# Investment Preferences and Herd Behaviour of Indian Investors towards New Age Financial Instruments

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**ABSTRACT**

**Financial innovation is a growth driver within modern financial systems, especially in developing economies. New Age financial instruments are the result of financial innovations in the last decade. Although the rapid evolution of financial markets has introduced innovative instruments such as Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs), green bonds, cryptocurrencies, and thematic ETFs, investor adoption patterns remain misunderstood. In this context, the present study investigates the multidimensional preference structure influencing investor decision-making toward these financial instruments.**

**This study employed factor analysis and independent T-tests to comprehensively examine investor behaviour towards these instruments across diverse demographic segments, identifying eight critical dimensions: barriers encompassing perceived risk, and knowledge gaps; information sources driving herd behaviour and self-analysis; ESG-impact as primary decision drivers; institutional credibility and regulatory clarity preferences; social community influence and principal protection concerns; influences from family and friends; liquidity constraints; and the impact of professional advisory services. Independent T-tests revealed significant behavioral variations across demographic groups such as Age, Gender, Education Qualifications, Occupation and Income.**

**Keywords: Investor Behaviour, New Age Financial Instruments, Demographic differences, Investment Barriers, Information Sources and Financial Literacy**

## INTRODUCTION

The financial market in India, over the years, has pivoted from a highly regulated and state-controlled market, to a bank dominated system, making for a diverse ecosystem that has fostered economic growth. Rooted in the establishments of institutions like the Reserve Bank of India in 1935 (Wikipedia, 2022) and the Bombay Stock Exchange in 1875 (Wikipedia Contributors, 2020), the nation's financial landscape has gradually adopted modern practices through liberalizing reforms and mainstreaming international trade in the late 20th century. The liberalisation of the 1990s opened the doors to explore new innovative and capitalistic avenues for India on a global stage. Over the decades, domestic markets have expanded beyond the traditional banking systems and trading methods to include a diverse range of asset classes and instruments including, Mutual Funds, Commodity derivatives, and more recent fintech driven solutions.

This transformation not only reflects the growing niches and sophistication of the modern Indian investor, but also the government's push towards greater financial inclusion. As technology continues to restructure investor behaviour and access, the legacy of India's financial market serves as a foundation upon which, new age financial instruments are changing investor participation, transparency in trade and trust in the financial system. The ever-evolving and dynamic financial market in India, is today operating at an unprecedented pace of transformation. With new and innovative asset options flooding these markets, the traditional route one took to investing has changed. It is crucial to understand the different factors that affect investment choices and the degree to which the influence of all these factors vary in different demographic contexts of India. This is particularly important for deriving concrete conclusions about which variable is the most prevalent, when considering a new investment option.

The rationale behind selecting this topic lies in the growing complexity and psychological dimension of investment behavior in today's dynamic financial environment. While traditional finance assumes that investors act rationally to maximize returns, real-world decisions are often shaped by behavioral biases, demographic factors, and personal perceptions of both risk and return. Understanding these influences is crucial for interpreting how investors choose between different financial instruments such as equities, derivatives, mutual funds, and emerging options like cryptocurrencies and other commodity funds. In recent years, the Indian capital market has witnessed a surge in retail participation, especially among younger generations like Gen Z, who are digitally empowered and financially more exploratory and information-driven than their predecessors. However, their investment choices are often influenced by social media trends, peer behavior, and emotional responses rather than by structured financial knowledge and the use of historic trends. Exploring these changing patterns can offer valuable insights into the relationship between financial literacy, behavioral tendencies, and investment preferences.

Therefore, this study aims to bridge the gap between rational financial theory and behavioral realities by examining key factors like risk perception, income, experience, and digital exposure that shape investment decision-making. The findings can help financial advisors, policymakers, and educators design better tools for investor awareness and more effective financial planning. These variables will be central to understanding variations in investment behaviour across different demographic groups, particularly in relation to emerging new age financial instruments.

## LITERATURE REVIEW

Globally, there are various studies on investors' preferences and herd behaviour towards new age financial instruments which majorly highlight- behavioural models and theories such as - prospect theory (Kahneman & Tversky) information cascade model (Glosten and Milgrom), and market microstructure theory (Maureen O'hara). Investor studies specific to India indicate a few common traits of Indian investors namely- behavioral biases (overconfidence, anchoring, herding, Fear of Missing Out or FOMO, loss aversion etc.) influenced decision making and independent & rational analysis patterns. Some academic papers highlight financial literacy among Indian investors as one of the most important determinants of decision quality and financial outcomes with demographic effects as mediating variables. Several studies also show high financial product innovation in capital markets, strong herd behaviour, large literacy deficits and higher bias exposure. A detailed account of selected research themes and studies is as follows:

***Innovative Financial Instruments and Investors' Interest:*** Panda (2023) explored the dynamic evolution of the Indian securities market through the introduction of innovative financial instruments that are aimed at enhancing inclusivity and investor confidence. The study highlights how regulatory initiatives by SEBI like green bonds, REITs, InvITs, municipal bonds, and the social stock exchange have expanded the investor base and improved financial transparency. By formalising frameworks for ESG compliance and sustainable financing, India's markets have not only deepened participation but also aligned capital formation with social and environmental goals. The paper emphasizes the balance between innovation and investor protection, detailing risk-management mechanisms like interoperability among clearing corporations and online KYC verification. Panda's research suggests that financial innovation, supported by government regulation, increases investor participation and trust. This also shows a central theme-that technological and policy-led reforms stimulate both investor engagement and sustainable market growth.

***Investors' Perception and Investment Preferences towards various Investment Avenues:*** Sakthivelu & Karthikeyan (2023) examined how investors choose a pathway of balanced risks and returns across both innovative, new age instruments and traditionally utilised financial instruments. Using a regression-based analytical model on a sample of 585 respondents from Puducherry, the study found significant variation in investor preferences. Gold and silver emerged as the most preferred investment avenues, followed by bank and post-office deposits and cryptocurrency, revealing a coexistence of conservative and speculative tendencies among investors. The findings suggest that demographic and psychological factors strongly shape risk tolerance and portfolio composition, linking financial literacy and lifestyle with investment behavior. By demonstrating that all eight major investment avenues are statistically significant in influencing overall investment decisions, the paper contributes to understanding the multidimensional nature of investor preferences in an era of expanding financial options.

Gopal Krishna et al. (2019) highlighted how investors' demographic and behavioral traits influence their perceptions of diverse investment avenues in Andhra Pradesh. Employing sampling with 216 respondents in multiple stages and regression analysis via Analysis of Moment Structures, the study finds that perceived return and safety are the dominant motivators for share-market participation, while risk and future needs primarily shape preferences for bonds and mutual funds. The research identifies a marked preference for low-risk instruments like post-office savings, insurance, and bank deposits, reflecting persistent financial conservatism among Indian investors. The authors conclude that awareness of modern investment options remains low outside urban centers, suggesting a gap between policy-driven innovation and grassroots financial inclusion. Their work extends behavioral finance theory in the Indian context by linking demographic factors and awareness levels with risk perception and choice of investment avenue.

In another study, K. Ravichandran (2023) investigated investors' preferences across various capital market instruments, with a particular focus on derivatives. The study identifies key variables influencing investment decisions, including risk tolerance, expected returns, liquidity requirements, and market awareness. Derivatives, despite their high return potential, are perceived as complex and risky, attracting mainly knowledgeable or risk-tolerant investors. Demographic variables such as age, income, and educational background significantly shape the inclination toward derivatives compared to traditional instruments. Psychological factors, including overconfidence, risk perception, and familiarity with financial products also influence investment choices. Empirical findings suggest that both objective financial considerations like returns, liquidity, and tax benefits and subjective behavioral factors such as risk perception and confidence determine the selection of investment avenues. This research provides insights into how demographic, financial, and psychological variables interact to influence investment preferences in the Indian capital market.

***Decision making in the stock market*****:** Abhijeet Chandra (2023) in his paper investigated how behavioural finance and traditional finance can be combined to influence stock market investing choices amongst different individuals. The study particularly highlights the impact of cognitive biases that usually outweigh logical assessments of expected returns or basic market analysis, including overconfidence, herd behaviour, anchoring, and loss aversion even in rational individuals. Age, income, and experience level are examples of demographic factors that demonstrate vulnerability to these biases. Research shows that while inexperienced investors frequently rely on guessing and social cues, seasoned and financially literate investors make more logical choices that are rational and are biased based on opinion and personal biases. Asset allocation is heavily influenced by psychological factors, including confidence, risk perception, and emotional reactions to market swings and changes. Chandra, through this research shows why investing decisions in stocks and derivatives are influenced by behavioural tendencies and aren't just dependent on market patterns. This paper also demonstrates why investors frequently deviate from classical finance assumptions, highlighting the interaction between cognitive, emotional, and demographic factors.

***Investors' Attitude towards Secondary Market Equities:*** R. Jain (2023) explores how behavioral finance shapes investors' attitudes toward secondary market equity investments. The study finds that investors rarely make decisions purely on rational or analytical grounds; instead, psychological influences such as overconfidence, herd behavior, and recency bias play a major role. These tendencies often lead investors to follow market trends blindly or overtrade in pursuit of quick gains. Jain in this research notes that demographic factors, particularly age, income, and level of education affect how strongly these biases appear. Younger and less experienced investors tend to be more influenced by social cues and short-term market movements, while older or more experienced ones usually take a more cautious, long-term approach. The research also points out that emotions like fear and excitement can distort perceptions of risk and reward, pushing investors to act inconsistently with their stated preferences. By linking behavioral patterns with demographic characteristics, Jain shows how investor psychology and situational factors together shape real-world investment decisions in equity markets.

***Investment Attitude and Preferences of Millennials and Gen Z:*** The study of Bhilawadikar & Garg (2021) primarily focused on millennials' attitudes toward cryptocurrency investments, analyzing how demographic and behavioral variables influence participation. The primary dependent variable is the attitude towards investment. This has been measured through varying components such as perceived profitability, perceived risk, satisfaction, and willingness to invest. Findings suggest that risk tolerance and return expectation are the two strongest predictors of positive investment attitudes, while the lack of awareness and market volatility serve as the primary factors of discouragement. Authors further identify media exposure and peer recommendations as mediating factors between awareness and participation. Importantly, financial literacy and trust in digital platforms moderate the link between perceived risk and investment intention. This paper's explicit variable structure makes it highly adaptable for comparative demographic analysis, enabling replication across other cohorts such as Gen Z and Gen X.

On the other hand, Mahek Dugar and V. Madhavan (2023) examined how India's Gen Z investors are redefining investment behavior through a mix of digital fluency and growing financial independence. The study finds that financial literacy, risk appetite, parental influence, peer behavior, and access to technology are central to their investment choices. Gen Z investors tend to value liquidity, convenience, and ethical responsibility, preferring mutual funds, equities, and even cryptocurrencies over traditional fixed deposits. Their decisions are guided not only by potential returns but also by the ease of online trading platforms and social media, driven by financial advice. Behavioral factors like optimism, self-confidence, and future-oriented thinking also play a significant role, often motivating early and diversified investing. The researchers highlight that age, education, and income interact with these behavioral traits to create a distinctive investment pattern created by calculated risk-taking and digital awareness. Overall, the study suggests that Gen Z's preferences reflect a generational shift toward more informed, technology-driven, and purpose-led investing.

***Factors Influencing Financial Innovation in Indian Stock Market:*** Raju et al. (2023) described financial innovation as a critical mechanism for driving efficiency and growth within modern financial systems, especially in developing economies. Raju, Seshadri, and Tirumala conducted a descriptive study to identify the micro and macro environmental factors influencing financial innovation within the Indian stock market. Analyzing responses from financial authorities, the research confirmed that a multitude of variables significantly impact innovation. The findings ranked regulatory transparency as the most critical governance factor, specifically citing the amount and content of information disclosed by companies as paramount. Other key influences identified were market volatility, represented primarily by fluctuations of interest rates, and technological advances in telecommunication and information processing, which facilitate systems like the NSE's fully automated NEAT trading platform. The study concludes that both market-wide and firm-level factors must be managed to sustain the development trajectory, ensuring that enhanced disclosure, efficient technology implementation, and investor-protection measures continue to evolve.

## RESEARCH METHODOLOGY

This research adopts a mixed-method approach, combining both qualitative and quantitative techniques to ensure a comprehensive understanding of the evolution and impact of new-age financial instruments in India. Secondary data was obtained from credible sources such as scholarly journals to establish historical and regulatory context. Primary data on the other hand was collected using an online survey that was based on convenience sampling. A sample size of 60 responses was collected utilising the variables identified through the literature review. Since this research is designed to be able to conclude by quantifying the influence of these variables on investors' preferences and herd behaviour, all the data procured was analysed through statistical tools such as exploratory factor analysis and two sample independent T-tests to form conclusions. As per the respondents' demographics, following research hypotheses were also established to be tested with analysis of collected data:

***Research Hypothesis***

$H_{O\text{-}1}$ = *There is no significant difference in investment behaviour towards new age financial instruments amongst different age groups*

$H_{1\text{-}1}$= *There is significant difference in investment behaviour towards new age financial instruments amongst different age groups*

$H_{O\text{-}2}$ = *There is no significant difference in investment behaviour towards new age financial instruments amongst different gender*

$H_{1\text{-}2}$= *There is significant difference in investment behaviour towards new age financial instruments amongst different gender*

$H_{O\text{-}3}$ = *There is no significant difference in investment behaviour towards new age financial instruments amongst different education qualification groups*

$H_{1\text{-}3}$= *There is significant difference in investment behaviour towards new age financial instruments amongst different education qualification groups*

$H_{O\text{-}4}$ = *There is no significant difference in investment behaviour towards new age financial instruments amongst different occupation groups*

$H_{1\text{-}4}$= *There is significant difference in investment behaviour towards new age financial instruments amongst different occupation groups*

$H_{O\text{-}5}$ = *There is no significant difference in investment behaviour towards new age financial instruments amongst different income groups*

$H_{1\text{-}5}$= *There is significant difference in investment behaviour towards new age financial instruments amongst different income groups*

## RESULTS AND ANALYSIS

### *IV.i.* KMO and Bartlett's Test

Before proceeding with exploratory factor analysis, KMO and Bartlett's Test was conducted in order to check the robustness and suitability for meaningful interpretation of the collected data.

The following table-1 confirms the KMO value of 0.642 which is considered within the acceptable range (0.60-0.69 - Mediocre Range - Acceptable). The acceptable value reflects that the data matrix contains sufficient correlations among variables to group them into underlying factors to understand the investors' preferences toward new-age financial instruments.

**Table-1: KMO and Bartlett's Test**

| KMO and Bartlett's Test | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .642 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 1349.730 |
| | df | 496 |
| | Sig. | .000 |

Bartlett's Test of Sphericity values of Chi-Square = 1349.730 indicates that there is strong evidence of correlations among variables leading to excellent possibilities to draw conclusions by conducting factor analysis. Whereas, df = 496, $p < .001$ confirm that the dataset is highly suitable for data reduction technique i.e. factor analysis in this case.

***IV. ii. Factor Analysis***

Overall, the cumulative percentage of explained variables was found to be sufficient to draw the conclusion on data reduction. It can be inferred that construction of 8 factors out of 32 variables sufficiently explain (with cumulative 73.92% of data variations) the relationship-construct between independent variables and dependent variables.

*Table-2: Total Variance Explained*

| **Total Variance Explained** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 8.169 | 25.527 | 25.527 | 8.169 | 25.527 | 25.527 | 5.609 | 17.528 | 17.528 |
| 2 | 5.993 | 18.727 | 44.254 | 5.993 | 18.727 | 44.254 | 4.013 | 12.540 | 30.068 |
| 3 | 2.560 | 8.000 | 52.254 | 2.560 | 8.000 | 52.254 | 3.630 | 11.343 | 41.411 |
| 4 | 1.858 | 5.806 | 58.060 | 1.858 | 5.806 | 58.060 | 3.116 | 9.737 | 51.148 |
| 5 | 1.522 | 4.756 | 62.816 | 1.522 | 4.756 | 62.816 | 2.238 | 6.994 | 58.142 |
| 6 | 1.359 | 4.247 | 67.063 | 1.359 | 4.247 | 67.063 | 1.773 | 5.542 | 63.684 |
| 7 | 1.138 | 3.558 | 70.621 | 1.138 | 3.558 | 70.621 | 1.661 | 5.190 | 68.874 |
| 8 | 1.056 | 3.298 | 73.919 | 1.056 | 3.298 | **73.919** | 1.614 | 5.045 | 73.919 |
| *Extraction Method: Principal Component Analysis.* | | | | | | | | | |

The following rotated component matrix table reveals how 32 questionnaire items / variables can be grouped together to form 8 major factors influencing investors' preferences and herd behaviour towards New Age Financial Instruments.

*Table-3: Rotated Component Matrix*

| Rotated Component Matrix | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Component | | | | | | | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| IM1 | -.109 | .061 | .156 | .427 | .616 | .064 | -.198 | -.070 |
| IM2 | .334 | .356 | .587 | -.070 | .131 | .314 | .355 | -.032 |
| IM3 | .067 | .272 | .352 | .402 | .390 | .120 | .363 | .187 |
| IM4 | -.025 | .157 | .725 | .194 | .147 | -.129 | -.163 | .247 |
| IM5 | .089 | .119 | .891 | -.031 | .055 | -.104 | .000 | -.108 |
| IM6 | .070 | .153 | .595 | .372 | .172 | .003 | .345 | -.192 |
| IM7 | -.095 | .205 | .612 | .490 | -.138 | -.139 | .002 | .059 |
| IM8 | -.204 | .075 | .100 | .835 | .213 | -.148 | -.027 | .004 |
| IM9 | -.274 | .023 | .150 | .692 | .306 | .008 | .140 | -.016 |
| IM10 | .166 | .283 | .560 | .335 | .094 | .288 | .031 | .235 |
| IM11 | -.303 | .023 | .286 | .641 | .188 | -.147 | .067 | .408 |
| IB1 | .724 | .198 | -.005 | -.074 | .028 | .203 | -.162 | -.145 |
| IB2 | .858 | -.056 | -.004 | .063 | -.017 | -.104 | .117 | .303 |
| IB3 | .740 | .242 | -.080 | -.050 | .010 | .310 | -.131 | .034 |
| IB4 | .704 | -.165 | .140 | -.260 | .198 | .147 | -.246 | .056 |
| IB5 | .571 | -.135 | .076 | -.112 | .179 | .034 | -.416 | -.406 |
| IB6 | .442 | -.162 | -.074 | -.025 | -.141 | .169 | -.713 | .043 |
| IB7 | .714 | -.122 | .084 | -.235 | -.093 | -.257 | -.133 | -.125 |
| IB8 | .677 | -.174 | .252 | -.333 | -.098 | -.047 | -.333 | -.049 |
| IB9 | .717 | -.025 | .139 | -.234 | -.049 | .171 | .114 | -.109 |
| IB10 | .813 | -.035 | -.077 | .047 | -.173 | .073 | .121 | -.136 |
| H0 | -.033 | .624 | .026 | .013 | .095 | .562 | -.009 | -.045 |
| H1 | -.021 | .135 | .315 | .161 | .661 | .062 | .268 | .269 |
| H2 | -.003 | .501 | .393 | -.207 | .057 | .155 | .115 | .497 |
| H3 | -.040 | .781 | .167 | .309 | -.074 | -.125 | .236 | .040 |
| H4 | .166 | .687 | .245 | -.079 | -.011 | .084 | -.083 | .315 |
| H5 | -.289 | .454 | -.066 | .223 | .053 | -.128 | -.114 | .659 |
| H6 | -.263 | .175 | .144 | .165 | .032 | -.798 | .079 | .037 |
| H7 | -.124 | .759 | .286 | .041 | .280 | .046 | .002 | -.075 |
| H8 | .050 | .696 | .224 | .024 | .255 | -.117 | .093 | .201 |
| H9 | -.234 | .579 | -.158 | .254 | .020 | -.376 | .240 | .004 |
| H10 | -.020 | .157 | -.062 | .148 | .829 | -.058 | .054 | -.052 |

The total set of 32 variables belong to three major behavioural dimensions of investors i.e. importance given to certain conditions while investing (IM), certain factors posing as barriers while investing (RB), and variables demonstrating herd behaviour while investing (H).

**IV.ii.i Interpretation and Naming of Factors**

***Factor-1: High-Risk, Complexity and Other Perceptions leading to Barriers in Investing***

The loadings of variables on factor-1 reveal that the first factor represents majorly barriers that hinder the investors' preference to invest in new age financial instruments. This factor contains the following items/ variables loaded on it:

| Variable | Loading | Interpretation |
|---|---|---|
| IB2 (Perceived Risk) | 0.858 | Perception of high risk in new age financial instruments |
| IB10 (Tax Implications) | 0.813 | High tax implications or lack of taxation clarity |
| IB3 (Complexity) | 0.740 | New age financial instruments are too complex to evaluate and invest |
| IB1 (Lack of Knowledge) | 0.724 | Investors lack the complete knowledge about new age financial instruments |
| IB7 (Limited Performance Data) | 0.714 | Absence of historical track records which increases fear |
| IB9 (Peer Discouragement) | 0.717 | Friends and Family members discourage from investing in new age financial instruments |
| IB4 (Lack of Trust in Issuer) | 0.704 | Issuer of new age financial instruments are not completely known |
| IB8 (Regulatory Uncertainty) | 0.677 | Regulatory uncertainties do not allow investors to invest in new age financial instruments |
| IB5 (High Entry Cost) | 0.571 | High Initial Cost of Investment |

***Factor-2: Role of Information in Herd Behaviour and Self Analysis***

The loadings of variables on factor-2 reveal that this factor largely represents the role of information leading to herd behaviour or self-analysis while investing in new age financial instruments. This factor contains the following items/ variables loaded on it:

| Variable | Loading | Interpretation |
|---|---|---|
| H3 (Financial News Media) | 0.781 | Strong preference for financial news and suggestions |
| H7 (Company Websites/Prospectuses) | 0.759 | Analysing company formal information |
| H4 (Stock Market Apps/Platforms) | 0.687 | Taking help of stock market apps |
| H8 (Educational Courses/Webinars) | 0.696 | Heavily relying on education courses and webinars |
| H9 (Government/Regulatory Sources) | 0.579 | Trust in government sources of information |
| H0 (Self-rated Financial Literacy) | 0.624 | High dependency on self-analysis of collected information from various sources |
| H2 (AI Software/Indicators) | 0.501 | Use of algorithmic AI tools while investing in new age financial instruments |

***Factor-3: ESG-Impact and Other Investment Benefits***

The loadings of variables on factor-3 indicate that investors also consider ESG-impact and other investment benefits while investing in new age financial instruments. This factor contains the following items/ variables loaded on it:

| Variable | Loading | Interpretation |
|---|---|---|
| IM5 (Social/Environmental Impact) | 0.891 | ESG-impact is primary decision driver |

| | | |
|---|---|---|
| IM4 (Tax Benefit) | 0.725 | Tax efficiency is secondary but strong criterion while investing |
| IM7 (Past Performance) | 0.612 | Past Performance is also important |
| IM6 (Time Horizon) | 0.595 | Long-term value creating is important |
| IM2 (Return Potential) | 0.587 | Returns potential is also important |
| IM10 (Diversification Potential) | 0.560 | New age financial instruments can help in portfolio diversification |

***Factor-4: Institutional Credibility, market accessibility, regulatory clarity and liquidity***

The loadings of variables on factor-4 indicate that the investors prefer to invest in new age financial instruments when these are issued by a credible institution and easily accessible in the market. At the same time, investors also prefer to have regulatory clarity and high liquidity. This factor contains the following items/ variables loaded on it:

| Variable | Loading | Interpretation |
|---|---|---|
| IM8 (Reputation of Issuer) | 0.835 | Issued by a credible institution |
| IM9 (Market Accessibility) | 0.692 | Ease of access (invest / disinvest) |
| IM11 (Legal/Regulatory Clarity) | 0.641 | Clarity in regulatory requirements |
| IM3 (Liquidity) | 0.402 | Can easily be sold without any value loss |

***Factor-5: Influence of Social Community, intention to safeguard principal amount and advice of Social Media Experts***

The loadings of variables on factor-5 indicate that many investors get influenced by social communities such as – Instagram and WhatsApp. These people always have a fear of losing principal amount (invested capital) and they also get influenced by self-proclaimed social media experts. This factor contains the following items/ variables loaded on it:

| Variable | Loading | Interpretation |
|---|---|---|
| H10 (Social Communities: Instagram/WhatsApp) | 0.829 | Influence of Social Community such as – Instagram and WhatsApp |
| IM1 (Safety of Principal Amount) | 0.616 | Always try to safe guard Principal amount or invested capital |
| H1 (Self-Proclaimed Social Media Experts) | 0.661 | Influence of self-proclaimed social media experts |

***Factor-6: Negative Influence of Friends and Family***

| Variable | Loading | Interpretation |
|---|---|---|
| H6 (Friends and Family) | -0.798 | Negative Influence of Friends and Family |

***Factor-7: Lack of Liquidity***

| Variable | Loading | Interpretation |
|---|---|---|
| IB6 (Lack of Liquidity) | -0.713 | Lack of Liquidity – Barrier to Invest |

***Factor-8: Influence of Financial Advisors/Wealth Managers***

| Variable | Loading | Interpretation |
|---|---|---|
| H5 (Financial Advisors/Wealth Managers) | 0.659 | Professional advisory as distinct channel |

Factors 6, 7 and 8 are single variable loaded factors which indicate that investors do not invest in new age financial instruments because their friends and family discourage them (negative value) and similarly some investors do not invest (negative value) in such instruments because they believe that liquidity in new age financial instruments is quite low. Moreover, in factor 8, it is evident that some of the investors invest in new age instruments as these are advised by their financial advisors or wealth managers.

**IV.iii. Independent T-test**

In addition to factor analysis, this study analyses the data with Independent T-test in order to test various hypotheses i.e. to identify and prove/disprove the statistically significant differences among various groups of respondents representing investors. To test the hypotheses, the following groups were formed on the basis of Age, Gender, Education Qualifications, Occupation and Income:

| Criteria | Group - 1 | Group - 2 |
|---|---|---|
| Age | Age less than 40 years | Age 40 years or above |
| Gender | Female | Male |
| Education Qualifications | Professional (CA/MBA etc.) | Graduate, Postgraduate, others |
| Occupation | Salaried, Students, Home Makers and Others | Business or Self Employed |
| Income | Less than 30 Lakh per annum | Rs. 30 Lakh or above |

**IV.iii.i Results and Testing of Hypotheses**

a. ***Comparison based on Age (testing hypothesis $H_{O-1\ and}\ H_{1-1}$)***

| **Age** Statistically Significant Difference | **Group – 1** Mean | **Group – 2** Mean | **Sig. (2-tailed)** |
|---|---|---|---|
| IB6 – Lack of Liquidity | 2.44 | 3.00 | 0.03 |
| H0 – Self-rated Financial Literacy | 3.11 | 2.55 | 0.05 |

The results of two groups independent T-test identified that group 1 and 2 have statistically significant differences only with respect to liquidity concerns and self-assessment of financial literacy. Investors less than 40 years of age were less concerned about liquidity while group-2 aged 40 years and above consider lack of liquidity as one of the barriers to investing in new age financial instruments. Also, group-1 comprising of young respondents was more confident of self-analysis as they find themselves to be more knowledgeable and financially literate than group-2.

As both of the variables were found to be different at statistically significant levels, , we can say that there is significant difference in investment behaviour towards new age financial instruments amongst different age groups on two parameters-Lack of Liquidity and Self-rated Financial Literacy.

**b.** ***Comparison based on Gender (testing hypothesis $H_{O-2}$ and $H_{1-2}$)***

| **Gender**<br>Statistically Significant Difference | **Group – 1**<br>Mean | **Group – 2**<br>Mean | **Sig. (2-tailed)** |
|---|---|---|---|
| IB7 - Limited Performance Data | 3.08 | 2.26 | .004 |
| H0 – Self-rated Financial Literacy | 2.35 | 3.15 | .006 |
| H1 – Self-Proclaimed Social Media Experts | 2.00 | 2.62 | 0.03 |

When the T-test was conducted based on gender, it was revealed that female investors consider 'Limited Performance Data' as a barrier to invest while male investors do not consider it a significant barrier to invest in new age financial instruments, indicating that women are cautious investors. Paradoxically, male investors rate themselves higher on financial literacy but get easily influenced by Self-Proclaimed Social Media Experts in contrast to female investors.

**c.** ***Comparison based on Education Qualification (testing hypothesis $H_{O-3}$ and $H_{1-3}$)***

| **Education Qualification**<br>Statistically Significant Difference | **Group – 1**<br>Mean | **Group – 2**<br>Mean | **Sig. (2-tailed)** |
|---|---|---|---|
| H0 – Self-rated Financial Literacy | 3.39 | 2.55 | .004 |
| H8 – Reputation of Issuer | 3.28 | 2.67 | .058 |

Comparison based on education qualifications, revealed that there is significant difference in investment behaviour towards new age financial instruments amongst different Education Qualification groups on the basis of Self-rated Financial Literacy, and concerns about the Reputation of Issuer. While, professionals (MBA/CA etc.) consider themselves more financially literate and rigorously check the reputation of the issuer while investing in new age financial instruments, group-2 representing graduate/ postgraduate non-professional education investors demonstrate lesser concerns on these two factors.

**d.** ***Comparison based on Occupation (testing hypothesis $H_{O-4}$ and $H_{1-4}$)***

| **Occupation**<br>Statistically Significant Difference | **Group – 1**<br>Mean | **Group – 2**<br>Mean | **Sig. (2-tailed)** |
|---|---|---|---|
| H2 – AI Software/Indicators | 2.63 | 1.93 | .031 |

On the basis of Occupation, it was identified that Only Use of AI Software or Indicators show statistically significant differences between the two groups. Group-2 of Business or Self-Employed investors was found to be relying less on AI software / indicators for investing in new age financial instruments as compared to group-1 of salaried & other occupation-based investors.

**e.** ***Comparison based on Income (testing hypothesis $H_{O\text{-}5\ and}\, H_{1\text{-}5}$)***

| **Income**<br>Statistically Significant Difference | **Group – 1**<br>Mean | **Group – 2**<br>Mean | **Sig. (2-tailed)** |
|---|---|---|---|
| IM3 – Liquidity | 3.31 | **3.88** | .026 |
| IM8 – Reputation of Issuer | 3.86 | **4.32** | 0.21 |
| IM11 – Legal/Regulatory Clarity | 3.63 | **4.32** | .009 |
| IB5 – High Entry Cost | **3.03** | 2.36 | 0.34 |
| IB7 – Limited Performance Data | **2.97** | 2.12 | 0.001 |
| IB9 – Peer Discouragement | **3.29** | 2.44 | 0.013 |
| H0 – Self-rated Financial Literacy | 2.40 | **3.36** | <.001 |
| H3 – Financial News Media | 3.00 | **3.64** | 0.042 |
| H5 – (Financial Advisors/Wealth Managers | 2.86 | **3.60** | 0.010 |
| H7 – Company Websites/Prospectuses | 2.43 | **3.00** | 0.05 |

The T-test revealed the largest and most statistically significant differences among the groups on the basis of Income. Group-1 with income of less than Rs. 30 lakh was found to consider High Entry Cost, Limited Performance Data, and Peer Discouragement as bigger barriers to invest in new age financial instruments as compared to group-2 of investors with income of Rs. 30 lakh or more.

On the other hand, all other factors namely Liquidity, Reputation of Issuer, Legal/Regulatory Clarity, Self-rated Financial Literacy, Financial News Media, influence of Financial Advisors/Wealth Managers, and checking company websites while investing, were found to be more significant factor among investors with income more than Rs. 30 lakhs as compared to group-1 investors.

## CONCLUSION

Factor analysis identified eight distinct dimensions influencing investment behaviour towards new age financial instruments. Factor-1 encompasses major barriers including perceived risk, tax implications, complexity, knowledge gaps, and limited performance data. Factor-2 reveals the critical role of information sources—financial news, company websites, stock market apps, and self-rated financial literacy—in driving herd behaviour and independent analysis.

Factor-3 emphasizes ESG-impact as the primary decision driver, supplemented by tax benefits and long-term value creation. Factor-4 highlights investor preferences for institutional credibility, market accessibility, regulatory clarity, and liquidity. Factor-5 identifies a paradoxical segment influenced by social communities and social media experts while prioritizing principal amount safety.

Factors 6-8 emerge as single-variable constructs representing distinct influences: negative family/friend discouragement, lack of liquidity concerns, and positive influence of professional financial advisors. These eight factors comprehensively capture the multifaceted nature of investor preferences and barriers in new age financial instruments, combining psychological, informational, institutional, and social dimensions.

On the other hand, the findings of independent T-test analysis revealed investment behaviour differences across demographic groups regarding new age financial instruments. Significant differences were reported across all tested dimensions. Age-based differences revealed that younger investors (under 40) demonstrate greater confidence in financial literacy while older investors prioritize liquidity concerns.

Gender analysis showed female investors prioritize limited performance data, whereas male investors rate themselves higher in financial literacy and display exposure to social media influences. Professional education holders (CA/MBA) display higher financial literacy and issuer reputation examination compared to other graduates. Occupation-based findings indicate salaried employees rely more on AI software indicators than Business / self-employed individuals.

Most significantly, income groups formed the most statistically significant variations, revealing that lower-income investors (<30 Lakh) view high entry costs, limited performance data, and peer discouragement as substantial investment barriers, while higher-income investors (≥30 Lakh) emphasize liquidity, regulatory clarity, and professional financial advice. These comprehensive findings highlight how demographic characteristics primarily outline investor behaviour and decision-making towards new age financial instruments.

## RECOMMENDATIONS

When the respondents were asked about the suggestions for the various stakeholders of financial and capital markets, issuing and managing new age financial instruments, the following recommendations were brought to light:

### Government and Regulatory Bodies

***Financial Literacy Integration***

- Financial literacy should be mandatory at high school and undergraduate levels across all specializations, as money management is integral to every segment of society.
- Information on new-age financial instruments should be incorporated into school curricula as a compulsory subject, making financial education accessible to all students from an early stage.

***Awareness and Education Campaigns***

- Government authorities should conduct extensive awareness campaigns through multiple channels including advertisements, colleges, and media programs.
- Transparency in regulations and investor protection policies are essential to building credibility.
- Government officials should directly engage with the public to promote understanding of new-age financial instruments.

***Regulatory Framework Development:***

- The Government must establish active regulatory duties with proper, binding guidelines for new-age financial instruments. Rather than imposing overly strong regulatory involvement that would limit experimentation and innovation, a balanced approach has been recommended.

### Media

***Content Quality and Transparency:***

- The Media should limit false news and stop spreading false narratives about companies, maintaining unbiased reporting standards.

***Accessibility and Engagement:***

- Content should be simplified and presented through accessible materials with real-life success stories. Simple awareness campaigns and case studies in regional languages will make learning interactive and easy to understand.

***Format and Presentation:***

- Products and information should be presented in smaller, more digestible formats to enhance understanding and accessibility.

### Financial Institutions

***Customer Education and Support***

- Financial institutions should simplify products and offer guidance to gain trust of the masses.
- Customer education programs should have easy-to-understand product disclosures and personalized support to build trust and understanding.

## LIMITATIONS

Even though this research provides us with valuable insights into the emergence and implications of different demographic perspectives on new age and innovative financial instruments, it cannot be generalized to a large population. This is because this research too has a certain scope and is subject to some limitations. Firstly, the dynamic nature of these instruments in the financial markets along with new financial technology pose major challenges in ensuring the accuracy and timelessness of these findings, making certain outcomes outdated in the future. Secondly, this study largely relies on secondary data, which may contain inherent biases.

Due to restricted access to professionals and institutions directly engaged in the fintech sector, sole reliance on primary data was not possible, potentially constraining the depth of first-hand perspectives. Finally, given the fact that many of these instruments are fairly new, the lack of long-term historical data limits the ability to assess sustained performance, systemic risk, and market maturity. Furthermore, the limited sample size, convenient sample design and researcher's own biasness can also be considered as some of the limiting factors for research result generalizability. Thus, acknowledging these limitations are essential to contextualize the conclusions drawn as the financial landscape continues to evolve.

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