A STUDY ON THE IMPACT OF INVESTORS' LIFE STYLE ON THEIR INVESTMENT BEHAVIOUR

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Lifestyle is an important factor which influences the investment behaviour of people. The intermediaries and capital market operators need to know the lifestyle of investor to better design the instruments and programmers to become successful. The lifestyle of investors can be determined by studying the activities, interest and opinion of investors. The different lifestyle characteristics derived from the study are Perfect Planning, Innovativeness, Task Oriented, Fashion Conscious, Self Confidence, Leadership, Well Being, Inner Directed and Risk Taking. The analysis of variance shows that the occupation influences perfect planning and age and occupation influences leadership and occupation influences risk taking behaviour.

Key words: *Investment behavior, Lifestyle characteristics of investors, Segmentation of investors*

INTRODUCTION

Development of capital market is very much essential for the development of nation. The capital market will develop only when new investors come to the market and existing investors stay in the market. To satisfy the customers the intermediaries should design the programmes and products according to the needs of the investors. To understand the needs of investors in a better manner, it is necessary to understand their characteristics. The investors exhibit several characteristics during the investment process. One such characteristic is lifestyle characteristics. There are several studies on personality characteristics of investors. There are studies available on lifestyle influence on consumer behaviour. But research work studying the influence of lifestyle on investment activities is very much limited. This has motivated the researcher to carry out this study. This study attempts to find out the lifestyle characteristics of investors by using AIO (Activities, Interest and Opinion) approach.

REVIEW OF LITERATURE

Literature suggests that major research in the area of investors' lifestyle characteristics has been done by behavioral scientists such as Weber (1999), Shiller (2000) and Shefrin (2000). Shiller (2000) who strongly advocated that stock market is governed by the market information which directly affects the behavior of the investors. Several studies have brought out the relationship between the demographics such as Gender, age and risk tolerance level of individuals. Of this the relationship between age and risk tolerance level has attracted much attention.

Wallach and Kogan (1961) were perhaps the first to study the relationship between risk tolerance and age. Cohn, Lewellen et.al found risky asset fraction of the portfolio to be positively correlated with income and age and negatively correlated with marital status. Morin and Suarez found evidence of increasing risk aversion with age although the households appear to become less risk averse as their wealth increases. Yoo (1994) found that the change in the risky asset holdings were not uniform. He found individuals to increase their investments in risky assets throughout their working life time, and decrease their risk exposure once they retire. Lewellen et.al analysed the pattern of investment behavior exhibited by individuals and found that age and risk taking propensities to be inversely related. They concluded that major shifts in behavioural pattern take place at the age of 55 and beyond.

Syed Tabassum Sultana,(2008) at his work on, An Empirical Study of Indian Individual Investors' Behavior, confirms findings with regard to the relationship between gender and age, the risk tolerance level of individual investors. The individual investor prefers to invest in financial products which give risk free returns. This confirms that Indian investors, irrespective of their education level, salary, gender, age or nature, prefer to play safe.

National Council of Applied Economic Research (NCEA) (1961), in its 'Urban Saving survey' noticed that irrespective of the occupation, education and age of the households, they desired to save for the future. It was found that desire to make provision for emergencies were a very important motive for saving for old age. Securities and Exchange Board of India (SEBI) and NCEAR (2000) 'Survey of Indian Investors' had been report that Safety and Liquidity were the primary considerations which determined the choice of an asset.

Barber and Odean (2000) explored the impact of intuitive thinking on investment preference to study the experience of actual investors. The ET Retail Equity Investor Survey (2004) in the secondary market identified different categories of investors based on their characteristics and

attitude towards secondary market investments. A study on 245 Kuala Lumpur Stock Exchange individual investors from Kula Lumpur by Petaling Jaya, reveal that there are some differences between active and passive investors in terms of demographic and psychographics, investment characteristics as well as investment behavior.

Warren et al. (1990) and Rajarajan (2000) predict individual investment choices (e.g., stocks, bonds, real estate) based on lifestyle and demographic attributes. These investors see rewards as contingent upon their own behavior.

Dunham (1984) admits that although personality factors can change over a period of time, the process is slow and tends to be stable from one situation to another. Therefore, these factors are expected to influence the decision making behaviour of an individual.

Barnewall (1988) has provided the most comprehensive analysis of the lifestyle characteristics of individual investors. Based on focus-group interviews with various types of investors over a period of time, she characterized individual investors as belonging to either two extremes-active or passive. She also summarized that the lifestyle characteristics be used to differentiate investors by the size and nature of their investment holdings.

OBJECTIVES OF THE STUDY

- To find out the common lifestyle characteristics of investors in Chennai.
- To study the influence exerted by lifestyle of investors on their investment pattern.
- To study the impact of activities, interest and opinion of investors on their lifestyle.
- To segment the investors based on their life style characteristics.

METHODOLOGY

The Research instrument used in this study is Questionnaire. It was designed pertaining to the problem and objectives of the study. The questionnaire contains statements relating to Activities, Interest and Opinion of investors with five point likert's scale. Primary data required for the study was collected by circulating these questionnaires among the individual investors in Chennai city. The opinion from all levels of investors is collected. The sample size for the study is 200. The tools used for the analysis are factor analysis, cluster analysis, chi-square analysis and analysis of variance.

ANALYSIS OF LIFESTYLE CHARACTERISTICS

This section analyses the lifestyle characteristics of respondents by using activity, interest and opinions.

LIFESTYLE CHARACTERISTIC OF INVESTOR BASED ON ACTIVITIES

There are many factors which influences the characteristics of individual investors based upon their activities. Eight statements are used to collect opinion from investors regarding the activities they normally do. Taking all 8 variables for further analysis is not necessary because respondents might have similar perception for one or two variables. To reduce 8 variables into minimum manageable number of variables, factor analysis is used. The variables are grouped by exploring common dimensions available among the variables.

Table 1: KMO and Bartlett's Test on activity

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.669
Bartlett's Test of Sphericity	Approx. Chi-Square	87.307
	Df	28
	Sig.	0.000

Before going for factor analysis suitability of data for the purpose of factor analysis has to be tested. KMO test and Bartlett's test are two such tests. Value of KMO of 0.669 indicates that a factor analysis is useful for the present data. Bartlett's test of Sphericity indicates whether the correlation matrix is an identity matrix, which would indicate that the variables are unrelated. Here, the significant value is 0.000 which indicates that there exist significant relationships among the variables. The resultant value of KMO test and Bartlett's test indicate that the present data is useful for factor analysis. The next step in the process is to decide about the number of factors to be derived. The thumb rule is factors which are having 'Eigen values' greater than unity can be taken. For the purpose of extraction Principal Component Analysis method is used. The Component matrix so formed is further rotated orthogonally using Varimax rotation algorithm for convenience factors are reduced to three. After the rotation all the statements are loaded on the three factors. The results so obtained have been given in the tables separately along with factor loadings.

Table 2: Total Variance Explained on Activities

Component	Initial Eigen values			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.606	20.074	20.074	1.529	19.118	19.118
2	1.507	18.842	38.916	1.492	18.655	37.773
3	1.173	14.668	53.585	1.265	15.812	53.585
4	1.033	12.916	66.501			
5	.914	11.423	77.924			
6	.831	10.383	88.307			
7	.618	7.725	96.032			
8	.317	3.968	100.000			

From the 8 statements only 4 statements have Eigen values more than 1. This means that these 4 statements can be used to explain maximum variance in the characteristics of people. For the sake convenience and uniformity three factors are taken. The total variance accounted by all the three factors is 53.585 percent. This means that significant amount of variance is explained by the reduced three factors alone. Therefore it is better to take three variables alone for further analysis. Among the three factors, the first factor accounts for around 19 percent of variance.

Table 3: Rotated component matrix

Activities	Component		
	1	2	3
My vacation plans are perfect.	.863		
I seldom participate in social activities.	.816		
I'm a "spender" than a "saver".		.743	
I spend a lot in shopping		.681	
I like to try new and different things		.496	
I spend most of time in work.			.769
I would rather spend a quiet evening at home than go out to a party.			.559
TV is main form of entertainment.			-.433

From the rotated component matrix it is clear that the first factor is having two statements, second factor is having three statements and third factor is having three statements. The factors

can be labeled based on the statements included in them. These three factors are explained as under:

Perfect Planning: These respondents plan their vacations perfectly and seldom participate in social activities. This category people are perfect in their schedule and plan before.

Innovativeness: This category respondent spends their money lavishly, try new and different things, and spend a lot in shopping.

Task Oriented: This category respondents are work alcoholics spends most of their time in work, like to be at home and TV is main form of entertainment.

Influence of demographic variables on Perfect Planning

The Influence of age, monthly income, investment objective and occupation on Perfect Planning can be analyzed by using Analysis of variance. The Null Hypothesis ($H_{0)}$ for this analysis is that there is no significant difference among different age categories, monthly income groups, investment objective in their life style (perfect planning).

Table 4: Influence of Age, Income, Occupation and Investment Objective on Life Style

ANOVA	F	Sig.
Age	.519	.722
Monthly income	.676	.569
Investment objective	1.060	.380
Occupation	2.849	.027

From the Table 4, it can be inferred that the values of significance are above 0.05 for age, monthly income and investment objective, which implies that null hypothesis is accepted. This means that there is no significant difference about perfect planning among the investors categorized based on their age, monthly income and investment objective. Table 4 also shows that the significant value is below 0.05 for occupation which implies that null hypothesis is rejected. This means that there is significant difference about perfect planning among the respondents categorized based on their occupation.

LIFESTYLE CHARACTERISTIC OF INVESTOR BASED ON INTEREST

The lifestyle characteristics of individual investors depend on their interest. To find out the interest of investors 13 statements are used. Factor analysis is used to reduce the statements into factors.

Table 5: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.580
Bartlett's Test of Sphericity	Approx. Chi-Square	268.850
	Df	78
	Sig.	.000

Value of KMO is 0.580. This indicates that a factor analysis is useful for the present data. The significant value for Bartlett's test of Sphericity is 0.000 which indicates that there exist significant relationship among the variables. The resultant value of KMO test and Bartlett's test indicate that the present data is useful for factor analysis.

Table 6: Total Variance Explained on Interest

Component	Initial Eigen values			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.712	20.861	20.861	2.180	16.770	16.770
2	1.900	14.616	35.477	1.966	15.122	31.892
3	1.367	10.518	45.996	1.834	14.104	45.996
4	1.237	9.517	55.513			
5	1.124	8.648	64.161			
6	.975	7.500	71.661			
7	.792	6.089	77.750			
8	.655	5.038	82.788			
9	.616	4.735	87.523			
10	.481	3.697	91.220			
11	.456	3.511	94.731			
12	.414	3.181	97.913			
13	.271	2.087	100.000			

After extraction and rotation of 13 statements only 5 statements have Eigen values more than 1. This means that these 5 statements can be used to explain maximum variance in the characteristics of people. For the purpose of simplicity and uniformity only three factors are

taken into account. The total variance accounted by all the three factors is 45.996 percent. This means that significant amount of variance is explained by the reduced three factors alone. Therefore it is better to take three variables alone for further analysis. Among the three factors, the first factor accounts for around 17 percent of variance.

Table 7: Rotated component matrix

INTEREST	Component		
	1	2	3
It's very important to me to feel I am a part of a group.	.754		
Overall, I'd say I'm very happy.	.752		
My social status is an important part of my life.	.698		
I prefer to buy well-known designer labels rather than take a chance.	.551		
I think I have more self- confidence than most people.		.702	
Before trying a new product or service, I seldom seek the advice of others.		.660	
Financial security is very important to me		.609	
I shop for status and style and not for price.		.403	
My family is the single most important thing to me			
In general, it's more important to understand my inner self than to be famous, powerful, or wealthy.			.718
My greatest achievements are ahead of me.			.603
I prefer making a purchase from local offices, malls, or stores.			.564
I am certainly more conventional than experimental.			.553

From the rotated component matrix it is clear that all the three factors are having four statements. These factors can be labeled based on the statements included in thesem. These three factors are:

Fashion Conscious: This category of respondents work as a part of the group, prefer to buy brand products, consider social status as paramount important and these people are generally happy.

Self Confidence: These categories of respondents have more self-confidence than others and financial security is important part of their life.

Leadership Factor: This category of respondents understand their inner self most than to be famous and wealthy, think their achievements are yet to come.

Influence of age and occupation on Leadership factor

Analysis of variance is used to find out the influence of age and occupation on leadership factor. The Null Hypothesis H_0 for this analysis is that there is no significant difference among different age groups and occupation categories of respondents on leadership factor.

Table 8: Influence of age and occupation on leadership factor

ANOVA	F	Sig.
Age	3.337	.013
Occupation	2.722	.033

From table 8, it can be inferred that the significant values are below 0.05, which implies that null hypothesis is rejected. This means that there is a significant difference between age group, occupation of the respondents in the leadership characteristics.

Table 9: Duncan age groups and Leadership

Age	N	1	2
Above 55	2	3.2500	
45-55	15	3.4333	3.4333
Below 25	22	3.6591	3.6591
35-45	22	3.7500	3.7500
25-35	49		3.8980

The Duncan table shows that the respondents belonging to the 25-35 age groups fall in the second group while those above the age of 55 fall in the first group. This means that young age people have high level of leadership characteristics than the retired people.

LIFESTYLE CHARACTERISTIC OF INVESTORS BASED ON OPINION

Life style of the investors vary depending upon the opinion they have about the family, nation and investment. To measure the lifestyle based on opinion of the investors 14 statements are used.

Table 10: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.614
Bartlett's Test of Sphericity	Approx. Chi-Square	291.428
	Df	91
	Sig.	.000

Value of KMO is 0.614 which indicates that a factor analysis is useful for the present data. The significant value in the Bartlett's test of Sphericity is 0.000 which indicates that the reduced factors are unrelated and distinctive factors.

Table 11: Total Variance Explained on Opinion

Component	Initial Eigen values			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.104	22.170	22.170	2.286	16.332	16.332
2	1.537	10.977	33.146	2.223	15.881	32.213
3	1.515	10.824	43.970	1.646	11.757	43.970
4	1.373	9.806	53.776			
5	1.055	7.537	61.313			
6	.917	6.552	67.864			
7	.870	6.216	74.080			
8	.715	5.105	79.185			
9	.641	4.579	83.764			
10	.608	4.345	88.109			
11	.579	4.133	92.242			
12	.466	3.332	95.574			
13	.337	2.410	97.984			
14	.282	2.016	100.000			

From the 14 statements only 5 statements have Eigen values more than 1. This means that these 5 statements can be used to explain maximum variance in the characteristics of people. To have uniformity with interest and activities, the opinion related statements are also reduced into three factors. The total variance accounted by all the three factors is 43.970 percent. Among the three factors, the first factor accounts for around 16 percent of variance.

Table 12: Rotated component matrix

Opinions	Component		
	1	2	3
A woman's life is fulfilled only if she can provide a happy home for her family.	.799		
I feel good when I buy something new.	.706		
Everything is changing too fast today.	.600		
I believe a woman can work outside the home even if she has small children and still be a good mother	.550		
I plan my shopping trips carefully.	.488		
I'm not afraid to wear something different in fashion.		.662	
I enjoy buying expensive things.		.638	
I intend to purchase products in the future from small mall.		.614	
I buy products I like, regardless of current fashion.		.518	
I believe that "industrial growth" should be limited.			-.827
The more the risk I take, the more are my returns.			.558
The products and/or services I purchase are of good value.			.465

From the rotated component matrix it is clear that the first factor is having five statements, second factor is having four statements and third factor is having three statements. Based on the statements included in the factors, they can be labeled, which is explained as under:

Well Being: This category of respondent feels good when they buy something new and in their opinion everything is changing fast today.

Inner Directed: This category of respondents enjoys buying expensive things and buy products regardless of current fashion.

Risk Taking: This category of respondents believes that higher the risk, returns will be more and they purchase products which have good value.

Influence of Demographic variables on Risk Taking

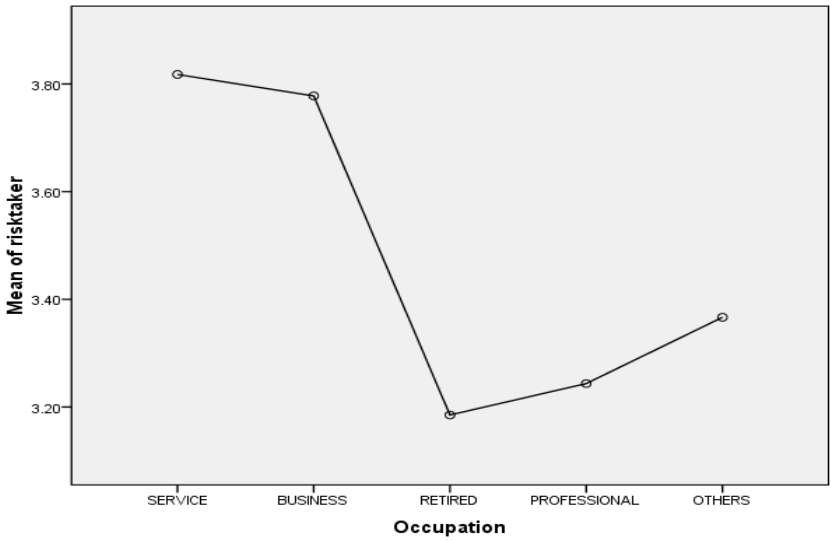
The influence of demographic variables on risk taking characteristics of investors is analyzed by using analysis of variance.

Table 13: Influence of Demographic variables on Risk Taking

ANOVA	F	Sig.
Age	3.090	.019
Occupation	9.117	.000
Monthly income	.638	.592
Investment objective	.959	.433

From table 13, it can be inferred that the significant values is below 0.05, which implies that null hypothesis is rejected. This means that there is significant difference on risk taking characteristics of the investors based on their occupation and age.

Fig.1: Means plot for occupation and risk takers



The mean value shows that business people and people working in service sector are taking more risk and they are in higher risk taking category while the retired pd professionals are taking less risk. Hence it can be said that occupation of investors influences their risk taking behaviour.

SEGMENTATION OF RESPONDENTS BASED ON THEIR LIFE STYLE CHARACTERISTICS

Using factor analysis the characteristics of the respondents was suppressed into nine factors namely: Perfect Planning, Innovativeness, Task Oriented, Fashion Conscious, Self Confidence, Leadership, Well Being, Inner Directed and Risk Taking. The respondents can be segmented based on the above factors. For the purpose segmentation K-Means cluster analysis is used.

Table 14: Final Cluster Centers (Activity Based)

Life style characteristics	CLUSTER I	CLUSTER II	CLUSTER III
Perfect Planning	3.40(II)	3.81(I)	2.58(III)
Innovativeness	3.51(II)	4.25(I)	3.37(III)
Task Oriented	2.51(I)	1.90(III)	2.11(II)

It can be observed that innovativeness has more mean in cluster II. Hence, the respondents under this cluster are named as "innovators". In cluster III the task oriented characteristic is more dominant and hence these respondents are named as "task oriented segment". In cluster I, it is found that perfect planning has more mean and hence the respondents under this cluster are named as "perfect planners".

Table 15: Number of Cases in Each Cluster

Cluster I	Perfect Planners	104
Cluster II	Innovators	56
Cluster III	Task Orientors	60

From table 15, it can be noticed that 104 respondents belong to the perfect planners, 56 respondents belong to the innovators and 60 respondents belong to task oriented segment.

Table 16: Final Cluster Centers (Interest)

Life style characteristics	CLUSTER I	CLUSTER II	CLUSTER III
Fashion Conscious	4.17(I)	3.34(II)	3.10(III)
Self Confidence	3.50(II)	3.43(III)	3.83(I)
Leadership	3.97(II)	3.36(III)	4.90(I)

Fashion conscious has more mean value in cluster 1 and the respondents under this cluster are named as "fashion conscious segment". In cluster II, it is clearly seen that self confidence has more mean and hence the respondents under this cluster are named as "self confident segment". In cluster III, the leadership characteristic is more dominant and hence the respondents are named as "leaders".

Table 17: Number of Cases in Each Cluster

Cluster I	Fashion Conscious	114
Cluster II	Self Confident	96
Cluster III	Leadership	10

From table 17, it can be inferred that 114 respondents belong to the fashion conscious segment, 96 respondents belong to the self confident segment and 10 respondent belong to the leadership segment.

Table 18: Final Cluster Centers (Opinion)

Life style characteristics	CLUSTER I	CLUSTER II	CLUSTER III
Well being	4.29(I)	3.97(II)	3.29(III)
Inner Directed	3.97(II)	3.98(I)	3.34(III)
Risk Taking	4.02(I)	3.35(III)	3.59(II)

Well-being has more mean value in cluster I than the other clusters and hence the respondents under this cluster are named as "well being segment". In cluster II, it is clearly seen that inner directed has more mean and hence the respondents under this cluster are named as "inner directors". In cluster III, the risk taking characteristic is more dominant and hence the respondents are named as "risk takers segment". Thus we concluded that the respondents investing in different investments are more well being, inner directed and risk taking in nature.

Table 19: Number of Cases in Each Cluster

Cluster I	Well Being	86
Cluster II	Inner Directors	36
Cluster III	Risk Takers	98

From table 19, it can be inferred that 86 respondents belong to the well being segment, 36 respondents belong to the inner directors and 98 respondent belong to the risk takers.

Relationship between life style characteristics and preference of investment schemes

The association between the life style characteristics of the respondents and preference of investment schemes is analyzed by using chi square test. The null hypothesis ($H_{0)}$ for this test is that there is no association between the life style characteristics of the respondents and preference of investment schemes.

Table 20: Life Style Characteristics and Preference of Investments

Variable	Value	Df	Sig. (2-sided)
Preference of investment	27.294	10	0.002
Percentage of income saved	.987	4	.912

The significant value for the association between life style characteristics and investment preference indicates that the null hypothesis is rejected. This means that there is an association between the life style characteristics of the respondents and preference of investments. Therefore

it can be concluded that the life style characteristics of the respondents influence the preference of different investments. The high significant value (typically above 0.05) for the association between life style characteristics and percentage of income saved by the respondents indicate that the null hypothesis is accepted. This means that there is no association between the life style characteristics of the respondents and percentage of income saved. Therefore it can be concluded that the life style characteristics of the respondents does not influence the percentage of the income saved.

CONCLUSION

The lifestyle characteristics depend upon the activities, interest and opinion of the investors. Based on the AIO the identified lifestyle are Perfect Planning, Innovativeness, Task Oriented, Fashion Conscious, Self Confidence, Leadership, Well Being, Inner Directed and Risk Taking. Most of the investors investing in different investments have high return as their main objective. Majority of investors invest in Shares to obtain high return. Investment made by investors in different schemes is dependent on age, occupation and monthly income. People in 25-35 age groups invest in Shares and 35-45 age group invest in Insurance and Real Estates. Investors from business group are perfect in planning their vacation plans and other activities. From this study investors who expect high return as their objective spend lavishly. The investors from professional, business and service sector occupational groups are confident performers. The investors of 25000-45000 income groups have more self-confidence than others. From this study, it can be said that investors of 25-35 age group are achievers and understand their inner self. Investors from service sector and business group are risk takers and believe good value for their purchase.

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