

# THE RISK PERCEPTION AND EXPECTED RATE OF RETURN OF INVESTMENT OF THE WOMEN GOVERNMENT EMPLOYEES IN EDUCATION SECTOR OF KANYAKUMARI DISTRICT

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## Abstract

Investment means conversion of cash or money into a monetary asset or a claim on future money for a return. The investors have various alternative avenues of investment for their savings. The investments usually involve risks. High risk investment provides high returns to the investors. The high-income group people interested in taking risk than others. The investors try always to minimize the risks and maximise the return. All the age group respondents prefer moderate risk while investing their investment in different avenues. Age, marital status and size of family have no association with the risk perception while the monthly income and expected rate of return have significant association with the risk perception.

## References:

Investment, Investors, Risk, Returns, Rate of Return, Risk-perception.

## Key Words

Investment is the employment of funds with the aim of achieving additional income or growth in value. Investment means conversion of cash or money into a monetary asset or a claim on future money for a return. The investors have various alternative avenues of investment for their savings. All investments involve some risk and uncertainty. The investment avenues are differentiated based on their different features in terms of risk, return, term etc. For making proper investment involving risk and return, the investors have to consider the alternative avenues of investment, their risk and return characteristics, make proper projection or expectation of the risk and return of the alternatives, market condition, economic situations etc.

The objective of the investor is to minimize the risk involved in investment and maximise the return. Investors generally desire to have the maximum possible as they like returns, but they dislike the risk and the extent of risk aversion varies from investors to investors. But the return depends on the extent of risk that the investor takes. Economic factors play major role in any investment decision which is made for making a gain and better returns. The investment decision is based on availability of money and information. Investment is not a game but a serious subject that can have a major impact on investor's future well-being. Investor's behavior is concerned with motives of investors, preference levels for debt and equity investment, disposition towards portfolio diversification, reaction to major market movements, practice of timing of investment, source of information depended and so on. Regular income, capital appreciation, dilution of liquidity, riding with the market, provision for future, diversification of asset holding, quick gain etc. are usual motives of investors. The risk-return factor is one of the important characteristics in selecting an appropriate investment avenue.

## Investment Objectives

The two important aspects of any investment are risk and return. While investing the surplus money, normally three objectives are considered viz. Safety, Return and Liquidity. It is difficult to achieve all the three objectives simultaneously. Every investment option has some advantages and limitations.

## Investment philosophies

- Evaluate risk of every investment
- Have clarity on short term and long term needs of the family

- Decide the investment based on the needs
- Do not invest in any scheme that you do not understand
- Do not invest on trust. Have everything backed up by documents
- Take into account tax implication of every income
- Do not blindly follow market tips and rumours
- Anything that appears unnaturally high or low will have some 'catch' disguised
- Do not follow schemes where you may protect the interest but lose the principal
- Invest with knowledge after understanding the product well.

### Element of Investment

The key elements of investment are:

1. **Return:** Investors buy or sell financial instruments in order to earn return on them. The return includes both current income (current yield) and capital gain (capital appreciation).
2. **Risk:** Risk is the chance of loss due to variability of returns on an investment. In case of every investment, there is a chance of loss. It may be loss of investment; however risks and returns are inseparable.
3. **Time:** Time is an important factor in investment. Time period depends on the attitude of investors who follow a 'buy' and 'hold' policy.

### Types of Investment Products

There are a large number of investment instruments available today. Some of them are marketable and liquid while other are non-marketable and illiquid. There are instruments which are highly risky while others are almost riskless. The investors choose investment products, depending upon their specific need, risk appetite and return expected. Investment products can broadly be categorized into two spheres, namely,

1. Financial products
2. Non-Financial products

### Objectives of the study

The study is carried out with the following objectives:

1. To examine the socio-economic conditions of the investors.
2. To study the relation of risk perception to social and economic background of the investors.

### Hypothesis

1. There is no association between socio-economic conditions and risk perception of the respondents.
2. There is no association between expected rate of return and the risk perception.

### Methodology

The study is analytical in nature. The present study is based on primary data. The primary data for the present study were collected from July 2018 to March 2019. Questionnaire was the main tool for collecting the primary data. The questionnaire consisted of both qualitative and quantitative questions. The total population of women government employees in Educational sector in Kanyakumari district is 7113. Out of the total population 10 per cent i.e. 711 is selected as sampling units. The total population 7113 was arranged on the basis of income and the sampling interval K is calculated by,

$$K = N/n$$

K – Sampling interval

N – Population

n – Size of the sample.

The sampling interval is 10. As the designed sample is 10 per cent, the first unit is selected randomly from the first 10 and every 10<sup>th</sup> item was included in the sample. Among the first ten 5 was selected at random.

### Tools Used in the Analysis of the Data

#### Pearson's Chi-square Test

Pearson's chi-squared test ( $\chi^2$ ) is used to find the association between the socio-economic conditions and risk perception and awareness level.

The value of the test-statistic is

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

## Relation of Risk Perception to Social and Economic Background of the Investors.

### Risk Perception

Risk perceptions are beliefs about potential harm or the possibility of a loss. The investors invest their income in various investment scheme on the basis of their risk perception. Risk perception of the respondents is analysed in Table 1

**Table 1**  
**Risk Perception**

Variable	Groups	Frequency	Percentage (%)
Risk Perception	Low	223	31.4
	Moderate	371	52.2
	High	117	16.5
	<b>Total</b>	<b>711</b>	<b>100.0</b>

Source: Primary data

Table 6.24 shows the risk perception of the respondents. Out of 711 respondents 223 (31.4 per cent) of the respondents' risk perception is low, 371 (52.2 per cent) of the respondents' risk perception is moderate, and 117 (16.5 per cent) of the respondents' risk perception is high. Usually, the investors will expect high return and they are averse to risk so it is inferred that most of the respondents choose low risk investment schemes.

### Association between Age and Risk Perception

Age plays an important role in the selection of investment and risk perception. The relationship between age and risk perception is given in Table 2.

**Table 2**  
**Cross Tabulation of Association between Age and Risk Perception**

Age	Risk Perception			
	Low	Moderate	High	Total
20-30 Years	42	63	18	123
31-40 Years	54	85	27	166
41-50 Years	89	161	42	292
51-60 Years	38	62	30	130
<b>Total</b>	<b>223</b>	<b>371</b>	<b>117</b>	<b>711</b>
Df : 6	Table Value : 5% level : 0.406 Calculated $\chi^2$ value : 6.157			

Source: Primary data

Table 2 clearly states that among the 123 respondent in the age group of 20 to 30 years, 42 of them have low risk perception, 63 of them have moderate risk perception and 18 of them have high risk perception, among the 166 respondent in the age group of 31 to 40 years, 54 of them have low risk perception, 85 of them have moderate risk perception and 27 of them have high risk perception, among the 292 respondent in the age group of 41 to 50 years, 89 of them have low risk perception, 161 of them have moderate risk perception and 42 of them have high risk perception, among the 130 respondent in the age group of 51 to 60 years, 38 of them have low risk perception, 62 of them have moderate risk perception and 30 of them have high risk perception The level of risk perception is found high among the respondents who are in the age group of 41-50 years. The risk perception of respondents in the age group of 51-60 years is low. All the age group people prefer moderate risk while investing their investment in different avenues.

### Hypothesis

H0: There is no association between age and the Risk Perception.

H1: There is association between age and the Risk Perception.

The calculated significant value is greater than 0.05, so the null hypothesis is accepted and the alternate hypothesis is rejected. Hence there is no significant association between Age and Risk Perception

### Association between Marital Status and Risk Perception

Marital status plays a vital role in the selection of investment and the risk perception. Women are guided and influenced by the family members more as they are considered as dependent of male counterparts. Table 3 clearly shows a picture of the association between marital status and risk perception.

**Table 3**  
**Cross Tabulation of Association between Marital Status and Risk Perception**

Marital Status	Risk Perception			
	Low	Moderate	High	Total
Married	176	304	98	578
Unmarried	47	67	19	133
<b>Total</b>	<b>223</b>	<b>371</b>	<b>117</b>	<b>711</b>
Df : 6		Table Value : 5% level : 0.406 Calculated $\chi^2$ value : 6.157		

Source: Primary data

Table 3 indicates that out of 578 married respondents 176 of them have low risk perception, 304 have moderate risk perception and 98 of them have high risk perception. Among the 711 total respondents 133 of the respondents are single and 47 of them have low risk perception, 67 of them have moderate risk perception and only 19 of the singles have high risk perception. It is inferred that both married and singles prefers moderate risk than high and low risk.

#### Hypothesis

H0: There is no association between Marital Status and the Risk Perception.

H1: There is association between Marital Status and the Risk Perception.

The calculated significant value is greater than 0.05, so the null hypothesis is accepted and the alternate hypothesis is rejected. Hence there is no significant association between marital status and Risk Perception.

### Association between Size of Family and Risk Perception

Size of the family determines the level of investment so it an important determinant for risk perception of the respondents. Table 4 explains the cross tabulation of size of family and risk perception.

**Table 4**  
**Cross Tabulation of Association between Size of Family and Risk Perception**

No. of Family Members	Risk Perception			
	Low	Moderate	High	Total
3-4	152	250	77	479
Above 4	39	70	25	134
<b>Total</b>	<b>223</b>	<b>371</b>	<b>117</b>	<b>711</b>
Df : 4		Table Value : 5% level : 0.938 Calculated $\chi^2$ value : 0.807		

Source: Primary data

Table 4 states that 98 respondents are in the family size to only two members and out of them 51 of them have moderate risk perception and 15 of them have high risk perception. 134 respondents belong to the family size of above four members and among them 70 have moderate risk perception, 25 have high risk perception and 39 respondents have low risk perception. 479 respondents are from the family size of 3 to 4 members and most of them i.e. 250 respondents have moderate risk perception. It is inferred that respondents irrespective of their family size prefer moderate risk while investing their money in various avenues of investment.

#### Hypothesis

H0 : There is no association between Size of Family Members and the Risk Perception.

H1 : There is association between Size of Family Members and the Risk Perception.

The calculated significant value is greater than 0.05, so the null hypothesis is accepted and the alternate hypothesis is rejected. Hence there is no significant association between size of the family and Risk Perception.

#### Association between Domicile and Risk Perception

Region of living also plays a role in the risk perception of respondents. The region as a determinant of risk is given in Table 5.

**Table 5**  
**Cross Tabulation of Association between Domicile and Risk Perception**

Domicile	Risk Perception			
	Low	Moderate	High	Total
Rural	108	159	54	321
Urban	115	212	63	390
<b>Total</b>	<b>223</b>	<b>371</b>	<b>117</b>	<b>711</b>
Df : 2		Table Value : 5% level : 0.406 Calculated $\chi^2$ value : 1.804		

Source: Primary data

Table 5 indicates that out of 711 respondents, 321 live in rural area and 390 live in urban area. Among the 321 respondents living in rural area, 108 respondents have low risk perception, 159 have moderate risk perception and 54 have high risk perception. Out of 390 respondents residing in the urban area 115 have low risk perception, 212 have moderate risk perception and 63 have high risk perception. It is inferred that the respondents from urban or rural area prefer moderate risk rather than high risk.

#### Hypothesis

H0: There is no association between Domicile and the Risk Perception.

H1: There is association between Domicile and the Risk Perception.

The calculated significant value is greater than 0.05, so the null hypothesis is accepted and the alternate hypothesis is rejected. Hence there is no significant association between size of the family and Risk Perception.

#### Association between Monthly Income and Risk Perception

Income is the money earned by the respondents. As the respondents are from government education sector, they have definite source of income. The women are presently show interest towards the investment of their excess income after meeting their expenses. Table 6 gives a clear-cut picture regarding the monthly income and risk perception of the respondents.

**Table 6**  
**Cross Tabulation of Association between Monthly Income and Risk Perception**

Monthly Income In ₹.	Risk Perception			
	Low	Moderate	High	Total
Below ₹. 50000	65	121	29	215
₹. 50000 - ₹. 100000	114	192	63	369
₹. 100001 - ₹. 150000	36	40	14	90
₹. 150001- ₹. 200000	8	18	11	37
<b>Total</b>	<b>223</b>	<b>371</b>	<b>117</b>	<b>711</b>
Df : 6		Table Value : 5% level : 0.008 Calculated $\chi^2$ value : 10.430		

Source: Primary data

Table 6 depicts the cross tabulation of monthly income and risk perception. Out of 711 respondents, 215 of the respondents are earning below ₹.5000 and among them 65 of them have low risk perception, 121 have moderate risk perception and 29 have high risk perception. 369 of the respondents are earning between ₹.50000 and ₹.100000 and among them 114 have low risk perception, 192 have moderate risk perception and 63 have high risk perception. 90 of the respondents are earning above

₹.100000 and among them 36 of them have low risk perception, 40 of them have moderate risk perception and 14 of them have high risk perception. The respondents earning between ₹.150000 and ₹.200000 are 37 and among them 8 have low risk perception, 18 have moderate risk perception and only 11 have high risk perception. It is inferred that high income earners have interest in taking high risk.

### Hypothesis

H0: There is no association between Monthly Income and the Risk Perception.

H1: There is association between Monthly Income and the Risk Perception.

The calculated significant value is less than 0.05, so the null hypothesis is rejected and the alternate hypothesis is accepted. Hence there is significant association between monthly income and Risk Perception.

### Association between Expected Rate of Return and Risk Perception

Return is the reward given to the investors for investing their money. Every investor expects return from the investment. Table 7 indicates the cross tabulation of expected return and risk perception.

**Table 7**  
**Cross Tabulation of Association between Expected Rate of Return and Risk Perception**

Expected rate of return	Risk Perception			Total
	Low	Moderate	High	
Below 7%	25	33	2	60
8%-12%	59	74	23	156
13%-18%	47	104	30	181
Above18%	92	160	62	314
<b>Total</b>	<b>223</b>	<b>371</b>	<b>117</b>	<b>711</b>
Df : 6	Table Value : 5% level : 0.01 Calculated $\chi^2$ value : 16.656			

Source: Primary data

From Table 7 it is clear that 60 respondents expect below 7% of return and out of them 25 have low risk perception, 33 have moderate risk perception and 2 of them have high risk perception. The return expected by 156 respondents is from 8% to 12% and among them 59 have low risk perception, 74 have moderate risk perception and 23 have high risk perception. 13% to 18% return is expected by 181 respondents and out of them 47 have low risk perception, 104 have moderate risk perception and 30 have high risk perception. Above 18% return is expected by 314 respondents and among them 92 have low risk perception, 160 have moderate risk perception and 62 have high risk perception. It is inferred that the respondents are investing in risk avenues by an expectation to receive high returns as high return is a reward for taking risk.

### Hypothesis

H0: There is no association between expected rate of return and the risk perception.

H1: There is association between expected rate of return and the risk perception.

The calculated significant value is less than 0.05, so the null hypothesis is rejected and the alternate hypothesis is accepted. Hence there is significant association between expected rate of return and Risk Perception.

### Conclusion

The major features of an investment are safety of principal amount, liquidity, income stability, appreciation and easy transferability. All the investors invest their surplus money in the investment avenues based on their risk-taking attitude. Some investment avenues are risky and some are risk free. The investors prefer to invest in particular Investment Avenue according to their need, risk bearing capacity and expected return. When the investors want high return, they have to choose the investment avenue that is risky. The primary concern of an investor is to minimize risk while maximizing return. All the age group respondents prefer moderate risk while investing their investment in different avenues. Age, marital status and size of family have no association with the risk perception while the monthly income and expected rate of return have significant association with the risk perception.

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