Review on Financial Risk Management and Analysis for Private Investors

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Abstract - The goal of this research was to find out how a person's socioeconomic background affects their ability. The analysis approach that was used throughout this study is known as logistic regression. As a result, the findings of this study are able to provide customers with an optional choice about suitable investment as one of the strategies to promote urban community empowerment. When it comes to making investments, individual investors in Hyderabad have access to a broad variety of opportunities from which to choose. It is common practise for investors to consider Return, which refers to the potential return that can be achieved through investment; Risk, which refers to the variation in returns that can result from changes in value or fluctuations in the market; and Return, which refers to the potential return that can be achieved through investment. When making selections about investments, a person's personal preferences about risk, return potential, and the capacity to access assets at any given moment are taken into consideration. An investment strategy is a plan that is meant to assist an investor in selecting the best possible investment portfolio in order to assist the investor in achieving their financial objectives within a certain amount of time. This kind of thinking is what people mean when they talk about "investment strategy." By increasing the wealth of individual residents, investing has the potential to improve the economy as a whole and contribute to greater prosperity. It may be beneficial for companies to make investments in situations in which they have the opportunity to obtain capital through the financial markets. Depending on the specifics of the situation, the investor, the firm, and even society as a whole may all stand to gain from the use of different sorts of investments. The potential for profit or loss is something that Indian investors are well aware of, in addition to having a fundamental grasp of portfolio allocations.

Keywords – Investment avenues, investment pattern.

JELCODES

O16, E22, G11.

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INTRODUCTION

The degree of risk a person is willing to take while managing their finances is becoming more important. Investments that one person views as high risk may be seen by another as low risk due to differences in risk tolerance and perspective. An essential responsibility of investment managers and advisers is to categorise clients according to their risk tolerance and then provide the best possible investment portfolios for each individual investor. Demographic factors such as marital status, yearly income, investing experience, sex, age, and employment have all been shown to be significant. In most cases, researchers will resort to an experimental questionnaire that asks participants to respond to a series of hypothetical situations and/or make a series of hypothetical investment decisions. In this technique, investors are polled using a questionnaire designed to elicit responses revealing their risk preferences and comfort levels. Investing in a number of various investment possibilities may be seen as a significant factor in the growth of a nation's economy. There are just too many options for investors in India's financial industry. There is no doubt that the typical individual can make money in the stock market, even if the market isn't one of the best or deepest.Growth in the economy relies on capital creation, which in turn depends on the investment made by individuals, financial institutions, government agencies, and other organisations. In order to produce savings, a person gives up some of his current needs. These savings may then be invested in numerous investment possibilities. Anyone's investing choices will be impacted if they do not have a thorough understanding of all pertinent issues. Investment means making a trade-off between the now and the future. When you put money into an opportunity or

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an instrument with the hope that it will grow in value, you're investing.On the basis of savings motivation, it is impossible to distinguish between savers and investors. Individuals who deposit their savings in a bank account anticipate their money to increase, but those who keep their money in a safe deposit box or somewhere in their home do not. As a result, we might argue that the anticipation of return is a fundamental feature of investing. An investor hopes to make a profit on the money it has invested, whether it's in the form of tangible or intangible assets like stocks or bonds. A financial asset, such as a stock or bond investment, mutual fund, ULIPS, or a fixed deposit at a bank, is distinct from a physical asset like a home, gold, or land.

INDIVIDUAL INVESTORS

In the financial markets, public engagement (i.e., individual investors) is a significant aspect. Markets are dynamic and liquid because of the large number of households and individual investors who supply a pool of cash and a variety of decision-making. Because of this, the most generally quoted summary figure showing investor diversity is the number of stockholders, fixed depositors, Bond holders, or investors in a variety of mutual funds, insurance-linked investment plans in households and individuals.Financial markets and policymakers may benefit from having access to this data in order to better understand and plan for future developments. Government, business, and people all have a role in the investing process, and each may be a source or an investor of money. Individuals may save their money in a savings account, invest in a publicly traded firm, invest in debt instruments, or invest in different types of property, depending on their own investing goals and ambitions.

REVIEW OF LITERATURE

The paper's goals are met through conducting a survey. A sample of roughly 50 investors from the Ambala District is used to gather primary data.Financial risk tolerance revisited: in this study the occurrence of a risk assessment tool, John Grable R. H. (1999). Financial service investors have a lot to think about when making judgements, but there aren't a lot of widely accepted, legitimate, and reliable ways to evaluate family financial decisions.According to research conducted by Dr Naveen Prasadula (2022), which analyses the risk tolerance of individuals with different income levels, women are less willing to take financial risks than males. Its significance lies in the fact that it influences the investment choices of individuals and families, which in turn influences their ability to build wealth. According to Chen's (2006) study, seasoned investors are exposed to higher risk than novices.Taqadus Bashir's (2014) study "investigates the effects of risk tolerance with a demographic feature on the issue of risk belief and

portfolio control," finds that these factors influence traders' choices. This research used the financial risk tolerance scale created by Grable and Lytton to quantify the extreme nature of financial dangers. This study shows that men and women differ in their responses to surveys on investing. This research is part of Mitali Baruah's 2018 effort to create a model for analysing the combined effects of individual risk aversion and socioeconomic status on investment decisions, in this case concerning the total amount invested.The "Determinants of financial Risk Tolerance and its effect on Investment choices" is the topic of Praba's (2019) research. The rational framework presupposes that investors and management alike have the cognitive capacity to assess risk. From the ideas presented in this research, the notion of market efficiency has emerged. Both traditional and behavioural financial theories relied heavily on this concept. According to a research ,titled "Influence of Socio-Demographic Characteristics, Financial Literacy, and Mood on Financial Risk Tolerance," the relationship between good emotions and older age tends to be strong and statistically significant.This study demonstrates a positive relationship between financial risk-tolerance and a variety of socioeconomic factors, such as higher income and savings, higher levels of education, and older age, among male business graduates.

The study's aims and objectives

The study's primary goal is to discover how well the residents of Hyderabad City understand the present capital market and the various investment options available to them.

The following are some other secondary goals:

1. To ascertain the level of capital market knowledge.
2. An investigation on the investing habits of Hyderabad's residents.
3. To see whether there is a reason to invest in a certain investment avenue.
4. Methods of investigation (methods of study)

Instances Considered and Sample Size

For this research, the population will be made up of all the people who trade stocks in Jamnagar city, with a sample size of 120 people.

Observation and Recording

Based on primary data, the research is concluded. Structured Questionnaires will be the major source of data for this project. Additionally, magazines, studies on stock market trends and development, books, and other web sites might provide valuable information.

Dr. Karri Sankara Rao*

Study Limitations

- There are just 120 participants in the trial.
- Only investment options available to investors in financial markets were utilised in this analysis.
- Surveys are done only in one city at a time.
- The investigation is also constrained by the constraints of time, location, and funding.

ANALYSIS AND INTERPRETATION OF FINANCIAL INFORMATION

INVESTORS' AGE CLASSIFICATION

TABLE 1: AGE WISE CLASSIFICATION OF INVESTORS

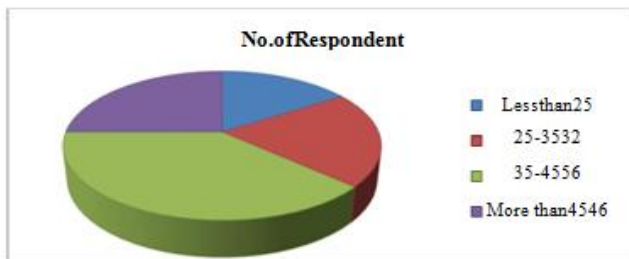| Age	No. of Respondent
Lessthan25	19
25-35	25
35-45	46
Morethan45	30
Total	120

FIGURE 1: AGE WISE CLASSIFICATION OF INVESTORS

Interpretation

There are 19 people who are less than 25 years are investing inst ckmarket.There are 25 people who are between age of 25 to 35 are investing instockmarket,there are 46 people who are between age of 35 to 45 are investing in stock market and in this group, people are investing more than any other group, there are30 people who aremore than45 years areinvestingin stockmarket.

INVESTOR CLASSIFICATION BASED ON EDUCATIONAL LEVEL

TABLE 2: CLASSIFICATION OF INVESTORS BASED ON EDUCATION

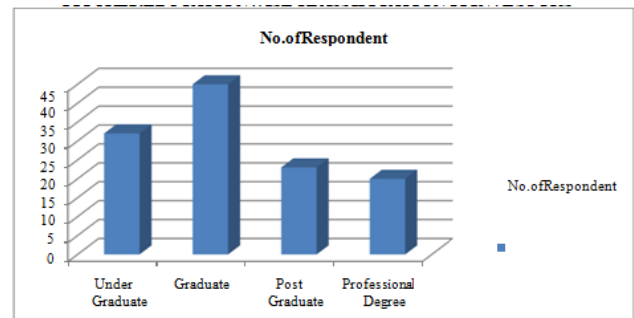| Education	No.of Respondent
UnderGraduate	32
Graduate	45
PostGraduate	23
ProfessionalDegree	20
Total	120

FIGURE 2: EDUCATION WISE CLASSIFICATION OF INVESTORS

Clarification

The biggest number of persons participating in the stock market is made up of 45 graduates, 32 undergrads (which is the highest number compared to any other education), postgrads (which is 23), and professionals (20), all of whom are investing in the market.

INDIVIDUALIZATION BASED ON THEIR PROFESSION

TABLE 3: OCCUPATION WISE CLASSIFICATION OF INVESTORS

Occupation	No.of Respondent
Businessman	65

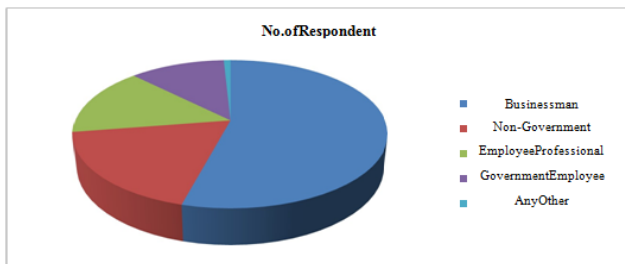|	
Non-GovernmentEmployee	22
Professional	18
GovernmentEmployee	14
AnyOther	1
Total	120

No.ofRespondent

FIGURE 3: OCCUPATION WISE CLASSIFICATION OF INVESTORS

Interpretation

In the stock market, 65 people are businessmen, 21 people are non-government employees, 18 are professionals, 14 are government employees, and one is a non-governmental employee.

CLASSIFICATION BY SEGMENTS

TABLE 4: SEGMENTS WISE CLASSIFICATION(inranks)

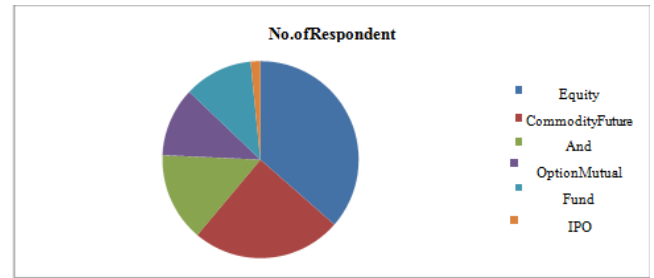| Segments	No.of Respondent
Equity	98
Commodity	61
FutureandOption	36
MutualFund	28
IPO	28
All	4

No.ofRespondent

FIGURE 5: SEGMENT WISE CLASSIFICATION OF INVESTORS

Interpretation

It is the greatest number ever recorded of investors in equities, at 98 individuals. There are 65 commodities investors, 36 future and option investors, and one futures and option investor. In mutual funds, 28 individuals are investing; in IPOs, 28 people are investing; in all categories, there are four persons.

AGE, EDUCATION AND DIFFERENT SEGMENTS

TABLE 5: INVESTORS CLASSIFICATION BASED ON AGE AND DIFFERENT SEGMENTS AND EDUCATION CLASSIFICATION BASED ON DIFFERENT SEGMENTS

Age	Equity	Commodity	F &O	MutualFund	IPO	All
Lessthan25	14	5	4	4	3	-
25-35	23	12	6	5	4	3
35-45	35	19	17	9	13	1
Above45	26	29	7	10	8	-
Total	98	65	36	28	28	4
Undergraduate	30	24	11	7	5	-
Graduate	41	25	14	11	11	1
PostGraduate	18	12	5	6	8	3
ProfessionalDegree	9	4	6	4	4	-
Total	98	65	36	28	28	4
Businessman	56	31	14	10	9	2
Non-GovernmentEmployee	22	9	6	7	7	2
Professional	12	15	11	9	7	-
GovernmentEmployee	8	9	5	2	4	-
AnyOther	-	1	-	-	1	-
Total	98	65	36	28	28	4"

Interpretation

Most stock investors are in the 35-45 year old age bracket. People above the age of 45 are more likely to invest in commodities. People who are 35-35 years old are the most likely to invest in the future and have a variety of options. Older investors account for the majority of all mutual fund inflows. The majority of stock investors are students.

Dr. Karri Sankara Rao*

Students and recent grads are the primary investors in commodities. Graduates tend to place their money in the future and options. All education groups invest in mutual funds and IPOs. Investing in equities is mostly done by businesspeople. In commodities, futures, and options, all groups participate, but businesspeople are the biggest investors. All segments of the market participate equally in mutual funds and initial public offerings (IPOs). Individual investors' risk aversion is represented as a dependent variable in the study's research model. Investors' willingness to take on financial risk is affected by their investment decisions, the depth of their investment knowledge, and the way they perceive and frame risk. Individual investors' choices in the stock market are being affected by demographic factors. Investment Decisions factors include prior risk taking, present risk tolerance, and the kind of risks people are willing to accept. Investment Awareness may be studied by focusing on the following factors: financial literacy, budgeting, saving, debt management, investing, and long-term financial planning. Trust, confidence, investment volatility, the accuracy of predictions made by financial experts, and the belief in the value are some of the characteristics that have been discovered for the study of Risk Perception**.**
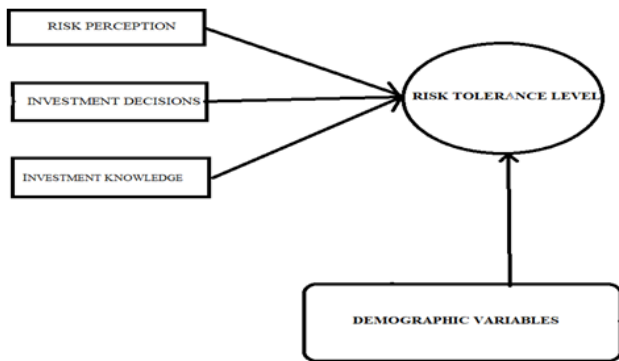
SIZE AND METHOD OF SAMPLING

Individual investors in Hyderabad are used as a representative sample for this study, and they are characterised by a number of demographic variables including but not limited to age, gender, occupation, level of education, income, marital status, risk aversion, and level of financial experience. For this research, we are sampling from a pool of 153 individual investors. This study used the Convenience Sampling Technique as its sampling strategy.

SOURCE OF DATA

The source of data is the main data was acquired by survey from 153 respondents. Secondary data was acquired via reading different publications regarding financial risk tolerance of individual investors.

Data analysis and hypothesis testing

Risk aversion shows no statistically significant differences across occupations (H0 1).

PROFESSION AND LEVEL OF RISK ACCEPTANCE ANALYSIS TABLE NO. 1

"RISK TO LERANCE	Sum of Squares	df	Mean Square	F	Sig.
BetweenGroups	9.691	5	1.93	1.63	.154
Within Groups	174.322	147	1.18		
Total	184.013	152			

* Significance at 5% level

Results of table 1 shows p value(.154) is more than 0.0 5 hencenull hypothesesis accepted. There is no signific ant difference between among various occupation and risk tolerance.

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

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

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

*Independent sample T test significance at 5%
LEVELRESULTS

Results of table2 shows P(.122) is greater than 0.05 is greatert han 0.05 hencenull hypothesis is accepted. There is no significant difference between investment decisions will respect to gender.

H0 3: There isno significant difference among various annual income and risk to lerance level.

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

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

* significance at 5% level

RESULTS

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

Results of table 3 shows the investors with below 2 Las annual income are higher(mean3.10) Pvalue(.001)islessthan0.05 hencenull hypothesisis rejected. There is significant difference among various income level and risk tolerance.

H0 4: There is no relationship between Risk toleranc endInvestmentKnowledge.

Table No4: Relationship analysis between Risk tolerance and Investment Knowledge

Correlations		RISK TOLERANCE	INVESTMENT KNOWLEDGE
RISKTOLERANCE	PearsonCorrelation	1	-.423**
	Sig.(2-tailed)		.000
INVESTMENTKNOWLEDGE	PearsonCorrelation	-.423**	1
	Sig.(2-tailed)	.000	"

* At the 1% level, the correlation is substantial. Table 4 shows an inverse relationship between risk aversion and financial literacy regarding investments. Because the P value (.000) is smaller than, we may conclude that the null hypothesis is false because of the correlation. There is a little negative link between one's degree of risk tolerance and investing awareness, but it is not statistically significant. Neither of these variables are connected to one another, as seen by the -.423 value for the correlation coefficient.

Risk aversion (H0 5) is uncorrelated with how we perceive risk.

Table 5: A Correlation Table for Risk Tolerance and Risk Perception

"Correlations		RISKPERCEPTION	RISKTOLERANCE
RISKPERCEPTION	PearsonCorrelation	1	
	Sig.(2-tailed)		.000
RISKTOLERANCE	PearsonCorrelation	.390**	1
	Sig.(2-tailed)	.000	"

* At the 1% level, the correlation is substantial.

The coefficient of determination indicates a significant degree of association between the two variables (.390). Assume the null hypothesis is correct.

CONCLUSION

Investors are very concerned about the protection of their money. They're looking for greater security and dependability. Investors care less about the current fashion and ease of access than they do about security and trustworthiness. Investment companies have a lot of room for business since most individuals spend their money in a variety of different sectors. Investors are also drawn to the financial industry because of its large returns, but many avoid it owing to unpredictability and a lack of expertise. However, investors who are well-versed in the market and prepared to assume some risk do so in the equity market. When banks' interest rates have been steadily falling for a number of years now, many investors have been shifting their money to alternative investment options including mutual funds and bonds. As a result, investors in Tiruchirappali city are looking for a combination of safety, dependability, and return on investment when deciding where to put their money. Understanding the financial risk tolerance of individual investors allows for more informed portfolio management choices. Demographic characteristics such as marital status, yearly income, investing experience, sex, age, and employment were included as independent variables. Risk tolerance, risk perception, investing knowledge, and investment choice were selected as the dependent variables from the questionnaire.Researchers were taken aback by the fact that gender, financial expertise, and profession had no significant roles. Nonetheless, respondent's level of Risk tolerance was affected by their level of income. Those in the higher income bracket were more comfortable taking risks. Another variable that was linked to one's level of risk

acceptance was one's own risk perception. As a result, we conclude that the sample population in Hyderabad is particularly risk-averse.

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