A Study on Financial Risk Tolerance Level Of Working Women In Hyderabad

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Abstract- women in India are developed in all the aspects and are participating in all the activities such as politics, education, science, technology & media which is resulting in the financial independency.

In this scenario , women has started investing there surplus money in various investment avenues though the degree of the investment depends on various factors like dependency of the family , risk taking capability , financial commitments , influence of friends and family members . The present paper focuses on the risk tolerance level of the working women in Hyderabad.

Keywords- Investment avenues, working women.

I. INTRODUCTION

The developing countries like India face a great difficulty in finding sufficient capital for their development efforts. Most of developing countries find it difficult to get out of this circle of poverty of low income, low saving habits, low investment, low knowledge, un employment , capability, influence of family members and friends and the dare to get exposed to modern and innovative investment avenues. The present research study is focused on the working women's attitude towards investment and the marital status and age factors responsible for investment behaviour of women. While investing, the family related matters such as child education, child marriage, life protection and medical expenses With high capital output ratio, India needs very high rates of investments to make a leap forward in the efforts of attaining high levels of growth. To have production as per target, investment was considered the important determinant and capital formation had to be supported by appropriate volume of saving. Economist and policymakers have observed that demographic factors like age, gender, marital status, qualifications, occupation, annual income, geographic location etc. have an impact on the investment decision. Investor's ability to handle risks may be related to individual characteristics such as age, time horizon, liquidity needs, portfolio size, income, investment knowledge, taxes etc.

Furthermore, Jonas Berggren (2010) has developed an interesting theory that "conventional portfolio theory tries to explain how financial markets perform and it assumes that investors are rational; the field of behavioural finance questions this assumption. Behavioural finance attempts to show how the investor behaves and shows that people base their behaviour on

several physiological factors such as; fear and greed." Thus, behavioural finance helps to understand patterns which lead to a difference in gender in the investment decision making.

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To make financial decisions, people should be aware about all the investment alternatives. In the present day, the financial markets are quite complex, with each investor having his or her own specific financial needs based on his financial goals and risk appetite. There are a large number of investment instruments available like equity, Bond, Bank Fixed Deposit, Company Fixed Deposit, Insurance, Post Office schemes, Mutual Funds, Real State, Share Market, Gold silver, PPF etc.. Some of them are marketable and liquid while others are non-marketable and some of them also highly risky while others are almost risk less.

Financial investment is buying of a financial security such as stock, bond, shares, mutual funds etc. For women as an investor, shaping of financial future is as the many other roles they play in life. Today Women has become more earning capable and more influence over financial decisions than ever before. Women represent almost half of the workforce & many businesses are owned or managed by women. These days it has becomes important for women to focus on finances more than ever. General profile of women investors is changing in tune with time and situation. But they lag in various spheres of investment such as awareness and preference of investment. So, an attempt has been made in this paper to identify the factors influencing women investor's behaviour to evaluate the level of awareness among women investors and to analyze the risk tolerance level of women investor towards various investment outlets. Working women have a great interest to save and invest because of their independent earning power. They are also motivated by the investment behaviour of their colleagues in their work place. They are supposed to be risk adverse, safety oriented and guided by certainty of returns. With increasing level of knowledge and awareness, Women are slowly participating in the risk investment portfolios and they are becoming analytic in their investment behaviour.

Women in India now participate in all activities such as education, politics, media, science and technology, etc. With a changing scenario, women has started actively participating in investing their surplus money, though it all depends upon the various parameters such as degree of their risk taking capability, financial commitments , influence of friends and family members

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II. LITERATURE REVIEW

Wang H. And S. Hanna, (1997) concluded that relative risk aversion decreased as people aged (i.e., the proportion of net wealth invested in risky assets increases as people age) when other variables are held constant. They concluded that risk tolerance increased with age and therefore rejected the constant life-cycle risk aversion hypothesis.

Barber, B. M., &Odean, T. (1999) in their research article, identified that rational investors traded only if the expected gains exceeded transactions costs. Overconfident investors overestimate the precision of their information and thereby the expected gains of trading. They even traded when the true expected net gains were negative. Models of investor overconfidence predicted that, since men were more overconfident than women, men traded more and perform worse than women.

Ronay., Richard & Kim Do-Yeong. (2006) suggested that measuring individual variations in risk-taking propensity within laboratory contexts alone could be misleading. At least in the case of males, it appeared that individuals' attitudes towards risky decisions could significantly deviate from their explicitly expressed attitudes when placed in a group context. This finding not only had a bearing on the issue of physical accidents resulting from risk-taking, but could also be taken as an argument for the benefits of gender balance within decision making bodies. Increasing gender diversity within predominantly male business and government decision making bodies could help disrupt drifts towards bad decisions arising out of high levels of group cohesion (Janis, 1982).

Dr. R. Sellappan, Ms. S. Jamuna& Ms. Kavitha (2013) find out that married women are more curious in making investment than the unmarried. As well as the younger are mostly like to invest in shares mutual funds, insurance and fixed deposits than the older women. The middle age persons prefer to invest in real estate source of investment. So the government, Bankers and Financial institutions can introduce lot of schemes of investment based on segmentation of the age and marital status factors to acquire more funds.

Richard B. Freeman (1979) in his analysis showed that from the late 1960s through the mid-1970s when the number of young workers increased .rapidly, the earnings of young male workers fell relative to the earnings of older male workers, altering male age-earnings profiles, particularly for college graduates. His study suggested that the increased number of young male workers was the major causal force underlying the increased earnings of older men relative to the earnings of younger men.

According to Prof. Priya Vasagadekar's research (2014) on working women she conclude that because of high level education, today's women are getting the best job offers with high take home pay packages. It has become the present day need for working women in India to

increase their wealth. As most of the women are low in financial literacy, it becomes hardly possible for them to manage their portfolios on their own. Also the risk bearing capacity of working women in India is low. This is due to lack of sound financial knowledge.

Dr. Sarita Bahl (2012)concluded that there are younger women have already developed the plan for investment. Women working in private sector are more faith in investing their money. Women invest their money when they start earning and become independent. Majority of working women have invested their money. Working women invest their money in insurance plans as they are not willing to take risk to attain gain and want to have a safe future.

R. P., McCarthy, D. D., & Turner, J. A. (1997) studied that financial wealth had a significant and positive impact on the average level of risk chosen in a portfolio. As it was an additional measure of financial sophistication, they again confirmed the conclusion that more sophisticated investors entertain a higher average level of portfolio risk. They showed that dummy variable for having no financial wealth had no significant effect, statistically, on risk-taking.

Herrmann, Andrew. F. (2007) provided the estimation results and discussed that supported the initial hypotheses regarding the roles of race/gender in investment preferences. Using multiple specifications and leveraging multiple risk/return measures, the evidence pointed to significant effects with respect to both race and gender.

Croson, R., &Genesee, U. (2009) discussed a number of studies that demonstrated how strongly (and in what direction) social preferences manifest themselves in men and in women. They included evidence on altruism and inequality aversion from ultimatum and dictator game studies. They also included evidence on reciprocity from studies using trust and related games. Finally, they briefly mentioned a large number of older studies using the Prisoners' Dilemma game and discussed in more detail various studies using social dilemmas and/or public goods provision games.

GauravKabra (2010) concluded that the modern investor is a mature and adequately groomed person. In spite of the phenomenal growth in the security market and quality Initial Public Offerings (IPOs) in the market, the individual investors prefer investments accordingly which again depends on the investors' demographic characteristics. Hence, it becomes very vital to assess and understand the investor.

According to Gaur Arti (2011) Female investors tend to display less confidence in their investment decisions and hence have lower satisfaction levels and female investors are more cautious vis-à-vis males with regards to prospective investment in equity shares especially if availability of funds is low.

Puneet Bhushan & Yajulu Medury (2013) concluded that women are more conservative and takes less risk andsignificant gender differences occur in investment preferences for health insurance, fixed deposits and marketinvestments among employees.

III.   RESEARCH METHODOLOGY

The purpose of this research is to bring light upon many aspects of the investment behaviour and the risk tolerance level of working women in Hyderabad city. Therefore this quantitative study was conducted using both the primary and secondary data shall be used for carrying out the research work. Secondary data shall be collected from periodicals, journals, magazines, newspapers, websites and other reference material. Primary data shall be collected with the help of structured questionnaire.

Moreover, the validity test of the questionnaire used was the Pilot test which consisted of gathering a small set of people (seven has been used in this research) and they have been assisted in answering the questionnaires. The questionnaires were found to be crystal clear to the participants and no misunderstandings were detected. Therefore, it can be said that the Pilot test has improved the validity of the questionnaire

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Sampling Unit

The study aims to measure the risk tolerance level of working women based on the demographical factors . The sampling unit consists of respondents who are working women in Hyderabad city.

Sample Size

For the purpose of the study, total of 100 respondents have been studied.

Sampling Method

For collecting the responses from the respondents random sampling method shall be used.

Data Analysis Techniques:

For analyzing the collected data Microsoft Excel software is used and a psychometric test is been conducted .

IV.   DATA ANALYSIS :

The responses were compared with the demographic data by applying Chi-Square Test and psychometric test results found are as following.

Demographic Variables	Factors	No of respondents
Age	20-30	27
	30-40	35
	40-50	21
	50-60	17
Education Qualifications	Higher Secondary	30
	Graduation	44
	Post - Graduation	26
Income	20000-40000	19
	40000-60000	35
	60000-80000	22
	80000-100000	12
	Above 100000	12
Marital Status	Married	32
	Unmarried	68

Below tables show the risk tolerance level of the women which has been determined by conducting a psychometric test.

1. **Age and the risk tolerance level** : Null Hypothesis : There is no relationship between age and the risk tolerance level of the women

Alternative Hypothesis : There is a relationship between age and the risk tolerance level of the women

Age	Conservative	Balanced	Aggressive	Total
20 – 30	9	5	13	27
30 - 40	12	12	11	35
40 – 50	5	11	5	21
50 - 60	7	6	4	17
Total	33	34	33	100

The calculated Value of the Chi-square test of the above table is 0.052 and the table value at the significant level of 5% is 12.59 which is more than the calculated value . so the null hypothesis is accepted.

2. Educational Qualification and the risk tolerance level :

Null Hypothesis : There is no relationship between education and the risk tolerance level of the women

Alternative Hypothesis : There is a relationship between education and the risk tolerance level of the women

Education	Conservative	Balanced	Aggressive	Total
Higher Secondary	11	12	7	30
Graduation	16	9	19	44
Post Graduation	4	10	12	26
Total	31	31	38	100

The calculated Value of the Chi-square test of the above table is 1.81 and the table value at the significant level of 5% is 9.4 which is more than the calculated value . so the null hypothesis is accepted.

3. Income and the risk tolerance level :

Null Hypothesis : There is no relationship between Income   and the risk tolerance level of the women

Alternative Hypothesis : There is a relationship between Income and the risk tolerance level of the women

Income	Conservative	Balanced	Aggressive	Total
20000-40000	6	8	5	19
40000-60000	5	24	6	35
60000-80000	6	11	5	22
80000-100000	2	6	4	12
above 100000	4	3	5	12
Total	23	52	25	100

The calculated Value of the Chi-square test of the above table is 1.81 and the table value at the significant level of 5% is 9.4 which is more than the calculated value . so the null hypothesis is accepted.

4. **Marital Status and the risk tolerance level** :

Null Hypothesis : There is no relationship between marital status and the risk tolerance level of the women

Alternative Hypothesis : There is a relationship between marital status and the risk tolerance level of the women

Status	Conservative	Balanced	Aggrasive	Total
Married	8	11	13	32
Unmarried	27	21	20	68
Total	35	32	33	100

The calculated Value of the Chi-square test of the above table is 0.32 and the table value at the significant level of 5% is 5.99 which is more than the calculated value . so the null hypothesis is accepted.

V. FINDINGS :

1. From the study it is evident that working women invest in various investment avenues.

2. It is understood that by studying the demographic factors with the help of the Chi-Square test, it was found that there is no relationship between education , Income level , age, marital status and the risk tolerance level

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