

Impact of Age on Behavioral finance & investment decisions.

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ABSTRACT

This study aims to determine the impact of age on investment decisions in the Delhi NCR area. There were a total of 60 investors who replied. The descriptive statistics and Pearson Chi-square test were used to interpret the data obtained for this analysis. The data obtained from administering a questionnaire to investors in Delhi National Capital Region was used in this observational study. The multiple independent and dependent variables were analyzed using a variety of statistical methods. The results of this study would benefit investors of all age classes to identify prejudices they may not otherwise be aware of. It would have stronger strategic decision-making for investment in the future.

KEYWORDS: Behavioral finance, financial literacy, decision making, Age.

Introduction

Behavioral biases are emotional beliefs or behaviors that can influence your decisions or opinions. It is usually influenced by emotions that are not specific facts. There are many studies showing that investors make decisions based on their own feelings and feelings without considering enough information and rational thinking. The stability of the stock market depends on the decision-making model for investors and traders in the market. Shareholder characteristics depend on demographic variables such as age, investment experience, etc. In crisis situations, investors analyze the situation they are facing now, although psychological decisions sometimes dominate them. This irrational behavior of investors has caused severe volatility in the stock market, causing several stock markets to collapse.

The stock market is closely related to the national economy. The stock market is considered an economic indicator of a country. A booming stock market is a positive symptom of national growth and development. Hence, decisions about stock market investors play an important role in the development of the economy. This study investigates the impact of behavioral changes on investor decisions on the National Stock Exchange of India and the Bombay Stock Exchange.

Review of Literature

Wang and Hanna (1997) noted the relative risk tolerance declined as people aged (i.e., as other factors remain stable, the proportion of the net worth invested in risky assets rises with age). The research concluded that risk exposure was likely to rise with age because their volatile asset class investment yields good returns and thus resisted a constant return.

Agarwal et al. (2009) Individual investors' investment choices were analyzed over their life span. They concentrated mostly on financial errors made by financial market investors. They analyzed ten forms of financial transfers, including fee payments, interest rates, credit card use, and so on. to classify them. Their studies have shown, in contrast to young and old investors, that medium-aged investors are less mistaken. They showed that financial market output reduction costs emerge at the age of 53. They proposed to regulators different policies, based on their results, laissez-faire, publication, driver's licenses, advance guidance, trustees, asset safety harbors, ex-post, and ex-ante controls.

Jain & Mandot (2012). In Rajasthan, the researchers conducted their research and discovered that there is a negative correlation between marital status, gender, age, educational qualification, and occupation of the investors, with the degree of danger the investors face. They also discovered that there is a positive correlation between city income and investor knowledge with the degree of risk investors face.

Ashly Lynn Joseph, Prakash (2014) Completed the study to learn about the investor's savings preferences. The study concluded that cash accumulation in a checking account or in protection is a greater asset for all of all ages. When assessing the respondent's investment portfolio, the respondent's asset is a major component.

Tahira R. Hassan in 2014 As a result of a variety of demographic variables such as gender and age, two prejudices (overconfidence bias and loss aversion bias) are under consideration. It was only conducted in Pakistan. The findings of the study indicate that gender is not linked to overconfidence, gender is not related to loss aversion, and men who are

overconfident are normally less reluctant to lose. She noted that men in Pakistan were more assertive, and women were more cautious when it came to being disrespected. Investing practice has shown to increase overconfidence in investing. Onsomu (2015) In order to know the connection of age and investment decisions, investors from Nairobi Securities Exchange, Kenya, researched. The thesis analyzes an individual's impact on his/her age on behavioral biases. Descriptive numbers, Chi-square, and Cramer's V were included in the research methods. The research has concluded that the investor's age is significantly related to trust. However, an irrelevant combination of representativeness, confirmation distortion and temperament impact is 5 percent important.

Gamble et al. (2015) The effect of cognition on elderly people's financial decisions was investigated. Over the time frame under consideration, 377 people's intellect deteriorated. Financial awareness, trust, and accountability for participants' financial choices were all taken into account when making financial decisions. According to the findings, decreasing memory is linked to a reduction in financial awareness and seeking financial assistance. Individuals' faith in their financial understanding was unaffected by weakening awareness and financial literacy.

Chougule (2017) Specific principles that apply to any particular investor at various stages of existence were addressed. A significant first phase in developing a sustainable investment policy is to develop a disciplined saving habit. Making an investment strategy was proposed as the next move. The age of the investor, the sum of money they choose to spend, and their risk tolerance all play a role in the investment strategy. Finally, it was determined that a good investment is determined by the life stage and financial management strategy. Setting a target, investing wisely, and tracking the investment at reasonable time intervals are the three disciplines of the investment method.

NouraMetawa, M. Kabir Hassan, SaadMetawa, M. FaisalSafa,(2018) Investor emotions, overconfidence, and herd activity were analyzed in regards to investment decisions in addition to demographic considerations. A questionnaire was used to perform the survey in the Egyptian stock market. 384 investors responded to the questionnaire. The collected data was evaluated using the multiple regression process. Behavioral influences such as "investor sentiment," "overconfidence," "overreaction," and "underreaction" have been discovered to influence investment decisions. Age, ethnicity, and educational degree all have a significant impact on investment decisions.

Research methodology

Research Design

The study adopted a causal design so as to establish the effect of age on investor decisions.

Data collection- The researchers created a questionnaire in order to do an observational study. The same questionnaire was handed out in person, and data was gathered through it email, and other means of communication. Primary data is gathered from customers that participate in a variety of financial instruments and modes.

Sample size- The thesis had a sample size of 100 participants. The survey size was reduced by 40% after 40 questionnaires were discovered to be incomplete. As a consequence, the sample size for evaluating the results is 60 respondents from Delhi NCR. Most of the respondent in this study was from investment background.

A total of 60 respondents participated in the study. They were divided into four age groups. 18-30, 31-40, 41-50, and over 50s. 30 of respondents were in the 18-30-year-old group, 54% in the 31-40-year-old group, 10% in the 41-50-year-old group, and 5% in the 50 and older group.

Age Profile

18–30years

“In this age group, 59 percent of respondents had previous knowledge of the investment portfolio in which they had invested, although 39 percent did not. 41% had invested in a single business, while 59% had purchased shares in several companies. The majority of respondents (61%) had invested in the telecommunications and technology market, while 33 percent had invested in the commercial and services and banking sectors. The other industries accounted for less than 30% of the total.

31-40years

When questioned whether they had any previous knowledge about the business they invested in, 32 percent said they did not have any prior knowledge, although 68 percent said they did. Media, traders and distributors, as well as family and friends, were used as sources of intelligence. In terms of diversification, 26% had stock in only one firm, while 74% had invested in several companies. The investors, on the other hand, did not take into account any of the companies listed on the Nairobi Securities Exchange. The majority of respondents (65%) had invested in the telecommunications industry, 45 percent in the banking sector, 29 percent in the energy sector, and 19 percent in the commercial sector, with the remaining industries accounting for just 6% of the total.

41-50years

In this age group, 81 percent of respondents had previous knowledge of the business they participated in, although 19 percent had no prior knowledge. In addition, 81 percent had purchased shares in several companies, while 19 percent had just invested in one. All of the respondents had made investments in the financial industry, 81 percent in telecommunications and technology, and 33 percent in commercial and services, energy, manufacturing, and allied industries. Finally, 19% of respondents put money into the Insurance Company.

>50years

In this age group, 33% of respondents had previous knowledge of the business in which they had invested, although 67% had no prior knowledge. 67 percent of respondents said they had invested in several companies, while 33 percent said they had only invested in one. All of the respondents had made investments in the Commercial and Services industry, with 67 percent making investments in the Agricultural and Banking sector. The answer from this age group, however, was too small to be eligible for study.

Age and Overconfidence Bias

Overconfidence prejudice influenced 55 percent, 10%, and 35 percent of respondents in the age groups 18-30 years, 31-40 years, and 41-50 years, respectively. The results show that respondents' age has a substantial impact on their degree of overconfidence bias. The P-value was 0.018, which indicated that the answers were slightly different at the 5% significance stage (Table 1). The Cramer's V of 0.436 shows that there is a substantial association between the respondents' age and overconfidence bias.

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.000 ^a	2	.018
Likelihood Ratio	8.540	2	.014
Linear-by-Linear Association	3.417	1	.065
N of Valid Cases	42		

Age and Representativeness Bias

Before investing in a company, the buyers were questioned if they took into account previous knowledge about the company. 76 percent, 92 percent, and 84 percent of people in the 18-30, 31-40, and 41-50 year age groups, respectively, looked at the previous success of the firms in which they participated. Table 2 shows an insignificant association between age and representativeness prejudice, with a 2 value of 2.118 and a P- value of 0.347. The Cramer's V, which revealed a poor partnership with a value of 0.212, backed this up.

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.118 ^a	2	.347
Likelihood Ratio	2.038	2	.361
Linear-by-Linear Association	.599	1	.439
N of Valid Cases	47		

Table 2: Age and Representativeness bias

Age and Confirmation Bias

Investors were questioned if they find a business they intend to invest in before looking for details or if they look for information first before choosing a company to screen for confirmation bias. The age ranges 18-30, 31-40, and 41-50 years each had 64 percent, 72 percent, and 33 percent of those who replied positively. With a 2= 3.360 and a P-value of 0.186, the findings revealed an insignificant association between age gaps and confirmation bias (Table 3). The Cramer's V value of 0.262 indicates that the partnership is small.

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.360 ^a	2	.186
Likelihood Ratio	3.213	2	.201
Linear-by-Linear Association	.729	1	.393
N of Valid Cases	49		

Table 3: Age and Confirmation bias

Age and Disposition Effect.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.897^a	2	.639
Likelihood Ratio	.900	2	.638
Linear-by-Linear Association	.878	1	.349
N of Valid Cases	51		

Table 4: Age and disposition Effect

To see whether there was a disposition impact, investors were questioned what they would do if the price of a stock they owned rose in value. 61 percent, 71 percent, and 67 percent of people aged 18 to 30, 31 to 40, 41 to 50, and over 50, respectively, opted to sell their stocks. However, with a P-value of 0.639, the age variations and personality influence were found to be insignificantly associated at 5%. (Table 4). The Cramer's V of 0.133 indicated that the Disposition influence and age had a very poor connection.

Conclusion.

The aim of the research was to see how behavioral differences impact people differently depending on their age. For the report, a total of 60 people were considered. The findings revealed a strong connection between age and overconfidence bias. Investors between the ages of 18 - 30 were the most impacted, although those between the ages of 31- 40 were the least affected. This contrasts with the findings of Rekik and Boujelbene (2013), who found that older investors were less influenced than younger investors, and Zaidi and Tauni (2012), who found no connection between age and overconfidence bias.

Representativeness Bias was seen in 76 percent, 92 percent, and 84 percent of all investors in the age ranges of 18-30 years, 31-40 years, and 41-50 years, respectively. The replies, on the other hand, did not vary substantially by age bracket. The P-value was 0.347, indicating that there was no statistically meaningful connection between age and representativeness bias.

Confirmation bias influenced investors in all age groups. The most influenced investors were those between the ages of 31 and 40, with 72 percent, followed by those between the ages of 18 and 30, with 64 percent, and those between the ages of 41 and 50, with 33 percent. The findings revealed that there is no connection between age and confirmation bias.

For the age ranges 18-30 years, 31-40 years, and 41-50 years, the disposition impact impacted 61 percent, 71 percent, and 67 percent of investors, respectively. However, at 5%, there was no statistically significant association between age and disposition influence. In contrast, Bashir, Azam, Butt, Javed, and Ayesha (2013) observed that age was negatively linked to temperament influence in a similar sample.”

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