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Impact of Individual Differences on The Investment Experience: A Study of Demographics & Psychographics

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According to classical economic theory there is no scope of variation between the outcome-maximizing decisions of two rational individuals. However, various researches have shown that humans are not rational or identical as previously thought. It has been found that significant differences exist between individuals in terms of their demographics and psychographics. These sets of individual characteristics make each individual a distinctive person, who behaves in a unique manner, to optimize his unique perceived benefits, rather than focusing on only maximizing outcomes, as per classical economic theory.

This generalization is applicable to investment behaviour also. The investment space consists of an assortment of investors, each having a unique personality. It would therefore, not be presumptuous to say that the investment process of each individual is exclusive. The investing experience includes investment choice, risk taking capacity, actions taken before and after the investment choice, preferred sources of information, the investment strategy, use of leverage for investment, attitude toward financial advisors, etc.

This paper investigates the underlying demographic and psychographic characteristics which affect these aspects of the investment experience, and is an attempt to construct a pragmatic model of investment which will help create exclusive portfolios for unique investors. The analysis of the data reveals distinctive behaviour patterns specific to each identified democum-psychographic profile. This implies that investors can be grouped into homogenous segments based on their profiles and it can also be concluded with a reasonable degree of certainty that these homogenous segments would have similar investment needs and preferences.

Keywords : Investing Experience, Demographics, Psychographics, Investment Strategy, Investment Choice

Introduction

As per classical economic theory, human beings are rational decision makers, who carefully evaluate all facts and evidences before taking decisions that aim at maximizing outcomes. Therefore, there is no scope of any variation between the outcome-maximizing decisions of two individuals, given the same set of choices and conditions. However, during the past few decades, it has come to light that humans are not as rational, mechanistic or identical as previously thought to be. In fact, it has been found that there exist numerous overt and covert differences between individuals in terms of their demographic as well as psychographic characteristics. This unique set of individual differences makes each individual a distinctive person, capable and interested in acting in a unique manner to optimize his own unique perceived benefit, rather than focusing on merely maximizing outcomes, as propounded by the classical economic theory.

Extending the line of thought to investment decision making, it is a well known fact that the heterogeneous investment space is populated with a bewildering assortment of investors, each having a unique personality, in terms of psychological and demographic characteristics. It would therefore, not be presumptuous to say that the investment process of each individual would be in accordance with his personality traits.

Traditional investment practitioners (or agents as they are popularly called), however, tend to ignore the unique attributes of each individual and instead advocate identical investment choices to all investors, imagining them to be a part of one homogenous group. The result can be a gruesome mismatch of the intrinsic need of the investor and the actual investing experience.

A deeper look into the investing experience reveals that it includes not only the end result, that is the investment choice, but also the risk taking behaviour of the investor, the actions taken before and after the decision, the preferred sources of information and advice, the preferred investment strategies, the propensity to use leverage for investment, the attitude toward financial advisors, and so on.

This paper attempts to investigate the underlying demographic and psychographic characteristics which affect the investment decision process of an

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investor, and is an endeavour to construct a pragmatic model of investment decision making which will help to create exclusive portfolios in accordance with the unique needs of each investor.

The study has tremendous implications for the investment advisory sector. Gone are the days of unscrupulous agents, who could force individuals to purchase the investments, according to their own vested interests. Henceforth, advisors would need to optimize the financial as well as the psychological well-being of the investor, or perish in this era of fast-paced investorism.

Literature Review

The classical economic theories advocating the rationality of humans propounded by great economists such as became the foundation for the development of numerous financial and investment models. The simplicity of these models lay in the assumption that the most volatile and unpredictable variable in the study, that is the human, was considered as rational. Rationality is understood to be the ability to make outcome-maximizing decisions after careful analysis of alternative solutions framed using complete information, which leaves no room for ambiguity, mistake or individual preference on the part of the human investor.

However, after many decades of supremacy, the assumption of human rationality was challenged by a new generation of researchers headed by Daniel Kahneman and Amos Tversky (1974), in their first research publication on the subject discussed "Judgment under Uncertainty: Heuristics and Biases". Further, Kahneman and Tversky(1979) brought to public attention their new "Prospect Theory" in the journal Econometrica, which further challenged the rationality argument and entirely changed the way in which investment decision making was looked upon. Prospect Theory discovered behaviour patterns that had never been recognized by the proponents of rational decision making. One of the most striking and useful findings in the Prospect theory of the Israeli psychologist duo Kahneman and Tversky(1979) was the asymmetry between the way humans make decisions involving gains and decisions involving losses. Kahneman and Tversky (1979) proposed and proved through multiple experiments that the same individual who is a risk averter for a decision involving gains becomes a risk seeker for a loss-avoiding decision.

Spurred by the path breaking Prospect Theory, a series of researches were successfully conducted by a group of academic economists led by Richard Thaler(1999), David Bell (1996), Meir Statman (1995), Hersh Shefrin(2002), Robert Shiller (2000), et al resulting into a new field of study known as Behavioural Finance. Peter Bernstein (1996), the founder editor of The Journal of Portfolio Management, in his incredible landmark book "Against the Gods The Remarkable Story of Risk", writes "Behavioural Finance analyses how investors struggle to find their way through the give and take between risk and return, one moment engaging in cool calculation and the next yielding to emotional impulses. The result of this mixture between the rational and not-so-rational is a capital market that itself fails to perform consistently in the way theoretical models predict that it will perform."

The proponents of Behavioural Finance have stacked up many experimentally verified theories to prove the quasi-rational behaviour of humans. According to Richard Thaler (1999), "quasi-rationality is neither fatal nor immediately self-defeating". In a 1995 paper on "Aspects of Investor Psychology", Kahneman and Mark W Riepe (1995) bring forth the beliefs, preferences and biases that humans have which influence their investment decision making. The authors put forward a series of well-researched recommendations for investment advisors to deal with such behavioural issues.

From the psychology perspective, a review of research reveals Investor Psychology is a relatively new development in the ancient science of psychology. However, being application based, it has attracted considerable attention from psychologists and finance (investment) professionals alike. The research in investor behaviour can be said to be broadly of two kinds, one that involves individual investors and hence a study of individual psychology and the other a study of group psychology or a study of the market and its movements as a whole.

The focus, in this paper, is on individual behaviour. At present, most research on "individual" occurs within the context of the Trait Approach. "Personality Traits" are stable dimensions of personality along which people vary, from very low to very high. Three significant works are most commonly cited in context of Trait Theories. The first and earliest effort was of Gordon Allport (1937) who classified traits into secondary, central and cardinal traits. The second, more sophisticated

effort, on the subject of personality traits was by Raymond Cattell (1943), who conducted extensive research on thousands of individuals to measure individual differences on hundreds of traits. Then using factor analysis Cattell (1943) identified sixteen source traits which are dimensions of personality that underlie differences in many other, less important, surface traits.

The third is the Big Five Taxonomy of Personality which proposes that there are only five key dimensions of personality that is, extraversion, agreeableness, conscientiousness, emotional stability and openness to experience, along which all human beings vary from very high to very low (Fieldman, 1987).

A significant number of studies have been conducted to demonstrate the inter-linkage and dependence of investment behaviour on individual psychology. On the basis of a questionnaire based study of 140 small investors and 175 professional investors/traders, Ira Epstein and David Garfield (1992) published a book entitled "The Psychology of Smart Investing". In this book they presented the analysis of their survey, in which they identified six clusters or 'types' of investors which they named as overly cautious/paranoid investors, conflicted investors, masked investors, revenging/consumed investors, fussy investors and depressed investors.

In a research paper, published in The Journal of Behavioural Finance, entitled "Risk Aversion and Personality Types", Greg Filbeck, Patricia Hatfield and Philip Horvath (2005) have explored the relationship between the personality type dimensions of the Myers Briggs Type Indicator (MBTI) and the moments approach to individual investor risk tolerance, inherent in expected utility theory.[8]

In the words of Jonathan Myers (2002), author of "Profits Without Panics: Investment Psychology for Personal Wealth" and founder of investment website psychonomics.com, "the way to improved financial returns is to match investments with investor's personality and needs". Myers (2002) has classified investors into cautious, emotional, technical, busy, casual and informed categories. He has also constructed various questionnaires and tools to determine the investor's personality.

Another interesting element found in related researches is about the role of demographic variables, like gender, age, education, type of employment, income level, etc in investment behaviour. With reference to the role of gender, there are many studies (Barber and Odean, 2001, Davar and Gill, 2007) which have confirmed that men tend to be focused on results, goal directed and single minded with higher risk tolerance levels as well as high over-confidence levels. Women, on the other hand, are multi-focussed, process driven, less tolerant of risk and less prone to over confidence. However, with regard to the other demographic dimensions, fewer studies have been conducted.

Brad Barber and Terrance Odean in their 2001 research paper in the Quarterly Journal of Economics, entitled "Boys will be Boys: Gender, Overconfidence and Common Stock Investment" have also concluded similar results about gender specific financial behaviours. In a 2007 paper in Decision, the Journal of IIM, Calcutta, entitled "Investment Decision Making: An exploration of the Role of Gender", Yesh Pal Davar and Suveera Gill have concluded after an intensive statistical enquiry that females have lower levels of awareness, lower confidence levels and lower risk tolerance capacities and hence are more cautious vis-à-vis males with regard to prospective investment in equity (risky) securities, especially if fund availability is low.

Research Problem

It is evident from the above review of related literature that till the very recent past, the rational man model has dominated the investment management field. However, over the past couple of decades, based on several quality researches have reiterated the belief that each human being is unique and therefore, it automatically follows that was is "best" for one may not be best for another.

It was noticed by the researchers that although significant work has been done in the area of investor psychology and behaviour internationally, very little has been done in India. Additionally, inspite of the growing academic literature on the subject, almost no effort has been made to apply the proven knowledge to the investment management practice. Investment advisors, in fact, ignore the uniqueness of each individual and paint all investors with the same brush, resulting in a gruesome mismatch of the intrinsic need of the investor and the actual investing experience.

This paper investigates the underlying demographic and psychographic characteristics which affect the investment decision process of an investor, and is an endeavour to construct a

pragmatic model of investment decision making which will help to provide a unique investing experience to each investor including all the intervening steps in the investment process, such as his risk capacity, his attitude, preferences, etc.

Conceptual Framework

The Demographic Variables - The major demographic variables which have been considered in this study, based on expert opinions from renowned academicians and practitioners, are Gender, Age, Education, Type of Employment and Income Level.

The Psychographic Variables - The psychographic variables used in this study are based on a well known and widely accepted personality trait theory called the Big Five Personality Taxonomy. The five broad personality factors defined by this theory are a result of the work of several independent sets of researchers who began by studying all known personality traits and then factor-analyzing hundreds of measures of these traits to reach at these five basic, underlying factors of personality. A brief description of the big five personality categories has been given here:

Extraversion - is characterized by positive emotions, surgency, and the tendency to seek out stimulation and the company of others. Extraverts enjoy being with people, and are often perceived as full of energy. They tend to be enthusiastic, action-oriented individuals who are likely to say "Yes!" or "Let's go!" to opportunities for excitement.

Agreeableness - is a tendency to be compassionate and cooperative rather than suspicious and antagonistic towards others. Agreeable individuals are generally considerate, friendly, generous, helpful, and willing to compromise their interests with others. Agreeable people also have an optimistic view of human nature and believe people to be basically honest, decent, and trustworthy.

Conscientiousness - is a tendency to show self-discipline, act dutifully, and aim for achievement. The trait shows a preference for planned rather than spontaneous behavior. Conscientious individuals avoid trouble and achieve high levels of success through purposeful planning and persistence. They are also positively regarded by others as intelligent and reliable. On the negative side, they can be compulsive perfectionists and workaholics.

Emotional Stability - is the tendency to be calm, emotionally stable, and free from persistent negative feelings. The reverse of Emotional Stability is called Neuroticism. Those who score high in neuroticism are emotionally reactive, vulnerable to stress, and are more likely to interpret ordinary situations as threatening, and minor frustrations as hopelessly difficult. Individuals who score high in emotional stability are not easily upset, not emotionally reactive; tend to be calm and free from persistent negative feelings.

Openness to Experience - is a general appreciation for art, emotion, adventure, unusual ideas, imagination, curiosity, and variety of experience. The trait distinguishes imaginative people from down-to-earth, conventional people. People who are open to experience are intellectually curious, appreciative of art, and sensitive to beauty. They are more likely to hold unconventional beliefs.

Measurement of the Big Five Dimensions - Several structured scaling instruments have been developed by various researchers. The significant ones are Big Five Inventory (BFI), NEO PI-R and NEO-FFI, Big Five Mini-Markers, Ten Item Personality Inventory (TIPI), etc. The Big Five Inventory (BFI), which has been used in this research, is a 44-item self-report inventory designed to measure the Big Five dimensions.

Risk Appetite - The most significant parameter in any investment decision is the risk appetite of the individual. The economic man model suggests that if a rational human has two investment alternatives, he will select the one with lower risk, given the same level of expected returns and the one with higher returns, given the same level of risk. However, the true situation is quite different. Risk taking ability is an inherent trait. An aggressive risk taker will be ready to bear higher risk for a very small potential gain, whereas a risk-averse individual will take a small quantity of additional risk only in the expectation of huge returns.

Another significant point is that risk does not have a single universal definition. The researchers have viewed risk from many facets in this study. For instance, a prima facie preference for equity market or an aversion to fixed deposits exhibits one kind of risk-taking behaviour. Another way to visualize the risk capacity of an individual may be through his behaviour when faced with immediate returns. Another element of risk is the willingness of the individual to use leverage (borrowed funds) for investment.

Systematic Investment Planning - The fundamental approach to investment decision making advocates the following of all the investment planning steps, in a systematic manner whenever any investment decision is made, which includes reviewing goals, scanning environment, determining return objectives, evaluating alternatives, assessing tax and other implications. However, each individual would differ with respect to the rigour and meticulousness with which he would adhere to the systematic investment model.

Active and Passive Portfolio Strategy - Essentially there are two kinds of investors, one who actively churn their portfolios and engage in sector rotation and scheme selection in order to optimize their portfolio performance, while the other kind are buy-and-hold kind of individuals who review and alter their portfolio only on a limited basis when the asset allocation becomes mismatched with the objectives, or when the objectives / risk appetite changes, etc.

The various constructs which have been used in this paper, using the above conceptual framework have been defined in Table 1.

Objectives of the Study

a) To categorize individuals along the big five dimensions using a structured psychometric scale.

b) To analyze the behaviour of investors with reference to investment behaviour constructs.

c) To test the association between demographic variables and the investment behaviour constructs.

d) To test the association between the big five personality dimensions and investment behaviour.

Hypotheses of the Study

$H_{0.1}$: There is no difference between individuals who are categorized high vis-à-vis low with reference to various personality attributes, such as extraversion, agreeableness, conscientiousness, emotional stability and openness to experience

$H_{0.2}$: There is no difference in investment behaviour of individuals falling in various demographic categories.

Table 1: Investment Constructs and their Definitions

Construct	Definition
Extent of Investment in Risky Instruments (IRI)	Extent of Investment in Risky Instruments measures the risk taking behaviour of individuals with reference to direct investment in equity markets and investment in equity based mutual funds. Investment in bank FDs and Debt / Liquid Funds is a contraindication of risk taking behaviour.
Tendency to seek advice / information from personal sources (APersS)	Tendency to seek advice / information from personal sources measures the extent to which the investor seeks advice / information from personal sources like parents, spouse, friends, colleagues, etc
Tendency to seek advice / information from professional sources (AProfS)	Tendency to seek advice / information from impersonal / professional sources measures the extent to which the investor seeks advice / information sources like internet, newspaper, financial advisors, television, etc
Loan for Long-term Investment (LFLI)	Loan for Investment is a construct that measures the risk taking behaviour of individuals with reference to using leverage (loan) for funding their long term investments.
Loan for Short-term Investment (LFSI)	Loan for Investment is a construct that measures the risk taking behaviour of individuals with reference to using leverage (loan) for funding their short-term investments.
Risk for Immediate Returns (RIR)	Risk for Immediate Returns is a construct that measures the amount of risk an individual is prepared to take when offered immediate gratification, like in a game show.
Adherence to Systematic Investment Process (ASIP)	Adherence to Systematic Investment Process is a construct which measures the extent to which individuals follow the systematic investment process, including reviewing investment goals, assessing risk tolerance level, determining return objectives, considering variety of options, consulting experts, assessing marketability, tax implications and convenience, before making investment decisions.
Tendency towards Active Portfolio Management (TAPM)	Tendency towards Active Portfolio Management describes the inclination of the individual to actively manage his portfolio according to changes in environment, due to portfolio non-performance, through sector rotation, security selection, etc.
Attitude towards Financial Advisors (AFA)	Attitude towards Financial Advisors denotes the overall positive or negative attitude of investors towards financial advisors.

Limitation of the Study

The measurement of psychological phenomena is a difficult science. The researcher has used a standardized psychometric test (BFI) which has proven reliability and validity. However, the Big Five Inventory (BFI) is a comparatively short scale, 44 item self rating scale and is not as accurate as elaborate scales like NEO PI-R, etc.

Research Methodology

The research study has employed both secondary and primary data. The primary data was collected from salaried investors employed in the public and the private sector (the respondents) with the help of a structured questionnaire. The study employed non-probabilistic sampling method, with a judicious mix of convenience and judgmental sampling. The questionnaires were initially served to 200 individuals, but after adjusting for incomplete and invalid questionnaires, the final sample size came to 162. The analysis of data has been done using SPSS software. The sample was collected during May June 2011, from the city of Lucknow, India. The demographic profile of the respondents is elucidated in Table 2

Data Tabulation

The data collected through structured questionnaires has been tabulated with regard to the demographic profile (Table 2) and the psychological profile of the respondents (Table 3). The values of the Big Five personality dimensions were calculated using the BFI Scale Scoring Key. Thereafter, the psychological profile data was processed for calculation of measures of central tendency and dispersion, the summary statistics of which are presented in Table 4.

Table 2: Demographic Profile of Respondents

Parameters	Category	Absolute Values (N=162)	Percentage Values
Gender	Male	103	63.6
	Female	59	36.4
		Total = 162	Total = 100%
Age	Less than 30 years	36	22.2
	31 - 40 years	81	50.0
	41 - 50 years	27	16.7
	More than 50 years	18	11.1
		Total = 162	Total = 100%
Education	Graduate	41	25.3
	Post graduate	99	61.1
	Doctorate	22	13.6
		Total = 162	Total = 100%
Employment	Govt. / Semi Govt / PSU	73	45.1
	Private Sector	89	54.9
		Total = 162	Total = 100%
Monthly Income	Less than Rs.25000/-	23	14.2
	25,001 – 50,000/-	70	43.2
	50,001 – 75,000/-	35	21.6
	75,001 – 1,00,000/-	20	12.3
	More than 1,00,000/-	14	8.6
		Total = 162	Total = 100%

Table 3: Psychological Profile of Respondents

Parameters	Intensity	Absolute Values (N=162)	Percentage Values
Extraversion	Very Low	0	0
	Low	2	1.2
	Neutral	73	45.1
	High	77	47.5
	Very High	10	6.2
		Total = 162	Total = 100%
Agreeableness			
	Very Low	0	0
	Low	21	13.0
	Neutral	41	25.3
	High	100	61.7
	Very High	0	0
		Total = 162	Total = 100%
Conscientiousness			
	Very Low	0	0
	Low	0	0
	Neutral	66	40.8
	High	94	58.0
	Very High	2	1.2
		Total = 162	Total = 100%
Emotional Stability			
	Very Low	0	0
	Low	1	0.6
	Neutral	93	57.4
	High	66	40.7
	Very High	2	1.2
		Total = 162	Total = 100%
Openness to Experience	Very Low	0	0
	Low	0	0
	Neutral	83	51.2
	High	79	48.8
	Very High	0	0
		Total = 162	Total = 100%

Table 4: Measures of Central Tendency and Dispersion

Trait	Mean	Median	Mode	Standard Deviation (σ)
Gender	1.36	1	1	.483
Age	2.17	2	2	0.9
Education	4.88	5	5	0.614
Employment	1.55	2	2	0.499
Monthly Income	2.58	2	2	1.141
Extraversion	3.59	4	4	0.627
Agreeableness	3.49	4	4	0.716
Conscientiousness	3.6	4	4	0.515
Emotional Stability	3.43	3	3	0.532
Openness to Experience	3.49	3	3	0.501

Test of Association between Personality Traits, Demographics & Investment Behaviour

The major objective of this research was to find whether there exists any significant association between the big five personality traits, demographic variables and investment behaviour. The null hypotheses (detailed above) assume that there is no significant association between each big five personality trait, demographic characteristics and the identified investment behaviour constructs. The chi-square test (χ^2) and the Kruskal Wallis Test have been used at 95% level of confidence to test the hypotheses. The results have been tabulated in Tables 6, 7, 8 and 9.

Table 6: Association between Personality & Investment Behaviour (Pearson's Chi-Square)

	Extraversion	Agreeableness	Conscientiousness	Emotional Stability	Openness to Experience
			Asymptotic Significance		
IRI	0.000*	0.000*	0.000*	0.006*	0.000*
APersS	0.001*	0.002*	0.000*	0.001*	0.000*
AProfS	0.000*	0.000*	0.000*	0.008*	0.001*
LFLI	0.000*	0.000*	0.001*	0.007*	0.002*
LFSI	0.000*	0.003*	0.000*	0.015*	0.000*
RIR	0.000*	0.000*	0.000*	0.000*	0.000*
ASIP	0.000*	0.000*	0.000*	0.043*	0.000*
TAPM	0.007*	0.000*	0.000*	0.279	0.003*
AFA	0.000*	0.000*	0.004*	0.000*	0.000*

Table 7: Association between Demographics and Investment Behaviour (Pearson's Chi-Square)

	Gender	Age	Education	Employment	Income
			Asymptotic Significance		
IRI	0.468	0.210	0.655	0.409	0.639
APersS	0.014*	0.009*	0.067	0.056	0.030*
AProfS	0.164	0.013*	0.268	0.013*	0.001*
LFLI	0.061	0.019*	0.000*	0.160	0.302
LFSI	0.003*	0.005*	0.041*	0.102	0.000*
RIR	0.415	0.001*	0.016*	0.011*	0.001*
ASIP	0.002*	0.000*	0.001*	0.010*	0.000*
TAPM	0.000*	0.000*	0.058	0.061	0.049*
AFA	0.031*	0.117	0.089	0.284	0.083

Table 8: Association between Personality & Investment Behaviour (Kruskal Wallis Test)

	Extraversion	Agreeableness	Conscientiousness	Emotional Stability	Openness to Experience
			Asymptotic Significance		
IRI	0.000*	0.000*	0.000*	0.001*	0.000*
APersS	0.001*	0.003*	0.000*	0.000*	0.000*
AProfS	0.000*	0.000*	0.000*	0.026*	0.002*
LFLI	0.000*	0.000*	0.001*	0.002*	0.000*
LFSI	0.000*	0.001*	0.000*	0.004*	0.000*
RIR	0.000*	0.000*	0.000*	0.000*	0.000*
ASIP	0.000*	0.000*	0.000*	0.009*	0.000*
TAPM	0.003*	0.000*	0.010*	0.504	0.098
AFA	0.000*	0.000*	0.003*	0.036*	0.009*

Table 9: Association between Demographics and Investment Behaviour (Kruskal Wallis Test)

	Gender	Age	Education	Employment	Income
	Asymptotic Significance				
IRI	0.207	0.694	0.175	0.546	0.450
APersS	0.014*	0.532	0.283	0.133	0.017*
AProfS	0.100	0.030*	0.241	0.018*	0.000*
LFLI	0.029*	0.128	0.006*	0.549	0.159
LFSI	0.001*	0.078	0.175	0.139	0.105
RIR	0.221	0.013*	0.018*	0.044*	0.067
ASIP	0.050*	0.002*	0.012*	0.047*	0.026*
TAPM	0.046*	0.001*	0.078	0.952	0.015*
AFA	0.135	0.032*	0.048*	0.357	0.204

Key Findings, Results and Discussion

The Chi-Square Test and the Kruskal Wallis Test show that a significant association exists at 95% level of confidence for most of the personality traits and also few demographic traits with reference to investment behaviour constructs.

The key findings can be more clearly elucidated with reference to the investment behaviour constructs considered in the study, which have been classified into four major heads as per relevance:

a) **Risk Appetite** The risk appetite of the investors has been analyzed using four constructs, which are, Investment in Risky Instruments (IRI), Attitude towards Immediate Returns (RIR), Leverage for Long-term (LFLI) and Leverage for Short-term Investments (LFSI). The results of the Chi-square as well as Kruskal Wallis Tests clearly indicate that with regard Risk Appetite, all the five dimensions of personality hold significant relevance. In simple words, Individuals with high extraversion, high agreeableness, high conscientiousness, high emotional stability and high openness to experience are more likely to be risk takers, vis-à-vis their counterparts. As regards demographic factors are concerned, the effect on risk taking behaviour is not as pronounced. The few dimensions where demographics do seem to matter include use of leverage and tendency towards gambling. Male investors are more likely to take risks, especially if they are more educated and younger in age.

b) **Systematic Investment Approach** This is a measure of the adherence of investors to the systematic investment process, including reviewing investment goals, assessing risk tolerance level, determining return objectives, considering variety of options, consulting experts, assessing marketability, tax implications and convenience, before making investment decisions. The results indicate that personality and demographics have a considerable impact on the individual's investing approach. Investors with high extraversion, high agreeableness, high conscientiousness, low emotional stability and low openness to experience are more systematic. Similarly, with regard to demographics, investors who are older, more educated, public sector employed, lower income earners and females are more systematic vis-à-vis their counterparts.

c) **Active Vs Passive Portfolio Strategy** Some individuals actively manage their portfolios according to changes in environment, portfolio non-performance, sector rotation, security selection, etc. This is called the Active Portfolio Strategy. A Passive Strategy on the other hand would involve a simple "buy and hold" technique, sometimes with periodic rebalancing of asset allocation. The study results indicate people with high extraversion, high agreeableness and high conscientiousness are more likely to actively manage their portfolios. Similarly, with regard to demographics, investors who are male, younger, or have more income are more active vis-à-vis their counterparts.

d) **Attitude towards Financial Advisors** This is a measure of the overall positive or negative attitude of investors towards financial advisors. Here again, the results indicate a positive association between psychographics and attitude. The study results indicate people with high extraversion, high agreeableness, low conscientiousness, high emotional stability ad low openness to experience are more likely to have a positive attitude towards financial advisors. With reference to demographics,

younger and less educated people have a positive attitude.

It is apparent from the data that psychological traits are a very important determinant of investment behaviour closely followed by demographic traits. It is interesting to note that psychological attributes are relatively stable dimensions of an individual's personality and a person whether old or young, male or female, educated more or less would still be more influenced by his psychographics than his demographics while making investment decisions.

Conclusion and Implications

A critical analysis of the findings reveals the following:

- Individuals behave in unique ways as influenced by their demographic and psychological characteristics.
- Majority of investors have a low risk appetite, regardless of their unique characteristics, however the degree of averseness is influenced largely by their respective psychographics as also their demographics.
- People in general are not very systematic / active with regard to their investments.
- People generally have a very negative perception about Financial Advisors
- An investor who is an extrovert, agreeable, emotionally stable and open person is more likely to assume risk, both long-term and short term; be more systematic in his approach; and be more likely to follow active portfolio strategy, with a positive attitude towards financial advisors.

Based on this study, a demographic-cum-psychographic sketch of any random investor can be drawn which can lead to the formation of a portfolio which meets his very requirements. This can be done in a customized manner because the Risk Appetite, Adherence to Systematic Investment Approach, Tendency for Active / Passive Portfolio Management and Attitude towards Financial Advisors can be predicted based on the conclusions of this study which will give rise to a better and more qualitative investing experience than it is otherwise.

The present study is exclusive in the sense that it seeks to investigate the association between psychological traits, demographics and investment behaviour, particularly in context of Indian investors. The results of the study make a strong case for provision of customized investment advice by investment advisors based on the psychographic and demographic traits of each unique investor.

The study has considerable implications for the personal finance and investment field, specially in India and other developing countries, where the concept of investment psychology is still in a very nascent stage and money managers and investors both still use primitive rules-of-thumb when giving financial advice and/or making financial decisions, which results in sub-optimum portfolio performance and low investor satisfaction. Gone are the days of unscrupulous agents, who could force individuals to purchase the investments, according to their own vested interests. Henceforth, advisors would need to optimize the financial as well as the psychological well-being of the investor, or perish in this era of fast-paced investorism.

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