**Factors Influencing the Malaysia Retail Investor’s Investment Decision-Making Behavior: Malaysia Stock Market**

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**Abstract**

This study modelled the investment decision-making behavior of retail investors in Malaysia. The primary data was gathered through the questionnaire with the sample size of 255. Descriptive analysis, correlation analysis, and multiple regression analysis were use as statistical analysis method. The results revealed that capital gain, cash dividend, and advocate recommendation have a significant influence on the retail investor investment decision-making behavior, whereas the firm image has not a significant influence on retail investor behavior.

**1.0 Introduction**

Investment decision-making in stock is a difficult process since it is conducted under uncertain conditions (Jaiyeoba et al., 2018). The investor must analyze different types of stocks by using different types of methods and information before investing in a stock (Nofsinger, 2014). Traditional financial theories assume that all participant in the market is rational and the capital market itself is efficient and perfect (McMahon, 2006). However, the opposition claims that all participants are influenced by the physiological factor, on other words, is imperfectly rational (Nofsinger, 2014). This is true in real life; the investor does not always follow the traditional financial theory to decide. The investment decision-making behavior and investment strategy of a retail investor is unique (Jaiyeoba et al., 2018). Moreover, retail investors are investing their funds for different purposes, some may be eager to have a capital gain; some may pursue a stable income such as a cash dividend (Pokharel, 2018). The scholar Statman (2011) has provided a similar opinion, the investment decision usually depends on the investor's social class, preferences, and wants. Furthermore, the decision-making of a retail investor has been influenced by demographic factors such as age, gender, education level, income level, and so forth (Jain and Mandot, 2012).

Furthermore, retail investors are the backbone of the capital market; they channel their funds or saving into the financial market to fulfil the needs of corporate (Gour, 2013). As one of the major fund’s suppliers, it indicates that retail investors in Malaysia have a certain power to influence the stock market. Hence, the position of retail investors should be a concern for the public, government, and firms, as well as studies. However, the study on retail investors has been overlooked by most scholars. According to Imran and Tariq (2013), the previous studies mainly focused on the institutional investor (such as Investment banks, mutual funds, investment funds, etc.), and less pay attention to the retail investor side. Moreover, they point out that most of these studies are conducted in the context of developed countries, while little attention has been paid to developing countries. In Malaysia, there are very few studies on retail investor behavior. Muhammad and Abdullah’s (2009) study on Malaysian retail investor decision-making style and behavior only scoped into the Klang Valley area, which has not represented the overall opinion of retail investors in Malaysia (Jamal et al., 2014).

Furthermore, the controversy in this research field was the different findings that researchers came up with (Jagongo and Mutswenje, 2014). For instance, Baker and Haslem (1974) found that the cash dividends, the firm’s financial stability, and expected returns influence the process of retail investor choice. Then, Pokharel (2018) claims that the retail investor prefers the stock that provides high liquidity and a high rate of return, which means the investor behavior has been influenced by liquidity and the potential return of the stock. Hence, different studies have different findings, that retail investor behaves in their own ways. The difference in socio-demographics, beliefs, values, and so forth will come out with different results. Therefore, the finding conducted from other countries cannot represent the context of Malaysia. To overcome the issue, a study on retail investors throughout Malaysia needs to be done to provide the study in the Malaysian context.

**2.0 Literature Review**

Lall, (2016) highlighted that financial theory such as Capital Asset Pricing Model (CAPM) and Modern portfolio theory have been implemented by scholars to analyse investment performance and the theory assumes the investor act rationally and takes account of all available information into the decision-making process so that the market is efficient, and the price of the asset has fully reflected all available information. However, the further study found massive evidence about investors' irrationality and repeated error in judgment, and hence the behavioural finance has been introduced to understand the investor behaviour and decision-making process in the field of investment.

P.H and Uchil (2020) confirm that the investor relies on their sentiment when making investments decision. Furthermore, their findings state that investor sentiment has been influenced by media factors, social interaction, and advocate recommendation, and hence the investment decision making will be affected. In this regard, related studies reported in the literature suggested that the investors irrational behaviour influence their investment decision S.N and Menon (2018). As illustrated in figure 1 below.

Diagram

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Figure 1. Research Framework

In other words, the capital gain, payment of divided, advocate recommendation and firm image will affect retail investors investment decision making behaviour Qadri et al. (2020).

**Capital gain**

Capital gain can classify as the gain generated from the price difference of the share. In the previous study, most of the findings show that retail investors have much more preference for capital gain as well as capital appreciation (Haque et al., 2016). According to Porkharel (2018), one of the big challenging faces by retail investors is the selection between a firm that offers a high dividend income or a firm with high potential capital gain in the future time. The study identifies the preference of Bangladesh’s retail investors in the Nepal stock market by using 50 samples and concluded that capital gain is one of the most critical motivations for retail investors to trade stock in Bangladesh. The result shows that 23% of respondents indicated capital gains are their main objective to invest in NEPSE (the Bangladesh stock market), which was selected the most times. In the IPO market, capital gains are also the main element to trigger the investment willingness of retail investors, which agree by 44% of respondents in Bangladesh. The survey proved that most retail investor prefers the money coming in immediately, just like the income generated from capital gain which is possible to realize at any time (Haque et al., 2016). There is a lot of evidence that indicates capital gain/appreciation is one of the most important factors for retail investors when choosing the stock to invest in. The study conducted in India also shows that capital appreciation is one of the most important investment objectives for India’s retail investors (Swamynathan, 2017).

Gour (2013) examines the retail investor behavior toward the securities market in Rohtak City by collecting data from 100 retail investors. The study concluded that most of the retail investors in Rohtak City invest in the share market for capital growth. From other points of view, they are risk-takers and seek the share with a high potential of capital appreciation and short-term capital gain. Furthermore, survey conduct in Singapore shows that the majority of Singaporean invest in the stock market for capital growth purposes (Seetharaman et al., 2017). All of these phenomena can be explained by the finding of Lease et al., (1974). They claim that retail investors are mainly focused on the share that could offer a long-term capital appreciation and had little interest in short-term gain (Lease et al., 1974). This is true for retail investors since they invest in shares in a long-term manner and look for long-term gain, which is different from the trader’s as they prefer the capital gain from the short holding period.

Furthermore, some of the demographic factors have also affected the investment decision-making behavior of retail investors. According to Haque et al. (2016), the one with high education level will have more tendency to capital gain share. However, age, income level, and investment amount will have a negative relationship with the preference for capital gain. Meaning that the younger investors or the investors with a low-income level and low investment amount care more care about capital gain. Research conducted in Malaysia shows that most Malaysian retail investors place the highest preference for stock with a high-profit margin (Khan et al., 2016). Bayrakdaroglu et al. (2017) identify the relationship between the share price and profitability ratio. They concluded that an increase of 1% of net profit margin will increase the share price by 1.32%-1.86%, which indicates there is a positive relationship between the share price and net profit margin. Moreover, Khan et al. (2016) also indicate that stock with high earnings has also been preferred by most retail investors. It is an interesting finding since the earnings of the share have a significant impact on the stock price (Hunjra et al., 2014). In another word, the higher the earnings, the higher the share price. Hence, the finding indirectly shows that retail investors have a high preference for the capital gain share, and hence become one of the main factors influencing the retail investor investment decision-making behavior.

*H1: The capital gain has a significant influence on the retail investor investment decision-making behavior in the Malaysian stock market.*

**Cash Dividend**

A dividend is a payment that is distributed by the listed company to the shareholder as a form of cash or other, which has been treated by the investor as the investment return (Livorek et al., 2014). According to Aroni et al. (2014), the dividend is one of the variables that will influence investor behavior while making an investment decision in stock. This variable especially has a great influence on investor who is eager to receive an income periodically from their investment, such as retirees. Their findings found that the dividend payout has a significant correlation with the retail investor investment behavior in the National Stock Exchange of India Ltd (NSE) market. Thus, the retail investor in Kenya will choose the firm that guarantees the dividend payment. Other than personal needs, a firm with stable dividend payment reflects profitability and strong financial status, so that is worth investing in. Moreover, the information signaling theory indicates that to avoid reducing dividend payments, the manager prefers a low payout ratio at the beginning and increases the payout ratio subsequently when the firm can do so. Hence, the retail investor believes that the dividend payment can reduce the asymmetric information effectively. Hence, dividend payment is crucial for retail investors (Brealey et al., 2005).

According to Brav et al. (2005), some financial executives believes that most retail investor has a preference for cash dividend, and the preference for cash dividend could not be affected by the personal tax rate substantially. Furthermore, the finding also clarifies that the grey-hair set is one of the dividend lovers among retail investors. In other words, the preference for cash dividends is varying due to the age difference. Miller and Modigliani (1961) also claim that dividend preference depends on age and income level. The findings indicate that young investors prefer a low dividend share, whereas retired investors prefer a share with a high dividend payout ratio. According to Graham and Kumar (2006), if treat retail investors as a group, they prefer a non-dividend stock rather than a dividend stock. However, there are different classes of retail investors within the group in terms of age or income. The older investor with low income preferred a stock that paid the dividend. Moreover, the preference for cash dividends is varying due to the level of the tax incentive, and the extent to which the consumption preference.

Maditinos et al. (2007) research to examine the investor perception of the dividend in Greece. Their finding concludes that retail investors invest in shares and obtain the return for final consumption purposes. Investor in Greece treats the cash dividend as the salary or a single uniform of amount and uses it for consumption purposes. Therefore, the cash dividend has influenced the decision-making behavior of the investor because the purchasing power has been determined by the amount of the cash dividend. Other than that, the scholars also run up the test on signaling theory which found that the retail investor in Greece believes that the variation of dividend payment provides a signal in terms of the prospects of the firm. Thus, dividend payment plays a key role in the decision-making behavior of Greece retail investors.

Furthermore, the role of cash dividends among the retail investor can be recognized by observing the trading activity on the salient dividend event. Graham and Kumar (2006) obverse the retail investor buy and sell transactions before and after the dividend events. First, the finding shows that most retail investors are active before, on, and after the ex-dividend date. But if look at the different classes of investor, most of the old retail investor tends to buy the share before the ex-dividend date, whereas the young retail investor prefers to buy the share after the dividend was assigned. Second, low-income retail investors are pursuing the dividend share aggressively before and even after the ex-dividend date. Thirdly, the findings show that old and low-income retail investors tend to purchase the high dividend yield stock before the declaration of the cash dividend. In short, the cash dividend plays a key role in decision-making behavior, especially for old and low-income retail investors.

According to Haque et al. (2016), the positive relationship between age and preference for dividend shares is because the investment objective of an older person is to construct a portfolio with safety and regular income. It indicates that older investors are more risk-averse, which is consistent with Graham and Kumar (2006). However, the finding indicates that retail investor with high-income level prefers the high-yield dividend share because they are risk-averse. It could be because the high-income investor is unwilling to expose their wealth to risk, unlike the low-income investor who is nothing to lose.

*H2: The cash dividend has a significant influence on the retail investor investment decision-making behavior in the Malaysian stock market.*

**Firm Image**

The firm image can be defined as the value of the firm, the position in related industry, business activity, company steadiness, and so forth (Ong et al., 2019). The imagination of a firm such as reputation, ethical practice will have a significant influence on the decision-making behaviour of the potential investors. According to Akhter and Ahmed (2013), the reputation of the company, the performance of the business, the status of the firm, feeling for the firm’s goods and services, and the company’s involvement in solving a community issue have influenced the investor decision- making behaviours. They also point out that retail investors are not willing to invest in a stock in which the corporate has involved in unfavourable activities such as immoral practices.

Ackert and Church (2006) highlighted that the decision-making behavior of retail investors has been influenced by the news report, magazine article, and so forth. The content of these media has become the source of the formation of the mental image of the particular firms. The salient information or the compelling information could induce the affective reaction of the investor, thereby affecting investors whether like the firm. If the salient information reflects the positive image of the firm, then the investors tend to be having a positive bias on the firm during the evaluation procedure. The survey also shows that the investors have more willingness to invest in a stock with a positive firm image and strongly avoid investing in a stock with a negative firm image. Thus, the firm image has a significant impact on the retail investor investment decision-making behavior.

For instance, a firm with a high reputation could sustain the high Beta as well as high risk. On the other hand, if reputation becomes one of the elements to value the perceived risk of a firm, the high reputation company could be chosen because the high reputation entity reflects a low risky image to the investor. On the other hand, even though the performance of two or more firms is the same, the one with a high reputation will be perceived as having a related low risk, so that will more prefer by the investor. Moreover, the investors have more willingness to undertake the higher risk as long as the reputation of the corporate is high. The low reputation firm has been avoided by retail investors because the low reputation could indicate the disaster lurks nearby, and the firm is more likely to suffer a devastating blow once the disaster strikes (Srivastava et al., 1997).

A survey conducted locally by Ong et al. (2019), shows that the firm image has a significant relationship with the behavior of retail investors. A similar study of retail investors in Bombay stock exchange found 81.25% of retail investor indicate the firm image plays a key role in their decision-making process, while only 18.75% of respondents said the firm image will not influence their decision-making. (Agarwal, 2020).

*H3: The firm image has a significant influence on the retail investor investment decision-making behavior in Malaysia stock market*

**Advocate Recommendation**

Advocate recommendation can be defined as the recommendation from brokerage houses, individual brokers, and recommendations from family members or friends (Chong and Lai, 2011). In the financial market, it usually has two types of information which are the fundamental information (e.g., accounting information) and the rumour. Most of the retail investors in Pakistan makes an investment decision based on the recommendation of the For instance, the study in Pakistan and Sri Lanka found stock brokerage house, family members, pals, co-workers, and so forth has much more influence on retail investors’ investment decisions rather than the accounting information (Akbar et al., 2016; Somathilake, 2020). Thus, retail investors are not rational when making an investment decision since they are influenced by social, religious, personal, and advisor recommendations. It is noteworthy that, the retail investor's investment decision-making behaviour has been influenced by advocate recommendations significantly.

As the customers of the stock brokerage house a retail investor expects to receive some professional services such as investment advice, portfolio management service, etc (Akbar et al., 2016). In general, retail investors feel that the advice provided by the brokerage house has much more accurate and reliable (Ahmad, 2017). This report has consistent with the finding of Renu et al. (2020) in a study on the equity traders in Chennai and collected the information by distributing the questionnaire to the member of the Tamil Nadu Investors Association and the customers of the popular financial service firm. The respondents were asked to rank the recommendation from professionals, family members, friends, and co-workers. The professional’s recommendation found a mean of 3.36 which is the highest, but the family members suggest, and friend/co-worker recommendation found a mean of 2.99 and 2.95 respectively. As a professional, the stock brokerage could obtain some insider information so it’s not hard to explain why the retail investors tend to rely on the brokerage house (Mohamad et al., 2017). Hence, retail investors have much more confidence on brokerage houses or professionals rather than the recommendation of family members or pals (Ahmad, 2017).

*H4: The advocate recommendation has a significant influence on the retail investor investment decision-making behaviour in Malaysia stock market.*

**3.0 Methodology**

This research is based on a quantitative study using primary data. The data was collected through the questionnaire, and the questionnaire was aimed at Malaysian retail investors. The questionnaire was distributed to the investment discussion group in Messenger, Facebook, WhatsApp, and Telegram, which is the most convenient way for the researcher. In these discussion groups, there have more than thousands of retail investors who come from different states to discuss the investment strategy, perspectives, opinions, and all other investing-related topics. Prior to the official distribution of the questionnaire, a pilot test has been carried out.

According to the Research Advisors (2006), if the population size is more than 1 million, 384 samples are required. Nonetheless, hair et al. (2014) claim that a large sample size can cause the statistical significance overly sensitive, which could result in Type 1 error. Therefore, the minimum sample size of this study was set at 200 responses. Finally, the number of responses received from the retail investors was equal to 255 without any missing value.

There have 2 sections in the questionnaire which include Section A: Demographic, and Section B: The factor that influences the retail investor investment decision-making behavior (Capital gain, Dividend, Advocate recommendation, and Firm image). Section A designed to gather the demographic or general information of the sample which is useful for analysis. Then, section B was designed to gather the data on the factor that influences the retail investor investment decision-making behavior and the data to measure the decision-making behavior. The question was designed in the form of a Likert scale (1= Strongly disagree, 2= Disagree, 3=Neutral, 4= Agree, 5= Strongly disagree). Before distributing the questionnaire, a pilot test has done to ensure the qualification of the question. The context of the questionnaire was referring to past studies in the related field, which was summarized in Table 1.

**Table 1: Source of the questionnaire**

|  |  |
| --- | --- |
| **Subjective Measurement (Variables)** | **Reference (questionnaire)** |
| Capital Gain | Question 1: Swamynathan, S. (2017)  Questions 2&3: Khan et al. (2016)  Question 4: Ikeobi et al. (2016)  Question 4: Obamayi (2013) |
| Cash Dividend | Question 1: Khan et al. (2016)  Question 2: Maditinos et al. (2007)  Questions 3&5: Kemal and Kashif (2018)  Question 4: Dong et al. (2005) |
| Firm Image | Questions 1, 2,3,4&5: Akhter and Ahmed (2013) |
| Advocate Recommendation | Question 1: Akhter and Ahmed (2013)  Questions 2,3,4&5: Bashir et al. (2013) |
| Investment Decision-making Behavior | Questions 1,2,3,4&5: Gill et al. (2018) |

Once the data was completed collecting, the software IBM SPSS was used to process the data. The statistical data was presented in the form of a graph or table. The normality test was first executed to measure the distribution of the data. In order to test the reliability of the collected data, Cronbach’s Alpha was used which is the most popular method to measure the internal reliability of the data (Ahmad, 2017). Descriptive analysis, regression analysis, and correlation analysis were used to analyze the collected data. The descriptive analysis method was adopted by Bashir et al. (2013). Furthermore, the multiple linear regression analysis and Pearson correlation analysis methods were adopted by Ong et al. (2019). Finally, the hypothesis test was based on the result of regression analysis because this method considers the impact of other variables, which can provide a more reasonable result.

**4.0 Discussion**

**Profile of Respondent**

The profiles of the research respondents are shown in Table 2. The research involved a total of 255 retail investor respondents. Table 1 shows that 196 of the respondents were male which represented 76.9%, whereas the female respondents were relatively fewer which only contained 59 people (or 23.1%). This could indicate that the male has more interested in the stock market. Most of the respondents fall under the group of 21-30, which represents 42.4%. The second-highest group was 31-40 (27.1%), then the third-highest and fourth-highest are above 50 (15.3%) and 41-50 (11.4%) respectively. Lastly, the least number of respondents fall under the group below 21 which only represented 3.9%. The result indicates the young generation have more interested in the field of stock investment. Nevertheless, it could also indicate the young generation prefer to discuss the investment-related topic on the internet as compared to middle-aged investors. In terms of marital status, 59.6% are single whereas 38.4% of the respondents indicate their marital status. Only 2% of the respondents were under the divorced category.

Most of the respondents had 1-5 years or less than 1 year of investment experience in the stock market, which represents 35.3% and 32.9% respectively. Then, 14.1% and 7.8% of the respondents have 6-10 years and more than 20 years of investment experience in the stock market. Lastly, the least number of respondents have 11-15 years or 16-20 years of investment experience in the stock market, which represents 5.5% and 4.3% respectively. Obviously, most of the respondents can consider the newbie in the Malaysian stock market. Based on the race proportion, it shows that 86.3% of the respondents were Chinese, which was the largest group in terms of the race category of the respondents. The Malay and Indians make up just 7.1% and 3.5% respectively. The least number of respondents fall under the group of others, which could be the “Orang Asli”.

Table 2 also shows that most of the respondents were employed which represents 45.5%. The student (25.1%) and self-employed (15.7%) were the second and third largest group in terms of occupation of the respondents. The rest of the categories have not much different in terms of distribution. The retired, unemployed, other, and housewives make up 5.5%, 3.5%, 2.7%, and 2.0% respectively. Most of the respondents come from Kuala Lumpur (22.7%), Selangor (22.4%), and Johor (22.0%). For the regions, Kelantan, Perlis, Terengganu, and Labuan each have only 1 respondent (0.4%). Although there are only a few samples in some areas, it doesn’t matter since the data has already contained all Malaysian.

**Table 2 Profiles of Respondent**

**n:255**

|  |  |  |  |
| --- | --- | --- | --- |
| **Gender** | **%** | **Marital Status** | **%** |
| Male | 76.9 | Single | 59.6 |
| Female | 23.1 | Married | 38.4 |
| **Age** |  | Divorced | 2.0 |
| Below 21 | 3.9 | **Respondent’s Stock Investment (Years)** |  |
| 21-30 | 42.4 | Less than 1 year | 32.9 |
| 31-40 | 27.1 | 1-5 years | 35.3 |
| 41-50 | 11.4 | 6-10 years | 14.1 |
| Above 50 | 15.3 | 11-15 years | 5.5 |
| **Race** |  | 16-20 years | 4.3 |
| Malay | 7.1 | More than 20 years | 7.8 |
| Chinese | 86.3 | **Occupation of the respondents** |  |
| Indian | 3.5 | Student | 25.1 |
| Others | 3.1 | Employed | 45.5 |
| **State** |  | Self Employed | 15.7 |
| Johor | 22.0 | Housewife | 2.0 |
| Selangor | 22.4 | Unemployed | 3.5 |
| Kuala Lumpur | 22.7 | Retired | 5.5 |
| Kedah | 1.2 | Other | 2.7 |
| Kelantan | 0.4 | **Level of Education** |  |
| Malacca | 5.5 | SPM/UEC and below | 8.2 |
| Negeri Sembilan | 3.1 | Diploma/Foundation | 16.5 |
| Pahang | 1.6 | Bachelor’s degree | 62.4 |
| Pulau Pinang | 7.5 | Master and above | 12.9 |
| Perak | 4.3 | **Monthly Income** |  |
| Perlis | 0.4 | No income | 23.1 |
| Sabah | 2.0 | Less than RM1000 | 8.6 |
| Sarawak | 3.9 | RM1000 to RM3000 | 10.6 |
| Terengganu | 0.4 | RM3000 to RM5000 | 14.5 |
| Labuan | 0.4 | RM5000 to RM7000 | 12.9 |
| Putrajaya | 2.4 | RM7000 and above | 30.2 |

Besides that, the collected data shows that most of the respondents were highly educated. For instance, 62.4% of the respondents own a bachelor’s degree,16.5% of the respondents have completed a diploma or foundation course, and 12.9% of the respondents have at least own a master’s degree. Additionally, only 8.2% of the respondents fall under the category “SPM/UEC and below”. Hence, it could indicate that most retail investors are highly educated individuals. The monthly income of 30.2% of respondents is at least RM7,000. Furthermore, 14.5% and 12.9% of the respondents fall under the group of “RM3,000 to RM5,000”, and “RM5,000 to RM7,000” respectively. Additionally, the low-income group also includes a lot of respondents. 23.1% of the respondents have no income, whereas the monthly income of 8.6% of the respondents was not more than RM1,000. Both the high-income and low-income groups contain many respondents could because of the age and education level distribution of the respondents.

**Normality Test**

The analysis method throughout this study is under the category of parametric test. Hence, the normality test was conducted to find out the distribution of the data. The normality test was conducted on the collected samples (based on age), and both independent variables and dependent variables. The box plot was used for observation of the distribution of the age of the respondents. The box plot for the age of respondents (Figure 1) shows a symmetric form, which indicates the distribution is considered normal. Thus, the collected data is normal distribution in terms of age

**Figure 1 Box plot for the age of respondents**

Chart, box and whisker chart

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The normality test was also tested on the independent variables and dependent variables. Before running the test, the questions were combined to become a variable (e.g. the 5 questions which fall under the capital gain were combined to become a variable), then the Z-score of the sum variable was calculated in order to run the normality test. On average, the Q-Q plot shows that the normality rate of the variables is about 67%. Since all the questions were designed in the form of a Likert scale, so the distribution of the overall data can consider approximately normal. Thus, the parametric test is able applied.

**Cronbach’s Test (Reliability Test)**

Table 3 shows that Cronbach’s Alpha which is used to measure the reliability of the data and indicates the reliability of capital gain, cash dividend, firm image, advocate recommendation, and investment decision-making behavior are 0.673, 0.822, 0.833, 0.851, and 0.564 respectively. The overall reliability has shown 0.900 Cronbach’s Alpha. According to Ahmad (2017), the Alpha that is greater or equal to 0.5 is acceptable, which indicates the good reliability of the questions/data. Thus, Cronbach’s Alpha indicates that these categories are reliable.

**Table 3 Cronbach’s Test (Reliability Test)**

|  |  |  |
| --- | --- | --- |
| **Variables** | **Cronbach’s Alpha** | **Items** |
| All variables | 0.900 | 25 |
| Capital Gain | 0.673 | 5 |
| Cash Dividend | 0.822 | 5 |
| Firm Image | 0.833 | 5 |
| Advocate Recommendation | 0.851 | 5 |
| Investment Decision Making Behavior | 0.564 | 5 |

**Descriptive Statistics**

Table 4 show the descriptive statistic of the 4 categories of the independent variable (Sum capital gain, Sum cash dividend, Sum firm image, and Sum advocate recommendation). Each categorized variable has 5 Likert-scale questions so that the minimum and the maximum score are equal to 5 and 25 respectively. The result shows that the mean of capital gain, cash dividend, firm image, and advocate recommendation have been found as 20.2902, 17.5686, 19.6392, and 15.4118 respectively. Four of the mean factors are above the neutral level (15). Based on the findings, the capital gain has more influence on retail investor investment decision-making behavior, whereas the advocate recommendation has relatively least influence as well. The order according to the size of mean is the group of capital gain, firm image, cash dividend, and advocate recommendation. However, the result only describes the data in an overall manner by combining the questions from each categorized variable. Thus, descriptive statistics were conducted on each of the questions within the categorized variable to identify the influencing power individually.

**Table 4 Descriptive statistic (The categorized group of independent variables)**

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Table 5 shows that most of the respondents agree that capital gain (2.1) is the factor that influences their investment decision-making behavior, on which the mean is around 4.55. The rest of the questions asking about the preference for a high profit-margin ratio (2.2), high earning per share stock (2.3), growth stock (2.4), and whether getting rich quickly is one of the major investment objectives (2.5). Unsurprisingly, most of the respondents agree with these. The findings are consistent with past studies. Swamynathan (2017) finds that capital gain is a very important investment objective for retail investors. Khan et al. (2016) also found that retail investors have a high preference for firm that has a high-profit margin ratio and earnings per share, which indicates that both profit margin and earnings per share must influence the investment decision-making of retail investors. According to Mirgen and Kuyu (2017), and Hunjra et al., (2014), these two factors have a positive relationship with a capital gain. Therefore, the preference for a high-profit margin or earning per share is basically a preference for the capital gain stock. Moreover, Ikeobi et al. (2016) also found that the growth potential of a firm has influenced the investment decision-making of the retail investor. Lastly, Obamayi (2013) found that getting rich quickly is also a factor that influences the investors’ investment decision-making.

**Table 5 Descriptive statistic for capital gain**

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\*The questions have been attached to the appendix

Table 6 shows that many of the respondents agree that cash dividend (3.1) is the factor that influences their investment decision-making behavior, on which the mean is around 3.65. Khan et al. (2016) also found that retail investors prefer cash dividend stock. The questions also ask whether the firm that declares the cash dividend payment reflects the future performance (3.2), is less likely to cook the book (3.3), and is less risky (3.5); if agreed with these statements, will it influence their investment decision-making? All the questions were agreed upon by the respondents because the mean is above 3. The result of question 3.2 is consistent with the finding of Maditinos et al. (2017). Furthermore, the result of questions 3.3 and 3.5 are also consistent with the finding of Kemal and Kashif (2018). The importance of cash dividends for consumption purposes (3.4) was also tested. More than half of the respondents indicated that they would sell the stock if the firm decided not to pay the dividend in the future, which is inconsistent with the finding of Dong et al. (2005). According to Jagongo and Mutswenje (2014), the controversy in this research field is the different findings made by researchers. Thus, this could be because retail investors behave differently in different countries.

**Table 6 Descriptive statistic for the cash dividend**

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\*The questions have been attached to the appendix

Table 7 show the descriptive statistic on the firm image. The respondents were asked whether their feeling about the firm’s products and services (4.1), reputation in terms of business performance (4.2), status/position in the industry (4.3), ethical practices (4.4), and corporate social responsibility (4.5) influence their investment decision-making. The finding indicates that all these variables have influenced investor investment decision-making since the means are above the neutral level. The result of questions 4.2, 4.3, and 4.4 are in line with the finding of Akhter and Ahmed (2013), whereas the rest of the questions which are questions 4.1 and question 4.5 are inconsistent with them. Again, this could be because retail investors behave differently in different countries.

**Table 7 Descriptive statistic for firm image**

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Description automatically generated

\*The questions have been attached to the appendix

Table 8 show the descriptive statistic on advocate recommendation. The respondents were asked whether the market trend/rumors (5.1), broker recommendation (5.2), family member opinion (5.3), friend/co-worker recommendations (5.4) and the opinion of the firm’s majority shareholders (5.5) influence their investment decision-making. The findings show that market trends/rumors (5.1) have influenced retail investor investment decision-making behavior, which is inconsistent with the finding of Akhter and Ahmed (2013). Chhapra et al. (2018) explained that some retail investors simply invest in rumors because they are irrational. The finding also shows that the opinion of firms’ majority shareholders (5.5) has influenced the investment decision-making of the investor, the finding is consistent with Arslanturk Collu (2018).

Furthermore, the broker recommendation (5.2), family member opinion (5.3), and friend/co-worker (5.4) recommendations have not influenced the power of the retail investor investment decision-making process. The finding of questions 5.3 and 5.4 are consistent with Hassan Al‐Tamimi and Anood Bin Kalli (2009). However, question 5.2 is inconsistent with most of the past findings, which indicate that Malaysian retail investors have little faith in broker advice.

**Table 8 Descriptive statistic for advocate recommendation**

Table

Description automatically generated

\*The questions have been attached to the appendix

Table 9 show the descriptive statistic for the retail investor’s investment decision-making behavior by summing up the score obtained from the related questions. The mean is found as 17.5098 which is above the neutral level (15). Thus, the result is consistent with the findings of Gill et al. (2018). To examine the effect of individual questions, a descriptive statistic was conducted on each of the questions.

**Table 9 Descriptive statistic (Categorized group of the dependent variable)**

Table

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Table 10 shows the descriptive statistic on the dependent variable. The question was adopted by Gill et al. (2018), whose purpose is to measure the retail investor investment decision-making behavior. The results show that more than half of the respondents will examine the risk associated with the stock before investing in the stock (6.1). Moreover, most of the respondents will make sure their investment has a high degree of safety (6.2), which indicates that most retail investors are risk averse. To further understand the retail investor behavior, the questions also examine the trading pattern/behavior of the retail investor. The result indicates that most of the respondents are eager to realize the gain as soon as possible (6.4, 6.5). In other words, most retail investors prefer to realize the short-term gain by forgone the long-term gain since they don’t will to bear the risk of loss. The researcher also examines the perspective of retail investors toward the risk of local stock and foreign stock. The result shows that most of the respondents disagreed that investment in foreign stocks is riskier than local stocks. Thus, Malaysian retail investors tend to accept both foreign and local stock if there are some gaining opportunities.

**Table 10 Descriptive statistic for investor investment decision-making behavior**

Table

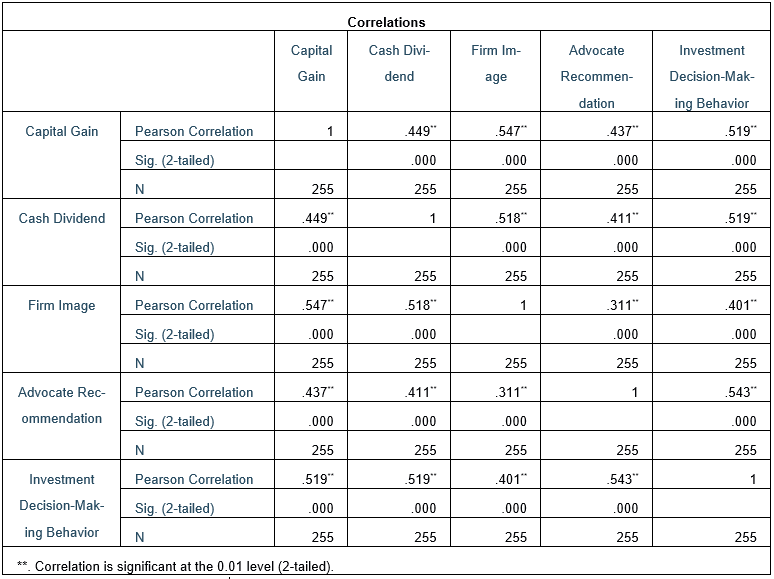
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\*The questions have been attached to the appendix

**Pearson Correlation Analysis**

Table 11 shows the association between the independent variables (Capital Gain, Cash Dividend, Firm Image, and Advocate Recommendation) and the dependent variable (Investment Decision Making Behavior). The result shows that capital gain has a positive significantly correlated with investment decision-making behavior (r=0.519, p<0.05). Second, the cash dividend has a positively significant correlation with investment decision-making behavior (r=0.519, p<0.05). Third, the firm image has a positively significant correlation with investment decision-making behavior (r=0.401, p<0.05). Lastly, the advocate recommendation has a positively significant correlation with investment decision-making behavior (r=0.543, p<0.05). Thus, all independent variables have a positive correlation with the dependent variable.

**Table 11 Pearson Correlation Analysis**



**Multiple Regression Analysis**

Table 12 shows the result of the multiple regression analysis. The multiple regression analysis was used to examine the relationship between capital gain, cash dividend, firm image, and advocate recommendation with the retail investor investment decision-making behavior. In another word, the regression analysis looks at how one affects the others. All the coefficients show a positive figure, which indicates all independent variables positively affect the dependent variables. The direction of the coefficients gather from regression analysis is consistent with the results from correlation analysis (Table 11).

**Table 12 Multiple Regression Analysis**

Table

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Furthermore, the significant level of the firm image is 0.582, which is more than 0.05. It indicates that firm image has no significant influence on retail investor investment decision-making behavior. However, the significant value of capital gain, cash dividend, and advocate recommendation is 0.000, which is lower than the 0.05 significant level. It indicates the rest of the independent variables (capital gain, cash dividend, and advocate recommendation) have a significant influence on retail investor investment decision-making behavior. The outcome is consistent with correlation analysis except for one independent variable, the firm image. This is because the multiple regression analysis considers the effect of other variables, not only the relationship between 2 variables. Thus, the result obtained from multiple regression has been used by the researcher.

**Hypotheses Test**

Table 13 shows that there is a positive significant relationship between capital gain, cash dividend, and advocate recommendation with the retail investor investment decision-making behavior. Thus, the H1, H2, and H4 were accepted by the researcher (the null hypotheses 1, 2, and 4 were rejected by the researcher). On the other hand, the hypotheses test also shows that there is a positive insignificant relationship between firm image and retail investor investment decision-making behavior. Hence, the H3 was rejected by the researcher (null hypothesis 3 was not able to reject).

**Table 13 Hypotheses Test**

Table

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**Discussions of findings**

This study is to identify the factor that influencing the retail investor investment decision behavior, in the Malaysia stock market. To scope down the area of study, the paper identifies whether capital gain, cash dividend, firm image, and advocate recommendation have a significant influence on retail investor investment decision-making behavior. The findings found that capital gain, cash dividend, and advocate recommendation have a significant influence on retail investor investment decision-making behavior. According to Porkharel (2018), the retail investor has a trade-off between the high dividend income stock and the firm with high potential for capital gain. Our finding clarifies that most retail investors have a preference for both cash dividends and capital gain. On the other word, Malaysia retail investors tend to pursue the share that as combination of capital growth as well as cash dividend. Thus, the high-growth firm should offer a reasonable cash dividend (if possible) to attract more retail investors.

Besides that, even our findings show the advocate recommendation will influence investor behavior, but only a few types of recommendation have been concerned by retail investors. Base on the result from the descriptive statistic, only market trends (rumors) and the opinion of the firm’s majority shareholder were accepted by the retail investor. The broker recommendation has not been welcomed by the retail investor, which is out of the expectation. Based on past studies, retail investors feel that the brokerage house is a professional entity that has some accurate and reliable source of information so that the retail investor highly dependent on the broker advice (Ahmad, 2017; Akbar et al., 2016). This indicates that the credibility of a broker in Malaysia is extremely low as compared to foreign countries, which could be because most of the local investors has suffering the loss by adopting the broker advice. The broker firm should enhance its credibility by providing some useful information and assistant for the retail investor to restore their confidence level. Additionally, this depicts that the retail investors in Malaysia are irrational as their decision-making has been influenced by advocate recommendations (Imran and Tariq, 2013). Lastly, our findings show that the firm image has positively engaged with investment decisions but not a significant influence on retail investor investment decision-making behavior.

**Conclusion of the study**

The implication of the study on the retail investor, listed firm, government, and stockbrokers are enormous. Firstly, the study provides retail investors in various fields of how others’ investors invest their money into the stock market, which is especially useful for a rookie investor. On the other word, the study provides a guideline for a rookie investor in terms of how to start in the stock market. Secondly, it provides knowledge in terms of the behavior of retail investors for a listed firm, and hence the listed firm able to construct the attractiveness policies to attract the retail investor. Thirdly, the government agency can understand the retail investor behavior which is crucial for build a genuine policy. Finally, the stockbrokers can provide suitable information and assistant for retail investors base on their preferences.

There are some limitations that should be noted. The study doesn’t divide the retail investor into the different segments (e.g. age, income level, etc.) when identifying the decision-making behavior, instead, it only shows how overall retail investors behave. Thus, the finding unable to reflect the decision-making behavior of retail investors with different socio-economic characteristics. Moreover, the study only includes 4 independent variables which are not comprehensive, and thus the finding only indicates a small portion of decision-making behavior.

Further studies should measure the relationship between the stock return and the retail investor behavior to find out which behavior can contribute to the high investment return. It can enhance the reference value of the finding. The decision-making behavior of retail investors with different socio-economic characteristics can also be included in the analysis. More independent variables can be tested in the study to come out a more comprehensive study.

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