

Analyzing the Influential Factors on Financial Products Investments and Retail Investors Preferences

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ABSTRACT

This research examines the perception of investors towards the various financial products available for investment in the Varanasi district of Eastern Uttar Pradesh. The research, with the help of previous literature identified six major financial products i.e., Gold, Equity Shares, Post Office Schemes, Debentures/Bonds, Mutual Funds and PPF/NPS preferred by the investors. The review of literature further identified five major influencing factors i.e., Safety, Returns, Liquidity, Convenience and Tax Benefits considered by investors in relation to their investment. The primary data was collected by 385 respondents from various investors in Varanasi district of Eastern Uttar Pradesh. Simple descriptive analysis and Levene's Test for Equity of Variances were used to analyze the data. In the end it was found out that mainly investors considered Returns and Safety as the most important factor and the rest, i.e., Liquidity, Convenience and Tax Benefits had their own relative importance in the eyes of the investors.

Keywords: Financial, Investment, Investors, Shares, Capital.

INTRODUCTION

Financial products encompass physical or digital representations of legal agreements involving various monetary values. Equity-based financial products denote ownership in an asset, while debt-based financial products represent an investor's loan to the asset owner. These products can include a wide range of offerings such as gold, equity shares, NSC, KVP, debentures, shares, mutual funds, PPF, NPS insurance policies, loans among others. They serve different financial purposes, from generating returns on investments to providing security or facilitating financial transactions. These products are defined by the absence of actual assets or services being exchanged, even though there may be mention of such assets. These products often focus on concepts such as risk management, investment strategies, and fund allocation, rather than the exchange of physical assets.

Individuals and institutions invest in financial products with the expectation of earning profits. The types of investment products available to different investors can vary, but the common objective is to achieve financial gains. The investment landscape offers a wide range of products designed to help investors meet their short-term and long-term financial objectives. Typically, investors acquire these products with the anticipation of capital appreciation and income generation. These investment products can be categorized into two main groups: some are primarily chosen for their potential to increase in value over time, influenced by specific growth factors, while others may also provide additional income distributions.

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The perception of investors regarding financial products refers to how individuals or entities view and assess various financial instruments or assets available for investment. This perception can be influenced by factors such as risk tolerance, investment goals, market conditions, and the individual's understanding of the financial products. Investors' perceptions may vary widely; some may view certain financial products as high-risk but potentially high reward, while others may prioritize safety and stability. Understanding investors' perceptions is crucial for financial professionals and institutions, as it can guide them in offering suitable financial products and services that align with investors' needs and preferences.

REVIEW OF LITERATURE:

Nadya Septi Nur Ainia and Lutfi Lutfi (2018) primary goal is to investigate the impact of risk perception, risk tolerance, overconfidence, and loss aversion on the decision-making process in investment. The research was conducted with a sample of 400 respondents, consisting of workers in Surabaya and Jombang, East Java, who participated by completing a survey questionnaire. The research utilized the PLS-SEM (Partial Least Square-Structural Equation Model) as the chosen data analysis technique. The study's results indicated that risk perception has a significant negative influence on investment decision-making, while both risk tolerance and overconfidence have a notable and positive impact on this process. In contrast, loss aversion was found to have no substantial effect on investment decision-making. The objective of this research is to provide insights into effectively managing risk in investment and addressing behavioral biases in the decision-making process associated with investments.

Andriani Samsuria, et. al. (2019) is of the view that financial decisions have garnered increasing significance among various stakeholders, including researchers, personal financial advisors, investment consultants, and policymakers. This study aims to develop a conceptual framework for understanding the relationship between financial literacy, risk tolerance, and investment intentions. To forecast investment intentions and behaviors, the Theory of Planned Behavior has been employed. In the context of this study, prospective investors express interest in investing in a particular company's stock only when they possess the necessary time, expertise, and financial resources for evaluation and investment. As a result, when formulating their intention to invest, individual investors usually commence the process by assessing various company metrics. Afterwards, their emotional perceptions of these assessments can significantly influence their decision-making as they seek to rationalize their investment choices in relation to the company's stock.

Abdullah Mohammed Awn and S. M. Ferdous Azam (2020) exams the determinants that influence the inclination of Libyan investors to invest in Bonds (Sukuk). A total of 291 questionnaires, comprising 39 items, were distributed to and collected from customers of banks in Tripoli, Sabha, and Benghazi. The collected data underwent analysis utilizing the PLS SEM (Partial Least Square-Structural Equation Model) methodology. The findings derived from the analysis reveal that both attitude and subjective norms exhibit a significant and positive correlation with the intention to invest in Bonds (Sukuk). In practical terms, this research holds substantial policy implications for Libyan banks, particularly concerning the formulation of strategies, financing, and marketing of Islamic banking products. Moreover, the outcomes of this study may extend their utility to countries with banking cultures akin to Libya.

Hawkar Anwar Hamad, et. al. (2021) primary aim was to investigate the key factors that should be considered before initiating investments in financial markets, particularly within the context of the COVID-19 era. This study focused on individual investors, referring to those who make securities purchases on behalf of others. These investors typically engage in smaller-scale trading activities and exhibit a primary interest in the operations of the stock exchange. For data analysis, a quantitative research method was employed. The researcher utilized a questionnaire distributed across four banks located in Erbil city. Data collection was conducted through random sampling in private banks, with an approximate population of 210 units and a target population of 142 units. Out of the 150 questionnaires distributed, 128 were effectively completed, thus forming the sample size for this study. It was determined that economic growth significantly predicts financial markets, indicating a direct and positive impact of economic growth on financial markets. Employment

patterns were found to significantly predict financial markets, suggesting that employment patterns have a relatively modest positive influence on financial markets. It was observed that demographic trends significantly predict financial markets, signifying that demographic trends have a relatively modest positive impact on financial markets.

Baldeo B. Kakde, et. al. (2022) primary objective was to gain insights into the preferences of retail investors when it comes to equity mutual fund schemes. This research examines six distinct attributes i.e., fund category, plan type, mode of investment, risk grade, annual return, and investment time horizon. The study involved a sample survey of 151 retail investors in Vidarbha, a geographic region located in Maharashtra State, India. Conjoint analysis was employed, with 25 conjoint cards (profiles) created using an orthogonal design and distributed to the participants. The results demonstrate that the attributes associated with equity mutual fund schemes significantly differ from each other ($p < .05$, $F = 13.578$). Multi-cap funds emerge as the most preferred category, while small-cap funds are the least favored among retail investors. Retail investors tend to show a preference for regular plans, involving investments through distributors, as opposed to direct plans. SIP (Systematic Investment Plan) mode of investment is favored over lumpsum investments. Additionally, investors tend to favor low-risk category funds over those with medium or high-risk profiles. Regarding the relative importance of these attributes, annual return is identified as the most critical factor, followed by investment time horizon, fund category, risk grade, mode of investment, and mutual fund plan.

Sanskar Yadav and Shikha Chauhan (2023) state that the investment behavior of salaried employees varies significantly, influenced by factors such as their employment characteristics and income levels. However, one commonality among all salaried employees is the regularity of their income, which often leads to the development of monthly saving habit and, eventually, investments, rather than sporadic savings. This research specifically focuses on individuals who receive a consistent salary. It's worth noting that some investors may lack awareness of the various available investment options, while non-investors may not fully comprehend the importance and benefits of making investments. In the world, there are numerous successful investors who have successfully grown their wealth through investment. Investing is a concept that is simple in principle, involving setting aside some money with the expectation that it will appreciate over time. However, it can also be challenging because it requires individuals to resist the natural inclination to spend immediately and satisfy immediate needs. Successful investing demands patience and discipline, often over extended periods, which can be a challenging feat for many people.

OBJECTIVES OF THE STUDY:

The research pursued the subsequent research objectives:

- ✓ To examine the awareness and perception of investors concerning investments in financial products among Eastern Uttar Pradesh investors.
- ✓ To identify the preferred investment choice among Eastern Uttar Pradesh investors.
- ✓ To ascertain the key considerations investors, take into account prior to making investments in diverse avenues.
- ✓ To determine the general criteria that investors use for making investment decisions.

METHODOLOGY:

- ✓ **Research Design:** To gather thorough and precise information, the researcher employed descriptive research methods.
- ✓ **Research Approach:** The methodology employed in this study is a survey approach.
- ✓ **Research Instrument:** The study utilizes a research instrument that combines questionnaires and personal interviews.
- ✓ **Data Source:** The data utilized in this study is categorized as primary data, which pertains to data collected specifically for this research from the chosen sample group. This primary data was gathered through structured personal interviews conducted using a questionnaire.
- ✓ **Sampling Area:** Varanasi district of Eastern Uttar Pradesh.

- ✓ **Samling Size:** The sample size taken for this study was 385.
- ✓ **Sampling Procedure:** This study employed two distinct sampling methods i.e., snowball sampling and random sampling. Each individual is chosen in a completely random and chance-based manner, ensuring that every person has an equal probability of being selected at any point during the sampling process.
- ✓ **Financial Products (Instrument):** After the review of literature portion the researchers took Gold, Equity Shares, Post Office Schemes, Debentures/Bonds, Mutual Funds and PPF/NPS as the financial products for this research.
- ✓ **Financial Products (Basis):** After reviewing and studying various research, reports and theses the following variables were taken as the basis of financial products, i.e., Safety, Return, Liquidity, Convenience and Tax Benefits.

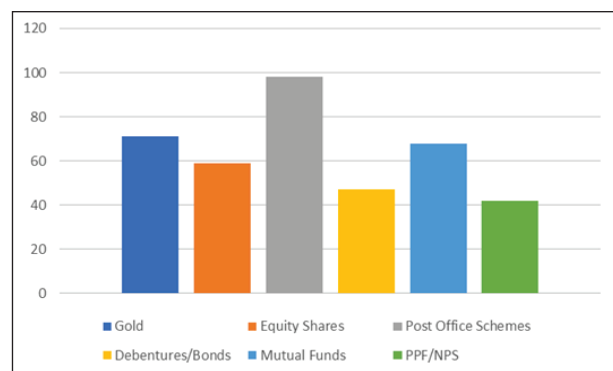
RESULTS & INTERPRETATION:

Table 1: *Investment in Various Financial Products:*

Table 1: Financial Products Avenues

Financial Products	No.	%
Gold	71	18.44
Equity Shares	59	15.32
Post Office Schemes	98	25.45
Debentures/Bonds	47	12.21
Mutual Funds	68	17.67
PPF/NPS	42	10.91
Total	385	100

Figure 1: Financial Products



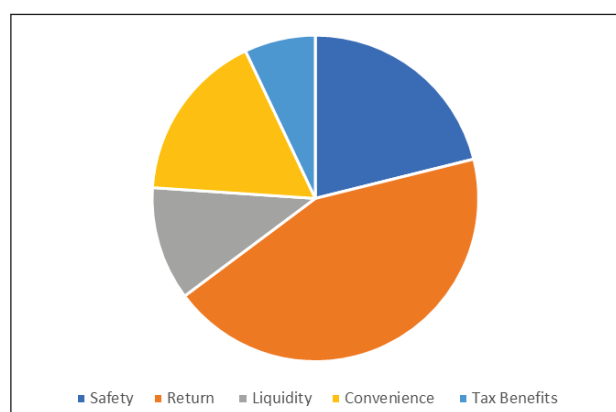
Interpretation: The above table and figure depict that 71(18%) prefer Gold, 59(15%) prefer Equity Shares, 98(25%) prefer Post Office Schemes, 47(12%) prefer Debentures/Bonds, 68(17%) prefer Mutual Funds and 42(11%) prefer PPF/NPS for investments.

Table 2: *Investment (Gold):*

Table 2: Investment (Gold)

Variables	No.	Levene's Test for Equity of Variances	
		F	Sig.
Safety	15	1.323	0.252
Returns	31		
Liquidity	8		
Convenience	12		
Tax Benefits	5		
Total	71		

Figure 2: Investment (Gold)



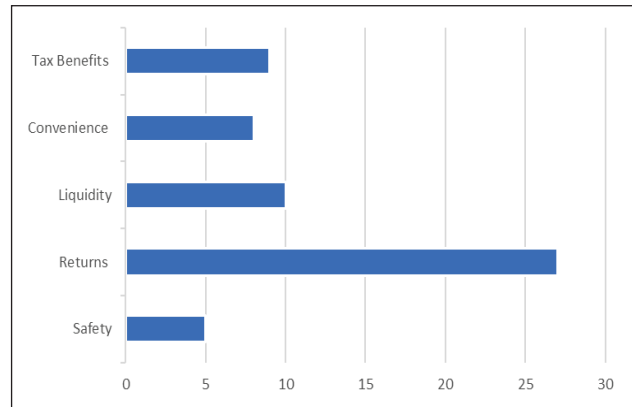
Interpretation: 15(21%) investment purpose is Safety, 31(44%) purpose is Returns, 8(11%) purpose is Liquidity, 12(17%) purpose is Convenience, and 5(7%) purpose is Tax Benefits. The Levene's Test for Equity of Variances F Value is 1.323 and Significance Value is 0.252.

Table 3: *Investment (Equity Shares):*

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Variables	No.	Levene's Test for Equity of Variances	
		F	Sig.
Safety	5	0.490	0.485
Returns	27		
Liquidity	10		
Convenience	8		
Tax Benefits	9		
Total	59		

Figure 3: Investment (Equity Shares)



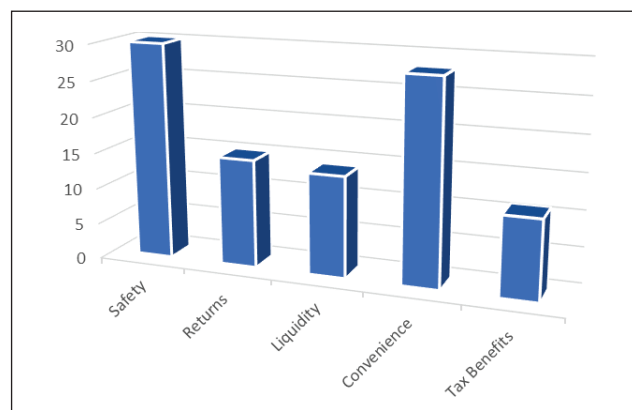
Interpretation: 5(8%) investment purpose is Safety, 27(46%) purpose is Returns, 10(17%) purpose is Liquidity, 8(14%) purpose is Convenience, and 9(15%) purpose is Tax Benefits. The Levene's Test for Equity of Variances F Value is 0.490 and Significance Value is 0.485.

Table 4: *Investment (Post Office Schemes):*

Table 4: Investment (Post Office Schemes)

Variables	No.	Levene's Test for Equity of Variances	
		F	Sig.
Safety	30	3.717	0.056
Returns	15		
Liquidity	14		
Convenience	28		
Tax Benefits	11		
Total	98		

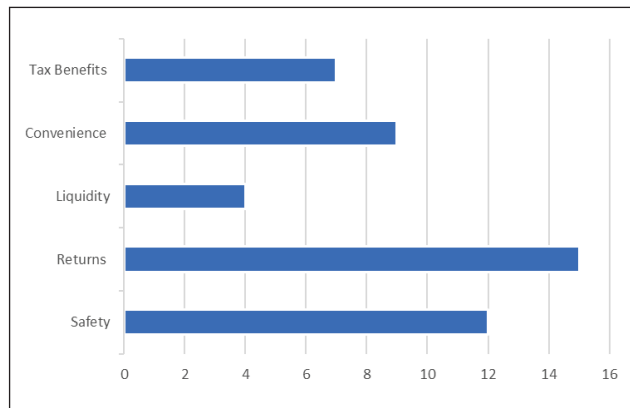
Table 4: Investment (Post Office Schemes)



Interpretation: 30(31%) investment purpose is Safety, 15(15%) purpose is Returns, 14(14%) purpose is Liquidity, 28(29%) purpose is Convenience, and 11(11%) purpose is Tax Benefits. The Levene's Test for Equity of Variances F Value is 3.717 and Significance Value is 0.056.

Table 5: *Investment (Debentures/Bonds):***Table 5: Investment (Debentures/Bonds)**

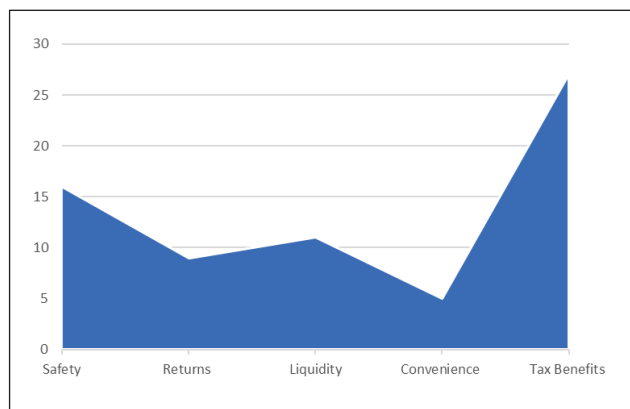
Variables	No.	Levene's Test for Equity of Variances	
		F	Sig.
Safety	12	0.060	0.807
Returns	15		
Liquidity	4		
Convenience	9		
Tax Benefits	7		
Total	47		

Table 5: Investment (Debentures/Bonds)

Interpretation: 12(26%) investment purpose is Safety, 15(32%) purpose is Returns, 4(9%) purpose is Liquidity, 9(19%) purpose is Convenience, and 7(15%) purpose is Tax Benefits. The Levene's Test for Equity of Variances F Value is 0.060 and Significance Value is 0.807.

Table 6: *Investment (Mutual Funds):***Table 6: Investment (Mutual Funds)**

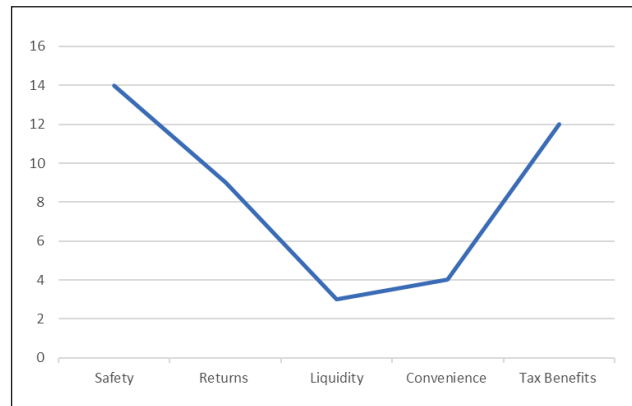
Variables	No.	Levene's Test for Equity of Variances	
		F	Sig.
Safety	16	0.072	0.788
Returns	9		
Liquidity	11		
Convenience	5		
Tax Benefits	27		
Total	68		

Table 6: Investment (Mutual Funds)

Interpretation: 16(24%) investment purpose is Safety, 9(13%) purpose is Returns, 11(17%) purpose is Liquidity, 5(7%) purpose is Convenience, and 27(40%) purpose is Tax Benefits. The Levene's Test for Equity of Variances F Value is 0.060 and Significance Value is 0.807.

Table 7: Investment (PPF/NPS):**Table 7: Investment (PPF/NPS)**

Variables	No.	Levene's Test for Equity of Variances	
		F	Sig.
Safety	14	1.153	0.631
Returns	9		
Liquidity	3		
Convenience	4		
Tax Benefits	12		
Total	42		

Table 7: Investment (PPF/NPS)

Interpretation: 14(33%) investment purpose is Safety, 9(21%) purpose is Returns, 3(7%) purpose is Liquidity, 4(10%) purpose is Convenience, and 12(29%) purpose is Tax Benefits. The Levene's Test for Equity of Variances F Value is 1.153 and Significance Value is 0.631.

Table 8: Overall Comparison:**Table 8: Overall Comparison**

Rank	Gold	Equity	Post Office Shares	Debentures/ Schemes	Mutual Bonds	PPF/NPS Funds
1	Returns	Returns	Safety	Returns	Tax Benefits	Safety
2	Safety	Liquidity	Convenience	Safety	Safety	Tax Benefits
3	Convenience	Tax Benefits	Returns	Convenience	Liquidity	Returns
4	Liquidity	Convenience	Liquidity	Tax Benefits	Returns	Convenience
5	Tax Benefits	Safety	Tax Benefits	Liquidity	Convenience	Liquidity

Interpretation: For a majority of the investors, the main factors that influenced them were Returns and Safety of their investments. The other factors such as Liquidity, Convenience and Tax Benefits had their own place and relative importance according to the different set of customers.

CONCLUSION:

Financial products encompass physical or digital representations of legal agreements involving various monetary values. Financial products serve different financial purposes, from generating returns on investments to providing security or facilitating financial transactions. The perception of investors regarding financial products refers to how individuals or entities view and assess various financial instruments or assets available for investment in the market. In this research an attempt was made to understand what exactly are the main factors that influence a particular investor to invest in a specified financial product. The financial products that were considered for this research were Gold, Equity Shares, Post Office Schemes, Debentures/Bonds, Mutual Funds and PPF/NPS. The influencing factors that were taken for this research were Safety, Returns, Liquidity, Convenience and Tax Benefits. A total of 385 investors of the Varanasi district, Eastern Uttar Pradesh were taken as the sample. In the end it was found that mainly investors considered Returns and Safety as the most important factor and the rest i.e., Liquidity, Convenience and Tax Benefits had their own importance in the eyes of the investors.

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