CHAPTER VI

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSIONS

6.1 SUMMARY OF FINDINGS

6.1.1 Findings from Demographic Profile

On analyzing the demographic profile of the respondents the following findings were made. The respondents forming 79.9% were male. The respondents forming 50.1% were between 31-40 years of age. Considerable portions of 44.9% were educated with Under Graduate level. Overwhelming 77.8% of the respondents were married. The respondents forming 70.5% were among nuclear family type. Nearly 53% of the respondents were doing business. Overwhelming 63.8% of the respondents had monthly income between Rs.10001-Rs.20000. The respondents forming 70% had their own house and overwhelming 76.3% of the respondents were not assessing income tax.

6.1.2 Findings from Investment Narrated Analysis

The importance given to various investment avenues and related decisions were given under this fragment. The respondents forming majority of 48% were preferred and invested in Shares and Unit Linked Insurance Plans (ULIPs). A greater majority of 76.7% of the respondents were made 0-20% of investment annually. Overwhelming 71.5% of the respondents were less experienced in investment. The respondents forming 61.9% were getting the
information source about their investment through friends and relatives. A sensible proportion of 62.9% of the respondents stated that, the investment decision has been taken by their own.

6.1.3 Garrett’s ranking and pinnacle risky aspect variables

The following table shows the major ranking variables in selection of risky aspect investments by respondents which were identified through Garrett ranking analysis.

Table 6.1

<table>
<thead>
<tr>
<th>Key Variables</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enthusiasm to invest</td>
<td>I</td>
</tr>
<tr>
<td>Mounting Trend in the Market</td>
<td>II</td>
</tr>
<tr>
<td>Friendliness of the investment intermediaries</td>
<td>III</td>
</tr>
<tr>
<td>Perceiving quality investment</td>
<td>IV</td>
</tr>
<tr>
<td>Perceiving right time to invest</td>
<td>V</td>
</tr>
</tbody>
</table>

6.1.4 General reasons for investing – Agreement levels

The agreement levels specified by respondents to various general reasonable factors considered while investing were analyzed. The respondents forming 42.5% were agreed with the general reason for investing factor ‘investment channelizes the savings into productive ventures’. A greater majority of 77.9% of the respondents strongly agreed with the factor ‘investing today is for better tomorrow’. Overwhelming 54.9% of the respondents neither agreed nor
disagreed with the factor ‘investment is a long term affair’. A sizable portion of 56.8% of the respondents disagreed with the factor ‘enjoying those investment and look forward to more such activity’. The respondents forming 47% were agreed with the factor ‘investments gratify unexpected needs of money’. Overwhelming 49.9% of the respondents agreed with the factor ‘investment makes feeling social recognition’. A majority of 66.2% of the respondents strongly agreed with the factor ‘investments basically protect our dependents’. A sizable portion of 53.6% of the respondents strongly agreed with the factor ‘making investment tender life satisfaction’. A sizable portion of 36.4% of the respondents agreed with the factor ‘making investment is a profitable one’. Overwhelming 62.9% of the respondents agreed with the factor ‘investment makes us owner of benefits’.

6.1.5 General conditions for investing – Agreement levels

The agreement levels specified by respondents to various general investment conditional factors considered while investing were analyzed. The respondents forming 53.4% were agreed with the general condition for investing factor ‘investment for emergencies’. Overwhelming 47.3% of the respondents strongly agreed with the factor ‘investment for wedding, dowry and other ceremonies’. A sizable portion of 54.9% of the respondents agreed with the factor ‘investment for education of children’. A sizable portion of 49.9% of the respondents agreed with the factor ‘investment for old age intention’. A sensible proportion of 39.7% of the respondents disagreed with the factor ‘investment for
giving gifts, donations and pilgrimages’. A majority of 49.3% of the respondents neither agreed nor disagreed with the factor ‘investment for buying consumer goods’. A greater majority of 65.2% of the respondents strongly agreed with the factor ‘investment for buying/building home’. Overwhelming 45.9% of the respondents neither agreed nor disagreed with the factor ‘investment as an income/earning source’. The respondents forming 59.3% were neither agreed nor disagreed with the factor ‘investment to broaden the businesses’. Overwhelming 44% of the respondents neither agreed nor disagreed with the factor ‘investment to reduce tax liability’.

6.1.6 Kendall’s Tau-b association of factors in general reasons for investing

The outcome of the Kendall’s tau-b association consequences the high positive correlation between the factors in general reasons for investing in securities. i) The high positive correlation between the factors ‘investing today is for better tomorrow and investment is a long term affair’. ii) The next high positive relationship with the factors ‘investment is a long term affair and investment gratifies unexpected needs of money’.

6.1.6 Kendall’s Tau-b association of factors in general conditions for investing

The outcome of the Kendall’s tau-b association consequences the high positive correlation between the factors in general conditions for investing in securities. i) The high positive correlation between the factors ‘investment for emergencies and investment for children education. ii) The next high positive
relationship between the general condition factors ‘investment for children education and investment as an income/earning source’.

6.1.7 MDS for general reasons considered while investing

The result of the MDS shows that the stress value calculated by Kruskal’s stress formula 1 for the matrix is 0.1232 indicating the good fit between data and the RSQ is 0.9079 illustrating that 90.79 percent of variance in the model is explained by the two dimensions. On observation of the two dimensional graph it could be inferred that the variable like Channelizes the savings in to productive ventures (F1), Investing today is for better tomorrow (F2), Every so often it makes us owner of benefits (F10) and makes feeling social recognition and pride of owning those investment (F6) were the more influencing perceptual factors as a primary determinant for investing in securities.

6.1.7 MDS for general conditions considered while investing

The result of the MDS shows that the stress value calculated by Kruskal’s stress formula 1 for the matrix is 0.0873 indicating the good fit between data and the RSQ is 0.96978 illustrating that 96.97 percent of variance in the model is explained by the two dimensions. On observation of the two dimensional graph it could be inferred that the variable like Investment for Emergencies (F11), Education of Children (F13) and Old Age Purpose (F14) are the more influencing perceptual factors as a primary determinant in investing in securities.
6.1.8 KMO test for sampling adequacy

Kaiser-Meyer-Olkin measure can be used to measure the sampling adequacy of the collected sampling data. The KMO value for the investment risk perception factors is 0.873, which falls into the range of being great. So we should be confident that factor analysis is appropriate for the sampling data.

6.1.9 Investor perceived risk variables with higher factor loadings in rotated matrix solution

A rotated factor matrix with loadings calculated by using Varimax rotation is evolved. For every Varimax solution newly identified factors have been employed.

Factor 1 comprises three variables with newly identified factor name ‘facing risk and uncertainty voluntarily’. The variable with higher loading was ‘facing risk voluntarily’, 0.7741.

Factor 2 comprises four variables with newly identified factor name ‘risks known’. The variable with higher loading was ‘risk of losing the money’, 0.6231.

Factor 3 comprises three variables with newly identified factor name ‘observing investment performance’. The variable with higher factor loading was ‘understand the performance of investment’, 0.7290.

Factor 4 comprises three variables with the newly identified name ‘sales pressure and advice’. The variable with higher factor loading was ‘easy to retrieve money if needed’, 0.6504.
Factor 5 comprises three variables with newly identified name ‘investor protection’. The variable with higher factor loading was ‘government protect investor’, 0.7954.

Factor 6 comprises three variables with newly identified name ‘risk of unethical product’. The variable with higher factor loading was ‘risk of losing the money’, 0.6435.

Factor 7 comprises two variables with newly identified name ‘monitoring benefit’. The variable with higher factor loading was ‘investor spend time in monitoring investment’, 0.5824.

Factor 8 comprises two variables with newly identified name ‘assess about investment product’. The variable with higher factor loading was ‘access information about product before purchase’, 0.6941.

Factor 9 comprises two variables with newly identified factor name ‘risk in investment return’. The variable with higher factor loading was ‘risk on investment will go as well as up’, 0.6628.

6.1.10 Demographic characteristics and classification of respondents based on their investment avenues using ANOVA

The result from the analysis shows that significance of ‘F’ value for all the demographic characteristic is less than 0.05. So the null hypothesis is rejected and it is concluded that the selection of various investment avenues of respondents vary due to their demographic classification at 5%.
6.1.11 Demographic characteristics and classification of respondents based on investment decision by family members using ANOVA

The result from the analysis shows that significance of ‘F’ value for all the demographic characteristic is less than 0.05 except for the resident type of respondents. So the null hypothesis is rejected and it is concluded that the investment decision taken by family members vary due to their demographic classification other than resident type of respondents at 5%.

6.1.12 Respondent’s demographic characteristic with annual investment percentage using Post-Hoc and Homogeneous Subsets

1) The early result from ANOVA shows that the significance of F-value is 27.800 and the corresponding p-value is given as <0.000. Therefore we can safely reject null hypothesis (H0) and conclude that there is a significant difference in the annual investment percentage of respondents and educational qualification of the respondents in all levels, F=27.800, p<0.001.

**Post-Hoc:** The result of the post-hoc can be obtained using possible comparison of possible pairs with mirror images. The results show that many of the variables in demographic characteristic (educational qualification) there was significant difference with other variables rather than the variables graduate and up to HSC.

**Homogeneous Subsets:** The groups were clubbed in homogeneous subsets and shows that both the subset pairs do not significantly differ (More Significant Relationship) from each other and form a homogeneous subset.
2) The early result from ANOVA shows that the significance of F-value is 36.607 and the corresponding p-value is given as <0.000. Therefore we can safely reject null hypothesis (H0) and conclude that there is a significant difference in the annual investment percentage of respondents and age of the respondents in all levels, F=36.607, p<0.001.

**Post-Hoc:** The next demographic characteristic taken into post-hoc analysis was age classification with annual investment percentage. The results show that there was significant association between the age groups 31-40 and above 50 by taking investment percentage as dependent variable.

**Homogeneous Subsets:** The groups were clubbed in homogeneous subsets and shows that both the age classification pairs against percentage of investment annually do not significantly differ (More Significant Relationship) from each other and form a homogeneous subset.

**6.1.13 Testing of hypothesis with demographic characteristics of respondents**

Hypothesis 1: There is significant association between age of the respondents and their investment avenues.

Hypothesis 2: There is significant association between age of the respondents and their annual investment percentage.

Hypothesis 3: There is significant association between age of the respondents and their investment experience.

Hypothesis 4: There is significant association between gender of the respondents and sources of information during the search of investment.
Hypothesis 5: There is no significant association between gender of the respondents and their experience in investment.

Hypothesis 6: There is significant association between gender of the respondents and their annual investment percentage.

Hypothesis 7: There is significant association between gender of the respondents and their investment avenues.

Hypothesis 8: There is significant association between investment experience of the respondents and investment decision by members in the family.

Hypothesis 9: There is significant association between family type of the respondents and investment decision by members in the family.

Hypothesis 10: There is significant association between investment avenues and respondent’s investment experience.

6.1.14 Findings from Structural Equation Modeling

6.1.14.1 Factors with higher loading components adopted by SEM

The components depending three factors were identified and named as, “Facing Investment Risk” as Factor 1, “Observing Investment” as Factor 2 and “Perceiving Investment Protection” as Factor 3.

6.1.14.2 Convergent validity and Composite reliability

The value of convergent validity is 0.741 and composite reliability is 0.720 clearly shows those values were adequate for the risk perception components model.
6.1.14.3 Discriminant and Content validity

To evaluate Discriminant validity, the average variance extracted (AVE) is used. It is clear that observed value is 0.813 which shows the adequate validity of investment risk perception model. The fit value for content should be greater than 0.7 also established by the model.

6.1.14.4 Goodness of fit – Best fit indices

CMIN - The value of Chi-square is 1.126 (standard<5) shows better fit chi-square model.

GFI - The value of goodness of fit index is 0.921 (standard<=1) shows proportion of the observed covariance explained by the model covariance indicates perfect fit of the risk perception in investment model.

CFI - The value of comparative fit index is 1 (standard>0.9) which denotes it is fit for the model.

NFI - The value of normed fit index is 1 (standard>0.9) notifies the fit of model.

RMR - The value of root mean square residual is 0.187 (standard<0.05) is an absolute measure of fit for risk perception in investment variables.

AGFI - The value of adjusted goodness of fit index is 0.477 (standard ‘0-1’) denotes the sensible fit in association with the samples.

IFI - The value of incremental fit index is 1 (standard>0.9) clearly shows that acceptance of investment risk perception model.
6.1.14.5 Hypothetical framing from path coefficients

Hypothesis 1: There is no significant association between the factors, facing investment risk and observing investment.

Hypothesis 2: There is significant association between the factors, observing investment and perceiving investment protection.

Hypothesis 3: There is significant association between the factors, perceiving investment protection and facing investment risk.

6.1.14.6 Fitness of investment risk perception components – model fit

The result of the model computed through Amos shows, the ‘minimum was achieved’ with the probability level of 0.000 elucidate perfect fit of the investment risk perception components adopted by SEM.

6.2 SUGGESTIONS

Based on findings of the study, the following suggestions are offered to the investors of Shares, Mutual Funds and ULIPs as well as the investment provider. Perceived risk in investment is an investor’s opinion or viewpoint of the likelihood of risk associated with engaging in specific investment. It is not possible to change their viewpoint but the investor may aware about their investment by gaining more related information and perceive less risk. From the study the investors have high risk perception on those risky securities which is reflected in their expected return perception from the investment and so they have to wait for their perceived return and not to get anxious about their
investment. Investor should be strong to support for the ‘hold more’ effect (Lee et al, 2002) since they perceive the risk of losing their money in those investment products after investment. The investors are appealed to prefer the risky investments that have some familiarity to them. Consequently, investors tend to put too much faith in familiar stocks. Because those stocks are familiar, investors tend to believe that they are less risky than other companies or even safer than others (While Baker and Nofsinger (2002). However investors with less experience have extremely high risk perception on stocks, mutual funds and ULIPs hence they should be aware to observe the activities of the investment and provider to safeguard themselves from extreme losses. Investor find past performance information helpful in making investment decisions, particularly in informing perceptions of the uncertainty of return and the downside risk of losing all the money invested. Investors may therefore be resentful or suspicious if that information is either withheld or is only available at higher cost.

Once an investor makes up their mind, it’s difficult to change it since they remember what they perceive and they cannot detect omission in risk information about investment they receive. Hence the investment providers are inquired, keen care must be taken not to overload consumers with too much of investment information and complexity, perhaps the obvious way to avoid framing effects is to require fund managers and plan providers to present past performance charts in alternative formats and they should construct risk profile of their clients.
6.3 SCOPE FOR FUTURE RESEARCH

Due to the fact that results from the study are directly relevant to one target group and to only specific financial products (Stocks, Mutual funds (G) and ULIPs). Therefore the researchers are advised to test the model with other investment products and other target groups. In recent years, many individual investors and investment professionals are sometimes overwhelmed by the amount of information and the numerous investment choices especially from advancement of internet technology which will lead in future, the problem of information overloading. This may also a scope for researchers in future studies. Furthermore the formation of aspiration levels in investment perception and decision is also still an open question that has to be addressed by future research.

6.4 CONCLUSION

Human judgments, impressions and opinions are fashioned by our backgrounds, personal understanding and professional experiences. Perceived risk in investment is a significant topic within the behavioral finance literature is the notion of perceived risk pertaining to novice investors. There are a substantial number of factors that influence an investor’s risk perception. The present study has been an ever-growing body of research that has attempted to delineate investment risk perception studies. Investment risk perception is not only a theoretical issue but also forms the basis for financial service strategies. If financial institutions understand their customers’ needs and the way they use the
information given they are able to fulfill their needs and satisfy their customers. The results from this study also can help financial advisers to give appropriate information to their clients. It is hoped that the findings of the study would encourage further development of the knowledge concerning complex nature of investor risk perception in broad-spectrum.