

## RISK ASSESSMENT: INVESTORS DECISION ON INVESTMENTS SELECT DISTRICTS OF RAYALASEEMA

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### Abstract

India is one in every of the most important economies in Asia in terms of purchasing power. Securities market plays a vital role within the capital formation and also the effective mobilization of savings of an economy. The economic activity of a country to a particular extent is influenced by the stock market that is a critical contributor for the event of an economy. The corporate sector plays a dominant role in Republic of India, and hence it are often assumed that the stock markets that square measure the barometers of the corporate sector indirectly influence the expansion of Indian economy. Indian securities market valuation has given its entry into the highest twenty stock markets of the world. Since the stock exchanges facilitate in fast the event of an economy. Typically whereas investment, the capitalist initial concern is on company image and performance. If the corporate has sensible image and higher performance the investors square measure drawn to those company shares. On the opposite hand strong promoters and company procedures additionally influence the investors' investment deciding. The analysis work tried to attain the objectives (i) To identify the chance that influence the capitalists towards stock market (ii) To assess investor risk in their investment call. The degree of risk taken by respondents' for past money call is moderate with 54.51. A negligible one.7 % for terribly giant risk. The proportion of the respondents' from Anantapuramu district create a note that this district respondents' square measure taken a lot of degree of risk within the past money call compared with different 2 districts as per the many p-value of the Chi-Square take a look at that is important at 5% level of significant.

**Keywords:** Risk, Investor, Investment, Stock Market, Influence.

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### INTRODUCTION

Globalization has led to the development of stock market and the inflow of foreign capital in the emerging markets like India which is one of the BRICS countries Growth of stock markets as money intermediaries for the augmentation of capital surplus can successively result in the economic process of a rustic. Money intermediaries facilitate within the transformation of family savings into investments, and additionally facilitate for the allocation of resources for the company sectors. This results in the generation of employment, ensures productivity, and also the growth in business and thereby the expansion of the economy. To the extent the growth of an economy depends on the rate of savings and investment. The securities market promote economic growth the stock exchange promote economic process. The banks and securities markets are 2 competitive mechanisms to channelize savings to investment. The stock exchange score over banks within the allocation potency, because it allocates savings to those investments that have potential to yield higher returns. This inevitably results in higher returns to saves on their savings and better productivity on investments to enterprises. Tell the extent economic process depends on the speed of come back on investments, stock exchange promotes economic process. Economic growth is the increase in the inflation- adjusted market value of the goods and services produced by an economy over time. It's conventionally measured because the percentage rate of increase in real Gross Domestic Product (GDP) and therefore economic process is measured because the annual percentage changes of gross domestic product (GDP).

this analysis is predicated on the data of the factors that influence investors' perception of risk.

### Role of Stock Exchange:

Securities market plays a vital role within the consolidation of financial set-up generally and within the development of business sector specially. It's the foremost organized and dynamic organized element of capital market. Securities market plays a cardinal role in promoting the extent of capital formation through effective mobilization of savings and making certain investment safety. Stock exchanges have multiple roles within the economy that are as follows:

- Raising Capital for Business
- Mobilization Savings for Investment
- Facilitating Company Growth
- Profit Sharing
- Corporate Governance
- Creating Investment Opportunities for small Investors
- Government Capital-Raising for development comes
- Barometer of the Economy.

### Risk:

Risk is associate degree intrinsic characteristic of every kind of monetary investments because of the variability of real and expected investment returns. The conception of 'risk perception' indicates the manner during which investors see the chance of monetary assets, supported their considerations and experiences. Investors' perception of risk is a very important issue influencing investment selections. Therefore,

The capital market has varied participants, as well as individual investors, institutional investors like pension funds and

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mutual funds, municipalities, governments, companies, banks of styles of teams, as well as governments, will issue debt through shares. Capital suppliers usually wish the best attainable come back with the smallest amount attainable risk, whereas capital users wish speculate, business banks, business banks and non-bank moneyintermediaries, like insurance corporations, money establishments, investment, investment, capital, leasing, and mutual funds fund, Construction Company, etc. The capital market works through the securities market. A stock market may be a market that facilitates the acquisition and sale of shares, stocks, and bonds. It's not simply a securities market and previous stocks, however conjointly new stocks and equities. Indeed, the capital market is connected to the provision and demand of latest the capital and also the securities market facilitates such transactions. Therefore, the capital market includes the set of establishments and mechanisms through that the medium and long funds area unit classified and created out there to people, corporations and governments.It conjointly covers the method by that the titles already in spread area unit transferred.

### Literature review:

**Investment Company Institute (1993)** conducted a study based on the objective of examining the perception of the risk of the mutual funds shareholders. In examining investors' perception of risk / return compensation, ICI results suggested that mutual fund shareholders have a better understanding of the potential for investment in fixed income products. Shareholders' family history could influence their investment behavior and financial risk tolerance.

**Powell and Ansic (1977)** discover that men have a significantly greater risk preference than women: men prefer "riskier" investment strategies to obtain higher profits, while women choose "safer" strategies than men . They allow you to avoid the worst possible losses.

**Olsen and Cox (2001)**, who study gender differences for investors with vocational training, discover that women value risk characteristics, such as the possibility of loss and uncertainty, more than men. Women investors also tend to stress risk reduction more than their colleagues.

**Lakshmi C. (2005)** stated that the reason why Indian investors do not invest in equities and equity oriented securities is the perception that capital investments are risky. He added that although investors are aware of capital investment success stories, as they perceive they do not understand the various risk minimization techniques, they believe it is better to stay away from capital investments.

**Veld and Veld-Merkoulova (2008)** studied the risk perception of individual investors by asking experimental questions to 2,226 members of a consumer panel. Their answers were analyzed to find out which risk measure they implicitly used. They found that most investors implicitly use more than one risk measure. For those investors who systematically perceive risk according to the same risk measure, the semi-variance return was the most popular.

**Aren S. and Zengin A.N. (2016)**, reveals that the perception of the risk of the individual is related to the loss of one part, while the benefit of the other, which is influenced by many factors, such as cognitive and emotional.

### OBJECTIVES OF THE STUDY

1. To examine the Risk which influence on investors towards stock market
2. To assess the investors risk in investment decision in the stock markets

### RESEARCH METHODOLOGY

To achieve the objectives stated above data will be collected from both the primary and secondary sources. The primary data will be collected through structured questionnaires from both the investors and intermediaries. Apart from the questionnaires, discussion will be undertaken with the stock market specialists to elicit their opinions on various matters relating to depository system.

organizations and moneystablishments. Whereas many various to boost capital at rock bottom attainable price. The funds that flow into the capital market return from those that have savings to

Secondary data will be collected from Five Year Plans of Government of India, Economic Surveys reports, bulletins of RBI, bulletins of SEBI, books, journals, magazines, conference papers and also various websites pertaining to risk analysis in portfolio management.

### SAMPLING:

The researcher has chosen multistage sampling procedure for the study, by selecting the sample of around 2 members from each broking firm proportionately at the first stage and in the second stage the sample respondents were selected based on the simple random sampling technique. For the present study, the researcher selected stock market investors in Anantapuramu, Chittoor and YSR Kadapa districts of Andhra Pradesh.

### SAMPLE SIZE :

The researcher has chosen 323 sample broking firms out of around 6925 population. Further by using simple random sampling technique from each district 220 respondents were chosen, with together comes to 660 respondents from three district i.e.,Anantapuramu, Chittoor and YSR Kadpa. The above sample was chosen on the basis of structural sampling formula.

### DISCUSSIONS & FINDINGS

**Table no. 1 Respondents' opinion on risk in investment**

Opinion	District			
	YSR Kadapa	Anantapuramu	Chittoor	Total
Loss	49 22.3%	61 27.1%	65 29.5%	175 26.5%
Unreliable	5 26.8%	73 33.2%	45 20.45%	177 26.8%
Chance	68 30.9%	79 35.9%	75 34.1%	222 33.6%
Speculation	44 20.0%	7 3.2%	35 15.9%	86 13.0%
Total	220 100.0%	220 100.0%	220 100.0%	660 100.0%

Chi-square: 35.836, P-Value: 0.000, Significant

Respondents' opinion on risk in investment is furnished in table no. 1. Among 660 total sample respondents' about 222 respondents' equaling to 33.6 percent revealed risk as chance followed by 117 respondents' equally to 28.6 percent told unreliable, 175 of them equaling to 26.5 opined loss and 86 respondents' equaling to 13.0 percent revealed risk as speculation. The district wise analysis reveals that respondents' belonging to Chittoor (29.5%), Anantapuramu (27.7%) and YSR Kadapa (22.3%) opined risk as loss. About (33.2%) Anantapuramu, (26.8%) YSR Kadapa and (20.5%) Chittoor districts respondents' told unreliability. Risk as chance opined by the respondents' of Anantapuramu (35.9%), Chittoor (34.1%) and YSR Kadapa (30.9%). Respondents' belonging to YSR Kadapa (20.0%), Chittoor (15.%) and East Godavari (3.2%) told that risk is a speculation.

The above data concludes that the respondents' opinions are scattered among all the factors of risk, but highest percent is given to change and least percent to speculation.

From the above chi-square value 35.836 and its corresponding p-value 0.000 make note that there is a significant association between district and the statement "What does the terms risk essentially mean to you". i.e., the respondents' from three districts opined significantly differ at 5% level of significance. Hence the hypothesis is rejected.

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**Table 2: Respondents’ reaction on investment decision**

Opinion	1	2	3	4	Weight Rank
A real risk avoider	188 (752)	243(729)	16(338)	60(60)	1879(2)
Cautious about risk	279(1116)	128(384)	163(326)	90(90)	1916(1)
Take action after completing adequate research	145(580)	176(528)	170(340)	169(169)	1617(3)
Speculator	48(192)	113(339)	181(362)	318(318)	1211(4)

Table no.2 reveals the respondents’ reaction on investment decision. The respondents’ were asked to rank their opinion. They gave 1<sup>st</sup> rank to cautious about risk with 1916 score, 2<sup>nd</sup> rank to a real risk avoider with 1879 score 3<sup>rd</sup> rank is recorded to take action after completing adequate research with 1617 score and 4<sup>th</sup> rank to speculation with 1211 score.

While making investment the respondents’ are very cautious about risk and want to avoid risk in their investment decision making.

**Table no. 3 Respondents’ opinion on risk on potential gains while investment**

Opinion	District			
	YSR Kadapa	Anantapuramu	Chittoor	Total
I always focus on the risk rather than the potential gains	22 10.0%	43 19.5%	20 9.1%	85 12.9%
I occasionally focus on the risk rather than the potential gains	32 14.5%	33 15.0%	35 15.9%	100 15.2%
I focus on the risk and potential gains equally	79 35.9%	110 50.0%	121 55.0%	310 47.0%
I occasionally focus on the potential gains rather	34 15.5%	23 10.5%	25 11.4%	82 12.4%
I always focus on the potential gains rather than the risk	53 24.1%	11 5.0%	19 8.6%	83 12.6%
Total	220 100.0%	220 100.0%	220 100.0%	600 100.0%

Chi - Square : 59.243 P-Value: 0.000, Significant

According to the data presented in table no.3, the total sample respondents’ opined that they focus on the risk and potential gains with highest majority of 47.0 percent and least with 12.4 percent to

occasionally focus on the potential gains. District wise analysis of highest and least percent reveals that Anantapuramu (19.5%) and Chittoor (9.1%) for respondents’ always focus on the risk rather than the potential gains. Chittoor (15.9%) and YSR Kadapa (14.5%) of the respondents’ occasionally focus on the risk rather than the potential gains. Chittoor (55.0%) and West Godavari (35.9%) respondents’ focused on risk and potential gains. Regarding respondents’ occasionally focus on the potential gains YSR Kadapa (15.5%) and Anantapuramu (10.5%). Respondents’ always focus on the potential gains is opined by YSR Kadapa (24.1%) and Anantapuramu (5.0%).

It may be concluded that respondents’ are focusing on the risk and potentials gains with Chittoor (55.0%), Anantapuramu (50.0%) and YSR Kadapa (5.9%).With regard to the statement. “What is more important for you in the context of investment, the risk or the potential gains”, the respondents’ from three district are opined statistically differ as per the significant p-value (0.000) of the chi-square (59.243) test mentioned above. Hence the hypothesis is rejected and variables are dependent to each other.

**Table no.4 Consideration of risk while investing in shares**

Risk	District			
	YSR Kadapa	Anantapuramu	Chittoor	Total
Marginal risk	66 30.0%	31 14.1%	45 20.5%	142 21.5%
Moderate risk	96 43.6%	117 53.2%	97 44.1%	310 47.0%
Heavy risk	35 15.9%	65 29.5%	45 20.5%	145 22.0%
All the above factors	23 10.5%	7 3.2%	33 15.0%	63 9.5%
Total	220 100.0%	220 100.0%	220 100.0%	600 100.0%

Chi-Square: 41.865, P-Value: 0.000, Significant

As per the data in the table no.4 it is revealed that out of 660 total sample respondents’, 310 respondents’ equaling to 47.0 percent told that while investing in shares they consider risk as moderate. And 63 respondents’ equaling to 9.5 percent told that they consider all the above factors. The district wise analysis reveals that majority of 30.0 percent of the respondents’ belong to YSR Kadapa, while 20.5 percent from Chittoor and 14.4 percent are from East Godavari opined that risk is considered as marginal while investing in shares. About 53.2 percent of the respondents’ are from Anantapuramu, 44.1 percent Chittoor and 43.6 percent YSR Kadapa thought risk as moderate. About 29.5 percent Anantapuramu, 20.5 percent Chittoor and 15.9 percent YSR Kadapa respondents’ feel that risk as heavy risk. However 15.0 percent Chittoor, 10.5 percent YSR Kadapa and 3.2 percent Anantapuramu respondents’ felt that all the above factors are to be considered as risk while investing in shares. The above table concludes that the sample respondents’ feeling risk as moderate and marginal. The generated p-value 0.000 is found to be significant at 0.05 level of significance. Therefore the hypothesis is rejected. With regard to the statement” How would you consider risk while investing in shares”, the Anantapuramu district respondents’ are ready to take significantly more when compare with other two district at 5% level of significance as the proportions of the Anantapuramu district respondents’ is more in percentages.

**Table no. 5 Respondents’ opinion on risk tolerance that affect investment decision**

Risk	District			
	YSR Kadapa	Anantapuramu	Chittoor	Total
Certainly will not	23 10.5%	35 15.9%	21 9.5%	79 12.0%

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Moderate risk	82 37.3%	97 44.1%	77 35.0%	256 38.6%
Heavy risk	68 30.9%	77 35.0%	57 25.9%	202 30.6%
All the	47	11	65	123
Total	220 100.0%	220 100.0%	220 100.0%	600 100.0%

Chi-Square: 46.752, P-Value: 0.000, Significant

Respondents' opinion on risk tolerance that affects investment decision is explained in table no.5. the district wise perception of the respondents' belonging to three districts on risk tolerance certainly will not affect them revealed by Anantapuramu (15.9%), YSR Kadapa (10.5%) and Chittoor (9.5%). It is observed from the data that a majority 44.1 percent of the respondents' from Anantapuramu, 37.3 percent from YSR Kadapa and 35.0 percent from Chittoor districts opined tolerance of risk as moderate. Similarly, 35.0 percent, 30.9percent and 25.9 percent of the respondents' from Anantapuramu, YSR Kadapa and Chittoor respectively stated risk tolerance is heavy. However Chittoor (29.5%), YSR Kadapa (21.4%) and Anantapuramu (5.0%) respondents' are in the view that all the above factors affect the risk tolerance of the respondents' in investment decision making.

It may be concluded that a majority of 38.8 percent of the total sample respondents' consider risk as moderate, 30.6 percent of them consider heavy risk. Further 18.6 percent of the total respondents' are considering all the above factors in investment decision making. The response given by the three district respondents' on the statement. " Will your risk tolerance effect your investment decisions" is statistically significant as per the significant p-value of the Chi-square test. It may be concluded that the respondents' opinions are not similar to each other for the above statement. Hence the hypothesis is rejected.

**Table no.6 Degree of risk taken by the respondents' in past financial decision**

Degree of risk	District			
	YSR Kadapa	Anantapuramu	Chittoor	Total
Very Small	33 15.0%	36 16.4%	21 9.5%	90 13.6%
Small	57 25.9%	18 8.2%	48 21.8%	123 18.6%
Moderate	101 45.9%	135 61.4%	124 56.4%	360 54.5%
Large	25 11.4%	24 10.9%	27 12.3%	76 11.5%
Very Large	4 1.8%	7 3.2%	0 .0%	11 1.7%
Total	220 100.0%	220 100.0%	220 100.0%	600 100.0%

Chi-Square: 36.47, P-Value: 0.000 Significant

The table no.6 presents the degree of risk taken by the respondents' in past financial decision. Out of 660 total sample respondents' 360 respondents' took moderate risk and 11 respondents' took very large risk. The highest and lowest degree of risk taken by the respondents' in three districts recorded for very small risk East Godavari respondents' (16.4%) and Chittoor (9.5%). Regarding small risk, YSR Kadapa (25.9%) and Anantapuramu (8.2%) respondents'. For moderate risk Anantapuramu respondents' (61.4%) and YSR Kadapa (45.9%). As far as large risk is concerned Chittoor respondents' (12.3%) and Anantapuramu (10.9%). Further very large risk is concerned Anantapuramu (3.2%) and Chittoor respondents' (12.3%) and Anantapuramu (10.9%). Further very large risk is concerned Anantapuramu (3.2%) and Chittoor respondents' (0%).

above factors	21.4%	5.0%	29.5%	18.6%
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The degree of risk taken by respondents' for past financial decision is moderate with 54.51. A negligible 1.7 percent for very large risk. The proportion of the respondents' from Anantapuramu district make a note that this district respondents' are taken more degree of risk in the past financial decision when compared with other two districts as per the significant p-value of the Chi-Square test which is significant at 5% level of significant. It may be concluded that the respondents' opinion on risk taken in the past financial decision is not similar to each other. Therefore the hypothesis is rejected.

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