

**STOCK MARKET INVESTMENT AND THE INFLUENTIAL FACTORS IN
INVESTMENT DECISION MAKING:
A STUDY ON KELANTANESE INVESTORS**



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TABLE OF CONTENTS

	NO. OF PAGES
Offer Letter	
Letter of Transmittal	ii
Research Team (members)	iii
Acknowledgement	iv
Table of Contents	v
List of Tables	xiii
List of Graphs	xv
Abstract	xvi
References	xvii
Appendixes	xix

CHAPTER 1

INTRODUCTION

1.1	Background of the Study	1
1.2	Purpose of the Study	6
1.3	Problem Statement	7
1.4	Objective	9
1.5	Significance of the Study	10
1.6	Scope of the Study	11
1.7	Research Questions	12
1.8	Research Hypotheses	13
1.9	Limitation of the Study	18
1.10	Definition of Terms	19

ABSTRACT

Stock exchange offers an investment opportunity for the public to participate in the economy. For the corporate sectors, stock market is the place where they can raise the fund to further enhance their business. The investors can buy the shares of the company they want to invest, and they can also sell back their holdings when they obtain enough profit or when they want to shift their portfolio. The questions of when to enter the market, why are they buying the particular shares now, what is their expectation on the company's financial performance and hence their capital appreciation, who are the key personnel in the company's board of directors, which factors are being considered in reaching an investment decision, where is the company's position among their competitors, and how likely is that investment provide the expected return are among the questions that the investors must be able to answer before making an investment commitment. Some investors make their decision after studying certain fundamental aspects of the company, but, unfortunately there are also investors who are influenced by the speculative factors. In other words, different investors might use different methods and consider different factors before reaching their investment decision. In short, all investors are aiming for profits - in the form of dividend payment, bonus issues, or capital appreciation. This paper was trying to identify what criteria the Kelantanese investors normally use in reaching their investment decision. The researchers are interested to identify whether the criteria used by Kelantanese investors are purely speculative in nature or there are some fundamental aspects being considered. The study wanted to identify the level of awareness of the Kelantanese investors toward the external factors such as the foreign market performance, foreign economic scenario, and world events that might contribute the significant impacts on the performance of the Kuala Lumpur Stock Exchange (KLSE). The study found the demographic variables such as age levels, levels of education and types of occupation of investors have significant correlation with various decision-making criteria. Among decision making criteria being studied are company's takeover and merger, dividend payment, right and bonus issues, market tips, advice from remisier, active stocks of the day, company's performance, company's management expertise, and corporate governance of the company.

CHAPTER 1

INTRODUCTION

1.1 Background of the study

The stock exchange worldwide particularly those in Hong Kong, Japan, Australia, Europe and America have grown tremendously since their establishment. A generation or two ago, the stock exchange was little known and much less understood by the majority of people. Today, it is the most-discussed topic in both the developed and developing countries. It is an important component of the financial market as it channels a large proportion of the savings from the public into productive uses.

The establishment of the stock exchange is an answer to the need of the entrepreneurs who are unable to obtain additional funds for their business expansion. With the establishment of the stock exchange, they could conveniently do so through the issuing of shares to the general public. Raising capital through this exercise is cheaper than borrowing from the bank, while providing an opportunity for outsiders to participate in the company. This is one of the main functions of the stock exchange.

What is not obvious to the general public is that the stock market is the lifeblood of the country's economy. It serves as a source through which listed companies can raise funds free of interest, through the issue of shares for subscription by the public. This facility is very beneficial to the young companies at their early