COGNIZANCE OF INVESTMENT AND RISK REDUCTION TECHNIQUES AMONG HOUSEHOLDS OF SHIVALIK HILLS

Dr Gulshan Kumar Dhiman
Associate Professor
Govt. College Dhaliara(Kangra)H.P.

ABSTRACT:-

An investment in any form of security possesses some risks, with no type being completely free from danger. In fact all investments have some risks. Investment in shares of companies has its own risks or uncertainty of appreciation or depreciation of share prices, loss of liquidity etc. It is evident that in the management of a portfolio, the problem of risk management is vital. In general, financial debt markets have involved various types of risks and fluctuations. To minimize the investment risks, given the individual preference of portfolio holders, the portfolio is to be constructed in such a manner that it is exposed to be minimum risks which the owner can carry, subject to which the returns are to be maximized, the company related risks can be eliminated through proper diversification of investme In the present study an attempt has been made to analyse about the awareness among the households of Shivalik Hills regarding investment in stock market and risk reduction techniques.

Key Words:- portfolio management, standard deviation. Chi square. Liquidity,Risk and return.

INTRODUCTION

An investment in any form of security possesses some risks, with no type being completely free from danger. In fact all investments have some risks. Investment in shares of companies has its own risks or uncertainty of appreciation or depreciation of share prices, loss of liquidity etc. The risk over time can be represented by the variance of return, divided by the purchase price of the shares. The risk is measured statistically by the degree of variance or standard deviation of return. There is also a risk involved in time period of holding (longer the period, greater the risk) called liquidity premium. The holding of security is subject to the default in repayment of principle called default premium. The risk also arise due to interest rate variability, purchasing power changes, business default or financial failure. They can be named as interest rate risk, purchasing power risks, business risks and financial risks. They are to be rewarded by a higher return in the market that can be secured on risk free assets.

It is evident that in the management of a portfolio, the problem of risk management is vital. In general, financial debt markets have involved various types of risks and fluctuations. To minimize the investment risks, given the individual preference of portfolio holders, the portfolio is to be constructed in such a manner that it is exposed to be minimum risks which the owner can carry, subject to which

the returns are to be maximized, the company related risks can be eliminated through proper diversification of investment.

RESEARCH METHODOLOGY':-

The present research work has been formulated on the basis of first hand information from the households residing in Shivalik Hills, having different demographic variables such as income, sex, educational qualification and occupation etc. The present study is expected to provide various beneficial guidelines to the policy makers to mobilize the savings of the households in a stock market and other financial instruments.

Null Hypothesis;There is no relationship between demographic variables and awareness among investors with respect to Investment and risk reduction techniques..

Alternate Hypothesis:- There is significant relationship between demographic variables and awareness among investors with respect to Investment and risk reduction techniques.

In the present study, multi stage sampling has been used. At the first stage, the study area has been divided into different districts namely lower parts of districts Kangra, Sirmour, Solan, Mandi and entire districts Una, Hamirpur and Bilaspur. Out of these districts, three districts namely Kangra, Hamirpur and Una have been selected keeping in view their representation to Shivalik Hills of Himachal Pradesh on the basis of demographic features and industrial zones of the state. At the second stage, from each selected district, three tehsils i.e. one most developed, one moderately developed and one less developed have been selected. Thus, the total number of tehsils are 3X3=9.

At the third stage, two village panchayat have been selected randomly from each tehsil. This way the present study has been conducted in 9X2=18 village panchayats. At fourth stage, 30 households have been selected from each village panchayat using judgment sampling keeping in view various demographic characteristics of the population. Thus, the sample constitute 540 (18x30) respondents.

Primary data have mainly been collected with the help of questionnaire/ schedule. It has been prepared to get information from the people living in the study area.

Keeping in view the nature of study, the data collected have been analyzed and interpreted with the help of the following methods:

1. Mathematical Methods

2. Statistical Methods

3. Diagrammatic and Graphic Methods

RESULTS:-

1.1 Age-wise Knowledge among Investors about Risk Reduction Techniques:

Age is the prime factor in determining the investment level Table 1.1 and figure 1.1 reveal age-wise knowledge of respondents regarding risk reduction techniques.

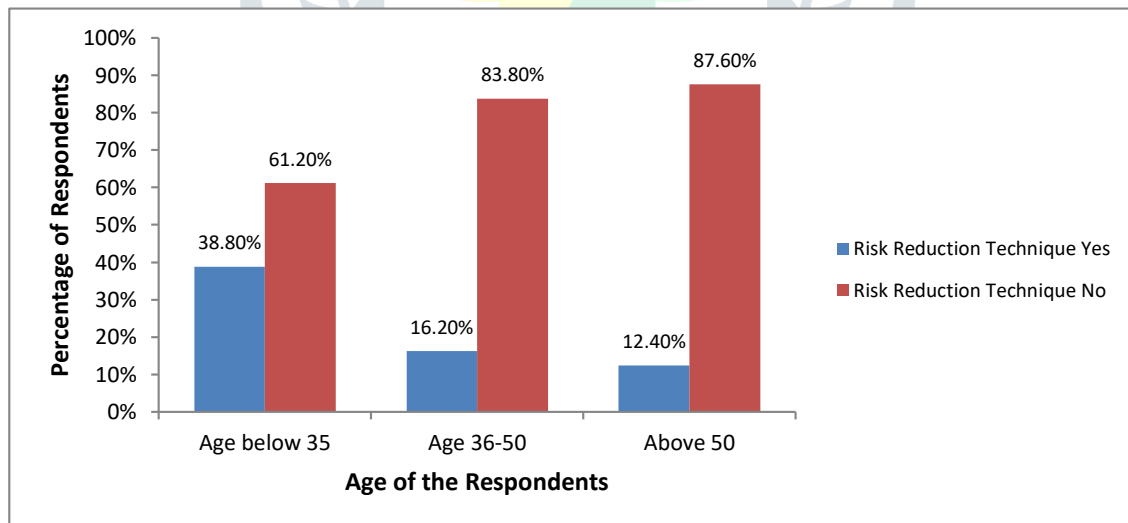**Table 1.1:**   **Age-wise knowledge among Investors about Risk Reduction Techniques**

Age	Knowledge about Risk Reduction Techniques		Total
	Yes	**No**	
Age below 35	54 (38.8%)	85 (61.2%)	139 (100%)
Age 36-50	35 (16.2%)	181 (83.8%)	216 (100%)
Above 50	23 (12.4%)	162 (87.6%)	185 (100%)
Total	112 (20.7%)	428 (79.3%)	540 (100%)

χ^2 =38.199, p<0.001

Source: Data collected through questionnaire.

Note: Figures in parentheses depict percentages.

Data with regard to age-wise knowledge of respondents regarding risk reduction technique shows that young generation (below 35 years) is more aware about risk reduction techniques than the middle age i.e. 36-50 years and higher ages (above 50 years).

Fig 1.1:   **Age-wise Knowledge among Investors about Risk Reduction Techniques**

This can be verify from the fact that 38.8 percent followed by 16.2 percent and 12.4 percent respondents of young, middle and higher age respectively know about the risk reduction techniques. Thus it can be concluded that respondent in the age group below 35 years have significantly more knowledge about risk reduction techniques. It has been supported by χ^2 test as the calculated value of χ^2 (38.199) is more than the table value at 1 percent significance.

1.2   District-wise Knowledge among Investors about Risk Reduction Techniques:

Here an attempt is made to analyze the district-wise awareness among investors regarding knowledge of risk reduction techniques. Table 1.2 and figure 1.2 have presented district-wise knowledge regarding risk reduction techniques of investors.

Table 1.2: District-wise knowledge about Risk Reduction Techniques

District	Knowledge about Risk Reduction Techniques		Total
	Yes	**No**	
Kangra	22 (12.2%)	158 (87.8%)	180 (100%)
Hamirpur	17 (9.4%)	163 (90.6%)	180 (100%)
Una	73 (40.6%)	107 (59.4%)	180 (100%)
Total	112 (20.7%)	428 (79.3%)	540 (100%)

χ^2 =64.909, p<0.001

Source: Data collected through questionnaire.

Note: Figures in parentheses depict percentages.

District-wise distribution regarding awareness of risk reduction techniques among investors reveals that a good percentage (40.6 percent) in Una district have the knowledge of Portfolio management, in comparison to Hamirpur district (9.4 percent) and Kangra district (12.2 percent). It can be said that respondent of Una district are more aware about risk reduction techniques as compare to Hamirpur and Kangra districts.
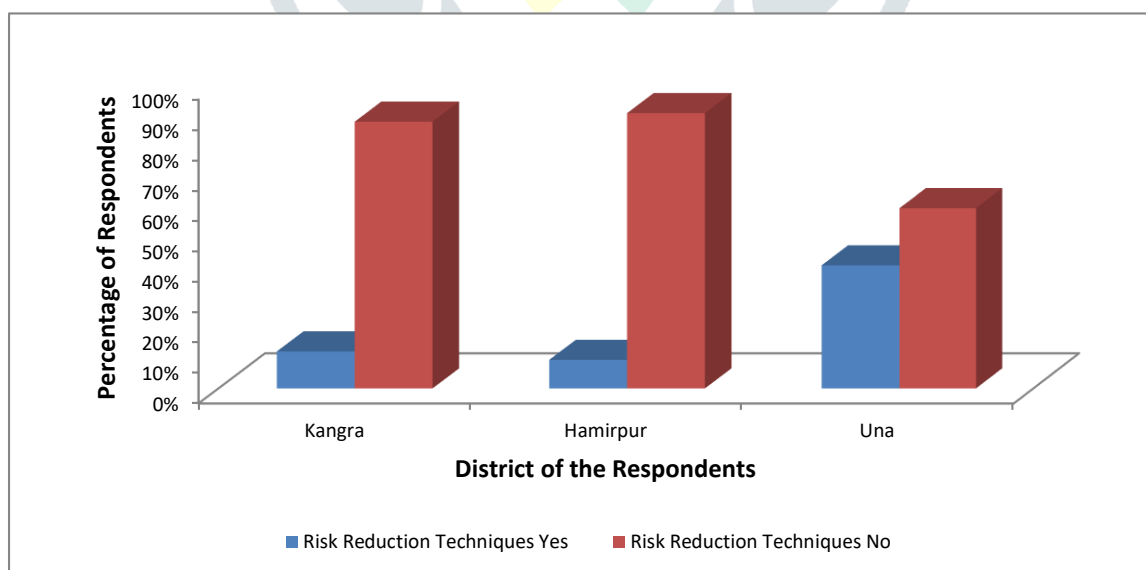

Fig. 1.2: District-wise Knowledge about Risk Reduction Techniques

On apply χ^2 test, its calculated value of χ^2 (64.909) is greater than the table value at one percent level of significance which further supports above analysis statistically.

1.3   Educational Qualification-wise Knowledge among Investors about Risk Reduction Techniques:

The table 1.3 and figure 1.3 depict education wise knowledge of respondents about risk reduction techniques.

Table 1.3:   Educational Qualification-wise Knowledge among Investors about Risk Reduction Techniques

Qualifications	Knowledge about Risk Reduction Techniques		Total
	Yes	**No**	
Matric and below	13 (11.1%)	104 (88.9%)	117 (100%)
10+2	19 (12.6%)	132 (87.4%)	151 (100%)
Graduate	33 (23.9%)	105 (76.1%)	138 (100%)
PG/Professional	47 (36.2%)	83 (63.8%)	130 (100%)
Any Others	0 (0.0%)	4 (100.0%)	4 (100%)
Total	112 (20.7%)	428 (79.3%)	540 (100%)

χ^2 =33.391, p<0.001

Source: Data collected through questionnaire.

Note: Figures in parentheses depict percentages.

Analysis of table indicates that 36.2 percent, 23.9 percent, 12.6 percent and 11.1 percent post graduate, graduate, 10+2 and matric and below respondents have the knowledge of risk reduction techniques, it can be observed that educated persons are well aware about the risk reduction techniques as compare to less educated persons.
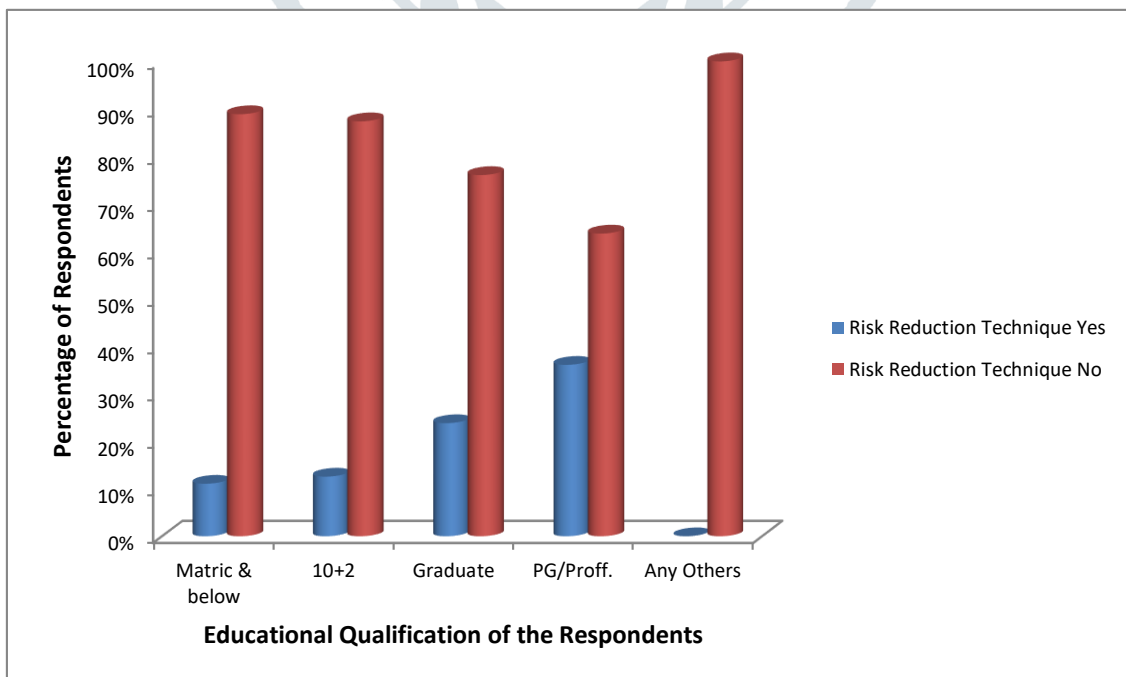

Fig 1.3:   Educational Qualification-wise Knowledge among Investors about Risk Reduction Techniques

On applying χ^2 test, the calculated value of χ^2 (33.391) is more than the table value at 1 percent level of significance, which rejects null hypothesis. Thus, it may be concluded that there is significant relationship between educational level of investors and knowledge of risk reduction techniques.

1.4   Primary occupation wise Knowledge among Investors about Risk Reduction Techniques:

Occupation is mainly concerned with the task any-one who deputes their maximum time for his earnings. The primary occupation-wise knowledge about risk reduction techniques by the investors of Shivalik Hills has been discussed in table 1.4 and figure 1.4

Table 1.4:   Primary Occupation wise awareness among Investors about Risk Reduction Techniques

Primary Occupation	Knowledge about Risk Reduction Techniques		Total
	Yes	**No**	
Agriculture/Horticulture	3 (3.6%)	80 (96.4%)	83 (100%)
Business	66 (35.5%)	120 (64.5%)	186 (100%)
Service	39 (17.7%)	181 (82.3%)	220 (100%)
Rural Artisan	0 (0.0%)	11 (100.0%)	11 (100%)
Labour	4 (10.0%)	36 (90.0%)	40 (100%)
Total	112 (20.7%)	428 (79.3%)	540 (100%)

χ^2 =68.587, p<0.001

Source: Data collected through questionnaire.

Note: Figures in parentheses depict percentages.

Table 1.4 reveals that 17.7 percent, 35.5 percent, 10.0 percent and 3.6 percent of the investors whose primary occupation is service, business, labour and agriculture respectively have the knowledge of risk reduction techniques.
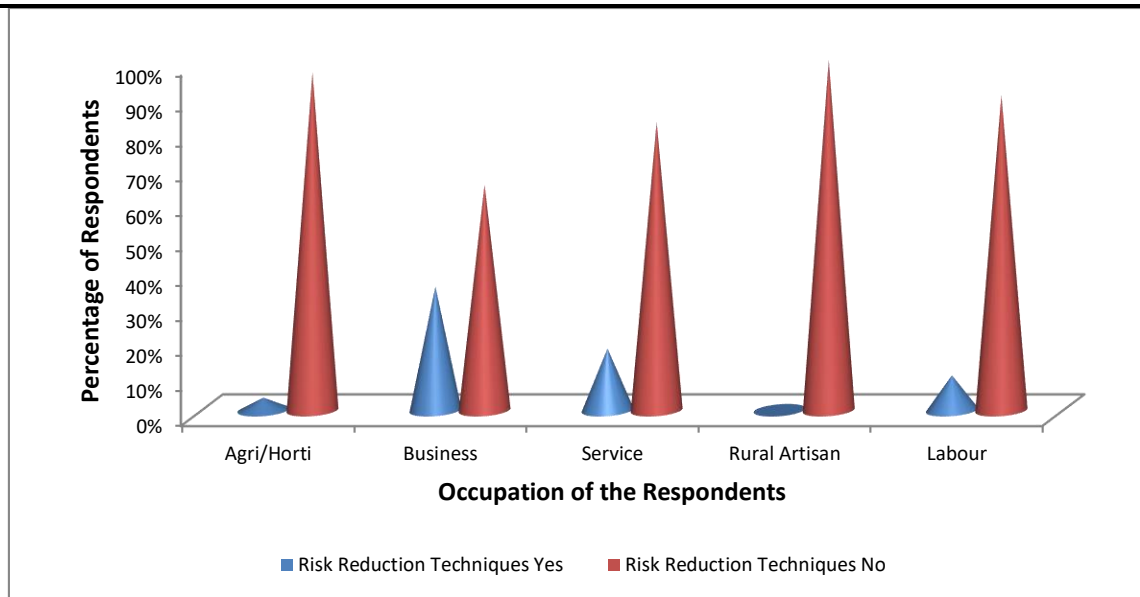
Fig. 1.4: Primary occupation wise awareness among household about Risk Reduction Techniques

It is pertinent to mention here that respondents whose primary occupation is rural artisan are completely ignorant about risk reduction techniques. It can be concluded that person having business as primary occupation are well aware about risk reduction techniques as compare to the investors engaged in service, agriculture and labour. On applying χ^2 test the calculated value of χ^2 is greater than the table value at 1 percent level of significance, which shows the significant relationship between primary occupation and knowledge of risk reduction techniques.

1.5   Annual Income-wise Knowledge among Investors about Risk Reduction Techniques:

Income plays an important role in the saving and investment pattern of the investors. Table 1.5 and figure 1.5 reveal income wise distribution about knowledge of risk reduction techniques.

Table 1.5:   Annual Income and Knowledge of Risk Reduction Techniques

Annual Income	Knowledge about Risk Reduction Techniques		Total
	Yes	**No**	
Below 1 Lac	6 (5.6%)	100 (94.3%)	106 (100%)
1-3 Lac	40 (18.8%)	173 (81.2%)	213 (100%)
3-5 Lac	18 (15.5%)	98 (84.5%)	116 (100%)
5-10 Lac	12 (30.8%)	27 (69.2%)	39 (100%)
Above 10 Lac	36 (54.5%)	30 (45.5%)	66 (100%)
Total	112 (20.7%)	428 (79.3%)	540 (100%)

χ^2 =68.587, p<0.001

Source: Data collected through questionnaire.

Note: Figures in parentheses depict percentages.

Data with regard to income wise distribution of respondents about knowledge of risk reduction techniques shows that investors of higher annual income are more aware about risk reduction techniques as compare to low income investors. It is clear from the table that 54.5 percent, 30.8 percent and 15.5 percent, 18.8 percent and 5.7 percent of respondents having income above 10 lac, 5-10 lac, 3-5 lac, 1-3 lac and below 1 lac respectively have the knowledge of risk reduction techniques, which clearly shows that higher income investors have the knowledge of risk reduction techniques while low income investors are less aware about it. It has been supported by the χ^2 test as the calculated value of χ^2 is more than the table value of 1 percent of significance.
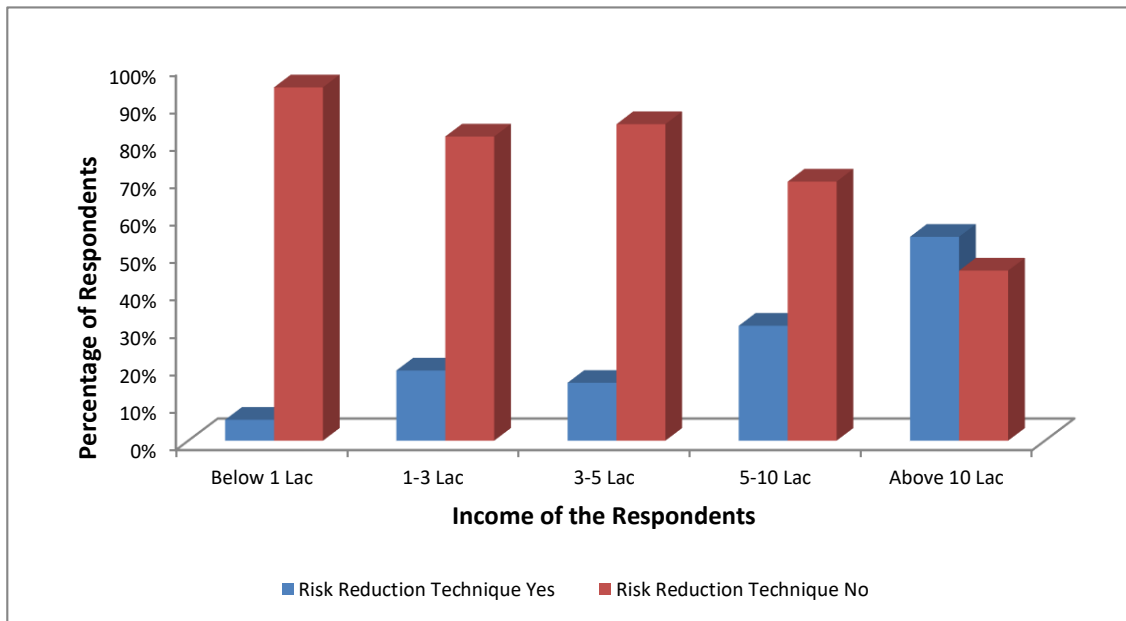

Fig. 1.5: Annual Income-Wise Knowledge among Investors about Risk Reduction Techniques.

Educated respondents are well aware about risk reductions in caparison with low education in making investment. But on comparative scales the numbered of respondents of Una district (40.6%) have significantly outnumbered the respondents of Kangra district (12.2%) and Hamirpur district (9.4%). Respondents below 35 years of age (38.8%) possessing through knowledge about risk reduction techniques as compared to other income groups respondents. High income investors have the knowledge of risk reduction while low income respondent are less aware about it.

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