

# ANALYSIS OF HOUSEHOLD STOCK INVESTMENT PATTERN<sup>1)</sup>

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## Results of the survey

**Whether or not to deal in stocks :** The survey results showed that one household out of five dealt in stocks, with stock investors taking up 19% of responses, and non-investors accounting for 81%. People were more likely to invest in stocks the higher their education level and income. By occupation, the stock investment ratio of clerical and specialized workers was higher than that of manual workers.

*The survey results showed that one household out of five dealt in stocks.*

**Reason for not investing in stocks :** Over half of the survey's respondents did not deal in stocks because they did not have enough money to spare. Others did not invest in stocks because of: excessive fluctuations of the stock index (18.2%), lack of

Table 1. Ratio of Stock Investors

Category	%	Category	%
<b>Total</b>	19.0	<b>Total</b>	19.0
<b>Age group</b>		<b>Education</b>	
20~30	18.0	High school or below	11.5
30~40	21.7	College or above	31.8
40~50	18.2		
Above 50	16.4	<b>Income level</b>	
<b>Occupation</b>		Below 0.7(million won)	5.3
Manual workers	8.4	0.71~1.0 (million won)	7.7
Clerical workers	30.9	1.01~1.05(million won)	14.8
Specialized workers	22.2	1.51~2.0 (million won)	23.6
Self-employed	13.7	2.01~3.0 (million won)	29.0
Other	11.5	Above 3.01	38.2

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### Outline of Survey

- Target: Married persons over twenty across Korea (949 people surveyed)
- Period: March 13, 2000~March 15, 2000
- Method: Answer by telephone
- Survey Institute: Hyundai Research Institute

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interest in the stock market (9.1%), and anxiety about the Korean economy (9.0%). This means that people have not yet recovered their income levels before the economic crisis, and the abrupt ups and downs of the stock index have influenced the mental state of stock investors. The respondents who did not invest in stocks overwhelmingly deposited their money in banks. Other means of investment included real estate purchases (4.8%) and investment in indirect financial goods (1.6%).

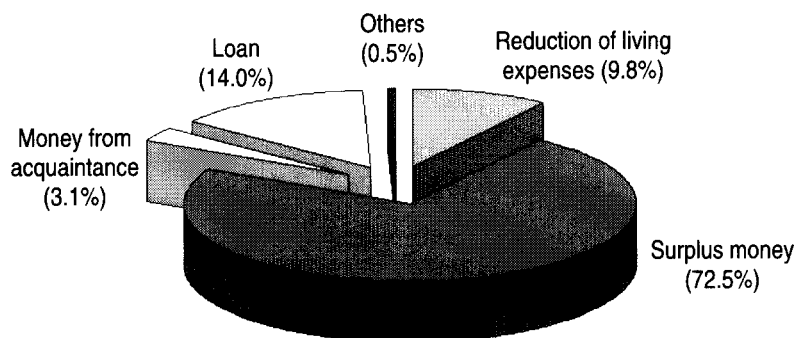
**Table 2. Reasons for not investing in stocks and investment means of non-investors in stocks**

Category	%	Category	%
<b>Reasons for not investing in stocks</b>	100.0	<b>Investment means of non-investors in stocks</b>	100.0
- Not enough money	57.2	- Bank Deposits	90.7
- excessive fluctuation of the stock index	18.2	- Real Estate Purchases	4.8
- Lack of interest in the stock market	9.1	- Indirect Financial Goods	1.6
- Anxiety about the Korean economy	9.0	- Private loan business	0.6
- Lack of stock market knowledge	4.7	- Other	2.3
- Other	1.8		

Most respondents answered that they invested in stocks with surplus money.

**Financing methods :** Most respondents answered that they invested in stocks with surplus money. This means that households are becoming more interested in the stock market, and stock investment is becoming an important savings method for households. Other financing methods included loans (14.0%), funds from the reduction of living expenses (9.8%), and money from acquaintances (3.1%). In

**Figure 1. Financing Methods of Stock Investment**



particular, many people in their twenties and thirties pursued a high risk/high return strategy by taking out loans in order to invest in stocks.

**Profits from stock investment :** Over half of the survey respondents answered that they lost money by speculating in stocks, while only 21.7% made profits. If one considers the latest sharp decline of the stock market, however, it is likely that even more stock speculators have lost money. The group that suffered large losses in particular was investors that were advanced in age with low income levels. This may be because it is difficult for such people to acquire stock information or to adapt to the internet-based information society. Most of the investors that profited from stock speculation re-invested into the stock market or invested in other financial goods. Some investors made small increases in consumption.

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### Sound investment practices are key

If sound stock investment practices are established and the stock market is activated, the resulting rise in stock prices will cause household wealth to increase, which will in turn encourage higher consumption and economic growth. So far, only a small portion of households have profited from stock speculation in Korea, and the wealth effect from income increases has been minor. However, if stock prices rise due to better investment practices, the subsequent increase of consumption will form the basis of stable economic growth lead by domestic demand, breaking the economy's dependency on exports. In the U.S., the stock market accounts for more than 30% of household financial assets, and the country's stock market bull run since the end of 1992 has contributed greatly to the ongoing economic boom. Considering this fact, the Korean government should maintain a policy that stabilizes the low interest rate, and allows adequate funds to flow into the stock market. The government should also try to resolve the ITC restructuring issue to improve investor confidence and raise stock prices. **VIP**

*If stock prices rise due to better investment practices, the subsequent increase of consumption will form the basis of stable economic growth.*

Table 3. Ratio of Profits in the Stock Market and Uses of Profit

Category	%	Category	%
Investor profits in the stock market	100.0	Uses of profit	100.0
- Profits	21.7	- Re-invest in the stock market	64.1
- Break even	23.9	- Invest in other financial goods	23.1
- Losses	54.4	- Consumption	10.3
		- Other	2.5