RISK PERCEPTION OF INDIVIDUAL EQUITY INVESTORS

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ABSTRACT:

The aim of the research presented in this paper is to investigate the perceived investment risk of individual investors. These studies were carried out in Coimbatore district with 428 individual investors. The risk perception of investors were analysed and results were identified. The findings may support the individual investors and motivate common individuals to invest more in the share market. This study also supports the financial consultants and brokers to take decisions in their normal course of activities. In this study, participants were asked to rate the risk perception towards equity investment and the relationship between risk perception and the investment pattern of equity investors.

INTRODUCTION:

Everyday the financial needs are increasing for the human being and they need to work hard to stand in their same position and try to improve from their present financial position to well settled position. Therefore, its significant to an individual to increase their income levels. The income has to be improved with the help of their investment planning and saving habits. Investment means investing their excess of income over expenditure in different investment avenues in order to earn more money. There are multiple investment avenues are available in this world. This may be categorized into risky investments and risk less investments.

The investors normally of two types risk taker and risk averters. The investors willing to take risk will gain more return and the investor those who not take risk will get only less return. Therefore, Risk and return are highly interrelated and correlated. The potentiality for returns on investment usually go hand –in –hand with increased risk. Saving and investment product has different risks and returns. Differences include how readily investors can get their money when they need it, how fast their money will grow, and how safe their money will be.

The individual equity investor risk taking ability may differ from one investors to other. This chapter explains about how the socio-economic factors investment pattern of investors associated with the level of risk perception of individual investors. The risk and return are inseparable from one another. To ignore risk and expect returns is an outdated approach to investments. The investment process must be considered in terms of both aspects of risk and return. The ultimate aim of the investors is to derive a portfolio of securities that meet his preferences for risk and expected returns. Investors can be classified on the basis of their risk bearing capacity.

The risk perception of individual investors and their socio economic profile were compared and identified the variances between these two factors. It is an important technique in the context of all those situations where we want to examine the significant mean difference between more than two groups are significantly different from one another as indicated F statistics. The index value is calculated for all the independent variables and study factors.

REVIEW OF LITERATURE

Sarkar and Sahu (2017) identified the factors influencing the behaviour of individual investor in the stock market in West Bengal. The study was based on primary data with 500 randomly selected individual investors using a structured questionnaire. The perceived risk attitude of individual investors is based on cognition in comparison to affect component of perceived risk attitude. The risk attitude is based on the mental process involved in gaining knowledge and comprehension including thinking, knowing, remembering, judging, and problem-solving rather than an emotional component