

# INFLUENCE OF DEMOGRAPHIC PROFILE OF EQUITY INVESTORS ON THEIR LEVEL OF AWARENESS ABOUT EQUITY MARKET

ISSN 2277-5846

**Tarak Paul**  
Assistant Professor,  
Royal School of Business,  
Guwahati, India

**Sitesh Bajaj**  
MBA 3<sup>rd</sup> Semester,  
Royal School of Business,  
Guwahati, India

## Abstract

*The equity market of a country plays a very important role in the growth of its industry and commerce. Government, economists, market analyst and even the central bank of the country keeps a close watch on the activities of the share market. Retail investors' participation in share market is very important for channelizing the savings of masses for growth of the nation. Therefore, the awareness about equity market among the investors is very important as it has a direct impact on the pattern investments of the retail investor. Several studies have shown that the demographic profile of investors influences their investment pattern. The study was carried with the objective of understanding the level of awareness and to see whether any association exists between the level of awareness about equity market and the demographic profile of existing equity investors. The study was conducted in Guwahati and as ample of 200 existing equity investors was taken for the study. Data collected have been analysed and tested using SPSS.*

## *1. Introduction*

Equity market or share market is the major source through which companies raise capital from the public. It is highly organized which offers issue and redemption of securities. Indian share market is one of the oldest in Asia but participation of retail investors in the stock market is still not convincing and participation has fallen considerably in recent years. Majority of Indian retail investors' still find traditional investment avenues like Banks, Post office, insurance, etc. as better avenues of investment. Mascarenhas (2012) reported that in terms of daily average volume of turnover, the retail investors' participation has fallen by 51% in 2012 as compared to 2009 and investors started investing in Properties, Gold, Bank deposits and Debt instruments. Rajeswari & Rama Moorthy(2001)stated that the most preferred investment vehicle is bank deposits among eight choices i.e. Currency, Life insurance, Pension and PF, Shares and Debentures, Units of UTI & MFs, Postal Savings and Chits. It is important to note that equity markets are characterized by short-term turbulences. Investing in shares over a long term can be quite rewarding. Therefore, investors need to be aware of the behavior of market so that they can be prepared for all eventualities (Gupta & Jain, 2011). Awareness can be defined as the state or ability to perceive, to feel, or to be conscious of events, or objects. Awareness is the state where people are aware of something. Awareness of retail investors about equity market means their knowledge about equity market, shares listed in the market and their prices, trading mechanism, rules and regulation of the market, brokerage, overall market condition etc. Retail investors are the investors who buy and sell securities for their personal account. They are also known as small investors or individual investors. They are the polar opposite of institutional investors, which are large firms who invest on behalf of clients. Therefore, the study has been conducted to measure the awareness level about the stock market among investors.

## *2. Literature Survey*

Pathak (2009) stated that to an investor, investment decision, whether the investment is equity, bond or mutual fund is the most difficult decision. However, most of the time investment decision excluding risk- free investment does not result in gain or if there is a gain, it is not commensurate with the risk undertaken. This is due to the wrong investment decision on the part of investors. A typical investor may not possess the knowledge, time or desire to undertake necessary research to avoid wrong decisions. Research has revealed some major reasons why investors, particularly retail investors, often makes wrong decisions- failure to develop a sound strategy, bearing either too much or too little risk, poor investment selection, inadequate diversification, failure to control emotions-

especially greed and fear. Bennet, et al., (2011) stated that investment needs, goal, constraints, objectives etc. are considered by retail investors in making investment decisions but it not always possible for them to make successful investment decision. The attitude of retail investor is influenced by factors like dividend, stories of successful investors, experience, awareness, and online trading. Kannadashan (2006) observed that the various dependent factors that influence the investment decisions are gender, age, education, income level etc. Swarup (2003) found that investors' gives more emphasis on their own analysis than brokers' advice while investing in primary market. Issue price, information availability, liquidity and market price after listing are some of factors that influence the retail investors. The study also pointed out those investors had bad experience in terms of lower market price listing. Sahoo (2012) stated investors generally prefer brokers' advice for purchase and sell of shares and therefore brokers should suggest most profitable share to their clients. Warne (2012) stated that annual income and savings are the important considerations for investing in share market. He also stated that the present generation investors are aware of share market and market movements' influence on their pattern of investment. Farzana , et al. (2012) found that gender, education, occupation and similar other demographic factor has a significant effect on investment preference and consideration of buying shares. They found that individual investors invest in share market as alternative source of income and with their fixed income; the investors' tend to take risk by investing huge amount of money.

### ***3. Objectives Of The Study***

The study was conducted with the objective to know whether there exist any association between the level of awareness about equity market and demographic profile of equity investors like age, gender, occupation, income etc.

### ***4. Hypothesis Of The Study***

Based on the objectives, the following hypothesis were formulated-

- a) There is no significant association between the level of awareness and age of the equity investors.
- b) There is no significant association between the level of awareness and gender of the equity investors.

- c) There is no significant association between the level of awareness and occupation of the equity investors.
- d) There is no significant association between the level of awareness and income of the equity investors.

## 5. Methodology

The study used both primary and secondary data. Primary data was collected through a structured questionnaire and secondary data was collected from various websites, books, and journals. Items of the questionnaire were constructed on a 5 point scale to elicit the awareness of the target respondents. The study was conducted in Guwahati City. The questionnaires were served to 200 existing equity investors through personal visit to the respondents. The collected data was analysed by using SPSS. Chi square test is used to test the hypothesis at 5% significant level. The chi square statistic is used to test the statistical significance of the observed association in a cross tabulation. It assists us in determining whether systematic associations exist between the two variables (Malhotra & Dash, 2011).

## 6. Analysis and interpretation

### 6.1. Descriptive Statistics

As per the objectives and hypothesis stated earlier, the data was collected and analyzed with the help of SPSS. The results of SPSS are shown below:

Age group	Frequency	Percentage	Valid Percent	Cumulative Percent
Below 30 years	58	29.0	29.0	29.0
30-40 years	90	45.0	45.0	74.0
40-50 years	24	12.0	12.0	86.0
Above 50 years	28	14.0	14.0	100.0
Total	200	100.0	100.0	

*Table 1: Age profile of Investors*

*Source: compiled from primary data*

The above table shows that out of total 200 existing investors, 29% investors are below 30 year of age, 45% investors are of the age group between 30-40 years, 12% investors are of the age group between 40-50 years and 14% investors are of the age group of above 50 years.

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Male	152	76.0	76.0	76.0
Female	48	24.0	24.0	100.0
Total	200	100.0	100.0	

Table 2: Gender profile of Investors

Source: Compiled from primary data.

The above table shows that out of total 200 existing investors, percentage of male investors is 76% whereas that of female investors is 24%.

Occupation	Frequency	Percent	Valid Percent	Cumulative Percent
Businessmen	64	32.0	32.0	32.0
Service	88	44.0	44.0	76.0
Self employed	32	16.0	16.0	92.0
Housewife	16	8.0	8.0	100.0
Total	200	100.0	100.0	

Table 3: Occupation profile of Investors

Source: Compiled from primary data.

The above shows that out of total 200 existing investors, 32% investors are businessmen, 44% investors are in service, 16% investors are self-employed and the rest 8% investors are housewife.

Monthly income (in Rs)	Frequency	Percent	Valid Percent	Cumulative Percent
Below 10,000	6	3.0	3.0	3.0
10,000-20,000	30	15.0	15.0	18.0
20,000-35,000	86	43.0	43.0	61.0
Above 35,000	78	39.0	39.0	100.0
Total	200	100.0	100.0	

Table 4: Income profile of Investors

Source: compiled from primary data

The above table shows that out of total 200 existing investors, 3% investors' monthly income is below Rs10,000, 15% investors monthly income is between Rs.10,000-20,000, 40% investors monthly income is between Rs. 20,000-35,000 and 39% investors income is more than Rs.35,000.

### 6.2. *Items Used To Measure Awareness Level*

The following items (EXIBIT) were used to measure the awareness level of investors which items on products features, charges of different broking houses, knowledge level of investors about the stock market and about the promotional activities organized by the leading financial institutions.

#### *EXIBIT*

	Knowledge about various equity shares
	Updated with existing as well as upcoming products
	Knowledge regarding return of various securities.
	Knowledge about ups and downs of prices of shares and indices
	Understanding of entry level and exit level of share market
	Knowledge about the companies where money has been invested.
	Knowledge about brokerage charges charged by broking houses
	Knowledge about investors camp conducted by broking houses
	Knowledge about online trading
0	Awareness of the various broking houses existing in the city
1	Facilities provided by broking houses that enable investors to trade from convenient place
2	Knowledge of regulatory norms applicable for investment through stock market
3	Understanding the content of the application form
4	Promotional activities conducted by broking houses/companies
5	Knowledge about functioning of various exchanges of the country

Set of Variables	N	Minimum	Maximum	Mean	Std. Deviation
VAR00001	200	1	5	3.25	1.074
VAR00002	200	1	5	3.01	1.121
VAR00003	200	1	5	2.97	1.120
VAR00004	200	1	5	3.69	1.068
VAR00005	200	1	5	2.82	1.181
VAR00006	200	1	5	2.69	1.184
VAR00007	200	1	5	3.34	1.145
VAR00008	200	1	5	3.31	1.039
VAR00009	200	1	5	3.37	1.192
VAR00010	200	1	5	2.95	1.102
VAR00011	200	1	5	3.02	1.032
VAR00012	200	1	5	3.09	1.081
VAR00013	200	1	5	3.90	.924
VAR00014	200	1	5	2.94	1.078
VAR00015	200	1	5	2.45	1.223

Table 5: Descriptive Statistics of awareness items

Source: Compiled from primary data.



Figure 1: Average awareness level of investors

Source: Table 5

The above table (Table-5) shows that the average awareness level score of existing retail investors range between 2.45 to 3.90 measured in a scale of 1-5. The average awareness level of investors is

highest in respect of understanding content of the application form (item no-13) and lowest in respect of knowledge about functioning of various exchanges of the country (item no-15)

Level of awareness	Frequency	Percent	Valid Percent	Cumulative Percent
High	32	16.0	16.0	16.0
Moderate	152	76.0	76.0	92.0
Low	16	8.0	8.0	100.0
Total	200	100.0	100.0	

*Table 6 : Overall awareness level of investors*

*Source: compiled from primary data*

For the purpose of analysis, the mean score above 3.5 has been considered as highly aware, the mean score between 2- 3.5 has been considered as moderately aware and the mean score below 2 has been considered as low awareness level in a scale of 1-5. The above table shows that 16% investors have high level of awareness about equity market, 76% investors have moderate level of awareness and 8% investors have low level of awareness about equity market. Thus, majority of the existing equity investors possess a moderate level of awareness about equity market.

### **6.3. Chi Square Test**

Chi square test has performed to test whether any association exists between level of awareness and demographic profile like age, gender, income and occupation of the existing equity investors. The results of the test are shown in the following tables.

AGE (In Years)	LEVEL OF AWARENESS			Total
	HIGH	MODERATE	LOW	
Below-30	6	45	7	58
30-40	13	60	12	85
40-50	7	11	9	27
Above-50	6	14	10	30
Total	32	130	38	200

*Table 7: Cross Table showing age and level of Awareness*

*Source: Compiled from primary data*



	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.697	6	.098
Likelihood Ratio	13.018	6	.043
Linear-by-Linear Association	1.345	1	.246
No. of Valid Cases	200		

Table 8: Chi-Square Test result

The above table (Table 7) shows the level of awareness among different age group of people. The null hypothesis i.e. there is no significant association between the level of awareness and age of the equity investors is accepted as the significant value i.e. p-value of .098 (Table-8) is more than the 0.05 at 95% confidence limit. Thus, it can be said that there is no significant association between age of the investor sand their level of awareness level of awareness about equity market.

GENDER	LEVEL OF AWARENESS			Total
	HIGH	MODERATE	LOW	
Male	27	114	10	151
Female	5	38	6	49
Total	32	152	16	200

Table 9: Cross Table showing gender and level of awareness of investors

Source: Compiled from primary data

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.002	2	.135
Likelihood Ratio	4.199	2	.123
Linear-by-Linear Association	3.982	1	.046
No of Valid Cases	200		

Table 10: Chi-Square Test result

The above table (Table 9) shows the level of awareness between male and female. The null hypothesis i.e. there is no significant association between the level of awareness level and gender of the equity investors is accepted as the significant value i.e. p-value of .135 (Table-10) is more than

the 0.05 at 95% confidence limit. Thus, it can be said that there is no significant association between gender of the investors and their level of awareness about equity market.

OCCUPATION	LEVEL OF AWARENESS			Total
	HIGH	MODERATE	LOW	
Businessmen	6	50	8	64
Service	20	60	8	88
Self employed	6	20	6	32
Housewife	5	5	6	16
Total	37	135	28	200

Table -11: Cross Table showing occupation and level of awareness of investors

Source: Compiled from primary data

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.088	6	.009
Likelihood Ratio	20.133	6	.003
Linear-by-Linear Association	.426	1	.514
No. of Valid Cases	200		

Table -12: Chi-Square Test result

The above table (Table 11) shows the level of awareness among different occupation. The null hypothesis i.e. there is no significant association between the level of awareness level and occupation of the equity investors is rejected as the significant value i.e. p-value of .009 (Table-12) is less than the 0.05 at 95% confidence limit. Thus, it can be said that there is a significant association between occupation of the investors and their level of awareness about equity market.

INCOME (In '000')	LEVEL OF AWARENESS			Total
	HIGH	HIGH	HIGH	
BELOW-10	5	5	6	16
10-20	6	12	12	30
20-35	8	70	8	86
ABOVE-35	18	36	14	68
Total	37	123	40	200

Table 13: Cross Table showing income and level of awareness of investors

Source: Compiled from primary data

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.647	6	.049
Likelihood Ratio	11.627	6	.071
Linear-by-Linear Association	4.196	1	.041
No. of Valid Cases	200		

*Table 14: Chi-Square Test result*

The above table (Table 13) shows the level of awareness among different income group. The null hypothesis i.e. there is no significant association between the level of awareness level and income of equity investors is rejected as the significant value i.e. p-value of .049 (Table-10) is less than the 0.05 at 95% confidence limit. Thus, it can be said that there is significant association between income of the investors and their level of awareness about equity market.

## **7. Conclusion**

The study showed the most of the existing equity investors' possesses a moderate level of awareness about equity market. It is observed that gender and age of the existing equity investors and level of awareness about equity market are no significantly associated. However, there is a significant association between occupation and income and level of awareness level of awareness about equity market. Thus, investment in share market by the retail investors is influenced by their occupation and income. For increasing participation of retail investors in the equity market the awareness among the need to be created. Awareness programs should be organized to promote equity market as an investment opportunity and to make people aware of its long term benefits. In this respect broking houses need to play a major role and guide the investors in picking up the right shares at the right time.

## References

1. Bannet, E., Salvem, M., Ebenezer, E., Karpagam, V., & Vanita, S. (2011). Investors' Attitude on Stock Selection Decision. *International Journal of Business and Management Studies*, 1 (2), 7-15.
2. Farzana, W., Rahman, M. I., & Mazumder, M. N. (2012). Behavioural Financing: Demographic Factor and Services of Broking Houses in Bangladesh. *World Journal of Social Science*, 2 (4), 15-33.
3. Gupta, L. C., & Jain, N. (2011). *How to Invest in Shares & Mutual Funds- A Basic Book for Investors* (1st ed.). New Delhi: Kaveri Books.
4. Kannadashan, M. (2006). The Management Accountant. *Risk Appetite and Attitude of Retail Investor with Special reference to capital Market*, 41 (6), 448-453.
5. Malhotra, N. K., & Dash, S. (2011). *Marketing Research*, (6th, Ed.) New Delhi: Kindersley Dorling Private Ltd.
6. Mascarenhas, R. (2012, 7 24). *Retail Investors' Participation in Equity fall to 7 - year low*. Retrieved 10 6, 2012, from [http://articles.economictimes.indiatimes.com/2012-07-24/news/32827936\\_1\\_retail-investors-equity-schemes-equity-market](http://articles.economictimes.indiatimes.com/2012-07-24/news/32827936_1_retail-investors-equity-schemes-equity-market)
7. Pathak, B. V. (2009). *Indian Financial System* (3rd ed.). Delhi: Dorling Kindersley (India) Pvt Ltd.
8. Rajeswari, T. R., & Rama Moorthy, V. R. (2001). *An Emperical Study on Factors Influencing the Mutual Fund/Scheme Selection by Retail Investors*. Retrieved 12 28, 2010, from <http://www.utiiicm.com/Cmc/PDFs/2011/rajeswari.pdf>
9. Sahoo, J. S. (2012). Customers' Perception Towards Secondary Market Trading in India. *International Journal of Business and Management for Tomorrow*, 2 (3), 1-10.
10. Siddaiah, T. (2011). *Financial Services*. Delhi: Kindersley Dorling India (Private) Limited.
11. Swarup, S. K. (2003). *Measures For Improving Common Investor Confidence In Indian*. Retrieved 3 12, 2011, from <http://www.nseindia.com/content/research/Paper64.pdf>
12. Warne, D. P. (2012). Investment Behaviour of Individual Investors in Stock Market. *International Joirnal of Research in Finance and Marketing*, 2 (2), 243-250.