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MALAYSIAN YOUTH'S PERSPECTIVES ON  
INVESTING IN STOCK MARKET

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## DECLARATION

We hereby declare that:

1. This undergraduate research project is the end result of our own work and that due acknowledgement has been given in the references to ALL sources of information be they printed, electronic, or personal.
2. No portion of this research project has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.
3. Equal contribution has been made by each group member in completing the research project.
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This dissertation is dedicated to:

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For giving us the chance to conduct the research project.

Puan Noor Azizah binti Shaari

Supervisor who has motivated and monitored us throughout the research project.

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**TABLE OF CONTENTS**

	Pages
Copyright Page.....	ii
Declaration.....	iii
Acknowledgement.....	iv
Dedication.....	v
Table of Contents.....	vi-x
Abstract.....	xi
CHAPTER 1: RESEARCH OVERVIEW.....	1-10
1.0 Introduction.....	1
1.1 Research Background.....	2-3
1.2 Problem Statement.....	4-5
1.3 Research Objective.....	5-6
1.4 Research Question.....	6
1.5 Hypothesis of the Research.....	7-8
1.5.1 Psychological Behaviour.....	7
1.5.2 Financial Literacy.....	7
1.5.3 Cost of Living.....	7
1.5.4 Risk Tolerance.....	8
1.6 Significance of study.....	8-9

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1.7	Chapter Layout.....	9-10
1.8	Conclusion.....	10
CHAPTER 2: LITERATURE REVIEW.....		11-30
2.0	Introduction.....	11
2.1	Review of the literature.....	11-22
2.1.1	Dependent Variable: Propensity on Investment....	11-13
2.1.2	1 <sup>st</sup> Independent Variable: Psychology Behaviour..	13-15
2.1.3	2 <sup>nd</sup> Independent Variable: Financial Literacy.....	15-17
2.1.4	3 <sup>rd</sup> Independent Variable: Cost of Living.....	17-20
2.1.5	4 <sup>th</sup> Independent Variable: Risk Tolerance.....	20-22
2.2	Theoretical Review.....	22-26
2.2.1	Theory of Reasoned Action (TRA).....	22-23
2.2.2	Theory of Planned Behaviour (TPB).....	23-25
2.2.3	Behavioural Finance Theory.....	25
2.2.4	Efficient Market Theory.....	25-26
2.3	Proposed Framework. ....	26-27
2.4	Hypothesis Development.....	27-29
2.5	Conclusion.....	30
CHAPTER 3: RESEARCH METHODOLOGY.....		31-42
3.0	Introduction.....	31

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3.1	Research Design.....	31-32
3.2	Data Collection Method.....	32
3.2.1	Primary Data.....	32
3.3	Sampling Design.....	33-34
3.3.1	Sampling Techniques.....	33
3.3.2	Target Population.....	33
3.3.3	Sampling Size.....	34
3.4	Research Instrument.....	34-35
3.4.1	The purpose of using a questionnaire.....	34
3.4.2	Questionnaire Design.....	35
3.5	Data Processing.....	35-38
3.5.1	Data Collection.....	36
3.5.2	Data Recording.....	37
3.5.3	Data Analysis.....	37
3.5.4	Interpretation of results and findings.....	38
3.6	Data Analysis.....	38-42
3.6.1	Econometric Model.....	38
3.6.2	Inferential Analysis.....	39-40
3.6.3	Scale Measurement.....	40-42
3.7	Conclusion.....	42
CHAPTER 4: DATA ANALYSIS.....		43-68



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4.0	Introduction.....	43
4.1	Descriptive Analysis.....	43-55
4.1.1	Demographic Profile of Respondents.....	43-53
4.1.2	Central Tendencies Measurement of Constructs...54-55	
4.2	Scale Measurement.....	55-56
4.2.1	Pilot Test.....	55
4.2.2	Internal Reliability Test.....	56
4.3	Inferential Analysis.....	57-68
4.3.1	Pearson Correlation Analysis.....	57-61
4.3.2	Multiple Regression Analysis.....	62-67
4.4	Conclusion.....	68
 CHAPTER 5: DISCUSSION, IMPLICATION AND CONCLUSION.....69-80		
5.0	Introduction.....	69
5.1	Summary of Statistical Analysis.....	69-72
5.1.1	Summary of Descriptive Analysis.....	69-71
5.1.2	Inferential Analysis.....	71-72
5.2	Discussion of Major Findings.....	73-76
5.2.1	Relationship between Psychological Behaviour and Propensity on Investment.....	73

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5.2.2 Relationship between Financial Literacy and Propensity on Investment.....	73-74
5.2.3 Relationship between Cost of Living and Propensity on Investment.....	75
5.2.4 Relationship between Risk Tolerance and Propensity on Investment.....	75-76
5.3 Implication of Study.....	76-80
5.3.1 Managerial Implication.....	76-77
5.4 Limitation of Study.....	78
5.5 Recommendations.....	79-80
5.6 Conclusion.....	80
References.....	81-85
Appendix.....	86-93

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## **Abstract**

This study is mainly focus on examines the relationship between the propensity on investment from Malaysian youth and four independents variables. The four independent variables are psychological behavior, financial literacy, cost of living and risk tolerance. The main reason why youth as targeted participants in this paper was the youths are seldom involved in investment. This study used primary data by collect questionnaire from Malaysian youth citizen in order to better understand their perspectives. This paper result was generated by 260 set of questionnaire from Malaysia youth respondents. In literature review, this sample size is enough to conclude the population of Malaysian youth. Lastly, this study will benefits the future researcher, government and investment firm to better understanding the factors that influenced propensity on investment from Malaysian youth.

## **CHAPTER 1: RESEARCH OVERVIEW**

### **1.0 Introduction**

In this dynamic world, investment has become an important tool to secure their financial security. There are several reasons or advantages of investment such as financial security, prepare for emergency cases, fulfilling financial goals, wealth creation and fighting inflation.

From economic scene, investment is a significant tool to make the sufficient cash flows between the deficit spending unit and surplus spending unit. On the other words, investment will helps boosting up the economic growth and maintain the financial stability in the country.

However, there awareness of investment among Malaysian youth is maintaining low due to several reasons. Most Malaysians youth will struggle to cope with individual financial problem, while personal will face difficulties on own financial goals and huge expenses on daily basis because they have no enough income to cover all these costs. Moreover, the economic issue of inflation will increase the prices of good which affect the Malaysian youth by reducing their purchasing power. To addressing all these issues, the Bank Negara Malaysia is encouraging the Malaysian youth often participate in investments.

By examining issues above, this study has focused to determine the dependent variable of propensity on investment from Malaysian youth that whether significant relationship relate to independent variables of psychological behavior, financial literacy, cost of living and risk tolerance.

## 1.1 Research Background

### 1.1.1 Youth as a main focus in this research

Investment by youth is always a main issue and the main force to stimulate the economic to growth as well as in develop a country. Before discuss in deep why youth become an area of study, it is a must to further discuss on the investor life cycle. According to Kenkere (2012), investor life cycle proposes that they are actually having different investment philosophies as investor age move through different stage of life cycle:-

The Growth-oriented Stage - The youth involve themselves inside investment world, they are usually a freshmen to job and have some instability towards income, marital status as well as risk tolerance. They are willing to generate more income and willing to accept higher risk compare to other stage.

The Middle-Aged Consolidation Stage - They are own their own family, they are not willing to accept high risk instead they are looking for stable income for their family, as well as their retirement funds.

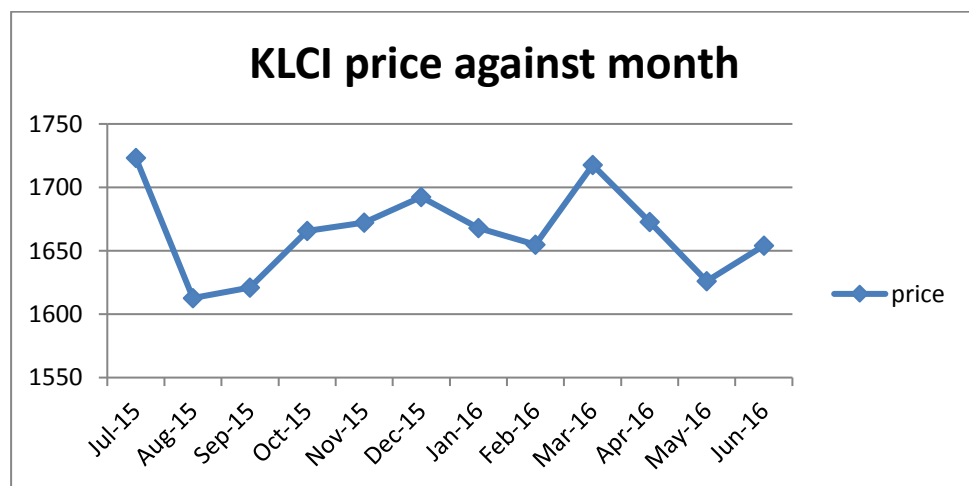
The Retirement Stage - In this age level, their investment is more towards on for their consumption since they are lack of working income.

The main reason why youth was a research concentrate area in this research was determining the propensity of their investment. When compare between middle age or above stage with youth, middle age or above stage was considered mostly involved in investment, they are required extra income for their major expenditure, or for their fund after retirement, but youth was not far consent on this problem since they are mostly single and also freshmen to job which is yet to retire. The Income also a significant way, middle age and above mostly will have stable income compare to income always fluctuates in youth. Youth income always influence of job switch, chance and promotion to higher post in

their employment as their consumption will also be influenced. The most significance is, youth was a category or stage to have contributed to economic growth but not middle age and also retirement stage.

### 1.1.2 History and development of Stock market in Malaysia and past five years historical trends of stock market in Malaysia

Stock market or equity market in Malaysia was first introduced at 1960 and has been growing consistently until today. Malaysia's stock market is governed by Bursa Malaysia and has achieved the largest stock market in South Asia. The Kuala Lumpur Stock Exchange Composite Index (KLSECI) was formed by Bursa Malaysia and comprises of 30 largest companies by using full market capitalization in order to form a weighted stock market index. The purpose of KLSECI was to let it serve as an indicator for the performance of the stock market in Malaysia. The stock market as an organized, safer investment platform was always a good choice for fresh investors to try and involve in their very first investment. The main reason that the stock market was used to determine the propensity of youth in Malaysia to invest was that the stock market was the best well-known and politically accepted by Malaysia compared to other investment platforms.



Adapted from investing.com, 2016

## 1.2 Problem Statement

Investment is a serious topic to the people due to the reason it related to the sensitivity of money. Every investor has their own intention to make the investment decision. However, there are difference levels of financial literacy will affect the propensity on investment of investor. Some of the investor with low financial literacy may invest for wealth increment only even though they have no sufficient of financial knowledge to deal with its risk, it will lead them to a low level of propensity of investment once suffered loss. In addition, some of the investor also been attracted by the aggressive return from the investment but ignored the existing risk. It also will lower down their investment intention after suffered the loss due to the reason of reckless and low financial literacy. More, there is certain suffer loss probability to those who with high level of financial literacy due to the economic uncertainty or over-confident.

Secondly, as youth stages in Malaysia there are many youth citizens are just graduated or start working for less than 3 years which is considered as early stage of involvement in working life. At this early stage, normally the youth citizens will consider on buying a car for their working requirement, and will planning on buying a house for shelter. These plans on necessity will directly reduce their net income as they have to pay monthly instalment for it. As the net income reduced, it will then lead to the decreasing level on purchasing power. At the end, the youth citizens will have less capital to have investment on stock market. As discussed, one of the problems in this study is the Malaysia youth citizens may have insufficient or less capital to have investment which will then affect their propensity on investment.

In a nutshell, risk tolerance changes over time. Age, gender, and circumstance all interact to form an investor's current level of risk tolerance. Yet, risk tolerance has become important components for youth citizen on their decision making in stock market. This is because if youth citizen did not know their risk tolerance level before making any decision on investment, they might face huge losses. A better return from investment is not always fixed, it might happen uncertainty, and

directly will lead youth citizen suffer losses. In addition, youth citizen with low risk tolerance might be able to not afford the result that they suffer huge losses on investment instead of youth citizen with high risk tolerance. In this research, all of the youth citizens want a high return so as youth citizen with low risk tolerance too. The problem is even youth citizen with low risk tolerance, they might choose to invest on high risk investment in order to get a profitable return and some of them might not care about the consequences. Lastly, according to Malaysia's Department of Insolvency (2015), it says that 5,547 individuals under age 35 were declared bankrupt last year, and also about 635 individuals that aged under 25 were declared bankrupt. This will be one of the issues that could cause effects to youth's perspective on investing in stock market. Besides, the increasing amount of bankruptcy between youth age population is mainly caused by study loans, car loan, and housing loan; as most youth need accommodation, and transportation for their work after they graduated. As the burden accumulated into a bigger amount, many of them could not repay the loan which then caused them to bankruptcy.

### **1.3 Research Objective**

This study is to study the factors that affect intention of Malaysian youth to invest in stock market. Next, this study used the primary data which is questionnaire in order to have a better understanding the investment behaviour of Malaysia citizen in stock market.

#### **1.3.1 General Objective**

This research aim to study relationship between propensity on investment with the determinants which are Psychological Behaviour, Financial Literacy, Cost of Living, and Risk Tolerance.



### 1.3.2 Specific Objective

- I. To investigate the impact of psychological behavior of Malaysian youth on their decision making in stock market.
- II. To study the financial literacy among Malaysian youth on their decision making in stock market.
- III. To determine how cost of living affect Malaysian youth on their decision making in stock market.
- IV. To analyze how a person's risk tolerance and the gap of gender and age affect decision making in stock market.

## 1.4 Research Question

- I. How the psychological behavior will affecting the decision making in stock market?
- II. Should Malaysian youth concern their financial literacy on decision making in stock market?
- III. Does cost of living is significantly affecting the Malaysian youth on decision making in stock market?
- IV. How a person's risk tolerance will affect the decision making in stock market?

## 1.5 Hypothesis of the Research

### 1.5.1 Psychological Behavior

To examine the relationship between the psychological behavior and propensity on investment of Malaysian youth.

*H<sub>0</sub>: There is no positive significant relationship between psychological behaviour and propensity on investment of Malaysian youth.*

*H<sub>1</sub>: There is a positive significant relationship between psychological behaviour and propensity on investment of Malaysian youth.*

### 1.5.2 Financial Literacy

To examine the relationship between the financial literacy and propensity on investment of Malaysian youth.

*H<sub>0</sub>: There is no positive significant relationship between the financial literacy and propensity on investment of Malaysian youth.*

*H<sub>1</sub>: There is a positive significant relationship between the financial literacy and propensity on investment of Malaysian youth.*

### 1.5.3 Cost of Living

To examine the relationship between the cost of living and propensity on investment of Malaysian youth.

*H<sub>0</sub>: There is no positive significant relationship between cost of living and propensity on investment of Malaysian youth.*

*H<sub>1</sub>: There is a positive significant relationship between cost of living and propensity on investment of Malaysian youth.*

### 1.5.4 Risk Tolerance

To examine the relationship between the risk tolerance and propensity on investment of Malaysian youth.

*H<sub>0</sub>: There is no positive significant relationship between the risk tolerance and propensity on investment of Malaysian youth.*

*H<sub>1</sub>: There is a positive significant relationship between the risk tolerance and propensity on investment of Malaysian youth.*

## 1.6 Significance of study

This study's primary objective is to examine the relationship between Propensity on Investment of Malaysian youth perspectives with other variables such as Psychological Behaviour, Financial Literacy, Cost of Living, and Risk Tolerance by using primary data survey questionnaire method to collect data from youth in Malaysia.

Firstly, there is researcher that included Psychological Behaviour as one of the factors to study the propensity on investment in Malaysia. For example, that is previous researcher used psychological behaviour to study the intention of investors on future investments. Psychological behaviour is used as one of the determinants is because there are previous researches that did not include it as determinant to propensity on investment. This study aim to help market researcher and companies that looking for potential investor to understand more about how individual behaviour can affect the intention on investment. Hence, this study may bring new understanding to market researches and companies, and thus will be easier for them to capture new investors.

Secondly, this study will also contribute a better understanding on one of the way to improve Malaysia economy. As if the government and companies get to know that the determinants on youth perspectives on propensity on investments, by

working out the determinants, it will then potentially increase the investments in Malaysia and lead to increase in the Gross Domestic Product total amount. Malaysia government can also implement polices such as monetary and fiscal to improvement the conditions of the market to increase the intention of youth to invest on it. This will then eventually improve the economy of Malaysia at the end. Last but not least, this study will provide a clearer and better view on the relationship between propensity on investment and the determinants. This study aims for a better understanding how youth perspectives on investments for future researchers to conduct new research in the future.

## **1.7 Chapter Layout**

### **1.7.1 Chapter One**

This chapter provides a general idea, research background about the financial market in Malaysia, research objectives and also research questions of the study.

### **1.7.2 Chapter Two**

In chapter two, there are numerous relevant literature review of previous researcher about the study of relationships between the dependent variable and independent variables.

### **1.7.3 Chapter Three**

The empirical data and the methodologies used for this study will be described in chapter three.

### **1.7.4 Chapter Four**

In chapter four, the data and findings that collected will be restructuring into chart and statistic to explain details.

### **1.7.5 Chapter Five**

The last chapter will be the conclusion of this whole study with recommendation and also limitation as well.

## **1.8 Conclusion**

In conclusion, chapter one is giving an overview on the propensity on investment of Malaysian youth. In addition, this chapter is discussing the introduction and explanation of the research background as well. Furthermore, the main objective of this study is to examine the relationship between the dependent variable and independent variables. Yet, there is also to have a better understanding on the investment behaviour of Malaysian youth in stock market. This research also will be aim to study the propensity on investment with determinants which is Psychological Behaviour, Financial Literacy, Cost of Living, and Risk Tolerance.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.0 Introduction**

This chapter is to summarize all the literature review that related to this study. The journal that found was not based on the age range that stated for this research title in the sense that this study believe both independent and dependent variable will not affected by age range.

### **2.1 Review of the literature**

#### **2.1.1 Dependent Variable – Propensity on Investment**

“Propensity on investment” can be defined as that how those individuals’ desire on the income to improve their standard of living. In addition, the purpose of investment is to profit from the return. According to Shim, Lee, and Kim (2006) stated that high propensity on investment is due to individuals intend to financial gain and preservation of the capital value. Thus, there will be few factors that bring positive perception on propensity on investment. The six behavioural factors are the following: 1) investment profitability, 2) investment stability, 3) investment liquidity, 4) investment location, 5) investment well-being, 6) regulations.

According to Amir, Henrik, and Stephan (2010), the behaviour of investment on young individuals is being affect by their family environment but this effect will not long lasting and also will disappears

when an individual gains his or her own experiences. Thus, the paper has seek to fill the void by estimating the extent to which “nature” and so far there is not much existing research offered on such systematic evidence like understanding how the behaviour of individuals investors. In addition, the data is on 37,504 twins which are from the Swedish Twin Registry. By the way, through the research implies that the nature is one of the important determinants of an individual’s investment behaviour. Not only that, non-shared environment tends to much more important than the shared environment in investment behaviour.

The paper attempts individuals and professionals into different segment based on their psychology and personality to examine whether these would drive their investment behaviour (Kourtidis, Sevic, and Chatzoglou, 2011). Moreover, a cluster analysis data is from a survey of total 345 investors which located in Greece. Thus, the major finding from the analysis found that the higher the investors’ funds, the higher the performance of these investor on the stock market. Based on the sentences above, it shows that this will explore the investors’ financial literacy on the investment decision making and also the behaviour of trading in the market. Additionally, the different level of profile investors will have different psychological and personality on the market.

According to Nicholson, Creevy, Soane, and Willman (n.a), risk propensity is strongly rooted in personality, and also with the sensation seeking confirmed as a key component in decision domains. This paper seeks to advance the field through data from a sample of 1,669 managers and professionals. By the way, risk propensity predicts behaviour and also career. The concept of risk propensity has plays an important role in theoretical modelling in individuals behaviour and practical insight. Throughout the research, it shows that a better understanding of risk behaviour will contribute significantly on the risk management during investment. Furthermore, based on the research data shows that risk taking which in domain will influenced by a combination of few factors such as, financial literary, personality characteristic and so on. However, risk

taking is in one domain which is not entirely generalized to risk taking in other domain but this is being affected by individuals' behaviour. In sum, some individuals are risk takers and some of them will be risk adverse.

## **2.1.2 Independent Variables**

### **2.1.2.1 Psychological Behaviour**

Psychological behaviourism is a form of behaviourism – a major theory within psychology which holds that behaviours are learned through positive and negative reinforcements. The theory recommends that psychological concepts (such as personality, learning and emotion) are to be explained in terms of observable behaviours that respond to stimulus. Behaviourism was first developed by John B. Watson (1912), who coined the term "behaviourism," and then B.F. Skinner who developed what is known as "radical behaviourism." Watson and Skinner rejected the idea that psychological data could be obtained through introspection or by an attempt to describe consciousness; all psychological data, in their view, was to be derived from the observation of outward behaviour. Recently, Arthur W. Staats has proposed a psychological behaviourism – a "paradigmatic behaviourist theory" which argues that personality consists of a set of learned behavioural patterns, acquired through the interaction between an individual's biology, environment, cognition, and emotion.

Bakar and Ng (2015) have investigated the relationship between psychological behaviour and investors' decision on investment by conducting a study in Klang Valley, and Pahang. This study, hopefully, will help investors to be aware of the impact of their own psychological on their decision making in the market, thus increasing the rationality of investment decisions for enhanced market efficiency. Questionnaires are distributed to a sample size of investors in the Klang Valley and Pahang



areas aged between 18-60 years who are involved in the Malaysian stock market. The study found that positive psychological behaviour has a positive impact on the investors' intention on investment.

A study was conducted by Alleyne and Broome (2011) in investment decisions using the theory of planned behaviour and risk propensity among future investors. The purpose of this study is to look at factors influencing the investment intentions by applying Ajzen's (1991) theory of planned behaviour, and Sitkin and Weingart's (1995) theory of risk propensity. This paper also makes a further contribution by measuring risk propensity to determine its influence or relationship to investment decision, and seek to determine whether potential investors are more receptive to entrepreneurial behaviour compared to investing in safe instruments. The researchers found that the theory of planned behaviour helped to explain investment intentions, and thus lending support to the usefulness of Ajzen's (1991) theory.

Xing, and Sun (2013) have conducted a study psychological resilience and positive affect towards risky decision-making. This study purposed to support further investigation of the important relationship between specific positive affect, psychological resilience, and performance in risky investment tasks. The result showed that individuals with more positive affect tend to be more willing to take risks and to explore new procedure and possibilities. This beneficial effect is especially salient when investors encounter temporary investment failures, strengthening the existing assertion that psychological resilience is especially powerful in times of adversity.

Understanding financial markets and investors' behaviour is one of the biggest objectives in finance. Because of that, the researchers decided to apply Theory of Planned Behaviour to this study in order to better understand real individual investors' behaviours. A study done by Ezama, Scandroglio, and Liano (2013) in the relationship between behaviour and intention towards investment, they found that it has a positive associated relationship between both the variables. The model was applied to 127 real

investors obtained by the “snowball” technique. Example of positive psychological behaviour like, attitudes is found that positively associated with intentions towards investments. In fact, it had the strongest correlation with intention towards investment.

Lepori (2015) has investigated the relationship between positive mood and investment decisions by using time-series variation in the United States’ theatrical release of comedy movies as a natural experiment for testing the impact that happy mood has on the demand for risky assets. The contribution of this study is that, using real world data to test the predictions of two competing theories (Affect Infusion Model and Mood-maintenance hypothesis) concerning the influence of positive mood on decision-making under risk. The empirical findings are consistent with the interpretation that the wave of positive mood stemming from a wider population exposure to comedy movies, and thus induces people to behave more cautiously and avoid risk.

A study on how investors’ mood variations affect equilibrium assets prices and expected returns has done by Shu (2010). This paper aimed to bridge the gap between empirical findings and financial theory. According to “mood-as-information” theory by Schwarz (1990), people tend to make decisions that are congruent with their moods. Besides, Nofsinger (2005) suggested that people in a good mood are more willing to invest in risky assets than those in a bad mood, and vice versa.

### **2.1.2.2 Financial Literacy**

Financial literacy has ever-increasing importance nowadays. Especially in economic and financial domains, whether people are financially knowledgeable helps greatly in explaining various financial or economic behaviours. According to Aren and Aydemir (2014), this paper has indicated that decision makings of economic agents are highly shaped by their financial literacy regarding understanding fundamental financial

topics. The objective of study this variable is examines the insights regarding financial literacy and consequences of financial literacy toward the economic behaviour and investment decision. This research has been measured in several ways. Through some true-false questions, objective tests strive for the financial knowledge which an individual has in deed.

Financial literacy of an individual is an important factor to a country economic. Lusardi and Mitchell (2014) have created the awareness of financial literacy on economic review. This paper undertakes an assessment of a rapidly growing body of economic research on financial literacy. This is followed by an examination of the impact of financial literacy on economic decision making in the United States and elsewhere. While the literature is still young, conclusions may be drawn about the effects and consequences of financial illiteracy and what works to remedy these gaps. In summary of this paper, the literature to date has showed that many people around the world are financially illiterate. Therefore, policymakers around the world have expressed deep concern about widespread lack of financial knowledge.

According to Bhabha, Khan, Qureshi, Naeem and Khan (2014), the definition of financial literacy is a combination of the awareness, attitude and behaviour necessary to make sound financial decisions and achieve individual financial well-being. The researcher found out that the financial literacy is one of the main factors to affect the investor investment decision. On the other words, there is positive relationship between propensity to invest and financial literacy.

The paper has investigated the relationship of financial literacy among the youth peoples. Lusardi, Mitchell and Curto (2010) have used the data set to examine how levels of financial literacy differ across a wide range of sociodemographic characteristics, family characteristics, and peer characteristics. Last, they had concluded their study of financial literacy in a nationally representative sample of young people. In summary, this paper has indicated there is low financial literacy among young people in a nation. Only 27% of youth people knew about inflation and risk

diversification and could do simple interest rate calculations were the figure to represent the result.

This study has known the importance of financial literacy from the literature review above but not solution. According to Taylor and Wagland (2013), this paper has suggested some of the solutions to solve the financial illiteracy around the people background. First, there is a need for a public media awareness campaign highlighting why financial literacy is essential. Second, it is acknowledged that schools play an important role in solving the financial literacy problem. Third, products could to be simplified by the providers to reduce complexity. These programs could be provided by organizations in the community sector as well as providers of products such as the national bank or any financial institutions.

Financial literacy and decision on investment are clearly interrelated in positive relationship in research paper of Awais, Laber, Rasheed and Khursheed (2016). It indicated that the higher of financial literacy will lead to higher propensity on investment. The result was based on the empirical evidence from Pakistan. The paper has indicated that higher investment experiences and financial literacy will lead to greater risk tolerance and investor then have to choice risky investment securities to match with their high level of risk tolerance experienced investors have a portfolio of good and bad experience. However, this paper result has shown the financial literacy is a main factor to determine the level of risk tolerance, but not decision on investment.

### **2.1.2.3 Cost of Living**

Cost of living is the cost to maintain standard of living expenses of individual use for their daily life. The cost of living will effect by income, expenses as well as investment. The method uses to find cost of living can be simply as by using your total income minus all your spending, including your spending on loan, food and living expenses as well as your

saving. From previous research, it found that cost of living is one of the factors that influence one person investment propensity.

Lim and Kwak (2016) conduct a research on examine the incentive towards how the consumption level, investment, life insurance, as well as retirement decision of a wage earner with uncertain lifetime will affect the bequest motive. The purpose of author is to examine how strengthen of bequest motive will generally take effect on an income earner towards the decision of consumption level, investment, life insurance, and also retirement in continuous-time framework. The author use continuous-time financial market model which consists of risk-free asset and a risky asset in order to represents the market index. Based on this journal, this study found that income generally shows the significant relationship between propensities to do investment among teenager, by holding other independent variables constant. Lim and Kwak (2016) propose that the increase in your income level will increase your ability and intention to do investment. The research done by Lim and Kwak (2016) are actually mentioning risky investment will be decrease when age is increase, but one important point can be get from this research is Lim and Kwak (2016) is generally stated that, when your age is increase, your income is increase, it is also increasing your investment, but the investment income will be differing from increase in age.

According to the research done by Atkinson (1956) stated that, the relationship between income status and the pattern of investment. The main purpose of study is to examine the different income level do have any different pattern of financial investment, for instance, in this research the author conduct an income less than \$5000 and \$5000-\$10000 and other extra. The result is collected base on the survey of consumer finance by Federal Reserve Bulletin, October 1949. Based on the research, this study found that the person with higher income wills much more willing to own an investment asset compare to the person who have lower income. The research shows that the proportion of each individual holding a different type of investment is differ for different levels of income.

As for insurance is also a type of investment, Showers and Shotick (1994) shows that when the income increase, the intention to purchase insurance will increase by using a Tobit analysis and the dependent variable that particular study was premium spending on life insurance coverage. Tobit analysis shows that it is a significant relationship among income and spending on life insurance premiums. The data obtained for research was based on the interview portion of the 1987 Consumer Expenditure Survey (CES) (U.S. Department of Labor, 1987). The result shows that when income increased, an individual has a more reason to purchase life insurance due to life insurance is mainly for income protection purpose when there are unforeseen circumstances such as death of the income support of the family.

Adigamova and Orlova (2015) conducted a study based on the issues that are related to crisis-hit saving and investment behaviour based on Russian household. The purpose for Adigamova and Orlova (2015) to conduct this research is to examined the possible cause for Russian do not investment when their income increase due to increase in economic level and inflation. Adigamova and Orlova (2015) used secondary data as their research data which is provided from Rosstat of Russia. The statistical result showing their increase in income will directly increase in their investment towards financial product. The result shows that the factor that possible causes Russian do not invest is insufficient outwards investment, the stabilization macroeconomic situation, and the level of efficiency of liaison between people and financial institution.

Goyal and Sharma (2014) study on investment behaviour on different kinds of investment avenues of middle income group in India The different kind of investment avenues was consists of Bank deposit, share market, real estate, education for children and others. The intention for them to carry on this study was to determine and investigate their middle income group how to adapted to the change of rapid growth in economic towards the investment and this middle income group been chosen since this group is a largest income group that are contributing most part of economic

growth. The data collection method was used survey form since it is a primary data and the population chosen is the Indian that have an income. The results showing they are more concentrate towards on investment at real estate and bank deposit. The share market is less preferable due to the government policy as well as their less education towards the share market, their concept is that, share market will make them suffering a huge lost. Nevertheless, this study conclude that if government as well as financial institution putting more effort regarding this problem, their resident will showing their intention to invest since they are preferring to invest with the increase in income but only not towards financial market due to problem stated above.

Chakraborty and Digal (2011) reported that the study of investment and saving behaviour of household from Orissa. The intention for authors to conduct this study is to analyse the saving and investment preference towards the limited choice of investment in India. This research is also providing a benefit towards financial institution to help them to strengthen their weakness part. The factor chosen by authors was age, occupation and the income level of investors. Author's collect data by using the survey method and that was 200 respondents participate in this survey. The result from this research was shows that that is significant relationship among age, occupation and small and middle income level of investor towards saving and investment objective.

#### **2.1.2.4 Risk Tolerance**

Risk Tolerance is one of the vital elements in investing. Risk Tolerance means that the degree of variability in investment returns that an individual is willing to resist it. An individual that has less risk tolerance might easy make wrong decision. As an investor perspective, risk tolerance is the level that investors are accepting with risk of losing money in an investment. The ability of an investor might relate to demographic features

such as age, gender, investment knowledge and attitude toward price fluctuation.

Vlaev, Stewart and Chater (2008) have investigated the relationship between risk tolerance and investors' decision on investment by carry out an experimental study in Australia, by holding other variables constant. Through this study, the researchers had discovered that there is a significant relationship between risk tolerance and investors' decision on investment. The finding indicate that the more you understand your risk tolerance, the better investment decisions will you decide as well as the greater risk aversion. Meanwhile, the higher risk tolerance, the more chances you might invest in a higher security offering the potential for the greater returns. On average, it has been assumed that people have varying risk attitudes based on their financial circumstances, and those attitudes may affect investment behaviour.

Badunenko (2009) stated that gender considered as one of the factor for risk tolerance. In addition, according to Byrnes, Miller, and Schafer (1999) had indicated that gender differences in risk perception by a large number of questionnaire and experimental studies. The experimental studies aims to examine whether such assessments vary depending upon the domain of behaviour and compared patterns of risk perception with individuals' reports of engaging in risky behaviours in the past. It show a positively relationship between risk tolerance and gender. They have concluded that 'male participants are more likely to take risks than female participants' in making decision on investment. The result shows that men are more willing to engage in risky behaviours but not women.

Not only that, according to Wallach and Kogan (1961) notes that an individual investor's risk tolerance decreases with age. By the way, the researcher implies that age is identified as one of the key determinant of variability. This study aims to examine the Malaysia investors' age towards risk tolerance and their making decision. It shows a negative significant between risk tolerance and age. As age increase, the people will tend to have less risk tolerance. Inversely, as age decrease, the people will



tend to have more risk tolerance. So, this study can conclude that younger people will have more risk tolerance on making investment's decision compared with older people.

## **2.2 Theoretical review**

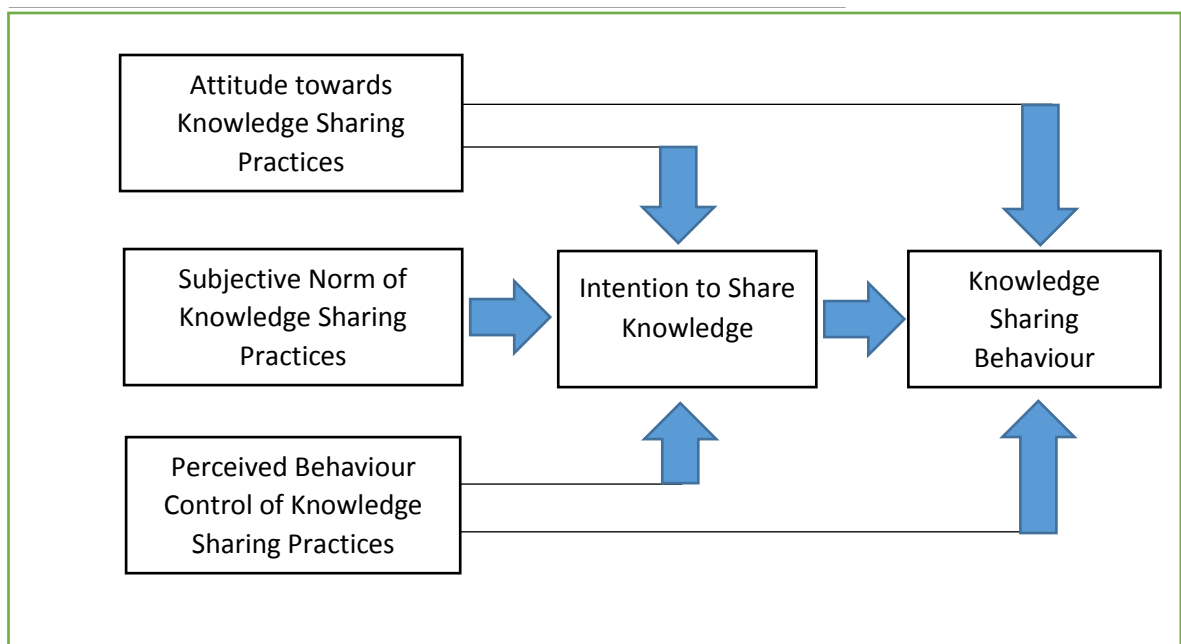
### **2.2.1 Theory of Reasoned Action (TRA)**

At year 1975, Ajzen and Fishbein had developed a theory named Theory of Reasoned Action (TRA), and the theory has been formally acknowledge as one of the most influential theories of human behaviour. According to the theory, human behaviour is affected by the intention to perform behaviour and attitude towards the behaviour cause the intention to happen. This means, a negative attitude towards behaviour together with negative subjective forms individuals' intention to engage in the behaviour, and turns into execution; vice versa.

According to TRA intention to engage in behaviour is a good predictor of the behaviour itself. Based on Ajzen and Fishbein (1977), they mentioned that the main assumption of TRA is that behaviour is under determination of the subject, meaning that the subject take control whether to execute the certain behaviour or not. TRA had been examined through deep study as attitudes and subjective norm have shown strong relationship with intentions to involve in certain behaviour in many empirical studies, and so did the intention is related to the execution of the behaviour (Ajzen, 2001; Fishbein & Ajzen, 1977; Taylor & Todd, 1995). According to Sheppard et al (1989), there is an average correlation of 0.53 between intentions and behaviour in a meta-analysis of 87 studies.

TRA has also been widely used in knowledge management research with attitude, subjective norms and knowledge sharing intentions showing significance in relationship to knowledge sharing (Bock & Kim, 2002, Bock et al., 2005; Ryu, Ho, & Han, 2003, Lin 2007).

Figure 2.1 Theory of Reasoned Action in the context of knowledge sharing (Kuo, Young 2008)



### 2.2.2 Theory of Planned Behaviour (TPB)

At year 1991, Ajzen come out with Theory of planned behaviour (TPB), which it then become one of the most remarkable theories explaining human behaviours. According to the TPB, beliefs towards an object or behaviour are the reason drive human behaviour to react at certain way. According to Ajzen (1975, 1991), there are three basic components in TPB, which are Normative beliefs, Behavioural beliefs, and Control Beliefs. These three components are basically referring to expectations of other people, mirror the characteristics and effects of behaviour, and including

causes which may help to stop the behaviour from occurring conceptualized with a perceived behavioural control. Intentions are usually performed providing that the behaviour is under the autonomy control of the subject.

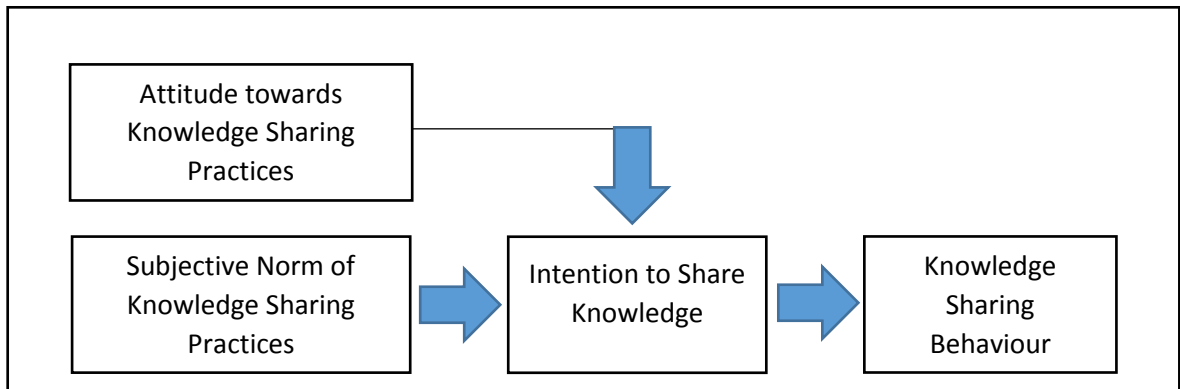
The introduction of construct of perceived behavioural control is to predict the behaviours which are not under the autonomy control of the subject however was stimulated by other reasons that may stop the intention towards behaviour from performance of the behaviour. Besides, the introduction of the concept of perceived behavioural control is to better address the course that guide to an involvement in certain behaviour. For example, difficult use of certain technology knowledge might causes the group members' unwillingness to share the knowledge they have to their other group members. In other words, problems of external factors hold back the performance of behaviour can be clarified by perceived behavioural control.

Behaviour and pose can be predicted by perceived behavioural control as replacement for the real control as long as people's concept on behaviour's difficulty is realistic (Ajzen, 1991). In addition, when perceived behaviour control is not particularly objective, the formation of intention toward a behaviour could still be influenced. The concept of having constrained over certain behaviour will positively affect person's intention to perform behaviour, and will causes putting out more effort and persistence (Ajzen, 1991).

TPB has been supported by many researches, abstracted and analysed in various literature reviews (Armitage & Conner, 1999b, Sutton, 1998, and Ajzen, 1991). According to a research on applying TPB in information system technology, the results have proved the power of TPB on predicting intention of consumers to use information system (Mathieson, Kieran, 1991), the same result appeared as well as in a study on eating healthy (Conner, Mark , 2002). A conceptual model was designed to address the constructs of attitudes; subjective norm and perceived

behavioural control in a more details way, as their purposes in clarifying knowledge sharing behaviour.

Figure Figure 2.2 Theory of Planned Behaviour in the context of knowledge sharing (Kuo, Young 2008)



### 2.2.3 Behavioural Finance Theory

According to Nofsinger (2005), it has emerged to understand the psychological biases of human that which are related to the financial market. Not only that, behavioural finance investigate how individuals actually behave in a financial setting and examines how individuals maximize their wealth.

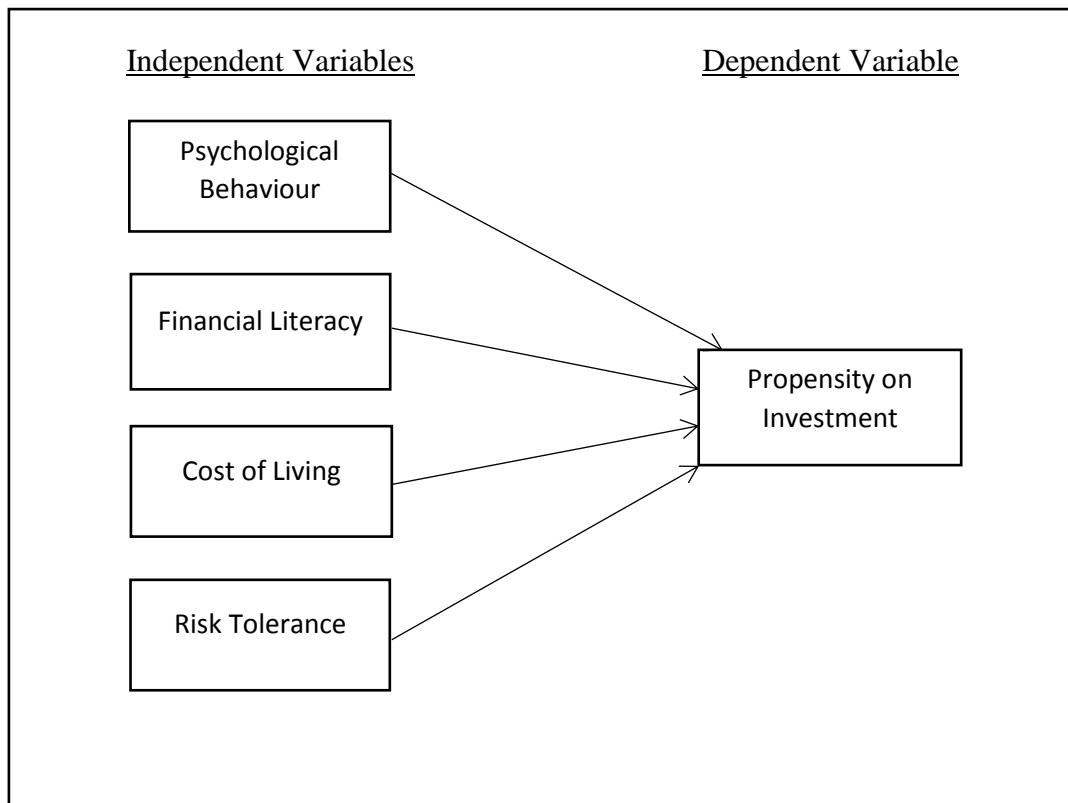
### 2.2.4 Efficient Market Theory

The efficient market theory is also known as Random Walk Theory. According to Clarke, Jandik, and Mandelker (n.a.), it is the proposition that the stock price will be affect by the information about the value of the firm, and there is no way to earn profits by using this information. Thus, most of the investors think about the securities are undervalued and expected it will be increase in the future. In addition, investors also believe

that they use a variety of forecasting and techniques to make decision in their investment. According to Kahneman and Tversky (1979) stated that the study of psychology and other social science theories can shed considerable light on the efficiency of financial market.

## 2.3 Proposed Framework

Figures 2.3: Factors affecting Malaysian youths' perspectives in propensity on investment



Source: Developed for the research

Based on research questions and objectives, this study developed the model applied by Alleyne and Broome (2011). This model was previously originated from few literature researchers' reviews (Wood and Zaichkowsky, 2004; Funfgeld and Wang, 2009; Keller and Siegrist, 2006). Besides, this study also takes in idea

regarding Financial Literacy from Dr. Annamaria Lusardi whom had won numerous financial research awards, and Dr. Olivia S. Mitchell whom is a qualified Risk Management and Business Economics Policy. Other than that, research information from Vlaev, Stewart and Chater (2008), and Wallach & Kogan (1961) on Risk Tolerance. Lastly, idea adopted from Lim and Kwak (2016) and Atkinson (1956) on cost of living towards propensity on investments. With these ideas from numerous researchers, this study then able to further develop the model in order to test the relationship between our independent variables, which are Psychological Behaviour, Financial Literacy, Cost of Living and Risk Tolerance towards the dependent variable, Propensity on Investment.

The equation of this study as stated below:

$$\text{Propensity on Investment} = \beta_1 (\text{Psychological Behaviour}) + \beta_2 (\text{Financial Literacy}) + \beta_3 (\text{Cost of Living}) + \beta_4 (\text{Risk Tolerance})$$

## 2.4 Hypothesis Development

### Psychological Behaviour

Ezama, Scandroglio, and Liano (2013) have studied the effect of psychological behaviour towards propensity on investment. As understanding financial markets and investors' behaviour is one of the biggest objectives in finance, many researchers have started to investigate the impact of psychological behaviour to the market. For example, Theory of Planned Behaviour by Ajzen (1991) has used to solve many financial problems which then lead to concern of behaviour factor. As empirical findings from researches of Alleyne and Broome (2011); Lepori (2015);

Xing and Sun (2013), it's showed positive significant toward propensity on investment. This means, the better the mood or attitude of the individuals, it is less likely that the individuals will have wrong investment decisions. The result of investment decisions decided when having good beliefs, mood and attitude will subsequently lead to a favourable outcome. Thus, this study proposed the following hypothesis:

*H<sub>1</sub>: There is a positive significant relationship between psychological behaviour and propensity on investment of Malaysian youth.*

### **Financial Literacy**

Financial literacy and decision on investment are clearly interrelated in research paper of Awais, Laber, Rasheed & Khursheed (2016). Financial literacy of an individual is an important factor to a country economic, but also propensity on investment (Lusardi & Mitchell, 2014). There is strong positive relationship between financial literacy regarding fundamental financial topic and decision making of economic (Aren & Aydemir, 2014). Thus, this study proposed the following hypothesis:

*H<sub>1</sub>: There is a positive significant relationship between the financial literacy and propensity on investment of Malaysian youth.*

### **Cost of Living**

The relationship between cost of living and propensity on investment are clearly stated in research done by Chakraborty and Digal (2011), Goyal and Sharma (2014), Adigamova and Orlova (2015), Showers and Shotick

(1994), Atkinson (1956), Lim and Kwak (2016). The relationship proposes is that, when the cost of living increase, the propensity to invest decrease. All above author propose that when the income is increase, they are more available money for individual to spend, as well as to invest. Most of the individual will use this extra money intend to invest whether in financial asset or non-financial asset since the value of this money will growth in future rather is just used as part of consumption. As reason above, this study proposed the following hypothesis:

*H<sub>1</sub>: There is a positive significant relationship between cost of living and propensity on investment of Malaysian youth.*

## **Risk Tolerance**

According empirical findings from Vlaev, Stewart and Chater (2008), they stated that risk tolerance and investors' decision on investment are strong positively correlated. This means, the more you understand self-risk tolerance, the result of making an investment decision will be more correct. Not only that, through another findings, this study found that gender is considered as one of the important components towards risk tolerance (Byrnes, Miller, and Schafer, 1999). Thus, this study proposed the following hypothesis:

*H<sub>1</sub>: There is a positive significant relationship between the risk tolerance and propensity on investment of Malaysian youth.*



## **2.5 Conclusion**

In this chapter, the discussion in the literature review indicated that those independent variable, psychological behaviour, financial literacy, cost of living, and risk tolerance are significant to the dependent variable which is propensity on investment. These proved that propensity on investment is having positive relationship with the independent variables. Lastly, this study also discussed about the theoretical review and the proposed framework/ conceptual framework is formed based on the models by some authors.

## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.0 Introduction**

This chapter will discuss the methodologies that used in this study in order to meet the research objectives. In this study, the data collection method, sampling design, research instrument, data processing, and data analysis will be further discussed under this chapter.

#### **3.1 Research Design**

This study has applied the **Quantitative Research Design** as it can be used to prove the hypotheses and examine the relationships between dependent variable and the independent variables. The correlation between variables will be examined in this method through the generation of statistic reports. This study applied **Descriptive Research**, which is one of designs under quantitative research design, to observe, describe, and document the data. Descriptive Research often used by market researchers to judge the habits of customers, or observe natural behaviour of targeted population. The advantages of adopting descriptive research is the subject being observed in a completely natural and unchanged natural environment, as compared to True experiments often adversely influence the normal behaviour of the subject. Instrument in descriptive studies can be applied to obtain data in this study is **Questionnaires**.

Besides, **Correlational Research** which also one of designs under quantitative research designs is also applied in this study. Correlational research studies go beyond simply describing what exists and are

concerned with systematically investigating relationships between two or more variables of interest (Porter & Carter, 2000).

## **3.2 Data Collection Method**

This research paper was aimed to analysing the investor propensity to invest in stock market in which only focus on youth in Malaysia. According to National Youth Development policy (1997), the status of youth is eligible for those the age is between ranges of 15 to 40. The data collection method was using primary data collection method and the data respondent target was on youth in Malaysia. For this purpose, the data was planned to collect by using questionnaire method and this questionnaire will using both online form and physical form and the quantity of questionnaire should be total up 300 sets.

### **3.2.1 Primary data**

Questionnaire was used in this research paper because it is most effective in collect large amount of fresh data in a short period. The questionnaire was designed and distributed to target respondents by using both online form and physical form.

### **3.3 Sampling Design**

#### **3.3.1 Sampling Techniques**

Simple random sampling techniques will be practiced in this study. This sampling technique is meant to be a subset of a researched population in which people of the subset group owns equal probability of being chosen. In other words, this sampling technique used to pick a smaller sample size from the country population and use it to be the representation of the population. From this sampling technique, the distribution will be distributed randomly without any formula or criteria. The simple random sampling allows the conclusion to be decided without large population disruption and in shorter research period. The conclusion that produced from the research may be guarantee estimated precisely but it will not deviate too far from the actual result.

#### **3.3.2 Target Population**

This study will focus survey respondents on age range between 15 and 40 based on the youth age range defined by Malaysia government (National youth development policy, 1997). According to Chakraborty and Digal (2011), it indicated the sample size of 200 respondents was taken to represent population of Odisha state (formerly from Orissa), which having a population of roughly 43 million, it considered adequate to represent the characteristics of the entire population. As compare to Malaysia total population which only less than 30 million, therefore, this study has determined the sample size of 300 survey respondent is adequate to present the Malaysian youth.

### **3.3.3 Sampling Size**

This study has determined the sample size of 300 survey respondent is adequate to present the Malaysian youth by refer to 3.3.2 Targeted Population.

## **3.4 Research Instrument**

Tools for data collection include Questionnaire, Interview, Observations, and Reading. This study applied Questionnaire method in collecting data for data processing. Questionnaire is a form that contains a set of questions on a topic or group of topics designed to be answered by the respondent. The answers provided by the respondents constitute data for the research.

In this study, Closed-ended Questionnaire is applied in constructing the questions to be answered by the respondents. Under closed-ended questions, Likert Questions, Dichotomous Questions will be applied in constructing the questionnaire. A Likert question is question that asked to ascertain how respondents agree to a particular statement. An example of Dichotomous question would be question with choices with yes or no.

### **3.4.1 The purpose of using a questionnaire**

Questionnaire is one of the simplest ways to collect data and information from targeted respondents. Many researchers often use questionnaire as tool of collecting data for their studies for several reasons. Questionnaire enable researchers to gather information needed in a short period as the

respondents need only answer the designed questionnaire, and it is also low cost as compared to other tools at the same time. Questionnaire is also a common tool for collecting data and information, which is quite familiar for respondents, so it will not have any problems will the respondents answering the designed questionnaire.

### **3.4.2 Questionnaire Design**

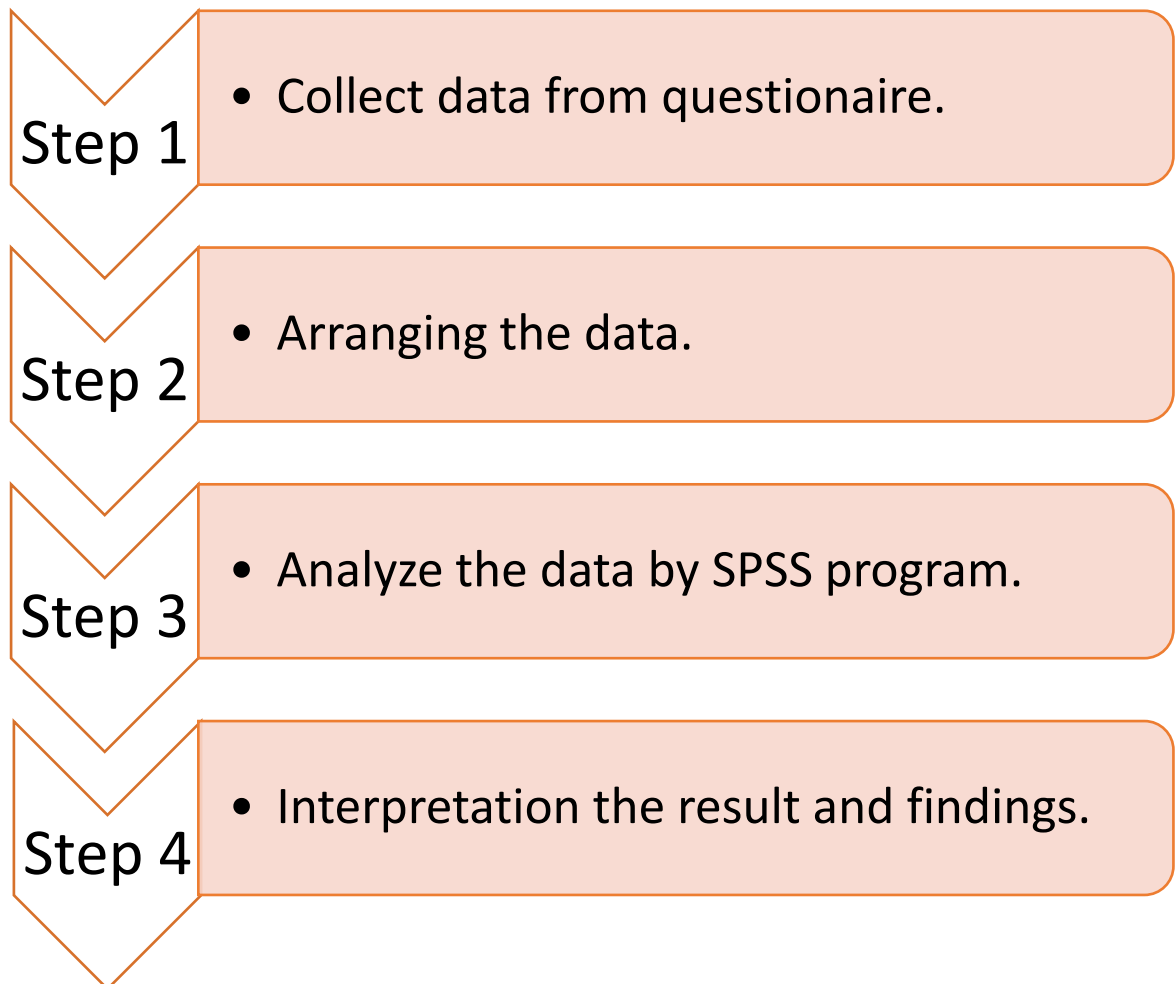
The questionnaire divided into six sections such as Section A, Section B, Section C, Section D, Section E, and Section F. Section A includes three questions, included questions regarding the respondent's profile, such as gender, age, and children that they have. Section B includes eight questions, included questions regarding this study's dependent variable, which is Propensity on Investment. Section C includes five questions, included questions regarding one of the independent variables, which is Cost of Living. Section D includes nine questions, included questions regarding one of the independent variables, which is Psychological Behaviours. Section E includes five questions, included questions regarding one of the independent variables, which is Risk Tolerance. Section F includes five questions, included questions regarding one of the independent variables, which is Financial Literacy.

## **3.5 Data Processing**

Data processing considered as one of the significant part in the methodology's section. In this methodology's section, this research could get the resolution of a problem through the process of collecting data, arranging the data, analysis the data and interpretation of data. Generally, this research will use computer systems

to conduct a series of operations on the data in order to interpret that meaningful information.

Figure 3.1: Flow Chart of Data Processing



### 3.5.1 Data Collection

Data collection means a process of gathering and measuring information from different sources which enables a person to answer relevant questions and evaluate possible outcomes. The data that adopt for this research are primary data. The data are obtained from questionnaire that this research assigned to Malaysian youth. This research have set out thirty to fifty question based on the independent variable field which includes

psychological behaviour, financial literacy, risk tolerance and cost of living.

### **3.5.2 Data Recording**

Data recording means a progress of form a data file, as well as several data files made a database. When all the needed data are collected, then it will be recording in the Microsoft Excel for the analysis purpose to study the relationships of propensity investment among psychological behaviour, financial literacy, risk tolerance and cost of living. Questionnaire that have been collected will be check manually before key into Microsoft Excel in order to eliminate the invalid questionnaires such as form that filled by unqualified respondent.

### **3.5.3 Data Analysis**

Data Analysis means a process of using analytical and logical reasoning used to describe and evaluate data. In this section, this research will use Statistical Package for the Social Sciences (SPSS) program version 24.0 to discover the best fitting model. SPSS program is a Windows based program that enables used to perform data entry and analysis as well as to create tables and graphs. Large amounts of data can be handled by SPSS program. SPSS program conducting test such as means, T-test, ANOVA, and Correlation and so on. All the tests that carried out are used to confirm that there is no error in the regression model.



### **3.5.4 Interpretation of results and findings**

Interpretation of results means a progress of something is explained performing. In this section, this research will assess and analysing the results. Through this research, result will show that how significant it is in the specific context to which they belong.

## **3.6 Data Analysis**

In this study, the statistic software SPSS version 24.0 has been used good breadth of functionality and its excellent document availability. Output such as descriptive statistics, inferential statistics, and normality tests are produced by the researchers of this study with the support of SPSS version 24.0.

### **3.6.1 Econometric Model**

#### **3.6.1.1 Descriptive Analysis**

Descriptive statistics are brief descriptive coefficients that summarize a given data set, which can be either a representation of the entire population or a sample of it. In this study, descriptive analysis method is used to measure the central tendency and measures of variability, or spread. Measures of central tendency include the mean, median and mode, while measures of variability include the standard deviation or variance, the minimum and maximum variables, and the kurtosis and skewness. These two measures use graphs, tables and general discussions to help people

understand the meaning of the data being analysed. Measures of central tendency measure the common patterns of the data set being analysed. Measures of variability help communicate this by describing the shape and spread of the data set. Range, quartiles, absolute deviation and variance are all examples of measures of variability.

### **3.6.2 Inferential analysis**

Inferential statistics are used to make inferential of the data. The inferential analyses that are used in this research are Pearson coefficient, Multicollinearity and Multiple Regression Analysis.

#### **3.6.2.1 Pearson Coefficient**

The Pearson coefficient is used to detect any linear relationship of four independent variables in this research. It is also propose to investigate the strength of relationship between the independent variables in this research.

#### **3.6.2.2 Multicollinearity**

Since this study have four independent variables, the Multicollinearity test is necessary in this research. The Multicollinearity is used to test the Multicollinearity between independent variable in which is to test whether they are any related between the independent variable. The multicollinearity method used in this research is variance inflation factors (VIF). The rule of the VIF is the calculated value should not exceed 10, if the value is exceeds 10, they are suspect to have multicollinearity

### 3.6.2.3 Multiple Regression Analysis

Multiple regression is simply the improved version of linear regression, these models in which the dependent variable depends on two or more explanatory variables. The variable that is used to predict the dependent variable is the independent variable. In this research, the independent variables are psychological behaviour, financial literacy, cost of living and risk tolerance.

### 3.6.3 Scale Measurement

#### 3.6.3.1 Measurement's Construction (Scale and Operational Definition)

The **nominal scale** is the group data that various distinct categories in which they are mutually exclusive. It is the one that is the weakest form of measurement, it cannot make differences to any specific ranking or direction and within a particular category.

The **ordinal scale** is the group data that distinct categories in which ordering are implied, such as age group, first class, second class of graduate students and so on. It is a stronger form of measurement compared to nominal scale, because it can rank the various categories.

The **interval scale** is the ordered scale that allows describing the distance from one item with the others. It has the unit of measurement that is arbitrary, and the distance between the measurements do not involve a true zero point.

Figure 3.2 Variable Measurement

	Variables/ Objects	Scare of Measurements	Types of Questionnaire
Demographic	Gender	Nominal	Selecting Responses
	Age	Ordinal	Selecting Responses
	Children	Nominal	Selecting Responses
Dependent Variable	Propensity on Investment	Interval	Closed Format & Contingency
Independent Variable	Psychological Behavior	Interval	5-point Likert
	Financial Literacy	Interval	5-point Likert
	Cost of Living	Interval	Selecting Responses
	Risk Tolerance	Interval	5-point Likert

### 3.6.3.1 Reliability Analysis

In the inferential analysis, the scale measurement must first have to conduct to determine the econometric problems. Next, those issues are the Pearson Correlation, Multicollinearity problems.

Besides, those respondents are required to finish the questionnaire in order to rate their own risk tolerance from range 1 to 5. Reliability analysis is the test that used for this study in order to test the consistency and the stability of respondents' rating on their own risk tolerance. Furthermore, in order to test the reliability analysis this study had used Cronbach's alpha to measure the internal consistency as this test is one of the most common form of reliability test.

Figure 3.3 Rule of thumb for Cronbach's alpha coefficient value

<b>Cronbach's alpha</b>	<b>Internal consistency</b>
$\alpha < 0.50$	Unacceptable
$0.50 < \alpha < 0.60$	Poor
$0.60 < \alpha < 0.70$	Questionable
$0.70 < \alpha < 0.80$	Acceptable
$0.80 < \alpha < 0.90$	Good
$\alpha > 0.90$	Excellent

Source: George and Mallery: SPSS for Windows Step by Step: A Simple Guide and Reference Fourth Edition (11.0 update). Boston: Allyn & Bacon.

### 3.7 Conclusion

In this chapter, it had been discussed about the methodologies that used to examine this study. The data collection method, sampling design, targeted population, research instrument, data processing; data analysis and econometric model have been decided in this chapter. Thus, the next chapter will be examining the data from the survey questionnaire and having a detail analysis on the respondents' data. However, all the methods have been decided, the test will be using the Statistical Package for the Social Science (SPSS) software.

## **CHAPTER 4: DATA ANALYSIS**

### **4.0 Introduction**

This chapter will be focusing on analysing, interpreting and reporting the result that received from respondents. The analysis will carried out are Descriptive Analysis, Scale Measurement, Inferential Analysis, Pearson Correlation Analysis, and Multiple Regression Analysis. The analysis result will further interpret under each of the section.

### **4.1 Descriptive Analysis**

#### **4.1.1 Demographic Profile of Respondents**

The demographic description generates from total 260 respondents of questionnaire survey. The respondents' profiles are shown in the figures and tables below.

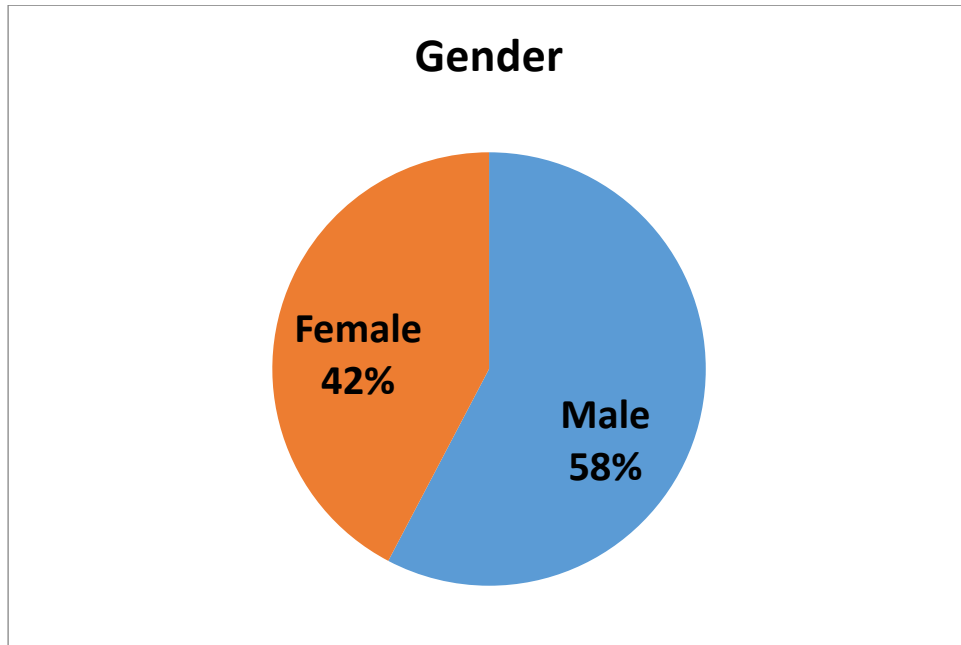
##### **4.1.1.1 Gender**

Table 4.1: Gender of Respondents

<b>Gender</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Male	150	57.7
Female	110	42.3
Total	260	100

Source: Developed for the research

Figure 4.1: Gender of Respondents



Source: Developed for the research

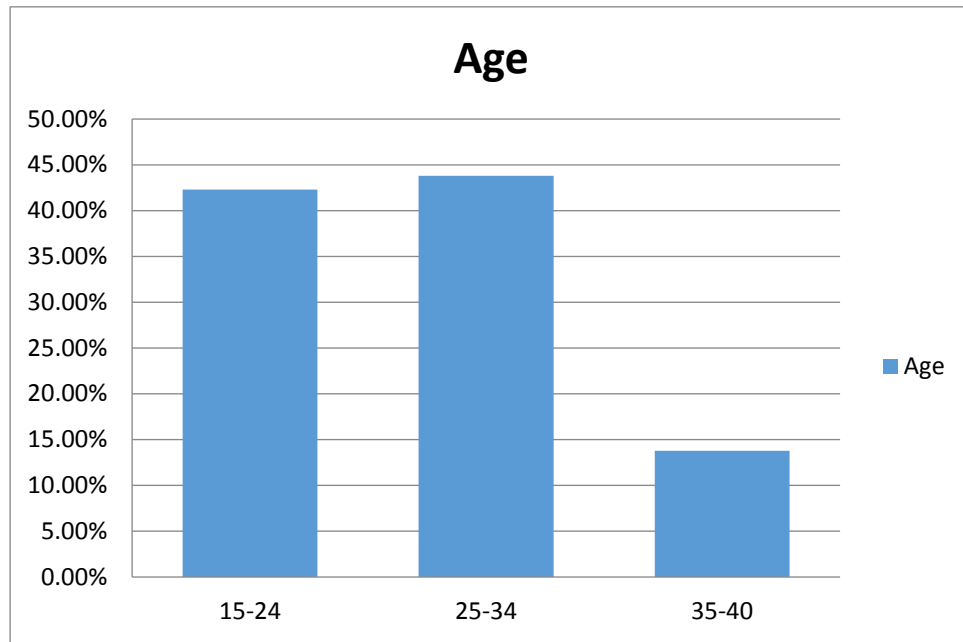
The gender of respondents is presented in Figure and Table 4.1. According to the study, 57.7% represents 150 male respondents while 42.3% represents 110 female respondents. Male is the largest population in this research.

#### **4.1.1.2 Age**

Table 4.2: Age of Respondents

Age (year)	Frequency	Percentage (%)
15 - 24	110	42.3
25 - 34	114	43.8
35 - 40	36	13.8
Total	260	100

Source: Developed for the research

**Figure 4.2: Age of Respondent**

Source: Developed for the research

The age of the respondents is collected and placed in Table 4.2. In Figure 4.2 above shows the different range of age. The lowest range of age is 15 to 24 years old which is 110 respondents, 42.3%. Followed by the 25 to 34 years old which are 114 respondents, 43.8%, and the highest range of age fall on 35 to 40 years old which is 36 respondents, 13.8%.

#### 4.1.1.3 Children

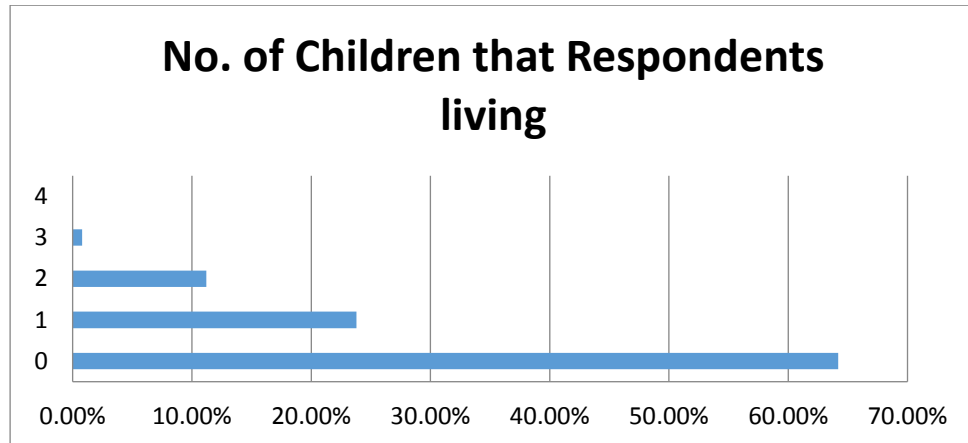
**Table 4.3: No. of children that respondents having**

No. of children	Frequency	Percentage (%)
0	167	64.2
1	62	23.8
2	29	11.2
3	2	0.8
4	0	0
Total	260	100

Source: Developed for the research



Figure 4.3: No. of children that respondents having



Source: Developed for the research

The analysis of number of children that respondents have is presented in Figure and Table 4.3. More than half of the respondents have no children at the time while the survey is conducting, which are 167 respondents out of 260, 64.2%. The number of respondents that have one child is 62, which is 23.8%. Followed by 29 respondents have two children, which is 11.2%, and 2 respondents have 3 children, which is 0.8%. Out of 260 respondents, no one have more than 3 children.

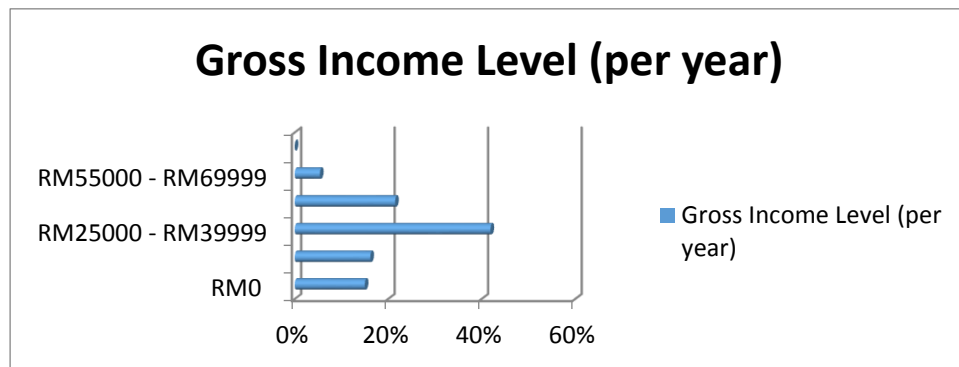
#### 4.1.1.4 Gross Income Level (per year)

Table 4.4: Gross Income Level (per year)

Gross Income Level (per year)	Frequency	Percentage (%)
RM0	39	15.0
RM1 – RM24999	42	16.2
RM25000 – RM39999	109	41.9
RM40000 – RM54999	56	21.5
RM55000 – RM69999	14	5.4
More than RM69999	0	0
Total	260	100

Source: Developed for the research

Figure 4.4: Gross Income Level (per year)



Source: Developed for the research

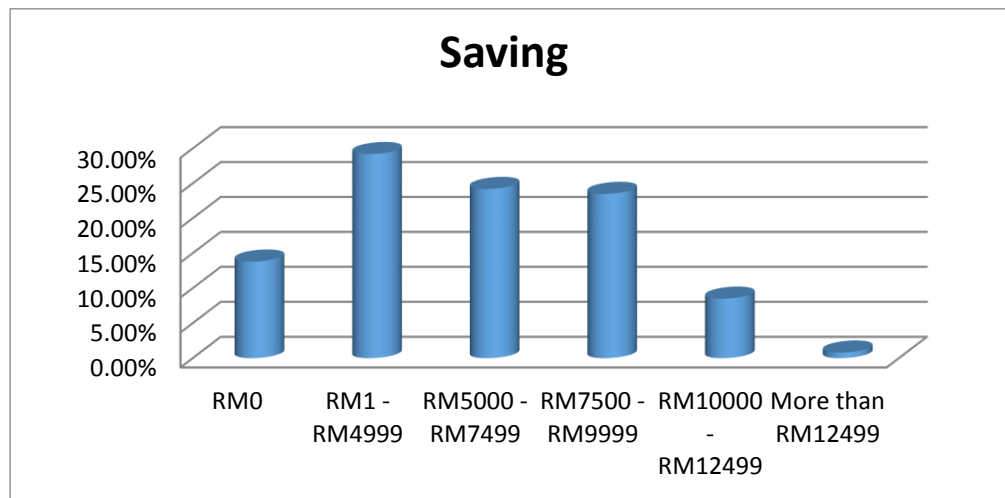
In this research, gross income level (per level) will be separate into 6 range of value. 39 respondents have no income at all, and 42 out of 260 respondents have income level of RM1 – RM24999 per year. Followed by range of RM25000 – RM39999, there are 109 respondents in this range, which is 41.9%. Next, 56 respondents are at the fourth range which is from RM40000 – RM54999 gross income level per year. There is only 14 respondents having gross income level of RM55000 – RM69999 per year, and no one having the highest range of income level which is more than RM69999.

#### 4.1.1.5 Saving

Table 4.5: Descriptive Analysis for Saving

Saving	Frequency	Percentage (%)
RM0	36	13.8
RM 1 – RM4999	76	29.2
RM5000 – RM7499	63	24.2
RM7500 – RM9999	61	23.5
RM10000 – RM12499	22	8.5
More than RM12499	2	0.8
Total	260	100

Source: Developed for the research

**Figure 4.5: Descriptive Analysis for Saving**

Source: Developed for the research

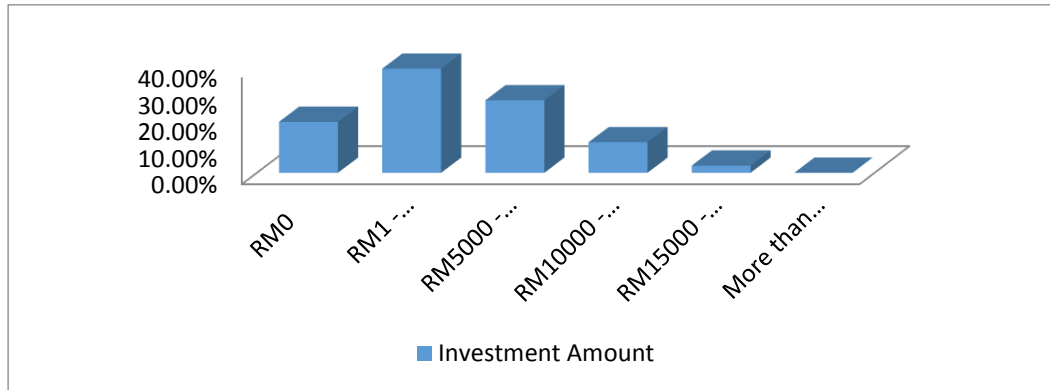
According to the Table and Figure 4.5, there is 13.8% for respondent that no have saving. The majority of respondents (29.2%) have the saving among RM 1 to RM4999. Then, followed by saving among RM5000 to RM7499 which is 24.2%. For respondent have saving among RM7500 to RM9999 is 23.5% and RM10000 to RM12499 is 8.5%. There is only 0.8% for the respondent that have save more than RM12499 per year.

#### 4.1.1.6 Investment Amount

**Table 4.6: Descriptive Analysis for Investment Amount**

Investment Amount	Frequency	Percentage (%)
RM0	50	19.2
RM 1 – RM4999	102	39.2
RM5000 – RM9999	71	27.3
RM10000 – RM14999	30	11.5
RM15000 – RM19999	7	2.7
More than RM19999	0	0
Total	260	100

Source: Developed for the research

**Figure 4.6: Descriptive Analysis for Investment amount**

Source: Developed for the research

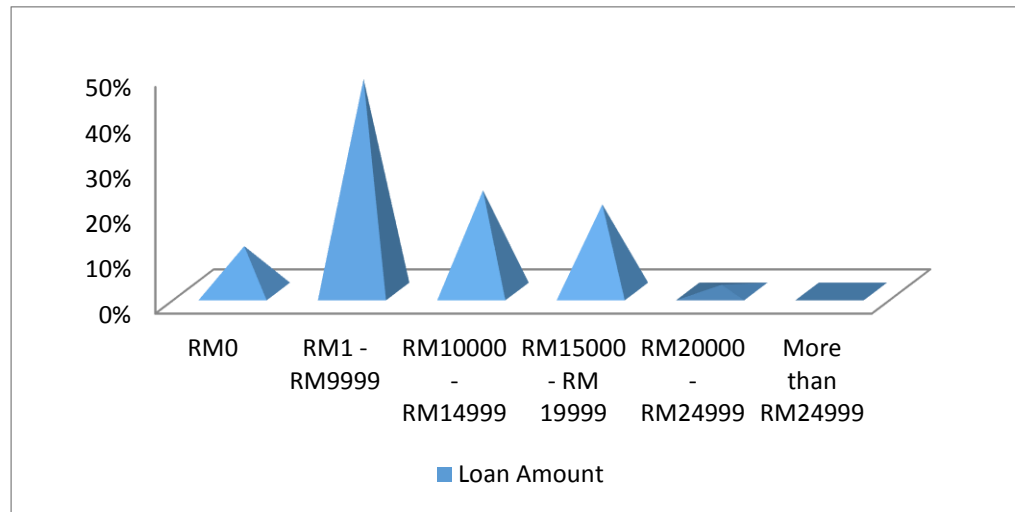
Based on the Table and Figure 4.6, investment amount will be categorized into six ranges. The respondents that have no invest at all is 19.2%. The majority of respondents invest amount below RM5000 is 39.2%. For the investment amount that respondent invest among RM5000 to RM9999 is 27.3%. Then followed by investment amount between RM10000 to RM14999 is 11.5%. There is only 2.7% for the respondents who invest among RM15000 to RM19999. As the result from questionnaire shown, there is no people invest more than RM19999.

#### 4.1.1.7 Loan Amount

**Table 4.7: Descriptive Analysis for Loan amount**

Loan Amount	Frequency	Percentage (%)
RM0	26	10
RM 1 – RM9999	122	46.9
RM10000 – RM14999	58	22.3
RM15000 – RM19999	50	19.20
RM20000 – RM24999	4	1.5
More than RM24999	0	0
Total	260	100

Source: Developed for the research

**Figure 4.7: Descriptive Analysis for Loan Amount**

Source: Developed for the research

According to the Table and Figure 4.7, loan amount will be categorized into six ranges. There is 10% of respondents did not have loan expenses. The majority of respondents which have loan expenses below than RM10000 is 46.9%. For the loan expenses that respondent have among RM10000 to RM14999 is 22.3%. Then followed by loan expenses between RM15000 to RM19999 is 19.20%. Moreover, there is only 1.5% for loan expenses between RM20000 to RM24999. There is no respondent have loan expenses more than RM24999.

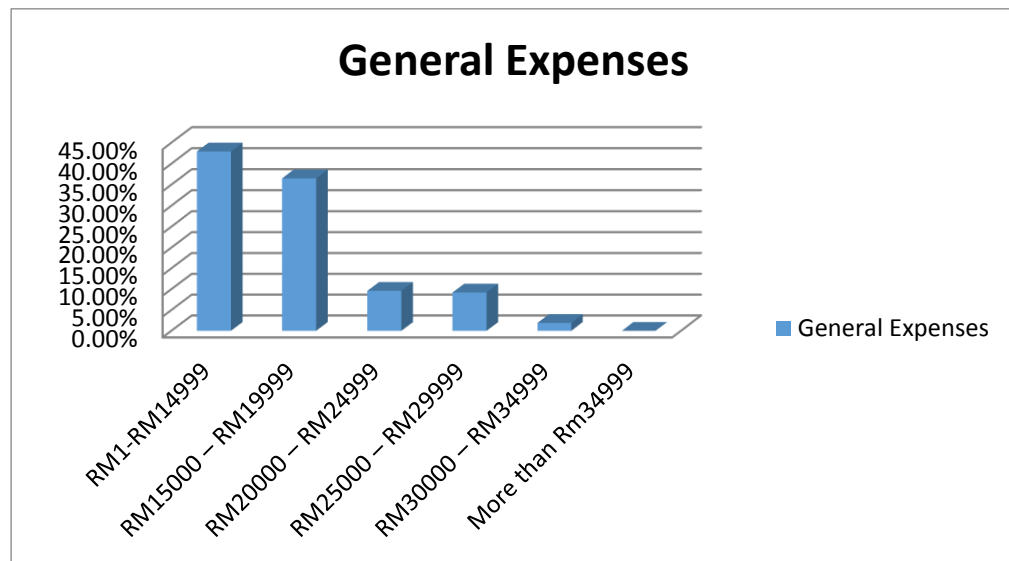
#### 4.1.1.8 General Expenses

**Table 4.8: Descriptive Analysis for General Expenses**

Range of General Expenses	Frequency	Percentage
RM1 – RM14999	111	42.9%
RM15000 – RM19999	95	36.5%
RM20000 – RM 24999	25	9.6%
RM25000 – RM29999	24	9.2%
RM30000 – RM34999	5	1.9%
More than RM34999	0	0%

Source: Developed for the research

Figure 4.8: Descriptive Analysis for General Expenses



Source: Developed for the research

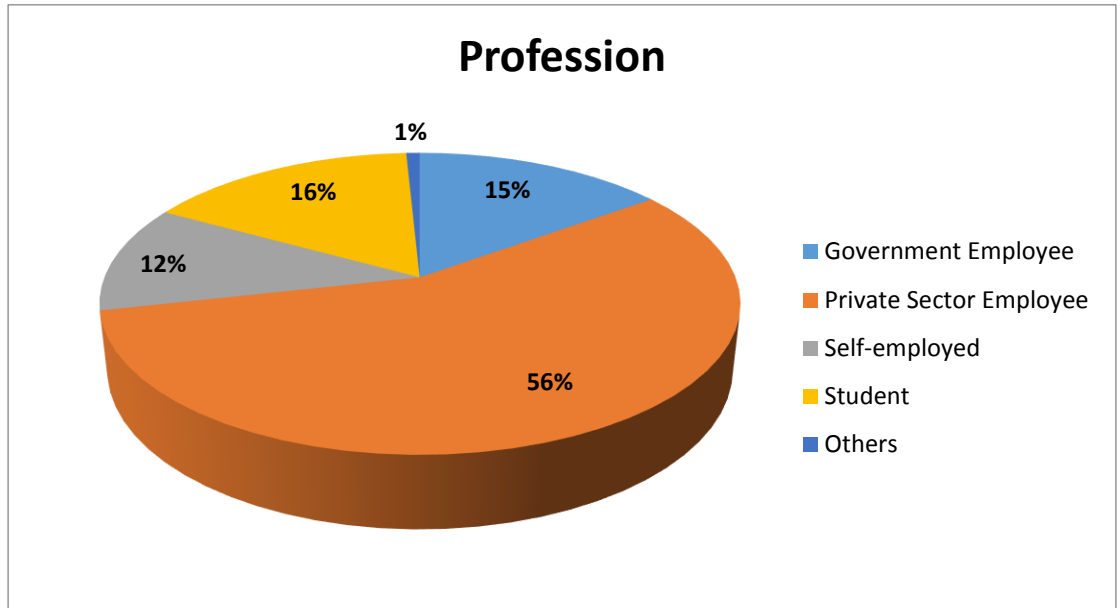
The general expenses of the respondents is summarizing in Table 4.8. More, the table 4.8 above is indicates the different range of general expenses from range of RM1 to more than RM39999. The highest percentage of respondent fall on the range of RM 1 to RM 14999 which is 42.9%, followed by the range of RN 15000 to RM19999 which is 36.5%. The other ranges of general expenses are below 10%. There are 9.6%, 9.2%, 1.9% and 0% at the range of RM20000 to RM24999, RM25000 to RM 29999, RM 30000 to RM 34999 and more than RM34999 respectively.

#### 4.1.1.9 Profession

Table 4.9: Descriptive Analysis for Profession

Profession	Frequency	Percentage
Government Employee	39	15%
Private Sector Employee	147	56.5%
Self-employed	30	11.5%
Student	42	16.2%
Others	2	0.8%

Source: Developed for the research

Figure 4.9: Descriptive Analysis for Profession

Source: Developed for the research

According to the table 4.9, the highest percentage of respondents is fall on private sector employee which is 56% among the total respondents. Moreover, the other three sectors have approximate percentage over the total respondents which are self-employed, student and government employee. There are 16%, 15% and 12% profession in student, government employee and self-employed respectively. Last, there is minority of respondent is not fall on above categories which indicate other profession in this session which is only 1%.

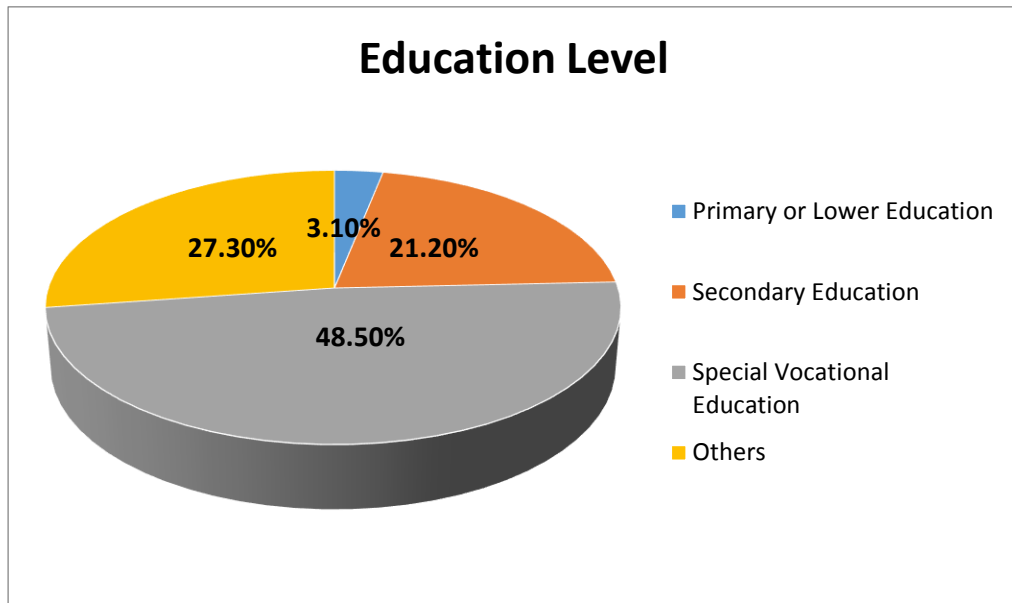
#### 4.1.1.10 Education Level

Table 4.10: Descriptive Analysis for Education Level

Education Level	Frequency	Percentage
Primary or Lower Education	8	3.1%
Secondary Education	55	21.2%
Special Vocational Education	126	48.5%
Others	71	27.3%

Source: Developed for the research

Figure 4.10: Descriptive Analysis for Education Level



Source: Developed for the research

From the table 4.10 above, it indicates the respondent has highest percentage in special vocational education which is 48.5%. Furthermore, the second highest percentage is others sector which is 27.3%. The respondents fall on others category probably in bachelor degree, master degree or PHD level. Followed by the secondary education which is 21.2% of total respondents. Lastly, the minority of percentage fall on the primary or lower education.



#### 4.1.2 Central Tendencies Measurement of Constructs

Table 4.11: Central Tendencies Measurement of Constructs

	N	Mean	Standard Deviation
	Statistic	Statistic	Statistic
Propensity on Investment	260	8.1000	3.15702
Costs of Living	260	-3.8538	2.15109
Financial Literacy	260	6.0385	0.51094
Psychological Behaviour	260	25.9500	3.50859
Risk Tolerance	260	11.1000	1.04604
Valid N (list wise)	260		

Source: Developed for the research

In this research, the number of data points entered is 260. Central tendencies are measure by mean, mode and median. Under the table above, mean will be measured and is reported for all the five variables.

The range for mean is from -3.8538 to 25.9500. The variable that carried the highest mean value is Psychological Behaviour (25.9500), and follow by Risk Tolerance with a mean of 11.1000. The third highest value is the research's dependent variable, Propensity on Investment, with the mean of 8.1000. Next to dependent variable, the result showed Financial Literacy at the fourth place with mean of 6.0385. Lastly, the lowest value of mean for central tendencies measurement is Costs of Living with mean of -3.8538.

Other than that, the table above also shows results for measures of dispersion for the entire five variables which is standard deviation. The results for standard deviation carry the range from 0.51094 to 3.50859. Once again, Psychological Behaviour carries the highest standard deviation value which is 3.50859. The second highest for the measures of dispersion is the dependent variable, Propensity on Investment, which standard deviation of 3.15702. The results followed by Costs of Living at

third place with value of 2.15109, and fourth place for Risk Tolerance with standard deviation of 1.04604. Finally, Financial Literacy carries the lowest standard deviation which is 0.51094.

## 4.2 Scale Measurement

### 4.2.1 Pilot Test

Table 4.12: Cronbach Coefficient Alpha

	Cronbach's Alpha	N of Items
Propensity on Investment	0.522	9
Costs of Living	0.722	5
Financial Literacy	0.469	4
Psychological Behaviour	0.117	9
Risk Tolerance	0.505	5

\*\*The value is negative due to a negative average covariance among items.

This violates reliability model assumptions.

Source: Developed for the research

According to Table 4.12, the Cronbach Coefficient Alpha test for Pilot test, the Costs of Living is the only one result that shows as a Good reliable result which is 0.722. The results followed by Propensity on Investment, Financial Literacy, Psychological Behaviour, and Risk Tolerance with Poor reliable results of 0.522, 0.469, 0.117, and 0.505. In conclusion, the reliability test is said to be poor according to the results got from the variables.

## 4.2.2 Internal Reliability Test

Table 4.13: Cronbach Coefficient Alpha

	Cronbach's Alpha	N of Items
Propensity on Investment	0.472	9
Costs of Living	0.712	5
Financial Literacy	0.550	4
Psychological Behaviour	0.535	9
Risk Tolerance	0.505	5

\*\*The value is negative due to a negative average covariance among items.

This violates reliability model assumptions.

Source: Developed for the research

According to Table 4.13, only Costs of Living show as a Good reliable result for Cronbach's Alpha which is 0.712. The results followed by Propensity on Investment, Financial Literacy, Psychological Behaviour, and Risk Tolerance with Poor reliable results of 0.472, 0.550, 0.535, and 0.505. In conclusion, the reliability test is said to be poor according to the results got from the variables.

## 4.3 Inferential Analysis

### 4.3.1 Pearson Correlation Analysis

#### 4.3.1.1 Linear Regression Analysis between Cost of Living and Propensity on investment

Table 4.14: Correlation between Cost of Living and Propensity on investment

		Propensity on investment	Cost of Living
Propensity on investment	Pearson Correlation		.243
	Sig. (2-tailed)		.000
Cost of Living	Pearson Correlation	.243	
	Sig. (2-tailed)	.000	

\*\* . Correlation is significant at the 0.10 level (2-tailed).

N=260

Source: Developed from the research

#### Hypotheses 1

H<sub>0</sub>: There is an insignificant relationship among Propensity on Investment and Cost of Living.

H<sub>1</sub>: There is a significant relationship among Propensity on Investment and Cost of Living.

From the Table 4.14 above, cost of living of the respondents has shown positive relationship with propensity on investment. Cost of living has 0.243 correlations with the propensity on investment. Thus, the high cost of living will lead to the increment of propensity on investment.

The coefficient value of 0.243 indicates that the cost of living and propensity on investment are related which 0.243 falls within the range of  $\pm 0.01$  and  $\pm 0.30$ . Thus, 0.000 is below 0.10 which means the p-value is below the significance value. Therefore, cost of living is supported which shows that cost of living and propensity on investment are significantly related.

#### 4.3.1.2 Linear Regression Analysis between Financial Literacy and Propensity on investment

Table 4.15: Correlation between Financial Literacy and Propensity on investment

		Propensity on investment	Financial Literacy
Propensity on investment	Pearson Correlation		.036
	Sig. (2-tailed)		.282
Financial Literacy	Pearson Correlation	.036	
	Sig. (2-tailed)	.282	

\*\* . Correlation is significant at the 0.10 level (2-tailed).

N=260

Source: Developed from the research

#### Hypotheses 2

H<sub>0</sub>: There is an insignificant relationship among Propensity on Investment and Financial Literacy.

H<sub>1</sub>: There is a significant relationship among Propensity on Investment and Financial Literacy.

Based on the Table 4.15 above, the financial literacy of individual has shown positive relationship with propensity on investment. Financial Literacy has 0.036 correlations with the propensity on investment. Thus,

the higher of individual's financial literacy will lead to the increment of propensity on investment.

The coefficient value of 0.036 indicates that the financial literacy and propensity on investment are related which 0.036 falls within the range of  $\pm 0.31$  and  $\pm 0.50$ . Thus, 0.282 is above 0.10 which means the p-value is higher the significance value. Therefore, financial literacy is not supported which shows that financial literacy and propensity on investment are significantly related.

#### 4.3.1.3 Linear Regression Analysis between Psychological Behaviour and Propensity on investment

Table 4.16: Correlation between Psychological Behaviour and Propensity on Investment

		Propensity on investment	Psychological Behaviour
Propensity on investment	Pearson Correlation		.092
	Sig. (2-tailed)		.070
Psychological Behaviour	Pearson Correlation	.092	
	Sig. (2-tailed)	.070	

\*\* . Correlation is significant at the 0.10 level (2-tailed).

N=260

Source: Developed from the research

#### Hypotheses 3

H<sub>0</sub>: There is an insignificant relationship among Psychological Behaviour and propensity on investment.

H<sub>1</sub>: There is a significant relationship among Psychological Behaviour and propensity on investment.

According to the Table 4.16 above, psychological behaviour has shown positive relationship with propensity on investment. Psychological behaviour has 0.092 correlations with the propensity on investment. Thus, investor that has positive behaviour will lead to the increment of propensity on investment.

The coefficient value of 0.092 indicates that the psychological behaviour and propensity on investment are related which 0.092 falls within the range of  $\pm 0.01$  and  $\pm 0.30$ . Thus, 0.070 is below 0.10 which means the p-value is below the significance value. Therefore, psychological behaviour is supported which shows that psychological behaviour and propensity on investment are significantly related.

#### 4.3.1.4 Linear Regression Analysis between Risk Tolerance and Propensity on investment

Table 4.17: Correlation between Risk Tolerance and Propensity on investment

		Propensity on investment	Risk Tolerance
Propensity on investment	Pearson Correlation		-.004
	Sig. (2-tailed)		.473
Risk Tolerance	Pearson Correlation	-.004	
	Sig. (2-tailed)	.473	

\*\* . Correlation is significant at the 0.10 level (2-tailed).

N=260

Source: Developed from the research

#### Hypotheses 4

H<sub>0</sub>: There is an insignificant relationship among risk tolerance and propensity on investment.

H<sub>1</sub>: There is a significant relationship among risk tolerance and propensity on investment.

Table 4.17 indicates that risk tolerance has shown the negative relationship with the propensity on investment. The risk tolerance has -0.004 correlations with the propensity on investment. Thus, when the investor is risk taker, it leads to the increment of propensity on investment.

The coefficient value of -0.004 indicates that the risk tolerance and propensity on investment are related which -0.004 falls within the range of  $\pm 0.01$  and  $\pm 0.30$ . Thus, 0.473 is above 0.10 which means the p-value is below the significance value. Therefore, risk tolerance is not supported which shows that risk tolerance and propensity on investment are significant related.



### 4.3.2 Multiple Regression Analysis

Table 4.18 Multi Regression Analysis Predicting Propensity on Investment in Malaysia

#### Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	5.810	3.298		1.762	.079
Cost of Living	.413	.091	.281	4.545	.000
Financial Literacy	.116	.372	.019	.311	.756
Psychological Behaviour	.141	.056	.157	2.530	.012
Risk Tolerance	-.043	.181	-.014	-.236	.813

Table 4.19 Model Summary of Multi Regression Analysis

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.289 <sup>a</sup>	.084	.069	3.04585

Table 4.20 ANOVA Test

#### ANOVA<sup>a</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	215.713	4	53.928	5.813	.000 <sup>b</sup>
Residual	2365.687	255	9.277		
Total	2581.400	259			

Note:

- a) N = 260
- b) Predictors: (Constant)
- c) Dependent Variable: Propensity on Investment.

*Sources: Developed for Research*

Multi Regression Equation:

**Propensity on Investment = 5.810 + 0.413 Cost of Living + 0.116 Financial Literacy + 0.141 Psychological Behaviour – 0.043 Risk Tolerance**

H<sub>0</sub>: There is insignificant relationship among cost of living, financial literacy, psychological behaviour, risk tolerance and propensity on investment.

H<sub>1</sub>: There is significant relationship among cost of living, financial literacy, psychological behaviour, risk tolerance and propensity on investment.

According to the table 4.20, the F-value 5.813 is sufficient evidence to prove that there is at least one of the independent variable is significantly influenced the propensity on investment of individual in Malaysia. Thus, this research is fit to the study.

Based on the table 4.19, the R-squared is 0.084 for this study. It indicates the independent variables of cost of living, financial literacy, psychological behaviour and risk tolerance, account for 8.4% of the variance in the propensity on investment of individual in Malaysia.

From the table of 4.18, three of the independent variables shown positively related and one independent variable negatively related to the dependent variable. The positive relationship independent variables are cost of living, financial literacy and psychological behaviour. Cost of living has the

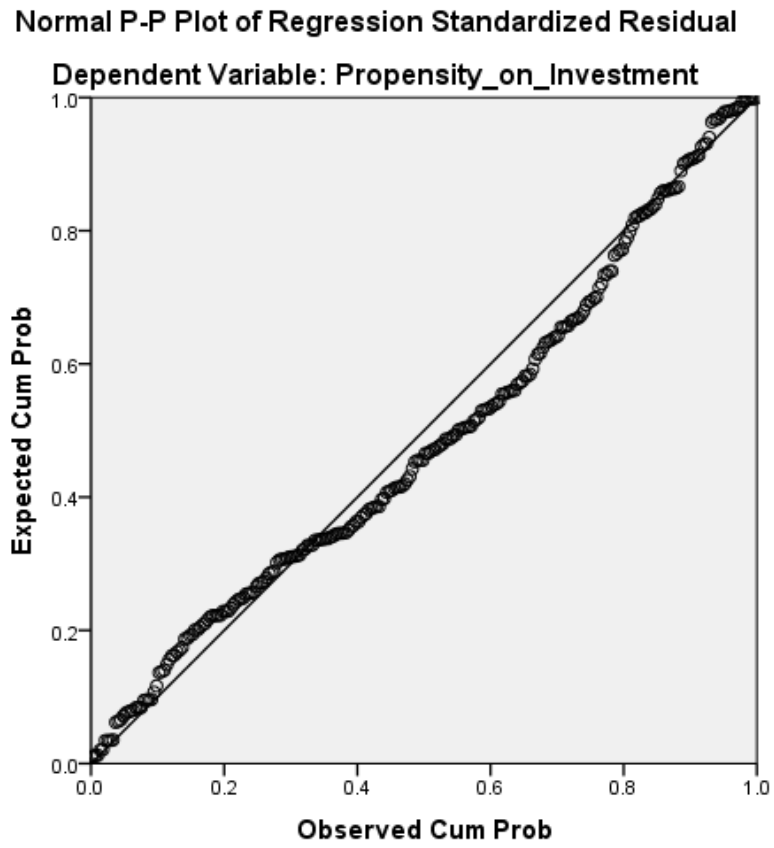
highest coefficient beta value to the propensity on investment of individual. The only one independent variable shown negative relationship is risk tolerance.

Moreover, when the cost of living of individual is increase, the propensity on investment will rise by 0.413, while holding other variable constant. When the individual person owns higher financial literacy, the propensity on investment will rise by 0.116, while holding other variables constant. When the individual has more positive psychological behaviour, the propensity on investment will rise by 0.141, while holding other variable constant. When the risk tolerance of individual is higher, the propensity of investment will fall by 0.043, while holding other variables constant.

Thus, according to the result of table 4.18, it indicates the cost of living and psychological behaviours are significantly influenced the propensity on investment of individual in Malaysia. The p-value of cost of living (0.000) and psychological behaviour (0.012) are lesser than the alpha value of 0.05. However, the p-value of financial literacy (0.756) and risk tolerance (0.813) are greater than the significant level of 0.05. It indicates that financial literacy and risk tolerance of individual are not significant to affect the propensity on investment of individual in Malaysia. Last, all the variables are tested at the significant level of 0.05.

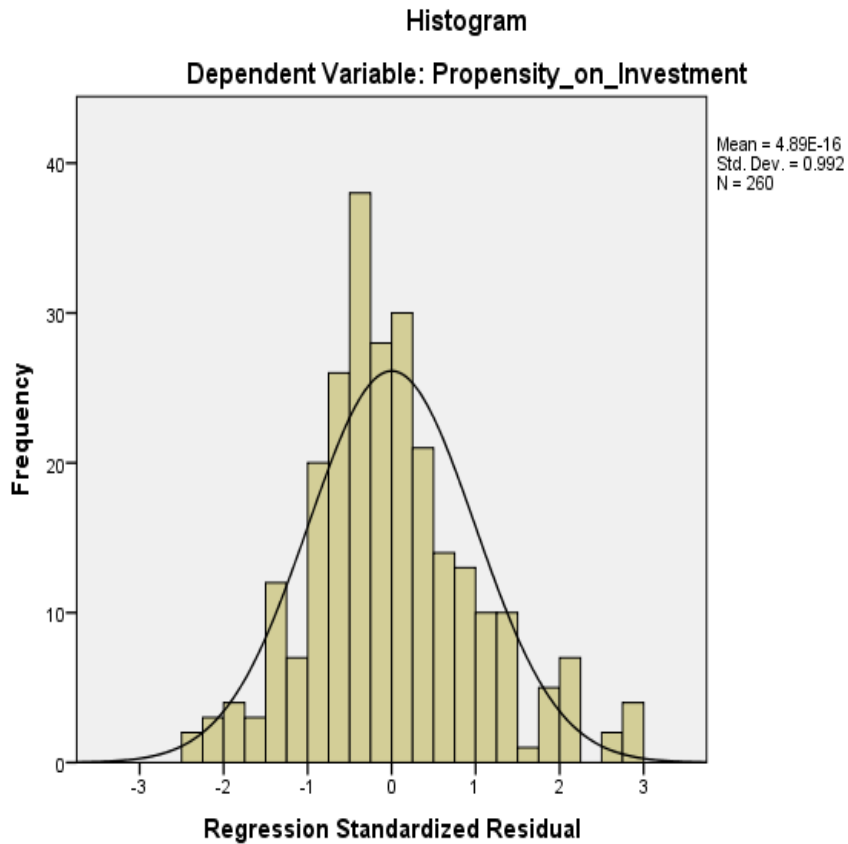
4.3.2.2 Normality Test of the study

Figure 4.11: Normal P-P Plot of Propensity on Investment



Source: Developed for the research

Figure 4.13: Histogram of Propensity on Investment



Source: Developed for the research

Normality test are used to figure out whether a data set is modelled by a normal distribution which is to compute a variable data set to be normally distributed.

The Normal Probability-Probability Plot (P-P Plot) and Histogram are used to analyse whether the data sets are normally distributed or not normally distributed (Field, 2009).

According to Figure 4.11, the Normal Probability-Probability Plot (P-P Plot) shows that all dots are near to the straight line. In addition, for the histogram in Figure 4.13 shows that there is a bell shape of a normal curve and these determine that the variable of this study is approximately normally distributed.

#### 4.3.2.3 Multicollinearity Test of the study

Multicollinearity is used to test the Multicollinearity between independent variable in which is to test whether they are any related between the independent variable. The multicollinearity method used in this research is variance inflation factors (VIF). The rule of the VIF is the calculated value should not exceed 10, if the value is exceeds 10, they are suspect to have multicollinearity.

Table 4.21: Collinearity Statistics

Model	Collinearity Statistics	
	Tolerance	VIF
Cost of Living	.939	1.065
Financial Literacy	.994	1.006
Psychological Behaviour	.937	1.067
Risk Tolerance	.994	1.006

Dependent Variable: Propensity on investment

Source: Developed for the research

According to the Table 4.21, the VIF values of the independent variables which include Cost of Living, Financial Literacy, Psychological Behaviour and Risk Tolerance are 1.065, 1.006, 1.067 and 1.006 respectively. The VIF range is between the 1.006 and 1.067 which shown that VIF is less than 10. Thus, the result indicating that there is no multicollinearity problem among the variables.

## **4.4 Conclusion**

To conclude this chapter, descriptive analysis is used to indicate a more understanding on the respondents' background which includes their age, education level, amount of investment and so on. Next, reliability test is used to test the reliable of the questionnaire. Thus, the relationship of dependent variable and independent variable are shown by the test with Inferential Analysis, Regression Analysis, and Pearson Correlation Analysis. In chapter 5, there will be discussing about the major findings, limitations and recommendation for the future research.

## **CHAPTER 5: DISCUSSION, IMPLICATION AND CONCLUSION**

### **5.0 Introduction**

In chapter 5 will be discussed the conclusion of this research's findings on the relationship between psychological behaviour, cost of living, financial literacy and risk tolerance with propensity on investment. Besides, it also presented inferential and descriptive analysis. In order to obtain overall research's conclusion, data has been fully analysed and discussed. Implication of this research from the perspective of managerial and theoretical also has been discovered. Additionally, several limitations can be enhanced by executing some recommendation. To sum up, overall conclusion about this research was stated as ending for this report.

### **5.1 Summary of Statistical Analysis**

#### **5.1.1 Summary of Descriptive Analysis**

A total of 260 respondents participated in the survey that given a 260 are useful cases. According to the overall demographic description, it indicates that the male respondents (58%) have a higher response percentage than female respondents (42%). This is due to the research's target population is people who has made in investment and most of the investor is male.

Apart from that, the respondents in the range of age between 15 to 24 years old, 25 to 34 years old as well as 35-40 years old are 42.30%, 43.80%



and 13.80% respectively. Besides, result show that the majority of respondents that did not have children were 64.20%. There were only 23.80% for the respondents that have one child. Followed by the respondents that in the range of children between two and three are 11.20% and 0.80%. There is 0% for the respondents have more than three children.

Furthermore, the respondents those have no gross income level at all consisting of 15%. Followed by gross income level of the respondents those have below RM25000 been 16.2%. Result indicated that the majority gross income level of respondents (41.9%) was within RM25000 to RM39999. The respondents in the range of RM40000 to RM54999, RM 55000 to RM 69999, above RM 69999 are 21.5%, 5.4% and 0% respectively. In addition, the respondent those have no saving at all consisting of 13.80%. The majority of respondents have the saving among RM 1 to RM4999 were 29.2%. Followed by saving level of the respondent that have RM5000 to RM7499 is 24.20%, RM7500 to RM9999 is 23.50%, RM10000 to RM12499 is 8.5% as well as the respondent that have save more than RM12499 is only 0.8%. Besides that, there are 19.2% of respondent no invest at all. The investment amount the majority respondent around RM1 to RM4999 consists of 39.2%. Followed by the respondent's range of investment amount between RM5000 to RM9999, RM10000 to RM14999, RM15000 to RM19999, and more than RM19999 are 27.3%, 11.5%, 2.7% and 0% respectively.

Moreover, there is 10% of the respondents did not have any loan expenses. The majority respondents have loan expenses which below than RM10000 were 46.9%. Followed by the respondent's range of loan expenses between RM10000 to RM14999, RM15000 to RM19999, RM20000 to RM24999, and more than RM24999 are 22.3%, 19.20%, 1.5% and 0% respectively. Aside from this, the general expense of the majority respondent around RM1 to RM14999 consists of 42.9%. Followed by the respondent's range of general expenses between RM15000 to RM19999, RM20000 to RM24999, RM25000 to RM29999, RM 30000 to RM 34999 and more than RM24999 are 36.5%, 9.6%, 9.2%, 1.9% and 0% respectively. Other

than this, the profession of the respondents who are government employee had consisted of 15%. The majority of respondents were private sector employee were 56.5%, followed by self-employed 11.5%, student 16.2%, and others 0.8%. Last, the educations levels of the respondent who are primary school had only occupied of 3.1%, secondary education 21.2%, special vocational education 48.5%, and others 27.3%.

### 5.1.2 Inferential Analysis

Table 5.1: Summary of Pearson Correlation and Multiple Liner Regression Analysis

Hypothesis	Pearson Correlation	Multiple Regression (p-value)	Action
<b><math>\beta_1 = \text{Costs of Living}</math></b> H <sub>0</sub> : $\beta_1 = 0$ H <sub>1</sub> : $\beta_1 \neq 0$	0.243	0.000	Reject H <sub>0</sub>
<b><math>\beta_1 = \text{Financial Literacy}</math></b> H <sub>0</sub> : $\beta_1 = 0$ H <sub>1</sub> : $\beta_1 \neq 0$	0.036	0.756	Do not Reject H <sub>0</sub>
<b><math>\beta_1 = \text{Psychological Behaviour}</math></b> H <sub>0</sub> : $\beta_1 = 0$ H <sub>1</sub> : $\beta_1 \neq 0$	0.092	0.003	Reject H <sub>0</sub>
<b><math>\beta_1 = \text{Risk Tolerance}</math></b> H <sub>0</sub> : $\beta_1 = 0$ H <sub>1</sub> : $\beta_1 \neq 0$	-0.004	0.813	Do not Reject H <sub>0</sub>
<b>R<sup>2</sup></b>	0.084		
<b>F-value (Sig. F)</b>	5.813 (0.000)		

\*Decision rule: Reject H<sub>0</sub> if p-value < 0.05. Otherwise, do not reject H<sub>0</sub>.

Source: Developed for the Research

The model in this study is to fulfil the assumptions of Reliability test, Normality test, and Multicollinearity test. Firstly, according to Reliability test, all the variables included in the test have poor correlation between each other variable with the range of Cronbach's Alpha value from 0.472 to 0.712. This shows that the questionnaire for this study is poorly reliable. Other than that, the normality test is normal distributed with bell shape skewness. Besides, no serious multicollinearity issue within the variable as the VIF among the variable are less than 10, the values are in range from 1.006 to 1.067.

According to Table 5.1, the results for Pearson's Correlation show that only Costs of Living and Psychological Behaviour are statistically correlated to Propensity on Investment at significant level of 90%. Both Costs of Living and Psychological Behaviour are positively correlated to Propensity on Investment with value of 0.243 and 0.092. Other than that, Financial Literacy and Risk Tolerance are not statistically correlated with Propensity on Investment with value of 0.036 and -0.004.

Based on Table 5.1 on the Multiple Regression part, reject  $H_0$  if the p-value of Costs of Living, Financial Literacy, Psychological Behaviour, and Risk Tolerance is lower than 0.05, otherwise do not reject  $H_0$ . The results show that only Costs of Living and Psychological Behaviour are statistically significant to affect the dependent variable, Propensity on Investment. Both Costs of Living and Psychological Behaviour are positively significant related to Propensity on Investment. The others two variable which are Financial Literacy and Risk Tolerance are not significant to the dependent variable in this study. Besides, the result for  $R^2$  is only 8.4%, which indicates that only 8.4% of the variation for Propensity on Investment is interpreted by the variation of Costs of Living, Financial Literacy, Psychological Behaviour, and Risk Tolerance. Lastly, the table also included the result for ANOVA analysis with p-value= 0.000, which indicates that there is a statistically significant difference between the group variable means.

## **5.2 Discussions of Major Findings**

### **5.2.1 Relationship between Psychological Behaviour and Propensity on Investment**

In this study, the result generated that there is a positive relationship between psychological behaviour and propensity on investment in the study area was supported. This result is confirmed by the previous studies of Ezama, Scandroglio, and Liano (2013) as they investigated that investor's attitudes indeed positively correlated to the intention towards the investment. According to Xing, and Sun (2013) stated that investor with positive vibes, their willingness to take risk and explore new procedure and possibilities is more than people who with emotional attitude. Other than this, planned behaviour can prompt investor to make better an investment decisions. Besides that, the wave of positive mood also can bring investor to behave cautiously in investment field (Lepori, 2015). Thus, investor's behaviour plays a vital role on making a rationale decision making on investment.

### **5.2.2 Relationship between Financial Literacy and Propensity on Investment**

Result from the research shows that financial literacy and propensity on investment are not significant related. This result is inconsistent with previous studies (Awais, Laber, Rasheed and Khursheed, 2016) which stated that financial literacy will have positive influence towards propensity on investment. As to define the result of this study, it means respondents reflect that their knowledge towards the financial market will not affect their decision to invest in stock market or not, or how do they do

their investment decision. The assumption can be provide in this case is that, whether they having the knowledge or not regarding to the investment, they are not going to make investment in stock market in the sense that they will having to bear their housing loan, or other type of commodities room to continue their living and traditional mind that having a car and a house is the first priority in their life compare to earning a possibility high income in stock market. The results of this study are not exactly same the reviewed might also because of geographical reason as many of the journals reviewed are studies that conducted at outside Malaysia, different country have different cultures as to the behaviours and opinions towards this study's targeted market which is stock market. Besides, this study only targeted 3 states major states of Malaysia which are Pulau Pinang, Perak, and Selangor; this is because the youth population is higher in these three targeted states compared to others according to each states' youth institution data on youth population. Moreover, the reason of why the propensity on investment of these three states for youth population is low might due to the property price of the states. In Pulau Pinang, due to the size of land of the state, the property price is relatively higher compared to other states, which then attract many youth to rather invest in property than stock market with the sense of price of property will also appreciate. However in Perak, the price for property is relatively low compared to Pulau Pinang and Selangor, which is also an attraction to investors. The case in Selangor is same as in Pulau Pinang. Not only that, according to news from Borneo Post Online, "Households are accumulating debt faster than their incomes are growing, which will likely lead to repayment difficulties when the credit cycle turns".

### **5.2.3 Relationship between Cost of Living and Propensity on Investment**

According to the research, the results revealed that there is a positive relationship between cost of living and propensity on investment. This relationship is proved by past studies (Lim and Kwak, 2016) as they found out that the increment of investor's income level will enhance their ability and intention to do investment. Hence, people with higher income have more potential invest. Not only that, Goyal and Sharma (2014) revealed that income level of investor can affect the amount of investment that investor invest. So, largest income group will invest more than smallest income group. Furthermore, investors' savings also lead to the effect of intention for investor to do invest (Chakraborty and Digal, 2011). People with more saving have more potential to do investment compared with people with less saving.

### **5.2.4 Relationship between Risk Tolerance and Propensity on Investment**

From the result of this research, it indicates that risk tolerance has not significant relationship with propensity on investment. However, the result that showed by the previous studies (Vlaev, Stewart and Chater, 2008) show that risk tolerance has positive effect towards the propensity on investment. It means that the more investor understands their risk tolerance, the better investment decisions will they decide. Thus, the result stated there is not significant in Malaysia that the higher risk tolerance of the investor, the greater chances investor might invest in higher securities as well as allow them for greater returns. Moreover, according to Byrnes, Miller, and Schafer (1999); Wallach and Kogan (1961) investigated that age and gender might affect the risk tolerance of investor. Male investors

are more preferable to take risks than female investor to make decision on investment. Lastly, younger people in Malaysia will not likely have high risk tolerance on making investment's decision compared with older people. According to the reviewed journal (Larkin and Lucey, 2012), risk tolerance of an individual is a variable more subjective than objective nature and thus is much more difficult to measure. This variable need to be examine individual deeper and broader in every aspect of living life style. Malaysia's Department of Insolvency says 5,547 individuals under age 35 were declared bankrupt last year, more than double the number in 2005, and the first year for which it has published such data. Last year's number under age 25 was 635; triple the year-earlier figure. The Department of Solvency explained on the reasons why increasing numbers of youth bankrupts, it is because many graduates are most burdened with study loans. And, at the time they start working, they need accommodation and transportation, which then increase their burden on debts again. At the end of the days, the debts accumulate more and more until they cannot even repay it, which then cause them to bankruptcy. As the link the case above to this research, as the truth that youth population already have high burden on debts for their transportation and accommodation, their salaries or pays will not afford them to make any more investment, for example in stock market.

## **5.3 Implication of Study**

### **5.3.1 Managerial Implication**

This study's primary objective is to examine the relationship between Propensity on Investment of Malaysia youth perspectives with other variables such as Psychological Behaviour, Financial Literacy, Cost of

Living, and Risk Tolerance by using primary data survey questionnaire method to collect data from youth in Malaysia. As the research of result, the variables of cost of living and psychological behavior are significant to affect the propensity on investment from Malaysia youth. However, variables of financial literacy and risk tolerance are not significant.

From this research result, the market research should include more external variables to research the related topic in Malaysia since two independent variables are not significant. External variable indicates the environment factor is more important to influence Malaysia youth on investment decision such as the replacement way of investment like purchase car, house, luxury goods or travel planning.

For the perspective of company, the company should understand the Malaysia youth is more concern the investment principal rather than the stock feature. The company may create some unique stock option for Malaysia youth to attract their investment to increase the market efficiency. For example, company may sell cheaper price than secondary market to youth investor whose first time approached investment. This way may able to encourage more youth to become an investor.

There is significant of positive relationship between cost of living and propensity on investment from Malaysia youth. Therefore, Malaysia government should implement expansionary fiscal and monetary policy if they want to increase the investment from youth. The inflation issue will bring up the cost of living. When the cost of living is increased, the propensity on investment from youth is increased as well.

This study is achieved the goal of examining how the several variables to affect the propensity on investment from Malaysia youth. Also, this study is given more accurate and understanding toward the perspective of Malaysia youth on investment.



## 5.4 Limitation of Study

According to this research, there are some limitations have been detected. Firstly, the limitation is questionnaires distribution. The questionnaires have been distributed in Penang, Perak and Selangor. Thus, the targeted range and sample size was small as compare to the country as a whole. In this research only mainly focus on 300 sample size of youth and the questionnaires were only distributed in few states of Malaysia, and it cannot exactly represent the Malaysian youth's perspective on investing in stock investment as a result for this research. Thus, the reliability and accuracy of the data might be affected.

Besides, the limited variables are also one of the limitations for this research. There were only four variables which included Psychology Behaviour, Financial Literacy, Cost of Living and Risk Tolerance. These few variables might not fully explain the Malaysian youth's perspective on investing in stock market. Thus, the limited variables will also affect the result of this research.

On the other hand, this research is just totally focus on stock investment in which did not expand the range to other types of investment. For example, foreign exchange market, bond market and so on. Furthermore, some of the investors they might be invest in other financial market instead of invest in stock market and different market will have different strategies to invest or trade, so some of the respondent might not much familiar investing in stock market but familiar with others.

Lastly, this research is only using Reliability Test, Multicollinearity Test, Multiple Regression Test, Cronbach's Alpha Test, Pearson Correlation Analysis and Normality Test. These few tests that mentioned does not included some of the advance test in order to test the result more accuracy. Limited research done by current researchers. Market researcher normally focus in whole market for investment.

## 5.5 Recommendations

Anything will not perfect, as a result the recommendation is the must in order to easier the future study to avoid collapse with the same mistake. There is some recommendation for the future research that might conduct the similar or closely similar research topic in future.

As refer to limitation, the questionnaire was only distributed in few distinct of Malaysia which is in Penang, Perak and Selangor. Although the number of questionnaire required to distribute have been supported by journal, but the number of questionnaire is too less compare to large population number itself. From theory sated that, the closer the number of sample towards the number of population, the more accurate the result. Therefore, future researcher was highly recommended to collect the data from all distinct in order to have full coverage and should be increase the number of questionnaire to increase the accuracy of the research.

Next, future researchers are encouraged to involve more independent variable in future research. Other than just increase the number of independent variable, future research also recommended to make improvement in the questionnaire question. As the number of relevant variable increase, it will increase the reliability and increase the accuracy of the research.

For the propensity to invest itself, that can be conclude all type of the investment just like mention in limitation part. Therefore, future researcher should not only minimize their target on stock market, instead, future researcher can actually target their respondent to all type of investor in Malaysia and to investigate on Malaysian perspective in Investment.

In a nutshell, future researcher was highly recommended to included more statistical analysis test in order to have a better result and analyses the data in more precise and suggest that future researcher to focus more on youth perspective investing in stock market. Furthermore, as youth are the pillars of the

nation, which might have many contribution and growth improvement to the nation in future.

## **5.6 Conclusion**

In conclusion, this research shows that is significant relationship between propensity on Investment with psychological behaviour and cost of living. However, the risk tolerance and financial literacy are not significant related to the propensity on investment in Malaysian's youth perspective. Thus, this research objective is fulfilled as to study the factors that affect intention of Malaysian to invest in stock market and better understanding the investment behaviour of Malaysian youth in stock market.

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UNIVERSITI TUNKU ABDUL RAHMAN  
FACULTY OF BUSINESS AND FINANCE  
**UBFZ3026 RESEARCH PROJECT**

**Questionnaire**

**Research Title: Malaysian youths' perspective on investing in stock market**

Dear Respondent,

We are students from University Tunku Abdul Rahman (UTAR) currently undergoing Bachelor of Finance (HONS). We wish to conduct a survey for the purpose of gathering data for our Research Project. Hereby, the objective of our topic which is to study factors that affect intention of Malaysian youth to invest in stock market and to better understanding the investment behavior of Malaysian youth.

Your responses are greatly appreciated.

	Student ID	Name	Phone No:	E-Mail Address
1	12ABB06941	Chow Siang Wah	012-712 1831	<a href="mailto:siangwah07@gmail.com">siangwah07@gmail.com</a>
2	13ABB03206	Kwan Wan Sing	016-501 0595	<a href="mailto:wansing828@gmail.com">wansing828@gmail.com</a>
3	13ABB02397	Ng Sue Jing	010-236 3558	<a href="mailto:ngsuejing@outlook.com">ngsuejing@outlook.com</a>
4	13ABB05656	Ng Zhi Yaw	010-274 6067	devinng0611@hotmail.com
5	13ABB03364	William Loh Soon Hee	017-445 8092	william_loh95@hotmail.com

**Instruction:**

- 1) There are **SIX(6)** sections in this questionnaire. Answer **ALL** questions.
- 2) It will take you approximately **15 minutes**.
- 3) The contents of this questionnaire will be kept **strictly and confidential**.

**Section A: Demographic Profile**

Please tick (✓) in the space provided.

**1. Gender**

Male       Female

**2. Age**

15-24       25-34       35-40

**3. How many children do you have?**

0       1       2       3       4

**Section B: Propensity on Investment**

Please tick (✓) in the space provided.

**4. Do you invest in stock market?**

Yes       No

**5. What kind of analysis you use to analysis stock?**

Fundamental analysis       Technical analysis       Both

**6. What kind of source you use to analysis stock?**

[www.malysiastockbiz.com](http://www.malysiastockbiz.com)

[www.i3investor.com](http://www.i3investor.com)

Others, Please specify: \_\_\_\_\_



**Section C: Cost of living**

Please tick (✓) in the space provided.

**13. Gross Income level per year**

- |  |  |
|--|--|
| <input type="checkbox"/> No income         | <input type="checkbox"/> RM 1 – RM24999    |
| <input type="checkbox"/> RM25000 – RM39999 | <input type="checkbox"/> RM40000 – RM54999 |
| <input type="checkbox"/> RM55000 – RM69999 | <input type="checkbox"/> More than RM69999 |

**14. Saving per year**

- |  |  |
|--|--|
| <input type="checkbox"/> No saving         | <input type="checkbox"/> RM 1 – RM4999     |
| <input type="checkbox"/> RM5000 – RM7499   | <input type="checkbox"/> RM7500 – RM9999   |
| <input type="checkbox"/> RM10000 – RM12499 | <input type="checkbox"/> More than RM12499 |

**15. Financial Investment amount per year**

- |  |  |
|--|--|
| <input type="checkbox"/> No Financial Investment | <input type="checkbox"/> RM 1 – RM4999     |
| <input type="checkbox"/> RM5000 – RM9999         | <input type="checkbox"/> RM10000 – RM14999 |
| <input type="checkbox"/> RM15000 – RM19999       | <input type="checkbox"/> More than RM19999 |

**16. Loan amount per year**

- |  |  |
|--|--|
| <input type="checkbox"/> No Loan Expenses  | <input type="checkbox"/> RM 1 – RM9999     |
| <input type="checkbox"/> RM10000 – RM14999 | <input type="checkbox"/> RM15000 – RM19999 |
| <input type="checkbox"/> RM20000 – RM24999 | <input type="checkbox"/> More than RM24999 |

**17. General Expenses per year (excluded loan amount and financial investment amount)**

- ( ) RM 1 – RM14999                      ( ) RM15000 – RM19999  
( ) RM20000 – RM24999                ( ) RM25000 – RM29999  
( ) RM30000 – RM34999                ( ) More than RM34999

**Section D: Financial Literacy**

Please tick (✓) in the space provided.

**18. Your education level?**

- ( ) Primary or lower education  
( ) Secondary education (General or Vocational school)  
( ) Special vocational education (Technical college)  
( ) Others, Please specify: \_\_\_\_\_

**19. Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow? (Mitchell & Lusardi, 2016)**

- ( ) Exactly \$102                      ( ) More than \$102  
( ) Less than \$102                    ( ) Do not know

**20. Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?**

- ( ) More than today                      ( ) Less than today  
 ( ) Exactly the same                      ( ) Do not know

**21. Determine this statement is true or false. "Buying a single company's stock usually provides a safer return than a stock mutual fund."**

- ( ) True                      ( ) False

Using a scale from 1 – 5, with 1 = "Strongly Disagree"; 2 = "Disagree"; 3 = "Neutral"; 4 = "Agree"; and 5 = "Strongly Agree". Please tick (✓) to the extent that best describe on the important of factors that affecting the youth's perspectives on the investment in sotck market in Malaysia.

Please apply the same method to answer questions in both Section E and Section F.

Section E: Psychological Behaviour

<u>Question</u>	1	2	3	4	5
<b>22. I am confident to evaluate securities prices in my investment portfolio by myself.</b>					
<b>23. I can totally control my investment on the stock market.</b>					
<b>24. I will still continue to increase in investment on the stock market in the next one year even though the KLCI stock index is losing its value.</b>					

<b>25. I will believe that it will quickly recover in the next few days even though KLCI stock index decrease its value by 10% today.</b>					
<b>26. I will follow most investors' behaviours when I need to make decision to buy/sell stocks in a short time.</b>					
<b>27. I trust 100% on information from relatives, friends, colleagues, analysts, market researchers, and stock brokers.</b>					
<b>28. I will hold them longer to wait for increasing trend even though stocks' prices are decreasing.</b>					
<b>29. I will consider companies with stable dividend payment as my priority in the market.</b>					
<b>30. I think that the stocks' prices may be rapid decline like in late 2008, if KLCI stock index fell below 900.</b>					

Section F: Risk Tolerance

<u>Question</u>	1	2	3	4	5
<b>31. I tend to buy some of riskier assets rather than put the money in safer assets when the market goes down.</b>					
<b>32. I will invest 40% in low-risk investments, 60% in high-risk investments, if I had to invest RM50, 000.</b>					

<b>33. I am not concerned my investment gaining value than losing value when I invest my money.</b>					
<b>34. My investment goal is “Growth and Income” (Higher risk investment).</b>					
<b>35. I prefer investments with fluctuation in value, and willing to accept the higher returns associated with these investments.</b>					

Comments about our research topic:

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