

Perception of Investors towards Risk in Various Investment Avenues

U M Gopal Krishna, Aliya Sultana, T. Narayana Reddy



Abstract: Investment is the process of Allocation of money with the expectation receiving additional returns in the future. In any investment risk is inherent. An investor will take decisions on financial investment avenue on basis of demographical factors, Socio - Economic factors, Life Style, etc., and an investor can estimate the risk on particular investment avenue. Risk is an important factor that influences the financial investment decisions. In this study an attempt has been made to find out the impact of knowledge level on risk taking ability of investor and investors perception towards risk in various investment avenues at Kurnool district of Andhrapradesh.

Key Words: Investor Perception, Investment Avenue, Risk.

I. INTRODUCTION

Investment in any of the alternatives depends on the needs and requirements of the investor. Corporate and individuals have different needs. Before investing, the investor has to analyze alternatives of investments in terms of their risk, return, safety, liquidity etc. Different investment avenues include share market, Bonds, mutual funds, precious objects like Gold, Silver, Platinum, non-marketable securities (Bank Deposit and Post Office Savings). All are differentiated based on their different features in terms of risk, return, safety and liquidity.

A. Share Market Investment Avenue

Stock Market is an Organised market which is recognised from the central government and it deals with the shares issued by the company. In Share market, Buying and selling of shares takes place under the guidelines of SEBI, Stock Market Rules and regulations. In all over the world, a stock market is also known as Share Market. In India the stock markets are National Stock Exchange (NSE) & Bombay Stock Exchange (BSE). In the process of investment, investment in the Stock market has been an important component. In recent decades; Statistics shows a large portion of household financial assets in Shares in many countries as well as India. Stock markets provide a channel for allocation of savings to those who have a productive need for them.

B. Bonds Investment Avenue

The Investment media includes inter alia, Bonds and Debentures. This form of investment represents the most usual way of borrowing by the company.

A Bond or Debenture is a legal document containing an acknowledgement of indebtedness by a company. Although bonds have much to offer investors, buying bond is not without risk. Some bonds expose investors to more risk than other bonds. For example Government bonds do not have any default risk but still expose to other risks. Different types of risk involved in bonds such as Credit Risk, Interest rate risk, Reinvestment risk, Call risk, Liquidity risk, and Foreign Exchange risk.

C. Mutual Funds Investment Avenue

Mutual fund is a non depository, non – banking financial intermediary which acts as important vehicle for brining wealth holders and deficit units together indirectly. The concept of mutual fund was conceived to pool the resources of small investors and deploy the same in the capital market to help industrialization through participation in equity and other debt instruments.

The mutual funds offer the investors the advantage of the diversified portfolio and professional management at low cost. Informed investment, Safety of funds, Dispersal of risks and reasonably satisfactory yield are essential features of mutual funds. In India Mutual funds are governed by

- ❖ RBI guidelines in case of mutual funds are established by the banks.
- ❖ SEBI guidelines, regulates and monitor the mutual fund sector in India.

D. Bank and Post Office Investment Avenue

These are financial assets which give moderately high return but cannot be traded in market.

E. Gold and Silver Investment Avenue

In India, The bullion market provides an opportunity to invest in real assets such as gold, silver, art objects (paintings, antiques), precious stones and precious metals are traded in the metal exchange.

II. STATEMENT OF PROBLEM

The study area is Kurnool district which has three revenue divisions such as Kurnool, Nandyal, Adoni consisting of people from rural, urban areas and small towns and peoples having various levels of professions. The problem and gap of this study is to check the financial investment plans are reaching to ultimate investors or not which is introduced by the

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Government authority bodies.

The present study attempts to investigate and understand the investor's investment Knowledge and Risk taking ability in different investment avenues.

III. OBJECTIVES OF THE STUDY

- ❖ To study the Investors demography variables, Investors Investment Knowledge and Investors Risk taking Ability on various investment Avenues.
- ❖ To study the relation between Investors demography variables and Investors Investment Knowledge and their risk taking ability.
- ❖ To Study the impact of Investors level of Knowledge on Risk Taking Ability of Investors
- ❖ To study the impact of the Investors level of Knowledge on various Investment Avenues and To study the impact of Investors Risk Taking Ability on various Investment Avenues.

IV. HYPOTHESIS OF THE STUDY

1. There is no significant relation between Investors demography variables and Investment Knowledge.
2. There is no significant relation between the Investors investment knowledge and risk taking ability.

V. REVIEW OF LITERATURE

Harikanth, D. (2012), concludes that males are interested to invest in risky avenues like share market. Female investors are not interested with Risky investments like shares. There is no significant relationship between the Investors' Investment Knowledge and Risk taking ability in Share Market Investment.

S.T. (2010) explores investors chosen fixed income investments and risk averse investments like Bonds. The study concludes there is no significant relationship between gender & risk tolerance level of investors.

Deep Kantilal Thakkar (2013) concludes most of the investors are choosing Investment with low risk and fixed income investments like bonds.

Peggy D. Dwyer., et.al (2002) explores that the women investors are interested to invest in low risk investment avenues and men investors are interested to invest in risky investment avenues like mutual fund investment.

Raghunathan, P. N. (2010) concludes that there is significant relationship between investor's knowledge and family income, investor's knowledge and educational qualification for mutual fund investment.

Ravi Vyas (2012) concludes that the study is 53% of mutual fund investors understanding the risk in their investment but not have a sufficient knowledge to analyse the risk in their mutual fund investment.

Rathnamani, V. (2013) concludes that there is no significant relationship between Investors level of Knowledge and respondents location.

Deep Kantilal Thakkar (2013) concluded that the most of the investors' first preference is fixed income, low risk investment avenues like Bank Deposits.

Bhatt, K.A., et.al (2012) concludes that most of the investors having less educated and low income are especially who are less educated and low income earner, prefer bank deposits, post office deposits because of easy to understand and less risky.

VI. RESEARCH METHODOLOGY

- ❖ Research Design: Descriptive research design
- ❖ Sampling Technique: Multistage sampling technique
- ❖ Sampling Size and Sampling Area: 216 Respondents from Kurnool District
- ❖ Statistical tools: SPSS STATISTICS 25 version & SPSS AMOS 25 version.

VII. LIMITATIONS OF THE STUDY

- ❖ The Study is limited to Kurnool District.
- ❖ Some of the respondents are not interested to reveal the personal investment details.
- ❖ Some of the respondents are feel hesitated in answering the questionnaire, because of their tight schedules at work.

VIII. DATA ANALYSIS AND INTERPRETATION

Investors Investment Knowledge and Risk Taking Ability

Figure 7:1 Path Relationship of Share Market Avenue Investors Investment Knowledge and Risk Taking Ability

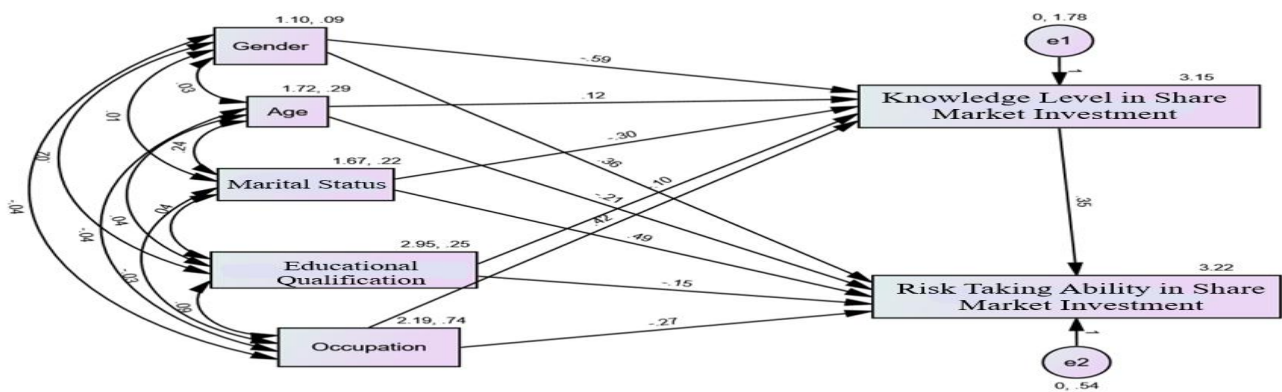


Table 7:1 Regression Weights of Share Market Avenue Investors Investment Knowledge and Risk Taking Ability

| Share Market Avenue Regression Weights | | | Estimate | S.E. | C.R. | P |
|---|------|---------------------------|----------|------|-------|------|
| Knowledge level in Share Investment | <--- | Gender | -.588 | .450 | -1.30 | .191 |
| Knowledge level in Share Investment | <--- | Age | .116 | .636 | .182 | .855 |
| Knowledge level in Share Investment | <--- | Marital Status | -.298 | .730 | -.408 | .683 |
| Knowledge level in Share Investment | <--- | Educational Qualification | -.103 | .276 | -.375 | .708 |
| Knowledge level in Share Investment | <--- | Occupation | .417 | .156 | 2.666 | .008 |
| Risk taking ability in Share Investment | <--- | Gender | .363 | .252 | 1.440 | .150 |
| Risk taking ability in Share Investment | <--- | Age | -.206 | .354 | -.582 | .561 |
| Risk taking ability in Share Investment | <--- | Marital Status | .487 | .407 | 1.198 | .231 |
| Risk taking ability in Share Investment | <--- | Educational Qualification | -.146 | .154 | -.948 | .343 |
| Risk taking ability in Share Investment | <--- | Occupation | -.272 | .090 | -3.03 | .002 |
| Risk taking ability in Share Investment | <--- | Knowledge level in Share | .346 | .053 | 6.493 | *** |

The path analysis model represents relationship of Share market Avenue investors Demography profile like Age, Gender, Marital status, Education Qualification, Occupation significant status with Investment Knowledge and Risk Taking ability. Moreover it represents the relationship of Investors Investment Knowledge and Risk Taking ability. The results of multiple regression path analysis concludes the Share market Avenue investors Investment knowledge is significant in Occupation

wise, the regression weights is 0.417 respectively. Similarly, Investors Risk taking ability is significant with Knowledge wise only, the regression weight is 0.346, at the same time Risk taking ability is significant with Occupation wise but it is negative value. Remaining Demography variables are not significant with Investors Knowledge and Risk taking ability. Share market Investors' Investment Knowledge impact on Investors Risk taking ability estimate value is 0.35.

Figure 7:2 Path Relationship of Bond Avenue Investors Investment Knowledge and Risk Taking Ability

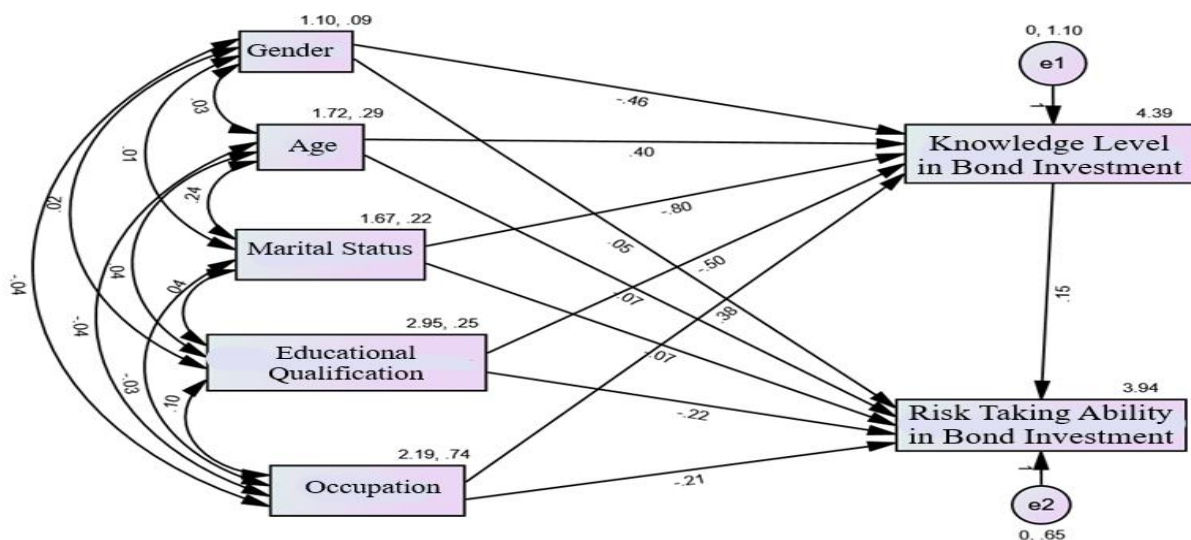


Table 7:2 Regression Weights of Bond Avenue Investors Investment Knowledge and Risk Taking Ability

| Bond Avenue Investors Regression Weights | | | Estimate | S.E. | C.R. | P |
|--|------|---------------------------|----------|------|--------|------|
| Knowledge level in Bond Investment | <--- | Gender | -.462 | .354 | -1.305 | .192 |
| Knowledge level in Bond Investment | <--- | Age | .399 | .500 | .799 | .424 |
| Knowledge level in Bond Investment | <--- | Marital Status | -.795 | .574 | -1.386 | .166 |
| Knowledge level in Bond Investment | <--- | Educational Qualification | -.500 | .217 | -2.303 | .021 |
| Knowledge level in Bond Investment | <--- | Occupation | .376 | .123 | 3.062 | .002 |
| Risk taking ability in Bond Investment | <--- | Gender | .047 | .273 | .171 | .864 |
| Risk taking ability in Bond Investment | <--- | Age | -.068 | .384 | -.177 | .860 |

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| Bond Avenue Investors Regression Weights | | | Estimate | S.E. | C.R. | P |
|--|------|------------------------------------|----------|------|--------|------|
| Risk taking ability in Bond Investment | <--- | Marital Status | -.068 | .444 | -.154 | .878 |
| Risk taking ability in Bond Investment | <--- | Educational Qualification | -.216 | .170 | -1.267 | .205 |
| Risk taking ability in Bond Investment | <--- | Occupation | -.207 | .098 | -2.108 | .035 |
| Risk taking ability in Bond Investment | <--- | Knowledge level in Bond Investment | .154 | .073 | 2.101 | .036 |

The path analysis model represents relationship of Share market Avenue investors Demography profile like Age, Gender, Marital status, Education Qualification, Occupation are significant with Investment Knowledge and Risk Taking ability. Moreover it represents the relationship of Investment Knowledge and Risk Taking ability. The results of multiple regression path analysis concludes the Bond Avenue investors Investment knowledge is significant in Occupation wise, the regression weights is 0.376 respectively. At the same time the Investors Investment

Knowledge is significant with Education wise but it is negative value. Investors risk taking ability is significant with Knowledge wise, the regression weights is 0.154 respectively. At the same time Risk Taking Ability is significant with Occupation wise but it is negative value. Remaining Demography variables are not significant with Bond Avenue Investors Knowledge and Risk taking ability.

Bond Avenue Investors Investment Knowledge impact on Investors Risk taking ability estimate value is 0.15.

Figure 7:3 Path Relationship of Mutual Fund Avenue Investors Investment Knowledge and Risk Taking Ability

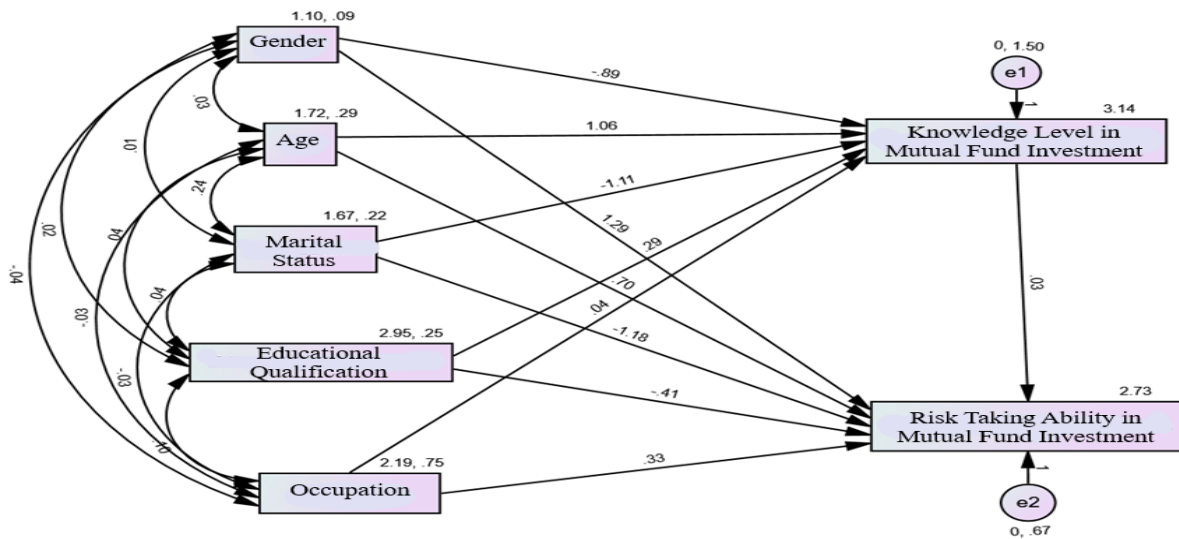


Table 7:3 Regression Weights of Mutual Fund Avenue Investors Investment Knowledge and Risk Taking ability

| Mutual Fund Avenue Regression Weights | | Estimate | S.E. | C.R. | P | |
|---|------|---|-------|------|-------|------|
| Knowledge level in Mutual Fund Investment | <--- | Gender | -.885 | .412 | -2.14 | .032 |
| Knowledge level in Mutual Fund Investment | <--- | Age | 1.061 | .582 | 1.82 | .068 |
| Knowledge level in Mutual Fund Investment | <--- | Marital Status | -1.11 | .668 | -1.66 | .097 |
| Knowledge level in Mutual Fund Investment | <--- | Educational Qualification | .285 | .253 | 1.125 | .261 |
| Knowledge level in Mutual Fund Investment | <--- | Occupation | .041 | .143 | .286 | .775 |
| Risk taking ability in Mutual Fund Investment | <--- | Gender | 1.28 | .281 | 4.57 | *** |
| Risk taking ability in Mutual Fund Investment | <--- | Age | .697 | .395 | 1.765 | .078 |
| Risk taking ability in Mutual Fund Investment | <--- | Marital Status | -1.18 | .453 | -2.60 | .009 |
| Risk taking ability in Mutual Fund Investment | <--- | Educational Qualification | -.415 | .170 | -2.43 | .015 |
| Risk taking ability in Mutual Fund Investment | <--- | Occupation | .329 | .096 | 3.439 | *** |
| Risk taking ability in Mutual Fund Investment | <--- | Knowledge level in Mutual Fund Investment | .033 | .064 | .520 | .603 |

The path analysis model represents relationship of Mutual Fund Avenue investors Demography profile like Age, Gender, Marital status, Education Qualification, Occupation significant status with Investors Investment Knowledge

ndRiskTakingability. Moreover it represents the relationship of Investment Knowledge and Risk Taking ability. The result of multiple regression path analysis concludes the Mutual Fund Avenue investors Investment knowledge is not significant with any demographic variable. Similarly, Investors Risk taking

ability is significant with Gender wise and Occupation wise, the regression weights are 0.286 and 0.329. At the same time Risk taking ability is significant with Marital Status wise and Education wise but it is negative value. Mutual Fund Investors' Investment Knowledge impact with Investors Risk taking ability estimate value is 0.03

Figure 7:4 Path Relationship of Bank and Post Office Avenue Investors Investment Knowledge and Risk Taking Ability

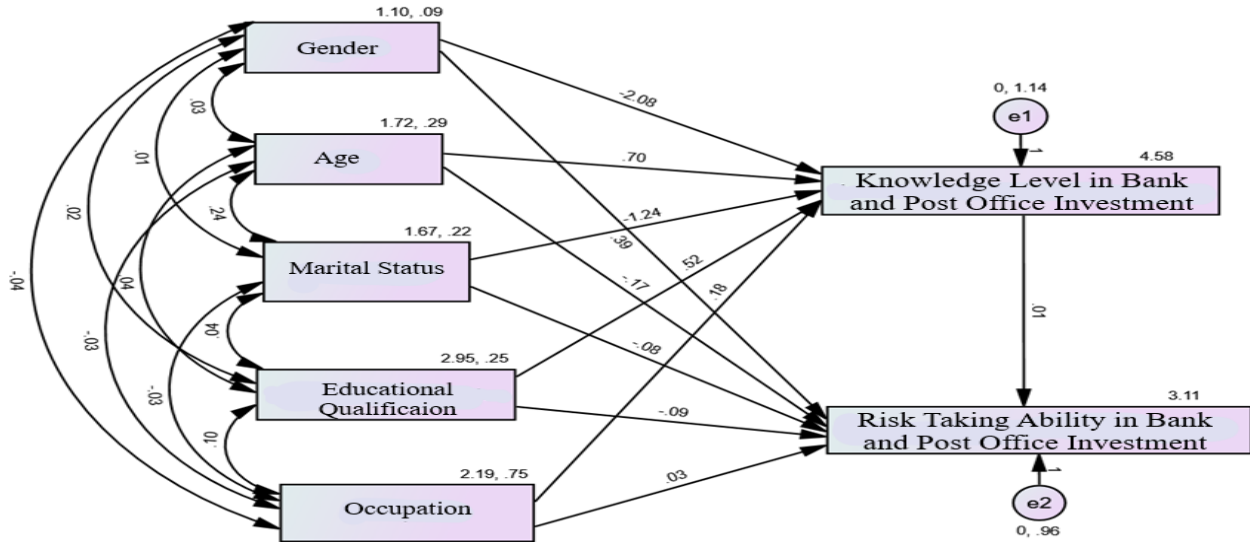


Table 7:4 Regression Weights of Bank and Post Office Avenue Investors Investment Knowledge and Risk Taking Ability

| Bank and Post Office Avenue Regression Weights | | Estimate | S.E. | C.R. | P |
|---|---|----------|------|-------|------|
| Knowledge level in Bank and Post Offices Investment | <--- Gender | -2.07 | .359 | -5.78 | *** |
| Knowledge level in Bank and Post Offices Investment | <--- Age | .697 | .508 | 1.372 | .170 |
| Knowledge level in Bank and Post Offices Investment | <--- Marital Status | -1.24 | .583 | -2.13 | .033 |
| Knowledge level in Bank and Post Offices Investment | <--- Educational Qualification | .524 | .221 | 2.374 | .018 |
| Knowledge level in Bank and Post Offices Investment | <--- Occupation | .176 | .125 | 1.413 | .158 |
| Risk taking ability in Bank and Post Offices Investment | <--- Gender | .391 | .377 | 1.036 | .300 |
| Risk taking ability in Bank and Post Offices Investment | <--- Age | -.169 | .470 | -.359 | .719 |
| Risk taking ability in Bank and Post Offices Investment | <--- Marital Status | -.080 | .546 | -.147 | .883 |
| Risk taking ability in Bank and Post Offices Investment | <--- Educational Qualification | -.091 | .208 | -.438 | .662 |
| Risk taking ability in Bank and Post Offices Investment | <--- Occupation | .028 | .116 | .245 | .807 |
| Risk taking ability in Bank and Post Offices Investment | <--- Knowledge level in Bank and Post Offices | .009 | .088 | .099 | .921 |

The path analysis model represents relationship of Bank and Post Office Investment Avenue investors Demography profile like Age, Gender, Marital status, Education Qualification, Occupation significant status with Investment Knowledge and Risk Taking ability. Moreover it represents the relationship of Investment Knowledge and Risk Taking ability.

The results of multiple regression path analysis concludes the Bank and Post Offices Investment Avenue investors

Investment knowledge is significant in Education wise, the regression weights is 0.524 respectively. The Investors Knowledge is significant with Age wise and marital status wise but it is negative. Remaining Demography variables are not significant with Investors Knowledge wise.

At the same time Risk taking ability is not significant with any demographic variable. Bank and Post Office Avenue Investors' Investment Knowledge impact with Investors Risk taking ability estimate Value is 0.01.

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Figure 7:5 Path Relationship of Gold and Silver Avenue Investors Investment Knowledge and Risk Taking Ability

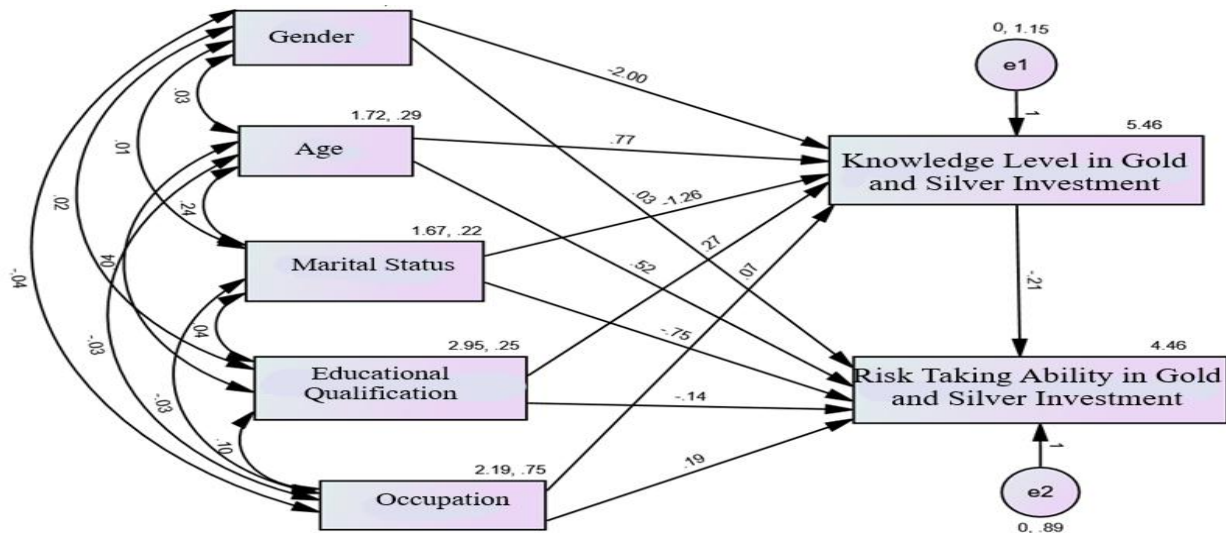


Table 7:5 Regression Weights of Gold and Investment Avenue Investors Investment Knowledge and Risk Taking Ability

| Gold and Silver Regression Weights | | | Estimate | S.E. | C.R. | P |
|---|------|--------------------------------|----------|------|--------|------|
| Knowledgelevelin Gold and Silver Investment | <--- | Gender | -1.997 | .364 | -5.482 | *** |
| KnowledgelevelinGoldand Silver Investment | <--- | Age | .770 | .515 | 1.496 | .135 |
| KnowledgelevelinGoldandSilver Investment | <--- | MaritalStatus | -1.257 | .591 | -2.127 | .033 |
| KnowledgelevelinGoldandSilver Investment | <--- | EducationalQualification | .266 | .224 | 1.186 | .235 |
| KnowledgelevelinGoldandSilver Investment | <--- | Occupation | .071 | .127 | .556 | .578 |
| RisktakingabilityinGoldandSilver Investment | <--- | Gender | .028 | .361 | .078 | .938 |
| RisktakingabilityinGoldandSilver Investment | <--- | Age | .519 | .455 | 1.141 | .254 |
| RisktakingabilityinGoldandSilver Investment | <--- | MaritalStatus | -.751 | .527 | -1.424 | .154 |
| RisktakingabilityinGoldandSilver Investment | <--- | EducationalQualification | -.141 | .197 | -.718 | .473 |
| RisktakingabilityinGoldandSilver Investment | <--- | Occupation | .186 | .111 | 1.676 | .094 |
| RisktakingabilityinGoldandSilver Investment | <--- | KnowledgelevelinGoldand Silver | -.207 | .085 | -2.428 | .015 |

The path analysis model represents relationship of Gold and Silver Avenue investors Demography profile like Age, Gender, Marital status, Education Qualification, Occupation significant status with Investment Knowledge and Risk Taking ability. Moreover it represents the relationship of Investment Knowledge and Risk Taking ability. The results of multiple regression path analysis concludes the Gold and Silver Avenue investors' Investment knowledge and Risk taking ability is not significant with any demographic variable. The Investors Investment Knowledge is significant with Education wise and marital status wise but it is negative value. Risk taking ability is significant in Knowledge wise but it is negative. Bank and Post Office Avenue Investors' Investment Knowledge impact with Investors Risk taking ability estimate value is 0.21.

IX. FINDINGS

❖ The Share Market investors' Investment knowledge is significant only on the demography variables of Occupation wise, other variables are not significant and their Risk taking ability is significant on only the Investors' demographic variable of Knowledge wise and remaining variables are not significant. The relationship of Investors' Investment

Knowledge tends to Risk taking ability is significant in Share Market Investment.

❖ The Bond Avenue investors' Investment knowledge is significant only on the demography variables of Occupation wise and Risk taking ability is not significant in all demographic variables. The relationship of Investors' Investment Knowledge tends to Risk taking ability is significant in Bond Investment.

❖ The Mutual Fund investors' Investment Knowledge and Risk taking ability is significant in demographic variables of Gender wise and Occupation wise. The relationship of Investors Investment Knowledge tends to Risk taking ability is significant in Mutual Fund Investment.

❖ The Bank and Post office investors' Investment Knowledge is significant only on the demography variable of Education wise, other variables are not significant and their Risk taking ability is not significant in all demographic variables. The relationship of Investment Knowledge tends to Risk taking ability is not significant in Bank and post office investors' Investment.

❖ The Gold and Silver investors' Investment Knowledge and their Risk taking ability is not significant with any demographic variable.

The relationship of Investment Knowledge tends to Risk taking ability is significant in Gold and Silver Investment.

X. SUGGESTION

Financial education is essential for the investors; it helps to build a secure financial future.

Investors Responsibilities

- ❖ Evaluating the risk of the Investment
- ❖ Either in the long term or Short term, the investors have clear idea about the investment objectives.
- ❖ Investment decision making process with knowledge and rationalized decision.
- ❖ Investors have strengthening their activities like orientation programmes like seminars, training, research and publication for protecting their investments and awareness programmes through media, print, electronic.

XI. CONCLUSION:

The hypothesis of the study is the investors investment knowledge tends to risk taking ability is significant, but the study output the investors investment knowledge tends to risk taking ability is significant only Sharemarket, Bond, Gold & Silver Investment avenues, remaining investment avenues Mutual fund, Bank and Post office, are not significant.

In addition to this some demography variables are significant in investors investment knowledge and risk taking ability. The basic principle of the investment is, In any investment avenue investors should have unique characteristics in investments, they should not be different in age wise, Gender wise, occupation wise, etc., Therefore, the study concludes that some investors have an good knowledge about their investment and Some investors does not have knowledge about the investment.

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