



**FACTORS INFLUENCES THE INVESTORS' BEHAVIOR  
TRADING IN BURSA MALAYSIA AT RHB BANK,  
KUCHING**

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## **ABSTRACT**

This study was carried out to identify factors that influenced the investors' behavior trading in Bursa Malaysia through RHB Bank, Simpang Tiga Branch in Kuching, Sarawak. A total of 150 respondents selected for this study consisted of the existing client investors of RHB Bank, investors randomly selected at share trading halls and the remisiers and dealer representatives from other Banks and stock broking firms. Telephone interviews were conducted with the existing RHB Bank's investors while printed questionnaires were distributed to the investors and remisiers and dealer representatives of other institutions. Of the 150-targeted samples, 115 samples were received making up the primary data input. The investors were asked to answer 30 questions, which covered the respondents' profiles, factors that influences their trading behavior and their most preferred counter.

The study found out that investors were influenced by internal and external factors when trading in the stock market. Expected returns, personal confidence and risk preference were internal factors that were found to have largely influenced the investors' trading behavior. External factors such as information, public listed company's profile, family members, friends and remisiers or dealers were analyzed. The study found out that the most influential factor that influenced the investors was the advice received from the professionals such as the fund manager, remisiers and dealer representatives. The most preferred types of counters preferred by investors were strong counters or blue chips as well as speculative counters.

# CHAPTER 1

## INTRODUCTION

### 1.1 Background Of The Study

The stock market is a place where investors buy and sell stocks or shares of listed companies with the ultimate aim to profit from the investments in stocks or shares. The listed companies in turn, can be looked upon as borrowing money from these investors by issuing company stocks or shares to the investors who then become shareholders in the equity of the company (Wiley,1990). Investors realize their profits either from dividends distributed by the company they invested in or from capital gains earned from selling their invested shares at a higher price than when they bought them.

In Malaysia, stocks and shares had been traded since 1973 at Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange or “KLSE”). The Bursa Malaysia is a self-regulatory body with its own Memorandum and Articles of Association, which governs the conduct of share trading activities. It is also responsible for the surveillance of the marketplace, and for the enforcement of its Listing Requirements which include spelling out the criteria for listing, disclosure and standards to be maintained by listed companies (Securities Commission, 2000p.2-13) Trading in stocks and shares are done through remisiers or dealer representatives of licensed Stock Broking Firms and authorized Banking Institutions.

RHB Bank Berhad (RHB) is one of the authorized Banking Institutions to make dealings with listed stocks and shares at the Bursa Malaysia. In Sarawak, the bank’s branch at Simpang Tiga, Kuching is the only branch in the Kuching Region that provides a share trading facility to its clients who wishes to trade in the Bursa Malaysia. The share trading facility is a major source of fee-based income to the

## CHAPTER 2

### LITERATURE REVIEW

**This study has reviewed the following literatures:**

#### **2.1 An overview of Behavioral Finance Theory**

Behavioral finance is a study of the markets that draws on psychology, throwing more light on why people buy or sell stocks and why they do not buy stocks at all. Fundamental analysis, reaction to news, technical analysis, investor mentality and risks are contributory factors to investors' decisions.

##### **2.1.1 Investor Behavior Towards Fundamental Analysis**

Mangion (2004) stated that an investor inclined towards fundamental analysis of a particular stock or share would seek to find the difference between the intrinsic and the market value of the share. The intrinsic value is the actual value that the investor believes the stock to have, regardless of how much it is being bought and sold for in the market. Such investors can use a wide array of economic, industry and corporate information including the value of the company's assets, its earnings, products, markets, competition and management in order to calculate the corporate 'intrinsic value'.

##### **a) News Reaction (Under/Over reaction)**

News regarding the companies listed on a stock exchange is issued regularly. There are two ways that investors can weigh the importance of the news. Investors can either under react or over react.

Under reaction evidences studied by Cutler, Poterba and Summers (1991) showed that over horizons of perhaps one to twelve months, share prices are more likely to under react to news. Another way to make this point is to say that current good news has power in predicting positive returns in the future.