The Awareness of Investments in Financial Assets and Equity Trading Preference with Financial Intermediaries

Mrs. Jyothi Acharya[1*]   **Mrs. Sumalatha P J[2*]**   **Mrs. Prathibha S Bhat[3*]**

1,2,3* Poornaprajna College, Udupi

joacharya0302@gmail.com   sumapurpunja@gmail.com   prathiba.s4@gmail.com

Abstract

Introduction- The aim of the research is to understand the importance of awareness of investments in financial assets. Since the stock is an integral part of financial assets, the role of financial intermediaries in managing equity trading is the extended purpose of this research. Financial intermediaries are responsible for reducing risk factors associated with an investment in financial assets including the stock trading process.

It has been seen that an insufficient plan of investment in financial assets brings inflation risks, market risks, company risks, and credit risks which are associated with uncertainty and potential financial loss. The awareness of investment includes diversification in investments and better financial planning.

In this study, the primary quantitative method has been used to extract effective and relevant results from a pile of information. A survey was conducted among 55 persons by distributing the questionnaire developed with 14 distinct questions.

A statistical and numerical analysis is performed through the statistical software, named SPSS. It has been seen that the response rate is 100% which indicates the reliability of the outcomes. The descriptive analysis, correlational test, and hypothesis analysis are performed in this analysis.

It can be concluded that in contemporary days, investment in stocks comes into the limelight as it returns more compared to the money saved in the bank account. However, it is associated with several risk components that can occur due to the sudden change in monetary

or fiscal policy, financial market demand, decline in the company's value, and failure to return the loans within time

Keywords: *Financial assets, awareness in investment, stock shares, equity trading, financial mediators.*

1. Introduction

The non-physical liquid assets, bring value from either ownership claim or the contractual right. Financial assets indicate cash, mutual funds, stocks, and bank deposits. Hence, it appears that these do not have any kind of physical worth or form and denote components of supply and demand with a certain degree of risk. The awareness of investment includes the process of gaining knowledge on fundamental factors related to financial assets. These factors are return of investment (ROI), costs, time to goals, tax consideration, and liquidity as it helps in making a good investment with fewer risk factors.
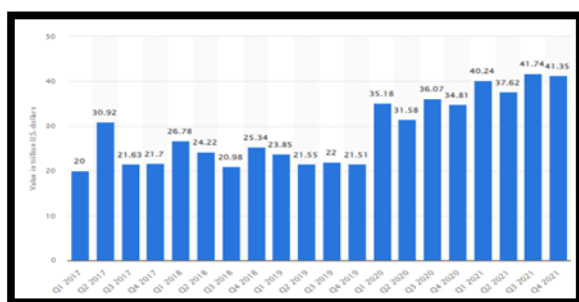

Figure 1: Global Equity Trading Value

(Source: Statista, 2023)

From the above figure 1, it can be illustrated that the equity trading value has increased drastically in the first quarter of 2020 compared to the last quarter of 2019. Further, the above diagram shows a significant up and down in the global enquiry trading value in 2020-2021. The use of financial intermediaries in equity trading involves the advantages of security, access and management to assets, and liquidity.

2 Research Objectives

❖ To understand the concept of financial assets, equity trading, and financial intermediaries

❖ To determine the risk factors lying in the process of investing on financial assets in current years

❖ To illustrate the importance of increasing awareness among people regarding the investment in financial assets

❖ To evaluate the role of financial intermediaries in the process of equity trading in recent years

3 Hypothesis Development

The pre-assumptions, developed based on the primary research on the content, are defined as the hypothesis (Scheel et al. 2021). In this study, the

dependent variable is financial assets and the independent variables are awareness of investment, equity trading, and financial intermediaries.

H1: There is a proactive relationship between financial assets and the awareness of investment.

H2: There is a strong connection between financial assets and equity trading.

H3: There is a well-defined association between financial assets and financial intermediaries.

The study is significant for understanding the concept of financial assets and the role of increasing awareness before investing in these assets. Further, the study offers the idea of the risk associated with financial assets and equity trading in contemporary days.

4 Literature Review

Concept of Financial Assets, Equity Trading, and Financial Intermediaries

The concept of financial assets lying in between intangible assets and real assets. As stated by Schär(2021), financial assets gain value from the contractual claim. There are different types of financial assets according to the International Financial Reporting Standards. Further, these assets include cash, the contractual rights to move or exchange financial assets, the equity instrument of an entity, a settlement contract, and many others notion of

Choiriyahet al.(2020), exchanging stock shares from one owner to another is defined as equity trading. It is important to create wealth for investors in the competitive marketplace.

The concept of financial intermediaries can be illustrated by the entities who are responsible for conducting economic transactions between two or more parties. As highlighted by Park & Kim (2020), financial intermediaries have adequate knowledge of the current value of the equity and other financial aspects. Hence, with their help, an individual can trade equity with security and the risks accompanied with financial status can be optimised.

5 Risks of investing in financial assets and equity trading

Inflation risk

Inflation depicts the rise in the price of products and goods which become threats when made investments fail to keep pace with inflation (Cieslak & Pflueger, 2023). The increase in inflation causes a decrease in the purchasing power of bond payments. Hence, it appears that this risk becomes a threat to cash users or individuals with fixed-income securities.

Market risks

Due to the development in the economic market, the scope of losing the value of investments is defined by market

risk. As per the words of Aslam et al.(2020), market movement in interest rate and currency exchange rates cause the creation of market risk.

Credit risks

This type of risk is usually seen in banking sectors which indicates the financial loss of banks due to the failure to repay loans of borrowers (Raiter, 2021). It has been seen that the demand for compensation increases from the side of investors as the credit risks of an investmentincrease. Due to the credit risks, the cash flow hiders and the corsets for collection increased significantly.

Company risks

This risk highlights the issue of increasing the stock value of a company in the competitive marketplace (Li, Liao &Albitar, 2020). Company risks impact the reputation of the business and as a result, investors are likely to withdraw their investment.

6 Awareness of investment in financial assets

Investment awareness is required to gain advantages and optimise the risk factors accompanying the investment made in financial assets.

Better Financial Planning

It has been noticed that investing at the right time and in the right assets helps get more returns compared to the returns gained by saving money in a bank account only (Lei, Xu & Jin, 2022). Therefore, it appears that better financial planning helps to obtain awareness about the current stock market and the investment procedure.

Diversification of investment

As per the statement of Gulshirin & Abdulazizovich (2022), investing in diverse assets comes with several risk factors; however, it brings a high opportunity to get a great return. Awareness among people about not investing in one asset only is essential as when one portion goes through losses, the other portion can gain profit. Therefore, it can be stated that diverse investment is a crucial step to increase awareness among people regarding investing in financial assets.

Great Tax benefits

As per the words of Mazzucato (2020), long-term investment requires half of the tax which is paid while working. Hence, it appears that through diverse long-term investments in financial assets, an individual can need to pay less tax compared to the tax paid for working.

7 Role of financial intermediaries in equity trading

Provide stock market products: Financial intermediaries completely focus on the capital market which is effective in bringing maximum profit from the market.

Not only in the stock market, financial intermediaries help to make an effective investment in real estate, commodities, and other types of assets (Tanuwijaya & Setyawan, 2021).

Spreading risks: As financial intermediaries have adequate knowledge of the stock exchange and the stock market, hence it can be stated that these entities also have information on risk factors regarding financial assets (Aramonte, Schrimpf & Shin, 2022). It has been observed that financial mediators often diversify the investment into different assets and introduce diversification in equity trading which lowers the risk of complete financial loss.

Special financial services: On the other hand, financial intermediaries are crucial in equity trading as they provide special financial services to clients (Carnell et al. 2021). These special services contain consultancy about investment in real estate and the solution of potential issues regarding the stock exchange.

Creating a platform: Financial intermediaries are crucial in equity trending as these entities generate a specific central market to conduct sensitive financial transactions (Broby, 2021). This platform is controlled by these entities which optimise the other risk factors such as opportunity risk, credit risk, and market risk.

8 Literature Gap: The lack of practical examples along with numerical information regarding the awareness of investment in financial assets and equity trading creates an evidence-based literature gap in this study. Besides this, the lack of connection between the theory and equity trading generates a theoretical gap in this research. The insufficient reliable information creates an empirical-based literature gap in this case. Further, failing to cover approaches for outstanding investment in financial assets and equity trading creates another literature gap.

9 Methodology

The systematic approach of extracting results from a pile of information through a series of steps is defined as research methodology (Newman & Gough, 2020). In this study, the quantitative research strategy has been used. The quantitative strategy is used in this research since it allows one to deal with numerical figures and interpret data in an attractive and understandable manner. For the research approach, deductive approach and research design, descriptive design has been used. As per the statement of Pandey & Pandey (2021), the deductive approach helps to gain an idea of the concept by observing a series of information and the descriptive design provides a summation of information in an

understandable manner.The primary method of a survey has been used to collect information. 55 people are targeted to perform the survey and to conduct it, a questionnaire with 14 questions is designed. Further,for data analysis, the SPSS tool is used as the statistical, numerical, and mathematical measurements are done to explore and explain gathered responses.

9 Findings and Analysis

Response Rate
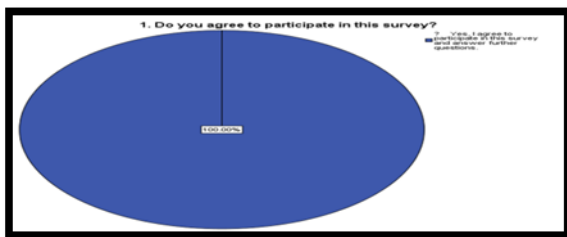
Figure 1: Response Rate(Source: SPSS)

The response rate is 100% which indicates the high authenticity of the results which is shown in figure 1.

Gender

Figure 2: Gender

(Source: SPSS)

From the above chart, it can be illustrated that among 55 participants, 36

are female (65.45%) and 17 are male (30.91%). Besides this, it has been noticed that only 2 people (3.64%) did not want to disclose their gender and selected the third option stating prefer not to say. Hence, it appears that most participants are female who gave their valuable views regarding this content.
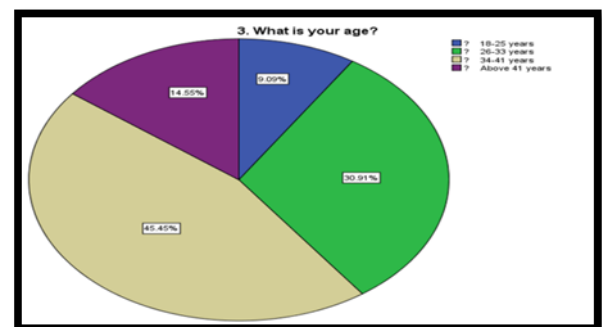
Age

Figure 3: Age Group

(Source: SPSS)

Among total respondents, 5 respondents belong to 18-25 years (9.09%,) 17 respondents belong to 26-33 years (30.91%,) and 25 respondents belong to 34-41 years (45.45%) and 8 respondents are above 41 years (14.55%).
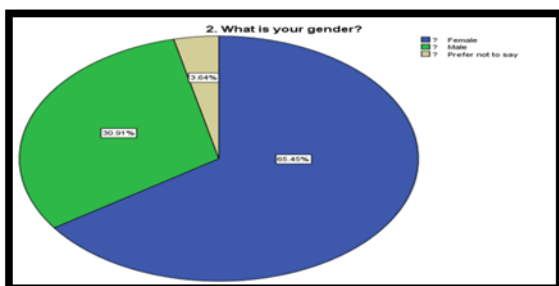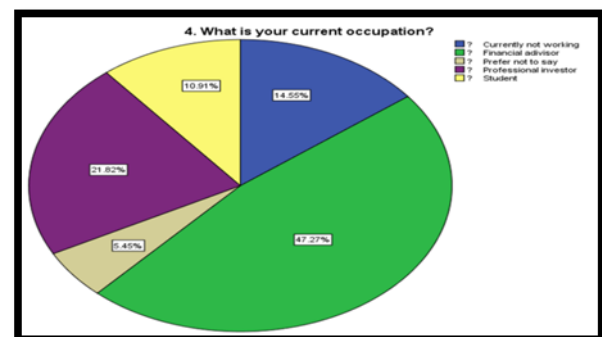
Profession

Figure 4: Occupation

(Source: SPSS)

From the above pie chart 10, it can be evaluated that 47.27% and 21.82% of total participants are financial advisors and professional investors respectively. Further, it has been seen that about 14.55% and 5.45% of total respondents are either not employed yet or are students. Moreover, 10.91% of people did not want to disclose their profession or designation.

Descriptive Analysis

Descriptive Statistics								
	N	Range	Minimum	Maximum	Mean		Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
DV_Financial_Assets	55	8.00	2.00	10.00	3.6182	.21787	1.61579	2.611
IV1_Awareness_Of_Investment	55	8.00	2.00	10.00	3.4364	.21362	1.58422	2.510
IV2_Equity_Trading	55	12.00	3.00	15.00	4.8182	.31150	2.31013	5.337
IV3_Financial_Intermediaries	55	8.00	2.00	10.00	3.0909	.21598	1.60177	2.566
Valid N (listwise)	55							

Table 1: Descriptive Test

(Source: SPSS)

Descriptive analysis is performed to gain the summation of gathered information in numerical figures. As per the comment of Mishra et al.(2019), descriptive tests help to gain an idea of the distribution of the data by highlighting mean, standard deviation, and variances. In this case, the means are 3.6182, 3.4364, 4.8182, and 3.0909 for variables named financial assets, awareness of investments, equity trading, and financial intermediaries respectively as shown in table 1. On the other hand, the standard deviation and variance show the central tendency of the data which describes the point where the most data is clustered.

Correlational Test

Correlations		DV_Financial_Assets	IV1	IV2	IV3
DV_Financial_Assets	Pearson Correlation	1	.623**	.725**	.658**
	Sig. (2-tailed)		.000	.000	.000
	N	55	55	55	55
IV1_Awareness_Of_Investment	Pearson Correlation	.623**	1	.806**	.816**
	Sig. (2-tailed)	.000		.000	.000
	N	55	55	55	55
IV2_Equity_Trading	Pearson Correlation	.725**	.806**	1	.855**
	Sig. (2-tailed)	.000	.000		.000
	N	55	55	55	55
IV3_Financial_Intermediaries	Pearson Correlation	.658**	.816**	.855**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	55	55	55	55

Table 2: Pearson Correlational Test

(Source: SPSS)

The correlation test is conducted to measure the strength between selected variables through numerical figures. As per the words of Makowski et al. (2020), with correlation tests, an individual can understand how dependent is one variable on the other. In this study, among different processes of measuring the strength of the relationship between variables, the Pearson correlation test is performed. As per the findings of Armstrong (2019), a value of more than 0.6 indicates a moderate level of strength whereas a value of more than 0.8 shows a strong relationship. Hence, it appears that the financial assets, awareness of investment, equity trading, and financial intermediaries share either a moderate or strong relationship as shown in the tabular representation 2.

From the Below table 3, it can be stated that the value of R is 0.623. As stated by Maulud& Abdulazeez (2020), the value of R states represents the impact of the predictor variable on the dependent variable.

Hypothesis 1 Analysis

Table 3: Linear Regression Test of Hypothesis 1

(Source: SPSS)

Further, the significant value for this predictor variable in the t-test is 0.000 which is less than 0.05. Hence, it can be stated that hypothesis 1 is accepted and thus a proactive relationship is present between financial assets and the awareness of investment.

Hypothesis 2 Analysis

Table 4: Linear Regression Test of Hypothesis 2

(Source: SPSS)

The R Square value is 0.526 for this hypothesis as shown in table 4. As opined by Maulud& Abdulazeez (2020), the R square value describes the percentage of data of dependable variables which can be explained through the predictor variable. Further, the significant value of the t-test for this hypothesis is 0.000 which is less than 0.05 and hence it can be stated that the hypothesis is accepted. Further, it can be asserted that a strong connection is present between financial assets and equity trading.

Hypothesis 3 Analysis

Table 5: Linear Regression Test of Hypothesis 3

(Source: SPSS)

From the above table 5, it can be said that the significant value is 0.000 which is less than 0.05. Therefore, it can be stated that the hypothesis is accepted and hence a well-defined association is present between financial assets and financial intermediaries.

10 Discussion

From the research it can be stated that the value of the financial assets increased year by year and it became more than 21 billion in 2019. Cash, mutual funds, and bank deposits are common financial assets whereas the company stock becomes an integral part of it.

Therefore, the movement of these stocks and investment in these stocks become important. The increase in the value of equity trading and the investment in financial assets comes with several risks.

From the study, it has been seen that inflation risk, market risk, credit risk, and company risk are the types of risks accompanying the investment process in financial assets. As per the findings of Chenet, Ryan-Collins & Van Lerven(2021), these different types of risks bring uncertainty in investing and the scope of financial loss. Inorder to overcome these risk factors, adequate awareness among people regarding the investment procedure is required. Financial intermediaries play the role of the entities responsible for managing the financial transaction and increasing awareness among people. As per the word of Grealish & Kolm (2021), financial advisors increase awareness by informing clients to go through the investment policy carefully and diversify investments. Further, better financial planning is effective in increasing awareness among people from the side of financial intermediaries. It has been seen that three hypotheses are accepted as the significant value is less than 0.05.

11 Conclusion

Thus, it can be concluded that the mode between the intangible assets and the real assets is referred to as the financial assets. The major portion of this liquidity assets consists of stock. The process of exchanging the ownership of stocks is defined as equity trading. In contemporary days, investment in stocks comes into the limelight as it returns more compared to the money saved in the bank account. However, it is associated with several risk components that can occur due to the sudden change in monetary or fiscal policy, financial market demand, decline in the company's value, and failure to return the loans within time. In order to measure these risks, financial intermediaries are used and besides this role, these entities are responsible for generating a platform where financial transactions can occur without hindrance. From analysis through SPSS, it can be summarised that three hypotheses are accepted which indicate the relationship between the dependent variable financial assets and the independent variables identified as awareness of investment, equity trading, and financial intermediaries.

References

❖ Anowor, O. F., Uwakwe, Q. C., & Chikwendu, N. F. (2019). How investment does affect unemployment in a developing economy. Sumerianz Journal of Economics and Finance, 2(7), 82-88.

❖ Aramonte, S., Schrimpf, A., & Shin, H. S. (2022). Non-bank financial intermediaries and financial stability. The Research Handbook of Financial Markets.

❖ Armstrong, R. A. (2019). Should Pearson's correlation coefficient be avoided?.Ophthalmic and Physiological Optics, 39(5), 316-327.

❖ Carnell, R. S., Macey, J. R., Miller, G. P., & Conti-Brown, P. (2021). The law of financial institutions. Aspen Publishing.

❖ Choiriyah, C., Fatimah, F., Agustina, S., &Ulfa, U. (2020). The effect of return on assets, return on equity, net profit margin, earning per share, and operating profit margin on stock

❖ prices of banking companies in Indonesia Stock Exchange. International Journal of Finance Research, 1(2), 103-123.

❖ Cieslak, A., & Pflueger, C. (2023). Inflation and asset returns. Annual Review of Financial Economics, 15. Retrieved on 28th August 2023 from:

https://www.nber.org/system/files/working_papers/w30982/w30982.pdf

❖ Dequech, D. (2022). Conventions in Keynes's theory of goods markets: investment and production decisions. Journal of Post Keynesian Economics, 45(1), 145-167.

❖ Grealish, A., & Kolm, P. N. (2021). Robo-advisory: From investing principles and algorithms to future developments. Machine learning in financial markets: A guide to contemporary practice. Cambridge: Cambridge University Press. http://dx. doi. org/10.2139/ssrn, 3776826..

❖ Lei, X. T., Xu, Q. Y., & Jin, C. Z. (2022). Nature of property right and the motives for holding cash: Empirical evidence from Chinese listed companies. Managerial and Decision Economics, 43(5), 1482-1500.

❖ Makowski, D., Ben-Shachar, M. S., Patil, I., &Lüdecke, D. (2020). Methods and algorithms for correlation analysis in R. Journal of Open Source Software, 5(51), 2306.

❖ Mishra, P., Pandey, C. M., Singh, U., Gupta, A., Sahu, C., &Keshri, A. (2019). Descriptive statistics and normality tests for statistical data.

Annals of cardiac anaesthesia, 22(1), 67.

❖ Ostry, J. D., Berg, A., & Kothari, S. (2021). Growth- equity trade- offs in structural reforms. Scottish Journal of Political Economy, 68(2), 209-237.

❖ Pandey, P., & Pandey, M. M. (2021). Research methodology tools and techniques. Bridge Center.

❖ Park, H., & Kim, J. D. (2020). Transition towards green banking: role of financial regulators and financial institutions. Asian Journal of Sustainability and Social Responsibility, 5(1), 1-25.

❖ Rampini, A. A., & Viswanathan, S. (2019). Financial intermediary capital. The Review of Economic Studies, 86(1), 413-455.

❖ Statista 2023, Value of global equity trading worldwide from 1st quarter 2017 to 4th quarter 2021

❖ Stulz, R. M., Taboada, A. G., & Van Dijk, M. A. (2022). The determinants of bank liquid asset holdings (No. w30340). National Bureau of Economic Research.

❖ Tanuwijaya, K., &Setyawan, I. (2021). Can financial literacy become an effective mediator for investment intention?.Accounting, 7(7), 1591-1600

❖ Wang, F., Zhang, R., Ahmed, F., & Muhammed Shah, S. M. (2022). Impact of investment behaviour on financial markets during COVID-19: A case of UK. Economic research-Ekonomskaistraživanja, 35(1), 2273-2291