

**DECISION MAKING BEHAVIOR OF MALAYSIAN INVESTORS: THE INFLUENTIAL  
FACTOR**



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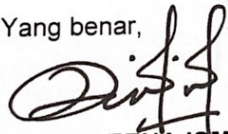
Tuan,

**LAPORAN AKHIR PENYELIDIKAN 'DECISION MAKING BEHAVIOR OF  
MALAYSIAN INVESTORS: THE INFLUENTIAL FACTOR'**

Merujuk kepada perkara di atas, bersama-sama ini disertakan 3 (tiga) naskah Laporan Akhir Penyelidikan bertajuk 'Decision Making Behavior of Malaysian Investors' oleh kumpulan Penyelidik dari Fakulti Pengurusan Perniagaan untuk makluman pihak tuan.

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Yang benar,



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## ABSTRACT

Malaysian capital market offers an array of investment products in a form of shares, loan stocks, bonds, warrants, and unit trusts. The type of products chosen by an investor to commit his capital depends largely on his financial goals, time frame, and amount of capital available. Different people invest with different strategies or even no-strategies. However, previous studies found that most individual investors who play the stock market often ask for 'hot tips' that will enrich them overnight. Too often investors buy stocks on a whim or on the recommendation of a stranger when they should buy stocks that are showing fundamental strength and consistence with their investment objectives. Therefore, the main objective of this research is to study factors that influence investors' investment decision making. Do them rational or irrational in their decision making behavior. The population for the study consists of individual investor who trade share at Bursa Malaysia. 147 questionnaires were distributed and usable. The results from correlation analysis indicate positive and significant correlations among the independent and the dependent variables. However, multiple regression analysis shows significant relationships only exist for technical analysis, company analysis and frame of references indicating that Malaysian investors rely both on fundamental analysis as well as following others opinion (herding). In other words, they are partially rational in their decision making.

## CHAPTER 1

### INTRODUCTION

#### 1.0 INTRODUCTION

There is currently a renaissance of interest in human behavior in investment decision-making. This long-overdue event seems to have been triggered by the maturing of the discipline of behavioral decision-making, along with the form of numerous financial market anomalies, such as stock price overreaction, that can't be well explained by rational models. Behavioral finance, as it is now called, has begun to document and investigate general behavioral phenomena that have significant systematic influences on financial market behavior (Olsen, 1998).

Most ordinary people who play the stock market often ask for 'hot tips' that will enrich them overnight. Too often investors buy a stock on whim or on recommendation of a stranger when they should buy stocks that are consistence with the investment objectives. According to Fisher and Statman (1997) survey, respondents said "*...for me, investing is playing with stock markets...it gives me a kick.*" Apart from its value as a piece of anecdotic evidence on investor behavior, it also serves to illustrate that for many investors, investing constitutes more than simply weighting the risk and returns of various investment assets. Being aware of the many considerations and needs beyond risk and return that influence investors' behavior, it is surprising that finance journals are mostly confined to the utilitarian benefits of low risk and high expected returns (Statman, 2004).