

DETERMINANTS OF STOCK INVESTMENT DECISION AMONG MALAYSIAN YOUTH

Kang Wei Liang¹, Diong Kar Jun² and K. Rajespari³

¹weiliang.kang@qiu.edu.my

²karjun.diong@qiu.edu.my

³rajespari.kumar@qiu.edu.my

Abstract: This academic thesis aims to investigate the determinants of stock investment decision among Malaysian youth. This study analyses difference variables include accounting information, income level, investment experience, financial literacy and behavioural bias, using the Theory of Planned Behaviour (TPB). This research involves a sample of 160 respondents from youth in Malaysia, with data collected through questionnaire. This research use SPSS and PLS to reveal the correlation among the predictor variables. Results indicate that accounting information and behavioural bias significantly affect stock investment decision, while income level, investment experience and financial literacy do not. The study acknowledges limitation related to time constraints, limitation of targeted population and sampling technique, and sample size. In conclusion, this research offers valuable overview for the government better comprehend youth investment decision and formulate initiatives and strategies that are appropriate and encourage new policies for young people to actively invest in the capital market.

Keyword: Stock Investment Decision, Behavioural Bias, Youth, Malaysia, TPB

1.0 INTRODUCTION

Investment is a challenging process that involves critical decision-making to acquire an expected rate of return (Abu Bakar & Rosbi, 2018). Decision-making can be crucial and it can easily be influenced by many factors. A bad decision can have a huge impact, meanwhile, every investor should be aware of putting money in an investment. Present and future retiring financial well-being can be secured by investing. In this case, it is crucial for youth who want to invest to take into consideration different factors that will be affecting their decision-making. Investment can be differentiated into direct investment where the investors make their own investment decision, and indirect investment where the investors depend on the other company (Singh, 2012). Investing in stock exchanges has the main objective of maximizing expected returns and minimizing uncertainty (Gitman, 2005).

1.1 Problem Statement

According to Adielyani and Mawardi (2020), Generation Y sometimes deviates from financial theory when making investments, relying instead on their intuition to foresee trends and disregarding the accompanying risks. Although the youth may possess a basic understanding of financial literacy in investing, they occasionally disregard this knowledge and fail to examine the accounting information of a company prior to making investments. Due to their low-income level and lack of awareness regarding the significance of stock investing decisions, they lack necessary investment experience. Only 17% of their income is allocated towards stock investment. As a result of their poor financial management habits, a significant number of young Malaysians are currently burdened with substantial debt and face the possibility of bankruptcy (Diana-Rose & Zariyawati, 2015). As per Bernama's report in 2023, the Malaysian Department of Insolvency has recorded 31,140 individuals under the age of 35 who had been declared bankrupt between 2014 and May of this year.

1.2 Research Questions

1. What are the factors influencing stock investment decision among Malaysian youth?
2. What are the factors influencing behavioural bias?
3. Does behavioural bias have mediating effect between factors and stock investment decision among Malaysian youth?

1.3 Research Objectives

1. To examine factors influencing stock investment decision among youth in Malaysia.
2. To examine factors influencing behavioural bias.
3. To examine mediating effect of behavioural bias between factors and stock investment decision among Malaysian youth.

1.4 Research Significance

The significance of this study is to examine the determinants of stock investment decisions. This study is beneficial to investors for enhancing their decision-making skills in investment. Investors could educate themselves on various investment possibilities, financial markets, and economic trends to participate in decision-making processes. Meanwhile, this study is also beneficial for the education sector. An educator who studies investing behaviour and decision-making can advance the field's theoretical knowledge. Furthermore, this study benefits companies, especially those publicly listed.

2.0 LITERATURE REVIEW

2.1 Stock Investment Decision

Stock investment entails the purchase and sale of shares, and making optimal decisions is vital in this undertaking (Hani, Heru, & Isworo, 2020). Behavioural finance, as investigated by multiple studies (Patil & Bagodi, 2021; Zahera & Bansal, 2018; Sabri, 2016; Farooq et al., 2015), emphasises the psychological component of decision-making, which frequently results in irrational decisions. Several researchers (Somathilake, 2020; Zulaikha, 2020; Zulaikha & Suziwana, 2019; Ahmad, 2017) analyse cognitive elements such as accounting information, advocate suggestion, firm image, neutral information, and personal financial demands when making investment decisions.

Chauhan, (2015) observes that there is a limited inclination towards stock market trading in India, with a mere 2% of investors engaging in this activity, predominantly in major urban areas. According to Shilpa and Bhullar (2022), a mere 10 out of 350 Indian investors participate in equities investment, highlighting their dependence on family guidance and their minimal focus on the stock market. The research conducted by Teoh et al. (2021) throughout Malaysia, Indonesia, and India indicates that a mere 40% of the 100 respondents show a desire to invest in stocks, while 66% demonstrate a lack of expertise in this domain.

2.2 Accounting Information

Several scholarly investigations, such as the works of Omokhudu & Ibadin (2015), Khoufi (2020), Obaidat (2016), and Zulaikha & Suziwana (2019), affirm that accounting information has a significant impact on investment choices. Omokhudu and Ibadin (2015) discovered a direct correlation between accounting information and investment decisions, highlighting its significant influence in comparison to other factors. Khoufi (2020) emphasises the utilisation of accounting information by firms with the purpose of making investment decisions, specifically in lucrative assets that have a positive Net Present Value (NPV). Obaidat's (2016) research conducted in Nigeria strengthens the importance of accounting information in making investment choices, indicating its relevance across various demographic and behavioural variables. Nevertheless, it is crucial to acknowledge the divergent results shown by Somathilake (2020), which suggest that accounting information might not have a universal impact on stock investment choices. However, accounting knowledge has the potential to significantly impact the investment decisions of Malaysian young in the stock market.

Hence the following hypothesis is developed:

H1: Accounting information has a significant influence on stock investment decision among Malaysian youth.

2.3 Income Level

The correlation between income level and stock investing decisions is extensively supported by studies conducted by Prasad et al. (2021),; Kengatharan (2019),; and Khanam (2017). These studies indicate that income level, in conjunction with other demographic parameters, significantly influences an individual's risk appetite in investment decisions (Prasad et al., 2021). According to a study conducted by Wahyuni and Astuti (2020), individuals with lower monthly income demonstrate a greater propensity to invest in assets with higher levels of risk. Conversely, individuals with somewhat higher income tend to exhibit a preference for avoiding risk. It can be inferred that the risk preferences of investors are influenced by their income level.

Contrarily, Pertiwi et al. (2019) dispute this pattern by asserting that individuals with higher income levels have a larger inclination to invest in high-risk companies, with the expectation of higher profits. According to their hypothesis, when income increases, investors tend to buy more shares, resulting in a greater probability of persons with higher earnings investing in stocks. Tonne and Nguyen (2014) enhance this discourse by emphasising the correlation between income level and educational background, which amplifies an individual's propensity for risk-taking in the stock market. In summary, these findings emphasise the intricate correlation between income, risk preferences, and judgements about stock investments. Hence, the following hypothesis is developed:

H2: Income Level has a significant influence on stock investment decision among the Malaysian youth.

2.4 Investment Experience

Zulaikha and Suziwana (2019) emphasise the substantial impact of individual experiences on investors' decision-making. The study conducted by Viryajaya and Handoyo (2022) examines the youth population and finds that 92% of them possess 0-6 years of investment experience, suggesting a notable absence of experience. Tonne and Nguyen (2014) corroborate this assertion, observing that investors with a tenure beyond 5 years exhibit a propensity for assuming more risks. Subagio et al. (2020) discovered a direct correlation between investment experience and stock decisions, indicating that decision-making improves with increased experience. Hossain and Siddiqua (2022) concur, underscoring the importance of employing a wide range of information to achieve superior results. Li et al. (2023) recognises the intricacy of the correlation between investment experience and stock choices.

Hence the following hypothesis is developed:

H3: Investment experience has a significant influence on stock investment decision among Malaysian Youth

2.5 Financial Literacy

Financial literacy, which encompasses understanding and actions related to finance, is essential for making investment choices. Lusardi (2019) emphasises the alarming deficiency in financial understanding among elderly Americans (Lusardi & Mitchell, 2011), where limited literacy is associated with decreased involvement in the stock market (Van Rooij, Lusardi, & Alessie, 2007). The study conducted by Kumari (2020) and the research conducted by Hardianto and Lubis (2022) provide evidence that having a greater understanding of financial matters has a good impact on the investment decisions made by individuals, particularly among undergraduate students. Oteng (2019) highlights the existence of a favourable correlation between financial literacy and investment, and suggests the importance of providing investor education. Nevertheless, Hassan Al-Tamimi and Anood Bin Kalli (2009) and Arianti (2018) offer contrasting perspectives, proposing an adverse impact and a lack of substantial influence, respectively, on investment choices.

Hence the following hypothesis is developed:

H4: Financial literacy has a significant influence on stock investment decision among Malaysian youth.

2.6 Behavioural Bias

Verma (2016) conducted a study on investors' behavioural biases and their impact on decision-making during investments. The research identified prevalent biases that lead to variations in judgments, often resulting in unreasonable or erroneous decisions. Strategies to counteract these biases were also explored. Madaan and Singh (2019) focused on four behavioural biases—overconfidence, anchoring, disposition effect, and herding behavior. Their study concluded that herding bias and overconfidence significantly influence investment decisions. Rehan and Umer (2017) expanded the literature, finding that anchoring, risk aversion, overconfidence, representativeness, and regret aversion positively and significantly impact investment decisions in Pakistan.

Hence the following hypothesis is developed:

H5: Behavioural Bias has a significant influence on stock investment decision among Malaysian youth.

2.7 Relationship between the independent variable and mediating variable

While researching various studies, we found that accounting information, income level, investment experience and financial literacy have an influence on stock investment decisions among Malaysian youth. However, it appears that the mediator variable, which is behavioural biases, connects both the independent and dependent variables. Biasness of investors in accounting information depends on its complexity. Investors tend to be positively biased towards information that is simple to comprehend, and negatively biased towards subjective and complicated information. Isidore and Christie (2018) investigated the correlation between investors' behavioural biases and the income level of investors in Chennai, India. According to their study, investors with higher income levels are less likely to be biased than those with lower income levels. Prior investment experience has a major positive impact on overconfidence bias. Those investors who have more experience will be more confident which may cause overconfidence bias (Beatrice et al., 2021). Rasool and Ullah (2020) have studied the correlation between financial literacy and behavioural biases of individual investors and their study shows that there is a significant negative correlation between the two variables.

Hence the following hypothesis is developed:

H6: Accounting information has a significant influence on Behavioural Bias among Malaysian youth

H7: Income Level has a significant influence on Behavioural Bias among Malaysian youth.

H8: Investment Experience has a significant influence on Behavioural Bias among Malaysian youth

H9: Financial Literacy has a significant influence on Behavioural Bias among Malaysian youth

2.8 Mediating effect of Behavioural Bias towards stock investment decision.

According to Obaidat (2016), these behavioural biases are influenced by demographic parameters, such as income, investment experience and accounting information. A study conducted by Thanki, Shah and Karani (2022) explored the relationship between financial literacy, behavioural biases and stock market decisions. The study discovered that while financial literacy does not affect emotional biases, it considerably negatively affects all cognitive biases.

Hence the following hypothesis is developed:

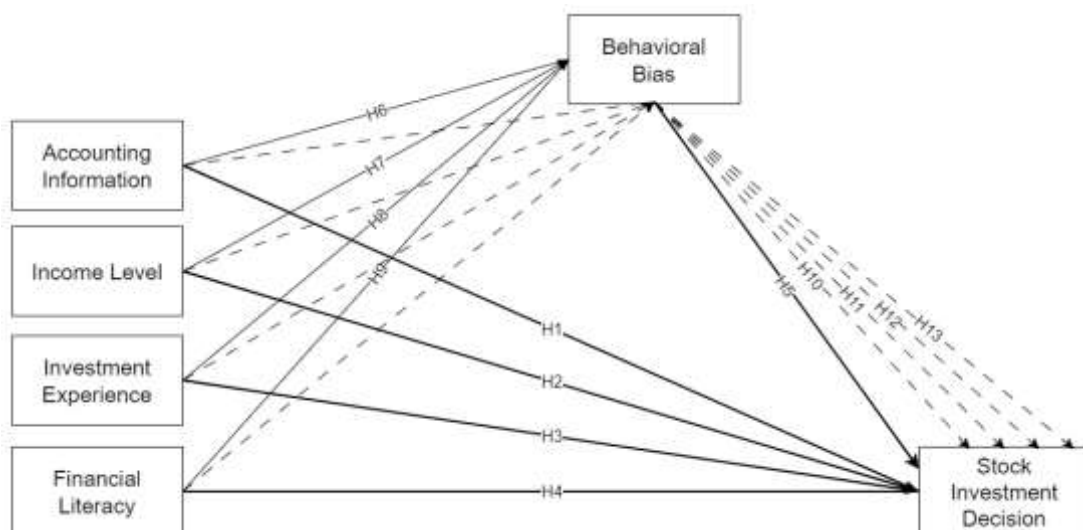
H10: Behavioural Bias mediates the relationship between Accounting Information and Stock Investment decision among Malaysian Youth

H11: Behavioural Bias mediates the relationship between Income level and Stock Investment decision among Malaysian Youth

H12: Behavioural Bias mediates the relationship between Investment Experience and Stock Investment decision among Malaysian Youth

H13: Behavioural Bias mediates the relationship between Financial Literacy and Stock Investment decision among Malaysian Youth

Figure 1. Conceptual Framework



Source: Develop for research purposes

3.0 RESEARCH METHODOLOGY

The research strategy employed to examine the saving habits of Malaysian youth involves explanatory research adopting a quantitative methodology to sample a specific group of interest while applying the purposive sampling method. This strategy seeks to comprehend the impact of autonomous elements on the dependent variable and analyse the associations between the mediator, the independent variable, and the dependent variable (Kalaian, 2008; Akhtar, 2016). To determine the relationship between the variables affecting stock investment decisions, a questionnaire was employed in this cross-sectional study, which was segregated into two sections. Section A consists of respondents' demographic information, and Section B intends to understand respondents' behaviour based on the dependent and independent variables.

4.0 DISCUSSION

Stock investment decision of youth in Malaysia is influenced by numerous variables. As a conclusion, accounting information had significant influence on stock investment decision, supported by Omokhudu & Ibadin (2015), Obaidat (2016) and Khoufi (2020). Behavioural bias also had a positive relationship with stock investment decision, supported by Verma (2016) where the study mentioned that herding bias and overconfidence have a major influence on investing decisions. The observed relationship between the variables in this study unmistakably supports the hypothesis that there is a relationship between the independent, mediating, and dependent variables. Consequently, **H₁, H₅, H₆, H₈, H₁₀, and H₁₂** is accepted. While income level had insignificant influence on stock investment decision, contrasting with Pertiwi et al. (2016) where the study mentioned that the number of youths having stock investments rises as income does, meaning that individuals with higher earnings will be more willing to invest in stocks in seeking for good return. For investment experience, it had insignificant relationship with stock investment decision, contrasting with Hossain & Siddiqua (2022) and Li et al. (2023) where it indicated that when making investment judgements, investors with greater experience, maturity, and knowledge can use various information from many sources appropriately leading to better results in the end. For financial literacy, it had insignificant relationship with stock investment decision, contrasting with Hassan Al-Tamimi & Anood Bin Kalli (2009) and Hardianto & Lubis (2022), where it claimed that financially literate investor will be more cautious in selecting the appropriate investments to reap the desired rewards. Contrary to our initial hypothesis, the data analysis indicates no significant relationship between independent, mediating and dependent variables, suggesting that the hypothesis is not supported. Thus, **H₂, H₃, H₄, H₇, H₉, H₁₁ and H₁₃** is rejected.

4.1 Implication of the study

This study has tested that stock investment decision among youth in Malaysia is significantly affected by accounting information and behavioural bias. Furthermore, accounting information and investment experience are proven to have a significant relationship with behavioural bias. In addition, the study would also like to mention that the investment experience is not significant when it tests directly towards the stock investment decision. However, when the behavioural bias mediates the investment experience towards stock investment decision the test result becomes significant.

4.2 Recommendation for Future Studies

Future researchers are advisable to enlarge the sample size in order to improve the study's representativeness and reduce biases. Furthermore, exploring alternate sampling techniques, such as conducting in-person interviews, can result in more precise and genuine data, hence reducing possible concerns associated with questionnaire responses. This methodology facilitates more profound discourse, draws inspiration from those being interviewed, and allows for the observation of nonverbal signals, so augmenting the overall quality and dependability of the research.

5.0 CONCLUSION

This study examined the impact of various variables on the stock investment choices made by young people in Malaysia. The study investigated accounting information, income level, investment experience, and financial literacy as independent variables, while testing behavioural bias as a mediating variable. The study's findings were obtained by

comparing data with previous studies and doing literature reviews from other countries. This study concisely outlined the research outcomes, examined significant discoveries, and emphasised the study's consequences. The research successfully identified the crucial characteristics that influence stock investment decisions. Additionally, it recognised its limits and offered helpful recommendations for future academics to improve the quality and accuracy of their research.

References

- Abu Bakar, N., & Rosbi, S. (2018). Efficient frontier analysis for portfolio investment in Malaysia stock market. *Science International*, 30(5), 723-729.
- Adielyani, D., & Mawardi, W. (2020). The Influence of Overconfidence, Herding Behavior, and Risk Tolerance on Stock Investment Decisions: The Empirical Study of Millennial Investors in Semarang City. *Journal of Maksipreneur: Management, Cooperative, and Entrepreneurship (JMP)*, 10(1), 89–101. <https://doi.org/10.30588/jmp.v10i1.691>
- Atikah Zulaikha Ahmad Zaidi, & Nor Suziwana Hj Tahir. (2019). Factors That Influence Investment Decision Making Among Potential Individual Investors in Malaysia. *Advances in Business Research International Journal*, 5(1), 9-21. <https://doi.org/10.24191/abrij.v5i1.9969>
- Awais, M., Laber, M. F., Rasheed, N., Khursheed, A. (2016) Impact of financial literacy and investment experience on risk tolerance and investment decisions: empirical evidence from Pakistan. *International Journal of Economics and Financial Issues*, 6(1), 73-79.
- Bernama. (2023). Ramkarpal: 31,140 youths under 35 declared bankrupt since 2014. *New Straits Times*. https://www.nst.com.my/news/nation/2023/06/924381/ramkarpal-31140-youths-under-35-declared-bankrupt-2014#google_vignette
- Diana-Rose, F., & Zariyawati, M. A. (2015). Factors Affecting Youth Bankruptcy in Malaysia. *UPM - SAGE Publications Young Writer's Award 2015 Papers*. <http://upmsage.upm.edu.my/wp-content/uploads/2017/04/paper2.pdf>
- Farooq, A., Muhammad, A. A., Sohail, N., & Muhammad, S. (2015). Factors Affecting Investment Decision Making: Evidence from Equity Fund Managers and Individual Investors in Pakistan. *Journal of Basic and Applied Scientific Research*, 5(8), 61-69.
- Gitman, L. J. (2005). *Principles of Managerial Finance*. Pearson Addison Wesley.
- Hardianto, & Lubis, S. H. (2022). Analisis literasi keuangan, overconfidence dan toleransi risiko terhadap keputusan investasi saham. *E-Jurnal Akuntansi*, 32(3), 684– 696.
- Hassan Al-Tamimi, H. A., & Anood Bin Kalli, A. (2009). Financial literacy and investment decisions of UAE investors. *The journal of risk finance*, 10(5), 500-516.
- Hossain, T., & Siddiqua, P. (2022). Exploring The Influence of Behavioural Aspects on Stock Investment Decision-Making: A Study on Bangladeshi Individual Investors. *PSU Research Review*. <https://doi.org/10.1108/PRR-10-2021-0054>
- Khoufi, N. (2020). Accounting information quality and investment decisions in the emerging markets. *Frontiers in Management and Business*, 1(1), 16-23. <https://www.syncsci.com/journal/FMB/article/view/420/351>
- Khoufi, N. (2020). Accounting information quality and investment decisions in the emerging markets. *Frontiers in Management and Business*, 1(1), 16-23. <https://www.syncsci.com/journal/FMB/article/view/420/351>
- Kumari, D. A. T. (2020). The impact of financial literacy on investment decision: with special reference to undergraduates in western province, Sri Lanka. *Asia Journal of Contemporary Education*, 4(2), 110-126. <https://doi.org/10.18488/journal.137.2020.42.110.126>
- Madaan, G. & Singh, S. (2019). An analysis of behavioural biases in investment decision-making. *International Journal of Financial Research*, 10(4). <https://doi.org/10.5430/ijfr.v10n4p55>
- Obaidat, A. N. (2016). The Value Relevance of Accounting Information in Emerging Stock Exchange Markets "Case of Jordan". *Research Journal of Finance and Accounting*, 7(12), 184-196.
- Omokhudu, O.O. & Ibadin, P.O. (2015). The Value Relevance of Accounting Information: Evidence from Nigeria. *Accounting and Finance Research*, 4(3), 1-20. <http://dx.doi.org/10.5430/afr.v4n3p20>
- Oteng, E. (2019). Financial literacy and investment decisions among trader in the Techiman Municipality
- Pertiwi, D., Ronni Basana, S., & Grace, Y. (2019). Decisions for Stock Investment among University Students. *EDP Sciences*. <https://doi.org/10.1051/shsconf/20207601005>
- Rehan, R. & Umer, I. (2017). Behavioural biases and investor decisions. *Market Forces*, 12(2).

- Somathilake, H. (2020). Factors Influencing Individual Investment Decisions In Colombo Stock Exchange. *International Journal of Scientific and Research Publications*, 10(5), 579-585. <http://dx.doi.org/10.29322/IJSRP.10.05.2020.p10166>
- Thanki, H., Shah, S. & Karani, A. (2022). Exploring the linkages between financial literacy, behavioural Biases, and stock market decision. *The Journal of Wealth Management Summer*, 25(1), 82-104. <https://doi.org/10.3905/jwm.2022.1.164>
- Van Rooij, M., Lusardi, A., & Alessie, R. (2011). Financial literacy and stock market participation. *Journal of Financial economics*, 101(2), 449-472.
- Verma, N. (2016). Impact of behavioural biases in investment decision and strategies. *Journal of Management Research and Analysis*, 3(1), 28-30. <https://doi.org/10.5958/2394-2770.2016.00004.1>
- Viryajaya, D., & Handoyo, S. E. (2022). The Determinants of Irrational Investment Decisions Among Individual Investors in Indonesia Stock Exchange. *Advances in Economics, Business and Management Research*, 216, 219-225. <https://doi.org/10.2991/aebmr.k.220501.034>
- Wahyuni, A. N., & Astuti, Y. P. (2020). The Influence of Demographic Factors on Investment Decisions in Indonesia in the Pandemic Time Covid-19. *Advances in Economics, Business and Management Research*, 16, 350-355. <https://www.atlantis-press.com/article/125953947.pdf>