



## Investors' Perception towards Risks and Returns on Investment on Shares - An Empirical Study in Coimbatore

### KEYWORDS

organisation, perception, risks, returns, investment, portfolio management, strategies, portfolio constructions

### S. Muruganandam

Ph.D Research Scholar, Bharathiar University Arts and Science Constitute College, Valparai, Coimbatore, Tamil Nadu, India

### Dr.L.Ramesh

Research Supervisor, Professor in Commerce & Principal, Bharathiar University Arts and Science Constitute College, Valparai, Coimbatore, Tamil Nadu, India

**ABSTRACT** *It is obvious that all the company form of organizations has its own shareholders or investors. The perception of those shareholders varies from one to one and also time to time. Hence, an attempt has been made by the researcher through this present study with the intention of analyzing investors' perception towards risks and returns on investment on shares in association with their portfolio constructions and the strategies of portfolio management.*

### Introduction

There are various investors with assorted occupations at dissimilar age categories holding different educational qualifications. The aims of each and every individual investor are earning regular income, future capital appreciation, speculative income, etc. In this study, the researcher is strived to analyze the perception of investors those who are investing on shares regarding the risks and returns on their investments.

### Scope of the Study

The study is derived from an assortment of attributes considered by the investors towards their investments on shares of different companies. The age categories of the investors, educational qualification of the investors, Occupation of the investors, Income of the investors and frequency of investments have been studied to explore the relationship among them. Besides, the opinions of investors towards risks and return on investments on shares are also examined. The area of study is confined to Coimbatore only.

### Objectives of the study

1. To study the relationship between the Socio-economic profile of investors and frequency of their investments on shares.
2. To analyze the factors influencing the investors in opting their investments on shares.
3. To analyze investors' risks and returns on the investments on shares.

### Methodology of the Study

The present study is based on the field survey conducted by dint of a well-structured questionnaire and interviews with the investors who invest on shares. The study is restricted to Coimbatore and the primary data have been collected from 200 respondents and secondary data have been collected from various journals and magazines.

### Limitations of the study

1. Only 200 investors have been considered for this study
2. A few respondents might have furnished the required information from their momentary memory and invented temper and hence the collected data might

be subject to bias.

3. The size of the sample compared to the population is small and hence it might not signify the ideas of entire population.
4. The geographical area of this study is confined to Coimbatore alone.

### Hypotheses of the Study

In line with the objectives of the study, the following hypotheses have been framed and tested.

1. There is no significant relationship between Income and Risk profile.
2. There is no significant relationship between Education and Risk profile
3. There is no significant relationship between Income and Frequency of investments on shares.
4. There is no significant relationship between Occupation and Frequency of investments on shares.

### Analysis and Interpretation

#### Percentage Analysis

Table-1

Frequency of Investment of the Respondents

Frequency of Investment	No. of Respondents	Percentage
Every Month	80	40
Once in Three Months	52	26
Once in Six Months	14	7
Only in the Last Quarter of the Year	54	27
Total	200	100

Source: Survey data

It is inferred from the above table-1 that 40% of the respondents do their investments on shares every month, 26% of the respondents invest once in 3 months, 7% of the respondents invest once in 6 months and 27% of the respondents invest only in the last quarter of the financial year.

**Table-2**  
**Risk Profile of the Respondents**

Risk Profile	No. of Respondents	Percentage
Low Risk Takers	72	36
Medium Risk Takers	88	44
High Risk Takers	40	20
Total	200	100

Source: Survey data

It is clear from the above table-2 that 36% of the respondents are low risk takers i.e., they need low returns with minimum risk., 44% of the respondents are medium risk takers i.e., they need medium returns with medium risk and 20% of the respondents are high risk takers i.e., they need high returns with high risk.

**Chi-Square Analysis**  
**Null Hypothesis I**

There is no significant relationship between Income and Risk profile.

**Table-3**  
**Relationship between Income and Risk profile**

Income	Risk profile			Total
	Low risk	Medium risk	High risk	
Below 1 lakh	19	18	7	44
1,00,001 - 2 lakhs	22	37	19	78
2,00,001 - 3 lakhs	14	16	10	40
3,00,001 - 4 lakhs	9	11	6	26
Above 4,00,001	3	7	2	12
Total	140	176	94	200

Source: Survey data

Degree of freedom = 8

Calculated value = 17.8

Table value = 15.507 @ 5% level of significance

The above table-3 indicates that the calculated chi-square value ( $\chi^2$ ) is greater than the critical value at 5% level of significance which reveals that the value is significant. So null hypothesis is rejected. Hence, there is significant relationship between Income and Risk profile.

**Education and risk profile**

The study of relationship between Education and Risk profile by the respondents has been analyzed and presented in the following table-4.

**Null Hypothesis II**

There is no significant relationship between Education and Risk profile.

**Table-4**  
**Relationship between Education and Risk profile**

Educational Qualification	Risk profile			Total
	Low risk	Medium risk	High risk	
HSC	11	3	2	16
UG	43	48	31	122
PG	14	28	12	54
OTHERS(Diploma holders)	3	3	2	8
Total	71	82	47	200

Source: Survey data

Degree of freedom = 6

Calculated value = 18.62

Table value = 12.592 @ 5% level of significance

The above table-4 indicates that the calculated chi-square value ( $\chi^2$ ) is greater than the critical value at 5% level of significance which reveals that the value is significant. So null hypothesis is rejected. Hence, there is significant relationship between Education and Risk profile.

**Income and Frequency of Investment**

The study of relationship between Income and Frequency of investment by the respondents has been analyzed and presented in the following table-5.

**Null Hypothesis III**

There is no significant relationship between Income and Frequency of investment.

**Table-5**  
**Relationship between Income and Frequency of Investment**

Income	Frequency of Investment				Total
	Every Month	Once in three Months	Once in six Months	Only in the Last Quarter of the year	
Below 1 lakh	7	11	6	4	28
1,00,001 - 2 lakhs	23	20	19	22	84
2,00,001 - 3 lakhs	13	9	7	9	38
3,00,001 - 4 lakhs	7	6	4	3	20
Above 4,00,001	11	8	6	5	30
Total	61	54	42	43	200

Source: Survey data

Degree of freedom = 12

Calculated value = 46.85

Table value = 21.026 @ 5% level of significance

The above table-5 indicates that the calculated chi-square value ( $\chi^2$ ) is greater than the critical value at 5% level of significance which reveals that the value is significant. So null hypothesis is rejected. Hence, there is significant relationship between Income and Frequency of investment.

**Occupation and frequency of investment**

The study of relationship between Occupation and Frequency of investment by the respondents has been analyzed and presented in the following table-6.

**Null Hypothesis IV**

There is no significant relationship between Occupation and Frequency of investment.

**Table -6**  
**Relationship between Occupation and Frequency of Investment**

Occupation	Frequency of Investment				Total
	Every Month	Once in three Months	Once in Six Months	Only in the Last Quarter of the year	
Government employee	21	11	9	5	46
Private employee	3	14	11	8	36
Business	17	21	13	11	62
Professional	12	13	11	8	44
Others(House Wives, Students, etc)	3	3	4	2	12
Total	56	62	48	34	200

Source: Survey data

Degree of freedom = 12

Calculated value = 23.68

Table value = 21.026 @ 5% level of significance

The above table-6 indicates that the calculated chi-square value ( $\chi^2$ ) is greater than the critical value at 5% level of significance which reveals that the value is significant. So null hypothesis is rejected. Hence, there is significant relationship between Occupation and Frequency of investment.

**Ranking Analysis**

**Table-7**  
**Ranking of the factors influencing Investments**

Factor	Weighted average Score	Rank
Safety	957	1
Liquidity	587	4
Regular income	612	3
Capital appreciation	653	2
Ease of investment	265	5

Source: Calculated data

From the above table-7, it is inferred that the Respondents have ranked **SAFETY** as **First**, **CAPITAL APPRECIATION** as **Second**, **REGULAR INCOME** as **Third**, **LIQUIDITY** as **Fourth** and **EASE OF INVESTMENT** as **Fifth** among the factors influencing Investments.

**Table – 8**  
**Ranking among factors influencing investment in Companies.**

Factor	Weighted average score	Rank
Higher returns	478	3
Tax Reductions	424	4
Capital Appreciation	492	2
Growth Prospects	272	5
Safety	494	1

Source: Calculated data

From the above table-8, it is inferred that the Respondents have ranked **SAFETY** as **First**, **CAPITAL APPRECIATION** as **Second**, **HIGHER RETURNS** as **Third**, **TAX REDUCTIONS** as **Fourth** and **GROWTH PROSPECTS** as **Fifth** among the factors influencing Investments on shares.

**Findings**

The findings of the study are as follows.

**Percentage Analysis**

- 40% of the respondents do their investments on shares every month
- 44% of the respondents are medium risk takers

**Chi-Square Analysis**

- There is significant relationship between Income and Risk profile.
- There is significant relationship between Education and Risk profile.
- There is significant relationship between Income and Frequency of investment.
- There is significant relationship between Occupation and Frequency of investment.

**Ranking Analysis**

- The Respondents choose Safety as First and Capital Appreciation as their second among factors influencing investments on shares.
- Most of the respondents ranked Safety as First among the factors influencing Investments on shares.

**Suggestions**

The main purpose of investing on shares is to have a moderate return with minimum risk. This can be achieved by a well diversified portfolio constructions and portfolio management. Hence, it is suggested that while investing on shares, the investors must consider a variety of factors comprise of appropriate portfolio constructions to maximize the return and minimize the risk. Thus, the investors should always invest their money in different companies by subscribing its shares rather than investing in a particular company.

**Conclusion**

It has been brought out after this present study on the in-

vestors' perception towards risks and returns on investment on shares that the successful companies require thorough understanding of psychology of the investors. Thus, it is obligatory on the part of each and every company to understand the investors' perception with regard to the disbursement of their funds towards acquisition of shares. Finally, the study reveals that proper diversification of portfolio will ensure the investors to get higher returns, higher safety, and high liquidity with minimum risk.

**REFERENCE**

[1] Chakrabarti, Anjan and Rungta, Harsh (2000), "Mutual Fund Industry in India : An In-depth look into the Problems of Credibility, Risk and Brand", The ICFAI Journal of Applied Finance, Vol. 6, No. 2, pp. 26-45. | [2] Mittal, Sanjiv and Gupta, Sunil (2008), "Preference and Pattern of Investment in Mutual Fund", Tecnica Journal of Management Studies, Vol. 2, No. 2, pp. 25-30. | [3] Raju, ISSN (2006), "Mutual Fund Investments Preferred or Induced?" Portfolio Organizer, pp. 33-40. | [4] Thenmozhi, M. and Jama, J. Fareed (2013), "Competitive Advantage for Players in Mutual Funds Industry: A Study Based on the Perceptions of Mutual Funds", Management & Accounting Research, Vol. 5, No. 4, pp. 57-68. | [5] Journal of Financial Economics, Volume 65, Issue 1, July 2007, pp 131-158. |