RISK PERCEPTION AND RISK MANAGEMENT STRATEGIES OF FAMILIES IN KERALA

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Abstract

Risk perception refers to people's subjective assessments of the likelihood of unfavourable outcomes, such as accidents, illnesses, diseases and fatalities. Strategies for risk management include procedures and practices intended to control risks. It involves taking action to lessen or limit the severity of possible issues in order to reduce any negative effects. As an organised approach to addressing hazards, risk management strategy involves identifying, evaluating, managing, and monitoring risks. The family's sustainable progress will be aided by effective risk management. If the family members do not take actions on risk, it will become a threat to family's survival. Since very little research is conducted on risk management of families, this study is an attempt to evaluate the risk perception of Kerala families towards the risk management strategies. For this study the entire state of Kerala is divided in to three regions and two districts were selected randomly from each region. The research is based on primary data which is collected from 180 families by using convenience sampling method and the data so collected were analysed by using simple statistical tools. Supporting secondary data were also collected from various reports and journals. The research concluded that families should be educated on how to manage the various risks effectively. Family members in leadership position should possess strong leadership skills to be able to anticipate future risks, prioritize risks and select strategies to deal with different types of risks.

Key words:- Risk perception, Risk management, Risk management strategies, Families.

Risk is the chance that something negative will occur. Risk is the uncertainty of how an action will affect something that people value, such as their health, well-being, wealth, property, or the environment, frequently with an eye towards unfavourable outcomes. There are many hazards and uncertainties in the world we live in.

There are various kinds and degrees of hazards to which people, families, businesses, buildings, and assets are exposed. They include the potential loss of life, health, possessions, money, etc. Even though it is not always feasible to

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stop unfavourable events from happening, the financial industry has created solutions that shield people and companies from such losses. In order to reduce, monitor, and control the impact of unpleasant events or to optimise the realisation of possibilities, risk management involves the identification, evaluation, and prioritising of risks. This is followed by the coordinated and efficient use of resources. Due to its critical significance for the corporate sector, the word risk management is most usually associated with large firms. However, risk management activities are just as vital for families also. A family is made up of one or more people who eat meals together and reside in the same home. The family plays a crucial role in economics and inheritance and serves as the fundamental analysis of study in many social, microeconomic, and governmental models. Families function both as a surplus and a deficit sector. Families with excess money can invest it in non financial assets like houses, land etc or financial assets like bank accounts, stocks, and other securities. Families in deficit sectors obtain funding from financial and non-financial entities to cover the cost of their savings, investments, and consumption.

The subjective assessment that people have of a risk's qualities and seriousness is known as risk perception. Since they are influenced by a variety of affective (emotions, feelings, moods, etc.), cognitive (gravity of events, media coverage, risk-mitigating measures, etc.), contextual (framing of risk information, availability of alternative information sources, etc.), and individual (personality traits, prior experience, age, etc.) factors, risk perceptions for real risks differ from perceived risks. People's perceptions of and reactions to dangers are influenced by a variety of factors. People's values, beliefs, and attitudes as well as broader social or cultural ideals or dispositions have been identified as having a significant impact on how dangers are seen or accepted. Hence, a more thorough understanding of dangers will not result in a consistent response to them.

Factors affecting Risk Perception

Understanding how people view risk is one component of comprehending comparative risks. Different perceptions of a risk by those who are impacted are frequently caused by the nature of the risk. The different factors influencing risk perception are as follows:-

Familiar *vs* unfamiliar technology

A given technology's or circumstance's level of perceived risk might be decreased via familiarity. The perceived danger rises when the technology or circumstance is novel, uncharted, or challenging to understand. If there is a lack of scientific knowledge regarding the potential health implications of a given circumstance or technology, the perception of the amount of risk may be greatly elevated.

Trust *vs* lack of trust

We are less fearful of risks when we have more faith in ones who are warning us about them. Our level of fear decreases as our confidence in the procedure used to determine whether we will be exposed to a hazard increases. We feel less fear when we believe the organisation or business exposing us to the risk. The less

we trust those telling us, those guarding us, or the method used to determine how much risk we are exposed to, the more terrified we become.

Imposed *vs* Voluntary

When a risk is forced upon us, we are far more terrified than when we choose to deliberately expose ourselves to the same risk.

Natural *vs* artificial

We feel less fear if the risk is natural, like solar exposure. We are more frightened if it is man-made, such as radiation from nuclear power or another industrial activity. This element contributes to the general public's exaggerated dread of industrial chemicals and pesticides.

Uncertainty

As the reasons for the widespread dread of new technology become clear, this aspect explains it.

Familiar *vs* new

When we confront a risk for the first time, we are more terrified than after we have dealt with the risk for some time.

Control *vs* no control

A person is less likely to feel terrified if they believe they have some degree of control over how a risk will turn out.

Statement of the problem

India is a developing nation found in South Asia. Its economy is one of the fastest-growing economies in the world. When compared to the rest of India, the southwestern coastal state of Kerala is distinguished by strong social indices like high literacy, greatly improved access to healthcare, and low rates of infant mortality and birth. Kerala, the only state in India where more than 90 per cent of the population can read and write, was designated a Fully Literate State in 1991. Kerala, however, is a prosperous state with one of the highest per capita incomes in the nation. Due to its scale and extensive exposure to the financial industry, the family sector has the potential to have an impact on the entire economy. The economy is impacted by how families behave in terms of saving and spending. Therefore there is a need to study the risk perception and risk management strategies of families in Kerala. A strategy for managing financial risk is a plan of action or set of rules created to address specific financial risks. Any company or person needs techniques to control the monetary risks that come with functioning in the economy and financial system. It is necessary to understand the types of financial risks that people, businesses, and financial institutions encounter before the selection of financial risk management techniques. Financial risks generally refer to situations or occurrences that have unfavourable or uncertain financial effects.

Need and significance of the study

In order to reduce, monitor, and control the likelihood or impact of unpleasant events or to optimise the realisation of possibilities, risk management involves the identification, evaluation, and prioritising of risks. This is followed by the coordinated and efficient use of resources. It is a way for reducing unfavourable effects brought on by dangers and uncertainties. Simply put, risk management refers to creating a plan

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to prevent financial loss when unforeseen circumstances arise. The family plays a crucial role in economics and inheritance and serves as the fundamental unit of study in many social, microeconomic, and governmental models. Families play a variety of roles in the economy. They pay taxes, consume products and services, earn income through value added, and save and invest. Families take on the roles of entrepreneurs or producers of various commodities and services. They establish businesses that are essentially semi-corporate in character. The final consumers of the goods and services rendered by the businesses are the families. According to their likes and tastes, they drive market demand. The majority of tax revenue for the government comes from families. They are the majority of taxpayers. A family pays direct taxes to the state in the form of income tax, wealth tax, estate duty, gift tax, etc. All of these tax receipts go towards promoting economic growth and wellbeing. All professions such as a doctor, teacher, attorney, engineer, etc., come from families. Their actions are absolutely necessary for the nation's economic progress. These expert services raise peoples' standards of living. Savings is what remains after consumption. As a result of providing several services to the economy, families make money. After consumption, the remainder of their income is saved in banks or other financial organisations. The main source of capital formation is thought to be these savings. By using risk management techniques, the family sector can be better prepared to deal with unforeseen circumstances that could harm individual finances.

Objectives of the study

1. To examine the factors influencing risk perception of families in Kerala.
2. To identify the risk management strategies of families in Kerala.
3. To evaluate the perception of families in Kerala towards risk management strategies.

Material and methods

The study requires a combination of both primary and secondary data. Primary data were collected through well-structured interview schedule from families in Kerala. Secondary data were collected from journals, magazines and websites and through yearly statistics published by Government of Kerala. Population consists of all families in Kerala. Since the universe is very large and the geographical area is wide, a sample survey is attempted in this study. Sample consisting of families from the three regions in Kerala. For the selection of samples Kerala was divided in to three regions such as Southern region, Central region and Northern region. By using simple random sampling two districts were selected from each region. Trivandrum and Kollam districts were selected from Southern region, Idukki and Ernakulum were selected from central region and Kozhikode and Malappuram were selected from the northern region. Data were collected from 30 families each from every district by using convenience sampling. The primary data from samples were coded, classified and analyzed using simple statistical tools.

Results and discussion

Family is the smallest social unit which has a lot to do with the social and economic empowerment of its members. Given the unique characteristics of families such as the limited and unknowable lifetime of individuals, the frequent preference for consistent spending among individuals, and the desire to convey money to successors, risk management for families differs from risk management for firms. Over the course of their lives, people were exposed to a variety of risks such as sometimes they could become incapacitated, contract a serious illness, pass away too soon, or outlast their resources. Also, from an investing standpoint, a person's assets may lose value or offer an insufficient return compared to their needs and goals in terms of money. Risks must be identified, market and non-market solutions must be taken into consideration, and a strategy must be created and carried out in order to protect against unforeseen financial troubles. A well-designed risk management strategy will include the choice of financial products and investment tactics that match a person's financial objectives and reduce the risk of deficits.

Table 1 shows the descriptive characteristics of respondents:

The risk perception of families is evaluated with the help of Anova Test.

From the Table 2 given below, we can understand that some of the *P values* seem significant. This means the risk perception of families not remains the same. So there is a difference in the risk perception of families from southern, central and northern region of Kerala with regard to financial planning ability,

Table 1

Descriptive characteristics

Items	Number	Percentage
Number of families	180	100
Nature of families		
Upper class	40	22
Middle class	75	42
Lower class	65	36
Members in Family		
3–4	105	58
5–6	65	36
>6	10	6
Income Level		
1 Lac–3 Lac	90	50
3 Lac–5 Lac	55	31
>5 Lac	35	19
Medical expenditure		
<5000	15	8
5001–10000	90	50
>10000	75	42

Source: Primary data

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Table 2

ANOVA Test - Risk Perception of families

Variables	F Value	Significance
The process of making financial decisions involves assessing risk, which is influenced by a variety of factors including personality and demographics.	1.032	0.321
When women in the family have less information than men, they lack confidence and are unwilling to take a chance.	1.066	0.128
A higher level of risk perception results in greater market participation and the holding of risky assets.	1.742	0.076
Family investment profits are greatly influenced by financial planning skills, and strong financial planning skills typically lead to positive investment returns.	2.155	**0.023**
The degree of financial risk and willingness to take financial risks have an impact on a person's life.	3.334	**0.032**
Even when decision makers exhibit high levels of financial literacy and understanding, perception of risk affects their choice of investments.	1.287	0.301
Good investment selections are made by families who have a high level of risk perception, tolerance, and financial literacy.	1.643	0.269
Risk factor is sensitive to many influences, including emotional and cognitive ones, subjectivity is related with it.	2.445	0.088
Profits and losses influence risk, which is a function of both. People's investment preferences are influenced by their perception of risk and level of financial literacy.	.984	0.375
In comparison to married men, single men take more risks.	.400	0.671
Different age groups have different perceptions of risk.	2.483	**0.028**

Source: Primary data

level of financial risk and willingness to engage in financial risk-taking activities, Risk Perception of various age groups, as the F values are 2.155, 3.334 and 2.483 respectively. The corresponding *P values* are 0.023**,** 0.032 and 0.028 respectively.

Conclusion

Risk perceptions are ideas about possible harm or the likelihood of losing money. People's perceptions of a risk's qualities and seriousness are subjective. The possibility and impact of negative outcomes resulting from an activity are often thought to be represented by the degree of risk associated with that conduct. Evaluations of the probability and the effects of an unknown result are both included in the perception of risk. A risk management strategy is a structured approach to addressing risks, and can be used in families for managing various risks. Risk management is best understood not as a series of steps, but as a cyclical process in which new and ongoing risks are continually identified, assessed, managed, and monitored. It's about taking steps to reduce or control the likelihood, severity or impact of potential problems to minimize any negative consequences.

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