

# **An Analysis of Risk Taking Behaviour of Equity Investors**

**K.KANIMOZHI**

**(REG NO.17PBM010)**

**A Major Project Report submitted to**

**Avinashilingam Institute for Home Science and Higher Education for Women,**

**Coimbatore-641 043**

**In Partial Fulfillment of the Requirements for the Degree of**

**Master's in Business Administration**

**(IT Organisation Administration)**

**April, 2019**

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**CERTIFIED AS BONAFIDE RESEARCH WORK**

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**Signature of the  
Supervisor**

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**Signature of the  
Head of the Department**

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**Signature of the  
External Examine**

# Dealmoney

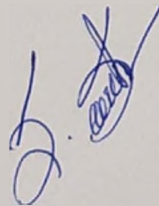
05/04/2019

## TO WHOMSOEVER IT MAY CONCERN

This is to certify that Smt **K.Kanimozhi Reg.No.17PBM010**, II nd year, MBA IT Organisation Administration of Department of Business Administration, Avinashilingam Institute for Home Science and Higher Education for Women, Coimbatore had done a project titled **“An Analysis of Risk Taking Behaviour of Equity Investors” in Dealmoney Securities Private Limited** during the period 24.12.2018 to 24.02.2019 as a part of her curriculum.

During the period, her performance and character are highly commendable.

For Dealmoney Securities Private Limited



Head – Business Development - Equity

**CERTIFICATE**

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## **ACKNOWLEDGEMENT**

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## ACKNOWLEDGEMENT

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**SYNOPSIS**

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## **SYNOPSIS**

Investors are generally less able to objectively evaluate investment risk and return and tend to be emotionally biased in their investment decisions. They act according to market sentiments and some even follow their gut feeling when making financial decisions. For this reason it is necessary to understand the risk taking behaviour of investors. There are numerous factors such as age, gender, occupation, qualification and behavioural biases influencing risk taking behaviour.

The purpose of this analysis is to know the risk taking behaviour and capacity of equity investors and to find out the factors that influence the investors to invest in share market. Investor's perceptions are an important driver of their actual risk-taking behaviour. Risk arises when there are variations between expectation and realization.

The study is based on the Primary data for which the required data is collected through the questionnaire. The total sample size consisted of 150 respondents. The Factor analysis, Chi-square, Regression, ANOVA, Charts were taken as statistical tools for this research.

Generally, an investor makes an investment with the object of getting a return. But as the future of his investment is uncertain, the return expected by him also may not be certain. This element of uncertainty associated with the return from an investment causes risks in investment. In regard to the purpose of investment from the respondents group majority of investor's purpose is Long term wealth creation. Most of the investors consider low risk as their important factor before their investment.

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## **INTRODUCTION**

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## **REVIEW OF LITERATURE**

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## **RESEARCH METHODOLOGY**

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## ANNEXURE

### Questionnaire

Dear Sir/Madam,

I am the student of Avinashilingam Institute for Home Science and Higher Education for Women, The following questionnaire is designed to define “**An Analysis of Risk Taking Behaviour of Equity Investors**”. Kindly fill in the needed details and tick in appropriate options as precisely and accurately as you can.

1. Name (optional) :

2. Age (in years)

- a) Below 20                      b) Between 20-30                      c) Between 30-40  
d) Above 40

3. Gender

- a) Male                              b) Female

4. Qualification

- a) SSLC                              b) Higher secondary                      c) Diploma  
d) Under Graduate                      e) Post Graduate                      f) Others

5. Occupation

- a) Salaried                              b) Business                              c) Housewife  
d) Student                              e) Professional                              f) Retired  
g) Others

6. Annual income

- a) Below Rs. 2,00,000                      b)Rs. 2,00,000-Rs. 4,00,000  
c) Rs. 4,00,000-Rs. 6,00,000                      d) Above Rs. 6,00,000

7. How do you invest?

- a) Directly (By myself)                      b) Indirectly (A financial advisor invest my money)

8. What is the purpose behind your investments?

- a) Self learning
- b) Long term wealth creation
- c) Future short term expenses
- d) Others

9. Which factor do you consider before investing?

- a) Safety of principal
- b) Low risk
- c) High returns
- d) Reputation of the company
- e) Evaluate my comfort zone
- f) Bonus given in last decades

10. What is the source of your investment advice/information?

- a) Self learning
- b) Market rumours
- c) News channels
- d) Family or Friends
- e) Internet
- f) Brokers notes
- g) Others

11. How do you rate your knowledge about stock market?

- a) Very good
- b) Good
- c) Moderate
- d) Bad
- e) Very bad

12. When I invest my money, I am:

- a) Most concerned about my investment losing value
- b) Equally concerned about my investment losing or gaining value
- c) Most concerned about my investment gaining value

13. When considering the next three months, do you have confidence in making profit in the stock market?

- a) Yes, very much
- b) Yes, I have some confidence
- c) No, I have no confidence at all

14. On average, how long do you hold your stocks in your portfolio?

- a) Daily
- b) Weekly
- c) Monthly
- d) Quarterly
- e) Yearly

15. Imagine that stock market drops after you invest in it then what will you do?

- a) Withdraw your money
- b) Wait to increase
- c) Invest more in it

16. How often do you monitor your investment?

- a) Daily                                      b) Weekly                                      c) Monthly  
d) Occasionally

17. What percentage of your income do you invest?

- a) 0-15%                                      b) 15%-30%                                      c) 30%-50%  
d) More than 50%

18. If you lose some money in the stock market, at what point do you intend to sell your stocks?

- a) I don't have a set point  
b) I will sell as soon as there is a loss  
c) I will sell if I lose 10% of the investment  
d) I will sell if I lose 20% of the investment  
e) I will sell if I 30% of the investment  
f) I will sell if I lose over 40% of the investment  
g) I don't intend to sell because I like following my original plan

19. Behavioural factors influencing risk taking behaviour of equity investors:

Here SA-Strongly Agree, A-Agree, N-Neutral, DA-Disagree, SDA-Strongly Disagree.

Prospect factors (loss aversion, regret and mental accounting)

S.NO	FACTORS	SA	A	N	DA	SDA
1.	After a prior loss, I become more risk averse					
2.	I avoid selling shares that have decreased in value and readily sell shares that have increased in value					
3.	I tend to treat each element of my investment portfolio separately					

Market factors (price changes, market information past trends of stocks)

S.NO	FACTORS	SA	A	N	DA	SDA
1.	I consider carefully the price changes of stocks that I intend to invest in					
2.	Market information is important for my stock investment					
3.	I put the past trends of stocks under my consideration for my investment					

20. How would you classify your willingness to take risks in financial decisions?

- a) Very good                      b) Good                      c) Moderate  
d) Bad                                  e) Very bad

21. Do you think that the following statement is true or false? Buying a single company stock usually provides a safer return than a stock mutual fund

- a) True                                  b) False                      c) I don't know

22. How would you describe yourself as a risk-taker?

- a) Willing to take risk for higher returns      b) Can take calculated risks  
c) Low risk taking capability                      d) Extremely averse to risk

23. You have a market tip on the price appreciation of certain scrip, you:

- a) Immediately invest in the scrip  
b) Invest if you feel that the source of the tip is an experienced/expert market player  
c) Do some enquiry and analysis and then decide  
d) Want to invest but are generally unable to take a decision in such cases  
e) You don't rely on such tips or totally ignore it

24. The stock market has dropped 25% and a share that you also dropped 25%, but the market expects the share to go up again. What would you do?

- a) Sell all the shares
- b) Sell some of them
- c) Buy more of them
- d) Keep all of them as you expect the price to reach the earlier level
- e) Keep all of them as you are afraid of booking loss

25. Mention your risk taking behaviour and suggestions:

Here FA- Fully Agree, A-Agree, N-Neutral, DA-Disagree, FDA-Fully Disagree

S.NO	FACTORS	FA	A	N	DA	FDA
1.	I am able to identify stocks that will beat the market in the future					
2.	My stock forecasts are always correct					
3.	Losses and gains in stock markets are just a matter of chance					

# CHAPTER I

## INTRODUCTION

### 1.1 INDIAN STOCK MARKET

A stock market, equity market or share market is the aggregation of buyers and sellers of stocks, which represent ownership claims on businesses. Stock market refers to the market place where investors can buy and sell stocks. A share of stock is the smallest unit of ownership in a company. If you own a share of company's stock, you considered as the part owner of the company. Stock market trading consists of buying and selling of company stocks and as well as stock derivatives. This type of trading usually takes place in a stock exchange, in which companies need to be listed in order for their shares to be bought and sold. The Price at which each buying and selling transaction takes is determined by market forces demand and supply for a particular stock.

Most of the trading in the Indian stock market takes place on its two stock exchanges: The Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The BSE has been in existence since 1875. The NSE, on the other hand, was founded in 1992 and started trading in 1994. However, both exchanges follow the same trading mechanism, trading hours, settlement process, etc. At the last count, the BSE had about 4,700 listed firms, whereas the rival NSE had about 1,200. Out of all the listed firms on the BSE, only about 500 firms constitute more than 90% of its market capitalization; the rest of the crowd consists of highly illiquid shares.

The stock market serves two very important purposes. The first is to provide capital to companies that they can use to fund and expand their businesses. If a company issues one million shares of stock that initially sell for \$10 a share, then that provides the company with \$10 million of capital that it can use to grow its business (minus whatever fees the company pays for an investment bank to manage the stock offering). By offering stock shares instead of borrowing the capital needed for expansion, the company avoids incurring debt and paying interest charges on that debt.

The secondary purpose the stock market serves is to give investors – those who purchase stocks – the opportunity to share in the profits of publicly-traded companies. Investors can profit from stock buying in one of two ways. Some stocks pay regular

dividends (a given amount of money per share of stock someone owns). The other way investors can profit from buying stocks is by selling their stock for a profit if the stock price increases from their purchase price. For example, if an investor buys shares of a company's stock at \$10 a share and the price of the stock subsequently raises to \$15 a share, the investor can then realize a 50% profit on their investment by selling their shares.

### **The First Shares and the First Exchange**

Company shares were issued on paper, enabling investors to trade shares back and forth with other investors, but regulated exchanges did not exist until the formation of the London Stock Exchange (LSE) in 1773. Although a significant amount of financial turmoil followed the immediate establishment of the LSE, exchange trading overall managed to survive and grow throughout the 1800s.

<b>1800's</b>	1854: Dalal Street fixed as permanent location  1875: BSE established as "the Native Share and Stock Brokers Association"
<b>1900's</b>	1956: BSE became the first stock exchange to be recognized under the Securities Contract Act  1993: NSE recognized as a stock exchange
<b>2000's</b>	2000: Commencement of Internet trading at NSE  2000: NSE commences derivatives trading (Index futures)  2001: BSE commences derivatives trading

### **Types of Stock Market**

#### **Primary Market:**

This where a company gets registered to issue a certain amount of shares and raise money. This is also called getting listed in a stock exchange.

A company enters primary markets to raise capital. If the company is selling shares for the first time, it is called an Initial Public Offering (IPO). The company thus becomes public.

## **Secondary Market:**

Once new securities have been sold in the primary market, these shares are traded in the secondary market. This is to offer a chance for investors to exit an investment and sell the shares. Secondary market transactions are referred to trades where one investor buys shares from another investor at the prevailing market price or at whatever price the two parties agree upon. Normally, investors conduct such transactions using an intermediary such as a broker, who facilitates the process. Different brokers offer different plans.

## **Key Basic Stock Market Terms**

### **1. Annual Report**

An annual report is a report prepared by a company that's intended to impress shareholders. It contains tons of information about the company, from its cash flow to its management strategy. When you read an annual report, you're judging the company's solvency and financial situation.

### **2. Arbitrage**

Arbitrage refers to buying and selling the same security on different markets and at different price points. For instance, if stock XYZ is trading at \$10 on one market and \$10.50 on another, the trader could buy X shares for \$10 and sell them for \$10.50 on the other market, pocketing the difference.

### **3. Averaging Down**

When an investor buys more of a stock as the price goes down. This makes it so your average purchase price decreases. You might use this strategy if you believe that the general consensus about a company is wrong, so you expect the stock price to rebound later.

### **4. Bear Market**

Trading talk for the stock market being in a downward trend, or a period of falling stock prices. This is the opposite of a bull market. If a stock price plummets, it's very bearish.

### **5. Beta**

A measurement of the relationship between the price of a stock and the movement of the whole market. If stock XYZ has a beta of 1.5, that means that for every 1 point move in the market, stock XYZ moves 1.5 points, and vice versa.

### **6. Blue Chip Stocks**

The stocks behind large, industry-leading companies. They offer a stable record of significant dividend payments and have a reputation of sound fiscal management. The

expression is thought to have been derived from blue gambling chips, which is the highest denomination of chips used in casinos.

### **7. Bull Market**

When the stock market as a whole is in a prolonged period of increasing stock prices. It's the opposite of a bear market. A single stock can be bullish or bearish too, as can a sector.

### **8. Broker**

A person who buys or sells an investment for you in exchange for a fee (a commission).

### **9. Bid**

The bid is the amount of money a trader is willing to pay per share for a given stock. It's balanced against the ask price, which is what a seller wants per share of that same stock, and the spread is the difference between those two prices.

### **10. Day Trading**

The practice of buying and selling within the same trading day, before the close of the markets on that day, is called day trading.

### **11. Dividend**

A portion of a company's earnings that is paid to shareholders, or people that own that company's stock, on a quarterly or annual basis. Not all companies pay dividends.

### **12. Execution**

When an order to buy or sell has been completed, the trader has executed the transaction. If you put in an order to sell 100 shares, this means that all 100 shares have been sold.

### **13. High**

A high refers to a market milestone in which a stock or index reaches a greater price point than previously. Record highs can signal that a stock or index has never reached the current price point, but there are also time-constrained highs, such as 30-day highs.

### **14. Index**

A benchmark that is used as a reference marker for traders and portfolio managers. A 10 percent return may sound good, but if the market index returned 12 percent, then you didn't do very well since you could have just invested in an index fund and saved time by not trading frequently.

## **15. Initial Public Offering (IPO)**

An IPO is the first sale or offering of a stock by a company to the public. It happens when a company decides to go public rather than remain solely owned by private or inside investors. The Securities Exchange Commission (SEC) has strict rules that companies must follow before issuing an IPO.

## **16. Leverage**

When you use leverage, you borrow shares in a stock from your broker with the goal of increasing your profit. If you borrow shares and sell them all at a higher price point, you return the shares and keep the difference.

## **17. Low**

Low is the opposite of high. It represents a lower price point for a stock or index.

## **18. Margin**

A margin account lets a person borrow money (take out a loan, essentially) from a broker to purchase an investment. The difference between the amount of the loan and the price of the securities is called the margin.

Trading on margin can be dangerous because, if you're wrong about the direction in which the stock will go down, so you can lose significant cash. You must often maintain a minimum balance in a margin account.

## **19. Moving Average**

A stock's average price-per-share during a specific period of time is called its moving average. Some common time frames to study in terms of a stock's moving average include 50- and 200-day moving averages.

## **20. Order**

An investor's bid to buy or sell a certain amount of stock or option contracts constitutes an order.

## **21. Portfolio**

A collection of investments owned by an investor makes up his or her portfolio. You can have as few as one stock in a portfolio, but you can also own an infinite amount of stocks or other securities.

## **22. Quote**

Information on a stock's latest trading price tells you its quote. This is sometimes delayed by 20 minutes unless you're using an actual broker trading platform.

### **23. Rally**

A rapid increase in the general price level of the market or of the price of a stock is known as a rally. Depending on the overall environment, it might be called a bull rally or a bear rally.

### **24. Sector**

A group of stocks that are in the same industry belong to the same sector. An example would be the technology sector, which includes companies like Apple and Microsoft. Some traders prefer to trade in a specific sector, such as energy, because they know the industry well and can better predict stock price fluctuations.

### **25. Short Selling**

When you short-sell a stock, you borrow shares from someone else with the promise to return them at a point down the road. You then sell the stock for a profit. It's a way to take advantage of a stock that you believe will decrease in price. After you sell short, you can buy back the shares at the lower price point and take the difference in price as your profit.

### **26. Spread**

This is the difference between the bid and the ask prices of a stock, or the amount for which someone is willing to buy it and the amount for which someone is willing to sell it. For instance, if a trader is willing to trade XYZ stock for \$10 and a buyer is willing to pay \$9 for it, the spread is \$1.

### **27. Stock Symbol**

A stock symbol is a one- to four-character alphabetic root symbol that represents a publicly traded company on a stock exchange. Apple's stock symbol is AAPL, while Walmart's is WMT.

### **28. Volatility**

The price movements of a stock or the stock market as a whole. Highly volatile stocks are those with extreme daily up and down movements and wide intraday trading ranges. This is often common with stocks that are thinly traded or have low trading volumes. High volatility often makes trading more exciting, but it's also risky if you're inexperienced.

### **29. Volume**

The number of shares of stock traded during a particular time period, normally measured in average daily trading volume. Volume can also mean the number of shares you purchase of a given stock. For instance, buying 2,000 shares of a company is a higher-volume purchase than buying 20 shares.

### **30. Yield**

Often refers to the measure of the return on an investment that is received from the payment of a dividend. This is determined by dividing the annual dividend amount by the price paid for the stock. If you bought stock XYZ for \$40 per share and it pays a \$1.00-per-year dividend, you have a “yield” of 2.5 percent.

## 1.2 DEALMONEY SECURITIES PVT LTD

Dealmoney Securities Private Limited is a Private incorporated on 11 October 2005. It is classified as Non-govt Company and is registered at Registrar of Companies, Mumbai. Its authorized share capital is Rs. 1,424,999,940 and its paid up capital is Rs. 1,189,542,270. It is involved in Activities auxiliary to financial intermediation, except insurance and pension funding. [This Group includes activities involved in or closely related to financial inter-mediation other than insurance and pension funding but not themselves involving financial inter-mediation].

Dealmoney Securities Private Limited's Annual General Meeting (AGM) was last held on 29 September 2017 and as per records from Ministry of Corporate Affairs (MCA), its balance sheet was last filed on 31 March 2017. The last reported AGM (Annual General Meeting) of the company, per our records, was held on 30 October, 2018. Also, as per our records, its last balance sheet was prepared for the period ending on 31 March, 2018.

Dealmoney is one of the leading full-service brokerage organizations in the country today. Dealmoney is firm believer of the fact that every sound relationship is based on trust. Dealmoney keep drawing our inspiration towards delivering customers value and delight from the ambition and sharpness of our visionary top management. Despite the numerous challenges we face, there is no compromise when it comes to the legacy laid down by our legendary past and present promoters.

Dealmoney is a leading financial services organization providing financial protection and wealth accumulation solutions for customers across India. Our organization stands for customer dedication, innovation, financial stability, and value creation.

### **Vision:**

1. To build a world-class, customer-centric financial service entity that accomplishes the financial needs of 'Middle-Class India' with global processes.
2. To focus on profitable growth.
3. To unlock potential across four dimensions- Individual, Team, Customer and Marketplace.
4. To focus strong, trustworthy relationships with our clients which are beyond finances
5. To not only grow for our clients, but also grow with them.
6. To deliver the best possible results as per our clients' needs.

7. To not only merely advise our clients about their investment plans, but also to educate them.

### **Mission:**

1. To forge strong, sustained relationships with our clients by creating value for them.
2. To get a thorough insight into our clients' financial needs and goals & offer customized solutions.
3. Uphold clients' trust in our products & services.
4. Strive to protect & increase clients' capitals.
5. Enable transparent and knowledge based investment process & systems.
6. Maximize profits and minimize risks for our clients.
7. Equipping our clients with the right kind of knowledge for attaining their financial goals.

### **ACCOUNT TYPES: CLASSIC ACCOUNT**

- Multiple watch lists, Integrated Banking, demat and digital contracts, Real time portfolio tracking with price alerts and Instant credit and transfer.
- Online trading account for investing in Equities and transfer.
- Free trading account for investing in Equities and Derivatives.
- Two dedicated numbers for placing your orders with your cell phones.
- Automatic fund transfer with Phone Banking.
- Simple and secure Interactive Voice Response based system for authentication get the trusted, professional advice of our teleprocess.
- Online trading + Bank + Demat account instant cash transfer facility against purchase & sales of cash.
- IPO investments and Instant order and trade conformations by e-mail.
- Single screen interface for cash and derivatives.

### **DEAL MONEY BROKERAGE CHARGES**

#### **Account opening fees & annual maintenance charges (AMC)**

- Trading Annual Maintenances Charges(AMC): Rs400(First Year Remains Free)
- Demat Account Opening Charges(one time)

- Included in trading account opening charges Demat Account Annual Maintenance charges(AMC):Rs400(Free for 1<sup>st</sup> year with trading account)

### **Deal Money Trading Brokerages Charges**

- Intra-day Traders: 0.1% on the buy side and 0.1% on the sell side.
- Delivery Based Traders: 0.5% or 10 paisa per share or Rs 16 per scrip whichever is higher.
- Option Traders: Rs 100 per contract or 2.5% on the premium(whichever is higher)

### **Intra-day Traders**

Deal Money Charges minimum brokerage of 5 paisa per share. This means that while doing intraday trading if the share price you trade in Rs 50 or less, a minimum brokerage of 5 paisa per share will be charged.

### **For Delivery Based traders**

Deal Money has its own research teams which regularly publish investment advice, stocks tips, quarterly company result analysis and news alerts to its customer through email, SMS and on Dealmoneyonline.com. Deal Money has an excellent knowledge centre on its website to help stock and commodity market investors of all kind.

CIN	U67120MH2005PTC156678
Company Name	DEALMONEY SECURITIES PRIVATE LIMITED
Company Status	Active
RoC	RoC-Mumbai
Registration Number	156678
Company Category	Company Limited by Shares
Company Sub Category	Non-govt company
Class of Company	Private
Date of Incorporation	11 October 2005
Address	RS Puram, Coimbatore
State	Tamil Nadu

## **1.3 AN ANALYSIS OF RISK TAKING BEHAVIOUR OF EQUITY INVESTORS**

To understand the risk taking behaviour of equity investors give lots of information. This study used to know the risk taking behaviour of equity investors. People are facing risk in their daily life. Investor's perceptions are an important driver of their actual risk-taking behaviour. Willingness to take risk can be analysed by looking at someone behaviour in the street, on the road while driving and in many other cases. In finance, being aware of financial risk is an important matter to achieve investment goals. Risk tolerance and financial behaviour are two concepts that should be analysed in order to understand portfolio decisions. In the last two decades, a new field known as behavioural finance has become to emerge in the finance industry. Today, lots of financial institutions propose financial services built on results based on behavioural finance.

In behavioural decision making research, an important distinction has been made between decision behaviour under risk and under uncertainty. In the present paper, the term "risk" is used to denote situations in which the probabilities of outcomes are known or at least made explicit, and "uncertainty" to denote situations in which the probabilities of outcome are unknown. Knight (1921) was one of the first researchers to point out that risk and uncertainty are different.

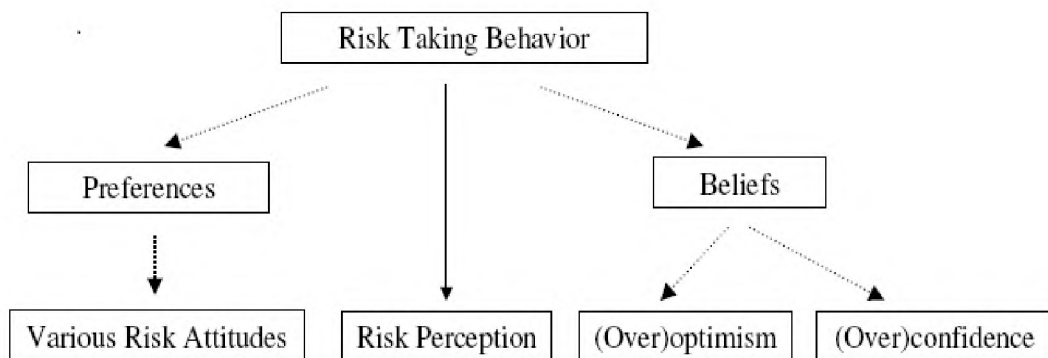
### **Risk**

The dictionary meaning of risk is "the possibility of loss or injury; the degree of probability of such loss". The concept of risk may be define as "the possibility that the actual return may not be same as expected". Risk is also defined as "a situation where the possibility of happening or non-happening of an event can be quantified and measured". Risk in holding securities could result in the possibility of realizing lesser returns than what was originally expected by way of dividends or interest. Risk includes the possibility of loss or injury and the degree of probability of such a loss.

Generally, an investor makes an investment with the object of getting a return. But as the future of his investment is uncertain, the return expected by him also may not be certain. This element of uncertainty associated with the return from an investment causes risks in investment. Risk arises when there are variations between expectation and realization. Thus, risk can be explained in terms of variability of returns.

On this basis, an investment, whose returns are fairly stable is considered to be a low-risk investment. On the other hand, if the returns on an investment fluctuate widely, it is regarded as a high-risk investment. For example, investment in equity shares is risky as their returns fluctuate widely. But returns obtained from government securities are fairly stable and hence they are considered to contain low-risk.

### Risk Taking Behaviour



Investors all over the world have different kind of risk taking behaviour. There are four kinds of basic risk behaviours: Risk seeking, Risk tolerant, Risk averse and Risk neutral. These different kinds of risk attitudes of investors have a major impact upon their level of investment and earning profits in their organization. Our study will analyze the risk taking behaviour of equity investors. Financial requirement of an individual finds no boundaries. Every individual aims at maximizing the flow of income from whatever source possible. The most interesting activity undertaken by an individual to fulfil this objective is to undertake investing. It is a very interesting activity which attracts people from all walks of life irrespective of their occupation, economic status, education and family background. Investment means employment of funds on assets with the aim of earning of income or capital appreciation.

The two main factors that influence investment decisions are time and risk. Investment is the allocation of money to assets that are expected to yield some gain over a period of time. The main criteria for investment are the expected return, risk involved, and liquidity of investment the different activities, but the common target in these activities is to wealth. By foregoing consumption today and investing their savings, investors expect to enhance their future consumption possibilities by increasing their wealth. An individual who commits money to investment products with the expectation of financial return is termed as

an investor. Generally, the primary concern of an investor is to minimize risk while maximizing return.

## **MEANING OF PORTFOLIO**

Portfolio is a combination of securities which include debt and equity. The combination of debt and equity is necessary because debt provide assured opportunities whereas equity gives higher returns but with an element of uncertainty. Therefore in a portfolio, combination of debt instrument and equity is important to complement each other.

## **PORTFOLIO MANAGEMENT**

The professional management of various securities (shares, bonds and other securities) in order to meet specified investment goals for the benefit of the investors is known as portfolio management.

## **TECHNIQUE OF PORTFOLIO MANAGEMENT**

Investment management also known as portfolio management is not a simple activity as it involves many complex steps:

### **Specification of investment objectives & constraints**

Investment needs to be guided by a set of objectives. The main objectives taken into consideration by investors are capital appreciation, current income and safety of principal. The relative importance of each of these objectives needs to be determined. The main aspect that affects the objectives is risk. Some investors are risk takers while others try to reduce risk to the minimum level possible. Identification of constrains arising out of liquidity, time horizon, tax and special situations need to be addressed.

### **Choice of the Asset Mix**

In investment management the most important decision is with respect to the asset mix decision. It is to do with the proportion of equity shares or shares of equity oriented mutual funds i.e. stocks and proportion of bonds in the portfolio. The combination on the number of stocks and bonds depends upon the risk tolerance of the investor. This step also involves which classes of asset investments will be placed and also determines which securities should be purchased in a particular class.

### **Formulation of Portfolio Strategy**

After the stock bond combination is chosen, it is important to formulate a suitable portfolio strategy. There are two types of portfolio strategies. The first is an active portfolio strategy which aims to earn greater risk adjusted returns depending on the market timing, sector rotation, security selection or a mix of these. The second strategy is the passive

strategy which involves holding a well diversified portfolio and also maintaining a pre-decided level risk.

### **Selection of securities**

Investors usually select stocks after a careful fundamental and technical analysis of the security they are interested in purchasing. In case of bonds credit ratings, liquidity, tax shelter, term of maturity and yield to maturity are factors that are considered.

### **Portfolio Execution**

This step involves implementing the formulated portfolio strategy by buying or selling certain securities in specified amounts. This step is the one which actually affects investment results.

### **Portfolio Revision**

Fluctuation in the prices of stocks and bonds lead to changes in the value of the portfolio and this calls for a rebalancing of the portfolio from time to time. This principally involves shifting from bonds to stocks or vice-versa. Sector rotation and security changes may also be needed.

### **Performance Evaluation**

The assessment of the performance of the portfolio should be done from time to time. It helps the investor to realize if the portfolio return is in proportion with its risk exposure. Along with this it is also necessary to have a benchmark for comparison with other portfolios that have a similar risk exposure.

## **STRATEGIES OF PORTFOLIO MANAGEMENT:**

Portfolio management strategies are of two types- Active portfolio management strategy and Passive portfolio management strategy.

### **ACTIVE MANAGEMENT STRATEGY (Aggressive investment strategy)**

Active management is holding securities based on the forecast about the future. It is a strategy followed by aggressive investors who strive to earn superior returns, after adjustment for risk. This strategy involves investing in high return high risk investments with the sole purpose of maximizing return from investments. It involves allocating major portion of portfolio capital to invest in equities, equity based funds and highly volatile markets. Investors following aggressive investment strategy often look for comparatively short-term profiting and wish to invest more in growth stocks, and small caps and mid cap stocks.

**PASSIVE MANAGEMENT STRATEGY (Defensive management strategy):**

Passive management is a process of holding a well-diversified portfolio for a longer term with the buy and hold approach. Passive construct a portfolio that resembles the overall market returns. This strategy is just opposite of aggressive investment; its purpose is to preserve the capital and ensure some return from investments. It involves investing in low profit low risk investments like bonds, money market funds, treasury notes, and equities with minimum price volatility and good dividends. Defensive investors look for long-term profits and/or monthly earnings. Advantages of defensive investment strategy include reduced risk, predictable income, better investment planning and diversification of portfolio. This strategy mainly suits beginners. Disadvantages include low return from investments and requirement of high capital investments.

## **1.4 OBJECTIVES**

1. To analyse the risk taking behaviour of equity investors.
2. To identify the risk taking capacity of investors in share market.
3. To find out the factors that influences the investors to invest in share market.

## **1.5 SCOPE**

Investors are generally less able to objectively evaluate investment risk and return and tend to be emotionally biased in their investment decisions. They act according to market sentiments and some even follow their gut feeling when making financial decisions. For this reason it is necessary to understand various factors which prompt the investor risk taking behaviour. There are numerous factors such as age, gender and behavioural biases influencing risk taking behaviour.

The study will be helpful for better understanding about the stock market investment and help make good decisions in the market. It could be used by the various factors that are to be considered to reduce their market risk, beside to earn a fair return. The market predictions probably change many times, so that the return cannot be measured accurately. This study will also help the stock brokers, executives and financial experts. It is providing more number of tips with regard to investments in the stocks used to be traded in the market. This study helps to find answers for questions relating to investment strategies, views on different investment portfolios and minute details considered by the respondents before going in the stock selection in the stock market. This study may help the individual investors and will be highly beneficial, giving valuable information at the time of investment in the stock market.

## **1.6 LIMITATIONS**

1. The data analysis is on the basis of primary data.
2. The sample size in the study is restricted to 150 equity investors.
3. The limitations of the study are particularly time, geographical area and limited size of the sample.
4. Respondents' bias is yet another limitation of the study. The result of analysis made in the study depends fully on the information given by the respondents.
5. The investment behaviour of investors may change from time to time; hence the study is valid for specific period / time only.

## CHAPTER II

### REVIEW OF LITERATURE

Review of literature paves the way for a clear understanding of the areas of research already undertaken and throws a light on the potential areas which are yet to be covered. Keeping this fact in mind, an attempt has been made to make a brief survey of the previous works undertaken on the field of Share Market.

For any research study the survey of related literature is of at most importance because it throws light on the problem in hand. It helps the researcher at a well conceived and planned approach in conducting the study.

**Milburn and Billings (1976)** postulate that there are probabilities attached to each alternative in a decision made by an individual. If the decision maker has complete and accurate knowledge about all alternative consequences, the decision made is one of "certainty". "Risk" is when the decision maker has accurate knowledge of the probability distribution of the alternatives consequences. Decisions occur under "uncertainty" if no definite probabilities can be assigned to each alternative.

**MacCrimmon & Wehrung (1986); Sitkin & Pablo (1992)** although definitions of risk vary, most theorists agree that a risky decision involves the unspecified possibility of an undesirable outcome and includes some element of choice for the decision maker. Risky decision contexts can be defined as those situations in which some degree of uncertainty exists and in which decision makers have preferences regarding potential outcomes and believe they possess some degree of control (i.e., choice) over the risk decision process. A review of the risk literature suggests that the dimensions along which risky decisions vary include outcome magnitude, personal exposure, outcome uncertainty, and personal expectations.

**Masters (1989)** states that there are three types of decision makers: risk takers, risk neutrals, and risk avoiders. An investor is a risk taker if he prefers high risk and high return. Risk avoiders are those who will get away from decisions that have risk of low return. Risk neutral investor will be indifferent to risk as long as the risk is equal to the return.

**Gupta, L.C. (1991)** gauged the behaviour of investors like profile of investors, portfolio of investors, preferences, perception of risk, their experiences, problems and intentions. The data was collected from 5212 household investors. Descriptive analysis was

used to analyze the data. The author found that share ownership had become a middle class phenomenon which was earlier only among wealth class investors. The results revealed that the shareholders were dissatisfied with the information provided by brokers and companies. The investors preferred investing in primary market as compared to investing in securities market.

**Sitkin and Pablo (1992)** defined risk perception as risk assessment in uncertainty and it depends on the familiarity with organizational and management system. The authors also developed a model of determinants of risk behaviour and identified personal risk preferences and past experiences are the important risk factors and social influence also affects the individual's perception. Sitkin and Pablo (1992) definition of risk includes three key dimensions that are essential for its understanding:

**Outcome uncertainty:** Is defined in terms of outcome variability, lack of knowledge of the distribution of potential and the uncontrollability of outcome attainment.

**Outcome expectations:** As stated by Kahneman & Tversky (1979) a positive expected return elicits a very different decision-framing and decision-making behaviour compared to negative expected values. Sitkin and Pablo (1992) argues that conceptualization of risk should include the whole range of outcome (i.e. positive to negative) because risk actually constitute the degree to which that outcome would be disappointing to decision maker.

**Outcome potential:** According to Prospect Theory extreme outcomes are often overweighed by individuals even though the probability of realizing it is remote. Sitkin and Pablo (1992) conceptualize this dimension of risk into two aspects. First, the expected outcome must be perceived to be of sufficient magnitude in order for the decision makers to consider the potential threat or opportunity present in the situation. Second, outcome need to be conceptualized as a categorical rather than a continuous variable.

**Irwin (1993)** Understanding the financial risk behaviour of an individual would be useful for service providers and policy makers who are interested in bringing out new financial products. Financial risk tolerance is one among the factors that determine the risky behaviours of an individual. Financial risk tolerance increases the investors' vulnerability to choosing a risky investment.

**Barsky et al (1997); Halek and Eisenhauer (2001); Hartog et al (2002)** found a broad spectrum of individual specific characteristics, ranging from gender, age and body height to education, income and wealth, to influence individual risk-taking attitudes. Further,

although they mentioned a significant influence of religious beliefs and church attendance, no explicit link from religion to risk attitudes was established.

**Srinivasan, R (1997)** recommendations have been made and reviewed by some of the key players in the capital markets at national and global levels. There is a clear call for international harmonization and its recognition by both traders and regulators. There are calls also for a new international body to be set up to ensure that derivatives, while remaining an effective tool of risk management, carry a minimum risk to investors, institutions and national or international economies.

**Kroll et al (1988a) and (1988b); Weber and Camerer (1998); Siebenmorgen et al (2001)** in this paper we further investigate the relation between risk taking, financial literacy and financial education. Consistent with more recent literature, we decided to keep separate the concepts of financial literacy (that can depend either on financial education and/or on the expertise acquired in participating in the financial market) from financial education (i.e. specific courses of finance taken at school/university/master/PhD/...). As regards risk taking, we look at it as the result of the asset allocation strategy chosen. Current literature shows that, in contrast to the landmark for asset allocation and active portfolio management, i.e. the Modern Portfolio Theory, individuals are unable to properly diversify risk. What they do is to use simple heuristics which facilitate their investment process.

**Madhumarathi (1998)** carried out a research to find out the preferences of the investors and their perception about the risk in the Indian markets. Three classes of investors had been identified based on their risk perception namely, risk seekers, risk bearers and risk avoiders. The result indicated that a majority of the investors were influenced by the operating performance of the companies. The risk perception influenced the investment decisions of the investors and the profit earned by them.

**Grable (2000)** the focus of our research is on the risk taking behaviour of non-professional investors. The literature on this topic is broad and ranges from purely economic contributions to a huge number of studies in the field of psychology. Risk taking relates to the concept of financial risk tolerance, by which we mean the maximum amount of uncertainty that someone is willing to accept when making a financial decision.

**Ejvegård (2003)** in our case, we used the following key words: risk tolerance, risk aversion, investment behaviour, financial biases, overconfidence, regret, cognitive dissonance, household stockholding, stock investment, stock market. We also looked for previous articles linked to our demographics. At this end, to sharpen our research, we also utilized the keywords: demographics, gender, income, wealth, nationality, education, and

religion. We noted during our literature search that no article related to our area dealt with students. The most complicated part of our literature review was to find articles explaining why it was interesting to focus on students in the area of risk tolerance and investment behaviour. In this case, we searched articles linked to the words: transition to adulthood, risk taking between childhood and adulthood, risk taking during emerging adulthood, students' risk attitude, influence of the professional world, evolution of the marital status, investment behaviour and investment behaviour biases.

**Holton (2004)** defines risk as an exposure to a proposition of which one is uncertain. Increasing level of uncertainty results in the increase in perceptions of situational risk. Researchers also found that the expectation of the amount of possible disappointment related to specific outcomes influences situational riskiness. Even positive expected outcomes can be perceived as risky if they are relatively difficult to achieve.

**Dohmen, Falk, Huffman, Sunde, Schupp and Wagner (2005)** did the research to improve understanding and measurement of individual risk attitudes. We use a new set of survey measures, which have been collected for a representative sample than 22000 people. We also use representative data from an integrated field experiment designed to test the relevance of these behavioural measures. Based on our analysis, we report five major findings. The first conclusion is that the distribution of willingness to take risks exhibits a large heterogeneity between individuals. Negatively associated with willingness to take risks to age and being female and related, positive in height and parental education: Second, this partly explains the differences of individual differences in the four external factors. The third result of following an important contribution to the methodology of the main paper: survey measures appear to be relevant to behaviour, in the sense that they predict the actual risk-taking behaviour in a field experiment we have. Fourth, estimates of coefficient of relative risk aversion of the sample to provide support to a range of parameter values usually assumed in economic models. And the fifth is found that attitudes are strongly linked to risk, but imperfectly across different life contexts. This provides some support for the hypothesis of a single level, a feature inherent, but also refers to the value-added context to ask specific questions, in order to capture the difference in risk perceptions.

**E. Weber and others (2005)** we find that the specific provisions of self-risk market expected return prediction of risk, but estimates that investors amount of market returns and instability, much closer to the traditional risk model and financial returns, and the failure to predict the observed changes in risk. Subjective judgments of risk and expected return continues to predict high-risk even when they are included investors 'quantitative estimates

of the expected market returns and volatility in the gradient, suggesting that this is more of the components of emotion on the basis of these provisions that the leadership change in risk. First, the unique data set allows us to analyze the changes in risk, expectations, attitudes and risk customers and broker on the Internet. Personal investors in the sample we have are rich and trade often in stocks and other securities, and sophisticated in financial terms. They do not appear short-sighted to use the information, in the sense that they do not use the / alternative risk and self-expectations for personal portfolios when making risky decisions involving the market portfolio. It also does not show any halo effect at risk of digital and forecasts the return of and risk-taking is not directly affected by investment gains or losses recently. Thus it is fair to say that the results that we have a place that may have a minimum of the degree and type of irrationality that one can expect to see in a larger sample of personal investors.

**Kannadhasan (2006); Kannadhasan & Nandagopal (2010)** the objective of managing money is to make profits and to increase wealth. The saying that there is no reward without risk is well known; further, risk is inherently associated with every economic decision. Risk is defined as “the unexpected variability (negative) of returns than those expected from investments” Financial risk tolerance refers to an individual’s willingness to accept the negative changes in the value of investment or an adverse outcome that is different from the expected one.

**Chandra, A (2008)** attempted to explore the impact of behavioural factors and investors’ psychology on their investment decision making and to examine the relationship between investors attitude towards risk and behavioural decision making process. Author used literature survey to study the behavioural decision making and investors’ psychology. In this descriptive study author used secondary data related to investments, finance and economics. The results show that unlike the classical finance theory, individual investors often do not make rational decisions. Further results reveal that the investor decision making influenced by behavioural factors such as greed and fear, cognitive dissonance, heuristics, mental accounting and anchoring.

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

benchmark followed by the risk free rate of return and market return. However, their choices in the experimental questionnaire study revealed that market return was the most important benchmark.

**Barnea, Cronqvist, and SiegelIn (2009)** studied the principles of investment and financial risk-taking behaviour among individual investors. Our aim was to provide insight into the determinants of fiscal behaviour and explain the large variation in observed behaviour across individuals and differences that puzzled economists for a long time. The experimental approach to decompose variation in the financial decisions of individuals in the genetic component and separate components of the environments shared and idiosyncratic. Studying the investment decisions key to all individual investors in developed countries face over the life cycle, such as participation in the stock market, and asset allocation decisions, and the selection of portfolio risk. Through these measures of financial behaviour, we find that the genetic component accounts for a very large proportion of the variance. Specifically, we can explain up to 45 percent of the heterogeneity in investment behaviour by genetic factor. Size of such a working genetic in a very large in comparison with other individual characteristics such as age, sex, education, and wealth, which has been explored in the literature of existing financial. We find that the genetic component explains a much larger proportion of the disparity between individuals to do a wide range of individual characteristics combined. In general, we have evidence to suggest that the composition of the individual genetic an important factor in determining the investment behaviour of the individual. Although the evidence shows us that nature has a significant impact on the investment behaviour of the individual, our analysis also shows significant environmental impacts. The most direct evidence supports this conclusion is that the link to the investment behaviours that are studied much less than one, in spite of identical twins are identical genetically. Our results suggest that in most cases, does not share these environmental impacts by individuals who grow up in a single family. That is, the environmental effects that contribute to non-uniformity in the behaviour of individual financial are those that make family members different. Family environment, of any upbringing, have an impact on investment decisions of young individuals, but this effect is not long-term (unless a permanent connection still) disappears as an individual in terms of gaining experience of relevant for decision-making in the financial area. Conclusion Most importantly, and perhaps most surprising, too, from our study is that individuals are biologically pre-disposed to certain behaviours investment in the financial area to a large extent like this. This result is not only relevant to our general understanding of the foundations of investor behaviour, but it is

also important for the effectiveness of policy intervention on financial markets. For example, to the extent that investor behaviour is genetic, we expect that the behaviour can continue to invest despite the wide reactions and education.

**Iqbal and Usmani (2009)** aimed at analyzing the behaviour of individual investors who purchase and sell stocks in the Karachi Stock Exchange. Convenience sampling was used in which respondents were selected based on convenience. A list of 33 variables was prepared with help of previous researches and respondents rated variables on a 3-point scale of "Act On", "Consider" and "No Influence". Data was collected through a questionnaire and 153 questionnaires were distributed to individual investors who invested in Karachi stock exchange and the response rate achieved was 100%. The study found seven factors influencing investor decisions i.e. Social relevance & Image, Accounting Information, Stock Performance, Friend/Co-worker Influence, Evaluation, Classic and Stock Broker Influence. The authors concluded that the recommendations of family members, friends and co-workers go largely unheeded, recommendations of Stock Brokers are considered, but 86% of the sample investors are self-reliant and make purchase decisions on their own without any one's influence.

**Chandra (2010)** explored the impact of behavioural factors and investor's psychology on their decision making and examined the relationship between investor's attitude towards risk and behavioural decision making. The research was carried out using secondary data related to the investments, finance and economics available on internet and on review basis. However, through data collected, the interrelationships of investors' perception of risk, behavioural factors and decision making were identified in the Indian context. The authors found risk-seeking behaviour among investors and found that the investors avoid selling stocks when faced with loss. Their decisions are affected by greed and fear. The authors postulated that the present research will help investors to judge their attitudes towards risk with a new perspective.

**Kabra et al (2010)** studied the various factors that influenced investment risk tolerance and decision making process among men and women and among different age groups. The authors observed the behaviour of various types of investors working in the government or private sectors in India and also on the basis of their annual income and annual amount invested by them. Out of 700 questionnaires distributed, 196 responses were received. Various techniques such as regression analysis, Factor analysis and other basic techniques were applied to the data. The major variables considered for the study were

investing background, opinion, leadership, duration of investment, awareness of investments and security.

**Patidar (2010)** intends to analyse the behaviour, attitude of investors towards stock market and also to study the decision process of investors of Dhar district of Madhya Pradesh in India during the month of April to July, 2010. The sample size for this survey is 80. They find that as per the age-wise classification, the investors in the age group of below 35 years are actively participating in the speculation trade and the age group above 55 hesitate to take risk and are not at all interested in the share market. Professional people are not interested to invest their money in the share market. Investors falling under income group below Rs.20,000 show more interest in investing their earnings into the share market. Mostly, investors are investing their money through share brokers.

**Syeda Tabassum Sultana (2010)** confirms previous findings regarding the relationship between genders, age, and level of risk tolerance of individual investors. This study has important implications for investment managers because it has come out with some interesting aspects of the individual investor. Individual investor still prefers to invest in financial products that give risk-free returns. This confirms that the Indian investors even if they are high-income, well-educated, salaried, independent and conservative investors prefer to play safe. And designers can investment products that can design products to meet the needs of investors who are low risk tolerant and television use as a media and marketing as they seem to spend a long time to watch television.

**Alleyne and Broome (2011)** also studied future investors who were currently business students in an undergraduate institution. More impressively, these authors added risk propensity as an independent variable to three independent variables in TPB. Four predictors consisted of attitude toward the behaviour, subjective norms, perceived behavioural control, and risk propensity positively affected intentions to invest.

**Ramachandran & Chinnathambi (2011)** mention small investors in equity shares in India grope in the dark, as neither have they possessed the sophisticated knowledge to take a decision nor they understand the investment guidance and advice given by the scholars and publications, based on the technical analysis of investment. For Indian investors, the main objective is the rate of return and reduction in the risk. A wide variety of investment avenues are open to the investors to suit their need and nature. At present, a wide variety of investment avenues are open to the investors to suit their needs and nature. The study found that the most important attribute for investment consideration is return. The other important criteria for investment are liquidity.

**Jain and Mandot (2012)** explore relationship between level of risk and demographic factors of investors' confined to Rajasthan state. On the basis of cross analysis by applying Correlation analysis they identify that most of the investors' primary objective of investment is to earn regular income and expected rate of return differs from individual to individual based on their level of market knowledge and risk taking ability. This paper further reveals that there is a negative correlation between marital status, gender, age, educational qualification and occupation of the investors and their risk taking ability. At the same time there is a positive correlation between income level and investment knowledge of the investors with their risk taking ability. They also say that there is no relation between city and risk taking ability.

**Cuong and Jian (2014)** explored attitude toward the behaviour such as overconfidence excessive optimism, herd behaviour, and psychology of risk positively affected behaviour intention to decision-making of individual investors on the Vietnam stock market.

**Lodhi (2014)** has made a study to examine the impact of financial literacy, accounting information, openness to experience and information asymmetry on individual investors' decision making through the empirical research of the people living in Karachi city. He says that financial literacy and risk taking are in positive correlation which proves that the financial literacy of a person increases his risk taking capability. He also finds that as investors' experience will increase he will invest in less risky instruments; it may be fixed deposits or high pay dividend stocks. Study also proves statistically that accounting information and risk aversion are in direct relationship that is along with experience, as person's accounting information increases he prefers to invest in less risky investments. It may be investor accepts to get lower but is not ready to suffer huge loss. Usually old age people or the retired people are found with this concept. Survey statistics show high response who say that information asymmetry leads to adverse selection of investments. To overcome this problem, hypothesis is tested and results indicate that information asymmetry can be lower by analyzing more and more financial statements. The more and detail, investor will study the financial statements of the desired company; better will be his investment decision. Analysis of relation between age and preference investment in shares shows that both are in positive relation but not perfectly positive. As the age of an investor increases he may prefer to invest in shares but it's not necessary that he invested in shares with the intension of getting the capital gain, as stated above that old citizens are risk averse so they can chose stocks as their preferred investments because of high dividend payout. In the end it is

concluded that financial literacy and accounting information helps investors in lowering information asymmetry and allows investors to invest in risky instruments. But as age and experience increase investors preference changes to less risky investments, it does not mean that investors do not prefer to invest in shares, they do that with the intension of getting dividend return rather than capital gain.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

Research methodology is the systematic way to solve the research problem. It is a system of models, procedures and techniques used to find the result of research problems. So the research methodologies not only take about research methods but also consider the logic behind the method we use in the context of our research study. The research methodology depicts the flow of research process and serves as guidance for the researcher to carry out the research smoothly.

#### **3.1 Research Design**

Descriptive research was carried out to understand the risk taking behaviour of equity investors. The Questionnaire was designed to measure Risk Taking Behaviour of Equity Investors. Demographic data was collected on Age, Gender, Qualification, Occupation and Annual Income. Data was analysed using SPSS and Microsoft EXCEL.

#### **3.2 Nature of Data**

The data source can be classified as Primary data and Secondary data. The Primary data is the one obtained by the researcher as first hand information from the sample respondents. This study used Primary data for analysis. A well-structured questionnaire was used for collecting primary data.

#### **3.3 Sources of Data**

The validity of any research is based on the systematic method of data collection and analysis of the data collected.

Questionnaire was used for collection of Primary data with 5 point scaling and Secondary data was collected from the websites.

#### **3.4 Sample Size**

For the purpose of the study a sample size of 150 respondents were covered in the study.

#### **3.5 Sampling Design**

Non Probability, Purposive Sampling.

### **3.6 Tools Used for Analysis**

Various statistical tools were used in analyzing and interpreting the primary data collected.

The data was analyzed using the techniques,

#### **Simple percentage**

Percentage analysis is the method to represent raw streams of data as a percentage for better understanding of collected data.

#### **Chi-square**

The Chi Square statistic is commonly used for testing relationships between categorical variables.

#### **Regression**

In statistical modelling, regression analysis is a set of statistical processes for estimating the relationships among variables.

#### **Factor analysis-KMO and Bartlett's Test**

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy is a statistic that indicates the proportion of variance in your variables that might be caused by underlying factors.

#### **ANOVA**

Analysis of Variance (ANOVA) is a statistical method used to test differences between two or more means.

#### **Mean Score**

The mean value or score of a certain set of data is equal to the sum of all the values in the data set divided by the total number of values. A mean is the same as an average.

Data representation by,

- Percentage
- Table
- Chart

## CHAPTER IV

### ANALYSIS AND INTERPRETATION

#### 4.1 Age

The risk taking behaviour of equity investor is also based on the age of investors. It is one of the deciding factors in the risk taking behaviour.

**Table 4.1**

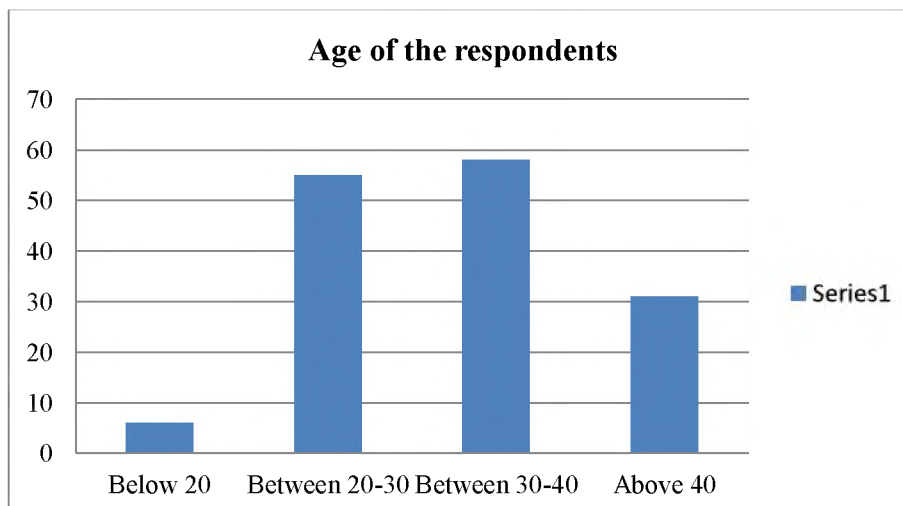
#### Age

Age	No of Respondents	Percentage (%)
Below 20	6	4.0
Between 20-30	55	36.7
Between 30-40	58	38.7
Above 40	31	20.7
Total	150	100.0

Majority of respondents, 38.7% were under the age group of between 30-40 years and respondents of between 20-30 years were 36.7%.

**Chart 4.1**

#### Age



## 4.2 Gender

Among the demographic factors gender is one of the effective differentiating and classifying factor.

**Table 4.2**

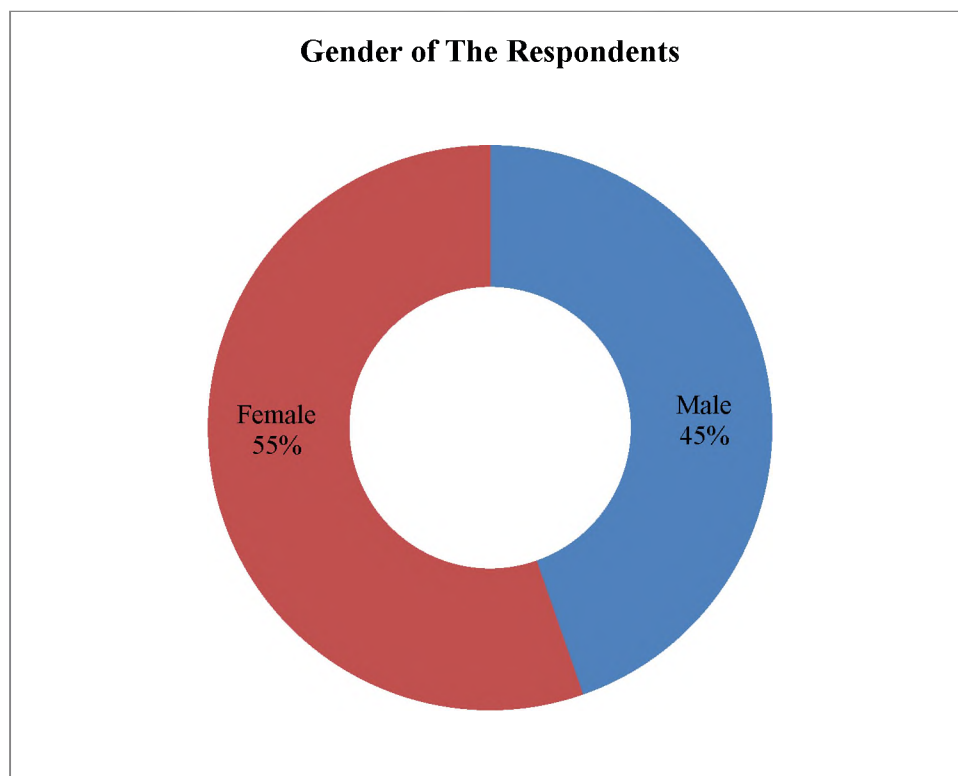
### **Gender**

Gender	No of Respondents	Percentage (%)
Male	67	44.7
Female	83	55.3
Total	150	100.0

55.3% of the respondents were found to be female investors, and another 44.7% were male investors.

**Chart 4.2**

### **Gender**



### 4.3 Qualification

The wealth of knowledge acquired by an individual investor plays a major role in the risk taking behaviour.

**Table 4.3**

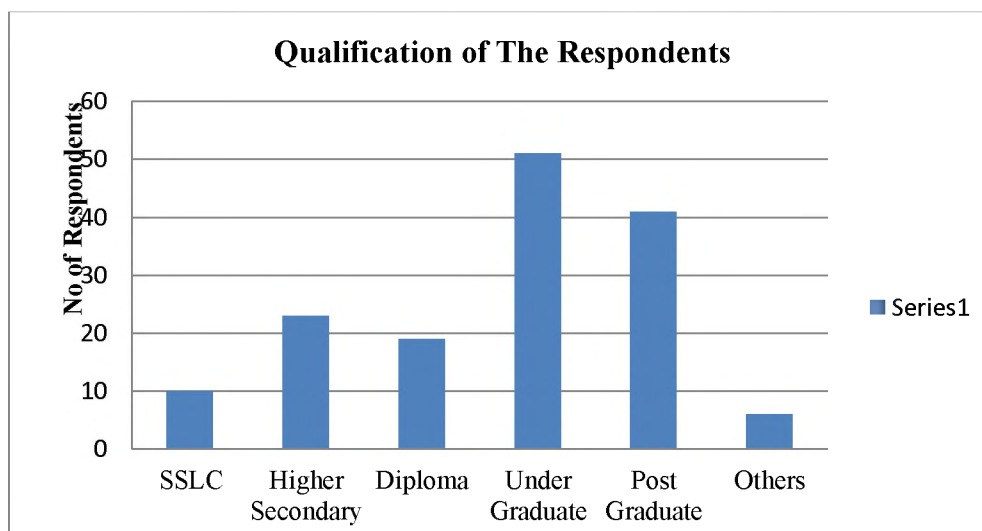
#### **Qualification**

Qualification	No of Respondents	Percentage (%)
SSLC	10	6.7
Higher Secondary	23	15.3
Diploma	19	12.7
Under Graduate	51	34.0
Post Graduate	41	27.3
Others	6	4.0
Total	150	100.0

34% of the respondents were under graduates, 27.3% were post graduates and remaining respondents had completed other levels of education. It reveals that majority of investors were mostly graduates.

**Chart 4.3**

#### **Qualification**



#### 4.4 Occupation

The occupational status of investors may vary from own business, professional, salaries people etc., it is one of the deciding factors in the risk taking behaviour.

**Table 4.4**

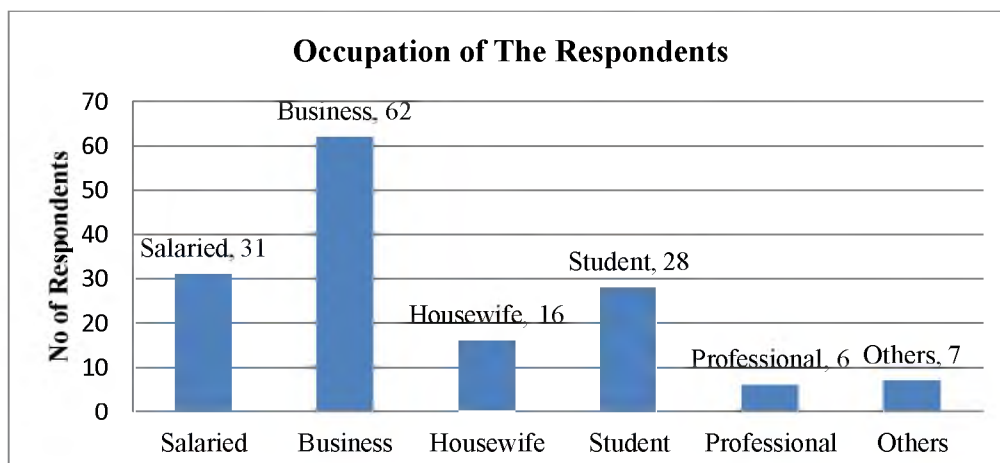
#### **Occupation**

Occupation	No of Respondents	Percentage (%)
Salaried	31	20.7
Business	62	41.3
Housewife	16	10.7
Student	28	18.7
Professional	6	4.0
Others	7	4.7
Total	150	100.0

Considering the occupation of the respondents 41.3% investors were business people, 20.7% investors were salaried persons, 18.7 investors were students, the remaining respondents were housewife's, professionals and others. Among the respondents majority of investors were business people.

**Chart 4.4**

#### **Occupation**



#### 4.5 Annual Income

Income is an important factor while taking risk in the investment and the investable amount depends upon the annual income of the investor. Income level of investors affects the investors risk taking behaviour.

**Table 4.5**

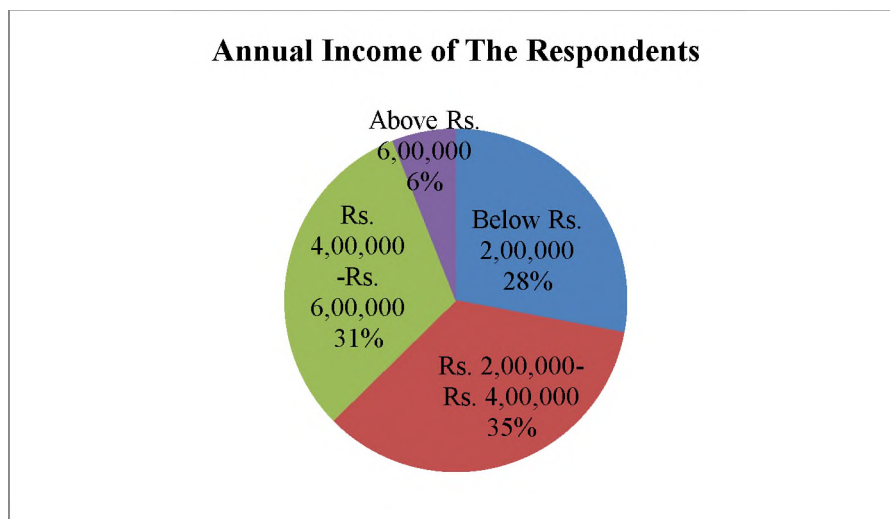
#### Annual Income

Annual Income Level	No of Respondents	Percentage (%)
Below Rs. 2,00,000	42	28.0
Rs. 2,00,000-Rs. 4,00,000	52	34.7
Rs. 4,00,000-Rs. 6,00,000	47	31.3
Above Rs. 6,00,000	9	6.0
Total	150	100.0

In regard to the Income level of Investors 28% of respondents had an income level of below Rs. 2,00,000, 34.7% of respondents had an income level of Rs. 2,00,000-Rs.4,00,000, 31.3% of respondents had an income level of Rs.4,00,000-Rs. 6,00,000, 6% of respondents had an income level of above Rs. 6,00,000.

**Chart 4.5**

#### Annual Income



#### 4.6 Investment Way

Mostly the investors have two ways to invest their money. The first one is the investors will directly invest their money (by our self) and the second one is the financial advisor invest investors money (investors have a financial advisor). The preference of choice investment way would differ between investors.

**Table 4.6**

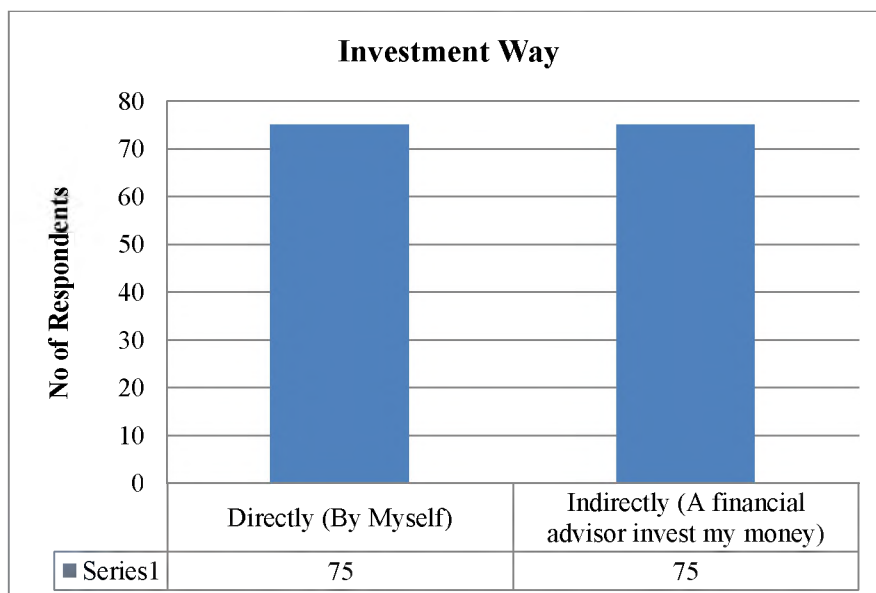
**Investment Way**

Investment Way	No of Respondents	Percentage (%)
Directly (By Myself)	75	50.0
Indirectly (A financial advisor invest my money)	75	50.0
Total	150	100.0

From the investment way considered 50% of the investors will directly invest their money and another 50% of the investors have a financial advisor. This reveals the investors have equal investment way.

**Chart 4.6**

**Investment Way**



#### 4.7 Purpose of Investment

Investors have many purposes to invest their money. It is based on their behaviour and need. Purposes are differing from investor to investor. But most of the investor's purpose for investment is to creation of wealth.

**Table 4.7**

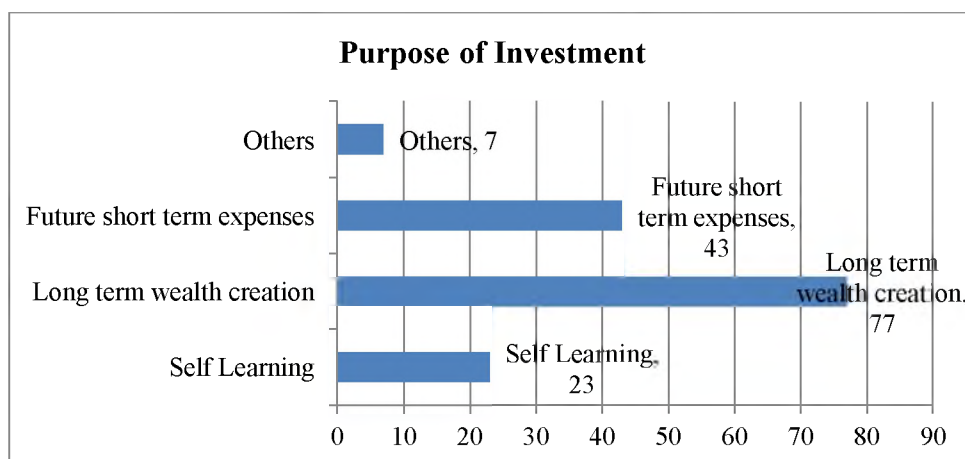
**Purpose of Investment**

Purpose of Investment	No of Respondents	Percentage (%)
Self Learning	23	15.3
Long term wealth creation	77	51.3
Future short term expenses	43	28.7
Others	7	4.7
Total	150	100.0

Among the selected group of respondents majority of the respondents 51,3% purpose of investment is long term wealth creation, 28.7% of respondents purpose of investment is to meet future short term expenses, 15.3% of respondents purpose of investment is self learning, 4.7% of respondents purpose of investment is others. It reveals that most of the investor's purpose of investment is to create long term wealth.

**Chart 4.7**

**Purpose of Investment**



#### 4.8 Factors consider before investing

The investors consider most of the factors before their investment. All these factors are affecting investor's profit and loss.

**Table 4.8**

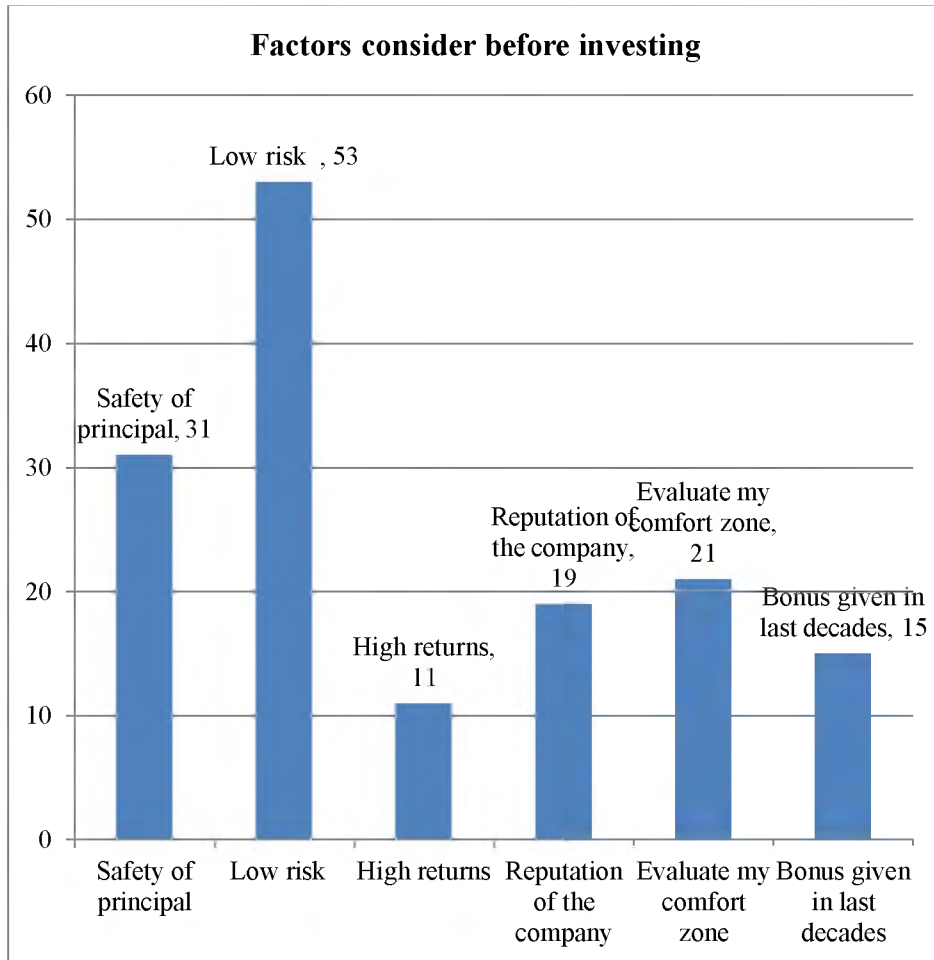
**Factors consider before investing**

Factors consider before investing	No of Respondents	Percentage (%)
Safety of principal	31	20.7
Low risk	53	35.3
High returns	11	7.3
Reputation of the company	19	12.7
Evaluate my comfort zone	21	14.0
Bonus given in last decades	15	10.0
Total	150	100.0

From the above table 35.3% of the respondents consider low risk before their investing, 20.7% of the respondents consider safety of principal, 14% of the respondents consider their comfort zone, 12.7% of the respondents consider reputation of the company, 10% of the respondents consider bonus given in last decades and only 7.3% of the respondents consider high returns.

Chart 4.8

Factors consider before investing



#### 4.9 Source of Information

There are many sources are available to know the stock market investment information. The sources give the detailed information about the stock market. It is very useful for investor's investment decision.

**Table 4.9**

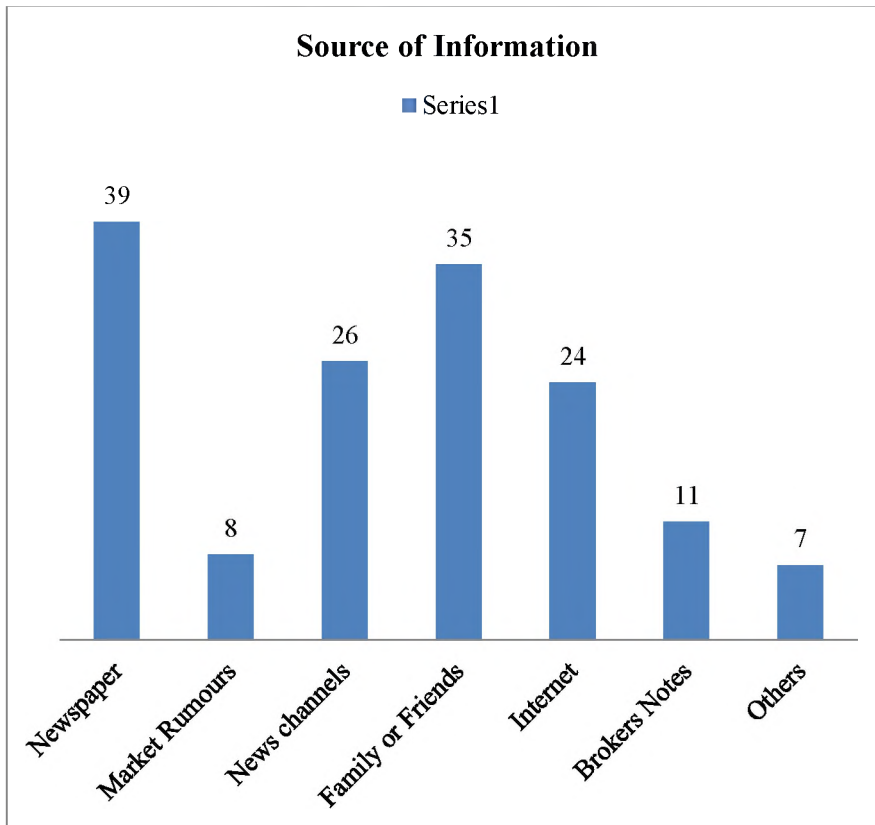
**Source of Information**

Source of Information	No of Respondents	Percentage (%)
Newspaper	39	26.0
Market Rumours	8	5.3
News channels	26	17.3
Family or Friends	35	23.3
Internet	24	16.0
Brokers Notes	11	7.3
Others	7	4.7
Total	150	100.0

It reveals that newspaper was the major source that influences the first source of information. Among the selected group of respondents majority of the respondents 26% of the respondents consider newspaper as a source of information, 23.3% of the respondents consider family or friends as a source of information, 17.3% of the respondents consider news channels as a source of information, 16% of the respondents consider internet as a source of information, 7.3% of the respondents consider brokers notes as a source of information where as 5.3% depend on market rumours for information. 4.7% depend on others for information.

**Chart 4.9**

**Source of Information**



#### 4.10 Stock market knowledge of investors

The knowledge about the stock market is most important one. Perfect knowledge is the only way to achieve a profitable business.

**Table 4.10**

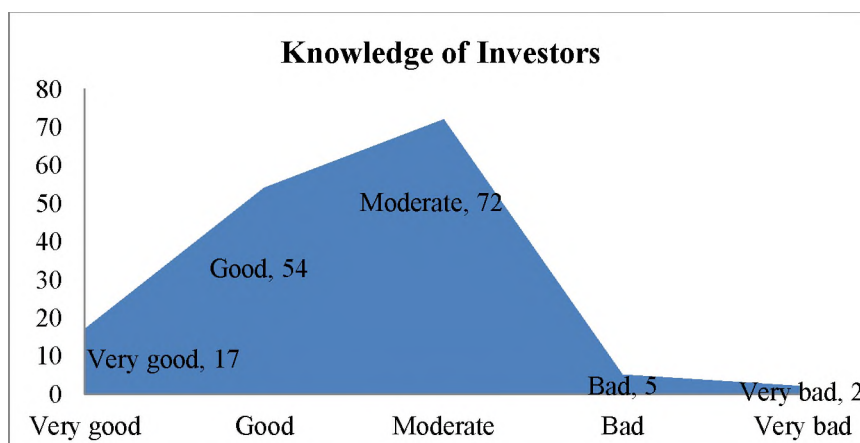
**Stock market knowledge of investors**

Stock market knowledge of investors	No of Respondents	Percentage (%)
Very good	17	11.3
Good	54	36.0
Moderate	72	48.0
Bad	5	3.3
Very bad	2	1.3
Total	150	100.00

The above table shows that most of the investors have moderate knowledge on their investment. From the above table 48% respondents have moderate knowledge, 36% respondents have good knowledge, 11.3% respondents have very good knowledge, 3.3% respondents have bad knowledge and other 1.3% respondents have very bad knowledge. Stock market knowledge is most important for to get a maximum profit.

**Chart 4.10**

**Stock market knowledge of investors**



#### 4.11 Regression analysis on purpose behind your investments and factors consider before investing

The investors consider most of the factors before their investment. All these factors are affecting investor's profit and loss.

Variables	Unstandardized Coefficient		F	Sig
	B	Std. Error		
(Constant)	2.552	.422	.942	.333
What is the purpose behind your investment?	.174	.180		
R Square = .006				
Adjusted R Square = .000				
Level of Significance- Insignificant				

Constant- Factors consider before investing

H0: There is no impact of purpose behind the investments and Factors consider before investing.

HA: There is an impact of purpose behind the investments and Factors consider before investing.

Hence accept H0. There is no relationship between purpose behind the investments and Factors consider before investing.  $F(1,148) = .942$ ,  $p > 0.05$ . The above table shows insignificant relationship.

#### 4.12 Relationship between sources of investment advice and holding of stocks in the portfolio

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-square	28.708	24	.231
Likelihood Ratio	27.051	24	.302
Linear-by-Linear Association	1.728	1	.189
N of Valid Cases	150		

H0: There is no significant relationship between sources of investment advice and holding of stocks in the portfolio.

HA: There is a significant relationship between sources of investment advice and holding of stocks in the portfolio.

Hence accept H0. There is no relationship between sources of investment advice and holding of stocks in the portfolio. The above table shows insignificant relationship.

#### 4.13 Investment way and period of monitoring the investment

	Sum of Squares	Df	Mean Square	F	Sig
Between Groups	.427	1	.427	.622	.432
Within Groups	101.573	148	.686		
Total	102.000	149			

H0: There is no significant difference between investment way and period of monitoring the investment.

HA: There is a significant difference between investment way and period of monitoring the investment.

Hence accept H0. There is no difference between investment way and period of monitoring the investment.  $F(1,148) = 0.622, p > 0.05$ . The above table shows insignificant relationship. It clearly understands that the period of monitoring the investment does not vary with way of investment.

**4.14 Regression analysis on income investment pattern and risk taking behaviour of the customer**

Variables	Unstandardized Coefficient		F	Sig
	B	Std. Error		
(Constant)	1.534	.178	8.534	.004
Imagine that stock market drops after you invest in it then what will you do?	.288	.098		
R Square = .055				
Adjusted R Square = .048				
Level of Significance-significant at 5% level				

Constant- Income investment pattern

H0: There is no impact of income investment pattern and risk taking behaviour of the customer.

HA: There is an impact of income investment pattern and risk taking behaviour of the customer.

Hence reject H0. There is a relationship between income investment pattern and risk taking behaviour of the customer.  $F(1,148) = 8.534, p < 0.05$ . The above table shows significant relationship at 5% level.

#### 4.15 Influence of Demographic factors on the Investors Risk Taking Capacity

Investors from different occupations and income levels are split into different Gender, Age group and Educational qualification. The factors of risk taking capacity was considered as dependent variable and the demographic factors were individually compared as independent factors in relation with risk taking capacity of investors in share market.

##### Independent t-test

The relation between Gender and Risk Taking Capacity of Investors was analysed by Independent t-test.

**Table 4.15.1**

##### **Relation between Gender and Risk Taking Capacity of Investors**

H0: There is no significant relationship between Qualification on Investors risk taking capacity

HA: There is a significant relationship between Qualification on Investors risk taking capacity

Gender	N	Mean	df	Sig. (2-tailed)
Male	67	3.5672	148	.346
Female	83	3.7711	147.495	.338

According to the Independent t-test analysis it was found that there is no significant relation between Gender and Risk Taking Capacity of Investors. Thus it was found that the Risk Taking Capacity of Investors does not vary with Gender.

## One-Way ANOVA

The relation of Age, Gender, Qualification, Occupation and Annual income with Investors risk taking capacity were analysed by One-Way ANOVA test.

**Table 4.15.2**

### **Investor's age and Investors risk taking capacity**

H<sub>0</sub>: There is no significant relationship between Age on Investors risk taking capacity

H<sub>A</sub>: There is a significant relationship between Age on Investors risk taking capacity

Age	N	Mean
Below 20	6	2.6667
Between 20-30	55	3.7636
Between 30-40	58	3.4828
Above 40	31	4.0968
Total	150	3.6800

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	14.187	3	4.792	2.848	.040
Within Groups	242.453	146	1.661		
Total	256.640	149			

The significant value was found to be  $<0.05$ , thus the null hypothesis was rejected. There is a relationship between age and Investors risk taking capacity.  $F(1,148) = 2.848, p < 0.05$ . The above table shows significant relationship at 5% level.

**Table 4.15.3**

**Investor's Qualification and Investors risk taking capacity**

H0: There is no significant relationship between Qualification on Investors risk taking capacity

HA: There is a significant relationship between Qualification on Investors risk taking capacity

Qualification	N	Mean
SSLC	10	3.2000
Higher Secondary	23	3.5652
Diploma	19	4.1579
Under Graduate	51	3.8842
Post Graduate	41	3.4390
Others	6	3.3333
Total	150	3.6800

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	12.136	5	2.427	1.430	.217
Within Groups	244.504	144	1.698		
Total	256.640	149			

The significant value was found to be  $>0.05$ , thus the null hypothesis was accepted that there were no significant relation between Qualification and Investors risk taking capacity. Thus the Risk Taking Capacity of Investors does not vary with Qualification.

**Table 4.15.4**

**Investor's Occupation and Investors risk taking capacity**

H0: There is no significant relationship between Occupation on Investors risk taking capacity

HA: There is a significant relationship between Occupation on Investors risk taking capacity

Occupation	N	Mean
Salaried	31	3.8387
Business	62	3.6613
Housewife	16	3.7500
Student	28	3.3929
Professional	6	3.6667
Others	7	4.1429
Total	150	3.6800

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	4.690	5	.938	.536	.749
Within Groups	251.950	144	1.750		
Total	256.640	149			

The significant value was found to be  $>0.05$ , thus the null hypothesis was accepted that there were no significant relation between Occupation and Risk Taking Capacity of Investors. Thus the Risk Taking Capacity of Investors does not vary with the Occupation.

**Table 4.15.5**

**Investor's Annual Income and Investors risk taking capacity**

H0: There is no significant relationship between Annual Income on Investors risk taking capacity

HA: There is a significant relationship between Annual Income on Investors risk taking capacity

Annual Income	N	Mean
Below Rs. 2,00,000	42	3.7143
Rs. 2,00,000-Rs. 4,00,000	52	3.8269
Rs. 4,00,000-Rs. 6,00,000	47	3.5532
Above Rs. 6,00,000	9	3.3333
Total	150	3.6800

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	3.009	3	1.003	.577	.631
Within Groups	253.631	146	1.737		
Total	256.640	149			

The significant value was found to be  $>0.05$ , thus the null hypothesis was accepted that there were no significant relation between Annual Income and Risk Taking Capacity of Investors. Thus the Risk Taking Capacity of Investors does not vary with the Annual Income.

#### 4.16 Factor Analysis

##### KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.699
Bartlett's Test of Sphericity	Approx. Chi-Square	140.170
	df	15
	Sig.	.000

##### Rotated Component Matrix

Behavioural factors influencing risk taking behaviour of equity investors	Factors	
	1	2
After a prior loss, I become more risk averse	.782	
I avoid selling shares that have decreased in value and readily sell shares that have increased in value	.815	
I tend to treat each element of my investment portfolio separately	.765	
I consider carefully the price changes of stocks that I intend to invest in	.629	
Market information is important for my stock investment		.790
I put the past trends of stocks under my consideration for my investment		
Eigenvalues	2.358	1.064
Percentage of Variance	39.305	17.725
Cumulative Percentage	39.305	57.030

Kaiser-Meyer-Olkin Measure shows statistically significance at 1 per cent level. Providing evidence of the presence of the relationship between variables to apply factor analysis. All the variables had value greater than 0.50. the rotated component matrix presented in the above table reveals that factor one had significant loadings on 4 dimensions, namely After a prior loss, I become more risk averse, I avoid selling shares that have decreased in value and readily sell shares that have increased in value, I tend to treat each element of my investment portfolio separately, I consider carefully the price changes of stocks that I intend to invest in and explains 39.305 percent of the variance.

Factor two had significant loadings on 1 dimension, namely I put the past trends of stocks under my consideration for my investment and explains 17.725 percent of the variance.

The total variance explained in the above table was 57.030.

**4.17 Association between attitude towards risk taking behaviour and willingness to take risks in financial decisions**

	How would you classify your willingness to take risks in financial decisions?					Total
	Very good	Good	Moderate	Bad	Very bad	
Sell all the shares	1	7	10	0	0	18
Sell some of them	8	18	29	2	1	59
Buy more of them	4	17	17	2	1	41
Keep all of them as you expect the price to reach the earlier level	2	8	14	3	1	28
Keep all of them as you are afraid of booking loss	1	1	3	0	0	5
<b>Total</b>	<b>16</b>	<b>51</b>	<b>73</b>	<b>7</b>	<b>3</b>	<b>150</b>

The stock market has dropped 25% and a share that you also dropped 25% the respondents who choose the choice of sell all the shares belonging to the category of moderate willingness to take risks in financial decisions, Sell some of them belonging to the category of moderate willingness to take risks in financial decisions, Buy more of them belonging to the category of good and moderate willingness to take risks in financial decisions, Keep all of them as you expect the price to reach the earlier level belonging to the category of moderate willingness to take risks in financial decisions, Keep all of them as you are afraid of booking loss belonging to the category of moderate willingness to take risks in financial decisions.

#### 4.18 Risk taking behaviour and suggestions

	Mean
I am able to identify stocks that will beat the market in the future	2.5467
My stock forecasts are always correct	2.6867
Losses and gains in stock markets are just a matter of chance	2.6800

The above table shows that the average mean values of my stock forecasts are always correct is 2.6867, which is the highest suggestion given by the customers.

## CHAPTER V

### SUMMARY

#### 5.1 FINDINGS

<b>Demographic Factors</b>	<b>Findings</b>
Age(in years)	In this study most of the respondents are within the age group of 30-40 years
Gender	It was found that maximum number of respondents was female
Qualification	It was found that most of the investors have an Under Graduate level of education
Occupation	It was found that most of the investors were Business people
Annual income	The Annual income of majority of the respondents was found to be Rs. 2,00,000-Rs. 4,00,000

<b>Factors</b>	<b>Findings</b>
Purpose of investment	In regard to the purpose of investment from the respondents group majority of investor's purpose is Long term wealth creation
Factor consider before investing	Most of the investors consider low risk as their important factor before their investment
Source of investment information	Most of the investor's major source of investment information is Newspaper
Stock market knowledge of investors	Stock market knowledge of investors was found to be Moderate
Relationship between sources of investment advice and holding of stocks in the portfolio	It has been found that holding of stocks in the portfolio does not dependent on sources of investment advice
Analysis on income investment pattern and risk taking behaviour of the customer	When that the stock market drops after the investors investment at that time the investor has to reduce their income investment amount

Investment way and period of monitoring the investment	It was found that the period of monitoring the investment does not vary with way of investment
Influence of Demographic factors on the Investors Risk Taking Capacity	From the analysis it was found that demographic factor age has a significant effect on the Risk Taking Capacity of the Investors. There is no significant relation between the demographic factors such as gender, qualification, occupation and annual income with the Risk Taking Capacity of the Investors
Behavioural factors influencing risk taking behaviour of equity investors	Behavioural factors influencing risk taking behaviour of equity investors describes Factor one had significant loadings on 4 dimensions, namely After a prior loss, I become more risk averse, I avoid selling shares that have decreased in value and readily sell shares that have increased in value, I tend to treat each element of my investment portfolio separately, I consider carefully the price changes of stocks that I intend to invest in and explains 39.305 percent of the variance. Factor two had significant loadings on 1 dimension, namely I put the past trends of stocks under my consideration for my investment and explains 17.725 percent of the variance. The total variance explained in the above table was 57.030
Association between attitude towards risk taking behaviour and willingness to take risks in financial decisions	When the stock market value goes down at that time the investors Sell some of them on their stocks (59 respondents) and they classify their willingness to take risks in financial decisions is Moderate (73 respondents)
Risk taking behaviour and suggestions	The investors risk taking behaviour and suggestions shows that the average mean values of my stock forecasts are always correct is 2.6867, which is the highest suggestion given by the customers

## 5.2 SUGGESTIONS

- Most of the female investors invest in share market. Share market investment is the one of the best place for women investors to make profit at their home.
- Share market investment is the one of the best opportunity for creation of long term wealth.
- Now a day's Newspaper gives lots and lots of information about share market so the investors have to gain a complete knowledge about share market from newspaper. Investors could also consult the financial advisors to gain information about the stock market.
- The investors should choose the investment decision based on their needs and Risk taking behaviour.
- You invest normally 15%-30% of your income is a best way to avoid more loss of your income investment in share market.

### **5.3 CONCLUSION**

The main objective of this study is to analyze the risk taking behaviour of equity investors. There can be various factors which affect the investors risk taking behaviour. It was found that maximum number of respondents was female within the age group of 30-40 years with an Under Graduate level of education. The Annual income of majority of the respondents was found to be Rs. 2,00,000-Rs. 4,00,000 and most of the investors were Business people. It was found that there is no relationship between investor's purpose of investment and factors consider before their investment. There is no relationship between investment way and period of monitoring the investment. There is a relationship between income investment pattern and risk taking behaviour of the investors. The investors risk taking capacity with demographic factors has been considered for analysis. It was found that there was no significant relation between demographic factors and the investors risk taking capacity but the demographic factor Age has a significant relation with investors risk taking capacity.