

A Study on Investments Risk Tolerance of Different Demographics groups House Holds in Coimbatore

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Abstract- The research paper aims to explore the investment risk tolerance of different demographic groups. The primary data for the study have been collected from the 295 users in Coimbatore through the issue of a well-structured questionnaire by using a convenient sampling technique. The simple percentage and chi-square tests have been used to analyze the data. The study finds that demographic factors significantly influence investors' risk acceptance levels. Moderate risk acceptance is common across selected variables. With regards to the qualification of the investors who have completed up to higher secondary, they accept a low level of risk. And with regard to the occupation, retired individuals and housewife investors accept a low level of risk. And the investors who have more than two members in their family accept a low level of risk. And with regard to the number of dependent family members, it is identified that increases in the level of dependent members reduce the risk-accepting level of the investors. And the chi-square test identified that the age, occupation, family member, and answering investment decision have a significant relationship between the extents of accepting risk.

Key words: Risk tolerance investment demographic factors Preferences

INTRODUCTION

In the recent scenario, there are many platforms and technologies available for savings and investments. But an individual's risk-taking ability is the predominant factor that affects the savings and investments of the individual households in an economy as a whole. Risk tolerance is often categorized into three main categories: those are conservative, moderate, and aggressive. Knowledge, skill, attitude, and behavior of an individual are determined by the risk-taking ability of an individual. This is commonly known as financial literacy. The basic concepts like diversification, rate of return, time value of money, and compound interest, etc., reduce

the risk of savings and investments. There are different forms of savings and investment options with varying risk factors available in the market. Moreover, based on the risk-taking ability of an individual, other socio-economic and demographic factors, and priority towards different platforms, select their combination of savings and investments.

REVIEW OF LITERATURE

Mukhdoomi, A. M., & Shah, F. A. (2023). Have conducted a study on "Risk Tolerance in Investment Decisions: Are Personality Traits the Real Triggers?" Made an attempt to study the psychological factors that affect the risk tolerance level of investors. Primary data was collected from 552 investors. Correlations and multiple regressions have been used to analyze the data. The study revealed that a personality trait of investors is a major factor.

John E. Grable, So-Hyun Joo, and Michelle Kruger (2020) have conducted a study on "Risk tolerance and household financial behavior: A test of the reflection effect" to analyze the extent of the reflection effect with household finance outcomes. Primary data was collected from 40,000 individuals. ANOVA, chi-square, and multinomial logistic regression are used to analyze the data. The study finds that the individuals on average exhibit the reflection effect. The results also confirmed that there are differences in behavior across risk categories.

Agrawal and Jhalak Jain (2021) have conducted a "study on a study on the impact of demographic factors and risk tolerance on investors of Raipur city, Chhattisgarh Tanishka." Made an attempt to study the impact of demographic factors and risk tolerance among investors. Primary data was collected from 200 investors. Correlation analysis was used to analyze the data. The study revealed occupation, gender, and income positive correlation between risk tolerance and investor behavior

Dhiraj Jain and Nikhil Mandot (2012) have conducted a study on the “Impact of demographic factors on the investment decision of investment” to study the investor’s investment decision and risk-taking ability. Primary data was collected from 200 investors. A chi-square test and correlation analysis were used. The study revealed demographic factors like age, marital status, and gender have a major impact on the investment decision, and income level and knowledge of the investment avenues are a major impact on the risk-taking ability of the investors.

Mehmet Islamoglu, Mehmet, and Apem Ayvali (2015) have entitled a study “Determination of factors affecting individual investor behaviors: a study on bankers” and attempted to study the factors influencing individual investor behavior and the sources of information for investment. Primary data was used from 277 respondents. The study revealed that income level and past investment experience are effects on investor investment decisions, and media and the internet are the most preferred sources of information for investment.

Shalini Gautham and Mitu Mattu (2016) have carried out a study, “Socio-demographic & attitudinal factors on consumer behavior by individual investors,” and attempted to examine the relative impact of dimensions related to financial attitude on the overall financial behavior of the investors. Primary data was collected from 332 respondents. Regression analysis and ANOVA were used. The study reveals most of the attitudinal factors that determined financial behavior are interest in financial matters and tendency toward saving.

STATEMENT OF THE PROBLEMS

Investment choices are highly influenced by an investor’s level of risk tolerance, which in turn affects their decision-making ability. Understanding risk tolerance among various demographics is essential to constructing well-cut investment programs. Previous research indicates that demographic factors influence financial behavior and risk-accepting levels of the individuals (Grable & Lytton, 1998; Harrington, 2008). So there arises a question: What are the demographic factors that affect the risk-taking ability of the individual investors? Furthermore, know the significance of risk tolerance among different demographic groups like age, area of residence,

gender, qualification, occupation, member in the family, number of dependents, family income, answering investment decision, and basic nature.

OBJECTIVES

- To analysis the investors Extent of accepting risk in various investment avenues.
- To know the relationship between Extent of accepting risk in among different demographic groups.

Hypothesis

The null hypothesis is framed to know the relationship between extents of accepting risk among different demographic groups.

Null Hypothesis (Ho): There is no relationship between the extent of accepting risk and the area of residence, age, gender, and qualification. Occupation, Member in the family, Number of dependents, Family income, answering investment decisions, and basic nature

RESEARCH METHODOLOGY

The present study is constructed on primary data that was garnered from investors in Tamil Nadu via the distribution of a comprehensive questionnaire. It contains questions relating to the learner's socio-economic profile and questions related to the extent of accepting risk. The data for the study have been collected from 295 investors through Google Forms. A convenient sampling technique has been adapted to collect data. The data collected have been analyzed using a simple percentage and chi-square test.

FINDINGS

The findings of in the study have been divided into two parts namely Socio Economic Profile & Investors Extent of accepting risk in various investment avenues.

I.Socio Economic Profile of investors:

A survey was conducted with a sample size of 295 investors. The analysis covers various demographic variables. The findings provide insights into the characteristics and preferences of the participants.

Analysis of Risk Acceptance of the investors:

- Among 295 investors, 144 (48.8%) investors are from rural areas, and 155 (51.2%) investors are from urban areas. And it is identified that investors from rural 79 (54.86%) and urban 82 (54.30%) residents accept moderate levels of risk.
- Among 295 investors, the majority of the investors are in the age group of up to 25 years. 65 (22.0%) and 77 (26.1%) investors are in the age group of 25-35 years. 64 (21.7%) of the investors are in the age group of 35-45 years. In that the investors aged 60 years and above accept a very low level of risk. Compare to others.
- Among 295 investors, 155 (51.2%) investors are in the male category, and 144 (48.8%) investors are in the female category. And both male and female investors are moderate risk takers.
- Among the investors, 82 (27.8%) are postgraduates, and 77 (26.1%) of the investors are completed up to higher secondary, and 72 (24.04%) are undergraduates. 64 (21.7%) are professionals. In that majority, 45 (58.44%) of the investors who have completed up to higher secondary accept a low level of risk, and those who have completed their graduation accept a moderate level of risk. And 30 (46.87%) of the professionals are accepting a high level of risk.
- Among the total respondents, 73 (24.7%) are businesspeople and 61 (20.7%) are agricultural people. 59 (20.0%) of the investors are professionals. The level of risk-accepting capacity With respect to the investor's occupation, the majority of professionals, salaried people, businesspeople, and agriculturalists are moderately willing to take risks, while housewives and retired people are low-level risk-takers.
- With respect to the number of family members in the family, 86 (29.2%) of the investors have three members in their family, and 121 (41.0%) investors have four members in their family, 57 (19.3%) have above four members in their family, and 31 (10.5%) have two members in their family. The majority of the investors who have two members in their family accept a low level of risk. And the investors who have more than two family members in the family accept a moderate level of risk.
- Among the total respondents, 128 (43.4%) investors have two members in their family, 82 (27.8%) investors have one dependent member in their family, 48 (16.3%) have three dependent members in their family, and out of the total respondents, only 5.4% of the investors have above four members in their family. And it is identified that 46 (56.09) of the investors who have one dependent member in their family accept a higher level of risk. And 76 (59.37) of the investors who accept a moderate level of risk have two dependent members. And investors who have three and four dependent family members accept a moderate level of risk. And it is identified that investors who have above four members (9, 56.25) accept a low level of risk.
- With regards to the family income, of the total investors, 105 (35.6%) investor families have an income of up to Rs.30,000; of those, 55 (52.38%) of the investors are accepting moderate risk, and 98 (33.2%) investor families have an income ranging between Rs.30,001 and Rs.45,000; of those, 58 (59.18%) of the investors are accepting moderate risk, and the remaining 92 (31.2%) investor families have an income above Rs.45,001. 48 (52.17%) of the investors are accepting moderate risk.
- With respect to the frequency of being answerable for investment decisions, 60 (20.3%) investors are not at all answerable to their investment decision, in that 31 (51.66%) of the investors accept a low level of risk. 146 (49.5%) investors occasionally answer their investment decision among them. 83 (56.84%) of the investors are accepting moderate risk. And the remaining 89 (30.2%) investors are regularly answering their investment decisions among them. 56 (62.92%) investors are accepting moderate risk.
- In relation to the investors' basic nature, 57 (19.3%) investors are neither flexible nor rigid; among them, 28 (49.12%) investors accept moderate risk, 105 (35.6%) investors are rigid in that 55 (52.38%) of the investors accept moderate risk, and the remaining 133 (45.1%) investors are flexible in that 78 (58.64%) investors accept moderate risk.

Table – 1

Attributes	Extent of accepting risk in various investment avenues			Total	Df	Chi-square Value
	High n36	Moderate n161	Low n98			
Area of Residence:						
Rural	22 (15.27)	79 (54.86)	43 (29.86)	144(100)	2	3.139
Urban	14 (9.27)	82 (54.30)	55 (36.42)	151(100)		
Age:						
Up to 25	12 (18.46)	36 (55.38)	17 (26.15)	65(100)	8	16.556*
25-35	6 (7.79)	43 (55.84)	28 (36.36)	77(100)		
35-45	7 (10.93)	38 (59.37)	19 (29.68)	64(100)		
45-60	3 (5.76)	23 (44.23)	26 (50.00)	52(100)		
60 and above	8 (21.62)	21 (56.75)	8 (21.62)	37(100)		
Gender:						
Male	22 (14.56)	77 (50.99)	52 (34.43)	151(100)	2	2.582
Female	14 (9.72)	84 (58.33)	46 (31.94)	144(100)		
Qualification:						
Up to HSC	9 (11.68)	23 (29.87)	45 (58.44)	77(100)	6	8.817
UG	11 (15.27)	42 (58.33)	19 (26.38)	72(100)		
PG	8 (9.75)	48 (58.53)	26 (31.70)	82(100)		
Professional	30 (46.87)	26 (40.62)	8 (12.5)	64(100)		
Occupation:						
Agriculture	5 (8.19)	31 (50.81)	25 (40.98)	61(100)	10	21.437*
Business	10 (13.69)	46 (63.01)	17 (23.28)	73(100)		
Salaried	6 (10.71)	31 (55.35)	19 (33.92)	56(100)		
Professional	6 (10.16)	28 (47.45)	25 (42.37)	59(100)		
Retired	4 (22.22)	4 (22.22)	10 (55.55)	18(100)		
House wife	5 (17.85)	8 (28.57)	15 (53.57)	28(100)		
Number of member in the family:						
2	3 (9.67)	12 (38.70)	16 (51.61)	31(100)	6	16.697* *
3	11 (12.79)	58 (67.44)	17 (19.76)	86(100)		
4	16 (13.22)	56 (46.28)	49(40.49)	121(100)		
Above 4	6 (10.52)	16 (28.07)	35 (61.40)	57(100)		
No of dependents Members						
1	46 (56.09)	9 (10.97)	27 (32.92)	82(100)	8	8.396
2	13 (46.42)	76 (59.37)	39 (30.46)	128(100)		
3	8 (16.66)	25 (52.08)	15 (31.25)	48(100)		
4	3 (14.28)	10 (47.61)	8 (38.09)	21(100)		
Above 4	3 (18.75)	4 (25.00)	9 (56.25)	16(100)		
Family Income: amount in thousands:						
up to Rs.30	11 (10.47)	55 (52.38)	39 (37.14)	105(100)	4	3.184
Rs.30 -Rs.45	10 (10.20)	58 (59.18)	30 (30.61)	98(100)		
Above Rs.45	15 (16.30)	48 (52.17)	29 (31.52)	92(100)		
How often You are Answerable For Your Investment Decision:						
Regular	12 (13.48)	56 (62.92)	21 (23.59)	89(100)	4	13.728**
Occasional	17 (11.64)	83 (56.84)	46 (31.50)	146(100)		
Not at all	7 (11.66)	22 (36.66)	31 (51.66)	60(100)		
Your Basic Nature:						
Flexible	13 (9.77)	78 (58.64)	42 (31.57)	133(100)	4	4.031
Rigid	17 (16.19)	55 (52.38)	33 (31.42)	105(100)		
Neither Flexible nor Rigid	6 (10.52)	28 (49.12)	23 (40.35)	57(100)		

ii. Variables associated with Extent of accepting risk in among different demographic groups.

Table – 2

Variables	D f	Chi-square Value	P -value	Table value @ 0.05% and 0.01%
Area of residence	2	3.139	.370687	5.991

Age	8	16.556*	.035079	15.507
Gender	2	2.582	.274996	5.991
Qualification	6	8.817	.184134	12.592
Occupation	10	21.437*	.018244	18.307
Member in the family	6	16.697*	.010464	12.592
No of dependents	8	8.396	.395774	15.507
Family income	4	3.184	.527519	9.488
Answering investment decision	4	13.728**	.008216	13.277
Basic nature	4	4.031	.401827	9.488

*Significant @.05 Percent level **Significant @.01 Percent level

The chi-square test is used to know the relationship between extents of accepting risk and various demographic factors like age, area of residence, gender, qualification, occupation, member in the family, number of dependents, family income, answering investment decision, and basic nature. The test significance clearly shows that age, occupation, and family member answering the investment decision have a significant relationship with the extent of accepting risk.

The null hypothesis is rejected, and the alternate hypothesis is accepted for the age, occupation, and member in the family, answering the investment decision that has a significant relationship between the extent of accepting risk.

SUGGESTIONS

- Create a high number of awareness programs with tailored training among investors to reduce the stress of investment.
- Creating strong regulations and promotions towards rate turns in the high-risk avenues.
- Guiding investors to select diversified avenues with profit.

CONCLUSIONS

There are ample savings and investment options available for the people to invest their money. But it is limited by the investor's risk-taking ability and level of awareness on various factors like technology, information, and financial literacy. The study concluded that the majority of the investors are moderately accepting risk. And age, occupation, and family member: answering an investment decision has

a significant relationship with the extent of accepting risk.

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