Real Estate Investment: A Demographic Analysis
A Case Study of Udham Singh Nagar (Uttrakhand)

Priyanka Grover, L.K. Singh,   V. P Gangwar
1.Assistant Professor,Surajmal Agarwal Private Kanya Mahavidhlaya,Uttrakhand,India
***2.** Associate Professor,Departmenr of Management Studies,Uttrakhand,India*
***3.** Associatet Professor,Amarpali Institute,Uttrakhand,India*

Abstract

Investor's behaviour is influenced by many factors during investment decision making. Demographic variables are one of the important factors which influence financial decision making of investors. This paper focuses on the relationship between the three demographic variables i.e., age, Qualification and occupation with the five important investment decision factors i.e price of the property, property market information, features of the property, location of the property and future prospects for real estate investment. The study covers individual investors using convenient sampling method to obtain information from 200 respondents through a structured questionnaire. The data has been analyzed with the help of MS Excel, SPSS & appropriate hypothesis testing tools like Chi -Square. The study reveals that the demographic factors have a significant influence over some of the investment decision Factors and insignificant in others factors too.

Key Words-*Individual Investor, Behaviour, Demographic Factors, Real Estate, Investment decision.*

Introduction

Investment has different meaning in the context of finance and economics. Investment involves the utilization of funds at present with the expectation of better return in future There are large numbers of investment options available to the investors to invest their funds [1]. Investment in real estate is very common for the investors. They invest in the property market for different reasons. But the choice of investment avenues differs from investor to investor based on the level of income and expectations [2]. Some of the investors invest in the property for commercial purpose, some for resale, and some for investment purpose and many other reasons. But when they invest in the property market, they do not know that certain factors affect their investment decision. There are many instances where emotions & psychology effects investor's decision, causing the investor to behave in unpredictable ways. Investors have certain emotion, which acts as hurdles in their investment decisions. The factors such as gender age, income, education & marital status affect an individual's investment decision. Different researches have been conducted to determine the behavioural factors that influence the decision- making process of the investors.

There are different factors that affect the investment decision of the investors. Among others factors, investor behaviour is also affected by demographic factors. So, it is necessary to study the relationship between various demographic factors & the investment decision taken by the investors. Different research papers are conducted to identify the effect of demographic factors on investment decision and shown results from country to country and area to area.

 A large number of studies have been conducted to find out the preference of investment avenues among the investors and the factors that influences the investment behaviors [3]found that age, gender, income and education affects investors' preferences and attitudes towards investment decision based on their investment objectives. [4] found that there is a relationship between pattern of investment and personal characteristics of an individual investor. The ivestment decision is also affected by the demographic variables. [5] explained that the way of

investment decision vary with the gender differences. They found that the risk taking ability is also affected by the gender differences.

Literature Review

Behavioural finance is a relatively new paradigm of finance, which seeks to supplement the standard theories of finance by introducing behavioural aspects to the decision making process. Different studies are conducted to examine the effect of demographic factors on investor's level of risk tolerance during investment decision making. Brief literature about the effect of demographic factors on investor's behaviour is given below.

[6] tried to classify the investors on the basis of their relative risk taking capacity and their investment types. Indian investor are classified into different personality types and explores the relationship between various demographic factors and the investment personality exhibited by the investors. They found that demographic factors such as age, income, education and marital status affect an individual's investment decision.

[7] found that rational investors traded only if the expected gains exceeded transactions costs. They compared the risk taking behaviour by the way of gender and concluded that men were more overconfident than women, men traded more and perform worse than women.

[8] found in their study that the levels of risk tolerance of the investors depend on their educational level and personal finance knowledge.

[9] found that demographic factors affect the risk taking behaviour of investors and revealed that males are more risk-takers than women, singles are more risk-takers compared to married people, young people have a tendency to take more risks compared to older, more educated people tend to take more risks compared to those with less education and the people with more financial information take more risks compared to those with less financial information.

[10]) analyzed that male investors are more risk aversion than female investors in different activities like financial decision making.

[11] found that Male's investors are more confident in their investment decisions, they have more financial knowledge and wealth and have ability to take more risk.

[12] explain the behavior of gender regarding investment by using selective model. They concluded that women are more comprehensive in information processing than men. Males are found to be efficient in information processing when faced with low complexity task while women were more efficient when dealing with high complexity task.

[13] found in their study that age affect the investment decision of the investors. They found that older people tolerate more risk as compare to the young investors.

[14]behaviour of investment decision is affected by the age of the investors. They analyzed that Young investor can not accurately assess about his work performance as compare to older one. Old people gain investment knowledge and experience, and make better investment Choices.

[15] found that risk tolerance level vary with the age. They analyzed that as age is increases, the risk tolerance level of investors are decreases.

According to [16] showed the relationship between level of education and risk taking capacity of investors. His study found that the Level of education obtained and risk tolerance have a positive relationship.

In the reverse [17]found that there is no significant relationship is exist between education and risk tolerance .Investment decision of investor is also affected by the level of income. Researcher explored that level of risk tolerance increase with the increasing level of income. [18] analysed that a person with greater wealth takes greater risk

.According to [19] person who have high level of income take higher risk as than individual with lower level of income.
[20] analyzed that investors invest their funds in more volatile portfolio composed of more volatile stocks when they have higher level of Income. Occupational is also one of that affect the level of risk taking ability. According to

[21] the people who run their own business, trade, or profession leads to higher levels of risk taking as compare to the people who do work for others on salary baisis. Occupation stauts also affect the investment behaviour of the investors.
[22]found in his study that the people who generate their income from higher ranking occupational status are more risk seeker as compare to low ranking occupational status.

Decision of investment is differ from person to person depend upon various factors. Apart from other factors, Demographic factors, play a important role for individual Investors. Form the above studies it was found that demographic factors affect the investment decision of investors. The present study is to find whether the demographic factors, affect the investment decision of investors in U.S Nagar district of Uttrakhand,India.

Objectives
- To study the impact of demographic factors on investors' investment decisions.
- To study whether demographic factors the affect investment decision of the investors.
- To study the relationship between various demographic factors and the behaviour of investment decision.

Hypothesis
Ho-There is no significant relationship between Age and different investment factors.
Ho-There is no significant relationship between Qualification and different investment factors.
Ho-There is no significant relationship between Occupation and different investment factors.

Research Methodology
The main objective of the study is to explore the impact of demographic factors on the investment decisions of the investors in the Real estate within the state of Uttrakhand. The present study is descriptive research, based on survey method. The data collected for the study include both primary and secondary data. Primary data has been collected from various respondents through a structured questionnaire who were interested in investment by selecting a convenient random sample of 200 respondents. Secondary data has been gathered from the journals of behaviour finance, books and related research papers. Chi-Square is used to test whether there was a significant relationship between the demographic factors and the investment decision behaviour of the investors. Various statistical software's were used for the purpose of analysis. **5** factors have been taken for the study that may influence the investment decision of the investors while taking decision.-**Price of the Property, Property market information, features of the property, Location of the property and Future Prospects.**

Analysis and Interpretation

Table 1. Demographic profile of the Respondents

Demographic variables	Characteristics	No. of Respondents	Percentage
AGE	Up to 25 Years	23	11.5
	25-40 Years	85	42.5
	40-55 Years	69	34.5
	Above 55 years	23	11.5
	Total	**200**	**100**

QUALIFICATION	Up to intermediates	48	24
	Graduation	56	28
	Post Graduation	58	29
	Professional Qualification	38	19
	Total	**200**	**100**
OCCUPATION	Business	99	49.5
	Profession	31	15.5
	Service	70	35
	Total	**200**	**100**

The impact of various demographic factors on investors investment decision have been studied and analyzed separately-

1-Extent on relationship between Age of the investors and investment decision factors-

Table 2. Hypothesis Test summary

Age and different investment factors	Pearson Chi-Square	P value
Price of the property	**18.145**	**.111**
Property Market information	**37.046**	**.000**
Features of the property	**12.044**	**.442**
Location of the Property	**24.682**	**.016**
Future Prospects	**24.385**	**.018**

From Table 2, it is found that out of the five factors of investment considered for the study three factors i.e. property market information, Location of the Property and future prospect association with Age, which means for different age group, the choice of investment vary with the property market information, Location of the Property and future prospect. It is evaluated by the computed values of chi –square 37.046, 24.682 and24.385 .Where tabulated value using 5% level of significance and 12 degree of freedom is 21.026. As Calculated values are greater than tabulated value, so we reject our H_0 (null hypothesis) and concluded that there is a relationship between Age of the investors, property market information, location of the property and future prospect. The Chi square value of rest factors are 18.145, and 12.044 which are less than the tabulated value at 12 degree of freedom. So we accept our H_0 (null hypothesis) and concluded that there is no relationship between Age of the investors and price of the property, features of the property and future prospect.

2-Extent on relationship between Qualification of the investors and investment decision factors-

Table 3. Hypothesis Test Summary

Qualification and different investment factors	Pearson Chi-Square	P value
Price of the property	25.181	.014
Property Market information	11.110	.520
Features of the property	13.351	.344
Location of the Property	16.109	.047
Future Prospects	9.455	.664

From table 3, it reveals that out of the five factors of investment considered for the study only two factors i.e. price of the property and location of the property association with the qualification, which means for different level of qualification, the choice of investment vary with the price of the property and Location of the Property. It is evaluated by the computed values of chi –square 25.181 and 16.109 and concluded that there is a relationship between Qualification of the investors, price of the property market and location of the property. The Chi square values of rest factors are 11.110, 13.351 and 9.455 which are less than the tabulated value. So we accept our HO (Null hypothesis) and concluded that there is no relationship between qualification of the investors and price of the property, and location of the property.

3-Extent on relationship between Occupation of the investors and investment decision factors-

.   **Table 4.Hypothesis Test Summary**

Occupation and different investment factors	Pearson Chi-Square	P value
Price of the property	21.982	.005
Property Market information	12.024	.150
Features of the property	10.791	.214
Location of the Property	17.988	.021
Future Prospects	12.094	.147

From the table 4, it reveals that out of the five factors of investment considered for the study only two factors i.e. price of the property and location of the property association with the occupation, which means for different occupation, the choice of investment vary with the price of the property and Location of the Property. It is evaluated by the computed values of chi –square 21.982 and 17.988 and concluded that there is a relationship between occupation of the investors, price of the property and location of the property. The Chi square values of rest factors are 12.024, 10.791 and 12.094 which are less than the tabulated value. So we accept our HO (null hypothesis) and concluded that there is no relationship between occupation of the investors and price of the property, and location of the property.

Conclusion

The study reveals that the demographic factors have a significant influence over some of the investment decision Factors and insignificant in others factors too. Result shows that there is a highly significant effect of the property market information on the age, while locations of the property and future prospect have a significant effect. The other behaviour factors i.e. qualification and occupation have significant effect on the price of the property and location of the property. The result shows insignificant effect of the features of the property on the various demographical variables. Thus   it can be concluded that investment decision factors such as price of the property, property market information, location and future prospect plays a very important role in investment decision. This study on investment decision factors can help the individual investors to take better decision . When investors become aware of their own psychological factors & demographic variables they can adapt it to market conditions & can make investment decisions.
.

Refrences

[1   **Geetha, N., & Ramesh, D. M. (2011, November**). A Study on People's Preferences in Investment Behaviour.*International Journal of Engineering and Management Research* (IJEMR), 1(6).

[2] **Jain, D., & Mandot, N. (2012).** Impact of Demographic Factors on Investment Decision of Investors in Rajasthan. *Journal of Arts, Science & Commerce*, *3*(2, 3), 81 -92.

[3] **Chambers, M., & Schlagenhauf, D. E. (2002, November).** Household Portfolio Allocations, Life Cycle Effects and Anticipated Inflation. Retrieved May 11, 2014.

[4] **Jamshidinavid, B., Chavoshani, M., & Amiri, S. (2012, August)**. The Impact of Demographic and Psychological Characteristics on the Investment Prejudices in Tehran Stock. *European Journal of Business and Social Sciences*, 1(5), 41 – 53.

[5] **Bajtelsmit, V. L., & Bernasek, A. (1996)**. Why Do Women Invest Differently Than Men? Financial Counciling and Planning, 1-10.

[6]   Mittal, M. and Vyas R., 2008. "Personality type and investment Choice: An empirical study", *The ICFAI University Journal of Behavioral Finance,* Vol.5(3), pp.7-22

[7]   **Barber, B. M., & Odean, T. (1999).** Boys will be Boys: Gender, Overconfidence, and Common Stock Investment. *International Institute of Forecasters*. vol. 19 Issue 3 (July-September 2003)

[8] **Grable, J. E. and Lytton, R. H. (1999).** 'Assessing Financial Risk Tolerance: Do Demographic, Socioeconomic, And Attitudinal Factors Work?'Family Relations and Human Development /Family Economics and Resource Management Biennial 1-9.

[9]   **Racciardi V.(2007)**. A Literature Review of Risk Perception Studies in Behavioral Finance: *The Emerging Issues, Society for the Advancement of Behavioral Economics (SABE) Conference* , New York University, pp.11-14

[10] **Graham, J. F., Stendardi Jr., E. J., Myers, J. K., & Graham, M. J. (2002).** Gender differences in investment strategies: An information processing perspective.*International Journal of Bank Marketing,* 20(1), 17-26.

[11] **Barber, B. M., and Odean, T. (2001).** Boys Will be Boys: Gender, Overconfidence, and Common Stock Investment, *Quarterly Journal of Economics,* 116 (1), 261-292.

[12] **Graham, J. F., Stendardi Jr., E. J., Myers, J. K., & Graham, M. J. (2002).** Gender differences in investment strategies: An information processing perspective. *International Journal of Bank Marketing,* 20(1), 17-26.

[13] **Grable, J. E. and Lytton, R. H. (1999b)**. 'Assessing Financial Risk Tolerance: Do Demographic, Socioeconomic, And Attitudinal Factors Work?'Family Relations and Human Development /Family Economics and Resource Management Biennial 1-9.

[14] **Kumar, A., Page, J. K., and Spalt, O. G. (2011).** Religious Beliefs, Gambling Attitudes, and Financial Market Outcomes. EFA 2009 Bergen Meetings Paper; *Journal of Financial Economics (JFE),* Forthcoming. Available at SSRN:http://ssrn.com/abstract=1335855

[15] **Jianakoplos, N. and Bernasek, A. (1998).** Are women more risk averse? *Economic inquiry*, vol. 36, 620-630 .

[16] **Graham J. R., Harvey C. R., and Huang H., (2009)**,"Investor competence, trading Frequency, and home bias," Management Science, Vol. 55, No.7, pp.1094-1106.

[17]   Strydom, B., Christison, A. and Gokul, A. (2009).'Financial Risk Tolerance: A South African Perspective', School of Economics & Finance,University of KwaZulu- Natal.Working Paper No. 01 Gumede, V. (2009). 'Demographic Determinants of Financial Risk Tolerance: A South AfricanPerspective', Unpublished B.Com. Hon. Thesis.Pietermaritzburg: University of KwaZulu-Natal.

[18]   **Evans, Jeffrey. 2004**.Wealthy Investor Attitudes,Expectations, and Behaviors toward Risk and Returns", *Journal of Wealth Management*,Summer: 12 -18.

[19]   MacCrimmon, K. R. & Wehrung, D. A. (1986) Taking risks. New York: The Free Press.

[20]   Barber, B. M., and Odean, T. (2001). Boys Will be Boys: Gender, Overconfidence, and Common Stock Investment, *Quarterly Journal of Economics*, 116 (1), 261-292.

[21]   MacCrimmon, K. & Wehrung, D. (1985). A portfolio of risk measures. Theory and Decision, 19 (1), 1-29

[22]   Roszkowski, M. J., Snelbecker, G. E, & Leimberg,S. R. (1993). Risk-tolerance and risk aversion. National Underwriter.4th Ed. ,pp-213-225.