

FINANCIAL RISK TOLERANCE OF INDIVIDUAL INVESTORS

Submitted in partial fulfillment of the requirements for the award of

Master of Business Administration

by

SOUNDARYA. A.C
Register No.39410205



SCHOOL OF BUSINESS ADMINISTRATION

SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY
(DEEMED TO BE UNIVERSITY)

Accredited with Grade "A" by NAAC | 12B Status by UGC | Approved by AICTE
Jeppiaar Nagar, RAJIV GANDHI SALAI, CHENNAI - 600 119

April - 2021



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SCHOOL OF BUSINESS ADMINISTRATION

BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of Ms. Soundarya. A.C (39410205) who have done the Project work entitled "Financial Risk Tolerance of Individual Investors " under my supervision from December 2020 to February 2021.

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DECLARATION

I, Soundarya. A.C (Reg. No.39410205) hereby declare that the Project Report entitled "Financial Risk Tolerance of Individual Investors "done by me under the guidance of Dr. Y. Aysha Fathima, M. Com, M.B.A, M. Phil, Ph.D., is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

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SOUNDARYA.A.C

ABSTRACT

In this study is about the Financial Risk Tolerance of Individual investors. Hereby, while making real and individual investment decisions, both individual and institutional investors consider the possible rate of return and riskiness of the investment. This study intends to determine the factor influencing the overall financial risk tolerance by making an investment decision of individual investor through the research of the people of Chennai city. This study identifies the factors are Investment Decisions, Investment Knowledge, Risk Perception on Financial Risk Tolerance of individual investors. The research is descriptive in nature and data has been collected from 153 respondents of Individual Investors. Convenient sampling technique was employed in collecting samples. Percentage Analysis, Anova Analysis, Correlation Analysis, T Test Analysis, have been utilised to interpret data. From Analysis that it was surprising to find that the gender, investment knowledge and occupation did not play an important role in the risk tolerance level of the investor. However, the Income of the respondent made a difference in the Risk tolerance. The people in the higher income group had higher Risk tolerance. The perception of risk was the other factor that correlated with the risk tolerance. Hence, that the perception of risk is very conservative in Chennai city where the sample was taken.

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CHAPTER – 1

INTRODUCTION

1.1. BACKGROUND OF THE STUDY

1.1.1. Investors Current Financial Sector in India:

The financial sector in India, specifically the banking stocks have been doing well over the last five years. The current condition of the Indian banks seems to be strong, and a lot of growth is expected soon. The IT stocks too have been faring well and that is why it is advisable that the investors invest in stocks of quality companies that have a good revenue track record. The other stocks in the Indian financial market include consumer goods stocks, auto stocks and agriculture-related stocks. Some of the favorite stocks that investors can look forward to are Infosys Technologies, HDFC Bank, ICICI Bank.

India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The banking regulator has allowed new entities such as payment banks to be created recently, thereby adding to the type of entities operating in the sector. However, financial sector in India is predominantly a banking sector with commercial banks accounting for more than 64% of the total assets held by the financial system.

The Government of India has introduced several reforms to liberalize, regulate and enhance this industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). These measures include launching Credit Guarantee Fund Scheme for MSMEs, issuing guideline to banks regarding collateral requirements and setting up a Micro Units Development and Refinance Agency (MUDRA). With a combined push by Government and private sector, India is undoubtedly one of the world's most vibrant capital markets.

1.1.2. TYPES OF INVESTOR

➤ Retail or Individual Investor

A retail or individual investor is someone who invests in securities and assets on their own, usually in smaller quantities. They typically buy stocks in round numbers such as 25, 50, 75 or 100. The stocks they buy are part of their portfolio and do not represent those of any organization.

However, many individual investors make trades based on their emotions. They let fear and greed dictate the stocks they buy. It is not the most optimal way to trade as stock markets are incredibly volatile, and it is often hard to predict the direction in which the stock will move.

➤ Institutional Investor

An institutional investor is a company or organization that invests money to buy securities or assets such as real estate. Unlike individual investors who buy stocks in publicly traded companies on the stock exchange, institutional investors purchase stock in hedge funds, pension funds, mutual funds, and insurance companies. They also make substantial investments in the companies, very often reaching millions in dollars in value. The institutional investor is not the beneficiary of the earnings from the investment, but the company as a whole act as a beneficiary.

However, according to the UK's HM Revenue and Customs Office, an institutional investor can either invest on behalf of others or in their own capacity. If they invested using their account, then they would not be considered an institutional investor. While some people own their shares, others own them through institutional investors who invest their money in other savings or investment accounts.

For example, a portion of many people's paychecks is given to a pension fund each month. The pension fund uses the money to buy other financial assets to earn a profit. In this case, the pension fund is an institutional investor as they are buying shares on behalf of the people who invested their money in the fund.

Since institutional investors buy securities and financial assets at a much greater scale than their retail counterparts, they often exert a significant influence over the financial markets and the economies of nations. They are also a major source of capital for companies that are publicly listed on the stock exchange.

1.1.3. Investment

Investment is to allocate money in the expectation of some benefit/return in the future. In other words, to invest means owning an asset or an item with the goal of generating income from the investment or the appreciation of your investment which is an increase in the value of the asset over a period of time. When you invest it always requires a sacrifice of some present asset that you own today such as time, money, or effort.

In finance, the benefit from an investing is when you receive a return on your investment. The return may consist of a gain or a loss realized from the sale of a property or an investment, unrealized capital appreciation (or depreciation), or investment income such as dividends, interest, rental income etc., or a combination of capital gain and income. The return may also include currency gains or losses due to changes in the foreign currency exchange rates. Investors generally expect higher returns from riskier investments. When a low-risk investment is made, the return is also generally low. Similarly, high risk comes with high returns. Investors, particularly novices, are often advised to adopt a particular investment strategy and diversify their portfolio. Diversification has the statistical effect of reducing overall risk.

1.1.4. Investment & Risk

An investor may bear a risk of loss of some or all of their capital invested. Investment differs from arbitrage, in which profit is generated without investing capital or bearing risk.

- Savings bear the (normally remote) risk that the financial provider may default.
- Foreign currency savings also bear foreign exchange risk: if the currency of a savings account differs from the account holder's home currency, then there is the risk that the exchange rate between the two currencies will move unfavorably so that the value of the savings account decreases, measured in the account holder's home currency.
- In contrast with savings, investments tend to carry more risk, in the form of both a wider variety of risk factors and a greater level of uncertainty.

Industry to industry volatility is more or less of a risk depending. In biotechnology for example, investors look for big profits on companies that have small market capitalizations but can be worth hundreds of millions quite quickly. The risk is approximately 90% of the products researched do not make it developed do not make it to market due to regulations and the complex demands within pharmacology as the average prescription drug takes 10 years and \$2.5 billion USD worth of capital.

1.1.5. Investment Industry in India

The investment industry in India has been riding high since the last few years. India equity market has doubled since March 2009, with ADRs like Dr. Reddy's Laboratories and Tata Motors only getting doubled and tripled. Warren Buffett has always mentioned that investment in India should always be a long-term story - as the industry has been growing from an emerging market to a developed one. The next 10 years in India will surely give good returns.

India's GDP growth was around 7 percent in 2010. The sustainable growth rate of India would however hover around 7%. Before becoming a mature economy, India has another 20 to 40 years to spare. The overall contribution made by the financial services sector in India in the year 2009 was 15 per cent towards the GDP of the country.

1.1.6. Importance of Investment

- One of the major reasons behind investing in India is Inflation. Due to the constant rise in the cost of goods and services people in India are losing out on their real money value. Hence investing becomes very important to reap the benefits of your hard-earned money.
- Due to the decrease in mortality rate and higher life-expectancy people in India need to invest. To live longer you need money to sustain specially during old age.
- Investing also saves you from paying heavy amounts as tax.
- If you invest perfectly according to your requirements you can improve your current standard of living and keep maintain a wealth reserve for the future.

1.1.7. Challenges of Indian Investment Industry

The investing story in India has not been always that smooth. Pitfalls are sure to co-exist. The main hurdle on India's growth now is its infrastructure. On the other hand, infrastructure is India's biggest opportunity as well. The fiscal deficit of India also poses a big threat to the investment industry in India. For an emerging economy like India, it is recommended that an investor always balances the unique risks against the potential for high long-term growth. Accordingly, the decision for investment should be made.

Of late, the Indian economy is turning out to be extremely conducive in terms of domestic and foreign investments. India Investments has been the major propelling force towards India's attainment of self-sustained growth by way of rapid industrialization. The pioneers of the investment industry have been Foreign Direct Investment (FDI) and Investments made by NRIs. Foreign Direct Investments in India has been gearing up momentum every passing day. So, to view an economy which is entirely open to the global markets, the investment industry in India should be groomed in a manner that the maximum returns are achieved. It is advisable that the investment industry's potential should neither be overestimated nor underestimated. We should know how to deal with the complexities of the investment industry and grow along with it.

1.1.8. TYPES OF INVESTMENT OPTIONS

Before start investing, it is important to have proper knowledge of different investment plans. As most the investors invest based on their risk level (Low, medium, and high risk), let's take a look at the type of investment options in detail.

1.1.8.1. Low-risk investments

These are investment options that pay fixed income regardless of the changes in the economy or business. Debentures, bonds, and fixed deposits come under this category. Besides this, there are other investments options such as EPF, PPF, Sukanya Sam Riddhi Yojana, Senior Citizen Savings Schemes, and National Savings Certificate, which is government-initiated schemes and offers low-risk guaranteed returns. The returns offered by these investment schemes are periodic and predetermined. The investors who are looking for no volatility in their investment

portfolio and have a low risk tolerance should consider investing in low-risk investment options. Low-risk investment options offer safe and guaranteed returns to investors.

1.1.8.2. Medium-risk investments

These investment plans include a certain %age of risk but also pay a higher return to the investors. Medium risk investment options are best suited for investors who have a medium risk appetite and who want to gain relatively higher returns and a regular flow or income as compared to the fixed-income securities. Balanced mutual funds, debt funds, and index funds fall under this category. Even though medium risk investment options have an element of stability and debt, but their market-linked volatility can hamper the principal amount. Medium risk investment options include an element of stability and debt, however, the volatility associated with the returns can result in the loss of principal amount. Due to market volatility associated with these instruments, it is not possible to get a regular fixed income.

1.1.8.3. High-risk investments

In high-risk investment options, the returns and risks are directly proportional to each other. These investment plans offer a high return on investment although; the risk with investment is also on the higher side. equity mutual funds, stocks of companies, derivatives, and even stocks come under this category. Market savvy investors who have a better knowledge of the market and have a high-risk tolerance appetite and consider investing in these investment options. Even though under these investment options there is no limit of gains, the level of risk involved in it is also very high. Although one can get very high returns on these investment options, it is important to when one should invest money in the volatile market and when they should stop and withdraw money with high returns.

Table 1.1. Comparison of investment options in India

Top Investment Area	Investment Restrictions	Return on Investment	Risk of Loss
Gold	No limit	Offers high returns as gold prices are on a rise	Low
Bank Deposit	---	Offers up to 8.5 percent annual return depending on the bank and period	Low
Mutual Funds	No limit	Equity Based: High	Equity Based: High
National Saving Certificate (NSC)	No limit	Offers up to 8 interest calculated biannually	No risk
Real Estate	No limit	Capital gains guaranteed for specified avenues also tax exemption is available on long term investments	Low

1.2. INDUSTRY PROFILE:***1.2.1. Origin of Investment***

The Code of Hammurabi (around 1700 BC) provided a legal framework for investment, establishing a means for the pledge of collateral by codifying debtor and creditor rights in regard to pledged land. Punishments for breaking financial obligations were not as severe as those for crimes involving injury or death.

In the medieval Islamic world, the qirad was a major financial instrument. This was an arrangement between one or more investors and an agent where the investors entrusted capital to an agent who then traded with it in hopes of making a profit. Both parties then received a previously settled portion of the profit, though the agent was not liable for any losses. Many will notice that the qirad is similar to the institution of the commenda later used in western Europe, though whether the qirad

transformed into the commenda or the two institutions evolved independently cannot be stated with certainty.

Amsterdam Stock Exchange is the world's oldest stock exchange. Established in 1602 by Dutch East India Company, the company issued the first shares on the Amsterdam Stock Exchange. In the early 1900s, purchasers of stocks, bonds, and other securities were described in media, academia, and commerce as speculators. Since the Wall Street crash of 1929, and particularly by the 1950s, the term investment had come to denote the more conservative end of the securities spectrum, while speculation was applied by financial brokers and their advertising agencies to higher risk securities much in vogue at that time. Since the last half of the 20th century, the terms speculation and speculator have specifically referred to higher risk ventures.

1.2.2. Investor Profile

An investor profile is a reflection of an investor's goals and objectives. It defines how much risk someone is willing to accept and also the kinds of rewards or returns that he is expecting. Based on this profile, an investor and a financial advisor can together determine where to allocate funds, because each asset class carries a different level of risk. An investor profile dictates how much capital goes to stocks, bonds, and other asset classes, and how much should remain in cash.

Certain criteria determine an investor's profile. Often, a financial advisor will ask a client to fill out an investor profile questionnaire. The purpose is to find out basic information such as the amount of money available to invest, when the funds will be needed, what the funds will be used for, and the age of an investor. An investor who is close to retirement, for example, will have a shorter investment time horizon than someone who is in their 20s or 30s.

The way an investor handles loss also plays into his investor profile. If a portfolio declines 20% in one year's time and the investor uses this as an opportunity to purchase additional securities, his tolerance for risk is high. If, however, he liquidates the portfolio and sells everything, there is a low risk tolerance. An investor with a conservative investor profile takes on as little risk as possible. Returns in a conservative portfolio may be modest, but so is the chance for losing money. Someone with a moderate investor profile has a reasonable understanding of

the stock market and is willing to take on some risk. An aggressive investor has advanced investment knowledge of the financial markets and is not afraid to make risky investments. He should expect the highest rates of return.

A portfolio will be divided based on investment objectives. Government bonds tend to be the safest investments if the underlying government does not tend to default on its debt. Corporate bonds can be risky because if a company defaults on a loan, certain investors may not be paid. A bellwether stock is an industry leader, and investors may feel safer with a company with proven historical returns. A risky stock is one with no proven track record or that has demonstrated signs of continued weakness in its price.

1.2.3. Indian Financial sector

India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The banking regulator has allowed new entities such as payment banks to be created recently, thereby adding to the type of entities operating in the sector. However, financial sector in India is predominantly a banking sector with commercial banks accounting for more than 64% of the total assets held by the financial system.

The Government of India has introduced several reforms to liberalize, regulate and enhance this industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). These measures include launching Credit Guarantee Fund Scheme for MSMEs, issuing guideline to banks regarding collateral requirements and setting up a Micro Units Development and Refinance Agency (MUDRA). With a combined push by Government and private sector, India is undoubtedly one of the world's most vibrant capital markets.

1.2.4. Market Size

As of November 2020, Assets Under Management (AUM) managed by the mutual fund industry stood at Rs. 30 lakh crores (US\$ 407.39 billion). Inflow in India's mutual fund schemes via the Systematic Investment Plan (SIP) route reached Rs. 82,453 crores (US\$ 11.70 billion) in 2019. Equity mutual funds registered a net inflow of Rs. 8.04 trillion (US\$ 114.06 billion) by end of December 2019.

Another crucial component of India's financial industry is the insurance industry. Insurance industry has been expanding at a fast pace. The total first year premium of life insurance companies reached Rs. 2.59 lakh crore (US\$ 36.73 billion) in FY20. Furthermore, India's leading bourse, Bombay Stock Exchange (BSE), will set up a joint venture with Ebix Inc to build a robust insurance distribution network in the country through a new distribution exchange platform.

1.2.5. Investments/Developments

- In November 2020, LIC took initiatives to facilitate quicker proposal completion by launching a digital application – ANANDA.
- In November 2020, Paytm reported 2x growth in digital gold transactions in the last six months. New customers have increased 50% since the beginning of this financial year and the average order value has increased by 60%.
- In November 2020, the Reserve Bank of India (RBI) announced establishment of its Innovation Hub. In order to encourage access to financial services and goods and foster financial inclusion, this initiative would create an ecosystem. The Innovation Hub of the Reserve Bank (RBIH) is intended to promote innovation across the financial sector by leveraging technology and creating a conducive environment for innovation.
- VC investments grew to US\$ 3.6 billion in July-September 2020 from US\$ 1.5 billion in the previous quarter, powered by the mega deals, which included the US\$ 1.3 billion raised by the online retailer—Flipkart.
- On November 6, 2020, WhatsApp started its UPI payment services in India on receiving the National Payments Corporation of India (NPCI) approval to 'Go Live' on UPI in a graded manner.
- In October 2020, Unified Payments Interface (UPI) recorded 2.07 billion transactions worth Rs. 3.86 lakh crore (US\$ 52.10 billion).

1.2.6. Government Initiatives

- In November 2020, the Union Cabinet approved the government's equity infusion plan for Rs. 6,000 crores (US\$ 814.54 million) in the NIIF Debt Platform funded by the National Investment and Infrastructure Fund (NIIF) consisting of Aseem Infrastructure Finance Limited (AIFL) and NIIF Infrastructure Finance Limited (NIIF) (NIIF-IFL).
- In November 2020, two MoUs were signed—one between India International Exchange (India INX) and Luxembourg Stock Exchange and another between State Bank of India and Luxembourg Stock Exchange for cooperation in financial services, ESG (environmental, social and governance) and green finance in the local market.
- On November 11, 2020, The Cabinet Committee on Economic Affairs approved continuation and revamping of the scheme for financial support to public-private partnerships (PPPs) in 'Infrastructure Viability Gap Funding (VGF) Scheme' until 2024-25 with a total outlay of Rs. 8,100 crores (US\$ 1.08 billion).

1.2.7. Road Ahead

- India is expected to be the fourth largest private wealth market globally by 2028.
- India is today one of the most vibrant global economies on the back of robust banking and insurance sectors. The relaxation of foreign investment rules has received a positive response from the insurance sector, with many companies announcing plans to increase their stakes in joint ventures with Indian companies. Over the coming quarters, there could be a series of joint venture deals between global insurance giants and local players.
- The Association of Mutual Funds in India (AMFI) is targeting nearly five-fold growth in AUM to Rs. 95 lakh crore (US\$ 1.47 trillion) and more than three times growth in investor accounts to 130 million by 2025.
- India's mobile wallet industry is estimated to grow at a Compound Annual Growth Rate (CAGR) of 150% to reach US\$ 4.4 billion by 2022, while mobile wallet transactions will touch Rs. 32 trillion (USD\$ 492.6 billion) during the same period.

1.3. NEED FOR THE STUDY

In this study is about the Financial Risk Tolerance of Individual investors. Many researchers have discussed the chance tolerance of investors. Hereby, while making real and individual investment decisions, both individual and institutional investors consider the possible rate of return and riskiness of the investment. during this context, the financial risk tolerance of individual investors emerges as a very important factor influencing the selection of financial investments and therefore the use of savings in financial markets. Risk tolerance is one amongst the foremost significant components within the investment markets. Investors who take an excessive amount of risk will result in a wrong selling within the wrong time.

That this study shows how they are facing financial risk tolerance of individual investor and determining investment decisions through portfolio investment by using the investor pyramid. Because of recent global financial crises, investment decisions are considered as important task in our standard of living. So, this study is critical to enumerate the investment decisions and financial risk tolerance of individual investors by the using the demographic variables.

1.4. SIGNIFICANCE OF THE STUDY

This study will provide information about the investment decision making of individuals belonging to different age group, different financial sectors, and their investment preferences. Furthermore, it'll help in determining whether the seasoned investor can only keep investment decision, or the financial literacy and accounting information may help less experienced investors in making good investment decision.

1.5. OBJECTIVES OF STUDY

Primary Objective

- To determine the financial risk tolerance of individual investors

Secondary Objective

- To identify the factors influencing risk tolerance level of an individual.
- To examine the investment decisions of individual investor
- To analyse the influence of the demographic factors on financial risk tolerance.

1.6. LIMITATION OF STUDY

- The area of data has been restricted to Chennai city.
- The study has not conducted for longer time horizon. The time limit is restricted to three months.
- This study has taken limited dependent variables like investment decisions, investment knowledge, risk tolerance level, risk perception.
- And the demographic variables like investors age, gender, marital status, annual income etc as independent variables.
- The survey was taken with limited set of questionnaires.

CHAPTER 2

REVIEW OF LITERATURE AND THEORETICAL BACKGROUND

The studies on financial risk tolerance of individual investors in relation to their demographic, risk perception, investment decision, risk tolerance, the factors are limited. The related studies are:

Hye Kyung Lee (1995), 'furnished the seminal literature and research in share of a household's funding portfolio that need to be in volatile property such as shares relies upon on what percentage of whole wealth, consisting of human wealth, the funding portfolio'. This study makes a survey on U.S consumer finances estimates the total wealth of households they find that 2% of the total wealth are financial assets of the households. The investment portfolios representing a high proportion of total wealth.

John Grable R. H.(1999), 'Financial risk tolerance revisited: the event of a risk assessment instrument. Where discussed about the many think about variety of household financial decisions, yet few recognized, valid, and reliable methods of assessment are available to be used by financial service providers and educators. The multidimensional instrument is presented because the foundation for the event of a more widely used and accepted index. Future use by practitioners and researchers is inspired to further validate the usefulness of the instrument'.

'A suggestion given by Grable(2000), that the research was regarding risk either individually or in combination as determinants of financial risk tolerance. This analysis indicated everyday money matters by examining demographic, socioeconomic, and attitudinal characteristics as determinants.

Chia-Chi Chang(2004) made a research on three objectives to examine the relationship between age and risk tolerance. Two regression analyses were conducted using data from the Survey of Consumer Finances conducted during 2001. The results showed that determinants of both subjective and objective risk tolerance, and that subjective risk tolerance positively influenced objective risk tolerance.

John Grable (2004), in this study the effects of environmental and biopsychosocial factors on financial risk tolerance are analysed. The research is premised by the researcher Irwin's conducted in 1993 risk-taking behavioural model. Using a sample of faculty and staff from two universities, indicate that education, marital status, net worth, financial knowledge, and household income, as environmental factors, are related to financial risk tolerance. Terrenc A Hallahan(2004), that people's self-assessed risk tolerance generally accords with RTS.

Rui Yao (2005) the studies examines the financial risk tolerance that they have found that women are less risk tolerant than men. It is important because it affects a household's portfolio decisions, which ultimately affect a household's wealth accumulation.

Chen (2006) the research identifies that the investors who are more investment experience had bearing more risk than the lower level of investment knowledge and experience.

Roger G Ibbotson (2007), According to "Lifetime Financial Advice: Human Capital, Asset Allocation, and Insurance" that the Human capital interacts with traditional investments, such as stocks, bonds, and real estate, through the correlation structure.

Adem Anbar (2010), Over the years research examine 'the Financial risk tolerance is the key elements that be considered in making investment decisions for both investment managers and investors research associates through relationship between financial risk tolerance and demographic characteristics such as age, gender, marital status, number of children, income and risk perception.

Alen Nasic (2010), study examined the determinants of investors' risk-taking behavior that investors' is affected by their subjective risk attitude in the financial domain and by the risk and return of an investment alternative. The objective or historical return and volatility of a stock are not as good predictors of risk-taking behavior as are subjective risk and return measures.

Ali (2011), The research of study is analyzing the listed companies 'that largely depends on their stocks being liquidly traded. This study finds that the investors trading decisions are affected by perceived risk, perceived returns and trust directly.

Among this different groups of investors, individual investors are evaluating companies' risks and returns, and biased in their investing decisions '.

Rasoul Sadi (2011), in this study, the one of the important factors that affect the investors financial decisions are perceptual errors that their decisions will affect the decisions in while buying and selling stock. This study is to recognize the popular perceptual errors among investors and its connection with their personality with the associate relationship of Behavioural finance, Investing decisions, Perception errors and biases, Big five personality model.

Sulaiman (2012), "An Empirical Analysis of Financial Risk Tolerance and Demographic Features of Individual Investors" This paper reviews the outcomes of the examiner that turned into designed to examine the factors relationships i.e., relationship among the risk tolerance of man or woman traders and their demographic functions. To measure a factor of software for any investment decision and maximizing the predicted application is considered to be the closing aim in any financial hobby.

Thomas Bailard (2012), This examine is to apprehend the relationship between model evolved through Thomas Bailard, David Biehl and Ronald Kaiser (BB&K) 5-way version and investment choices of individual traders. Investment is derived the usage of Delphi technique. The five personalities specifically Adventurer, Celebrity, Individualist, Guardian and immediately Arrow has proven their respective behaviour in investment selections.

Lubna Riaz (2012), researcher suggest the model has been developed to describe 'the impact of risk propensity, asymmetric on investor's behaviour making decisions through the mediating role of risk perception. Also, it determines each independent variable by the investor when they make their decisions. Find a way to research in most seek to assess both risk tolerance and risk capacity and guide investors toward appropriate portfolios to examine the assessment of investors' risk tolerance and what, beyond investors' risk tolerance, be assessed by the typical questionnaires under headings such as Risk Questionnaire, Investor Questionnaire, and Investment Policy Questionnaire. And to analysis is based on an online survey to find that people with high risk tolerance Carrie Pan conducted in 2012.

Taqadus Bashir (Supervisor) (2013), According to this observe of risk belief and its effect on investors' behaviour is well mounted in the literature of behavioural finance and studies were carried out to discover, check out and degree this observe is to test empirically the effect of traders' belief of danger on portfolio control inside the Kingdom of Bahrain.

Jarita Duasa (2013), look at intends the difficulty of determinants of risk tolerance among Malaysians the use of information acquired from a survey. Based on level of economic danger tolerance as the dependent variable and socio–money factors as regressors.” Gender Effects on Risk Perception and Risk Behavior Of Entrepreneurs at Smes In Sri Lanka” where discussed by means of Jayathilake (2013).

Sasmita Mishra (2014), the study suggest ‘the review of literature that practitioners and researchers that (a) adult males are more risk tolerant than females, (b) younger individuals are more risk tolerant than older individuals, (c) single men and women are greater risk tolerant than married individuals, (d) individuals employed in professional occupations are more risk tolerant than those employed in non-professional occupations, (e) self-employed individuals are greater risk tolerant than these employed by others, (f) excessive income earners are more risk tolerant than decrease income earners, (g) Whites are extra risk tolerant than non-whites, and (h) individuals with greater attained academic levels are more risk tolerant than these with lower levels of attained education ‘.

Taqadus Bashir (2014), a look at ‘investigates the impact of risk tolerance with a demographic characteristic on the subject of risk belief and portfolio control, which, in turn, have an effect on traders' choices. Behavioral finance focuses on mental factors—along with hazard perception and portfolio control—that play a crucial position in traders' financial choice making. In this take a look at the researcher investigates structural equation modelling to facts accumulated from a pattern of one hundred twenty respondents & find a big and high-quality courting among risk perception and risk tolerance. By this demographic variable Age, training, and profits have a substantial however terrible courting with portfolio control, while gender has a tremendous and fine courting with portfolio control’.

According to Lodhi (2014), ‘have a look at intends to take a look at the effect of economic literacy, accounting facts, openness to revel in and expertise asymmetry

on man or woman investors' selection making via the empirical research of the human beings residing in Karachi town. Quantitative studies changed into performed to determine the relationship between favored explanatory and response variables. There were 5 impartial variables inclusive of; financial literacy, excessive experience, use of accounting statistics, importance of analyzing economic statements and age that would affect the investment decision of any individual. Five specific established variables were selected from the questionnaire to reach to any conclusion they had been risk taking, choice funding in shares (risky investment), risk aversion, statistics asymmetry and stocks investment. The acquired outcomes show that economic literacy and accounting data enables investors in reducing records asymmetry and allows investors to spend money on risky instruments '.

Kumar, Kambuaya, Jamil, & Muneer (2015), This takes a look at offers new proof on 'determinants of risk tolerance of individual traders of Pakistan. The foremost objective of the research is to evaluate the elements that determine the people' choices. It is important to recognize the factors of hazard tolerance and the way to manipulate these elements to beautify the potential of risk tolerance in making funding selections and increasing economic increase. The survey tool used to analyze the determinants of chance tolerance is primarily based on a questionnaire evolved by way of Dow Jones and Company in 1998 this is in Bodie et al. conducted in 2007.

Kannadhasan (2015), the study of "Retail investors' financial risk tolerance and their risk-taking behaviour: The intention of 'this have a look at was to analyse service first-class delivery of rural banks in emerging economies from the clients' angle. The have a look at determined that clients need rural banks in Takoradi to decide more convenient branches i.e., Subbranches, stores and further make bigger banking hours to remedy overcrowding on the banking halls. It became therefore advocated that control of these rural banks in Takoradi, Ghana should liaise with stakeholders to ascertain extra branches in its catchment regions to ease the common congestion within the banking halls'.

Abdeldayem (2015), The Study of 'risk belief and its impact on traders' behaviour is properly hooked up within the literature of behavioural finance. The purpose of this look at is to check empirically the effect of investors' belief of danger on portfolio

management within the Kingdom of Bahrain. This looks at draws on 151 questionnaire surveys of traders in Bahrain. Suitability of the info changed into checked through calculating the Kaiser Meyer-Olkin (KMO) cost and analysing the anti-picture-covariance-matrix. The results screen that perceived portfolio danger isn't only complete of quantitative elements of potential losses and profits however additionally qualitative manifestations proof to be pertinent. Worry & tension, liquidity; and additionally, the extent of confidence inside the economic system and/or the securities market load high on the component representing the perceived hazard via investors that is related to portfolio management within the Kingdom of Bahrain'.

Olga Pak (2015), 'The study provides valuable insights to investment specialists and policymakers to know investors' behaviour in post-Soviet transition countries. this paper is to research the link between temperament traits, risk-taking perspective and investment selections among potential personal investors throughout a post-Soviet transition country, i.e., Kazakhstan. This study results imply that investment advisors ought to think about personal characteristics and individual risk tolerance, among alternative factors, once giving investment recommendation to private investors.

Lokhande(2015), The study tried to seek out the notice of rural investors regarding numerous investment avenues, their preferences and issues for investment cash. A sample of three hundred respondents was designated from four villages from Sillod block of Aurangabad district, geographic region. the most important focus of the study was on investigation whether there was distinction between investment awareness level and academic qualifications of male and feminine rural investors. The study disclosed that there was no vital distinction in awareness level of rural male and feminine investors and their academic qualifications. The investment preference order of the respondents indicated towards secured investment angle. Bank deposits, gold and jewellery, property were fashionable investment avenues for majority of the investors.

Stephen Kuzniak(2015), developed, tested, and revealed a money risk-tolerance scale in money Services Review that has since been wide employed by customers, financial advisers, and researchers to judge a person's disposition to have

interaction in an exceedingly risky money behaviour. Analysis of information (n = one hundred sixty,279) spanning the timeframe 2007 to 2013 provides proof that the risk-tolerance scale's liableness and validity have remained strong since the size was 1st developed. The scale's calculable Cronbach's α was zero.77 throughout now amount. per the literature, high scale scores (representing a bigger disposition to require risks) were found to be associated with equity possession and negatively associated with money and bond holding.

Sachithanantham and Chavali(2016), 'This empirical examine explores the investment pattern and money decision making of individuals and their risk tolerance. The examine has followed financial risk tolerance scale proposed with the aid of Grable and Lytton to degree the extraordinary dimensions of financialhazard. Kendall's W take a look at is used to check the preferred source of investment of individuals. The look at famous that gender has an effect on the investment sample and decision making of respondents.

Sasmita Mishra(2016), Financial Risk Tolerance among Indian Investors: A Multiple Discriminant Modeling of Determinants, 'According to this study a singular perspective on money risk tolerance, on account of 2 aspects. First, it's been stressed that risk tolerance could be a sophisticated method, going on the far side demographic and socioeconomic factors Grable and writer, and researchers have rarely forayed on the far side the demographic determinants. This study includes the individual price of materialism to research risk tolerance. it's pertinent to say here that each the constructs 'financial risk tolerance' and 'materialism' area unit dimensions of an individual's temperament and each have an effect on the selections associated with the top use of income. Second, money risk tolerance has principally been investigated as a private development. The study supposed to meet 2 objectives: (a) to see whether or not a collection of socioeconomic parameters and a private consumption price will distinguish between levels of economic risk tolerance, as individual variables and as a weighted variate; and (b) to through empirical observation investigate the extent of the contribution of the individual price of materialism and socioeconomic determinants toward separation of above-average risk tolerance investors from those having below-average risk tolerance, as a variable quantity.

Bilgehan Kubilay(2016), this study, 'the relation between personal traits, psychological biases and financial risk tolerance of investors were tested through a questionnaire. Sample of the study were selected among individual investor who sleep in İstanbul and operate in financial markets. The hypotheses made within the scope of the study were tested by chi-square analysis and logistic multivariate analysis. As a result of the hypotheses testing, it absolutely was concluded that there was a big relation between the personality traits of investors and therefore the psychological biases they faced which the personality traits of investors affected their financial risk tolerances'.

Selim Arena(2016), on this research, 'the researcher investigates the variables which might be affecting funding possibilities of individual investors. Personality trait is not an essential variable, however alternatively our proof suggests that level of financial literacy and risk belief are important. Besides, chance belief is likewise stricken by economic literacy and gender, but marital status is not powerful at the equal degree '.

According to Sujit Deb (2016), the concept 'risk belief' method the manner wherein investors view the risk of financial property, based totally on their concerns and enjoy. The danger perception of traders is an essential thing that influences the funding behaviour. The impact of hazard perception of the bank personnel in Tripura on their investment behaviour in mutual price range is analysed. The researcher discovered that average level of hazard perception of bank employees in Tripura toward mutual fund is of slight stage. It is likewise located that chance perception and quantity of funding in mutual fund is inversely associated.

Dr. Ahmed Imran Hunjra (2016), 'look at goal is to test the questionnaire validity that's used to measure the main determinants of decision-making of funding together with Propensity of Risk, Framing of Problem, Information Asymmetry, and Perception of Risk. A hundred traders from Islamabad Stock Exchange depending upon their expert opinion have been requested to charge the 39 gadgets initial scale.

Nurul Shahnaz Mahdzan(2017), study contributes to the literature by holistically incorporating the activity aspects that associate degree effect on} retirement designing and by exploring a Chart: less issue of retirement planning—namely, the retirement portfolio allocation. the 2 objectives of this paper square measure to look

at the impact of money accomplishment, risk aversion and expectations on retirement planning; and, to analyse the impact of those antecedents on the retirement portfolio allocation. information was collected via a self-administered form from an operating people in Malaysian capital, Malaysia. logistical and ordered prohibit regressions were utilized to analyse the primary and second objective, severally. The results from the logistical regression indicate that future expectations considerably influence the chance of coming up with for retirement. Meanwhile, people with higher money accomplishment and lower risk aversion square measure additional possible to carry risky assets in their retirement portfolios. after, two-sample t-test and unidirectional ANOVA tests were conducted to more examine the variations in money accomplishment, risk aversion and expectations, across demographic subgroups.

According to Nur Ainia(2018), 'study contributes to the literature by holistically incorporating the behavioural aspects that affect retirement planning and by exploring an uncharted issue of retirement planning—namely, the retirement portfolio allocation. the two objectives of this paper are to appear at the effect of money literacy, risk aversion and expectations on retirement planning; and, to research the effect of these antecedents on the retirement portfolio allocation. Data was collected via a self-administered questionnaire from a working individual in national capital, Malaysia. Logistic and ordered prohibit regressions were employed to analyse the first and second objective, respectively. The results from the logistic regression indicate that future expectations significantly influence the probability of designing for retirement'.

Mitali Baruah(2018)', this study is undertaken to develop a model that helps in understanding impact of risk tolerance and demographic factors collectively on investment decision; particularly, a call associated with level of investment. Also, capitalist is also having higher risk tolerance for the scheming investment however is also having lover risk tolerance in speculative investment'. So, supported intensive literature support, this analysis has tried to propose a model for understanding the impact of investment risk tolerance, capital risk tolerance, speculative risk tolerance, and 6 vital demographic variables collectively on investment call. Thus, this study would be useful to investment corporations in understanding impact of risk tolerances and demographic variables collectively on

level of investment of investors, which might be used for planning a method or investment product to supply to the investors with totally different completely different levels of money risk tolerance and different demographic profiles.

According to Bajwa (2018), during this study 'the Behavioural finance is an open-minded finance which has the study of psychology, sociology, and finance. Behavioural finance micro examines behaviour. In this paper, we are going to review various studies during this area so on have a transparent understanding of the behavioural finance and its significance within the financial deciding of investors.

Praba(2019), Determinants of financial Risk Tolerance and its influence on Investment decisions. 'The rational construct assumes that individuals, both investors, and managers are capable of understanding the risk tolerance .Because of such thinking, the concept of market efficiency comes into existence. it absolutely was a central a part of the standard theory and behavioural finance theory.

Naveed Hussain Shah(2020), An Empirical Analysis of Financial Risk Tolerance and Demographic Factors of Business Graduates in Pakistan, the reason of 'this empirical study became the researcher examine whether financial chance-tolerance differs amongst commercial enterprise graduates in Pakistan supported their demographic elements (i.E., gender, age, education, enjoy, profits, saving, location, and profession). The observe employed a quantitative technique to a multinomial logistic regression version and an internet questionnaire device for the first records series. The result of this look at that male business graduates having greater earnings and financial savings, those with extra schooling qualifications and additionally older graduates are positively related to financial chance-tolerance. However, the link between economic hazard-tolerance and skill stage of human beings become found terrible and insignificant, and consequently the same result among the two variables is frequently showed through the findings of the correlation evaluation. Furthermore, the parametric examine confirmed that geographical variations exist amongst commercial enterprise graduates in phrases of financialdanger-tolerance attitudes.

Yilmaz Bayar(2020), in this newsletter, researcher make a probe on 'the impact of financial literacy degree and demographic characteristics at the economic chance tolerance of the individuals within the pattern of Usak University team of workers,

employing a multinomial logistic multivariate analysis and retrieving information via the questionnaire approach. Multinomial logistic regression is an extension of binary logistic regression, with 3 or greater categories of the variable quantity. The findings of the empirical evaluation display that economic literacy and demographic traits vintage; gender, education, and income stages are good sized determinants of financial risk tolerance. The improvements inside the economic literacy of the individuals via various teaching packages will possibly enhance the demand of economic merchandise with unique risk traits and successively contribute to the event of financial zone’.

Ashfaq Ahmad(2020), ‘this observe empirically investigates the impact of private characteristics on investors’ investment choice via risk tolerance. Data changed into amassed shape one hundred seventy five individual investors of Pakistan trade. PLS-SEM became accustomed make statistical evaluation. Moreover, danger tolerance partially mediates the connection between extroversion and funding selections. The hyperlink among introversion and investment selections is negative and chance tolerance in part mediates the aforesaid relationship. Furthermore, it is statistically proved that funding experience substantially moderates the association among extraversion and risk tolerance. However, funding enjoy does not play any conditional position within the affiliation between introversion and chance tolerance. This examine is helpful for financial advisors to deliver best consultancy to their clients (traders), while thinking about their personal traits’.

Ali Osman Oztop(2020), Influence Of Socio-Demographic Characteristics, Financial Literacy And Mood On Financial Risk Tolerance, in step with the purpose of this ‘observe is to determine the factors affecting economic risk tolerance of the individual study, there may be a statistically positive and large courting among both fine emotion and age and economic chance tolerance. On the other hand, there is no good sized dating among gender, earnings, having kids, financial literacy and financial chance tolerance. The outcomes of this examine imply that the immediately of higher cognitive technique is critical because of risk tolerance of people is littered with advantageous emotion moreover as age’.

CHAPTER -3

RESEARCH METHODOLOGY

3.1. RESEARCH DESIGN

The research is descriptive in nature. This research determines the Financial Risk Tolerance of Individual Investors and identifies the factor influencing the risk tolerance of individual investors.

3.2. SAMPLING TECHNIQUE

The study uses Convenient Sampling Technique. Convenient Sampling Technique is a type of Non-Probability random Sampling Technique where the sample is taken from a group convenient to collect data from

3.3. SOURCES OF DATA

The study used both primary data and secondary data

3.3.1. *Primary data*

The primary data was collected through survey from 153 respondents.

3.3.2. *Secondary data*

Secondary data was collected from reviewing various literature related financial risk tolerance of individual investors.

3.4. STRUCTURE OF QUESTIONNAIRE

The questionnaire has been framed and circulated to collect primary data. The questionnaire contains

- Direct questions
- Close end questions
- Dichotomous questions
- Multiple choice questions

3.5.SAMPLE SIZE

For this research the sample of population is taken from the individual investors from Chennai city with respect to Age Group, Gender, Employment type, Education, Income Level, Marital Status, Risk tolerance, financial Experience. The population size is indefinite. The sampling method used in this research is Convenient Sampling Technique The sampling size for this study is 153 of individual investors are being taken for this study.

3.6. PERIOD OF STUDY

The study was conducted for a period of 3 months from December 2020 to February 2021

3.7. RESEARCH MODEL

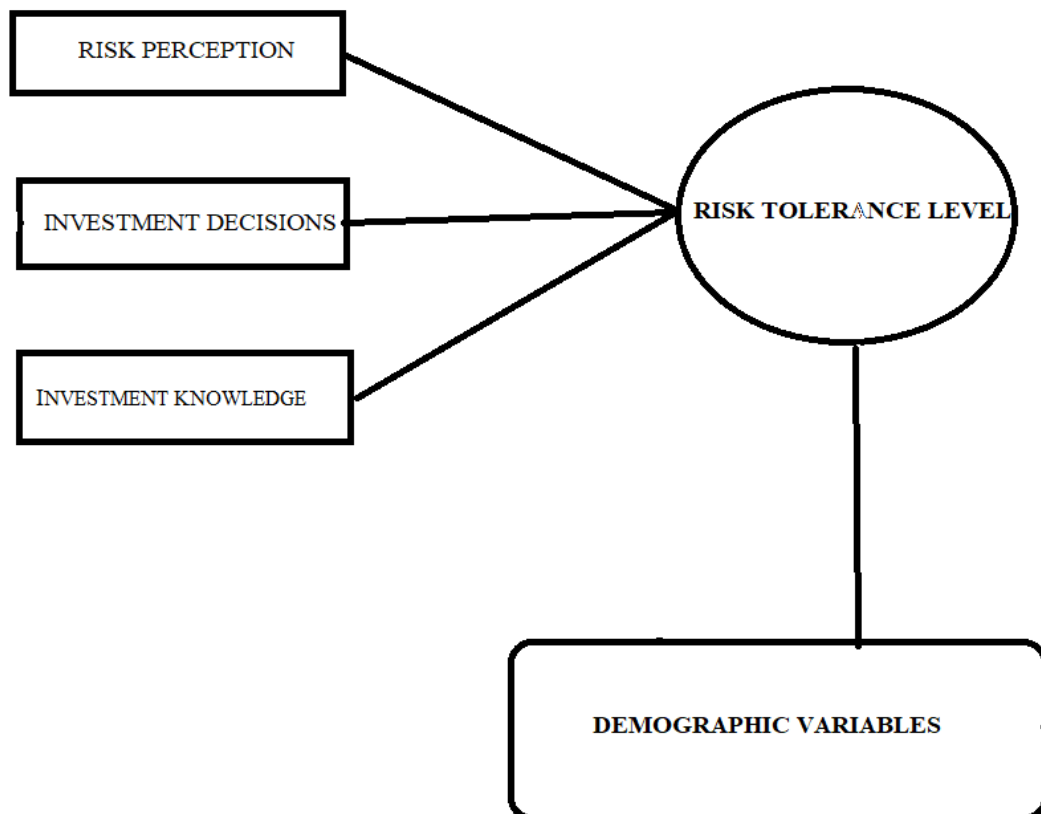


Chart 3.1: Research model

The research model shows the dependent factors of risk tolerance of individual investors. The dependent factors are Investment Decisions, Investment Knowledge, Risk Perception on Financial Risk Tolerance of individual investors. And the demographic variables are influencing the investment decisions of the individual investors. The independent Factors include Financial Risk Tolerance such as demographic factors, income level. The variables to study Investment Decisions were identified as degree of risk have you taken with your financial decisions in the past, degree of risk is you currently prepared to take with your financial decision and what type of risk willing to take. The variables to study Investment Awareness level were identified as financial knowledge, Budgeting day to day finances, saving money, managing debt, investing money, Planning for the financial future. The variables to study Risk Perception were identified as trust and confidence, investment fluctuations, financial experts' ability in forecasting, believe the value.

3.8. RESEARCH HYPOTHESIS

H₀ 1: There is no significant difference among various occupation on risk tolerance level

H₀ 2: There is no significant difference among various annual income and risk tolerance level

H₀ 3: There is no difference between investment decisions with respect to gender.

H₀ 4: There is no relationship between Risk tolerance and Investment Knowledge.

H₀ 5: There is no relationship between Risk tolerance and Risk Perception.

3.9. ANALYSIS TOOLS

3.9.1. Software Used

SPSS software was used to analyses data. SPSS is a widely used program for statistical analysis in social science, It is also used by market researchers, health researchers, survey companies, government, education researchers, marketing organizations, data miners, and others. The original SPSS manual (Nie, Bent & Hull,1970) has been described as one of "sociology's most influential books" for allowing ordinary researchers to do their own statistical analysis. In addition to statistical analysis, data management (case selection, file reshaping, creating

derived data) and data documentation (a metadata dictionary is stored in the datafile) are features of the base software. IBM SPSS was employed to analyze data from the survey.

3.9.2 Tests used

Percentage Analysis

Simple Percentage Analysis refers to a special kind of rates, percentage are used in making comparison between two or more series of data. A percentage is used to determine relationship between the series.

Percentage = No of respondents * 100

$$153(\text{Total respondents})$$

Independent T Test

The independent t-test, also called the two-sample t-test, independent-samples t-test or student's t-test, is an inferential statistical test that determines whether there is a statistically significant difference between the means in two unrelated groups.

Null and alternative hypotheses for the independent t-test

H₀: $\mu_1 = \mu_2$

H_A: $\mu_1 \neq \mu_2$

To do this, we need to set a significance level (also called alpha) that allows us to either reject or accept the alternative hypothesis. Most commonly, this value is set at 0.05.

One way ANOVA

Analysis of variance, or ANOVA, is a statistical method that separates observed variance data into different components to use for additional tests. A one-way ANOVA is used for three or more groups of data, to gain information about the relationship between the dependent and independent variables. The ANOVA test allows a comparison of more than two groups at the same time to determine whether a relationship exists between them. The result of the ANOVA formula, the F statistic

(also called the F-ratio), allows for the analysis of multiple groups of data to determine the variability between samples and within samples.

The hypotheses of interest in an ANOVA are as follows:

H0: $\mu_1 = \mu_2 = \mu_3 \dots = \mu_k$

H1: Means are not all equal.

Correlation Analysis

Correlation analysis is a statistical method used to evaluate the strength of relationship between two quantitative variables. A high correlation means that two or more variables have a strong relationship with each other, while a weak correlation means that the variables are hardly related. In other words, it is the process of studying the strength of that relationship with available statistical data. Sample correlation coefficient, more specifically the Pearson Product Moment correlation coefficient. The sample correlation coefficient, denoted r , ranges between -1 and +1 and quantifies the direction and strength of the linear association between the two variables. The correlation between two variables can be positive (i.e., higher levels of one variable are associated with higher levels of the other) or negative (i.e., higher levels of one variable are associated with lower levels of the other). The sign of the correlation coefficient indicates the direction of the association. The magnitude of the correlation coefficient indicates the strength of the association.

CHAPTER- 4

DATA ANALYSIS AND INTERPRETATION

4.1. PERCENTAGE ANALYSIS

Table 4.1. Gender of Respondents

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Female	74	51.6%
Male	79	48.4%

Source: Primary data

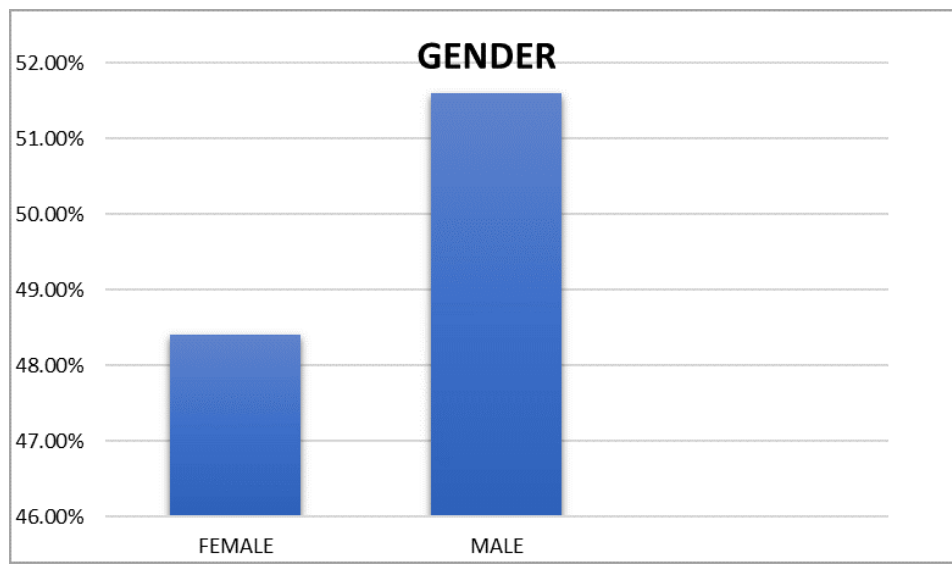


Chart 4.1: Gender of Respondents

Interpretation

The above table shows that 51.6 % of respondents are female and 48.4% of respondents are male out of 153 respondents whereas female respondents are majority than male respondents. The pictorial representation of the gender is given above.

Inference

Majority of individual investor are Female.

Table 4.2: Age of Respondents

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Below 25	63	41.2%
Between 25-35	22	14.4%
Between 35- 55	38	24.8%
Above 55	33	19.6%

Source: Primary data

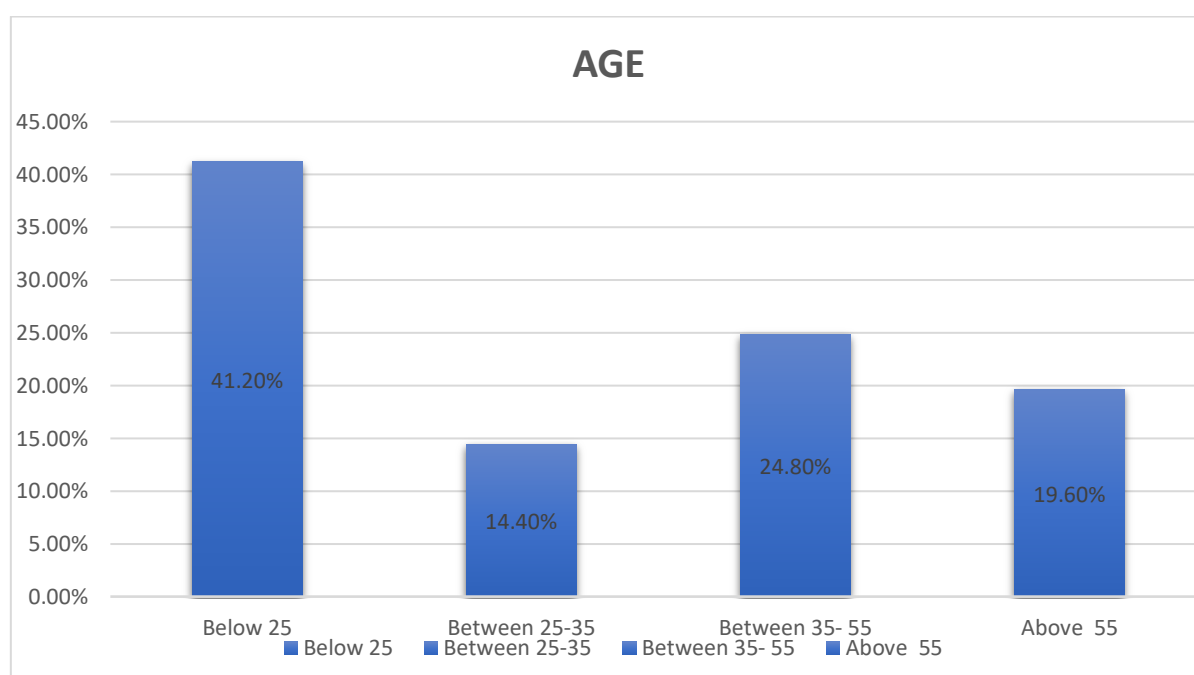


Chart 4.2: Age of Respondents

Interpretation

The above table represent the details on the classification of respondents based on age. Out of 153 respondents most of members are below 25 i.e., 41.2 % and lowest number of respondents are between above 55 i.e., 19.6%. The pictorial representation of the age is given above.

Inference

Most of the investors are aged between 35-55.

Table 4.3: Education Level of the Respondents

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Higher Secondary /Diploma	20	13.1%
Graduate	60	39.2 %
Postgraduate	73	47.71 %

Source: Primary data

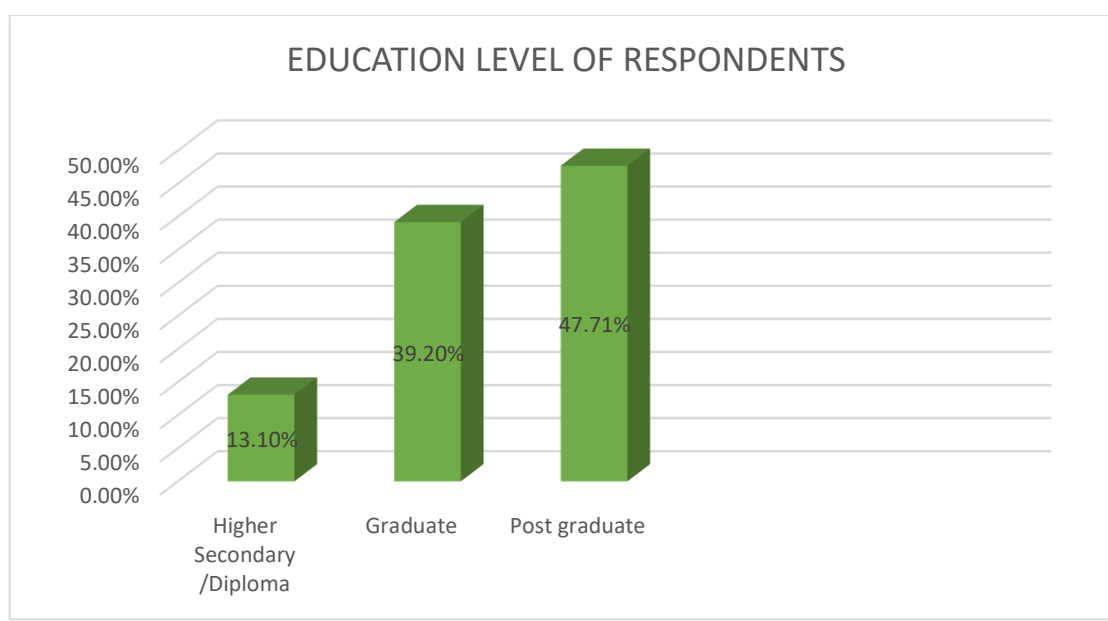


Chart 4.3: Education Level of the Respondents

Interpretation

The above table represents the details on the classification of respondents based on education level. Out of 153 respondents, 13.1% are Higher Secondary / Diploma, 39.20% are in Graduate level, 45.75% are Post Graduate level and 2% are Chartered Accountant. The pictorial representation of the education level of respondents is given above.

Inference

Most of the individual investors are qualified with graduate level

Table 4.4: Occupation of the Respondents

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Salaried Employee	20	34.6 %
Business / Self Employed	60	28.1%
Student	61	29.4 %
Housewife	5	3.3 %
Retired	3	2 %
Others	53	34.6%

Source: Primary data

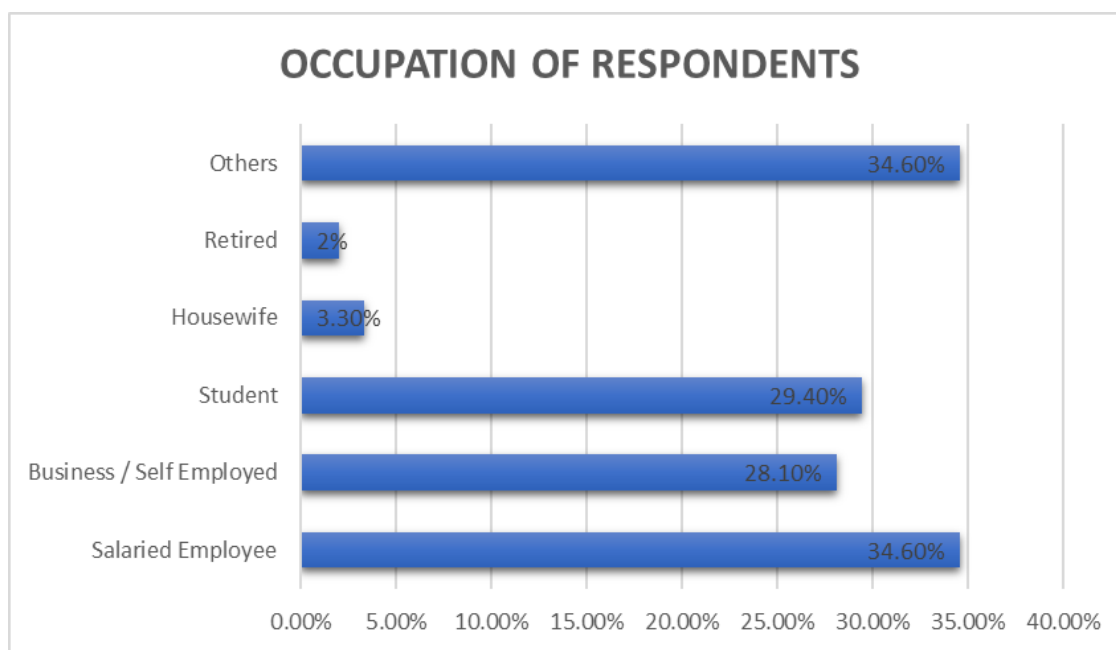


Chart 4.4: Occupation of the Respondents

Interpretation

The above table represents the details on the classification of respondents based on occupation. Out of 153 respondents, the 34.60% are salaried employed, 28.10% are Businesspersons, student respondents are 29.40%, 3.30% are Housewife and 2% are retired people, number of respondents are belonged to others are 34.60%. The pictorial representation of the occupation of respondents is given above.

Inference

Most of the people are salaried employees.

Table 4.5: Respondents According to the Marital Status

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
SINGLE	73	47.7%
MARRIED	80	52.3%

Source: Primary data

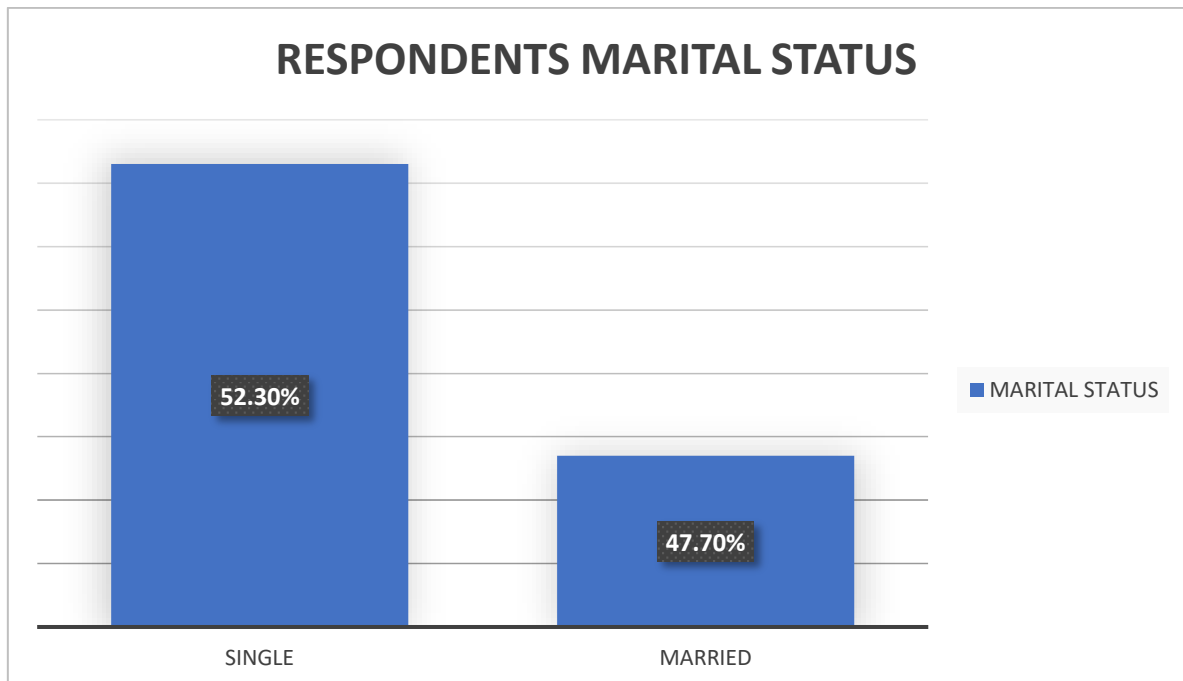


Chart 4.5: Respondents According to Marital Status

Interpretation

The above table represent the details on the classification of respondents based on marital status. Out of 153 respondents, majority of investors are married i.e., 52.30% and 47.7% are single. Hereby single are majority than married people. The pictorial representation of the marital status is given above.

Inference

Majority of individual investors are married persons.

Table 4.6: Respondents Annual Income:

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Below 200000	57	37.3%
Between 200000-400000	28	18.3%
Between 400000-600000	36	23.5%
Above 600000	32	20.9%

Source: Primary data

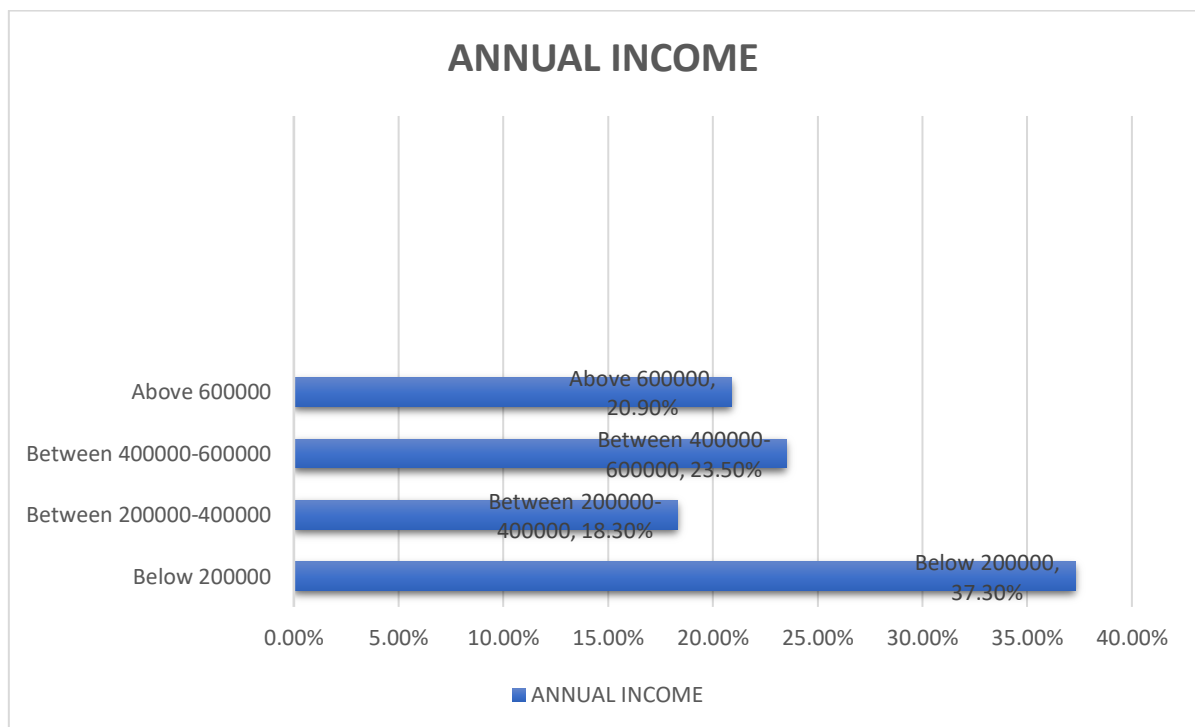


Chart :4.6: Respondents Annual Income:

Interpretation

The above table represent the details on the classification of respondents based on annual income. Out of 153 respondents ,37.3% depend on below 200000, 18.3 % are between 200000-400000 and 23.50 % are between 400000-600000 and 20.9% are above 600000. The pictorial representation of the annual is given above.

Inference

More than half of individual investors are depending on below 200000.

Table 4.7: Current and Future Income Sources of the Respondents

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Stable	75	49 %
Somewhat Stable	63	41.2 %
Unstable	15	9.8 %

Source: Primary data

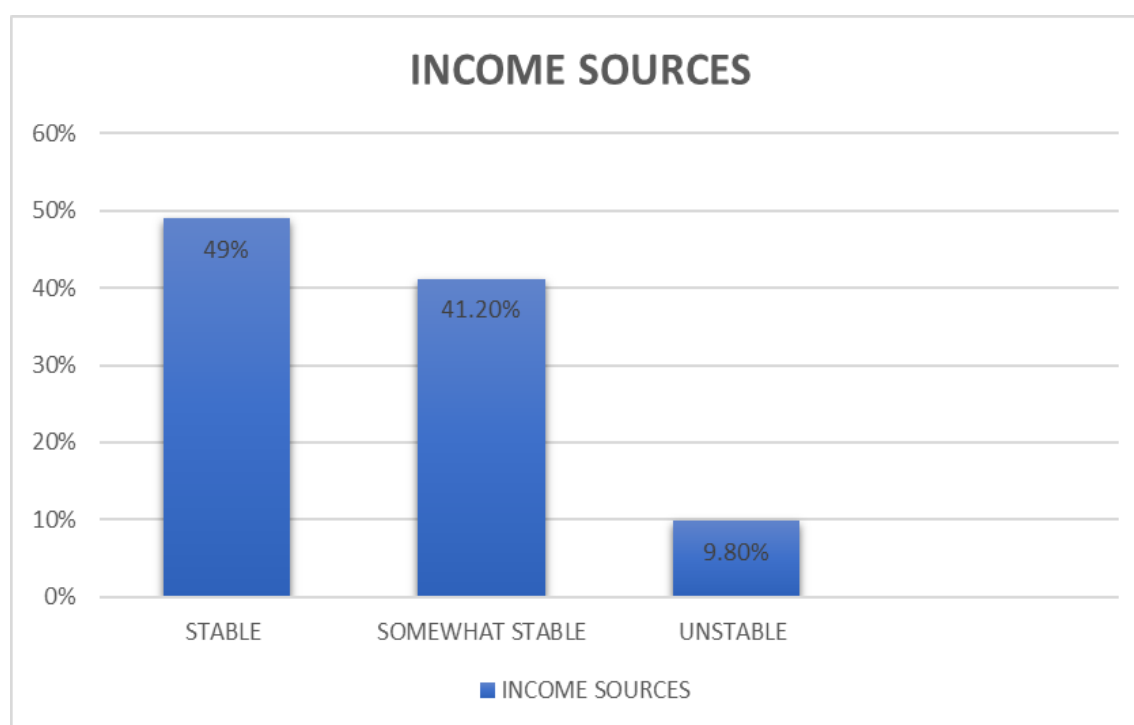


Chart 4.7: Current and Future Income Sources of the Respondents

Interpretation

The above table represents the details on the classification of respondents based on the current and future income sources. Out of 153 respondents, 49% are stable and 9.80% are unstable. The pictorial representation of current and future income sources of respondents are given above.

Inference

Most of the individual investors based on the current and future income sources are stable.

Table 4.8: Respondents Financial Situation

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
No savings and significant debt	9	5.9 %
Little savings and a fair amount of debt	26	17 %
Some savings and some debt	44	28.8 %
Some savings and little or number debt	36	23.5%
Significant savings and little or number debt	38	24.8 %

Source: Primary data

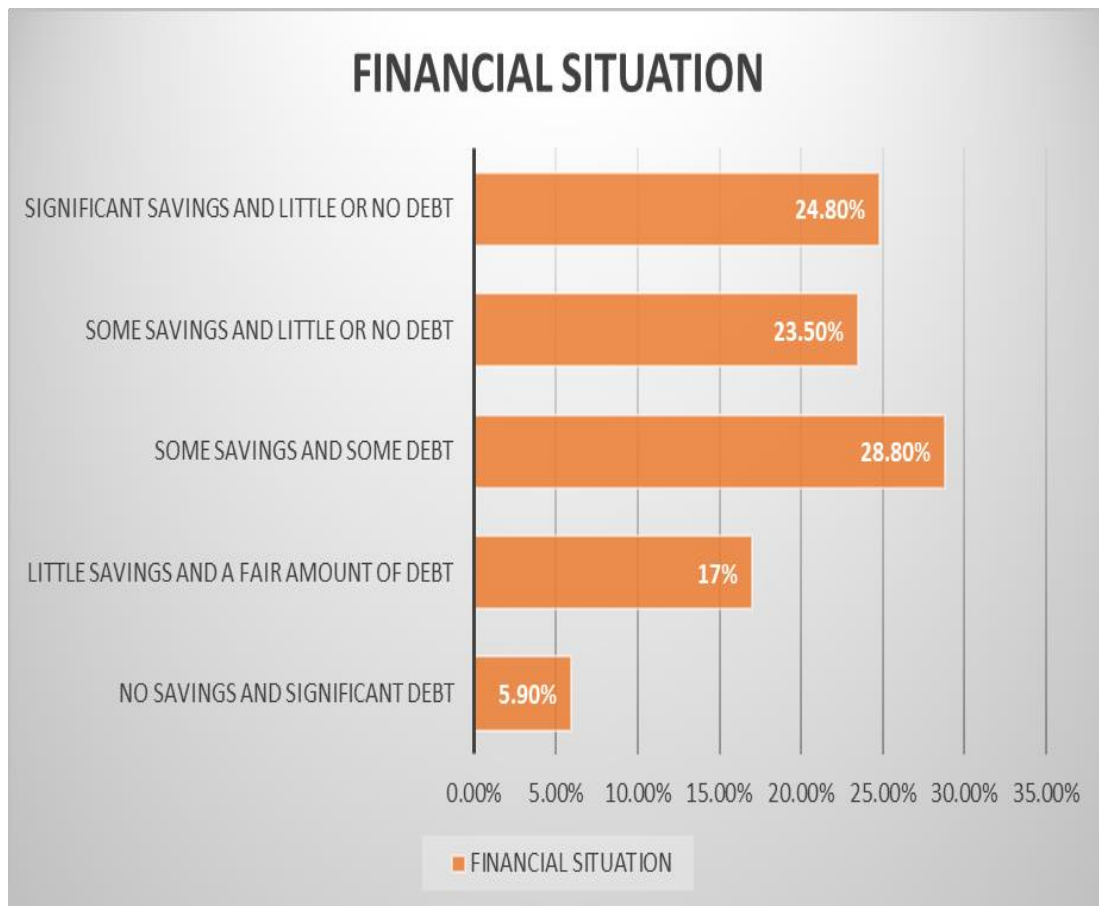


Chart 4.8: Respondents Financial Situation

Interpretation

The above table represent the details on the classification of respondents based on financial situation. Out of 153 respondents, 5.90% are no savings and significant debt, 17% are belong to little savings and a fair amount of debt and 28.8 % respondents are with some savings and some debt and 23.5%are with some savings and little or no debt, 24.8% are significant savings and little or no debt. The pictorial representation of the financial situation of respondents is given above.

Inference

Most of the individual investors financial situation are based on some savings and debt.

Table 4.9. Investment Currently Owned by the Respondents

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Mutual funds	31	20.3%
Stocks &Equity shares	22	14.4 %
Bonds	23	15 %
Bank Deposits	104	68%
Life Insurance	56	36.6 %
Medical Insurance	32	20.9 %
Government securities	27	17.6%
Gold, Silver	77	50.3%
No investment	3	2 %
Nothing	18	11.8 %
No investment	1	0.7%

Source: Primary data

Select the investment you currently own?

153 responses

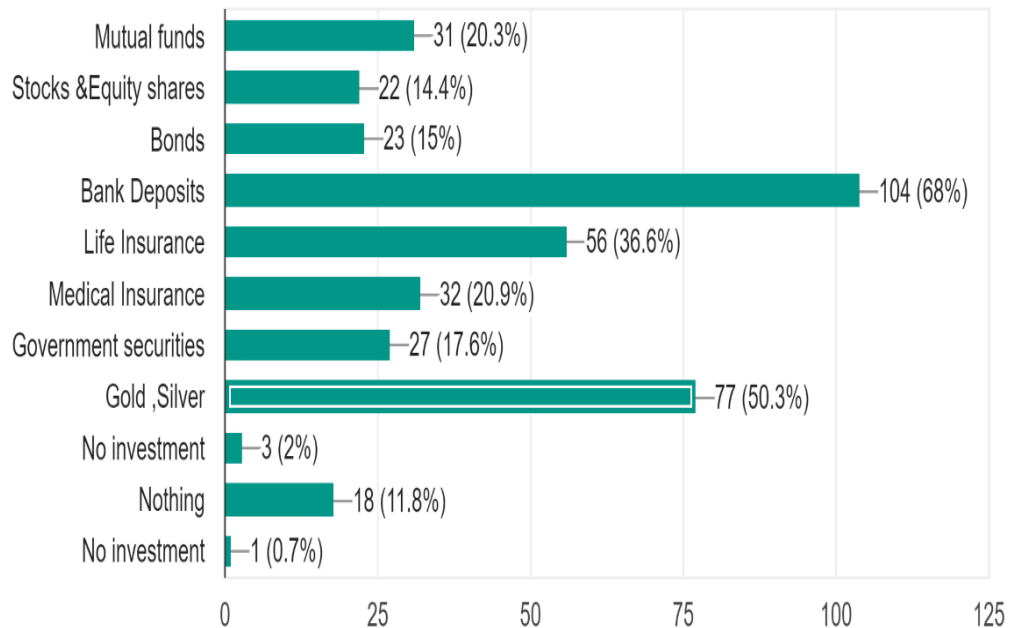


Chart 4.9: Investment Currently Owned by the Respondents

Interpretation

The above table represent the details on the classification based on current investment owned by the respondents. Out of 153 respondents, 68 % are own bank deposits ,50.3 % are holding gold and silver, 36.6% are with life insurance policy, 20.9% medical insurance, 20.3% are holding a mutual fund and 17.6% are with government securities and 14.4 % are in stock market and 15% respondents are with bonds and 14.5% are not having any investment. The pictorial representation of the current investment of respondents is given above.

Inference

Most of the individual investor own a current investment as bank deposit.

Table 4.10: Awareness Level of Budgeting Day to Day Finances

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Not at all aware	7	4.6 %
Slightly aware	8	5.2 %
Moderately aware	41	26.8 %
Very aware	57	37.3%
Extremely aware	40	26.1%

Source: Primary data

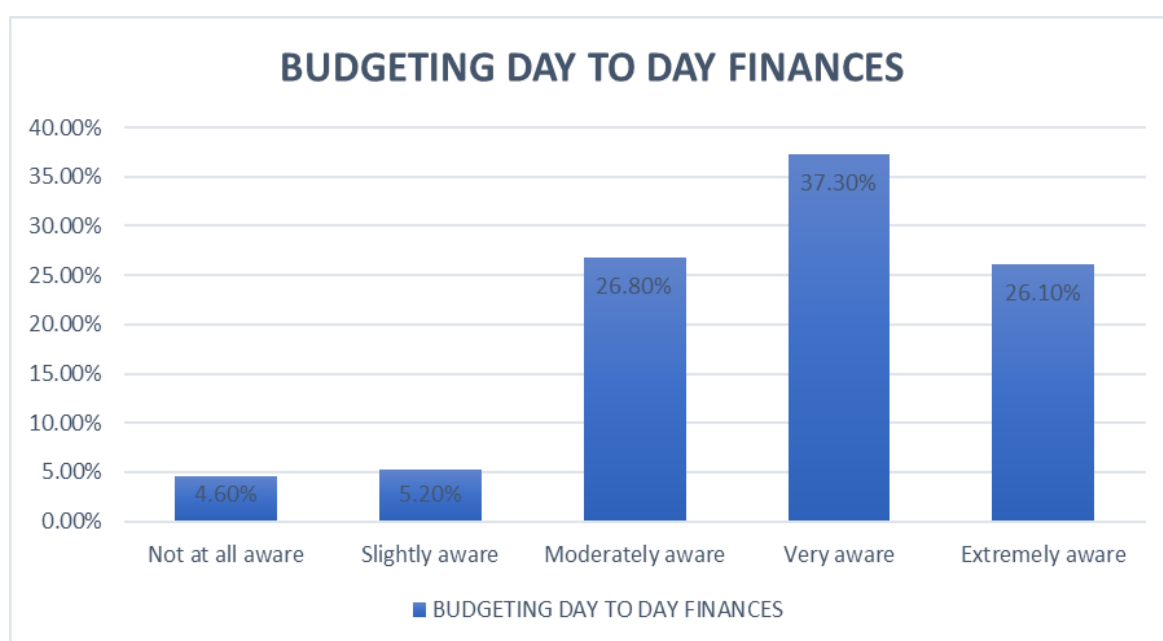


Chart 4.10: Awareness Level of Budgeting Day to Day Finances

Interpretation

The above table represents the details on the classification of respondent's Awareness level on budgeting day to day finances. Out of 153 respondents, 37.3% are very aware on budgeting day to day finances, 4.6% are not at all aware, 26.8% are moderately aware, 5.20% are slightly aware and 26.1% are extremely aware on budgeting.

Inference

Most of the individual investors are very aware on budgeting day to day finances.

Table 4.11: Awareness Level of Saving Money

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Not at all aware	5	3.3%
Slightly aware	10	6.5%
Moderately aware	35	22.9%
Very aware	58	37.9%
Extremely aware	45	29.4%

Source: Primary data

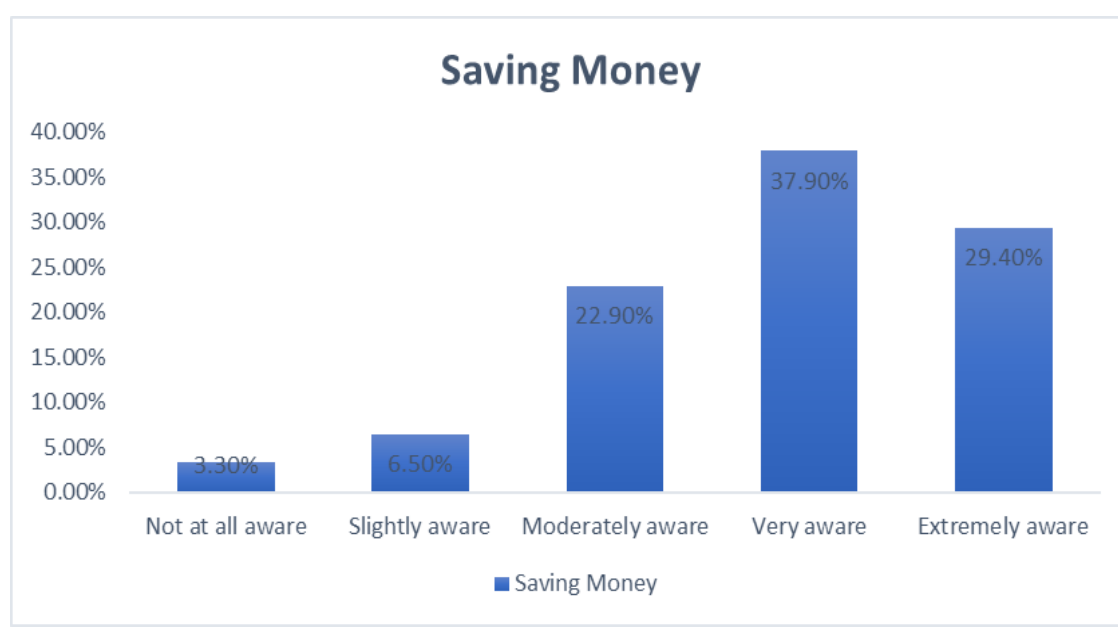


Chart 4.11: Awareness Level of Saving Money

Interpretation

The above table represents the details on the classification of respondent's Awareness level on saving money. Out of 153 respondents, 37.9% are very aware, 3.3% are not at all aware on saving money, 22.9% are moderately aware, 6.50% are slightly aware and 29.4% are extremely aware. The pictorial representation of respondent's Awareness level on saving money is given above.

Inference

Most of the individual investors are very aware on saving money.

Table 4.12: Awareness Level of Managing Debt

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Not at all aware	8	5.2%
Slightly aware	11	7.2%
Moderately aware	40	26.1%
Very aware	47	30.7%
Extremely aware	47	30.7%

Source: Primary data



Chart 4.12: Awareness Level of Managing Debt

Interpretation

The above table represents the details on the classification of respondent's Awareness level on Managing debt. Out of 153 respondents, 30.7 % are extremely aware and very aware on managing debt, 5.20% are not at all aware ,26.10% are moderately aware in Awareness level of managing debt ,7.20% are slightly aware.

Inference

Most of the individual investors are very aware on managing debt.

Table 4.13: Awareness Level of Investing Money

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Not at all aware	9	5.9 %
Slightly aware	10	6.5 %
Moderately aware	45	29.4 %
Very aware	44	28.8%
Extremely aware	45	29.4 %

Source: Primary data

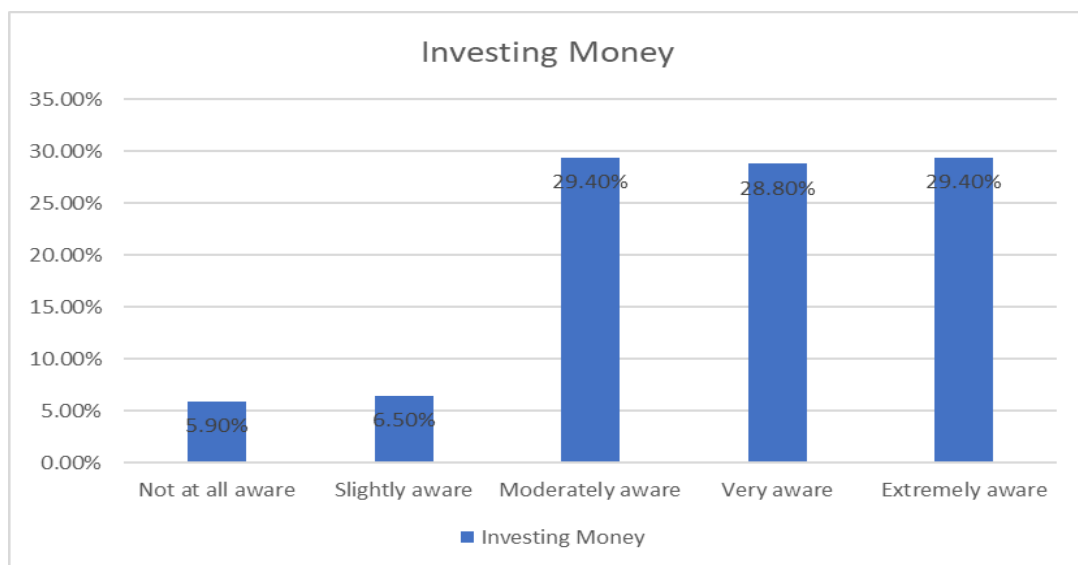


Chart 4.13: Awareness Level of Investing Money

Interpretation

The above table represents the details on the classification of respondent's Awareness level on Managing debt. Out of 153 respondents, 29.40% are extremely aware and 29.40% are moderately aware on investing money ,5.9% respondents are lower level ,28.80% are in above average rate, 6.5% are below average respondents.

Inference

Most of the individual investors are moderate aware and extremely aware on investing money.

Table 4.14: Awareness Level of Planning for the financial future

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Not at all aware	4	2.6 %
Slightly aware	10	6.5 %
Moderately aware	29	19 %
Very aware	52	34 %
Extremely aware	58	37.9 %

Source: Primary data

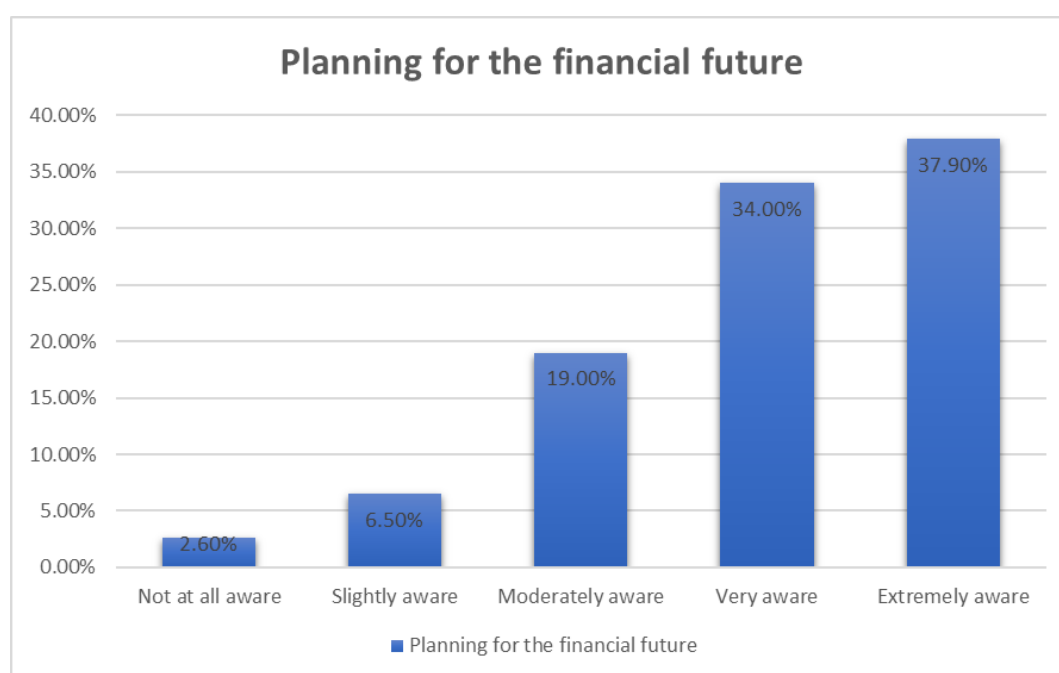


Chart 4.14: Awareness Level of Planning for the financial future

Interpretation

The above table represents the details on the classification of respondent's Awareness level of planning for the financial future. Out of 153 respondents, 37.9% are extremely aware in planning for future ,2.60% are not at all aware ,19 % are moderately aware, 6.5% are slightly aware and 34% are very aware.

Inference

Most of the individual investors are extremely aware on planning for the financial future.

Table 4.15: Descriptions that suitable to Individual Investors

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
I hold a financial qualification (e.g., degree, diploma)	75	49 %
I hold a financial qualification (e.g., degree, diploma)	35	22.9%
I have educated myself about financial matters over many years (e.g., through reading, seminars and courses)	56	36.6%
I manage or have managed many of my own investments	78	51 %
I manage or have managed the investments of others	35	22.9%
None of the above applies to me	16	10.5%

Source: Primary data

Tick one or more of the following descriptions that apply to you:

153 responses

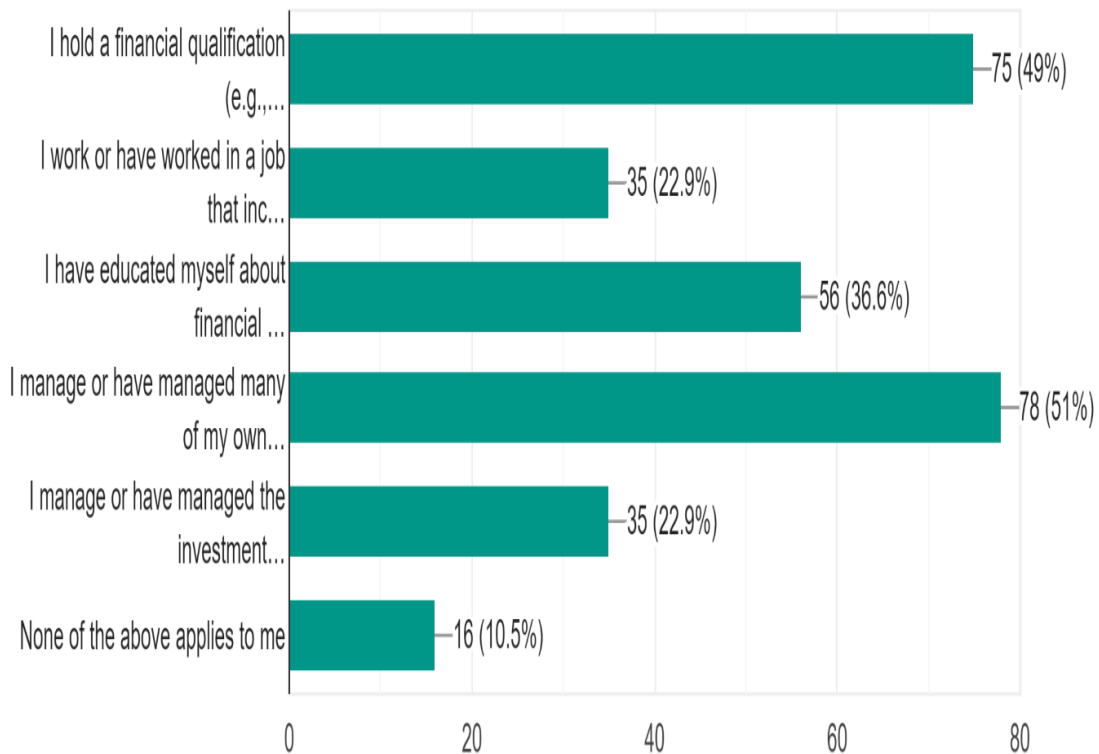


Chart 4.15: Descriptions that suitable to Individual Investors

Interpretation

The above table represents the details on the classification of respondents based on according to descriptions that suitable to individual investors. Out of 153 respondents, 51% are managing an investment by own ,10.5% are none of the above. The pictorial representation the of respondents based on according to descriptions that suitable to individual investors is given above.

Inference

Majority of individual investors are managing an investment by own.

Table 4.16: Respondents Overall Financial Knowledge

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Very good	51	33.3 %
Good	65	42.5%
Moderate	32	20.9%
Poor	5	3.3 %

Source: Primary data

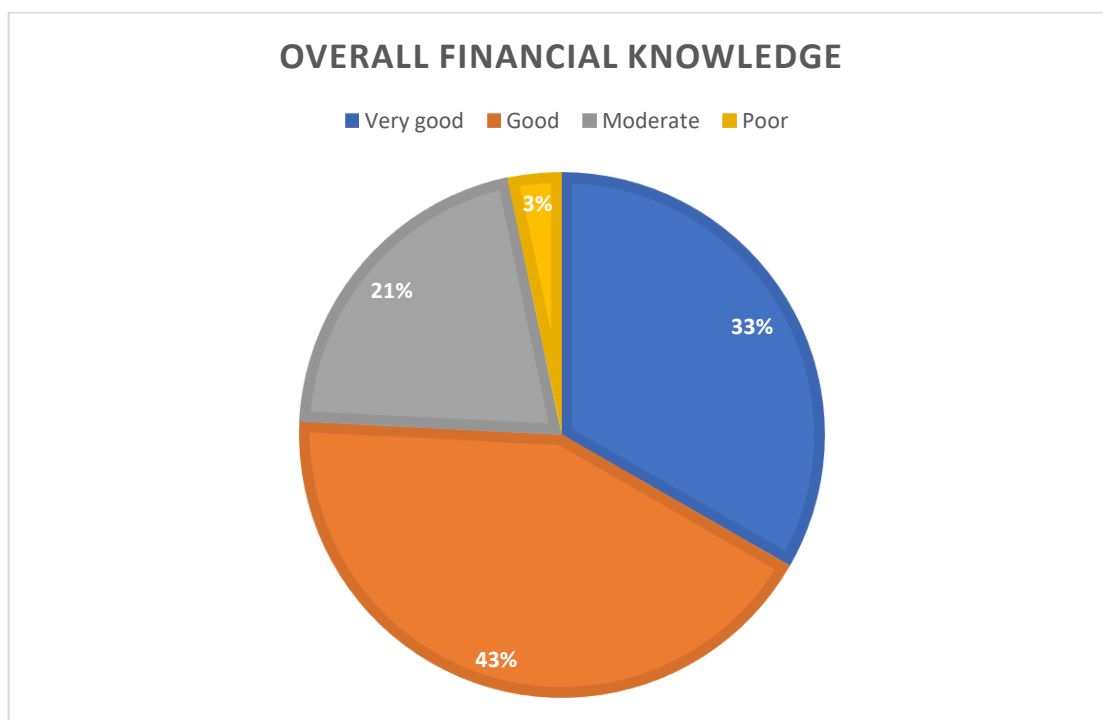


Chart 4.16: Respondents Overall Financial Knowledge

Interpretation

The above table represents the details on the classification of respondents overall financial knowledge. Out of 153 respondents, 43% are good in financial knowledge, 3.3 % are poor ,21% are in moderate level ,33% are very good in overall financial knowledge.

Inference

Most of the individual investors are aware on overall financial Awareness level of investment.

Table 4.17: Respondents Opinion on Investing

CLASSIFICATION	NUMBER OF RESPONDENTS	Percentage
Strongly Agree	55	35.9%
Agree	73	47.71%
Neither Agree nor Disagree	22	14.4%
Disagree	2	2%
Strongly Disagree	1	1%

Source: Primary data

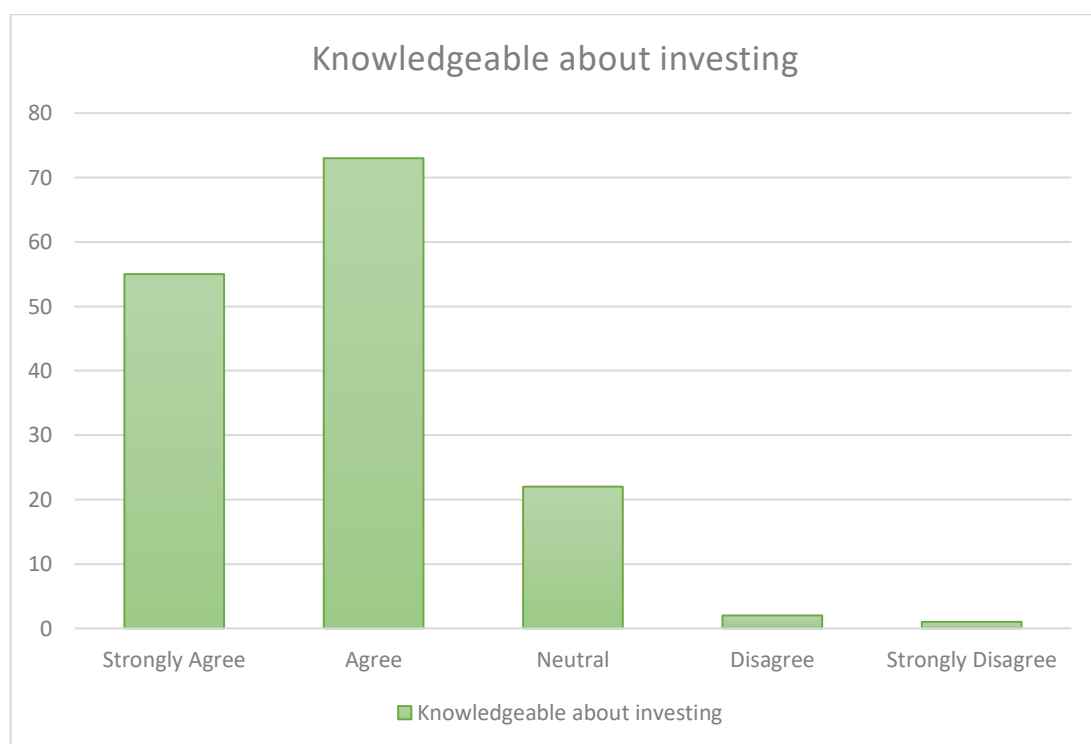


Chart 4.17: Respondents Opinion on Investing

Interpretation

The above table represents the details on the classification of respondents based on the knowledgeable about investing. Out of 153 respondents, the highest no of members is agreeing i.e. (73 members) and the lowest no of members is strongly disagreeing i.e. (1 member) & disagree i.e. (2 member). The pictorial representation of the knowledgeable about investing is given above.

Inference

Most of individual investors are agree about investing.

Table 4.18: Respondents Opinion on Confident About Ability to Invest

CLASSIFICATION	NUMBER OF RESPONDENTS
Strongly Agree	45
Agree	77
Neither Agree nor Disagree	26
Disagree	4
Strongly Disagree	1

Source: Primary data

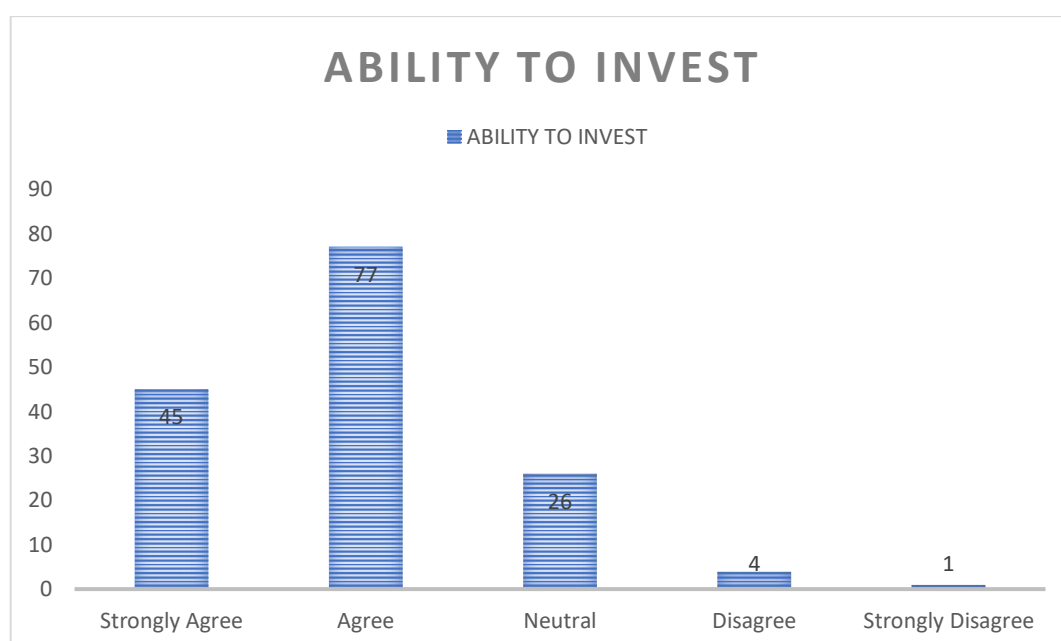


Chart 4.18: Respondents Opinion on Confident About Ability to Invest

Interpretation

The above table represents the details on the classification of respondents based on the ability to invest. Out of 153 respondents, 77 members are agreeing, 1 are strongly disagreeing, 4 are disagreeing i.e. The pictorial representation of the respondents on basis of ability to invest is given above.

Inference

Most of individual investors are agreed on confident about the investing.

Table 4.19: Respondents Investment Objective

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
High degree of growth	27	17.6 %
Moderate growth only	49	32 %
Income and growth simultaneously	47	30.7 %
Income with some degree of growth	20	13.1 %
Income with capital preservation	10	6.5 %

Source: Primary data

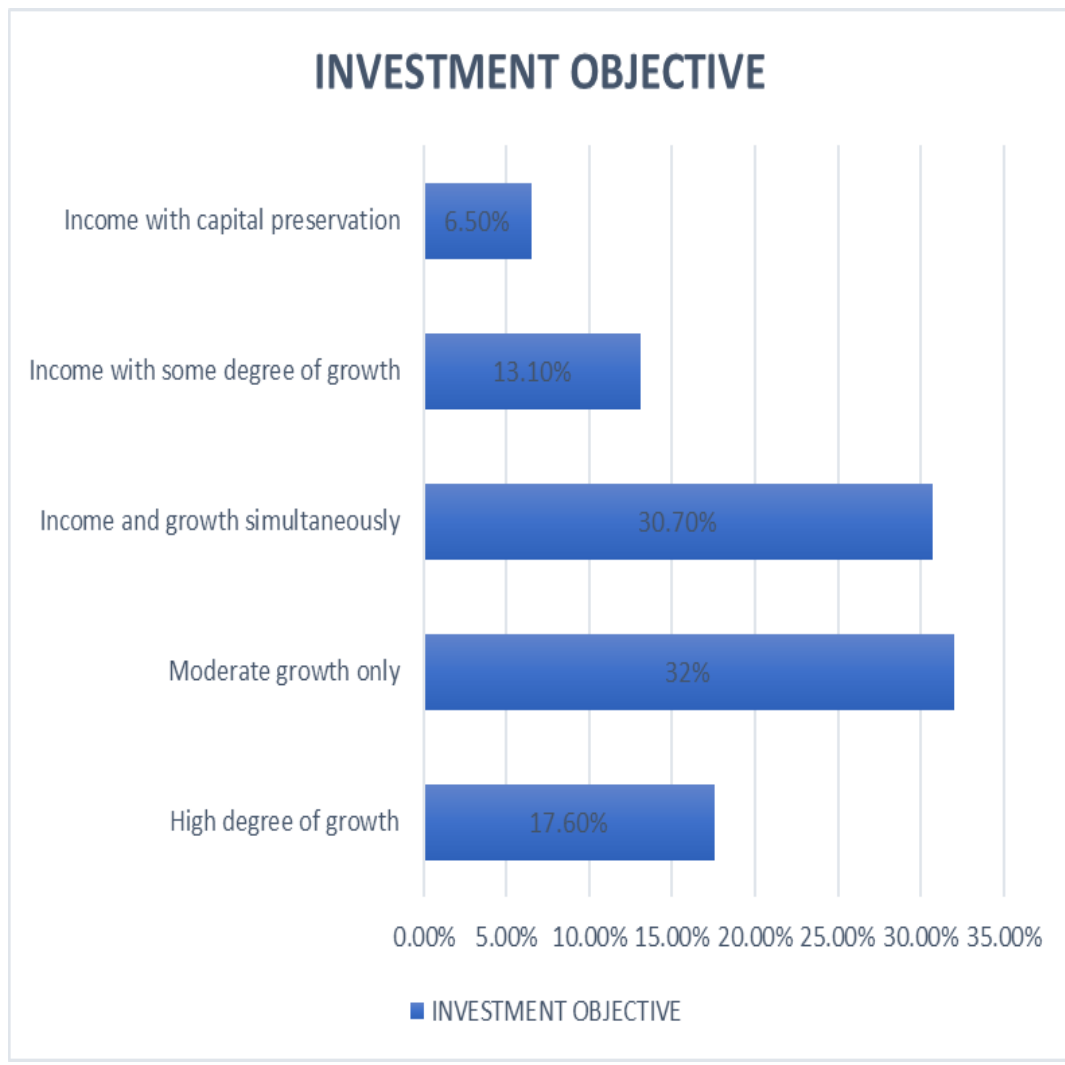


Chart 4.19: Respondents Investment Objective

Interpretation

The above table represents the details on the classification of respondents based on the investment objective. Out of 153 respondents, 32% are moderate growth objective, 6.5% are income with capital preservation, 30% are income & growth simultaneously and 17% are with high degree of growth, 13.10% of them are income with some degree of growth. The pictorial representation of the respondents based on the investment objective is given above.

Inference

Most of the individual investors are moderate growth based on the investment objective.

Table 4.20: Investment Time Horizon of the Respondents

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
1 – 3 years	50	33.1 %
3 – 5 years	32	20.7%
5 – 10 years	41	27.2%
Over 10 year	29	19.2 %

Source: Primary data

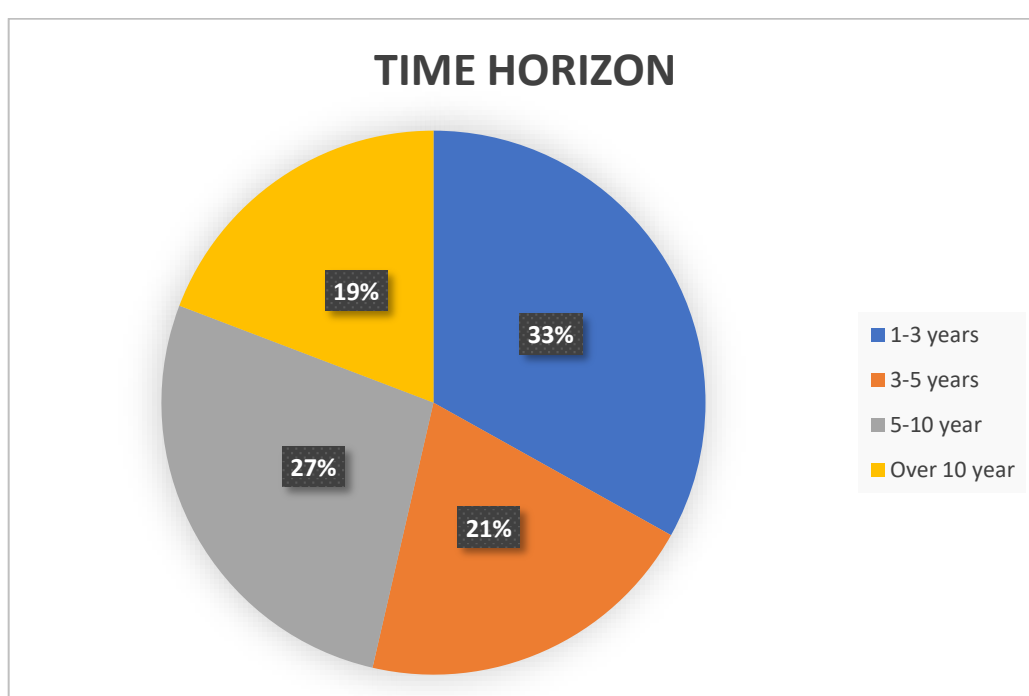


Chart 4.20: Investment Time Horizon of the Respondents

Interpretation

The above table represents the details on the classification of respondents based on time horizon of investment. Out of 153 respondents, 33% are choose 1-3 years ,19% are make a choice over 10 years. The pictorial representation of the respondents based on time horizon of investment is given above.

Inference

Most of the investors make a choice on 1-3 years time horizon.

Table 4.21: Financial and Investment Decisions of the Respondents

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Very conservative and try to minimize risk and avoid the possibility of any loss	69	45.1 %
Conservative but willing to accept a small amount of risk	42	27.5 %
Willing to accept a moderate level of risk and tolerate losses to achieve potentially higher returns	37	24.2%
Aggressive and typically take on significant risk and are willing to tolerate large losses for the potential of achieving higher returns	5	3.3%

Source: Primary data

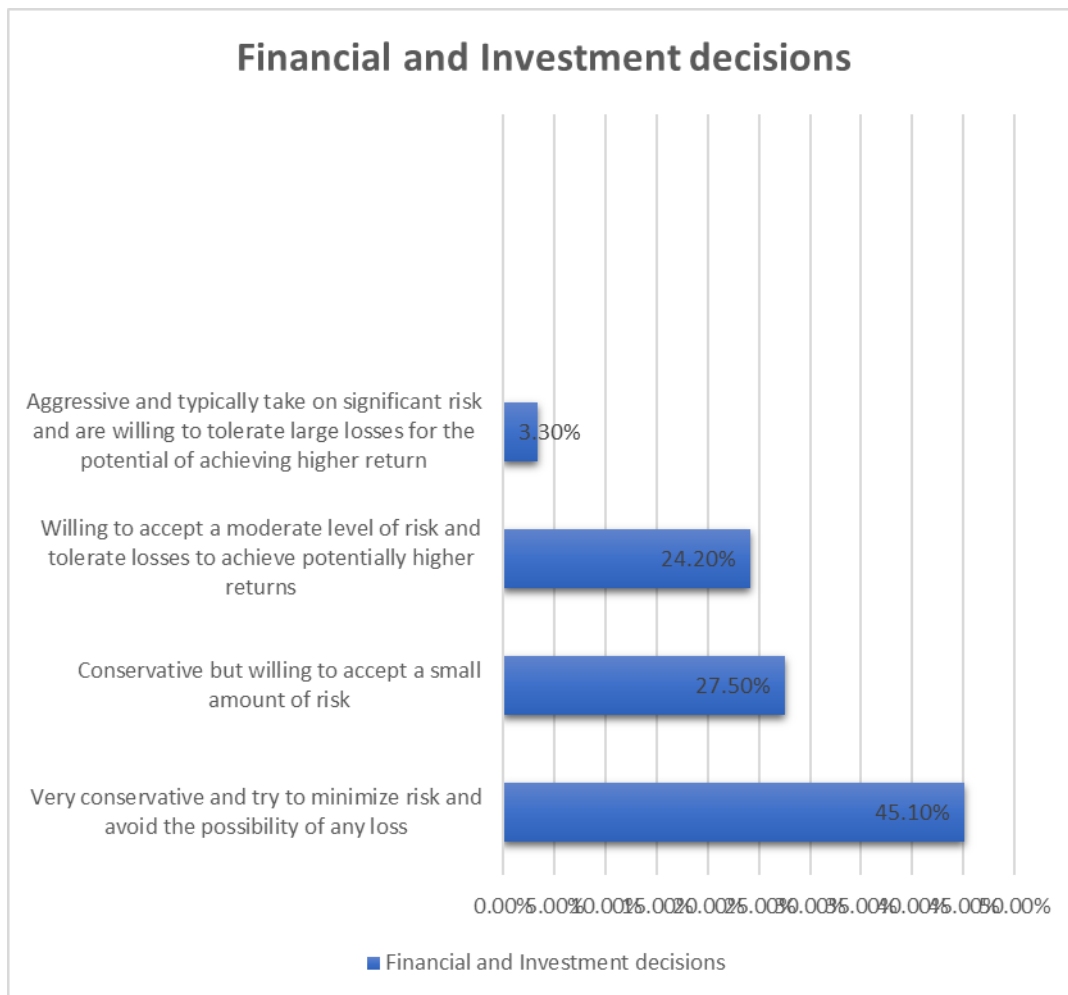


Chart 4.21: Financial and Investment Decisions of the Respondents

Interpretation

The above table represents the details on the classification of respondents according to financial and investment decisions. Out of 153 respondents, 45.1% are very conservative and try to minimize risk and avoid the possibility of any loss, 3.30% are Aggressive and typically take on significant risk and are willing to tolerate large losses for the potential of achieving higher returns. The pictorial representation of the respondents according to financial and investment decisions is given above.

Inference

Majority of individual investor are very conservative and try to minimize risk and avoid the possibility of any loss on investment decision.

Table 4.22: Respondents Opinion on Trust and Confidence in Investment Portfolio& Performance

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Strongly Agree	40	26.1
Agree	84	54.9
Neither Agree nor Disagree	27	17.6
Disagree	2	1.3

Source: Primary data

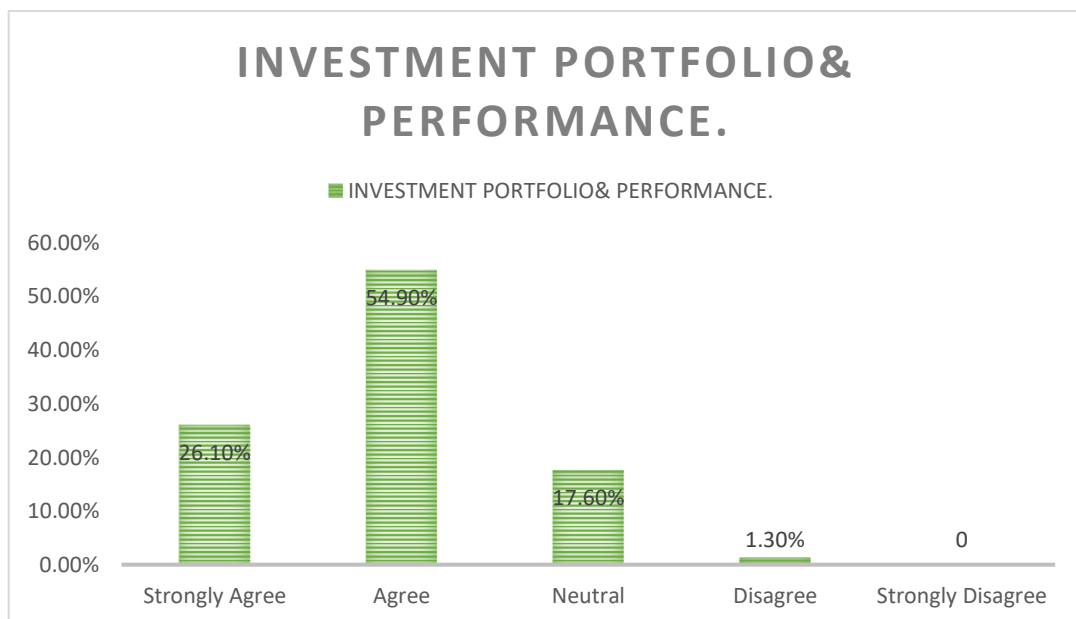


Chart 4.22: Respondents Opinion on Trust and Confidence in Investment Portfolio& Performance

Interpretation

The above table represents the details on the classification of respondents based on the trust and confidence in investment portfolio& performance. Out of 153 respondents, 54.9% are agree ,26.10 are strongly agree,1.3% are disagree ,17.6% are neutral.

Inference

Most of individual investors are agree on the trust and confidence in investment portfolio& performance.

Table 4.23: Respondents Acceptance Level on Investment Fluctuations

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Strongly Agree	43	28.10%
Agree	73	47.7%
Neither Agree nor Disagree	35	22.8%
Disagree	2	1.3

Source: Primary data

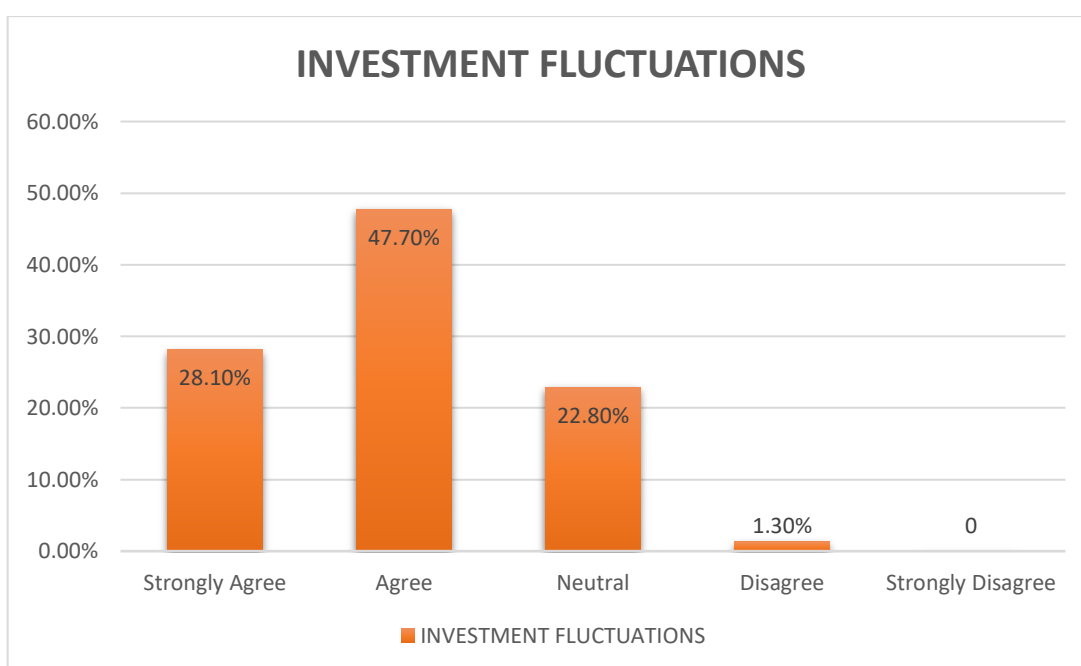


Chart 4.23: Respondents Acceptance Level on Investment Fluctuations

Interpretation

The above table represents the details on the classification of respondents based on the investment fluctuations. Out of 153 respondents, 47.7% are agree, 22.8% are neutral. The pictorial representation of the respondents according to the investment fluctuations in the short-term to achieve higher returns in the long term with a low chance of capital loss is given above.

Inference

Most of the individual investors are agree on the investment fluctuations.

Table 4.24: Respondents Financial Experts& Ability in Forecasting

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Strongly Agree	36	23.5%
Agree	80	52.28%
Neither Agree nor Disagree	35	22.8%
Disagree	2	1.3
Strongly Disagree	0	0

Source: Primary data

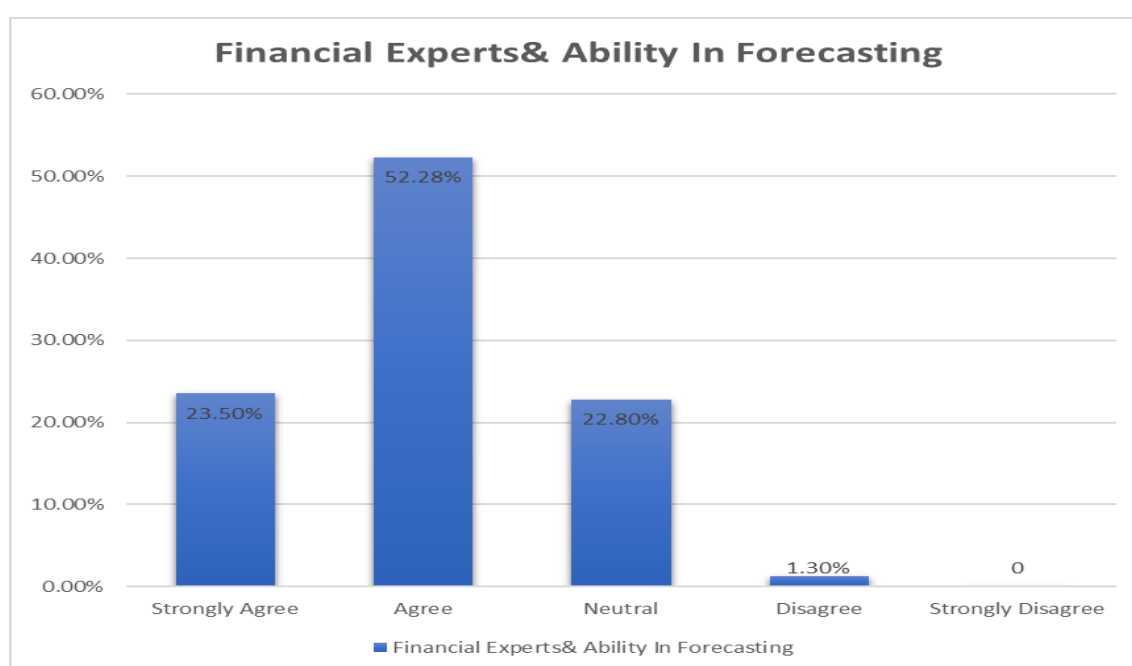


Chart 4.24: Respondents Financial Experts& Ability in Forecasting

Interpretation

The above table represents the details on the classification of respondents based on the financial experts& ability in forecasting the medium to long-term performance of this investment portfolio investment fluctuations. Out of 153 respondents, 52.28% are agree, 22.8% are neutral.

Inference

Majority of individual investors are agreed on forecasting the medium to long-term performance of this investment portfolio investment fluctuations.

Table 4.25: Respondents Agreement Level on Investment Portfolio will Increase in Future.

Classification	Number of Respondents	Percentage
Strongly Agree	41	26.6%
Agree	81	52.59%
Neither Agree nor Disagree	31	20.1%

Source: Primary data

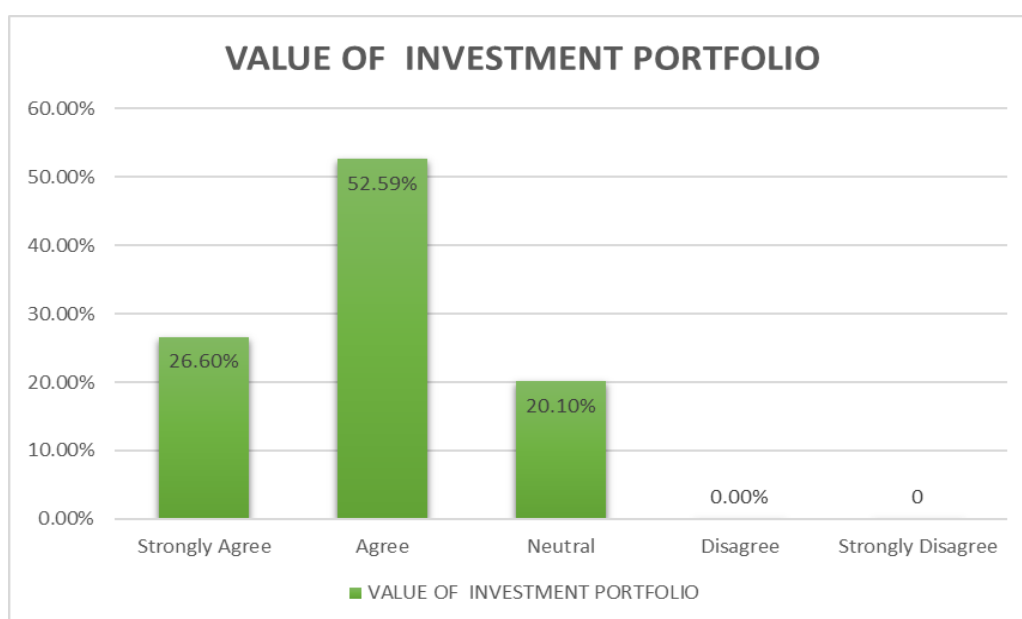


Chart 4.25: Respondents Agreement Level on Investment Portfolio will Increase in Future.

Interpretation

The above table represents the details on the classification of respondents based on believe the value of investment portfolio will increase a lot in the future. Out of 153 respondents, 52.59% are agree, strongly disagree i.e., 0 %,20.10% are neutral.

Inference

Majority of individual investors are agreed on value of investment portfolio will increase a lot in the future.

Table 4.26: Respondents Financial Decisions taken in the Past.

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Very small	31	20.3 %
Small	57	37.3%
Moderate	53	34.6 %
Large	6	3.9 %
Very Large	6	3.9%

Source: Primary data

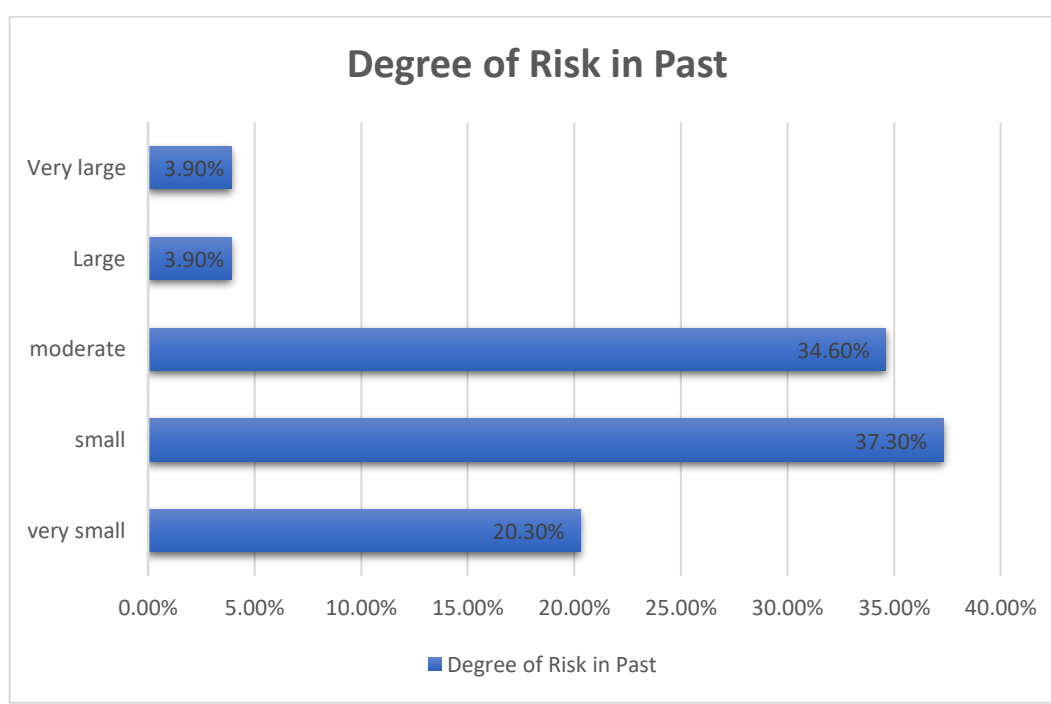


Chart 4.26: Respondents Financial Decisions taken in the Past

Interpretation

The above table represents the details on the classification of respondent's degree of risk according to financial decisions taken in the past. Out of 153 respondents, 37.3% are taken small degree of risk ,3.90% are taken very large risk ,34.6% with moderate risk is 34.60%.

Inference

Most of the individual investors are taken small degree of risk on financial decisions taken in the past.

Table 4.27: Financial Decisions Taken Currently by the Respondents

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Very small	22	14.4 %
Small	69	39.9%
Moderate	54	35.3 %
Large	11	7.2 %
Very Large	5	3.3%

Source: Primary data

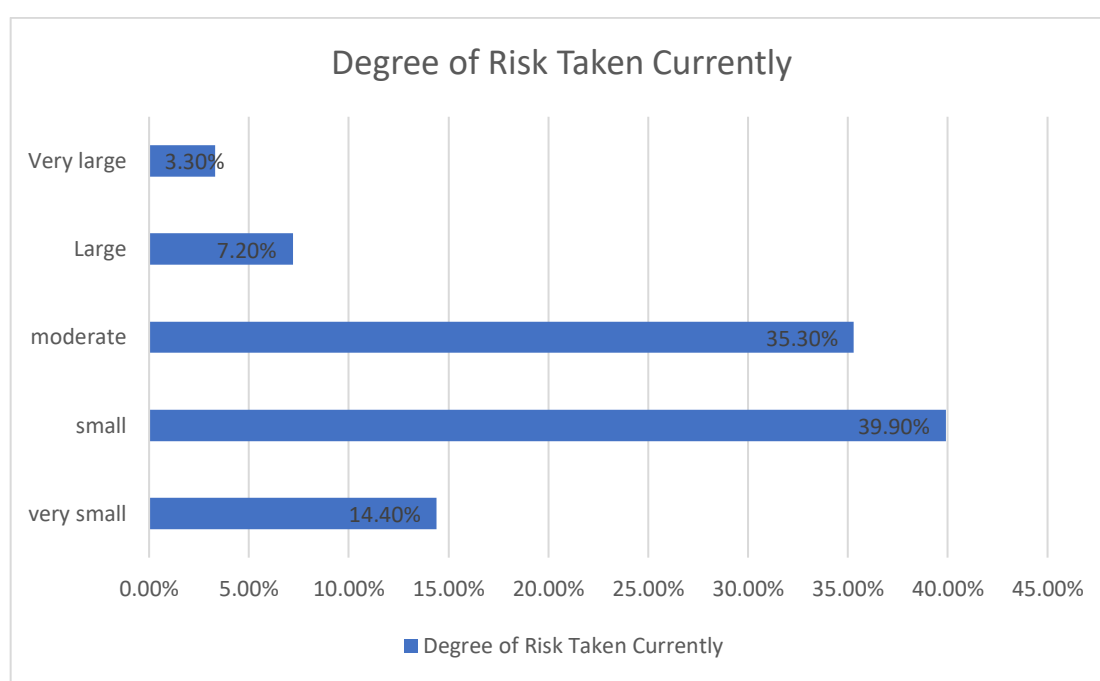


Chart 4.27: Financial Decisions Taken Currently by the Respondents

Interpretation

The above table represents the details on the classification of respondent's degree of risk according to financial decisions taken currently. Out of 153 respondents, the 39.9% taken a small degree of risk, 3.30% are taken very large risk, respondents with the moderate risk are 35.30%.

Inference

Most of individual investors are taken small degree of risk on current financial decisions.

Table 4.28: Respondents Financial Risk Tolerance Level

CLASSIFICATION	NUMBER OF RESPONDENTS	PERCENTAGE
Very conservative	23	15.1 %
Conservative	39	25.7 %
Moderate	80	52 .28%
Aggressive	3	2 %
Not sure	8	5.3%

Source: Primary data

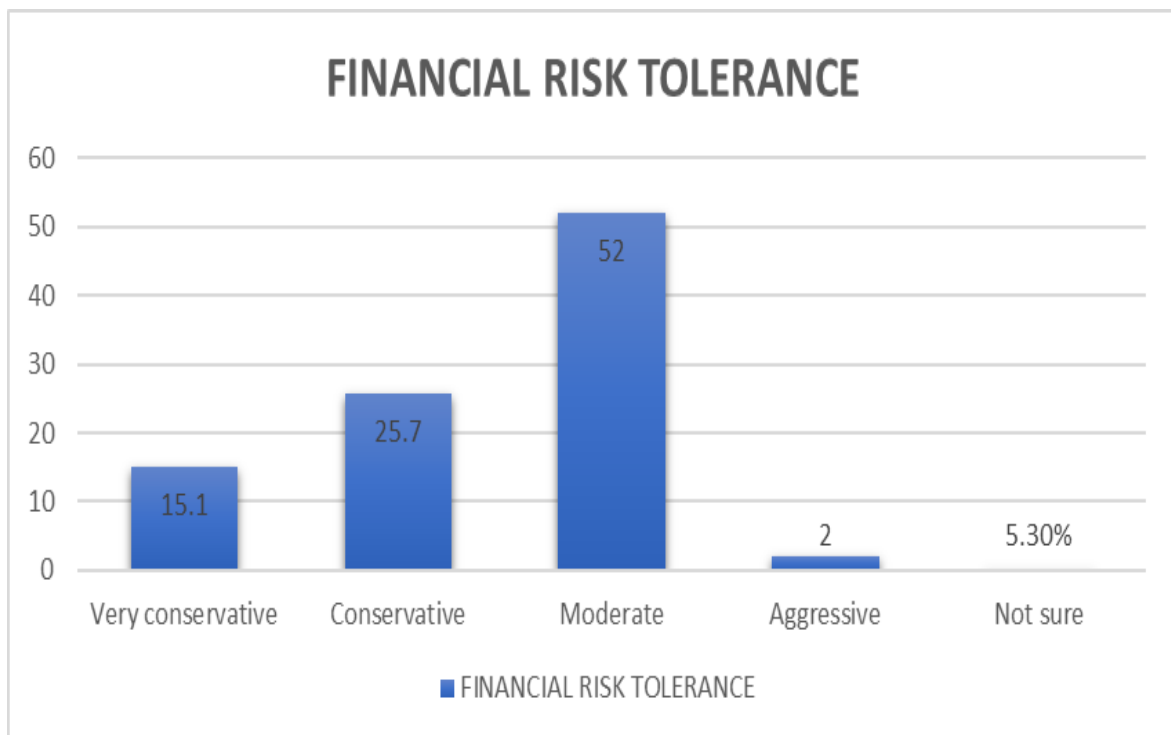


Chart 4.28: Respondents Financial Risk Tolerance Level

Interpretation

The above table represents the details on the classification of respondents rating according to the financial risk tolerance. Out of 153 respondents, 52% are moderate in financial risk tolerance, 2% are aggressive, 5.3% with not sure.

Inference

Majority of individual investors are taken moderate level in financial risk tolerance.

4.2. ANOVA

4.2.1. ANOVA Analysis for Occupation and Risk Tolerance Level

ANOVA has been utilized for the analysis of Occupation and Risk Tolerance Level and interpreted in Table 4.29

STATISTICAL HYPOTHESIS:

Null Hypothesis (H_0): There is no significant difference among various occupation on risk tolerance level.

Alternate Hypothesis (H_1): There is significant difference among various occupation on risk tolerance level.

Table No 4.29: Showing Descriptive of Level of the Respondents

Descriptive								
RISK TOLERANCE								
	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Salaried Employee	53	2.57	1.169	.161	2.24	2.89	1	6
Business/ Self Employed	43	2.33	1.040	.159	2.01	2.65	1	6
Student	45	2.91	.973	.145	2.62	3.20	1	6
Housewife	5	2.80	1.095	.490	1.44	4.16	1	4
Retired	3	2.33	.577	.333	.90	3.77	2	3
Others	4	3.25	1.893	.946	.24	6.26	2	6
Total	153	2.62	1.100	.089	2.45	2.80	1	6

Table No 4.30: Showing Anova of The Respondents Between Occupation and Risk Tolerance

RISK TOLERANCE	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	9.691	5	1.93	1.63	.154
Within Groups	174.322	147	1.18		
Total	184.013	152			

Source: Primary data

* significance at 5% level

RESULTS

ANOVA was performed to examine the difference among various occupation on Risk tolerance

Results of ANOVA showed P value .154 is more than 0.05 hence null hypothesis is accepted. There is no significant difference among various occupation and risk tolerance

4.3. ANOVA

4.3.1. ANOVA Analysis for Annual income and Risk Tolerance Level

One-way ANOVA is a statistical technique that is used to compare the means of more than two groups.

STATISTICAL HYPOTHESIS:

Null Hypothesis (H_0): There is no significant difference among various annual income and risk tolerance level.

Alternate Hypothesis (H_1): There is significant difference among various annual income and risk tolerance level.

Table No 4.31: Showing Descriptive of Level of the Respondents

DESCRIPTIVES								
RISK TOLERANCE								
	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Below 200000	63	3.10	1.132	.143	2.81	3.38	1	6
Between 200000-400000	22	2.45	1.143	.244	1.95	2.96	1	6
Between 400000-600000	38	2.29	.927	.150	1.98	2.59	1	4
Above 600000	30	2.17	.834	.152	1.86	2.48	1	4
Total	153	2.62	1.100	.089	2.45	2.80	1	6

Table No 4.32: Showing Anova of The Respondents Between Annual income and Risk Tolerance.

ANOVA					
RISK TOLERANCE					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	25.147	3	8.382	7.862	<.001
Within Groups	158.866	149	1.066		
Total	184.013	152			

Source: Primary data

* significance at 5% level

RESULTS

ANOVA was performed to examine the difference among various income level on Risk tolerance

Results of ANOVA showed the investors with below 2 L as annual income are higher (mean 3.10) P value (.001) is less than 0.05 hence null hypothesis is rejected. There is significant difference among various income level and risk tolerance

4.4. INDEPENDENT T TEST

4.4.1. Independent T test between investment decisions with respect to gender

The t test compares two averages (means) and test they are different from each other.

STATISTICAL HYPOTHESIS:

Null Hypothesis (H_0): There is no difference between investment decisions with respect to gender.

Alternate Hypothesis (H_1): There is difference between investment decisions with respect to gender.

Table No 4.33: Showing Relationship Between Gender and Opinion on Investment Decisions

Independent Samples Test						
		Levine's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
INVESTMENT DECISIONS	Equal variances assumed	1.003	.318	1.545	151	.124
	Equal variances not assumed			1.556	147.8	.122

Source: Primary data

*Independent sample T test significance at 5% level

RESULTS

T test was performed to examine the difference among gender and investment decision.

Results of T test of independence showed P (.122) is greater than 0.05 hence null hypothesis is accepted. There is no significant difference between gender and investment decisions.

4.5. CORRELATION ANALYSIS

4.5.1. Relationship analysis between Risk Tolerance and Investment Knowledge

Correlation is a statistical technique for investigating the strength and direction of the relationship between quantitative continuous variables. Correlation measures the degree of association between two variables.

STATISTICAL HYPOTHESIS:

Null Hypothesis (H_0): There is no relationship between Risk tolerance and Investment Knowledge.

Alternate Hypothesis (H_1): There is relationship between Risk tolerance and Investment Knowledge.

Table No 4.34: Table Showing Correlation Between Risk Tolerance and Investment Knowledge

Correlations			
		RISK TOLERANCE	INVESTMENT KNOWLEDGE
RISK TOLERANCE	Pearson Correlation	1	
	Sig. (2-tailed)		.000
INVESTMENT KNOWLEDGE	Pearson Correlation	.423**	1
	Sig. (2-tailed)	.000	

Source: Primary data

* Correlation is significant at 1% level.

RESULTS

The results from Table (4.2.4) indicates that Risk Tolerance and Investment Awareness level are negative correlation between each other. The correlation showed the P value (.000) is less than 0.01 hence null hypothesis is rejected. The correlations are insignificant between risk tolerance and the investment Awareness level exhibit negative correlation. The correlation coefficient is (-.423) hence the two variables are not correlated. The null hypothesis is rejected.

4.6. CORRELATION ANALYSIS

4.6.1. Relationship analysis between Risk Tolerance and Risk Perception

Correlation is a statistical technique for investigating the strength and direction of the relationship between quantitative continuous variables. Correlation measures the degree of association between two variables.

STATISTICAL HYPOTHESIS:

Null Hypothesis (H_0): There is no relationship between Risk tolerance and Risk Perception.

Alternate Hypothesis (H_1): There is relationship between Risk tolerance and Risk Perception.

Table No 4.35: Table Showing Correlation Between Risk Tolerance and Risk Perception

Correlations			
		RISK PERCEPTION	RISK TOLERANCE
RISK PERCEPTION	Pearson Correlation	1	
	Sig. (2-tailed)		.000
RISK TOLERANCE	Pearson Correlation	.390**	1
	Sig. (2-tailed)	.000	

Source: Primary data

* Correlation is significant at 1% level.

RESULTS

The results from Table (4.2.5) indicates that Risk Tolerance and Risk Perception are positively and significantly correlated with each other ($p < .01$). The correlations between risk tolerance and the risk perception exhibit a positive correlation. The correlation coefficient is (.390) hence the two variables are highly correlated. The null hypothesis is accepted.

CHAPTER - 5

RESULTS AND DISCUSSION

5.1. FINDINGS

- Majority of individual investor are Female.
- Most of the investors are aged between 35-55.
- Most of the individual investors are qualified with graduate level
- Most of the people are salaried employees.
- Majority of individual investors are married and the investors who are single also making an investment equal.
- More than half of individual investors are depending on below 200000.
- Most of the individual investors based on the current and future income sources are stable.
- Most of the individual investors financial situation based on some savings and debt.
- Most of the individual investor own a current investment as bank deposit.
- Most of the individual investors are very aware in budgeting day to day finances.
- Most of the individual investors are very aware on saving money.
- Most of the individual investors are very aware in managing debt 30.75.
- Most of the individual investors are moderate and extremely aware on investing money.
- Majority of individual investors are extremely aware on planning for the financial future.
- Majority of individual investors are managing an investment by own.
- Majority of individual investors are aware on overall financial investment.
- Most of individual investors are agree about the Awareness level of investing.
- Most of individual investors are agreed on confident about the investing.
- Most of the individual investors are moderate growth based on the investment objective.
- Most of the investors make a choice on 1-3 years time horizon.
- Majority of individual investor are very conservative and try to minimize risk and avoid the possibility of any loss on investment decision.

- Majority of individual investors are agreed on the trust and confidence in investment portfolio& performance.
- Most of the individual investors are agree on the investment fluctuations.
- Majority of individual investors are agreed on forecasting the medium to long-term performance of this investment portfolio investment fluctuations.
- Majority of individual investors are agreed on value of investment portfolio will increase a lot in the future.
- Most of the individual investors are taken small degree of risk on financial decisions taken in the past.
- Most of individual investors are taken small degree of risk on current financial decisions.
- Majority of individual investors are taken moderate level in financial risk tolerance.
- Most of the investors are other occupation from the anova analysis
- Most of the investment decisions of men and women are taken similarly. Therefore, there is no significance difference between gender and investment decisions.
- Most of the investors with below 2 L as annual income are higher (mean 3.10)
- Analysis of relation between risk tolerance and investment Awareness level shows that both are not related and negatively correlated.
- Analysis of relation between risk perception and risk tolerance shows that both are in positive relation and highly correlated.

5.2. SUGGESTION

- Investors who want to approach their investments in a conservative way need to limit their exposure to risky financial securities, investing more heavily in traditionally safe securities and avoiding some of the more volatile investments, where the promise of returns may be higher, but the risk is greater, too.
- Focusing on conservative investments may not generate the highest profits in the financial markets, but it is more likely to protect an investor's capital.
- Some of the strategies to avoid / reduce the investment risk are: Determine your tolerance to different kinds of risk. Two factors that can help you determine your risk tolerance are your net worth and your risk capital. Your net worth is your assets minus your liabilities. Your risk capital is money that, if you lose on an investment, won't impact your lifestyle. If you have a high net worth and substantial risk capital, you can afford to have a higher risk tolerance. If your net worth is little or nothing, and you don't have much risk capital, you probably will be better off with conservative, low-risk investments.
- Diversify your investment portfolio across investment product types and economic sectors. Diversification reduces your overall risk by spreading it over a variety of products.
- Do your own due diligence, check out the investment's history, earnings growth, management team and debt load. Compare the results with other similar investment products as well as to other assets in your investment portfolio.
- Monitor your investments regularly and reallocate your resources as necessary. The proper allocation of your investments depends on such factors as your age, how long you have to invest and your investment temperament. Once a year you should evaluate your holdings and buy or sell assets as necessary to bring your portfolio back to proper asset allocation.
- Take advantage of investment products guaranteed by the federal government. For example, the Federal Deposit Insurance Corporation

insures your deposits at member banks, including certificates of deposit and money market accounts, up to \$250,000 as of 2012. The National Credit Union Administration provides the same insurance for similar deposits at federal credit unions. U.S. Treasury securities, including U.S. savings bonds, are not insured by any federal agency, but they are backed by the full faith and credit of the United States government. While there are still market risks and early withdrawal penalties if you have to access your money prior to maturity, the principal and interest of these investments are as safe as you can get when held to maturity.

- Keep expenses for 3-12 months in liquid and accessible asset classes. Accumulating high volatility products can produce poor outcomes if you need the money when that product or asset is going through a down cycle. By having a cushion of liquid assets, you can let your higher volatility products produce the intended outcomes by being invested in them for the long-term.
- Further study on investment knowledge and risk tolerance and perception of the right kind of risk could be done to help consumers reap higher returns. Research could also be done on why the Risk tolerance is so low in Chennai city, and will having a higher Risk tolerance make them reap higher returns is also a matter for further research.

5.3. CONCLUSION

In this study Financial Risk Tolerance of individual investor's helps us to understand better about what the investors facing the risk tolerance of individual & make to easy determine the investment decisions of portfolio management. There were independent variables as demographic variables, marital status, annual income, experience in investment, gender, age, occupation. Four different dependent variables were chosen from the questionnaire to reach to any conclusion they were risk tolerance level, risk perception, investment knowledge, investment decision.

The conclusion from the above research is that it was surprising to find that the gender, investment knowledge and occupation did not play an important role in the risk tolerance level of the investor. However, the Income of the respondent made a difference in the Risk tolerance. The people in the higher income group had higher Risk tolerance. The perception of risk was the other factor that correlated with the risk tolerance. Hence, we find that the perception of risk is very conservative in Chennai city where the sample was taken.

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APPENDIX - I

QUESTIONNAIRE ON FINANCIAL RISK TOLERANCE OF INDIVIDUAL INVESTORS

1.Name:

2.Gender:

- a) Male
- b) Female
- c) Other

3.Age:

- a) Below 25
- b) Between 25-35
- c) Between 35-55
- d) Above 55

4. Education level

- a) Higher Secondary /Diploma
- b) Graduate
- c) Postgraduate

5.Occupation

- a) Salaried Employee
- b) Business/ Self Employed
- c) Student
- d) Housewife
- e) Retired
- f) Others

6. What is your marital status?

- a) Single
- b) Married

7. Annual household income:

- a) Below 200000
- b) Between 200000-400000
- c) Between 400000-600000
- d) Above 600000

8. Your current and future income sources are:

- a) Stable
- b) Somewhat stable
- c) Unstable

9. How would you classify your overall financial situation?

- a) No savings and significant debt
- b) Little savings and a fair amount of debt
- c) Some savings and some debt
- d) Some savings and little or no debt
- e) Significant savings and little or no debt

10. Select the investment you currently own?

- a) Mutual funds
- b) Stocks & Equity shares
- c) Bonds
- d) Bank Deposits
- e) Life Insurance
- f) Medical Insurance
- g) Government securities
- h) Gold, Silver
- i) Others, please specify _____

11. How would you rate your financial Awareness level and understanding for the below factors from 1 to 5 (1 be the lowest & 5 be the highest)

- Budgeting day to day finances
 - a) Not at all aware
 - b) Slightly aware
 - c) Moderately aware

- d) Very aware
- e) Extremely aware
- Saving money
 - a) Not at all aware
 - b) Slightly aware
 - c) Moderately aware
 - d) Very aware
 - e) Extremely aware
- Managing debt
 - a) Not at all aware
 - b) Slightly aware
 - c) Moderately aware
 - d) Very aware
 - e) Extremely aware
- Investing money
 - a) Not at all aware
 - b) Slightly aware
 - c) Moderately aware
 - d) Very aware
 - e) Extremely aware
- Planning for the financial future
 - a) Not at all aware
 - b) Slightly aware
 - c) Moderately aware
 - d) Very aware
 - e) Extremely aware

12. Tick one or more of the following descriptions that apply to you

- ☐ I hold a financial qualification (e.g., degree, diploma)
- ☐ I work or have worked in a job that includes dealing with financial matters
- ☐ I have educated myself about financial matters over many years (e.g., through reading, seminars and courses)

- ☐ I manage or have managed many of my own investments
- ☐ I manage or have managed the investments of others
- ☐ None of the above applies to me

13. How do you rate your overall Awareness level of financial matters?

- ☐ Very good
- ☐ Good
- ☐ Moderate
- ☐ Poor
- ☐ Very poor

14. State your level agreement for the following statement:

I am knowledgeable about investing.

- a) Strongly Agree
- b) Agree
- c) Neither Agree nor Disagree
- d) Disagree
- e) Strongly Disagree

15. I am confident about my ability to invest.

- a) Strongly Agree
- b) Agree
- c) Neither Agree nor Disagree
- d) Disagree
- e) Strongly Disagree

16. My investment objective is

- a) High degree of growth
- b) Moderate growth only
- c) Income and growth simultaneously
- d) Income with some degree of growth
- e) Income with capital preservation

17. What is the time horizon for your investment?

- a) 1 – 3 years
- b) 3 – 5 years
- c) 5 – 10 years
- d) Over 10 year

18. In making financial and investment decisions you are:

- a) Very conservative and try to minimize risk and avoid the possibility of any loss
- b) Conservative but willing to accept a small amount of risk
- c) Willing to accept a moderate level of risk and tolerate losses to achieve potentially higher returns
- d) Aggressive and typically take on significant risk and are willing to tolerate large losses for the potential of achieving higher returns

State your level agreement for the following statement:

19. I have trust and confidence in this investment portfolio's performance.

- a) Strongly Agree
- b) Agree
- c) Neither Agree nor Disagree
- d) Disagree
- e) Strongly Disagree

20. I 'm very comfortable, and willing to accept investment fluctuations in the short-term to achieve higher returns in the long term with a low chance of capital loss.

- a) Strongly Agree
- b) Agree
- c) Neither Agree nor Disagree
- d) Disagree
- e) Strongly Disagree

21. I am confident in the financial experts' ability in forecasting the medium to long-term performance of this investment portfolio

- a) Strongly Agree
- b) Agree
- c) Neither Agree nor Disagree
- d) Disagree
- e) Strongly Disagree

22. I believe the value of this investment portfolio will increase a lot in the future

- a) Strongly Agree
- b) Agree
- c) Neither Agree nor Disagree
- d) Disagree
- e) Strongly Disagree

23. What degree of risk have you taken with your financial decisions in the past?

Please pick one below.

- a) Very small
- b) Small.
- c) Medium.
- d) Large.
- e) Very large.

24. What degree of risk are you currently prepared to take with your financial decisions? Please pick one below.

- a) Very small
- b) Small.
- c) Medium.
- d) Large.
- e) Very large.

25. How would you rate your tolerance of financial risk? Please pick one below

- ☐ Very conservative
- ☐ Conservative
- ☐ Moderate
- ☐ Aggressive
- ☐ Very aggressive
- ☐ Not sure

26. Suggestions if any about your risk tolerance is:

FINANCIAL RISK TOLERANCE OF INDIVIDUAL INVESTORS

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ABSTRACT

This study is about the Financial Risk Tolerance of Individual Investors. Hereby, individual and institutional investors consider the possible rate of return and riskiness of the investment while making real and individual investment decisions. This study intends to determine the factor influencing the overall financial risk tolerance by making an investment decision of individual investor through the research of the people of Chennai. This study identifies the factors are Investment Decisions, Investment Knowledge, Risk Perception on Financial Risk Tolerance of individual investors. The research is descriptive in nature and data has been collected from 153 respondents of Individual Investors. Convenient sampling technique was employed in collecting samples. Percentage Analysis, Anova Analysis, Correlation Analysis, T Test Analysis, have been utilised to interpret data. From Analysis that it was surprising to find that the gender, investment knowledge and occupation did not play an important role in the risk tolerance level of the investor. However, the Income of the respondent made a difference in the Risk tolerance. The people in the higher income group had higher Risk tolerance. The perception of risk was the other factor that correlated with the risk tolerance. Hence, that the perception of risk is very conservative in Chennai city where the sample was taken.

KEYWORDS

Risk Perception, Investment Knowledge, Investment Decisions, Risk Tolerance

1. INTRODUCTION

An individual's financial risk tolerance is playing a crucial role in making financial decisions and in achieving financial goals. Each investor has his or her own tolerance of and attitude toward risk, in order that an investment considered "high risk" by one investor could also be considered "low risk" by another investor. Assigning investors to their appropriate risk tolerance category and thereby suggesting the foremost suitable investment portfolios to them is an important task of investment managers and advisors.

In this study Financial Risk Tolerance of individual investor's helps us to know better about what the investors facing the risk tolerance of individual & make to easy determine the investment decisions of portfolio management. there have been independent variables as demographic variables; marital status, annual income, experience in investment, gender, age, occupation. The dependent variables were chosen from the questionnaire to succeed into any conclusion they were risk tolerance level, risk perception, investment knowledge, investment decision.

The commonly used technique is experimental questionnaire which consists of questions on hypothetical scenarios and/or investment choices. during this method, investors are asked to complete a questionnaire for gathering information about risk attitude and perception of investors through a series of questions.

1.1. STATEMENT OF PROBLEM

In this study is about while making real and individual investment decisions, both individual and institutional investors consider the possible rate of return and riskiness of the investment. During this context, the financial risk tolerance of individual investors emerges as a very important factor influencing the selection of financial investments and therefore the use of savings in financial markets.

This research will examine the factors influencing of financial risk tolerance. Because of recent global financial crises, investment decisions are considered as important task in our standard of living. So, this study is critical to enumerate the investment decisions and financial risk tolerance of individual investors by the using the demographic variables.

1.2. AIM AND SCOPE

The aim of the study is to identify the factors influencing risk tolerance level of an individual and to analyze the influence of the demographic factors on financial risk tolerance. This study helps the investors to make better investment choices. Furthermore, it'll help in determining whether the seasoned investor can only keep investment decision, or the financial literacy and accounting information may help less experienced investors in making good investment decision. The area of data has been restricted to Chennai city and not conducted for longer time horizon. The time limit is restricted to three months. This study has taken limited dependent variables like investment decisions, investment knowledge, risk tolerance level, risk perception.

2. REVIEW OF LITERATURE

John Grable R. H. (1999), 'Financial risk tolerance revisited: in this research the event of a risk assessment instrument. Where discussed about the many think about variety of household financial decisions, yet few recognized, valid, and reliable methods of assessment are available to be used by financial service investors.

Rui Yao (2005) the studies examines the financial risk tolerance that they have found that women are less risk tolerant than men. It is important because it affects a household's portfolio decisions, which ultimately affect a household's wealth accumulation. Chen (2006) the research identifies that the investors who are more investment experience had bearing more risk than the lower level of investment knowledge and lower experience.

Taqadus Bashir (2014), a look at 'investigates the impact of risk tolerance with a demographic characteristic on the subject of risk belief and portfolio control, which, in turn, have an effect on traders' decision making. Sachithanatham and Chavali(2016),this study has followed financial risk tolerance scale proposed with the aid of Grable and Lytton to degree the extraordinary dimensions of financial risks. This research identifies that gender has an effect on the investment sample and decision making of respondents.

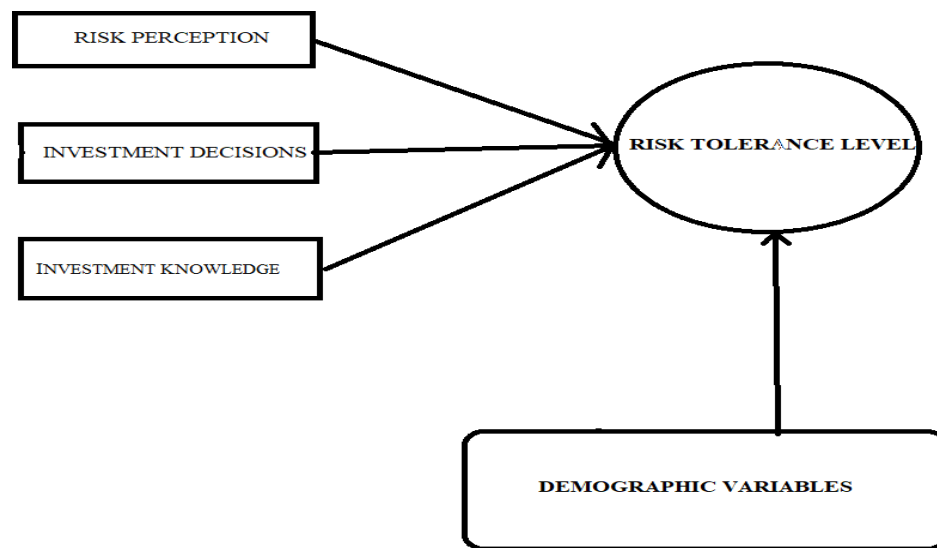
Sasmita Mishra (2016), has researched about the topic of Financial Risk Tolerance among Indian Investors: A Multiple Discriminant Modelling of Determinants, 'According to this study a singular perspective on money risk tolerance, on account of 2 different aspects. Mitali Baruah (2018)', this study is undertaken to develop a model that helps in understanding impact of risk tolerance and demographic factors collectively on investment decision; particularly, a call related with level of investments.

Praba(2019), this study examine the "Determinants of financial Risk Tolerance and its influence on Investment decisions". 'The rational construct assumes that individuals, both investors, and managers are capable of understanding the risk tolerance. This study thought brings the concept of market efficiency comes into existence. It absolutely was a central a part of the standard theory and behavioural finance theory. Ali Osman Oztop(2020), Influence Of Socio-Demographic Characteristics, Financial Literacy And Mood On Financial Risk Tolerance, in step with the purpose of this 'observe is to determine the factors affecting economic risk tolerance of the individual study, there may be a statistically positive and large courting among both fine emotion and age and economic risk tolerances.

Naveed Hussain Shah (2020), An Empirical Analysis of Financial Risk Tolerance and Demographic Factors of Business Graduates in Pakistan, the reason of 'this empirical study became the researcher examine whether financial chance-tolerances differs amongst commercial enterprise graduates in Pakistan supported their demographic elements (i.e., gender, age, education, enjoy, profits, saving, location, and profession). The result of this looks at that male business graduates having greater earnings and financial savings, those with extra schooling qualifications and additionally older graduates are positively related to financial chance-tolerance.

Yilmaz Bayar (2020), in this newsletter, researcher make a probe on 'the impact of financial literacy and demographic characteristics at the economic chance tolerance of the individuals within the pattern of Usak University team of workers, employing a multinomial logistic multivariate analysis and retrieving information via the survey of questionnaire approach.

3. RESEARCH FRAMEWORK



The research model shows the dependent factors of risk tolerance of individual investors. The dependent factors are Investment Decisions, Investment Knowledge, Risk Perception on Financial Risk Tolerance of individual investors. The demographic variables are influencing the investment decisions of the individual investors. The variables to study Investment Decisions were identified as degree of risk have you taken with your financial decision in the past, degree of risk is you currently prepared to take with your financial decisions and what type of risk willing to take. The variables to study Investment Awareness level were identified as financial knowledge, budgeting finances, saving money, managing debt, investing money, Planning for the financial future. The variables to study Risk Perception were identified as trust and confidence, investment fluctuations, financial experts' ability in forecasting, believe the value. The independent variables such as demographic variables which includes ages, gender, income level, occupation etc.

4. DATA & METHODOLOGY

4.1. SAMPLING SIZE & TECHNIQUE

For this research the sample of population is taken from the individual investors from Chennai city with respect to Age Group, Gender, Employment type, Education, Income Level, Marital Status, Risk tolerance, financial Experience. The sampling size for this study is 153 of individual investors are being taken for this study. The sampling method used in this research is Convenient Sampling Technique

4.2. DATA SOURCE

The source of data are the primary data was collected through survey from 153 respondents. Secondary data was collected from reviewing various literature related financial risk tolerance of individual investors.

4.3. RESEARCH HYPOTHESIS

H₀ 1: There is no significant difference among various occupation on risk tolerance level.

H₀ 2: There is no difference between investment decisions with respect to gender.

H₀ 3: There is no significant difference among various annual income and risk tolerance level.

H₀ 4: There is no relationship between Risk tolerance and Investment Knowledge.

H₀ 5: There is no relationship between Risk tolerance and Risk Perception.

4.3. HYPOTHESIS TESTING AND DATA ANALYSIS

H₀ 1: There is no significant difference among various occupation on risk tolerance level.

Table No 1: ANOVA Analysis for Occupation and Risk Tolerance Level

RISK TOLERANCE	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	9.691	5	1.93	1.63	.154
Within Groups	174.322	147	1.18		
Total	184.013	152			

* significance at 5% level

Results of table 1 shows p value (.154) is more than 0.0

5 hence null hypothesis is accepted. There is no significant difference between among various occupation and risk tolerance.

H₀ 2: There is no difference between investment decisions with respect to gender.

Table No 2: Independent T test between investment decisions with respect to gender

Independent Sample Test						
		Levine's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig..	t	df	Sig.(2-tailed)
INVESTMENT	Equal variances assumed	1.003	.318	1.545	151	.124
DECISIONS	Equal variances not assumed			1.556	147.8	.122

*Independent sample T test significance at 5% level

RESULTS

Results of table 2 shows P(.122) is greater than 0.05 is greater than 0.05 hence null hypothesis is accepted .There is no significant difference between investment decisions will respect to gender.

H₀ 3: There is no significant difference among various annual income and risk tolerance level.

Table No 3: ANOVA Analysis for Annual income and Risk Tolerance Level

ANOVA					
RISK TOLERANCE					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	25.147	3	8.382	7.862	<.001
Within Groups	158.866	149	1.066		
Total	184.013	152			

* significance at 5% level

RESULTS

ANOVA was performed to examine the difference among various income level on Risk tolerance

Results of table 3 shows the investors with below 2 L as annual income are higher (mean 3.10) P value (.001) is less than 0.05 hence null hypothesis is rejected. There is significant difference among various income level and risk

tolerance.

H₀ 4: There is no relationship between Risk tolerance and Investment Knowledge.

Table No 4: Relationship analysis between Risk tolerance and Investment Knowledge

Correlations			
		RISK TOLERANCE	INVESTMENT KNOWLEDGE
RISK TOLERANCE	Pearson Correlation	1	-.423**
	Sig. (2- tailed)		.000
INVESTMENT KNOWLEDGE	Pearson Correlation	-.423**	1
	Sig. (2- tailed)	.000	

* Correlation is significant at 1% level.

RESULTS

The results from Table 4 indicates that Risk Tolerance and Investment Awareness level are negative correlation between each other. The correlation showed the P value (.000) is less than hence null hypothesis is rejected. The correlations are insignificant between risk tolerance and the investment Awareness level exhibit negative correlation. The correlation coefficient is (-.423) hence the two variables are not correlated.

H₀ 5: There is no relationship between Risk tolerance and Risk Perception.

Table No 5: Table Showing Correlation between Risk tolerance and Risk Perception

Correlations			
		RISK PERCEPTION	RISK TOLERANCE
RISK PERCEPTION	Pearson Correlation	1	
	Sig. (2- tailed)		.000
RISK TOLERANCE	Pearson Correlation	.390**	1
	Sig. (2- tailed)	.000	

* Correlation is significant at 1% level.

RESULTS

The results from Table (5) indicates that Risk Tolerance and Risk Perception are positively and significantly correlated with each other ($p < .01$). The correlations between risk tolerance and the risk perception exhibit a positive correlation. The correlation coefficient is (.390) hence the two variables are highly correlated. The null hypothesis is accepted.

5. CONCLUSION

In this study Financial Risk Tolerance of individual investor's helps us to understand better about what the investors facing the risk tolerance of individual & make to easy determine the investment decisions of portfolio management. There were independent variables as demographic variables, marital status, annual income, experience in investment, gender, age, occupation. The dependent variables were chosen from the questionnaire to reach any conclusion they were risk tolerance level, risk perception, investment knowledge, investment decision.

The conclusion from the above research is that it was surprising to find that the gender, investment knowledge and occupation did not play an important role in the risk tolerance level of the investor. However, the Income of the respondent made a difference in the Risk tolerance. The people in the higher income group had higher Risk tolerance. The perception of risk was the other factor that correlated with the risk tolerance. Hence, we find that the perception of risk is very conservative in Chennai city where the sample was taken.

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