

Investors' Attitude towards Risk and Return in Indian Stock Market

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ABSTRACT: *In recent days investment in stock market through securities has become as one of the best choice. Every day the attitude of investor has changed the uncertainty of expected return and risk. Investors have taken more risk and they get more in return. The risk and return attitude of the investor on various investments might differ from one another. The research design which are used for descriptive research design. The sampling technique adopted is random sampling and sample size of 150 investors is selected for the study. Primary data is collected through online survey and secondary data is collected from website, printed material, books and etc. During the period from September 2018 to Jan 2019, the tools are used simple percentage, correlation and t- test. Most of the investors' have preferred cash market because they are investing in medium term and long term. It leads to minimization of the risk. The table value is more valued than the calculated value. So the null hypothesis is accepted. There is no significant difference between gender respondents and expected rate of return of investor. In present study the investor's should be follow stop loss, estimation of target and make portfolio management, then only reduce risk and increase return on investment.*

KEYWORDS: *Securities, risk, return, investment, portfolio management, cash market, stop loss.*

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I. INTRODUCTION

In investing, risk and return are highly correlated. Increased potential returns on investment usually go hand-in-hand with increased risk. There are different types of risks including economic risk, inflation, industry-specific risk, interest rate risk, political risk, volatility, competitive risk, international risk, and market risk. Return refers to both gains and losses has made from trading a security. Diversification allows investors to reduce the overall risk associated with their portfolio but may limit potential returns. Making investments in only one market sector may, if that sector significantly outperforms the overall market, generate superior returns, but if the sector decline then investors might experience lower returns than could have achieved with a broadly diversified portfolio.

Risk and return are others antagonistic concepts in the financial world, depending upon factors like age, income, and investment goals, investor may be willing to take significant financial risks in his investments, or may prefer to keep things much safer. Return expresses the amount which an investor actually earned on an investment during a certain period. Return includes the interest, dividend, expected return, future return and capital appreciation; while risk represents the uncertainty associated with a particular task. In financial terms, risk is the chance or probability that a certain investment may be or may not be deliver the actual/expected returns. The risk and return trade off says that the potential return rises with an increase in risk. It is important for an investor to decide on a balance between the desire for the lowest possible risk and the highest possible return.

II. REVIEW OF LITERATURE

S. Saravanakumar and S. Gunasekaran, (2011), studied that the most of the investor are aware of high risk involved in the derivative market. To reduce the risk in the market, the investors should strictly follow the stop loss method. The study expose that most of the investor favor cash market where the script can be hold for long term and the risk is less and it is transferable to others with nominal time period.

Ahmed Imran Hunjra, Muhammad Azam (2011), state that the asymmetric and non-linear relationship between risk and return is observed on the basis of GARCH-MEAN and E -GARCH modeling approach. The most appropriate models for commodities and stock markets are reported. The results point of view that Asymmetric and seasonal outcome are present in commodities market and stock markets. But the asymmetric properties and seasonal effect is the most leading in stock price risk and return relationship.

The research by Jigna C. Trivedi and BindiyaSoni (2014), highlighted that majority of the investors are aware of conception of risk measurement. However, very a few of them actually use while investing as they mostly rely upon the tips of brokers for investment. Besides, they judge the market price and the credit rating of the company before investment and majority of them apply portfolio management technique for managing the investment risk. The study would be useful to the marketers of various investment schemes to customize their contribution as per the perceptions for risk and return of the investors.

Dr. S. Krishnaprabha and Mr.M.Vijayakumar (2015), conducted a study on risk and return to analysis plays a key role in the most individual decision making process. Every investor wishes to avoid risk and maximize return. In general, risk and return go hand. If an investor wishes to earn higher returns than the investor must appreciate that will only be achieved by accepting a proportionate increase in risk.

Bedanta Bora and AninditaAdhikary(2015), the study has explored the relationship between returns of securities and market returns and also the stability of beta for a variety of stocks that formed a part of BSE sensex. The methodology adopted here is empirical in nature. Descriptive statistics and multiple regression models are being used to study the relationship between returns of securities and market returns. Stability of beta is tested as well. Findings are indicating that there it seems to be positive association between returns of securities and market returns and betas are unstable overtime.

C. Boobalanand Dr. K. Selvavinayagam (2018), conducted a study on awareness about the various uses of commodity can help investors to take calculated risk and increase the return. All the investors want to earn high return in short period. Senior citizens and female investors do not have much awareness towards commodity market. Proper awareness programme has to be conducted to improve the awareness level among the investors. SEBI must provide proper rubrics to the all the investors.

Research problem

The author has examined the gap in terms of change in attitudes of investors and risk and return expectation. To give suggestion to the investors to minimize their risk and maximize their return.

Objectives

1. To know the investors attitude towards risk and return of investment.
2. To find the expected rate of return on stock market
3. To give suitable suggestions to the investors to maximize the return and minimize the risk on the investment in the stock market.

Research methodology

The research design are used in this study is descriptive nature, this study consists of 150 samples, in which primary data are collected from online survey and secondary data are collected from records, journals, books, internet etc. using simple percentage, correlation and t- test to interpret and suitable hypothesis are framed and analyzed.

Statement of hypotheses

- There is no significance difference between age and investors attitude towards risk.
- There is no significance difference between Gender and expected rate of return

Limitations of the study

1. The survey is conducted only through online.
2. In short observation period.
3. Sample size is small.

Scope of the study

The present study is dedicated to analyze the attitude of stock market investors. The study will be helpful for better understanding about the stock market investment and helps to 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. This study may help the individual investor and will be highly beneficial, giving information at the time of investment in the stock market.

Investors' Attitude towards Risk and Return in Indian Stock Market

Table. 1. Demography profile

Demography	Variables	Frequency	Percentage (%)
Gender	Male	132	88
	Female	18	12
Age	Upto 30	19	12.67
	31- 45	65	43.33
	46-55	44	29.33
	Above 55	22	14.67
Education	School level	12	8
	Graduate	40	26.67
	Post graduate	54	36
	Professional	25	16.67
	Others	19	12.67
Occupation	Business	28	18.67
	Self employed	35	23.33
	Profession	29	19.33
	Govt or private employed	41	27.33
	House wife	4	2.67
	Others	13	8.67
Monthly income	Upto Rs.25000	26	17.33
	Rs.25001 to Rs. 50000	79	52.67
	Rs.50001 to Rs.75000	27	18
	Above Rs.75000	18	12
Domicile	Rural	21	14
	Semi urban	58	38.67
	Urban	71	47.33
Marital status	Married	116	77.33
	Unmarried	34	22.67

Source: Primary data

The table 1 shows that investors demographic factors, among 150 respondents. 132 respondents are male and 18 respondents are female, age wise classification is up to 30 is 19 respondents, age 31-45 is 65 respondents, age 46-55 is 44 respondents and age above 55 is 22 respondents. Next classification in education wise, on school level education are 12 respondents, under graduate are 40 respondents, Post graduate investors are 54 respondents, Professional are 25 respondents and others 19 respondents. Next classified on Occupation of the investors, 28 respondents on business, 35 respondents are self-employed, 29 respondents are professions, 41 respondents are government or private sector, 04 respondents are perform as house wife and 13 respondents are other type of jobs. Next classified based on respondents' income, up to Rs. 25,000 salary are 26 respondents. Rs. 25001 to Rs.50, 000are 79 respondents, Rs.50001 to Rs. 75,000is 27 respondents and above Rs. 75,000 are 18 respondents. Next classified based on Domicile, Rural area respondents in 21,58 at semi urban respondents and 71 respondents are urban. Next based on marital status, 116 respondents are married and 34 respondents are unmarried.

Table.2. Sources of investment information

Particulars	Rank
Technical and Fundamental Analyst	2
Investment related Website	1
Magazines and News papers	6
Stock exchange announcements	8
Friends & Relatives	3
Brokers	5
TV& Radio Advertisements	9
Road Shows / Exhibitions	10
Advertisements by MF Org	7
Peer group	4

Source: Primary data

The table 2 explains that investors know media sources of information about the investments via media in rank wise. Most of the investors know that information for investment related website, Second rank for Technical analyst, Third rank for friends and relatives, Fourth rank investment information media for Peer group, Fifth rank through brokers, Sixth rank through magazines and newspaper, Seventh rank for advertisement by mutual fund organisation, Eighth rank for stock exchange announcement, Ninth rank for TV and radio

advertisement and tenth rank for road shows and exhibitions. Numbers of the investors are getting the information through technical and fundamental analysis.

Table.3. Sources of investment

Particulars	No of respondents	Percentage (%)
Own fund	72	48
Borrowing	16	10.67
Both	62	41.33
Total	150	100

Source: Primary data

The table 3 reveals that investors' investment source. Among the 150 respondents the maximum 72 respondents are invest source from own fund, 16 respondents are invest the borrowing fund in stock market and 62 respondents are both (own fund and borrowing).

Table.4. Types of analysis

Particulars	No of respondents	Percentage (%)
Fundamental analysis	49	32.7
Technical analysis	64	42.7
Others	37	24.6
Total	150	100

Source: Primary data

The table 4clarify that the investor before is using the investment analysis tools, among the 150 respondents. 49 respondents are using fundamental analysis, 64 respondents are using that technical analysis and 37 respondents are using other type of investment analysis.

Table.5. Investment objectives

Particulars	No of respondents	Percentage (%)
Liquidity	17	11.33
Dividend	8	5.33
Capital appreciation	28	18.67
Quick gain / Speculation	21	14
Safety	22	14.67
Tax benefit	9	6
Hedge	15	10
Return	30	20
Total	150	100

Source: Primary data

The table 5 provides the investor's investment objectives, among the 150 respondents. 17 respondents are liquidity purpose, 08 respondents are Dividend, 28 respondents are capital appreciation, 21respondents are quick gain or speculation purpose, 22respondents are safety purpose in investment of the stock market, 09respondents are getting tax benefit, 15respondents are hedging purpose and 30 respondents are getting possibility of return on investment.

Table.6. Preference of Investment

Particulars	Rank
Real estate	2
Insurance	3
IPO	7
Bank Deposit	5
Mutual fund	6
Stock market	1
Commodity market	4
Bonds and debentures	8
Forex market	9
PF	10

Source: Primary data

The table 6 point out on investor's preference in that investment type should have to classify on the rank wise. Stock market investment is the most of investors like that so, its rank for one, Second investment in real estate business, Third rank investment is insurance sector, Fourth rank is getting on commodity market, Fifth rank is on bank deposit some investors says about the bank deposit is the most safety, Sixth rank is mutual

funds, Seventh rank is IPO, investors for giving on Eight rank is bonds and debenture, Ninth rank in Forex market and Tenth rank to getting on provident funds.

Table.7. Mode of Trading

Particulars	No of respondents	Percentage (%)
Online	71	47.33
Offline	48	32
Both	31	20.67
Total	150	100

Source: Primary data

The table 7 shows that modes of trading activity, among the 150 respondents, the maximum 71 respondents are doing that investment trading activity through online, Because of its very speed trading activity and also in safety. Now a day's most of the people like that online trading activity.

Table.8. Types of market preferred

Particulars	No of respondents	Percentage (%)
Primary	28	18.67
Secondary	86	57.33
Both	36	24
Total	150	100

Source: Primary data

The table 8 reveals that which type of market to select for investment purpose. Among the 150 respondents, 28 respondents are investing the fund in primary market, 86 respondents are investing the fund in secondary market and 36 respondents are investment funds in both market. Investors are not fully aware about primary market.

Table.9. Purpose of investment

Particulars	No of respondents	Percentage (%)
Intraday	26	17.3
Short term	41	27.3
Mid term	55	36.7
Long term	28	18.7
Total	150	100

Source: Primary data

The table 9 shows on purpose of investment to the investors, among the 150 respondents. 26 respondents are intraday, 41 respondents purpose for short term purpose, 55 respondents are midterm and 28 respondents are in long term purpose. Most of the investor invests in stock market midterm basis.

Table.10. Returns on investment

Particulars	No of respondents	Percentage (%)
Primary Market	13	8.67
Cash Market	77	51.33
Derivatives market	60	40
Total	150	100

Source: Primary data

The table 10 reveals that return on investment to the investor, among the 150 respondents. 13 respondents are primary market, 77 respondents are cash market and 60 respondents are derivative market. Majority of the investors get return in cash and derivatives market.

Table.11. Expected rate of return

Particulars	No of respondents	Percentage (%)
Less than 15%	24	16
16% to 25%	88	58.67
Above 25%	38	25.33

Source: Primary data

The table 11 shows that expected rate of return to their investment, among the 150 respondents. 24 respondents are less than 15%, 88 respondents are 16% to 25 % and 38 respondents are above 25% expected.

Table.12. Investors attitude towards risk

Particulars	No of respondents	Percentage (%)
Risk averter	93	62
Neutral	42	28
Risk seeker	15	10
Total	150	100

Source: Primary data

The table 12 clearly define investor's attitude towards risk, among the 150 respondents. 93 respondents are risk averter, 42 respondents risk level are neutral and 15 respondents are risk seeker. Majority of investor are risk averter in stock market.

Table.13. Attitude of risk and return on investors in stock market

Level of importance	No of respondents	Percentage (%)
Strongly Agree	18	12
Agree	62	41.33
Undecided	30	20
Disagree	28	18.67
Strongly Disagree	12	8
Total	150	100

Source: Primary data

Table 13 explains that attitude of risk and return on investors in stock market, among the 150 respondents. 18 respondents are strongly agreed and 62 respondents are agreed.

Table.14. Risk management technique

Particulars	No of respondents	Percentage (%)
Locking	31	20.67
Cut loss	15	10
Switching	66	44
Averaging	38	25.33
Total	150	100

Source: Primary data

The table 14 shows that risk management highly technique, among the 150 respondents. 31 respondents are locking, 15 respondents are cut loss, 66 respondents are switching and 38 respondents are average.

Table.15. Investor's Attitude about Level of return in cash market

Level of importance	No of respondents	Percentage (%)
Very high	26	17.33
High	54	36
Moderate	43	28.67
Low	19	12.67
Very low	8	5.33
Total	150	100

Source: Primary data

The table 15 reveals that investor's attitude about the level of return in cash market, among the 150 respondents. 26 respondents are very high, 54 respondents are high, 43 respondents are moderate, 19 respondents are low and 08 respondents are that return level in cash market is very low.

Table.16. Investor's attitude about Level of return in Derivatives market

Level of importance	No of respondents	Percentage (%)
Very high	6	4
High	17	11.33
Moderate	52	34.67
Low	44	29.33
Very low	31	20.67
Total	150	100

Source: Primary data

The table 16 clearly explain investor's attitude about level of return in derivatives market, among the 150 of respondents. 6 investors are very high, 17 investors are high, 52 Investors are moderate, 44 investors are low and 31 investor's attitudes are very low level of return in derivatives market.

Table.17. Investor's attitude about Level of risk in Cash market

Level of importance	No of respondents	Percentage (%)
Very high	10	6.66
High	21	14
Moderate	52	34.67
Low	49	32.67
Very low	18	12
Total	150	100

Source: Primary data

The table 17 shows that investor's attitude about level of risk in Cash market, among the 150 respondents. 10 respondents are very high, 21 respondents are high, 52 respondents are moderate, 49 respondents are low and 18 respondents are very low.

Table.18. Investor's attitude about Level of risk in Derivatives market

Level of importance	No of respondents	Percentage (%)
Very high	28	18.67
High	66	44
Moderate	39	26
Low	11	7.33
Very low	6	4
Total	150	100

Source: Primary data

The table 18 shows that investor's attitude about level of risk in derivatives market, among the 150 respondents. 28 respondents are feeling very high risk, 66 respondents are said high risk, 39 respondents are, 11 respondents are assumed low risk and 06 respondents are very low.

Table.19. Level of satisfaction

Level of satisfaction	No of respondents	Percentage (%)
Very satisfied	19	12.67
Satisfied	53	35.33
Neutral	39	26
Dissatisfied	28	18.67
Very dissatisfied	11	7.33
Total	150	100

Source: Primary data

The table 19 indicates that level of satisfaction about investors, among the 150 respondents. 19 respondents are very satisfied, 53 respondents are satisfied, 39 respondents are Neutral, 28 respondents are dissatisfied and 11 respondents are Very dissatisfied.

Correlation:

Correlation is a statistical measure of establishing qualities of relationship between two or more variable. Through correlation, it is possible to indicate the direction of relationship between variable.

Hypotheses: 1

Null hypothesis H_0 = There is no relationship between age and investors attitude towards risk.

X	Age	Investor attitude in risk	XY	X ²	Y ²
19	93	93	1767	361	8649
65	42	42	2730	4225	1764
44	15	15	660	1936	225
22	0	0	0	484	0
□ X=150	□ Y=150	□ XY= 5157	□ X ² = 7006	□ Y ² = 10638	

FORMULA:

$$r = \frac{N(\sum XY) - (\sum X)(\sum Y)}{\sqrt{N\sum X^2 - (\sum X)^2} \sqrt{N\sum Y^2 - (\sum Y)^2}}$$

$$r = \frac{4(5157) - (150)(150)}{\sqrt{4(7006) - (150)^2} \sqrt{4(10638) - (150)^2}}$$

r = 0.25

Result: Hence, there is a positive relationship between investor age and investor attitude about risk.

T-Test: Paired Two Sample

Hypothesis: 2

Ho=There is no relationship between gender and expected rate of return.

Particulars	Variable 1	Variable 2
Mean	75	75
Variance	454.6667	545.3333
Observations	2	3
Pearson Correlation	0.974681	
Hypothesized Mean Difference	0	
Df	1	
t Stat	0	
P(T<=t) one-tail	0.5	
t Critical one-tail	3.2312	
P(T<=t) two-tail	1	
t Critical two-tail	2.3421	

Result: Since the calculated value 2.34 is less than, the table value 3.23. So the null hypothesis is accepted. It concludes that there is no relationship between gender and expected rate of return.

III. FINDINGS:

1. Majority (88 percent) of investors are male.
2. 43.33 percent of respondents are middle aged.
3. Most (27.33 percent) of investors are government and private employed.
4. Majority (47.33 percent) of respondents are urban area.
5. 48 percent of respondents are mostly invest in own fund.
6. Majority of respondent's objectives in return and capital appreciation.
7. Majority (47.33 percent) of respondents are trade in online.
8. Most (51.33 percent) of investors preferred in cash market.
9. 42.7percent of respondents are analysis in technical analysis.
10. Majority (62 percent) of respondents are risk averter.
11. Most (35.33 percent) of investors are satisfied.

IV. RECOMMENDATIONS:

1. The most of people are abstruse about the stock market investment in remote areas.
2. The most of investor are mostly invest in only for share, to give the motivation for invest in all investment avenue with portfolio.
3. To give the awareness about stop loss, hedging and diversification.
4. The government and SEBI to give that rules and regulations in clearly manner to the investors.
5. The study of relationship risk and return analysis helps the investor to pick up the securities based on his choice.
6. Successful market timing, like well-considered diversification, can help to both increase returns from your investments and to reduce risks associated with buy and hold investments
7. Picking the right stocks is important, but picking the right sector at the right time can be even more crucial in terms of maximizing performance.

V. CONCLUSION

The investors' attitude of cash market and derivative market are increased day by day. The cash market risk is low but derivative market is high risk. So the investors should be following the stop loss methods are using predicting technical analysis chart. Most of the investors prefer cash market where the script can be hold for medium and long term and risk is reduced. The investors are suggested that before investment they should take proper study about the fundamentals and technical analysis. The investor right time to enter in stock market with help of stop loss, portfolio management and hedging is very essential. The investors should be highly satisfied with equity shares because of much reason liquidity, low investment, no lock period, hedging and capital appreciation. Investors must understand the risk and return attitude of stock market because the most of the investors may invest after considering risk factor.

Through observed the significant effect of overconfidence on the risk attitudes. These studies have taken from stock market in India. This study shows very clearly that investor's attitude towards risk and returns are different in cash and derivatives market. The financial markets are particular in stock market, most investors are risk harmful. Another important principle is diversification. The result there is a positive relationship between investor age and investors' attitude about risk.

Scope for further study

In this study, has been focused investors' attitude towards risk and return in Indian stock market. In next research, it deals about the other factors which have impact on the investment in capital markets.

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