International Journal of Innovative Research in Management Studies (IJIRMS)
Volume 2, Issue 12, January 2018. pp.25-28.

IMPACT OF DEMOGRAPHIC VARIABLES ON FINANCIAL RISK TOLERANCE OF THE PORTFOLIO INVESTORS IN NAMAKKAL DISTRICT

P.Kannan[1], Dr.R.Mohanraj[2], Dr.M.Gurusamy[3]

[1]Ph.D Research Scholar in Management, Research and Development Centre, Bharathiar University, Coimbatore
[2]Assistant Professor and Head, Department of Business Administration, Government Arts College (Autonomous), Kumbakonam
[3]Associate Professor, Department of Management Studies, Paavai Engineering College (Autonomous), Namakkal

Email: [1]kannan5323@gmail.com, [2]rajmba_ams2012@yahoo.com, [3]gurusamyphd@gmail.com

Abstract— *Portfolio implies scope of speculations. Investors need to settle on a choice with the ideas of risk and return. They would need to work naturally for quite a long time on expansion, remembering "placing eggs in various bushels". There is no return in existence without risk. To measure the impact of demographic variables on financial risk tolerance of the portfolio investors in Namakkal district. It is descriptive because more qualitative variables of financial risk tolerance of portfolio investors such as financial goals, risk tolerance, time horizon, and job security are involved in this research. The tool used for collecting primary data is Questionnaire. The research was conducted at stock broking firms in Namakkal district which is located at Tamil Nadu, India. A stratified random sampling method was applied for this study. There were nine thousand seven hundred and twenty-five (9,725) portfolio investors in the fifteen (15) stock broking firms in Namakkal district.*

Keywords—*Demographic Variables, Financial Goals, Financial Risk Tolerance, Time Horizon, Portfolio Investors.*

INTRODUCTION

Portfolio implies scope of speculations. Investors need to settle on a choice with the ideas of risk and return. They would need to work naturally for quite a long time on expansion, remembering "placing eggs in various bushels". There is no return in existence without risk. The level of vulnerability that financial specialists can deal with as to a negative revolution in the estimation of their portfolio. Risk is a four-letter word, pregnant with enthusiasm and sentiment, promising change and resurrection. Return is a delight on the off chance that it is multiplied. The productivity of the speculation is measured by the arrival on ventures. While the financial specialists go for most noteworthy real return, they should dependably test their proficiency of their arrival on speculations. Risk and return are moving a similar way. At the point when the hazard is low, return is additionally low, when the risk is medium, return is likewise medium and when the risk is high, the return is additionally high. Resistance of risk is the order of the day.

REVIEW OF LITERATURE

Valpy FitzGerald (2007) analysed the international risk tolerance, capital market failure and capital flows to emerging markets. He found that much less attention has been paid by development economists to the nature of the demand schedule, in terms of both level and stability, or emerging market assets on the part of international investors, and in particular the role of 'home' market factors in the developed economies. In marked contrast, the professional or 'market' literature, including that written by regulators, takes these demand shifts very seriously.

John E. Grable (2008) provided an overview of the important role of financial risk tolerance plays in shaping consumer financial decisions. They included the presentation of a conceptual model of the principal factors affecting financial risk tolerance with recommendations designed to enhance the consumer finance field's knowledge of risk tolerance.

Michael J. Roszkowski et al (2009) assessed financial risk tolerance it is common practice to compute an overall score but not the intraperson variability across test items (because the latter is believed to be just error variance). We analyzed

(1) the stability of intraperson variability, (2) its correlation to the total score, (3) its moderating effect on validity

coefficients, and (4) its relation to internal consistency reliability and test–retest reliability.

Caterina Lucarelli et al (2010) focused on the risk tolerance which clearly influences financial decision making. They investigated the emotional side of risk-taking behaviour, identifying subjective obstacles to the individual ability taking conscious investment and debt decisions. They used an empirical cross-disciplinary approach, combining financial competences with others from psychology and affective neuroscience.

Kannadasan, M (2011) analysed the behavioural pattern of Retail Investors, based on their various dependent variables viz. Gender, age, marital status, educational level, income level, awareness, preference and risk bearing capacity.

Luisa Anderloni et al (2011) examined the risk of over-indebtedness and behavioural factors. They indicated that household debt demand seems less rational but more driven by emotional factors, such as overconfidence, impulsivity in consumption attitudes, social comparison and myopia; that is, the inability to perceive the long run consequences of today's debt decisions. Such behavioural factors may induce individuals to make 'non-rational' borrowing choices and this may lead them to hold a level of debt that is unsustainable in relation to their earnings.

NEED FOR THE STUDY

The primary point of each portfolio investors is to get the most astounding profit for his venture. While everything in the economy goes right, at that point speculations resemble ducks laying brilliant eggs, however due to globalized exhibit economy, the portfolio investors are confronting numerous issues and challenges in the ventures. The portfolio investors like swelling, buying influence of cash, fiscal arrangement, adjust of exchange and installments, inflow and surge of capital, may influence the speculators' certainty. Thus, the individual and institutional portfolio investors might be hesitant to take overcome speedy choice and there is no direction, exhortation or course to make such venture choices. The portfolio investors sink their well-deserved cash, for need of any direction, counsel or bearing.

In this circumstance, the researcher has chosen to evaluate the financial risk tolerance of portfolio investors in Namakkal District, Tamil Nadu, India. The effectiveness of financial risk tolerance must be measured quantitatively. What are the financial objectives of the portfolio investors? What are the risk tolerances of portfolio investors? Is there any time horizon? What is the connection between job security and financial risk tolerance decisions or choices? How do the investors take financial decisions?

OBECTIVES OF THE STUDY

To measure the impact of demographic variables on financial risk tolerance of the portfolio investors in Namakkal district

SCOPE OF THE STUDY

This research has a wide extension to gauge the effectiveness of financial risk tolerance of portfolio investors. The discoveries, and proposals made by the researcher will assist the portfolio investors with finding out their own particular efficiencies. The overall population will have a superior view on their ventures.

LIMITATION OF THE STUDY

Information gathered from the different portfolio investors, state of mind in regards to financial risk tolerance in this investigation, may fluctuate now and again, place to place and individual to individual. All things considered it can't be connected further in some other setting.

RESEARCH METHODOLOGY

It is descriptive because more qualitative variables of financial risk tolerance of portfolio investors such as financial goals, risk tolerance, time horizon, and job security are involved in this research. The tool used for collecting primary data is Questionnaire. The research was conducted at stock broking firms in Namakkal district which is located at Tamil Nadu, India. A stratified random sampling method was applied for this study. There were nine thousand seven hundred and twenty-five (9,725) portfolio investors in the fifteen (15) stock broking firms in Namakkal district. Primary and Secondary data were used for this study.

Hypothesis:

H_0: Demographic variables are not having impact on financial risk tolerance of the portfolio investors in Namakkal district.

H_0: Demographic variables are having impact on financial risk tolerance of the portfolio investors in Namakkal district.

TABLE 1: MODEL SUMMARY FOR IMPACT OF DEMOGRAPHIC VARIABLES ON FINANCIAL RISK TOLERANCE OF THE PORTFOLIO INVESTORS IN NAMAKKAL DISTRICT

R	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
0.231[a]	0.053	0.038	0.54034

a. Predictors: (Constant) Investment Pattern, Marital Status, Occupation, Educational Qualification, Gender, Annual Savings, Total members in your family, Annual Income, Age.

The coefficient of determination is 0.053. Therefore, about 5.3% of the variation in the financial risk tolerance of the portfolio investors in Namakkal district data is explained by the demographic variables (Investment Pattern, Total members in your family, Annual Income, Educational Qualification, Gender, Annual Savings, and Marital Status). The regression equation appears to be very useful for making predictions since the value of r^2 is 0.053.

TABLE 2: ANOVA FOR IMPACT OF DEMOGRAPHIC VARIABLES ON FINANCIAL RISK TOLERANCE OF THE PORTFOLIO INVESTORS IN NAMAKKAL DISTRICT

ANOVA[a,b]

	Sum of Squares	df	Mean Square	F	Sig.
Regression	9.134	9	1.015	3.476	0.000[b]
Residual	162.041	555	0.292		
Total	171.175	564			

a. Dependent Variable: Financial Risk Tolerance

b. Predictors: (Constant) Investment Pattern, Marital Status, Occupation, Educational Qualification, Gender, Annual Savings, Total members in your family, Annual Income, Age.

The above table 2 shows that F value is 3.476, and p value is 0.000. At $\alpha = 0.05$ level of significance, there exists enough evidence to conclude that the demographic variables (Investment Pattern, Marital Status, Occupation, Educational Qualification, Gender, Annual Savings, Total members in your family, Annual Income, and Age) are having impact on financial risk tolerance of the portfolio investors in Namakkal district. Since p-value < 0.05, we shall reject the null hypothesis and accept the alternative hypothesis.

TABLE 3: COEFFICIENTS FOR IMPACT OF DEMOGRAPHIC VARIABLES ON FINANCIAL RISK TOLERANCE OF THE PORTFOLIO INVESTORS IN NAMAKKAL DISTRICT

Coefficients[a, b]

	Unstandardized Coefficients		*Standardized Coefficients*	*t*	*Sig.*
	B	*Std. Error*	*Beta*		
(Constant)	3.568	0.210		16.990	0.000
Gender	0.029	0.048	0.025	0.602	0.547
Age	-0.078	0.053	-0.185	-1.458	0.145
Educational Qualification	-0.030	0.021	-0.061	-1.448	0.148
Occupation	-0.014	0.049	-0.034	-0.283	0.777
Annual Income	0.010	0.050	0.024	0.198	0.843
Annual Savings	0.112	0.021	0.218	5.199	0.000
Marital Status	-0.035	0.073	-0.030	-0.482	0.630
Total members in family	0.052	0.047	0.126	1.095	0.274
Investment Pattern	-0.004	0.017	-0.009	-0.221	0.825

a. Dependent Variable: Financial Risk Tolerance

The above coefficients table 3 indicates that the B values are using for identifying the co-efficient of demographic variables towards the contribution to the factor financial risk tolerance of the portfolio investors in Namakkal district.

Gender (0.029), Annual Income (0.010), Annual Savings (0.112), and Total members in family (0.052) are influencing positively the financial risk tolerance of the portfolio investors in Namakkal district. Thus, we can be concluded that the Annual Savings factor is highly influencing positively the financial risk tolerance of the portfolio investors in Namakkal district than Gender, Annual Income, and Total members in family.

Age (-0.078), Educational Qualification (-0.030), Occupation (-0.014), Marital Status (-0.035), and Investment Pattern (-0.004) are influencing negatively the financial risk tolerance of the portfolio investors in Namakkal district. Thus, we can be concluded that the Age factor is highly influencing negatively the financial risk tolerance of the portfolio investors in Namakkal district than Educational Qualification, Occupation, Marital Status, and Investment Pattern.

CONCLUSION

The greater part of the portfolio financial specialists is extremely touchy about wellbeing of their investment. They need more security and unwavering quality. Current pattern and simple access isn't influenced the portfolio investors as much as wellbeing and dependability. The greater part of the portfolio investors contributes their pay up to various level in any segment, so investment organization have additionally particularly extent of picking up business. Equity market is likewise famous among investors because of higher return, however because of vulnerability and absence of legitimate learning financial specialists don't put resources into that division.

REFERENCES

[1] Caterina Lucarelli, Gianni Brighetti (2010). Biased or Unbiased Risk Tolerance in Financial Decision Making. New Issues in Financial and Credit Markets. 184-199.
[2] John E. Grable (2008). Risk Tolerance. Handbook of Consumer Finance Research, 3-19.
[3] Kannadasan, M (2011). Risk Appetite and Attitudes of Retail Investors' with Special Reference to Capital Market. Management Accountant. 41 (6), 448-454.
[4] Luisa Anderloni, Daniela Vandone (2011). Risk of Over-Indebtedness and Behavioural Factors. Risk Tolerance in Financial Decision Making. 113-132.
[5] Michael J. Roszkowski, Michael M. Delaney, David M. Cordell (2009). Intraperson Consistency in Financial Risk Tolerance Assessment: Temporal Stability, Relationship to Total Score, and Effect on Criterion-related Validity. Journal of Business and Psychology. 24, 455.
[6] Valpy FitzGerald (2007). International Risk Tolerance, Capital Market Failure and Capital Flows to Emerging Markets. Advancing Development. 299-318.

*****