The Study on Risk Tolerance Level of Individual Investors and Comparing to Various Investment Avenues

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Abstract: ***The investment of an individual seems to be more important than the earnings. As such the earnings will be helpful today to meet the current expenditure but only the investment will secure every investor from inflation and he has to select the right investment avenue. This study will bring awareness for the investors to identify and to understand the risk level in various investment avenue namely Life Insurance, mutual fund, Public provident fund and National saving certificate. To understand the wide investment avenues and the risk involved in the choice, T-test and paired sample T test is utilized as statistical tool, the study has also made to compare the risk involved among the investment avenue comparing Life insurance with other investment avenues. The public provident fund and national savings scheme faces under same category. To conclude higher the risk, higher the returns, the investor runs the investors marathon, to beat inflation, therefore it always depends upon the individual investors to tolerate risk.***

I. INTRODUCTION

The investment arena are said to be more crucial and essential part more than earnings. The earnings of an investor should be ploughed properly with diversified investment or else the else the investor cannot beat inflation. As the such the money value is hoping on depreciation and the investors ate in the position (or) the situation to meet various short run and long run needs.There are various factors which affect the investment decision can be political, economic varies and varies other huge factors determine the investment portfolio. It is also necessary to ascertain the risk to learned level of an investor.

There are various investment which are with avenues different velocity of risk to clearance. For the purpose of stay, the investment scenario is designed with five different avenues namely life Insurance, mutual fund, public provided fund, fixed deposit and national savings certificate. This study is initiate to ascertain this risk tolerance level of average investors on the above mentioned investment avenues.

II. LITERATURE REVIEW

It is risk that determines the rate of return that the investors are likely to receive. Indeed, most economic decision are driven by primitive individual utility functions, including particular preference for risk [2]. Thus, understanding the factors that determine risk attitudes is imperative in understanding individuals' decisions[11].

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Suggested that one's biological, demographic and socio-economic characteristics; together with his/her psychological makeup affects one's risk tolerance level. discussed factors that were related to individuals risk tolerance, which included years until retirement, knowledge sophistication, income and net worth. suggested that an individual's risk tolerance is related to his/her household situation, lifecycle stage and subjective factors[11].

III. OBJECTIVES OF THE STUDY

The objective of the study is to ascertain the risk tolerance level among multiple investment Life insurance, mutual funds, Public provide and National saving scheme. The study also covers the comparative study on comparing Life insurance with other investment variables and to ascertain which has got "nil risk or no risk", low risk and high risk, so that it will be useful for every investor before making an investment in multiple avenue[3].

IV. RESEARCH METHODOLOGY

The data is collected through structured questioned divided into two, the first structure speaks about investors profile and the second part of questionnaire studies about risk tolerance of an investor in various investment avenues like life Insurance, Mutual funds public provident fund, fixed deposit, National savings certificate. To understand the risk tolerance of the investors, the statistical tool T- Test and comparative paired sample test is used to study the risk tolerance level of an investor. The following hypothesis is considered[4][9].

H1- The risk tolerance of investors do not differ to different investment avenue.

H0- The risk tolerance of investors differs to different investment avenue.

V.ANALYSIS AND INTERPRETATION

TABLE 1 One Sample Statistics For Risk Tolerance

Variables	N	Mean	Std.Deviation	Std.Error Mean
LIC	500	1.9500	0.79547	0.03557
MF	500	3.8900	0.35518	0.01588
PPF	500	2.0000	0.71345	0.03191
FD	500	1.9960	0.70780	0.03165
NSC	500	2.1340	0.73288	0.03278

- The risk tolerance is presented in the hypothetical t-test analysis through one same statistics. From the analysis it is ascertained that with the sample size of three hundred. The mutual fund investors are tolerance to high risk to the extent of mean value of 3.89, and next to mutual fund investors the investors of national saving certificate with the mean value of 2.1340.

From the above table it is found that mean value of Life Insurance (LIC) is 1.95 and that of Mutual fund is 3.89. For the purpose of the study, the risk tolerance limits are assigned qualitative value

1. Nil risk
2. Low risk
3. Medium risk
4. High risk
5. Very high risk

From the analysis it is ascertained that Life Insurance (LIC) is has low risk when compared to mutual funds. The T-value (-45.978) is significant at 5% level. On comparing Life Insurance (LIC) and Mutual fund the risk tolerance in LIC is very low when compared to mutual funds, which is stated as No risk to low risk tolerance. But the risk tolerance of mutual funds can be said as from high risk tolerance to very high risk tolerance[5].

From the second part it is ascertained that there is no significant difference between Life Insurance (LIC) and Public Provident (PPF) because of investors on Life Insurance (LIC) and Public Provident Fund(PPF) are one and the same. It ranges from nil risk to low risk. Therefore public provided fund investment posses nil risk to low risk tolerence of investors[6].

Analysis of third set refers to the value that there is no significant different between Life Insurance (LIC) and fixed deposit. The T value is ascertained as 1.320. Therefore it is proved that risk tolerance of Life Insurance (LIC) and fixed deposits are same. Thus the risk tolerance various from nil risk to low risk tolerance[7][8].

Analysis of fourth pair states that there is no difference between Life Inurance (LIC) and fixed deposit. The T-value is ascertained to be 1.320. Therefore it is evident that the risk tolerance of both the investors are identical. Thus the risk tolerance varies from nil risk to low risk tolerance.

Mean scores of the fifth pair namely Life Insurance and NSC are said to be 1.95 and 2.13 respectively. The T value is 4.511 is statistically at 5% level. Life insurance (LIC) risk tolerance varies from nil risk to low risk. NSC investors risk tolerance varies from low risk to medium risk.

On comparison of the mean values between mutual fund and public provided fund mean value is 3.89 value is 2.0, it is evident that mutual fund holds high risk tolerance at 5% statistical significance level is identified in the T value 50.978. It is considered as Risk tolerance of mutual funds varies from medium risk to high risk. The risk tolerance of public provided fund varies from low risk to medium risk.

The mean value of fixed deposit is 1.99 and that of National Savings Certificate(NSC) is 2.13. The T value is said to be 3.567, the value is statistical significant at 5% level. Thus fixed deposit risk tolerance varies from no risk to low risk. But the investors of national savings certificate is identified from low risk to median risk.

Table 2:Paired Sample Test

Combination		Mean	N	Std.Deviation	Std.ErrorMean	T.value
Pair 1	LIC	1.95	500	0.79547	0.03557	-45.978
	MF	3.89	500	0.35518	0.01588	
Pair 2	LIC	1.95	500	0.79547	0.03557	-1.32
	PPF	2	500	0.71345	0.03191	
Pair 3	LIC	1.95	500	0.79547	0.03557	-1.076
	FD	1.996	500	0.7078	0.03165	
Pair 4	LIC	1.95	500	0.79547	0.03557	-4.511
	NSC	2.134	500	0.73288	0.03278	
Pair 5	MF	3.89	500	0.35518	0.01588	50.978
	PPF	2	500	0.71345	0.03191	
Pair 6	MF	3.89	500	0.35518	0.01588	49.766
	FD	1.996	500	0.7078	0.03165	
Pair 7	MF	3.89	500	0.35518	0.01588	46.603
	NSC	2.134	500	0.73288	0.03278	
Pair 8	PPF	2	500	0.71345	0.03191	0.106
	FD	1.996	500	0.7078	0.03165	
Pair 9	PPF	2	500	0.71345	0.03191	-3.662
	NSC	2.134	500	0.73288	0.03278	
Pair 10	FD	1.996	500	0.7078	0.03165	-3.567
	NSC	2.134	500	0.73288	0.03278	

Therefore the hypothesis 1 is rejected at 5% level as the statistical values are significant at this level. It is therefore concluded that the risk tolerance of investors will differ for any investment portfolio.

VI. CONCLUSION:

The study concludes with various findings in multiple investment avenue of the five investment avenues it is understood that LIC has low risk (or) nil risk when compared to mutual funds as the T value is low at fine percent significant level. On comparing LIC with public provident fund the risk tolerance level is more or less same, and even comparing LIC with fixed deposit the fixed deposit is categorized under nil risk as the banks are providing fixed returns as guided by Reserve Bank of India, as such even the risk level in National saving certificate is equal as the government of India decides the interest rate for the investment made in post office, the next comes the comparison of LIC with public provided fund, the public provident fund is categorized under nil risk (or) low risk. Therefore the study Concludes with saying that it always depends upon the risk tolerance level of the individual investors, higher the return, higher will be the plunging period, the investors must wait for long-term to attain the expected return with the well guided advisors to be secured and beached by nil risk (or) low risk. The study ascertained that investment in public provided fund, national saving certificate, and fixed deposit are classified under high-risk as it do not guarantee any assured investment. Therefore the investors are very prominent to make investment decision.

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