

A Comparative Study of the Investment Behavior of Financial Asset Investors

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Abstract. In China's capital market, investors can be divided into two categories: individual investors and institutional investors. Different from foreign capital markets, in China's capital market, individual investors account for a relatively high proportion of investors, China's market is basically dominated by individual investors, retail characteristics are obvious. Due to the short establishment of China's capital market, it is not a completely effective market, the entry threshold is low, the education of investors is not perfect, the investment literacy and investment knowledge accumulation of individual investors is not high enough, and due to the existence of investor cognitive bias, individual investors are often in a weak position in the capital market, and the investment returns of individual investors are often lower than those of institutional investors. Therefore, the research in this paper is aimed at the investment behavior of individual investors. The research includes the influence of individual characteristics of investors on investment decision-making behavior, the effect of Internet media use on urban and rural households' financial investment behavior, the regional heterogeneity of residents' choice of financial assets, the role of risk aversion and subjective well-being on family participation in risk financial markets, and the influence of family age structure, health status, financial experience, financial literacy and trust on household financial asset allocation.

Keywords: Individual investors personality traits, risk aversion and subjective well-being, family age structure and health status, financial experience, trust.

1. Introduction

According to the data disclosure of China Securities Depository and Clearing Co., Ltd., as of 2021, the proportion of individual investors in China's capital market is as high as 97%, which shows that China's capital market is still a capital market dominated by individual investors [1].

2. Organization of the Text

2.1. Individual Characteristics of Investors

Regarding the study of individual investment behavior, Van Witteloostuijn and Muehlfeld found that personality is the most important moderator in investment trading behavior, which can play an important role in the value of this research. Investors have different individual characteristics, different decision-making judgments, and different investment behaviors in the end [2]. At present, domestic and foreign scholars are relatively rich in research on individual investment behavior, mainly using the Big Five personality model, through the method of investigation and research, to analyze investors' investment behavior. Among the five major personalities, the trait of neuroticism reflects people's insecurity, anxiety, impulsivity, tension and other emotions, and individuals with high scores on neurotic traits usually conduct frequent transactions because of nervousness, anxiety and other emotions, and cannot adhere to long-term investment. The research of Mount and Salgado also pointed out that emotions such as nervousness and anxiety can affect investors' decisions and behaviors [2]. Based on the research theories and achievements of current scholars, this paper analyzes the investment behavior of individual investors in China. There is a correlation between neuroticism and excessive trading, disposal effect, and herd effect [2], because individuals with higher scores in neuroticism are more sensitive to external stimuli and more sensitive to external stimuli, and the higher the degree of influence of neurotic personality traits, the more likely the

individual is to be emotional, the worse the individual will be in emotional regulation and on-the-spot response, and the individual is more likely to respond strongly to external stimuli. For people with higher scores on neurotic traits, they are often in bad moods, and high-scoring people have relatively poor thinking, decision-making, and worse stress resistance. Therefore, in investment, it is easy to show frequent transactions such as excessive trading and short-term trading. This article believes that individual investors should conduct a comprehensive examination of themselves before entering the market and participating in investment, analyze their own personality characteristics, explore their irrational behaviors that may occur in investment, and make a reasonable assessment of their irrational side. At the same time, individual investors should also deeply understand that investment is not always profitable, loss is a common occurrence of investment, and establish a comprehensive understanding.

2.2. The Impact of Internet Media Use on Financial Investment

The proportion of household financial assets in China has increased significantly, the proportion of risk financial assets has increased, and the informal financial market and Internet wealth management product market have developed rapidly [3]. Young families with higher education and wealth prefer online banking and borrowing in the informal financial market. At present, there are many Chinese college students who participate in Internet wealth management to purchase fund products, which shows that the future trend of Chinese household financial asset investment is Internet wealth management and informal financial market lending.

In recent years, with the continuous improvement of national modernization and informatization, the people's living standards have also been greatly improved. Affordable smart mobile terminal equipment and mature mobile infrastructure network facilities have continuously increased the use and use of Internet media among the people, and China's "Internet +" era has basically arrived [4]. The improvement of people's media use will inevitably reduce the cost of people's information acquisition and increase the source channels of information acquisition, and at the same time, information can guide social direction and civic awareness, and then affect citizens' cognition and behavior. In fact, the use of media information has always been an important factor affecting financial investment. Generally speaking, the information acquisition of financial products is directly related to the investment rate of investors, and the use of the Internet can reduce market transaction costs and obtain financial information, thereby improving the participation rate of investors. News media coverage attracts the interest of potential investors, which in turn increases the likelihood of their investment.

2.3. The Regional Heterogeneity

There are regional heterogeneous differences in the choice of residents' financial assets [3]. Instead of participating more frequently in formal financial markets, urban households are more likely to participate in informal risk financial markets than rural households. Instead of participating more frequently in formal financial markets, urban households are more likely to participate in informal risk financial markets than rural households. Rural households are less aware of the risks of informal financial markets, which leads to greater participation in informal financial markets; Conversely, urban households are more financially literate and risk-aware, so they trust formal financial markets more. For urban households, both traditional and modern new channels of information and communication can greatly increase participation in financial markets; for rural households, the internet can greatly increase their participation in financial markets and exposure to risky assets. Moreover, compared with rural households, urban households have a relatively high proportion of financial risk assets and household savings, and a relatively low proportion of liquid cash. Studies have shown that, first, from a geographical point of view, it is found that the variable importance of the four more economically developed regions of Shanghai, Beijing, Guangdong Province and Zhejiang Province occupies the top four, indicating that households in economically developed provinces are generally more willing to invest in medium- and high-risk financial assets than families

in provinces with less developed economies. Third, in addition to regional and household registration factors, the highest education level, personal annual income, Mandarin proficiency and English proficiency in the personal dimension, the total family income in the family dimension and whether the location is urban, and the degree of Internet use of residents in the social dimension affect the participation of Chinese families in the investment of medium and high-risk financial assets to a certain extent [5].

Table 1 compares the average amounts of various categories of financial assets held by urban and rural households as well as the average total financial assets held by each group [6]. It can be seen that the average total financial assets held by urban households and the amount of various financial assets are much higher than those of rural households, and the average total financial assets held by urban households is 80276.12 yuan, which is about 5.8 times that of rural households. In the holding of various types of financial assets, urban households and rural households have consistency in the choice of financial assets, and most of the financial assets held by households are cash, bank deposits, stocks, funds, bonds and wealth management products, and hold less of other financial assets. However, in the amount of different financial products, urban families and rural families show obvious differences, urban households hold an average of 4820.651 yuan in cash, about 3 times the amount held by rural families: in the holding of other financial assets, the average holding amount of urban households is much higher than that of rural families, such as the holding of wealth management products, rural families hold 304.926 yuan of wealth management products on average, and urban families hold an average of 9390.846 yuan, the amount is about that of rural families The average bond held by 30 times urban households was 544.145 yuan, which was 78 times the average amount held by rural households. In addition, rural households hardly hold financial derivatives.

Table 1. Average holdings of financial assets by urban and rural households [6]

Asset class	Average Holdings of Urban Households (RMB)	Average Holdings of Rural Households (RMB)
Total financial assets	80276.120	13939.020
Cash	4820.651	1599.211
Bank deposits	34986.480	7213.113
Stock	7243.414	96.049
Funds	2594.111	27.473
Bond	544.145	6.849
Non-RMB assets	212.757	0.665
Wealth management products	9390.846	304.926
Gold	223.308	3.817
Derivatives	21.885	0

2.4. The Impact of Risk Aversion and Subjective Well-being

Risk aversion and subjective well-being have a dampening effect on household participation in high-risk financial markets [3]. Studies have shown that Moroccan individual investors suffer from cognitive biases, mainly overconfidence bias, herd behavior, loss and risk aversion [7]. Subjective well-being makes households reluctant to invest their assets in financial markets and risk averse, making these households less likely and more deeply involved in financial markets. Family assets such as real estate, automobiles, and durable goods play an important role in promoting family happiness, and the residential attributes of houses are an important source of improving family happiness. Conversely, a family's investment in the stock market and fund market reduces the family's subjective well-being. Households with higher subjective well-being have a higher sense of control over spending, save more, and spend less. Households with higher subjective well-being are more

willing to save and purchase risk-free investments such as insurance than risk-based investment products such as financial assets. People with higher subjective well-being are less likely to take risks and are more likely to opt for risk-averse and safer investment channels when making decisions.

2.5. The Impact of Household Age Structure and Health status

Household age structure influences household financial asset selection [6]. The proportion of young people in families has no obvious impact on risky financial assets, and only shows a positive effect on the depth of investment in household stocks, funds and wealth management products. The impact of the proportion of elderly population on the choice of household risk assets is more complex, with significant negative effects on high-risk assets but positive effects on low-risk assets. The likelihood that households will invest in stocks, funds, and wealth management products declines as the proportion of investment dollars to household financial assets rises. Conversely, as the elderly population grows, households are more likely to participate in low-risk assets, and the proportion of low-risk assets to invest in low-risk assets also rises. Financial asset allocation shows a trend of rising first and then decreasing for age: when the family population is younger or older, the willingness to allocate financial assets is lower, while when the family members are mainly middle-aged, the willingness to invest in financial assets is higher. According to the theory of behavioral finance, middle-aged people have stable careers, higher income levels and savings rates, so their ability to resist risks is also higher, and the demand for asset appreciation is stronger, on the contrary, young or old people have low anti-risk ability, and their willingness to preserve asset value is greater than the demand for asset appreciation, and they are more willing to hold monetary assets such as cash or bonds [6]. Under the background of the increasingly serious aging phenomenon in China, the demand of family investors for different types of financial assets has shown a downward trend [6]. To some extent, this is caused by the excessive burden of family pension. The policy implication of this conclusion is that the government should improve the endowment insurance policy, optimize the mechanism of the endowment insurance system, pay special attention to the implementation of the rural endowment insurance policy, avoid the formality of the pension policy, effectively reduce the burden of family pension, guide the reasonable flow of family assets into various financial markets, and avoid the negative impact of changes in family pension burden on the financial market.

Family investors are increasingly valuing health as investable health capital [8]. Individuals with poor health are more likely to increase future health care spending, and investors reduce the asset risk of financial investments. Therefore, uncertain health risks can make investors more risk-averse, which can affect household investment behavior. Healthy capital is not only present at the individual level, changes in family health can also have a significant impact on the economic and psychological impact of family members, thus influencing family investment decisions. Health insurance is one of the effective ways for families to reduce health risks, because health insurance can change the family's uncertain expectations in the future, reduce the large medical costs that may occur in the future, and thus curb the adverse impact of health risks on family market participation. At the same time, the presence or absence of a partner of the head of household will also have an impact on financial investment. Non-partnership families have a lighter burden, stronger ability to resist risks, and are more willing to invest in financial assets; Conversely, families with partners have greater responsibilities, are more cautious and conservative when making financial investments, and are more risk-averse. Health as a capital is gradually being valued by investors, and for financial institutions, product design and financial innovation are aimed at families with different health conditions and risk attitudes. For the government, deepening the reform of the medical system, promoting the rational allocation of medical resources and medical care expenditure, further improving the health level of the whole people, and reducing the health risks of families [8]. Thus, family participation in the financial market will increase in both breadth and depth, and the development of China's household financial market will be promoted.

2.6. The Impact of Financial Experience and Financial Literacy

A person's career experience and type of occupation determine the information and social networks they have access to, etc. Studies have found that the level of financial literacy of financial practitioners is relatively high, and engaging in finance-related occupations can improve the financial literacy of individuals and family members [9]. The working environment and work requirements of financial practitioners will make them consciously or unconsciously learn financial knowledge and financial skills, and have more opportunities to contact financial products, so as to enter the financial investment market will be more likely. At the same time, families with higher financial literacy are more likely to make rational investment decisions, earn higher returns, and therefore be more likely to make risky investments. Financial experience significantly increases the probability and depth of family venture capital participation, and families with experience are more inclined to participate in venture capital. Financial literacy has a significant role in promoting household venture capital behavior, but subjective financial literacy has a greater impact. The impact of subjective financial literacy is stable and increases with the share of investment [9]. However, objective financial literacy was only significant in households with a low proportion of investment, and had no significant effect in households with a high proportion of investment. It is clear that there are many ways in which subjective and objective financial literacy affect household venture capital. Even more significant is the impact of subjective financial literacy. Investors should take the initiative to advance their financial literacy and acquire new financial information and skills in order to encourage the growth of China's home financial market. Additionally, in order to raise public understanding of financial markets and financial goods, government financial regulatory bodies and investor protection organizations should offer more financial investment education and popularization services, so as to improve the level and quality of financial investment participation of Chinese families.

2.7. The Impact of Trust on Household Financial Asset Allocation

In the field of household finance, trust can be roughly divided into trust in the government, trust in financial institutions and trust in others. Residents' trust in the government and financial institutions is generally stable and abundant in China, and it grows as a result of the country's current stable economic climate, the financial market's positive development, residents' high expectations for expected returns, increasing the proportion of financial assets, and families' extensive involvement in the financial system [10]. Residents may need to have faith in others before they can invest in their household finances because they typically rely on communication with others to progressively build their own investment solutions. The increase in interpersonal interactions among inhabitants can lead to some information asymmetry being eliminated, more pertinent information being received, and a reduction in blind investment behavior. The second can lead to the herd effect, follow the investment orientation of others to allocate their own financial assets, and increase the participation rate in the financial market.

3. Conclusion

Studies have found that institutional investors and individual investors generally have serious irrational behavior, and the degree of irrationality of individual investors is more serious than that of institutional investors, so this paper studies individual investors. Studies have shown that individuals with high neurotic scores have poor decision-making and stress resistance ability, and are prone to frequent transactions and short-term transactions. The proper usage of Internet media has a positive effect on both urban and rural households' financial investing behavior. There are regional heterogeneous differences in the choice of residents' financial assets; Risk aversion and subjective well-being have a dampening effect on household participation in risky financial markets; Family age structure affects household financial asset selection; health as investable health capital; Financial experience and financial literacy can promote the level and quality of financial investment participation of Chinese families. Trust has a positive impact on household financial asset allocation.

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