Financial Risk Tolerance and Risk-Taking Behaviour Among Scheduled Tribe Investors: Examining the Impact of Demographics as Distinguishing and Categorizing Elements of Arunachal Pradesh

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***Abstract*—**Individuals' financial risk tolerance and the manner in which they behave are key variables that influence the decisions that they make regarding their financial investments. These aspects are essential components of both financial planning and counseling which are utmost importance to determining the primary elements on which risk tolerance is based. The goal of this research is to cognizance that which the demographic features and level of financial knowledge of scheduled tribes investors influence their level of personal financial risk tolerance. Through the use of statistical analysis with SPSS and hypothesis testing, an investigation was conducted on their risk tolerance and financial behavior regarding their investments related to their investments. The data for the study came from a structured questionnaire that was filled out by 180 individuals from Papumpare district. Additionally, the study included techniques of convenience sampling. The findings of the empirical study indicate that demographic characteristics (such as age, gender, marital status, income levels, and occupation) and financial risk tolerance are significant predictors of financial risk tolerance and one's propensity to engage in risk-taking behavior. To put it another way, a variety of educational activities are likely to improve people's financial behavior, which is likely to lead to an increase in demand for financial products that have various risk profiles and, eventually, to promote the expansion of the financial industry.

Keywords: Risk tolerance, financial behaviour, demographic, financial literacy, scheduled tribes.

I. INTRODUCTION:

Before investing, an individual first thinks about the potential rate of return and the risks involved. Investments can be made in many ways since managing money aims to generate profits and increase wealth. The well-known saying that there is no reward without risk highlights that risk is inherently linked to every economic decision. Risk is defined as "the unexpected variability (negative) of returns compared to those expected from investments" (Kannadhasan, 2006; Kannadhasan, Nandagopal, 2010). When an individual purchases a product, whether tangible or intangible, an individual is essentially investing in their future. Its also considered factors that could influence his investment decision. Risk primarily influences both financial and investment decisions. Investor confidence and risk tolerance are key concepts investors continually evaluate. Risk tolerance is a trait of the investor's preferences, not an inherent characteristic.

Therefore, determining individuals' risk tolerance is essential for financial services intermediaries to offer suitable solutions as the term risk is a complex attitude for an individual investor. Financial risk tolerance is a subjective standard that a person defines as the maximum acceptable level of uncertainty when making financial decisions (Grable & Joo, 2004). Sometimes, the term risk-averse is used instead of financial risk tolerance, although it implies the opposite—avoiding risks decreases financial uncertainty and comfort levels (Ryack et al., 2016). The literature has attempted to explain risk tolerance through normative models proposed by traditional finance, such as expected utility theory and descriptive models based on behavioral and psychological factors in behavioral finance (Grable, 2016). The significant constructors are demographic features of individual investors that can help distinguish their levels of financial risk tolerance, and relationships between these variables can be used to predict a person's risk tolerance.

II.LITERATURE REVIEW:

Considering the significant influence that personal financial risk tolerance exerts on investment choices, extensive studies have been conducted within the fields of financial planning and consultation to identify the factors that affect various individuals' degrees of financial tolerance for risk. Wang (2009) used bivariate correlations to investigate the relationship between investors' levels of financial knowledge and their risk-taking behavior. The results of this investigation showed that investors' financial knowledge affected their risk-taking behavior. In general, these studies have investigated the influence that demographic factors like age, gender, marital status, educational level, income level, and wealth level have on risk tolerance. Additionally, personal qualifications, behavioral factors like worry and life satisfaction, and cultural background have been taken into consideration. For example, Duasa and Yusof (2013), Fisher and Yao (2017), Irwin (1993), Mishra and Mishra (2014), Rahmawati et al. (2015), and Weber (2014) have each conducted their research on the subject. Although there have been a relatively small number of studies that have studied the influence of financial literacy on risk tolerance, the findings have been quite limited. The research conducted by various researchers (for example, Bajo et al., 2015; Bayrakdaroğlu & Kuyu, 2018; Grable, 2000; Grable & Joo, 1999, 2004; Masters, 1989; Nguyen et al., 2016; Wang, 2009) demonstrated that there exists a positive correlation between financial literacy and financial education levels, as well as financial risk tolerance. Through the use of covariance analysis, Masters (1989) performed an investigation of the level

of risk tolerance and investment expertise possessed by 480 investors working for an investment firm located in the Midwest. According to the findings, persons who had a stronger understanding of investments demonstrated more risk-taking inclinations in comparison to those who had little or no knowledge of investments. Using regression analysis, Grable and Joo (1999) evaluated the demographic and socioeconomic characteristics that affected 220 white-collar professionals. They found that financial knowledge had a favorable impact on financial risk tolerance. This finding is similar to the one described above. As a result of conducting a focus group interview, Bayrakdaroğlu and Kuyu (2018) conducted an investigation into the factors that influence risk perceptions among 24 Turkish female investors who had varying demographic characteristics. The findings revealed that financial literacy was a significant factor in determining risk perception. Grable and Joo (2004) conducted research that was similar to this one, utilizing regression analysis, and they came to conclusions that were equivalent. The research involved workers from two different universities.

III. OBJECTIVES OF THE STUDY:

- To determine the level of financial risk that individual investors are willing to take.
- To assess the investors' financial risk tolerance and the degree of reliance or independence of their demographic characteristics.

IV.RESEARCH METHODOLOGY: This research is exploratory and descriptive, where the population is infinite

- **Targeted Population**: Scheduled tribe investors.
- **Area of the study:** Papumpare district, Arunachal Pradesh.
- **Sampling unit:** Itanagar capital complex (ICR) will be the sampling unit for the study.
- **Sampling Techniques:** Convenience sampling technique.
- **Sample Size:** The current study included 180 (One hundred and eighty only) respondents.
- **Source of Data Collection:** Both primary and secondary sources by utilizing statistical packages for social science (SPSS).

IV.1 Research Hypothesis:

- Hypothesis 1: Men are more willing to take risks than women.
- Hypothesis 2: As people age, their level of risk tolerance declines.
- Hypothesis 3: Married people are less willing to take risks than single people.
- Hypothesis 4: Compared to people on salaries, self-employed people often have a moderate level of risk tolerance.
- Hypothesis 5: Those with professional training typically have a moderate risk tolerance.
- Hypothesis 6: The degree of risk tolerance rises as income does.

V.ANALYSIS AND INTERPRETATION:

For the purpose of this study, binary logistic regression and cluster analysis were utilized, and demographic factors were utilized to classify people of Arunachal Pradesh's scheduled tribes into various risk tolerance groups. In addition, descriptive statistics and an independent samples t-test were utilized in this research project in order to analyze the ways in which the groups differed with regard to the variable that was being investigated. The use of bivariate correlation allowed for the confirmation of the link between continuous independent factors and dependent variables and variables. This section is divided into two sections: the first assessing the hypothesis using the independent samples "t" test, and the second testing the correlation between the two. For the purpose of determining whether or not demographic parameters differentiate scheduled tribe members into groups of financial risk behavior and financial risk tolerance, this study utilized univariate analysis to evaluate the hypothesis that was presented.

Table :1 **Interaction between the financial risk tolerance and financial risk behaviour.**

	Coefficient	**t-Value**	**Sig.**	**Results at 1% level**
Financial Risk Tolerance	0.103	8.4612	0.000	Significant
$R = 0.212$; $R^2 = 8\%$; $F = 47.28$, $p < 0.01$				

Source: Field study, compiled by the author

Inference: This study utilized simple regression to gain an understanding of the connection that exists between financial risk tolerance and financial risk behaviour. The researcher validates their expectations and justifies using demographic elements to differentiate and classify individuals' financial risk behaviour The table presents the findings, which indicate that there is a positive association between financial risk tolerance and financial risk behaviour. The results are presented in the table. It is important to note that this model has a predictability of 8%. This result lends credence to our hypothesis that the same characteristics that are utilized to separate and categorize investors into financial risk tolerance categories might also be utilized with regard to financial risk behaviour.

Table : 2: **Interaction between the demographic factors and financial risk tolerance.**

Hypothesis	Classification	N	Mean	SD	t/r Value	Sig.	Results
H1	Male	95	11.95	2.39	−11.22	0.000	Significant
	Female	85	09.52	2.79			
H2	Age	180	36.25	10.93	−0.144	0.000	Significant
H3	Married	107	11.84	2.62	−3.272	0.001	Significant
	Single	73	11.19	2.69			
H4	Salaried	83	11.12	2.63		0.001	Significant
	Self employed	97	12.44	2.60			
H5	Professional	29	11.95	2.55	3.25	0.000	Significant
	Non professional	151	11.24	2.70			
H6	Income	180	12.14	2.55	3.25	0.001	Significant

Source: Field study, compiled by the author

Inferences: In order to properly validate assumptions, this research effort employed both a bivariate correlation analysis and an independent samples test. The results showed that risk tolerance is higher among men, younger people, single people, persons with professional qualifications, and people who work for themselves. Nevertheless, the results show no relationship between income and risk tolerance level.

Table :3 **Interaction between the two demographic factors and financial risk behaviour.**

Hypothesis	Classification	N	Mean	SD	t or r-Value	Sig.	Results at 5% level
H7	Male	95	1.20	1.08	−2.85	0.000	Significant
	Female	85	0.99	1.06			
	Married	180	1.40	1.12	3.30	0.000	Significant
	Single	107	1.20	1.07			
	Professional	73	1.17	1.13	−1.94	0.001	Significant
	Non-professional	83	1.15	1.07			
	Salaried	97	1.10	1.06	−2.18	0.001	Significant
	Self-employed	29	1.31	1.15			
	Age	151	26.0	10.55	−0.122	0.000	Significant
	Income	180	5.10	2.55	0.050	0.001	Significant

Source: Field study, compiled by the author

Inferences: This section presents the findings from the bivariate correlation analysis and independent samples test regarding the relationship between demographic parameters and financial risk behaviour. The findings show that risk-taking behavior is more common among men, younger people, single people, people with professional qualifications, and self-employed people with a moderate level of awareness. Nonetheless, the findings show that there is no relationship between income and the degree of risk-taking behavior.

Table: 4 **Level of risk as per the scheduled tribe individuals of Arunachal Pradesh**

	N	Range	Mini mum	Maxi mum	Mean	Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic
Less Risk	180	1	3	3	3.10	.304	.082
Moderate Risk	180	1	3	2	4.73	.445	.186
High Risk	180	1	1	1	1.81	.242	.044
Valid N (listwise)	180						

Source: Field study, compiled by the author

Inferences: The scheduled tribes individuals of Arunachal Pradesh opt to take a modest amount of risk in all of their investments, which is in line with their behavior about their financial risk tolerance in all investment channels. Every investment opportunity comes with its own set of risks and potential rewards. As the level of risk increases, the returns fall, and vice versa.

VI.FINDINGS:

- This underscores the importance of educating women so that they can manage risk in a responsible manner and ensure that they receive sufficient returns to cover how much they have spent.
- Both financial advisors and educators have an important responsibility to educate individuals on the risk-return trade-offs that are involved in investing.
- Age is the most useful factor in determining one's level of tolerance for financial risk.
- Scheduled tribe investors with higher salaries are more likely to participate in risky investments than those with lower incomes because they are better able to meet their financial commitments due to their impulsive behaviour and herding nature towards investment avenues.
- There is a reduction in financial risk when there is a high degree of responsibility and the presence of dependents in scheduled tribe individuals.
- Scheduled tribe individuals, though, evaluating one's level of satisfaction with financial risk is a difficult task in the field of decision-making.
- There is a need the implications of various investments to individuals who do not have a formal education or appropriate financial risk awareness to achieve their goals.

VII.CONCLUSION:

The level of risk one is willing to accept is essential for those in the financial services sector, influencing the expansion of the industry, individual financial strategies, and the appetite for financial products among scheduled tribe individuals of arunachal Pradesh. This paper categorizes scheduled tribes into specific groups and explores how demographic factors—like gender, marital status, age, occupation, income, and education—individually or collectively influence financial risk tolerance and behavior. This result shows that demographic traits play a role in distinguishing and categorizing members of scheduled tribes, urging practitioners to utilize this information in future applications. The level of education and understanding of finances positively influenced one's ability to tolerate financial risks by making intricate financial choices easier to navigate.

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