IMPACT OF DEMOGRAPHIC FACTORS ON INVESTMENT DECISION OF INVESTORS IN RAJASTHAN

Dr. Dhiraj Jain,

Asstt. Professor ,
Pacific Institute of Management ,
Udaipur -India

Mr. Nikhil Mandot,

Student , MBA (II) ,
Major (Finance). Pacific Institute of Management , Udaipur-India

ABSTRACT

The markets have been moving from statism to more of dynamism and are continuously changing the exposure to risk. As the level of risk has been increasing, more and more money is at stake among different demographic profiles. This paper explores relationship between level of risk and demographic factors of investors' confined to Rajasthan state. Depending upon risk appetite, there is an increase in number of investment avenues available for investors like bank deposits, government / private bonds, shares and stocks, exchange traded funds (ETF), mutual funds, insurance, derivatives, gold, silver, currencies, real estate, etc. Most of the investors' primary objective of investment is to earn regular income and expected rate of return differs from individual to individual based on their level of market knowledge and risk taking ability. This paper further reveals that there is a negative correlation between Marital Status, Gender, Age, Educational Qualification and Occupation of the investors' also there is a positive correlation between Cities, Income Level and Knowledge of the investors'. This has been identified on the basis of cross analysis by applying Correlation analysis.

Keywords: Investment, risk, critical, correlation, investors, occupation.

INTRODUCTION:

Economist and policymakers have observed that demographic factors both intrinsic as well as extrinsic like age, gender, marital status, qualifications, occupation, annual income , geographic location etc have an impact on the level of risk that investors take further based on their behavioral and decision making aspect.
Assessing one's risk tolerance, however, can be tricky. One must consider not only how much risk he can afford to take but also how much risk he can stand to take. An investor's ability to handle risks may be related to individual characteristics such as age, time horizon, liquidity needs, portfolio size, income, investment knowledge etc.
This study critically examines the impact of a single vital and social statistics of human population i.e., risk preferences on the investment decision of investors in Rajasthan .
A brief review of the literature was done in order to develop the idea and the necessary concept of the study.

REVIEW OF LITERATURE:

Richard B. Freeman (1979) in his analysis showed that from the late 1960s through the mid 1970s when the number of young workers increased .rapidly, the earnings of young male workers fell relative to the earnings of older male workers, altering male age-earnings profiles, particularly for college graduates. His study suggested that the increased number of young male workers was the major causal force underlying the increased earnings of older men relative to the earnings of younger men.
Bajtelsmit, V. L. & Bernasek, A. (1996) in their research study explained for gender differences in investment and risk-taking in an effort to help guide data collection and identification of relevant variables for empirical research.
Hinz, R. P., McCarthy, D. D., & Turner, J. A. (1997) studied that financial wealth had a significant and positive impact on the average level of risk chosen in a portfolio. As it was an additional measure of financial sophistication, they again confirmed the conclusion that more sophisticated investors entertain a higher average level of portfolio risk. They showed that dummy variable for having no financial wealth had no significant effect, statistically, on risk-taking.
Wang, H. And S. Hanna, (1997) concluded that relative risk aversion decreased as people aged (i.e., the proportion of net wealth invested in risky assets increases as people age) when other variables are held constant. They concluded that risk tolerance increased with age and therefore rejected the constant life-cycle risk aversion hypothesis.
Barber, B. M., & Odean, T. (1999) in their research article, identified that rational investors traded only if the expected gains exceeded transactions costs. Overconfident investors overestimate the precision of their information and thereby the expected gains of trading. They even traded when the true expected net gains were negative. Models of investor overconfidence predicted that, since men were more overconfident than women, men traded more and perform worse than women.
Grable, J. E., & Lytton, R. H. (1999) concluded that the classes of risk tolerance (i.e., above and below-average) differed most widely on a respondent's educational level and personal finance knowledge. These two variables contributed significantly to explaining differences between levels of risk tolerance.
Ronay., Richard & Kim Do-Yeong. (2006) suggested that measuring individual variations in risk-taking propensity within laboratory contexts alone could be misleading. At least in the case of males, it appeared that individuals' attitudes towards risky decisions could significantly deviate from their explicitly expressed attitudes when placed in a group context. This finding not only had a bearing on the issue of physical accidents resulting from risk-taking, but could also be taken as an argument for the benefits of gender balance within decision making bodies. Increasing gender diversity within predominantly male business and government decision making bodies could help disrupt drifts towards bad decisions arising out of high levels of group cohesion (Janis, 1982).
Herrmann, Andrew. F. (2007) provided the estimation results and discussed that supported the initial hypotheses regarding the roles of race/gender in investment preferences. Using multiple specifications and leveraging multiple risk/return measures, the evidence pointed to significant effects with respect to both race and gender.
Croson, R., & Gneezy, U. (2009) discussed a number of studies that demonstrated how strongly (and in what direction) social preferences manifest themselves in men and in women. They included evidence on altruism and inequality aversion from ultimatum and dictator game studies. They also included evidence on reciprocity from studies using trust and related games. Finally, they briefly mentioned a large number of older studies using the Prisoners' Dilemma game and discussed in more detail various studies using social dilemmas and/or public goods provision games.

OBJECTIVES OF THE STUDY:

From the above study the following objectives were framed for the study in the State of Rajasthan-

- To study the impact of demographic factors on investors' investment decisions in Rajasthan
- To study the relationship between demographic factors and the level of risk taking ability of investors in Rajasthan.

HYPOTHESES OF THE STUDY:

H_0: Demographic factors have an impact on investors' investment decisions.
H_1: Demographic factors do not have any impact on investors' investment decisions.

RESEARCH METHODOLOGY:

The following methodology was adopted for the study-

- The study aimed at exploring the impact of demographic factors on the investors' investment decisions in the financial markets within the state of Rajasthan.
- Risk as a dependent variable was considered while making investment in the financial markets, on the basis of which sub hypotheses were developed and cross analysis was carried out.
- The questionnaire approach was used for collecting primary data from 200 investors from different cities in Rajasthan state only between the period from April 2011 to Jan 2012.
- Chi-Square and Correlation analysis were used to test whether there was a significant relationship between the demographic factors and the level of risk taking ability of the investors.
- Various statistical softwares were used for the purpose of analysis.

THE STUDY:

TABLE 1: DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

Characteristics		No. of Respondents	Percentage
Total No. of Respondents		**200**	**100**
Gender	Male	161	80.5
	Female	39	19.5
	Total	**200**	**100**
Marital Status	Single	152	76
	Married	44	22
	Divorced	3	1.5
	Widow	1	0.5
	Total	**200**	**100**
Age Group	Below 25 Years	142	71
	25-35 Years	34	17
	35-45 Years	11	5.5
	45-55 Years	7	3.5
	55 Years and Above	6	3
	Total	**200**	**100**
City	Udaipur	29	14.5
	Jaipur	35	17.5
	Ajmer	17	8.5
	Bikaner	18	9
	Jodhpur	28	14
	Banswara	26	13
	Kota	14	7
	Others	33	16.5
	Total	**200**	**100**
Average Income (Per Annum)	Below Rs 1,50,000	124	62
	Rs 1,50,000 - Rs 3,00,000	41	20.5
	Rs 3,00,000 - Rs 4,50,00	17	8.5
	Rs 4,50,000 - Rs 6,00,000	9	4.5
	Rs 6,00,000 and Above	9	4.5
	Total	**200**	**100**
Occupation	Service	46	23
	Professional	19	9.5

	Student	101	50.5
	Business	21	10.5
	Others	13	6.5
	Total	**200**	**100**
Educational Qualification	Non-Graduate	24	12
	Graduate	87	43.5
	Post Graduate	70	35
	Others	19	9.5
	Total	**200**	**100**

Source: Primary Data from the questionnaire administered

CHI - SQUARE TEST:

It is a statistical test which is commonly used to compare observed data with data we would expect to obtain according to a specific hypothesis framed earlier.

❖ The impact of various demographic factors on an investors' risk taking ability has been studied and analyzed separately , the results of which are as under**.**

1. Extent of Relationship Between Investors' Marital Status and Level Of Risk Taking Ability (Tables 2, 3, 4)

H_0 - There is no relationship between the investors' Marital Status and the Level of Risk Taking Ability.

H_1 - There is a relationship between the investors' Marital Status and the Level of Risk Taking Ability.

TABLE 2: DEGREE OF RELATIONSHIP BETWEEN INVESTORS' MARITAL STATUS WITH THEIR LEVEL OF RISK TAKING ABILITY

			MARITAL STATUS				
			Single	Married	Divorced	Widow	**Total**
RISK	Low	Count	28	15	0	0	**43**
		Expected Count	32.7	9.5	0.6	0.2	**43**
	Moderate	Count	85	22	2	0	**109**
		Expected Count	82.8	24	1.6	0.5	**109**
	High	Count	30	6	1	0	**37**
		Expected Count	28.1	8.1	0.6	0.2	**37**
	Very High	Count	9	1	0	1	**11**
		Expected Count	8.4	2.4	0.2	0.1	**11**
	Total	**Count**	**152**	**44**	**3**	**1**	**200**
		Expected Count	**152**	**44**	**3**	**1**	**200**

TABLE 3: CHI-SQUARE TEST

	Value	**Df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	24.135[a]	9	0.004
N of Valid Cases	200		

a. 9 cells (56.3%) have expected count less than 5. The minimum expected count is .06.

Calculated value of Chi-square is **24.135**. Chi-square value at 5% Significance Level and 9 Degree of Freedom is **16.919**. As the calculated value of Chi-square is more than the critical value, Null hypothesis is rejected and alternative hypothesis is accepted, revealing that there is a relation between the investors' marital status and the level of risk taken by him/her.

TABLE 4: CORRELATION ANALYSIS BETWEEN MARITAL STATUSAND THE LEVEL OF RISK TAKING ABILITY

		RISK	**MARITAL STATUS**
RISK	Pearson Correlation	1	-0.041
	Sig. (2-tailed)		0.565
	N	**200**	**200**
MARITAL STATUS	Pearson Correlation	-0.041	1
	Sig. (2-tailed)	0.565	
	N	**200**	**200**

Correlation analysis between marital status and the level of risk taken by investors' shows that there is a negative correlation between these two variables. An increase in marital status by one point leads to negative change of 0.041 points in the level of risk taken by the investors.

2. Extent of Relationship Between Investors' Gender and Level Of Risk Taking Ability (Tables 5, 6, 7)
H_0 - There is no relationship between the investors' Gender and the Level of Risk Taking Ability.
H_1 - There is a relationship between the investors' Gender and the Level of Risk Taking Ability.

TABLE 5: DEGREE OF RELATIONSHIP BETWEEN INVESTORS' GENDER WITH THEIR LEVEL OF RISK TAKING ABILITY

			GENDER		
			Male	**Female**	**Total**
RISK	Low	Count	32	11	**43**
		Expected Count	34.6	8.4	**43**
	Moderate	Count	86	23	**109**
		Expected Count	87.7	21.3	**109**
	High	Count	32	5	**37**
		Expected Count	29.8	7.2	**37**
	Very High	Count	11	0	**11**
		Expected Count	8.9	2.1	**11**
	Total	**Count**	**161**	**39**	**200**
		Expected Count	**161**	**39**	**200**

TABLE 6: CHI-SQUARE TEST

	Value	**Df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	4.700[a]	3	0.195
N of Valid Cases	200		

a. 1 cells (12.5%) have expected count less than 5. The minimum expected count is 2.15.

Calculated value of Chi-square is **4.700**. Chi-square value at 5% Significance Level and 3 Degree of Freedom is **7.815**. As the calculated value of Chi-square is less than the critical value, Null hypothesis is accepted and alternative hypothesis is rejected, revealing that there is no relation between the investors' gender and the level of risk taken by him/her.

TABLE 7: CORRELATION ANALYSIS BETWEEN GENDER AND THE LEVEL OF RISK TAKING ABILITY

		RISK	**GENDER**
RISK	Pearson Correlation	1	-.147*
	Sig. (2-tailed)		0.038
	N	200	200
GENDER	Pearson Correlation	-.147*	1
	Sig. (2-tailed)	0.038	
	N	200	200

**. Correlation is significant at the 0.05 level (2-tailed).*

Correlation analysis between gender and the level of risk taken by investors' shows that there is a negative correlation between these two variables. An increase in gender by one point leads to negative change of 0.147 points in the level of risk taken by the investors.

3. Extent of Relationship Between Investors' Age and Level Of Risk Taking Ability (Tables 8, 9, 10)
H_0 - There is no relationship between the investors' Age and the Level of Risk Taking Ability.
H_1 - There is a relationship between the investors' Age and the Level of Risk Taking Ability.

TABLE 8: DEGREE OF RELATIONSHIP BETWEEN INVESTORS' AGE WITH THEIR LEVEL OF RISK TAKING ABILITY

			AGE					
			Below 25 Years	25-35 Years	35-45 Years	45-55 Years	55 Years and Above	**Total**
RISK	Low	Count	25	7	6	4	1	**43**
		Expected Count	30.5	7.3	2.4	1.5	1.3	**43**
	Moderate	Count	82	20	3	1	3	**109**
		Expected Count	77.4	18.5	6	3.8	3.3	**109**
	High	Count	26	7	2	2	0	**37**
		Expected Count	26.3	6.3	2	1.3	1.1	**37**
	Very High	Count	9	0	0	0	2	**11**
		Expected Count	7.8	1.9	0.6	0.4	0.3	**11**
	Total	**Count**	**142**	**34**	**11**	**7**	**6**	**200**
		Expected Count	**142**	**34**	**11**	**7**	**6**	**200**

TABLE 9: CHI-SQUARE TEST

	Value	**Df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	**27.860[a]**	**12**	**0.006**
N of Valid Cases	200		

a. 12 cells (60.0%) have expected count less than 5. The minimum expected count is .33.

Calculated value of Chi-square is 27.860. Chi-square value at 5% Significance Level and 12 Degree of Freedom is 21.026. As the calculated value of Chi-square is more than the critical value, Null hypothesis is rejected and alternative hypothesis is accepted, revealing that there is a relation between the investors' age and the level of risk taken by him/her.

TABLE 10: CORRELATION ANALYSIS BETWEEN AGE AND THE LEVEL OF RISK TAKING ABILITY

		RISK	**AGE**
RISK	Pearson Correlation	1	-0.067
	Sig. (2-tailed)		0.348
	N	200	200
AGE	Pearson Correlation	-0.067	1
	Sig. (2-tailed)	0.348	
	N	200	200

Correlation analysis between age and the level of risk taken by investors' shows that there is a negative correlation between these two variables. An increase in age by one point leads to negative change of 0.067 points in the level of risk taken by the investors.

4. Extent of Relationship Between The City Investor Belongs To and Level Of Risk Taking Ability (Tables 11, 12, 13)

H_0 - There is no relationship between the investors' City and the Level of Risk Taking Ability.
H_1 - There is a relationship between the investors' City and the Level of Risk Taking Ability.

TABLE 11: DEGREE OF RELATIONSHIP BETWEEN INVESTORS' CITY WITH THEIR LEVEL OF RISK TAKING ABILITY

			CITIES								
			Udaipur	Jaipur	Jodhpur	Ajmer	Bikaner	Banswara	Kota	Others	**Total**
RISK	Low	Count	6	6	6	0	4	6	5	10	**43**
		Expected Count	6.2	7.5	6	3.7	3.9	5.6	3	7.1	**43**
	Moderate	Count	17	24	16	14	8	8	5	17	**109**
		Expected	15.8	19.1	15.3	9.3	9.8	14.2	7.6	18	**109**

		Count									
	High	Count	5	4	4	3	4	9	4	4	**37**
		Expected Count	5.4	6.5	5.2	3.1	3.3	4.8	2.6	6.1	**37**
	Very High	Count	1	1	2	0	2	3	0	2	**11**
		Expected Count	1.6	1.9	1.5	0.9	1	1.4	0.8	1.8	**11**
	Total	**Count**	**29**	**35**	**28**	**17**	**18**	**26**	**14**	**33**	**200**
		Expected Count	**29**	**35**	**28**	**17**	**18**	**26**	**14**	**33**	**200**

TABLE 12: CHI-SQUARE TEST

	Value	**Df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	26.118[a]	21	0.202
N of Valid Cases	200		

Calculated value of Chi-square is 26.118. Chi-square value at 5% Significance Level and 21 Degree of Freedom is 32.671. As the calculated value of Chi-square is less than the critical value, Null hypothesis is accepted and alternative hypothesis is rejected, revealing that there is no relation between the investors' city and the level of risk taken by him/her.

TABLE 13: CORRELATION ANALYSIS BETWEEN CITIES AND THE LEVEL OF RISK TAKING ABILITY

		RISK	**CITIES**
RISK	Pearson Correlation	1	0.003
	Sig. (2-tailed)		0.962
	N	200	200
CITIES	Pearson Correlation	0.003	1
	Sig. (2-tailed)	0.962	
	N	200	200

Correlation analysis between the investors' city and the level of risk taken by investors shows that there is a positive correlation between these two variables. An increase in the investors' city by one point leads to positive change of 0.003 points in the level of risk taken by the investors.

5. Extent of Relationship Between Investors' Level of Income and Level Of Risk Taking Ability (Tables 14, 15, 16)

H_0 - There is no relationship between the investors' Level of Income and the Level of Risk Taking Ability.
H_1 - There is a relationship between the investors' Level of Income and the Level of Risk Taking Ability.

TABLE 14: DEGREE OF RELATIONSHIP BETWEEN INVESTORS' LEVEL OF INCOME WITH THEIR LEVEL OF RISK TAKING ABILITY

			INCOME LEVEL					
			Below Rs 1,50,000	Rs 1,50,000 - Rs 3,00,000	Rs 3,00,000 - Rs 4,50,000	Rs 4,50,000 - Rs 6,00,000	Rs 6,00,000 and Above	**Total**
RISK	Low	Count	26	8	2	4	3	**43**
		Expected Count	26.7	8.8	3.7	1.9	1.9	**43**
	Moderate	Count	68	24	12	3	2	**109**
		Expected Count	67.6	22.3	9.3	4.9	4.9	**109**
	High	Count	23	9	3	0	2	**37**
		Expected Count	22.9	7.6	3.1	1.7	1.7	**37**
	Very High	Count	7	0	0	2	2	**11**
		Expected Count	6.8	2.3	0.9	0.5	0.5	**11**
	Total	**Count**	**124**	**41**	**17**	**9**	**9**	**200**
		Expected Count	**124**	**41**	**17**	**9**	**9**	**200**

TABLE 15: CHI-SQUARE TEST

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.373[a]	12	0.045
N of Valid Cases	200		

a.12 cells (60.0%) have expected count less than 5. The minimum expected count is .50.

Calculated value of Chi-square is 21.373. Chi-square value at 5% Significance Level and 12 Degree of Freedom is 21.026. As the calculated value of Chi-square is more than the critical value, Null hypothesis is rejected and alternative hypothesis is accepted, revealing that there is a relation between the investors' income and the level of risk taken by him/her.

TABLE 16: CORRELATION ANALYSIS BETWEEN LEVEL OF INCOME AND THE LEVEL OF RISK TAKING ABILITY

		RISK	INCOME
RISK	Pearson Correlation	1	0.023
	Sig. (2-tailed)		0.745
	N	200	200
INCOME	Pearson Correlation	0.023	1
	Sig. (2-tailed)	0.745	
	N	200	200

Correlation analysis between Income and the level of risk taken by investors' shows that there is a positive correlation between these two variables. An increase in Income by one point leads to positive change of 0.023 points in the level of risk taken by the investors.

6. Extent of Relationship Between Investors' Educational Qualification and Level Of Risk Taking Ability (Tables 17, 18, 19)

H_0 - There is no relationship between the investors' Educational Qualification and the Level of Risk Taking Ability.
H_1 - There is a relationship between the investors' Educational Qualification and the Level of Risk Taking Ability.

TABLE 17: DEGREE OF RELATIONSHIP BETWEEN INVESTORS' EDUCATIONAL QUALIFICATION WITH THEIR LEVEL OF RISK TAKING ABILITY

			EDUCATIONAL QUALIFICATION				
			Non-Graduate	Graduate	Post Graduate	Others	Total
RISK	Low	Count	5	13	21	4	**43**
		Expected Count	5.2	18.7	15.1	4.1	**43**
	Moderate	Count	11	55	35	8	**109**
		Expected Count	13.1	47.4	38.2	10.4	**109**
	High	Count	6	15	13	3	**37**
		Expected Count	4.4	16.1	13	3.5	**37**
	Very High	Count	2	4	1	4	**11**
		Expected Count	1.3	4.8	3.9	1	**11**
	Total	**Count**	**24**	**87**	**70**	**19**	**200**
		Expected Count	**24**	**87**	**70**	**19**	**200**

TABLE 18: CHI-SQUARE TEST

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.082[a]	9	0.034
N of Valid Cases	200		

a.7 cells (43.8%) have expected count less than 5. The minimum expected count is 1.05.

Calculated value of Chi-square is 18.082. Chi-square value at 5% Significance Level and 9 Degree of Freedom is 16.919. As the calculated value of Chi-square is more than the critical value, Null hypothesis is rejected and alternative hypothesis is accepted, revealing that there is a relation between the investors' educational qualification and the level of risk taken by him/her.

TABLE 19: CORRELATION ANALYSIS BETWEEN EDUCATIONAL QUALIFICATION AND THE LEVEL OF RISK TAKING ABILITY

		RISK	Educational Qualification
RISK	Pearson Correlation	1	-0.029
	Sig. (2-tailed)		0.684
	N	200	200
Educational Qualification	Pearson Correlation	-0.029	1
	Sig. (2-tailed)	0.684	
	N	200	200

Correlation analysis between educational qualification and the level of risk taken by investors' shows that there is a negative correlation between these two variables. An increase in educational qualification by one point leads to negative change of 0.029 points in the level of risk taken by the investors.

7. Extent Of Relationship Between Investors' Occupation and Level Of Risk Taking Ability (Tables 20, 21, 22)

H_0 - There is no relationship between the investors' Occupation and the Level of Risk Taking Ability.

H_1 - There is a relationship between the investors' Occupation and the Level of Risk Taking Ability.

TABLE 20: DEGREE OF RELATIONSHIP BETWEEN INVESTORS' OCCUPATION WITH THEIR LEVEL OF RISK TAKING ABILITY

			OCCUPATION					
			Service	Professional	Student	Business	Others	**Total**
RISK	Low	Count	12	4	9	11	7	**43**
		Expected Count	9.9	9.5	10.8	10.1	2.8	**43**
	Moderate	Count	24	28	31	23	3	**109**
		Expected Count	25.1	24	27.3	25.6	7.1	**109**
	High	Count	9	11	6	10	1	**37**
		Expected Count	8.5	8.1	9.3	8.7	2.4	**37**
	Very High	Count	1	1	4	3	2	**11**
		Expected Count	2.5	2.4	2.8	2.6	0.7	**11**
	Total	**Count**	**46**	**44**	**50**	**47**	**13**	**200**
		Expected Count	**46**	**44**	**50**	**47**	**13**	**200**

TABLE 21: CHI-SQUARE TEST

	Value	**Df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	**22.044[a]**	**12**	**0.037**
N of Valid Cases	200		

a. 7 cells (35.0%) have expected count less than 5. The minimum expected count is .72.

Calculated value of Chi-square is 22.044. Chi-square value at 5% Significance Level and 12 Degree of Freedom is 21.026. As the calculated value of Chi-square is more than the critical value, Null hypothesis is rejected and alternative hypothesis is accepted, revealing that there is a relation between the investors' occupation and the level of risk taken by him/her.

TABLE 22: CORRELATION ANALYSIS BETWEEN OCCUPATION AND THE LEVEL OF RISK TAKING ABILITY

		RISK	OCCUPATION
RISK	Pearson Correlation	1	-0.005
	Sig. (2-tailed)		0.945
	N	200	200
OCCUPATION	Pearson Correlation	-0.005	1
	Sig. (2-tailed)	0.945	
	N	200	200

Correlation analysis between occupation and the level of risk taken by investors' shows that there is a negative correlation between these two variables. An increase in occupation by one point leads to negative change of 0.005 points in the level of risk taken by the investors.

8. Extent of Relationship Between Investors' Level Of Knowledge and Level Of Risk Taking Ability (Tables 23, 24, 25)

H0 - There is no relationship between the investors' Level of Knowledge and the Level of Risk Taking Ability.
H1 - There is a relationship between the investors' Level of Knowledge and the Level of Risk Taking Ability.

TABLE 23: DEGREE OF RELATIONSHIP BETWEEN INVESTORS' LEVEL OF KNOWLEDGE WITH THEIR LEVEL OF RISK TAKING ABILITY

			KNOWLEDGE					
			Little Knowledge	Moderate Knowledge	Good Knowledge	Very Good Knowledge	No Knowledge	Total
RISK	Low	Count	15	16	4	1	7	**43**
		Expected Count	10.3	14.6	13.3	1.5	3.2	**43**
	Moderate	Count	24	42	38	1	4	**109**
		Expected Count	26.2	37.1	33.8	3.8	8.2	**109**
	High	Count	4	10	16	3	4	**37**
		Expected Count	8.9	12.6	11.5	1.3	2.8	**37**
	Very High	Count	5	0	4	2	0	**11**
		Expected Count	2.6	3.7	3.4	0.4	0.8	**11**
	Total	**Count**	**48**	**68**	**62**	**7**	**15**	**200**
		Expected Count	**48**	**68**	**62**	**7**	**15**	**200**

TABLE 24: CHI-SQUARE TEST

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	40.279[a]	12	0
N of Valid Cases	200		

a.10 cells (50.0%) have expected count less than 5. The minimum expected count is .39.

Calculated value of Chi-square is 40.279. Chi-square value at 5% Significance Level and 12 Degree of Freedom is 21.026. As the calculated value of Chi-square is more than the critical value, Null hypothesis is rejected and alternative hypothesis is accepted, revealing that there is a relation between the investors' level of knowledge and the level of risk taken by him/her.

TABLE 25: CORRELATION ANALYSIS BETWEEN LEVEL OF KNOWLEDGE AND THE LEVEL OF RISK TAKING ABILITY

		RISK	KNOWLEDGE
RISK	Pearson Correlation	1	0.104
	Sig. (2-tailed)		0.141
	N	200	200
KNOWLEDGE	Pearson Correlation	0.104	1
	Sig. (2-tailed)	0.141	
	N	200	200

Correlation analysis between knowledge and the level of risk taken by investors' shows that there is a positive correlation between these two variables. An increase in knowledge by one point leads to positive change of 0.104 points in the level of risk taken by the investors.

CONCLUSION:

- The conclusions are drawn only with respect to investors' of Rajasthan.
- This study concludes that various demographic factors like age, marital status, gender, city, income level, market knowledge, occupations and qualifications etc have major impact on investment decision of investors in Rajasthan.
- Demographic factors like Gender and City have no impact on investment decision of investors.

REFERENCE:

[1] Ang, Andrew and Maddaloni, Angela, Do Demographic Changes Affect Risk Premiums? Evidence from International Data (January 2003). ECB Working Paper No. 208. Available at SSRN: http://ssrn.com/abstract=376232

[2] Arifur Rehman H. Shaikh and Dr. Anil B. Kalkundrikar, 2011. Impact of Demographic Factors on Retail Investors Investment Decisions- An Exploratory Study in The Indian Journal of Finance (ISSN 0973-8711) September 2011, 5(9) , pp 35-44.

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

[4] Baker, H. K. and J. A. Haslem, 1974. The Impact of Investor Socioeconomic Characteristics on Risk and Return Preferences. Journal of Business Research, vol. 2, issue 4, pp 469-476.

[5] Barnewall M (1987), "Psychological Characteristics of the Individual Investor", in William Droms, ed., *Asset Allocation for the Individual Investor,* Charlottsville, Va: The Institute of Chartered Financial Analysts.

[6] 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)

[7] Bergantino, Steven, 1998, *Lifecycle Investment Behavior, Demographics, and Asset Prices*. Doctoral Dissertation, Massachusetts Institute of Technology, Department of Economics.

[8] Bodie, Z., A. Kane and A.J. Marcus Investments. (Boston, Mass.; London: McGraw-Hill Irwin, 2005) Sixth International Edition [007123824; 0072861789 (pbk)].

[9] Croson, R., & Gneezy, U. (2009). Gender Differences in Preferences. *Journal of Economic Literature,* 448-474.

[10] Daniel Dorn and Huberman Gur (2003), "Talk and Action: What Individual Investors ASIAN JOURNAL OF MANAGEMENT RESEARCH 325 Say and What They Do", European Finance Association Meetings in Glasgow, December 16.

[11] Della Vigna, Stefano, and Joshua M. Pollet, 2003, "Attention, Demographics, and the Stock Market," mimeo, Department of Economics, University of California – Berkeley. NBER Working Paper No. 11211 , Issued in March 2005

[12] Erb, Claude B., Campbell R. Harvey, and Tadas E. Viskanta, 1997, "Demographics and International Investments," *Financial Analysts Journal* (July/August), 14-28.

[13] Geanakoplos, John, Magill, Michael J.P. and Quinzii, Martine, Demography and the Long-Run Predictability of the Stock Market (August 2002). USC CLEO Research Paper No. C02-21; Cowles Foundation Discussion Paper No. 1380. Available at SSRN: http://ssrn.com/abstract=329840

[14] Grable, J. E. and R. H. Lytton, 1998. Investor Risk Tolerance: Testing the Efficiency of Demographics as Differentiating and Classifying Factors", *Financial Counseling and Planning* 9, pp. 61–74.

[15] Grable, J. E., & Lytton, R. H. (1999). Assessing Financial Risk Tolerance: Do Demographic Socioeconomic and Attitudinal Factors Work? *Journal of the FRHD/FERM,* 1-9.
[16] Herrmann, A. F. (2007), "People Get Emotional About Their Money:" Performing Masculinity in a Financial Discussion Board. Journal of Computer-Mediated Communication, 12: 499–522. doi: 10.1111/j.1083-6101.2007.00335.x
[17] Hinz, R.P., McCarthy, D.D. and Turner, J. A. (1997), Are Women Conservative investors? Gender Differences in Participant-directed Pension Investments, in M.S. Gordon, O.S. Mitchell and M.M. Twinney (eds.), Positioning Pensions for the Twenty-first Century, 91-103, Philadelphia, University of Pennsylvania Press.
[18] Masters, R., 1989. "Study Examines Investors' Risk Taking Propensities. *Journal of Financial Planning* 36, pp. 151–155.
[19] McInish, T. H., 1982. "Individual Investors and Risk–Taking", *Journal of Economic Psychology 2,* 125–136.
[20] Poterba, J. (2001); "Demographic struture and Asset Returns", Review of Economics and Statistics, 83, 565-584.
[21] Ronay., Richard., & Kim, Do-Yeong. (2006). Gender differences in explicit and implicit risk attitudes: A socially facilitated phenomenon. British Journal of Social Psychology 45, pp. 397-419.
[22] Shaw, K. L., 1996. "An Empirical Analysis of Risk Aversion and Income Growth", *Journal of Labor Economics*, 14, pp. 626-653.
[23] Wallach, M. M. and N. Kogan, 1961. "Aspects of Judgment and Decision Making: Interrelationships and Changes with Age" *Behavioral Science* 6, pp. 23–26.
[24] Wang, H. And S. Hanna, 1997. "Does Risk Tolerance Decrease with Age? *Financial Counseling and Planning* 8(2), pp. 27–32.
[25] Yoo, Peter S., 1994b, "Age Distributions and Returns of Financial Assets," Federal Reserve Bank of St. Louis Working Paper 94-002B.
