thinking. The outcomes of this study will be useful to market participants, businesses, and product developers alike. Using data from (A. Bhatia, J. 2020) Investor awareness, education, and trust are the primary areas of concentration at the moment. According to the study, roboadvisors need to incorporate investor prejudice into risk analyses and customer profiles. Robo-advisory systems aren't yet self-sufficient enough to conduct accurate risk evaluations for average investors. In the year of our Lord, 2020, According to the findings, the availability bias is strongly influenced by a person's home. Those who live in rural settings are more prone to biases based on the abundance of options. Rural Indians face a worse cost for prejudice since they have a lower per capita income and a smaller buffer to deal with financial losses. There is no doubt that (R. Dumitriu and R. Stefanescu, 2020) In the area of finance, COVID-19's possible limitations of rationality in some decisions, such as fiscal and monetary policies or investments, are new in various ways. (K. Kartini and K. Nahda ,2021) All of these biases, including anchoring, representativeness, loss aversion, overconfidence, optimism bias, and herding behaviour, have a significant influence on investment decisions. Mathew Lampert and Alan M. Hall (2016) Social mood is reflected in stock market indexes across the board, according to socioonomic theory. This case study, based on a real-time sociological inquiry, examines the Russian Trading System Index. For example, the theory's ability to anticipate what kinds of activities transmit social mood flu.

III. RESEARCH DESIGN

3.1 STATEMENT OF THE PROBLEM

Following a comprehensive examination of the literature, it was determined that it was necessary to investigate the demographics and perceived risk attitude of investors in Bangalore who make decisions about whether or not to engage in the securities market. The influence of such characteristics on their investing choices, on the other hand, was discovered to be an area where research was found to be insufficient.

An examination of the existing literature found that there are no studies or researches that have been conducted on the subject of investing behaviour in Bangalore. Bangalore is the fastest developing city in the world, making it necessary to research the behaviour of investors who are likely to attract new investors and to formulate investment rules with this information in mind. When it comes to investing, investment behaviour is a fundamental element of behavioural finance that describes how investors make investment decisions based on heuristics, prospect biases, market biases, and herding biases. Individual investors' decisions are influenced by these biases, which have been identified as the most essential areas of investigation.

3.2 OBJECTIVES OF THE STUDY

- To analyse the impact of demographic factors on the investment behaviour of individual investors in equity and derivatives markets

- To suggest ways to overcome the effects of various paradigms of behavioural influences on investor investments in select equity and derivative market.

3.3 HYPOTHESIS

- **H1**: Demographic factors impact investment behaviour

3.4 RESEARCH METHODOLOGY

Data was collected freshly for the purpose of research using the following methodology. Cluster Random Sampling technique of probability sampling is used to collect the data. Since the number of investors is very large – Bangalore- a cluster is used and respondents are selected on random basis. Interview schedule and Questionnaire were used for collecting the data from the selected respondents. Karl Pearsons Correlation is the best statistical analysis which shows the relationship between variables. Hence, it was used to analyse the data collected.

VARIABLES UNDER STUDY

INDEPENDENT VARIABLES		DEPENDENT VARIABLES
Demographic factors	• Age • Education qualification • Income level • Occupation level	Investment behaviour • Heuristics biases • Prospect biases • Market biases • Herding biases
Perceived risk attitude	• Affective • Cognitive	

IV. ANALYSIS AND INTERPRETATION

Table:1 Demographic factors impact (Heuristics) investment behaviour

Demographic Factors →		Age	Education	Occupation	Annual Income
Investment Behavior ↓ **HEURISTICS**	Representativeness	0.0231	(0.0823)	0.0071	0.2076
	Overconfidence	0.0251	0.0541	0.0151	(0.4871)
	Anchoring And Adjustments	(0.0191)	0.1672	(0.0331)	0.3612
	Availability Bias	0.0181	0.0431	(0.0671)	0.2161

At 5% level of significance

Analysis: The components of heuristic biases investment behaviour are associated with the demographic factors to study the extent of impact of these factors on one another. Age has no significant impact on heuristic investment behaviour since all the r values are very far from 1. Education has a significant relationship with the heuristics biases approach, where representativeness (0.0823) and anchoring 0.1672 are more closely associated with the education patterns. In case of occupation on heuristics components there is no relationship and annual income has highest significant relationship with the heuristic factors as compared to other demographic factors in decision making for individual investors in equity markets.

Table: 2 Demographic factors impact (Prospects) investment behaviour

Demographic Factors		Age	Education	Occupation	Annual Income
Investment Behavior	Avoiding Losses	0.0961	(0.2761)	0.0187	0.1439
PROSPECTS	Avoiding Regrets	0.1761	(0.1871)	0.0033	(0.1612)

At 5% level of significance

Analysis: Demographic factors like age, education qualifications, occupation and income may have a relationship with the investment behaviour of the investors. The above table shows the statistical values of association of the factors with the prospects biases.The education levels of an individual have high significant relationship in case of avoiding losses and avoiding regrets attributes of prospects biases. The other r values also indicate that there is significant relationship between the demographic factors and prospects biases components.

Table:3 Demographic factors impact (Markets) investment behavior

Demographic Factors		Age	Education	Occupation	Annual Income
Investment Behavior	Price Changes	(0.0874)	0.2311	0.3571	0.1097
MARKETS	Market Information	0.3271	0.4538	(0.4191)	0.2371
	Past Trends Of Stocks	0.0972	(0.3912)	0.1061	(0.1091)

At 5% level of significance

Analysis: Price changes, market information and past trends of stocks are some of the components of the market biases that influence an individual investor in investing options in equity markets. Correlation between the demographic factors and market biases investment behaviour components is tested in the above table. The age of the investors has a significant relationship with all the factors of market biases, education levels of the investors on market biases also show a significant relationship. Occupation of the investors also influences the decision of the investors in relation to the market biases, which means there is a significant relationship. Annual income also show significance in association to markets biases components.

Table:4 Demographic factors impact (Herding) investment behaviour

Demographic Factors		Age	Education	Occupation	Annual Income
Investment Behavior **HERDING**	Purchasing And Disposing	0.0751	(0.0541)	0.0151	(0.1875)
	Choosing Stock Type	(0.3571)	0.1097	(0.0874)	0.2311

At 5% level of significance

Analysis: Purchasing and disposing of stocks, choosing the type of stocks are the components of herding biases investment behaviour of individual investors. Demographics such as age, education, occupation and annual income on purchasing and disposing of shares has no significant relationship. In the herding dimension all the demographic factors have significant relationship with the investment behaviour herding biases components.

H1 Alternate Hypothesis: Demographic factors impact investment behaviour- ACCEPTED AT 5% significance level

V. FINDINGS AND SUGGESTIONS

- Many of the investors are between the ages of 27 and 36 who are very interested in the equity stock market.
- Most of the individual investors were highly qualified either through graduation or post-graduation.
- In occupational demographics, most of the individual investors are business men and some are employees of publicly traded corporations.
- There is a wide range of income levels among individual investors, from Rs 100000 to Rs 300000 annually.
- Individual investors' decision-making is heavily influenced by demographic factors, hence it can be concluded that demographics have a considerable impact on investing behaviour or behavioural finance.
- Individual investors' decisions are unaffected by their perceptions of risk, such as affect.
- Thinking or the intellectual process of acquiring knowledge and making judgments is known as cognition. Individual investor behaviour is influenced by a variety of factors, including their level of cognition.
- Investment behaviour is studied in terms of heuristic dimensions, prospects aspects, market dimensions, and herding dimensions, and the association between demographic and perceived risk variables is examined.
- Individual investors' stock market investment decisions are heavily influenced by heuristics and market characteristics.

- Because the correlation values are so close to 1, the study concludes that demographic characteristics and investing behaviour aspects have a substantial link.
- It is important for firms to understand the behaviour of investors in stock markets in light of the findings of this study.
- Additionally, the most typical mistakes made by investors can help shape the investment plans of different businesses.
- The research also permits portfolio management and the identification of profit chances in the equity markets.

VI. CONCLUSIONS:

This study was conducted in Bangalore, India, and involved interviewing 100 respondents who are either investors or potential investors in the stock markets. In order to determine the importance of the association between investing behaviour components and demographics and attitude, the correlation coefficient of Karl Pearson is utilised. The heuristic dimensions, prospective dimensions, market dimensions, and herding aspects of investing behaviour have all been studied, and the relationship between investment behaviour and demographic and perceived risk characteristics has been analysed, among other things. Heuristics dimensions and market dimensions are the most popular among individual investors when making decisions about whether or not to invest in the stock markets. When it comes to acquiring and selling stocks, demographic factors such as age, education, employment, and yearly income have no major impact. In the herding dimension, all of the demographic characteristics exhibit a statistically significant link with the components of investing behaviour that are influenced by herding biases. The findings and conclusions of the study are intended to provide a more accurate picture of the investors' behaviour in relation to publicly traded firms.

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