Research on the Factors Influencing Financial Managers to Purchase Internet Financial Products

Na Liu[1] and En Deng[1(✉)] and Li Zhou[2]

[1]Hunan Open University, Changsha, Hunan, 410000, China
63653789@qq.com
[2]Bank of Hunan Corporation Limited, Changsha, Hunan, 410000, China

Abstract. With the emerging technology boom represented by cloud computing, big data, artificial intelligence, etc., people are increasingly willing to buy Internet financial products online. Especially comparing with traditional financial products, the low threshold advantage of Internet financial products has gained the favor of long-tail customers. By describing the characteristics of Internet financial products, the article examines the study of investors' influence factors on the purchase of Internet financial products from the perspective of investors, and provides some references to improve the sales of Internet financial products.

Keywords: Internet Finance, Financial Products, Influencing Factors.

1 Introduction

The booming development of e-commerce has changed people's consumption habits and payment methods, and people are more and more willing to buy goods online, while financial products, as a kind of goods, are also in people's purchase list. Especially with the addition of emerging technologies such as cloud computing, big data, artificial intelligence and block chain, Internet financial products have rapidly occupied the financial products market with their advantages over traditional financial products. But this well-developed state of affairs did not last long, to balance treasure, for example, in May 2014 balance treasure seven-day annualized yield is still in about 5%, to December 2022, and balance treasure yield is 1.37%, a significant drop. 2020 November 30 P2P platform's full clearance, one after another outbreak of Internet financial platform with money to run away and continued decline in product yields. Not only did it affect the investment atmosphere of the Internet financial products market, but also hit investors' investment confidence and enthusiasm, and the Internet financial products market suffered a cold spell. This paper hopes to re-invigorate investors' enthusiasm for Internet financial products and increase the sales volume of Internet financial products through the analysis of the factors influencing investors' purchasing behavior.

J. Li (ed.), *Proceedings of the SSEME Workshop on Social Sciences and Education (SSEME-SSE 2023)*,
Advances in Social Science, Education and Humanities Research 777,
https://doi.org/10.2991/978-2-38476-116-6_7

2 Characteristics of Internet Financial Products

2.1 Low Purchase Threshold

Traditional financial products set high purchase thresholds. People who want to purchase traditional funds must purchase at least 10,000 Yuan worth of shares, and for traditional commercial bank financial products, they need to purchase at least 50,000 Yuan worth of shares. This is a high threshold for the vast majority of the general public, so that they cannot enjoy the benefits of financial wealth management. However, Internet financial products take these long-tail customers as the main target, and lower the threshold of financial products greatly, even to the ultra-low threshold of starting from one Yuan. As a representative of the Internet fund products, Balance Pay, for example, has been warmly sought after by the people with its one-dollar investment starting point, attracting people to buy their idle funds from Balance Pay and satisfying their investment needs.

2.2 Higher Yield

The yields of Internet financial products are generally partly higher than the demand deposit rates of commercial banks, which can bring investors higher interest returns with the same principal amount. Take Balance Pay for example, the seven-day annualized yield of Balance Pay in 2014 is 14 times higher than the current demand deposit rate of commercial banks, and even higher than the one-year time deposit rate of banks in the same period.

2.3 Simple Operation and Easy to Use

Take Balance Pay as an example, the purchase of this product uses the way of network signing, investors only need to download the Alipay APP software in the cell phone terminal, open the Alipay account, and at the same time bind the bank card, then they can sign up for Balance Pay directly in the Alipay platform. Investors only need to move their fingers to complete the entire signing process, to achieve a one-click account. At the same time, investors can see their daily earnings in real time on their cell phones, subscription and redemption are "T+0" mode, you can subscribe and redeem at any time, you can also spend the money in the balance of the treasure in real time, so that investors can spend and invest. These products are faster to realize, eliminating the middleman status of banks and allowing investors to contact the Internet financial platform directly, saving investors' time costs. In addition, investors can directly view the operation of the product on major fund sales websites and can adjust the investment amount of the product at any time according to their needs.

2.4 Potential Risks

Internet financial products have the above 3 advantages, but at the same time there are also many risks. The liquidity risk of such products is large. If the platform does not manage the funds properly, or because of social opinion and other reasons, it is easy for investors to concentrate on redemptions, leading to the risk of a run and thus a liquidity crisis. At the same time, such products are prone to operational risks, as the entire investment operation process is carried out on the Internet, which is prone to technical operational risks such as hacker attacks and computer viruses. In addition, due to the ambiguous positioning of the role of the Internet financial platform and the lack of perfect regulation of the relevant laws at present, the Internet financial platform not only assumes the role of information intermediary, but also assumes the role of sales, which is easily driven by interests and launches similar products one after another, triggering systemic risks in the financial market [1].

3 Influencing Factors of Investors' Purchase of Internet Financial Products

3.1 Investor's Willingness to Buy

An investor's willingness to buy refers to the degree to which the investor's mind desires to purchase a commodity. In general, the higher the degree to which people desire to buy such a good, the more likely it is that a purchase will occur. On the contrary, if the investor has no willingness to buy, then the probability of the purchase occurring is very small and almost negligible [2].

In this paper, based on the integrated technology acceptance and use model (UTAUT) of Venkatesh and Morris (2003) [3], a new model for measuring investors' willingness to purchase is developed by retaining four variables such as performance expectation, effort expectation, social influence, and convenience in the original model and adding the variable of risk perception. Its main theoretical model is shown in Figure 1 as follows:

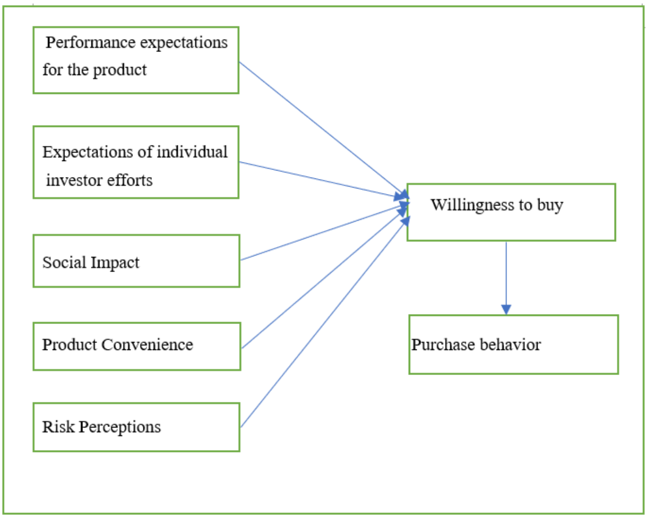

Fig. 1. The theoretical research model constructed in this paper.

Investors' willingness to buy is broadly composed of five factors: performance expectations of the product, personal effort expectations of the investor, social influence, convenience of the product, and risk perception. We measured the answers to the returned research questionnaires on a variable scale from number 1: strongly disagree to number 5: strongly agree.

The performance expectation of a product refers to the efficacy that people hope the product will bring to the user when they use it, satisfying the investor's need to obtain a return. According to the empirical results, it is found that when the performance expectation of the product is higher, investors are more willing to purchase; and vice versa, they are less willing to purchase. Thus, the performance expectation of a product positively contributes to the purchase intention of investors. The individual investor's effort expectation refers to the degree of difficulty that the individual investor has in operating the product during the purchase of the class. If the investor buys this type of product and the operation process is easy and convenient, then the investor's willingness to buy is higher; if the operation process of buying this product is complicated and time-consuming, then the investor's willingness to buy is lower or even no willingness to buy. That is, the investor's personal effort expectation has a negative effect on the investor's willingness to purchase. Social influence refers to the extent to which investors are influenced by the social groups around them when making purchase decisions [4]. When investors make purchase decisions, due to the influence of herd mentality, they think that most people's words and behaviors are right [5]. When investors are surrounded by friends, relatives and network celebrities recommending or touting a financial product, they will blindly listen to the words of their friends, relatives and network celebrities and make decisions. Therefore, social influence positively affects investors' willingness to purchase. The convenience of the product refers to investors' perception of the purchase channel and platform technical support when buying such products. When investors perceive that the platform for purchasing the product is safe and reliable, the technical support is strong, and it is convenient and easy to purchase the product, then investors are more willing to purchase. Therefore, the convenience of the product has a positive impact on investors' willingness to purchase. Risk perception refers to the investor's perception of the product and the risk of the purchase process. When investors purchase a product, they believe that the product generates greater property losses, the platform has greater operational risk and is prone to leaking investor information, and investors take a lower willingness to purchase, and vice versa. That is, risk perception has a negative impact on investors' willingness to buy.

3.2 Irrational Behavior of Investors

Classical finance theory considers the investor as a "perfectly rational person" who makes all decisions in order to maximize expected returns. However, in real life, investors are affected by their own emotions and psychological activities, so they cannot make investment decisions according to the principle of "fully rational person" and may have irrational behaviors.

Generally speaking, there are four types of the irrational behavior of investors as follows: the first one, overconfidence. Investors overly trust their expertise and believe that the accuracy of the conclusions inferred from their expertise is more important than the objective facts, for example, investors judge that the stock market is up according to their expertise, and the objective facts reflect the signal that the stock market is down, investors are bent on increasing the volume of stocks in the market blindly, intensifying the fallibility of the market. The second, representativeness bias. When investors encounter similar products, they are accustomed to extrapolating the results represented by large trends to a small sample, which makes them prone to investment decision bias. For example, when choosing investment products, investors tend to favor those funds and financial products with better historical performance, believing that the historical performance is good and the future return performance is as good as the historical performance, resulting in making decisions that are not necessarily correct. The third type, conservative bias. Investors are less willing to try new things and are conservative, preferring to maintain their existing investment status, not interested in new products, and making decisions with "hindsight"[6]. For example, investors are reluctant to try various new financial products and still stick to their original investment decisions. The fourth type, fuzzy avoidance. Investors are constantly concerned about things they are familiar with, and actively ignore things they are not familiar with, resulting in investors investing in stocks, favoring stocks of large companies that they often see and are household names, while ignoring emerging stocks with potential, and investors' decisions are biased [7].

4 Suggestions for Countermeasures

In order to enhance investors' purchase of Internet financial products and promote the sustainable and healthy development of the Internet financial market, we propose four countermeasure suggestions at both investor and corporate levels.

4.1 Reduce Irrational Behavior and Establish the Concept of Rational Investment

Investment and financial management activity is a comprehensive decision-making activity that involves not only professional financial knowledge but also psychological activities. If investors cannot clearly understand their own cognitive biases and reduce irrational behavior, then investors are largely unable to make optimal decisions that are the most beneficial to them. Therefore, investors must first establish the concept of rational investment and use rational thinking to match the product features and product characteristics they need by using reference criteria such as the product's yield, historical performance, subscription and redemption period requirements, risk level, and daily withdrawal amount to select the product that best meets their requirements. Before making purchase decisions, investors also need to recognize the existence of biases in their own perceptions, exclude the interference of psychological emotions, such as whether there is herd behavior, overconfidence, ignoring objective facts, paying too much attention to past historical performance, etc. By establishing the concept of rational investment, based on objective facts, according to the principle of maximizing returns, not collecting as much information as possible in accordance with the clouds, and making scientific investment decisions to reduce investment failure.

4.2 Enhance the Awareness of Risk Prevention

In the process of purchasing financial products, investors should first understand their own risk appetite and choose suitable financial products according to the degree of risk they can bear. It is also necessary to understand the various risks in the investment process, such as the leakage of personal privacy information involved in the operation process, difficulties in the redemption and withdrawal of funds, decision-making errors, loss of funds, operational errors, etc. The risk focus of each type of financial products is different, and the risk at each stage of the investment process is also different. Investors need to clearly cognize all kinds of risks and make correct investment decisions according to the risk level they can bear.

4.3 Optimize the Design of Financial Products

Technology is constantly advancing, and investors want to enjoy multi-functional products, simplified purchase processes and a better sense of purchase experience while gaining economic benefits. For example, investors hope that financial products can be more lifelike and highly integrated with life scenes, and financial products can not only obtain economic benefits, but also live to pay bills, transfer money, daily consumption, etc. At the same time, the operation interface and purchase process of products are simplified as much as possible, and product descriptions are listed in charts and diagrams as much as possible, with concise and clear text, and complex operation steps are reduced as much as possible, and only necessary operation steps are retained to enhance investors' experience in the product descriptions should be as simple as possible.

4.4 Improve the Security Construction of the Platform

Compared with foreign countries, China's Internet wealth management market is still in its infancy, and most investors in the long-tail customers are weak in financial awareness and have not yet fully awakened, requiring relevant enterprises to continuously improve product quality, activate the innovative vitality of the wealth management market, and strengthen online and offline publicity to attract investors to buy financial products. Enterprises enhance investors' investment confidence in investment platforms and products by strengthening the security construction of platforms, such as displaying in detail the number of people who have purchased the products, the remaining amount, accident protection, and protocols, etc., hiring professional technical teams to maintain platform information technology security, reducing investors' risk perception of platforms, enhancing investors' willingness to purchase, establishing a word-of-mouth effect, and attracting more investors to invest.

Fund Project: Research Project of Hunan Open University "Research on the Influence Factors of Investors' Purchase of Internet Financial Products" (KDK2020-C-28) 2022 Hunan Provincial Vocational Education Teaching Reform Research Project, "Research on Reforming the Cultivation Model of New High-Quality Talents of Open Higher Vocational Business in the Context of Digital Empowerment" (ZJGB2022649).

References

1. Chen Rongda, Lin Bo, He Changying, Jin Zhanlu. Internet financial characteristics, investor sentiment and returns of Internet financial products. Journal of Economic Research, 54(07): 78-93 (2019).
2. Venkatesh V, Morris M G, Davis G B, et al. User acceptance of information technology: Toward a unified view. Journal of MIS quarterly, 425-478 (2003).
3. Alireza Abroad, Yap Voon Choong, Saravanan Muthaiga, et al. Adopting e-finance: decomposing the technology acceptance model for investors. Journal of Service Business, 9(1): 161-182 (2015).
4. Waggle D, P Agrrawal, Investor Sentiment and Short-Term Returns for Size-adjusted Value and Growth Portfolios. Journal of Behavioral Finance, 16(1): 81-93 (2015).
5. D'Arcangelo M, Rotundo G. Herding in mutual funds: A complex networks approach. Journal of Business Research, 129: 679-686 (2021).
6. Ahmad F, Oriani R, Angelis M. Investor's intrinsic motives and the valence of word-of-mouth in sequential decision-making. Journal of Behavioral Finance, 22(2): 170-188 (2021).
7. Wu Xintong, Mei Zuyi, Song Ruiling, Zhang Yinghao, Qiu Yiwen. The relationship between consumer risk perception and consumption intention is based on the mediating role of risk attitude. Journal of China Business, 56(02): 92-95 (2019).