

THE VIEWPOINT FROM PSYCHOLOGY:  
ATTITUDINAL IMPACT OF YOUNG ADULTS'  
INTENTION ON RETAIL EQUITY PARTICIPATION

CHONG THIM KIT  
FELICIA YAP JIA YI  
LIM XIN YI  
TEEN JIA JIA

BACHELOR OF FINANCE (HONS)

UNIVERSITI TUNKU ABDUL RAHMAN

FACULTY OF BUSINESS AND FINANCE  
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**BY**

**CHONG THIM KIT  
FELICIA YAP JIA YI  
LIM XIN YI  
TEEN JIA JIA**

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**FACULTY OF BUSINESS AND FINANCE  
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**APRIL 2023**

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## DECLARATION

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- (3) Equal contribution has been made by each group member in completing the FYP.
- (4) The word count of this research report is 16241.

Name of Student:	Student ID	Signature
1. Chong Thim Kit	19ABB01674	
2. Felicia Yap Jia Yi	19ABB01615	
3. Lim Xin Yi	19ABB01607	
4. Teen Jia Jia	19ABB01953	

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## LIST OF ABBREVIATIONS

ACE	Access, Certainty, Efficiency Market
ADV	Average Daily Value Traded
ASEAN	Association of Southeast Asian Nations
AVE	Average Variance Extracted
CDS	Central Depository System
CFA	Confirmatory Factor Analysis
CNBC	Consumer News and Business Channel
CR	Composite Reliability
ETF	Exchanged-Traded Funds
FTSE	Financial Times Stock Exchange
FW	Financial Well-being
GDP	Gross Domestic Product
GLCs	Government-linked Companies
HF	Hassle Factors
HTMT	Heterotrait-Monotrait Ratio of Correlations
II	Investment Intention
KLCI	Kuala Lumpur Stock Exchange
LEAP	Leading Entrepreneur Accelerator Market
MaPS	Money and Pensions Service
MYR	Malaysian Ringgit
PDPA	Personal Data Protection Act
PhD	Doctorate Degree
PLS	Partial Least Square
RA	Risk Avoidance
REIT	Real Estate Investment Trusts
SEM	Structure Equation Modelling
SI	Social Influence

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SMP	Stock Market Participation
SPM	Sijil Pelajaran Malaysia
SPSS	Statistical Package for Social Science
TPB	Theory of Planned Behavior
US	United States

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## **PREFACE**

Participating in the stock market is very important because it allows people to accumulate assets, maintain their well-being, and even out their consumption over time. Studies have shown that stock market participation is especially important for reducing wealth inequality in a society, as lower-income households can benefit from the returns on stocks and improve their financial status. However, many developing countries have low levels of stock market participation, which can lead to economic losses. For example, in Malaysia, despite high savings rates, there are very few young adults involved in the stock market, which limits their potential benefits. Therefore, this research is conducted to explore the reasons behind this lack of participation, particularly from a psychological perspective. Several psychological factors that may have an impact to Malaysian young adults' intention to participate in the stock market are considered, including hassle factors, risk avoidance, social influence, and financial well-being. Survey questionnaires will be distributed through online platform to collect responses from Malaysian young adults, and various statistical tests were carried out to perform data analysis leading to the provision of valuable insights to fill gaps in knowledge and promote greater stock market participation among young adults in Malaysia.

## **ABSTRACT**

To investigate how attitudinal factors influence Malaysian young adults' intention to participate in the stock market, a study was conducted on the relationship between investment intention and several attitudinal factors. The study involved 253 respondents who participated online and used Partial Least Squares Structural Equation Modeling (PLS-SEM) to obtain statistical results such as Cronbach's alpha, composite reliability, average variance extracted (AVE), discriminant validity, and hypothesis testing. The study found that social influence and risk avoidance had a significant relationship to Malaysian young adults' intention to invest into the stock market, while hassle factors and financial well-being were not. The research discovered that individuals who are cautious about taking risks and are uncomfortable with uncertainty are less inclined to invest in the stock market. On the other hand, those who are comfortable with risk and uncertainty are more likely to invest. The studies also found that individual often seek information from their social network when making investment decisions, and the recommendations they receive from family, friends, and colleagues can directly impact their decision to invest in the stock market. Finally, this research offers insights and recommendations to various parties including Bursa participating organizations, Bursa Malaysia, Securities Commission Malaysia, scholars, and researchers.

## **CHAPTER 1: RESEARCH OVERVIEW**

### **1.0 Introduction**

This chapter introduces the background of stock market and highlights the role of stock markets in global and domestic economic developments supported by various empirical studies. It also discusses the importance of stock market and brief the issue of low retail market participation among young adults in Malaysia.

### **1.1 Research Background**

#### **1.1.1 Retail Stock Market Participation**

Retail stock market participation (SMP) can be defined as the involvement of individual investors in direct or indirect investing of publicly traded equity shares on the stock exchange to increase one's personal wealth (Kramer & Zaal, 2018). Direct investing of equity shares involves buying publicly traded shares from a stock exchange, whereas indirect investing of equity shares involves buying equity shares through an exchange traded funds or mutual funds which are manage by financial institutions (Kramer & Zaal, 2018). Unlike institutional investors like pension funds and mutual funds, retail investors are typically private individuals who invest their own money in the stock market (Kaustia et al., 2023).

High retail participation is important as it enhances liquidity in the stock market, which is positively correlated to stock market performance, and subsequently to wealth and economic growth (Zhang, 2017). The involvement of retail investors in the stock market enhances liquidity since they purchase and sell stocks, leading to fair prices and efficiency in the market (Wang & Hao, 2022). Furthermore, their participation promotes

economic growth by offering capital to businesses and supporting investment in innovative ventures. This, in turn, generates employment opportunities and fosters progress, ultimately contributing to the development of the economy (Wang & Hao, 2022; Zhang, 2017).

### **1.1.2 Stock Market**

The terms "stock" and "equity" are synonymous in North American usage, according to Tweles and Bradley (1987). Stocks are traded in a market known as the "stock exchange" in corporations. Stock exchanges are defined as "*An institution where quoted investments (stocks and shares) may be exchanged between buyers and sellers*" by Curry and Winfield (1994). According to Mishkin and Eakins (2003), stock is a security that is a portion of ownership in the profits and assets of a corporation. The most frequently followed market in the American economy is the stock market, where shares of stocks that represent claims on the earnings of corporations are traded.

A stock market can be a complicated marketplace, where stocks or shares are the traded commodity. It also plays a critical role in the expansion and development of a robust and driven economy. It is essential for structural changes in any economy, such as moving from a traditional, bank-based and insecure economy to one that is more flexible, more secure, as well as resistant to shocks, fluctuations, and a lack of investor's confidence (Stapley, 1986). According to Heertje (2004), stock markets are marketplaces where securities can be bought and sold, and where government and businesses can secure long-term capital.

Meanwhile, Patrick and Wai (1973) propose that stock markets are involved in the management of short-term and long-term capital, with businesses offering stocks to acquire long-term funding that can be utilized in profitable ventures. This happens as investors prefer to hold onto their stocks for future dividend payments rather than investing in losers. The actions of buying and

selling stocks on the stock market have a huge impact on how economies allocate their capital (Pratten, 1993). Additionally, transaction prices and quotations give investors a sense of the wealth's market value, which may affect how much they choose to spend on consumption (Pratten, 1993).

### **1.1.3 Importance of Stock Market**

Fabozzi et al. (2002) propose that there are three distinctive roles of the stock market: firstly, the price of the traded asset is determined by the transactions between buyers and sellers; secondly, investors are provided with a medium to sell their stock assets; and lastly, the stock market reduces the cost of transaction. The stock market is a vital component of both developed and developing countries' economies, playing a crucial role in facilitating the transfer of money between those who want to save and those who want to use it for investments or other specific purposes. As Chauque (2017) points out, the stock market also dictates how resources are allocated to the most profitable investment opportunities. However, if prices reach historically high levels or above, this indicates investor confidence, which can impact the confidence of businessmen in making investments. Given that the stock market affects the amount of money that can be raised through the sale of newly issued stock to fund investment expenditures, it is of paramount importance to businesses and their investments.

Recent studies in theory have initiated the process of connecting the financial market and the rate of economic growth. These studies suggest that an increase in per capita income can affect various aspects of both the economy's performance and the stock market. According to Gurley and Shaw (1967), real income and wealth are beneficial functions of financial development. The findings of this study corroborate the quantitative results obtained by Goldsmith (1969) who observed that in the majority of the 35 countries examined, whether developed or developing, the ratio of financial institutions to GDP tends to increase as real income and wealth increase.

Additional data from the World Bank (1989) also confirms the association between growth and the size of the financial system. Empirical research has largely concurred that finance plays a noteworthy role in determining the rate of economic growth.

The impact of the stock market has been noteworthy on both the developed and emerging economies (Masoud, 2013). The size of the stock market, measured by market capitalization ratio, has shown positive and significant correlations with real GDP per capita growth, market liquidity, turnover, and activity in terms of value traded. While market volatility is negatively related to real GDP per capita growth. The qualitative indicators include limits on openness to foreign portfolios, lack of institutional development and financial disclosure (Masoud, 2013).

Stock markets have a vital role to play in the progress of the global economy. Recent studies have emphasized the importance of stock markets in attracting and concentrating savings and other types of capital, which are essential for the growth and development of both the private sector and trade. Currently, the stock market plays a more significant role in corporations, information technology, communication, and management (Masoud, 2013). The establishment of markets, as stated by Patrick and Wai (1973), was primarily to finance businesses that were utilizing short-term financing due to technological advancements and to finance government spending in the developed world economy.

According to Singh (1999), three critical elements of a stock market can enhance economic growth, such as elevating savings and investments, enhancing investment productivity, and elevating the profitability of existing capital stock. Greenwood and Smith (1997) have observed that large stock markets are promoting investments in highly productive technological areas. Cottle et al. (1962) state that stock markets are indispensable as they can provide a continuous and liquid market for the exchange of issued and outstanding securities. Tobin (1969) highlights a strong link between the material and monetary aspects of economic growth.

Several researchers, such as Romer (1993), Boyle and Peterson (1995), Malliaropoulos (1996), and Chami et al. (2006), have stated that the stock market plays a crucial role in the transmission of monetary policy, which has a bearing on economic activity. They have demonstrated the impact of inflation rates on household equity holdings to illustrate how stock markets can serve as a channel for this mechanism.

### **1.1.4 Stock Market Liquidity**

Stock market liquidity refers to the ease with which stocks can be bought or sold in the market without affecting their price significantly (Kassamany & Zgheib, 2023; Wang & Hao, 2022; Muhammad Umar et al., 2022). A market is deemed to be liquid when there are sufficient buyers and sellers who are willing to trade stocks at any given moment (Tiwari et al., 2022). Having high liquidity in the stock market is vital because it allows investors to buy or sell stocks rapidly and at fair prices. This enhances the market's efficiency and guarantees that stocks can be traded without substantial price fluctuations (Wang & Hao, 2022). Conversely, low liquidity can pose challenges for investors in buying or selling stocks, resulting in price volatility and wider bid-ask spreads. This may make it more difficult for investors to locate fair prices for their trades and may hinder them from participating in the market (Wang & Hao, 2022). Several factors can impact stock market liquidity, including the market size, the number of market participants, trading volumes, and the availability of information about stocks. Generally, larger markets with a higher number of participants and trading volumes are more liquid, whereas smaller markets with fewer participants and lower trading volumes may have lower liquidity (Wang & Hao, 2022; Tiwari et al., 2022).

According to Haugen (2001), having liquid stock market makes investing less risky and more attractive since investors can quickly and inexpensively buy and sell assets, allowing them access to their savings or enabling them

to adjust their portfolios without significant losses in market value. Scholars such as Levine (1991), Bencivenga and Smith (1991), Diamond (1996), and Fulghieri and Rovelli (1998) have emphasized the importance of stock market liquidity for economic growth, which has made significant contributions to the theoretical literature on the relationship between stock market development and economic growth. In contrast, Levine (1996) conducted an empirical study on 38 cases in developed and developing countries and found that stock market liquidity can promote economic activity through increased liquidity. However, the addition of too much liquidity may lead to slower economic growth, and more research is necessary to determine the optimal level of liquidity to ensure economic growth.

### **1.1.5 Bursa Malaysia**

Bursa Malaysia is the only stock exchange in Malaysia. It is known as one of the largest stock exchange markets in ASEAN with a total market capitalization of 1,693.385 billion MYR as of July 2022 (CEIC, 2023). A holistic range of exchange trading services are delivered in listing, trading, clearing, settlement, and depository services (Bursa Malaysia, 2023). The “Kuala Lumpur Composite Index” currently known as the “FTSE Bursa Malaysia KLCI” is the trademark of Bursa Malaysia and was introduced in 1986 comprises the 30 largest companies listed in the main board by market capitalization. The index provides comprehensive performance analysis of the Malaysian stock market (Muhammad Afif et al., 2018). As shown in appendix 1, the index closed at 1453.550 points on 3 March 2023, while its performance was dampened in the last 5 years since the peak at 1895 points in April 2018.

The Main Market, ACE Market and LEAP Market are provided for primary listing or secondary listing of local firms and foreign firms. Established firms that fulfill the requirements to be listed in the Main Market are



potential issuers with market capitalization as a measurement. As ACE Market is a sponsor-driven market, the cross-examine on business growth, organization conduct and the operational control to evaluate the appropriateness of the high growth potential issuers. The emerging issuers are exposed to greater market accessibility and visibility to raise higher capital funds in the LEAP Market. Since this study investigates the investment intention of young adults in the Malaysian stock market, all three markets (Main, ACE & LEAP) are included in this study. All types of investors are accessible to Bursa Malaysia including retail investors, institutions investors and fund managers across local and foreign (Bursa Malaysia, 2014).

### **1.1.6 Attitudinal Factors**

This study investigates the relationship between attitudinal factors and stock market participation (SMP) among young adults in Malaysia. The attitudinal factors include consumer financial well-being, risk avoidance, social influence, and hassles of investing. Previous empirical studies had studied a few attitudinal factors affecting SMP, including financial literacy, income level, risk tolerance, and regulatory perception. Though social influence and hassle factors are almost non-existent in academic literature. Relationship between hassles factor and SMP is crucial in our studies, as previous empirical literatures found that the households in United State and Europe are more willing to invest in risk-free assets but not invest in stocks due to the higher estimated cost of information required compared to the benefits (Bogan, 2014; Guiso et al., 2003). Young adults seem to be affected by this factor as they are more likely to spend their money elsewhere instead of investing in the stock market because they have fewer expenses. Moreover, the studies on the relationship between social influence and SMP is of paramount significance, as previous studies have shown that social influence including from friends, family members, and media have a positive impact on investment decisions (Liang & Guo, 2015; Changwony

et al., 2014). Individuals will become more likely to participate in the equity market if people they know think that they should (Wu et al., 2017). Hence, it is particularly important to include these two unexplored factors in the studies to fill the gaps in the body of knowledge of equity-related products, with new psychological perspective on stock market participation (SMP).

## 1.2 Research Problem

Bursa Malaysia saw a retail stock market participation rate of 34.3% in 2020, followed by a higher record of 35.2% in 2021 during the Covid-19 pandemic period (BERNAMA, 2022). In comparison to the stock market in United States, the retail stock market participation was 68.33% in 2020 during the Covid-19 pandemic (Zheng et al., 2022). Thus, retail stock market participation among young adults remains low in Bursa Malaysia, despite having a robust growth in the year 2020-2021. Retail stock market participation on Bursa Malaysia was on a rapid growth as the Covid-19 pandemic has turned individual investors to the stock market in pursuit of higher returns (Bursa Malaysia Berhad, 2022). The pandemic has heightened awareness among young adults about the necessity of having a contingency financial plan, and the escalating cost of living has been a major issue for young adults attempting to increase their income stream. However, the biggest concern that hinders young adults from entering the stock market is the vulnerability of the market which leads to high exposure to risk and possibility of investment losses.

Table 1.2:

*Average daily value traded and market participation rate.*

Year	Average daily value traded (ADV)	Market participation rate
2019	RM 0.473 billion	24.5%
2020	RM 1.59 billion	37.7%
2021	RM 1.33 billion	38%

Note, From CEIC (2023).  
[www.ceicdata.com.https://www.ceicdata.com/en/malaysia/bursa-malaysia-marketcapitalization/bursa-malaysia-market-capitalization](https://www.ceicdata.com/en/malaysia/bursa-malaysia-marketcapitalization/bursa-malaysia-market-capitalization)

By putting figures into perspective, the retail Average Daily Value Traded (ADV) in 2020 stood at RM1.59 billion compared to only RM473 million in 2019, making it a record level with a market participation rate of 37.7%. Although retail ADV was slightly eased to RM1.33 billion in 2021, market participation rate remains constant at around 38%.

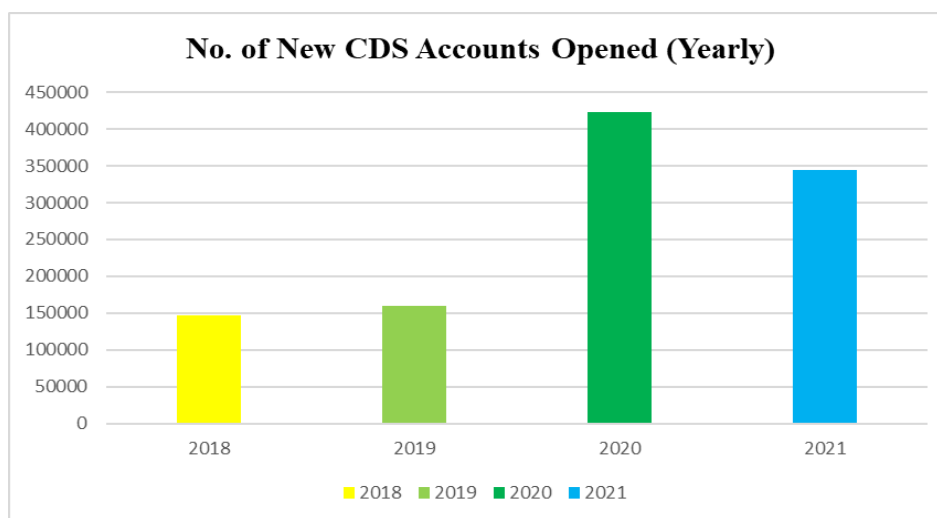


Figure 1.2, Number of new CDS accounts opened (Yearly). Adapted from Bursa Malaysia: Market Capitalization. (2022). [www.ceicdata.com.https://www.ceicdata.com/en/malaysia/bursa-malaysia-market-capitalization/bursa-malaysia-market-capitalization](https://www.ceicdata.com/en/malaysia/bursa-malaysia-market-capitalization/bursa-malaysia-market-capitalization)

Moreover, the new Central Depository System (CDS) account opened had also hit record levels with over 344,542 registered new accounts in 2021 and 423,264 in 2020, compared to the only 159,333 in 2019 (Figure 1.2) (Bursa Malaysia Berhad, 2022). Total active CDS Accounts were also recorded at a new high of 2.8 million in 2020 and 3.0 million in 2021, compared to a stagnant in 2018 and 2019 (Appendix 2). Despite the significant growth, retail stock market participation among young adults is still considerably low, according to 2020 Annual Report of Securities Commission Malaysia, 75% of active retail accounts belong to investors aged 40 years or above (Appendix 3), whereas there were less than 25% of the active accounts belongs to investors aged between 18 to 30 years old (Securities

Commission Malaysia, 2021). In comparison, based on a survey from CNBC conducted in collaboration with SurveyMonkey, United States has 37% of retail investors from age of 18 to 34 years old investing in US stock markets in 2020 (Cliffs & Mateo, 2021). Based on these statistics, it shows that the retail stock market participation of young adults in Malaysia is considerable low compared to the United States.

Securities Commission Malaysia (2022) declared that the low participation rate of young adult in the stock market was predominantly attributed to the lack of financial education and knowledge of how to invest in the stock market. Financial literacy is frequently low among a diverse group of young adults, and those in this transition stage commonly lack financial knowledge, are unfamiliar with financial markets, and are at risk of making poor decisions that could result in long-term consequences (Lusardi et al., 2010). According to the capital market survey, 65% of the respondents have been considered to have poor financial literacy, with only 7% preferring to invest in the stock market (Appendix 4). The findings of a research study carried out in 2013 with employees of the US Federal Reserve System, conducting a financial literacy program led to significant shifts in retirement planning attitude and effective stock portfolios (Clark et al., 2017). Therefore, evidence is provided that financial knowledge influences young adult stock market participation.

Low stock market participation among young adults should not be neglected. Stock market participation is one of the crucial factors to develop a robust stock market in a country. Previous theoretical and empirical studies have found that the stock market has a substantial impact in both developed and emerging economies. (Masoud, 2013). An increase in stock market participation will generally lead to higher money inflow and overall trading volume in the market, hence it will provide enhanced liquidity and subsequently leads to greater stock market performance (Zhang, 2017). With commendable stock market performance, individuals who are participating in the stock market can enjoy better returns and reap the benefits of stock market (Favilukis, 2013). Individual households rely heavily on the stock market since it allows for capital formation, wellbeing, and consumption smoothing (Cole & Shastri, 2009). Empirical evidence shows that stock market participation

is of paramount significance in easing wealth inequality in an economy. Since poorer households will enter the market and able to reap the benefits of stocks market returns, subsequently lifting their wealth status in an economy (Cocco et al., 2005).

Participating in the stock market at an early age can be advantageous. By investing in early life, young adults can develop a pattern of financial independence and discipline. Early investment teaches the true distinction between saving and investing (Farhi & Panageas, 2007). Simple cash savings would not necessarily be sufficient. Many investors avoid investing in other asset classes because they view cash as a safe haven (Khan et al., 2018). It has a low risk, but it also has a low return. The advantages of substantial savings cannot be fully realized without taking reasonable and calculated risks to achieve retirement goals.

Portfolios with well-diversified holdings enable a balance between risk and return. Effective diversification may, in fact, offer better returns with lower risk, resulting in a more comfortable investing journal over time (Campbell, 2006). After balancing risk and returns, investors should start saving and investing early to maximize the advantages of compounding (Guiso et al., 2008). Utilizing compounding's benefits can have a significant impact on an investor's return on investment (Hui, 2021). As compared to those who start later or only invest in cash, those who start early and build a well-balanced portfolio should be better prepared for retirement (Appendix 5).

Low stock market participation among young adults can be a dragging anchor of Malaysian economy. The stock market is an essential part of a country's economy as it encourages capital formation and sustains a country's economic growth (Deb & Mukherjee, 2008). It effectively distributes scarce resources that are used to finance various types of projects, resulting in economic prosperity and expansion (Chauque, 2017). The stock market is crucial to a country's economic development because it stimulates savings, allocates funds, soothes risk mitigation, and enhances corporate governance. The stock market, as a component of the financial system, performs an important role in economic development by providing liquidity and lowering the cost of financing. Refer to Greenwood et al. (1996), large stock market

of a country can facilitate investment in the most productive technology by lowering the cost of mobilizing savings.

Furthermore, numerous studies have proved that there is a positive and significant relationship between the liquidity and size of the stock market with economic growth (Nazir et al., 2010; Ahmad et al., 2012; Bahadur & Neupane, 2006; Hossain & Kamal, 2010). Hence, all parties including the Government of Malaysia, Bursa Malaysia, Securities Commission Malaysia, government-linked companies (GLCs) and Bursa participating organizations should work jointly and go all out to encourage stock market participation among young adults in Malaysia. Therefore, this research aims to fill the gaps in the body of knowledge of equity-related products, with new psychological perspective on stock market participation (SMP).

## **1.3 Research Objectives & Research Questions**

### **1.3.1 Research Objectives**

Investigate the psychological factors affecting the investment intention among young adults.

- i. To examine the relationship between hassle factors and investment intention among young adults.
- ii. To examine the relationship between risk avoidance and investment intention among young adults.
- iii. To examine the relationship between social influence and investment intention among young adults.
- iv. To examine the relationship between financial well-being and investment intention among young adults.

### **1.3.2 Research Questions**

- i. What is the relationship between hassle factors and investment intention among young adults?
- ii. What is the relationship between risk avoidance and investment intention among young adults?
- iii. What is the relationship between social influence and investment intention among young adults?
- iv. What is the relationship between financial well-being and investment intention among young adults?

## **1.4 Research Significant**

### **1.4.1 Significance to academia**

The study is conducted to contribute a new psychological point of view and better understanding of why a prospective young adult investor might engage in the equity market and address the gaps in the body of knowledge of equity-related products. As most research of the stock market participation among young adults focuses on financial literacy, the hassle factors and social influence seem to be minor in academic research. Both the hassle factors and social influence variables provide a wider perspective to investigate the intention on stock market participation. The independent variables determine whether the decision on stock market participation is differentiated by their attitudinal factors.

The deeper explanation on stock market participation of young adults and the relevant factors such as hassle factors, risk avoidance, social influence and financial well-being in this study can be used as a reference for the other researchers who are interested in this topic. Plus, researchers can access the research data from this study to evaluate the significance of the

psychological factors on the investment intentions among the young adults in Malaysia.

### **1.4.2 Significance to policy makers and practitioners**

This study can act as a reference to assist to policy makers and practitioners such as Bursa Malaysia, Securities Commission Malaysia and other government entities to formulate better strategies or policies to promote young retail investors participation, with a common goal to develop a vibrant and competitive equity market in Malaysia. The goal shares a similar vision with Bursa Malaysia and Securities Commission of Malaysia to create a globally leading and internationally competitive marketplace (Securities Commission Malaysia, n.d.). The policies formulated by Bursa Malaysia and the Securities Commission Malaysia will create a huge impact on the economy and the stock market. A massive influx of young investors into the stock market resolves the cost and efficiency issues in the fund-raising process. As a matter of fact, by attaining competitive advantage, the Malaysian stock market could rise alongside with the international stock market.

Young adults' participation in the stock market is significant as it promotes individual welfare gain and asset accumulation. Stock market participation is also one of the sustainable solutions to wealth inequality in a country (Favilukis, 2013). The stock market is essential to a nation's economic growth as it helps to mobilize savings, allocate resources, loosen up risk management, and enhance corporate governance. This research will contribute to a comprehensive understanding of the attitudinal impacts of young adults on retail stock market participation. The authorities, including the Bursa Malaysia and the Securities Commission, should attentively consider this issue to increase young adults 'stock market participation, as it has a significant impact on the growth of the Malaysian stock market.



Furthermore, the influx of young investors will bring huge inflow of capital funds and high liquidity into Malaysian stock market. The rising trend of stock market participation transforms Malaysian stock market into the most preferable fund-raising platform for Malaysian firms and companies. As a possible consequence, efficient fundraising through the stock market could be carried out to meet the capital needs of businesses and enhance competitiveness in business development.

### **1.4.3 Significance to society/stakeholders**

As this study emphasizes the relationship between attitudinal factors and stock market participation (SMP) among young adults in Malaysia. Stakeholders in the equity market notably, the investment banks, stockbroking firms, and investor relations departments can take this study as a reference to put up better strategies to achieve their business goals in relation to prospective clients. Since hassle factors is one of the factors that will be studied in this study, it can be used as a reference to the relevant firms in order to cope with this factor. Since hassle of investment such as complex procedures, time-consuming, too much paperwork, lack of assistance or others might reduce the intention to do investment among the young adults, the firms can refer to this study to identify the reasons that disturbing young adults and try to cope with these issues.

Since social influence, as one of the psychological factors, might affect one's intention to invest, this study can be used to make parents behave to bring positive effect on young adult's behavior. As an example, parents could influence their children when they are young by having investment related conversations with them. Other related firms such investment banks and stockbroking firms can refer to this study to realize the significance of social influence towards young adults' behavior. In this case, they could introduce or launch some investment related program which encourages parents to attend with their children who are young adults.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.0 Introduction**

This chapter provides understanding and demonstrates knowledge of the academic literature or scholarly sources related to the research topic, underlying theories, and research questions. In this chapter, the relationship between dependent variable and other four independent variables will be reviewed. The dependent variable is “Intention to invest in equity market” while the independent variables are “Hassle factors (HF), Risk avoidance (RA), Social influence (SI), and Financial well-being (FW)”. Indeed, the theoretical framework and hypothesis for variables are also discussed in this chapter.

### **2.1 Underlying Theories**

#### **2.1 Theory of Planned Behavior (TPB)**

The Theory of Planned Behavior was proposed by Ajzen (1985) and this theory is an extension to Theory of Reasoned Action by Ajzen and Fishbein (1980). Theory of Planned Behavior is one of the leading models that describes the influences of information and motivation on human behavior (Ajzen, 1991). In this theory, human behavioral intention is stated that being influenced by motivational factors such as attitude, subjective norms, and perceived behavioral control (Ajzen, 1991).

Attitude is defined as “the degree to which an individual derives positive or negative value from executing a specific behavior” and two broad dimensions can be used to characterize attitude. First, as a tool for determining if a behavior is significant, detrimental, or valuable, and

second, for characterizing the behavior as pleasant or joyful (Schmidt, 2010; Ajzen, 2006). As a result, there is a likelihood that someone will have a favorable intention to engage in a behavior if they have a positive attitude towards it (O'Connor et al., 2010). The bulk of studies have shown that attitude significantly and favorably affects intention (Phan et al., 2014; Ramayah et al., 2009; Gopi et al., 2007; East, 1993). Besides, subjective norms are defined as social forces that drive an individual to engage in a given behavior (Ajzen, 1991). It has been found that people are more willing to invest in the stock market if someone close to them suggests it or believes it is a good idea (Phan et al., 2014). Therefore, even if a person wants to engage in a certain behavior, they may decide to do so when they are under social pressure (Fu et al., 2006; Venkatesh et al., 2000). Furthermore, the TPB aims to predict nonvolitional behavior using variables such as perceived behavioral control with self-efficacy (Ajzen, 1991). The theory of planned behavior (TPB) states that "individuals' attitudes toward behavior, subjective norms, and perceived behavioral control strongly influence their behavior intents and behaviors".

Furthermore, this theory focuses on attitude, a behavioral finance component that plays a significant role in stock market participation. The TPB has been used in numerous studies to forecast investors' financial attitudes and provided a basis for using the TPB in stock market participation (SMP) (Yang et al., 2021; Sreeram et al., 2013; Nadeem et al., 2020). The TPB is concerned with the intentions of why people engage in particular behaviors. This theory suggests that attitudes, subjective norms, and perceived behavioral control are the main factors that influence intentions. A person's attitudes reveal how they rate their behavior, which can be positive or negative. Similarly, the subjective norm is interpreted as social pressure to engage in or refrain from a particular behavior. Generally, favorable attitudes to specific behavior led to a strong intention to perform that behavior (Ajzen, 1991; Ajzen & Driver, 1992).

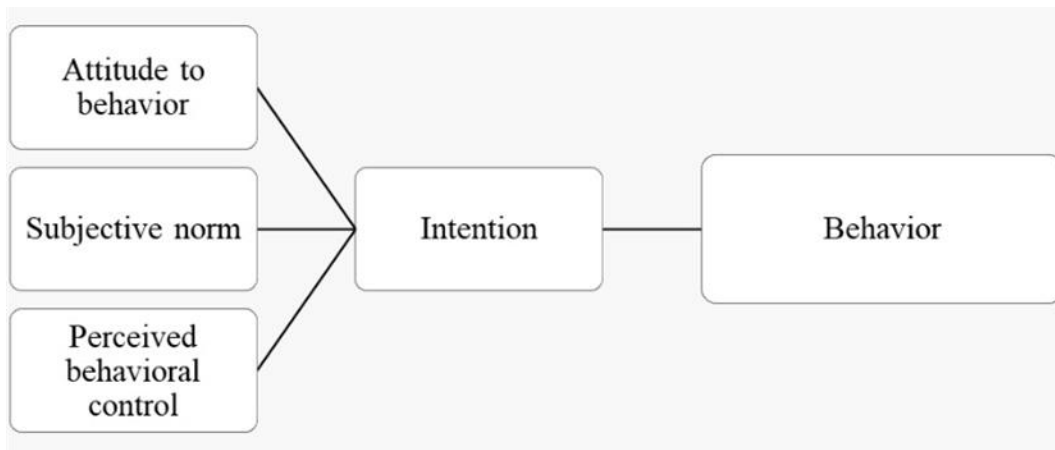


Figure 2.1, Theory of planned behavior. Adapted from Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Processes*, 50(2), 179-211.

## 2.2 Review of Variables

### 2.2.1 Dependent Variable (Intention to invest in equity market)

“Intentions are assumed to capture the motivational factors that influence a behavior and to indicate how hard people are willing to try or how much effort they would exert to perform the behavior” (Ajzen, 1991). According to Ajzen (1991), the stronger the intention to engage in a particular behavior, the more likely the behavior is to be performed. Thus, intention can be interpreted as a behavior predictor. Investment intention has been used as a dependent variable to measure the intention to invest in the stock market in several research involving equity-related products and stock market participation (Dey et al., 2015; Kozup et al., 2008; Lim et al., 2013).

Stock market participation (SMP) or the intention to invest in equity market can be defined as direct or indirect investing of publicly traded equity shares on the stock exchange to increase one's personal wealth. Direct investing of equity shares involves buying publicly traded shares from a stock exchange, whereas indirect investing of equity shares involves buying equity shares

through an exchange traded funds or mutual funds which are manage by financial institutions (Kramer & Zaal, 2018). Our study focuses on the intention to invest in the stock market, whether directly through stocks or indirectly through exchange traded funds or mutual funds.

## **2.2.2 Independent Variables**

### **2.2.2.1 Hassle Factors**

Hassle factors are the disturbance that cause the process to engage in certain activities to be inefficient and ineffective. It can be explained as the factors that disrupt someone from doing something. It shows a significant negative impact in the relationship between hassle factors and investment intention. In a previous study by El Mosalamy et al. (2018), it concluded that perceived costly information refers to the core reason that prevent individuals from investing and participating in stock market. The information cost for the stock market is expensive so that individuals are not willing to participate themselves in the stock market.

Besides, another research by Sivaramakrishnan et al. (2017) also concluded that the complex procedures of the stock market create a lot of barriers for individuals to register into the stock market. Investors may find it hard to access key stock market information and it turned into a hindrance for young adult participation. Complicated paperwork has led to the occurrence of troublesome steps to do investments in equity market which may cause frustration. Besides that, lack of financial literacy or knowledge emphasized the need for assistance in the financial industry. Low supply for financial consultation service is considered as one of the hassle factors as it can't meet the expectation on demand of financial consultation service.

### **2.2.2.2 Risk Avoidance**

Risk avoidance was first defined as "an individual's willingness to participate in a behavior where there is a desirable goal, yet achieving the goal is difficult and comes with the risk of failing" (Kogan & Wallach, 1964). Risk avoidance also explained other aspects of stock market participation, such as uncertainty dispersion, investors' natural tendency to bet, the presence of a significant negative wealth shock, religion-motivated betting, public disclosure of corporate extortion, and enormous hedging potential (Bonaparte et al., 2014; Giannetti & Wang, 2016). The risk attitudes of individuals are crucial in making investment decisions (Giannetti & Wang, 2016; Kumar et al., 2011; Dimmock & Kouwenberg, 2010; Barsky et al., 1997).

There are few types of investors such as risk tolerance and risk averse (Shear et al., 2020). As a risk taker, the individual will prefer to take risky action in order to achieve goals (Nadeem et al., 2020). As a risk avoidance investor, the individual unwilling to engage in a behavior which will let the one achieves desire goals, with associated uncertainty and probability to face loss (Sivaramakrishnan et al., 2017). Individual that refuses to accept uncertainties, then it is hard to persuade them to take risk in equity market (Yang et al., 2021). Therefore, risk attitudes were taken into account in this study to help solve the puzzle of stock market participation. In a previous study by Sivaramakrishnan et al. (2017) has concluded that minimizing risk should be a key consideration while making investments and savings. The study underlines that a reduced likelihood of stock market participation will result from a higher risk aversion.

Besides, refer to research by Yang et al. (2021), people who are less risk-averse are more tolerant of taking risks and more accepting uncertainties. It is more difficult to convince someone to invest in the stock market if they won't accept uncertainty. Another study by Nadeem et al. (2020) also concluded that the relationship between financial resources and stock market involvement is heavily influenced by risk attitudes. Compared to

low-risk individuals with higher risk avoidance, high-risk persons tend to have higher intentions to invest in the stock market.

### **2.2.2.3 Social Influence**

Social influence refers to one's view on other's behavior and whether they anticipate others performing it (Yang et al., 2021). In general, social influence is a prevalent factor in various facets of society, wherein it pertains to how individuals influence the opinions, emotions, and actions of others either directly or indirectly (Haverila et al., 2023). It considers about individual's perception of how others perceive certain products and services, and it can also be one's view on others' intention in stock market participation. This is an important way to obtain and share new information and ideas by interaction with peers, friends, and family (Hong et al., 2004). According to Shive (2010), an individual's investment decisions and return might be affected by interactions with relatives and friends. The sharing of successful investment stories on social media might lead to a fluctuation of the stock market. (Yang et al., 2021).

Refer to Wu et al. (2018), studies have shown that social influence and media have a positive impact on trading decisions. Individuals will become more likely to participate in the stock market if people they know, or people close to them think that they should. (Phan et al., 2014). According to previous study by Akhtar and Das. (2017), the social influence has a significant positive relationship with stock market participation as when the information given to investors does not address issues like privacy and security, prospective investors frequently rely on their reference networks and other reliable sources. Yang et al. (2021) also obtains a same result and concluded that social values can help novice investors obtain higher hedonic values.

Furthermore, a study by Brown et al. (2008) has concluded that people's decisions to trade stocks are directly influenced by word-of-mouth

recommendations from friends, coworkers, and neighbors. Sabir et al. (2021) also concluded that the social pressure on retail investors will have an impact on their investment behavior. On the other hands, the study by Sivaramakrishnan et al. (2017) has shown a different result, as refer to this study, there is no relationship between social influence and stock market participation as perceived investments of close friends and family do not directly affect the intention of individual to participate in stock market but has a direct significant influence on the behavior of an individual.

#### **2.2.2.4 Financial Well-being**

Financial well-being can be defined as the state of an individual's financial condition, as determined by their level of satisfaction and security (Moore et al., 2022). It encompasses several financial aspects, such as income, expenses, savings, debts, investments, and overall financial stability. Financial well-being is frequently associated with favorable results, such as better mental and physical health, decreased stress levels, and an improved quality of life (Moore et al., 2022). Achieving financial well-being entails making prudent financial decisions, setting and achieving financial goals, and efficiently managing one's finances (Moore et al., 2022).

According to the Money and Pensions Service (MaPS), financial well-being is a sense of security and control over one's finances in the current and future period. Financial well-being may affect an individual's intention to stock market participation. The criterion of financial well-being is to build up financial security with wealth and income to achieve better control in personal finance. Past studies show a positive relationship between financial well-being and stock market participation. Individual with good financial well-being positively associated with stock holding and participation. According to previous research by Yang et al. (2021), financial well-being has a significant positive relationship with stock market participation, and it concluded that financially stable or financially knowledgeable people are better able to sustain their finances and make sensible decisions for their

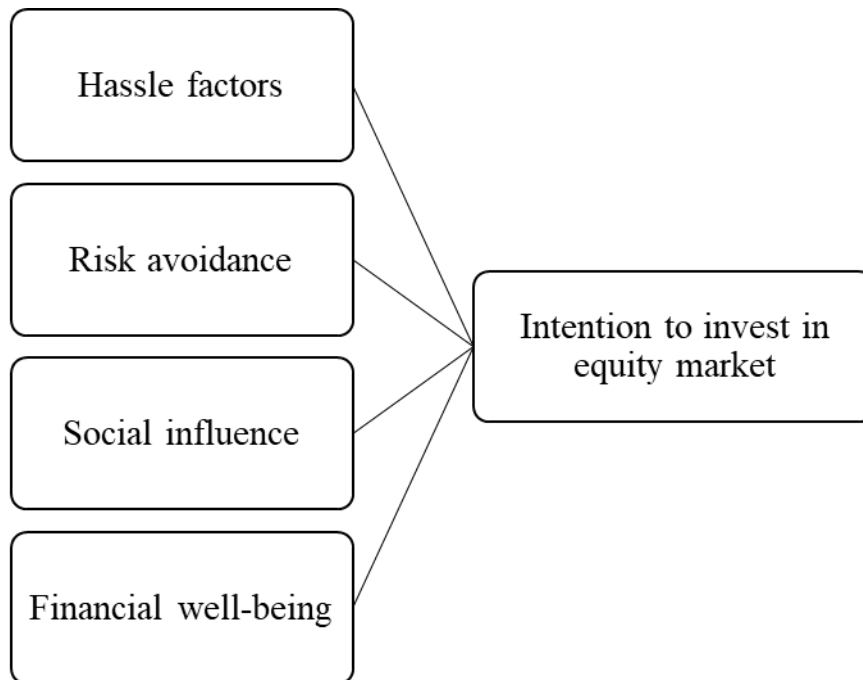


families. Consequently, a person's assessment and intention may be influenced by their financial situation.

Besides, Vestman (2018) also obtain a same result and according to the research, homeowners are wealthier and more financially secure than renters, who are poorer and less financially secure. Financial prosperity in turn influences homeowners' intention to trade stocks more than renters do. According to data, in Sweden and the United States, homeowners participate in the stock market at a rate that is more than twice as high as renters. Apart from that, Ilyas et al. (2022) has a different result with the above studies, in the study find out that there is no relationship between financial well-being and stock market participation, and it concluded that investment intention is not directly impacted by financial well-being, but it does have a beneficial impact on financial attitude, which may serve as a mediator in the interaction between the two.

## 2.3 Proposed Theoretical/ Conceptual Framework

Referring to the model of Theory of Planned Behavior (TPB), there are four independence variables to affect the intention of young adults in participating in stock market. These four independence variables are Hassel factors (HF), Risk avoidance (RA), Social influence (SI), and Financial well-being (FW). The hypothesis for this study will be based on the framework above by linking these four independent variables with the dependent variable, intention to participate in equity market.



*Figure 2.3, Proposed conceptual framework of intention to invest in equity market.*

## 2.4 Hypothesis Development

### 2.4.1 Hassle Factors

Hassle factors are elements that interfere with willingness to participate in the stock market. Perceived costly information, complex procedures, complicated paperwork, lack of assistance and financial literacy are included under hassle factors causing young adults to avoid participating in the stock market (Mosalamy & Metawie, 2018). It is well known that informed clients with more negotiating power could get their brokers to agree to more favorable terms. Thus, the phenomena of natural and man-made barriers that impede the process of investing has received a lot of attention in the literature. Thus, the hassle factors were defined as a confluence of issues brought on by time constraints, the effort necessary, the inconvenience, and the frictional expenses involved with the purchase of financial products. It is hypothesized that the hassle factors will have a negative impact on both willingness and ownership holding (Bogan, 2014). Hence, it is posited that:

**H<sub>1</sub>:** Hassle factors has a significant **negative** relationship with the investment intention among young adults.

### 2.4.2 Risk Avoidance

The three types of risk attitudes are risk seeker, risk adverse and risk neutral. Risk avoidance is determined under risk adverse which explains that the individual is not likely to take uncertainty (Sivaramakrishnan et al., 2017). Young adults might fear to take risk and invest in stocks, leading to unwillingness to involve in stock market (Yang et al., 2021). It is found out that lesser likelihood of direct or indirect stock market engagement is

correlated with higher loss aversion (Dimmock et al., 2010). Therefore, the second hypothesis is:

**H<sub>2</sub>:** Risk avoidance has a significant **negative** relationship with the investment intention among young adults.

### 2.4.3 Social Influence

An individual's investment decisions and return might be affected by interactions with relatives and friends (Shive, 2010). The sharing of successful investment stories on social media might lead to a fluctuation of the stock market. (Yang et al., 2021). Refer to Wu et al. (2018), studies have shown that social influence and media have a positive impact on trading decisions. Individuals will become more likely to participate in the stock market if people they know, or people close to them think that they should. (Phan et al., 2014). Thus, the third hypothesis will be proposed as:

**H<sub>3</sub>:** Social influence has a significant **positive** relationship with the investment intention among young adults.

### 2.4.4 Financial Well-being

Financial well-being refers to a person's sense of financial security. A sense of high financial security strengthens the intention of young adults to participate in the stock market. Young adults with strong financial security have better control in their personal finance and they are likely to invest in stocks (Yang et al., 2021). Past studies show a positive relationship between financial well-being and stock market participation. Individual with good financial well-being positively associated with stock holding and participation (Ilyas et al., 2022). Therefore, the last hypothesis is stated as:

**H<sub>4</sub>:** Financial well-being has a significant **positive** relationship with the investment intention among young adults.

## **CHAPTER 3: METHODOLOGY**

### **3.0 Introduction**

In chapter 3, the studies' research methods applied will be discussed. This chapter establishes a questionnaire survey using primary data to identify factors that influence investment intention among young adults in Malaysia. The research design, sampling design and proposed data analysis tool are provided in detail to clarify the implementation and analysis methods of the questionnaire results.

### **3.1 Research Design**

According to Maxwell (2012), research design is defined as a systematic plan to be applied to the study which includes the procedures and ways for data collection and data analysis. The relationship between independent variables and dependent variable can be investigated through research design.

There are two types of research design, which include qualitative research design and quantitative research design. The quantitative method is a method involving numerical data and measurement. The three types of research that quantitative research can be used for are correlational research, descriptive research, and experimental research. In correlational research design, the relationship between dependent variable and independent variables will be investigated. The quantitative method will be used and the cause-effect relationship between dependent variable and independent variables will be investigated in this study.

## **3.2 Sampling Design**

### **3.2.1 Target Population**

According to Kabir (2016), researchers must determine a group of people as the targeted population for data collection. As low stock market participation among young adults can be a dragging anchor of Malaysian economy. In order to figure out the relationship between the attitudinal factor and the young adults' investment decisions in the stock market, the target population of this study is the young adults aged 18 to 30 in Malaysia, who are currently not participating in stock market. Based on the past studies (Yang et al., 2021 & Sivaramakrishnan et al., 2017), it only studies on the psychological factors that affect investment decision on working adults, which lack of study to investigate the psychological factors that affect young adults' investment intention.

### **3.2.2 Sampling Frame and Sample Location**

For the sampling frame of a research, an individual who is at least 18 years old is preferable in order to follow the Guardianship of Infants Act 1961. For this study, young adults who are between the ages of 18 to 30 years old will be the sampling frame of this study. Plus, the respondents must be a Malaysian citizen.

Sampling location is the area that allows this study to do data collection from the targeted respondents. Since the research aims to investigate the targeted sampling locations will cover all states and federal territory in Malaysia. By including Johor, Kedah, Kelantan, Melaka, Negeri Sembilan, Pahang, Penang, Perak, Perlis, Selangor, Terengganu, Sabah, Sarawak, and the Federal Territory of Kuala Lumpur, the data reliability of this study can be ensured.

### 3.2.3 Sampling Method

Moreover, the sampling technique being applied in this study will be simple random sample where a group of respondents will be selected randomly from the target population of this study (Nadeem et al., 2020). There are a few methods to identify the sample size required in this study in order to run structural equation modeling (SEM) analysis by using SmartPLS.

The sample-to-variable ratio has given suggestion to provide a minimum observation-to-variable ratio of 5:1, however, ratios of 15:1 or 20:1 are preferred to be applied in this study (Hair et al., 2018). To analyze the structural equation models, Kline (2005) offered a guideline for sample size which suggests that a sample of 100 is considered small, while a sample of 100 to 200 is medium, and a sample over 200 is considered large.

For the model using 2 to 4 variables, researchers should collect more than 100 samples, while collecting more than 200 samples is more suggested (Sulthan, 2019). Some failures and issues can be avoided by using than 200 sample sizes. The examples of failures will be improper solutions, failures of convergence and the accuracy of estimation parameter will be lowered. Therefore, the sample sizes required by this research will be 250 respondents, as refer to the research by Nadeem et al. (2020).

### **3.3 Data Collection Methods**

#### **3.3.1 Primary Data**

Based on Ajayi (2017), there are 2 common methods of data collections, which are primary data collection and secondary data collection. Primary data is first-hand information gathered by researchers, and it can be obtained through experiments, interviews, questionnaires, observation, and other methods. Secondary data can be defined as the existing data that is collected and published by other researchers. These two ways of data collection allow researchers to do hypothesis testing. The primary data collection method was chosen for this study since researchers have greater control over the collection methods by using primary data to provide an accurate research outcome.

#### **3.3.2 Research Instruments**

##### **3.3.2.1 Questionnaire**

As referring to the past studies (Yang et al., 2021; Sreeram et al., 2013; Nadeem et al., 2020; Sivaramakrishnan et al., 2017), a questionnaire will be used as this study's research instrument. The questionnaire will include a series of related questions to acquire statistically valuable data from the targeted individual (Roopa & Rani, 2012). As compared to face-to-face or phone call interview, questionnaire is relatively efficient and timesaving when the study required large sample size (Mathers et al., 2009). Since the targeted respondents are obtained from the location occupied with sufficient networking infrastructure, online administered will be the channel to distribute questionnaire.



For the questionnaire of this study, it starts with a cover page that includes a brief introduction of the researchers, while the definition of the topic of the study has been included. A Personal Data Protection Statement (PDPA) is attached too. The 47 questions in total have been separated and categorized into section A and section B. There will be two sections in this questionnaire.

Section A will collect information for demographic profile, in order to understand basic personal information for collection of precise data. Section B will be the questions to investigate the independent variables and dependent variable. For section B, the dependent variable data and independent variable data are gathered from questionnaires which consist of 40 questions. The abbreviation for the five variables which include dependent and independent variables will be stated as Investment intention (II), Hassel factors (HF), Risk avoidance (RA), Social influence (SI), and Financial well-being (FW).

Section A will include multiple choice questions, while Section B will include scaled response questions. In section B, it uses 5-point Likert Scale for linear scale questions (Mathers et al., 2009). For example, 1 point refers to strongly disagree, 2 points refers to disagree, 3 points refers to neutral, 4 points refers to agree, and 5 points refers to strongly agree with the respective statement. This type of linear scale is important since it will influence the accuracy of the analysis.

### **3.3.2.2 Preliminary Works**

Before the distribution of questionnaire to the targeted respondents, a preliminary part of research will be conducted to ensure the research methodology is effective (Roopa & Rani, 2012). Plus, it can ensure that the relevant issues are included, and the flow of questions is appropriate. In this case, 30 respondents will be chosen by random sampling method to run the

pilot test of the questionnaire through online-administered channel (Mathers et al., 2009).

## **3.4 Proposed Data Analysis Tool**

### **3.4.1 Data Processing**

To ensure the accuracy and completeness of the data, researchers will conduct data processing before the analysis of the data of the study. Based on Sapkota (2017), there will be 7 steps for data processing. The steps are questionnaire checking, editing, coding, classification, tabulation, graphical representation, and lastly data cleaning.

To ensure the questions are understandable and easy to read by respondent, researchers should of questionnaire checking. If there is any error found, the researchers should amend and edit the error until the flow of questionnaire is smooth. For the data coding, researchers will use code for coding the perception levels of respondents. As an example, the 5-points Likert Scale will be used for coding. In order to make the comparison efficiently, classification will be done to get the outcome. Next, the process of tabulating data helps to sort and display the complex, large amount of data properly. Then, pie charts, mind maps or bar graphs will be used to do graphical representation, to ensure the data can be shown in a clearer way. As the last step, data cleaning is required by doing missing responses processing and consistency checking.

### **3.4.2 Partial Least Squares – Structure Equation Modelling (PLS-SEM)**

The SmartPLS software examines relationships between constructs as well as the reliability and validity of those relationships using structural equation modelling (SEM) and confirmatory factor analysis (CFA). For SEM, there are 2 types of variables which are endogenous variables (dependent variables) and exogenous variables (independent variables). SEM allows lower sample size requirements and formative indicators to test relationships and validity of the results (Wong, 2013). High-valued structural path coefficients are needed if the sample size is small. CFA is used to evaluate the scales' reliability. Financial well-being, hassles of investing, risk avoidance, and social influence are the predictor variables, and SEM is used to examine their effects on the outcome variable (intention to invest in the equity market).

In the other hand, Statistical Package for Social Sciences (SPSS) analysis will be used for descriptive statistics analysis, bivariate statistics analysis, numeral outcome prediction and cluster analysis. This method is specialized for data screening on descriptive statistics. In comparison to SmartPLS, the average variance extracted (AVE), composite reliability and weight can't be determined in SPSS. SmartPLS allows researchers to do the assessment of the validity (convergent and discriminant and the reliability. According to Sauro (2016), latent variables refer to the variables that cannot be directly observed such as satisfaction, loyalty and feeling. Since this study obtains latent variables, SmartPLS will be the chosen software to run the data analysis for this study.

### **3.4.3 Data Analysis**

#### **3.4.3.1 Descriptive Analysis**

Descriptive analysis can be defined as a process of transforming the data from questionnaire into a summary, then producing a descriptive outcome by interpreting and manipulating the data (Zikmund, Babin, Carr & Griffin, 2003). Descriptive analysis can present the data in the form of bar graphs, pie charts, and tables. This helps researchers to have a better understanding of the data analysis. For section A on the questionnaire, the demographic data of targeted respondent will be analyzed by descriptive analysis.

#### **3.4.3.2 Outer Loading Analysis**

The outer loading analysis provides the researchers with the relationship between the latent variable and the observable variable. (Haenlein & Kaplan, 2004). It will show each observable variable's absolute contribution to the construction definition. Based on the results, researchers are to do elimination for any variables. The decision of elimination depends on the factor loading. If the factor loading is less than 0.5, then it is unacceptable. If the factor loading is between 0.5 to 0.7, it is considered acceptable; for the factor loading that is more than 0.7, it is considered preferred. However, the factor loading that is between 0.4 to 0.7 should be reviewed rather than eliminated (Memon & Rahman, 2014). This factor loading can be accepted by this study when the removal of this variable wouldn't increase the composite reliability.

### **3.4.3.3 Construct Reliability**

To determine the consistency and reliability of the structure, reliability will be analyzed by the researchers. In order to evaluate the reliability, Cronbach's alpha and composite reliability will be used (Wong, 2013). Cronbach's alpha can be used to do determination on the closeness of relationship between a group of data. However, Cronbach's alpha is not suitable for this study since it assumes there will be same reliability for all indicators, which doesn't obey the rules for PLS-SEM.

In this case, composite reliability (CR) will be used to determine the reliability of the indicators. If the value of CR is less than 0.60, the level of reliability is considered unacceptable. The reliability level is acceptable when the CR value is between 0.60 to 0.70, while the reliability level is satisfactory when the CR value is between 0.70 to 0.95. However, the reliability level of indicator might be problematic when the CR is more than 0.95. It might be caused by involvement of redundant indicators (Sarstedt et al., 2017).

### **3.4.3.4 Convergent Validity**

The convergent validity of the indicators can be determined by interpreting the value of Average Variance Extracted. Based on Hair et al (2014), the AVE can be defined as total average of square loading of indicators. The value of the AVE should be greater than 0.5 to achieve sufficient convergent validity. The value of AVE is unacceptable by the study if the value is less than 0.50. It is because the explained variance is lesser than the error variance.

### **3.4.3.5 Discriminant Validity**

Discriminant validity can be defined as the extent of the difference between constructs (Hair et al., 2014). There are 2 indicators of discriminant validity that will be used in this study, which are Fornell-Larcker Criterion and Heterotrait-Monotrait Ratio of Correlations (HTMT).

For the Fornell-Larcker Criterion, it can be used to determine the discriminant validity by comparing the square root of AVE and correlation for each latent variable (Ab Hamid et al., 2017). The discriminant validity will be fulfilled when the square root of AVE is more than the correlation value of the latent construct.

For the Heterotrait-Monotrait Ratio of Correlations (HTMT), it can provide greater specificity and sensitivity as compared to Fornell-Larcker Criterion. When the ratio of HTMT is more than 1.00, it is considered discriminant validity deficiency, while the HTMT ratio is acceptable when it is less than 1.00 (Ab Hamid et al., 2017). It shows that there is an inverse relationship between HTMT ratio and discriminant validity.

## **CHAPTER 4: DATA ANALYSIS**

### **4.0 Introduction**

The survey questionnaire's results are analyzed and explained in this chapter. This chapter begins with a discussion of survey participation rates, which is followed by a descriptive study of the respondents' demographics. Through the use of Smart PLS, the findings of the descriptive analysis, construct validity, discriminant validity, and path coefficient are produced.

### **4.1 Pilot Test**

Young adults in Malaysia were given a total of 30 surveys using Google Form, an online form-building tool. All the information was gathered and processed into Smart PLS 3.0 for analysis.

### 4.1.1 Outer Loading Analysis

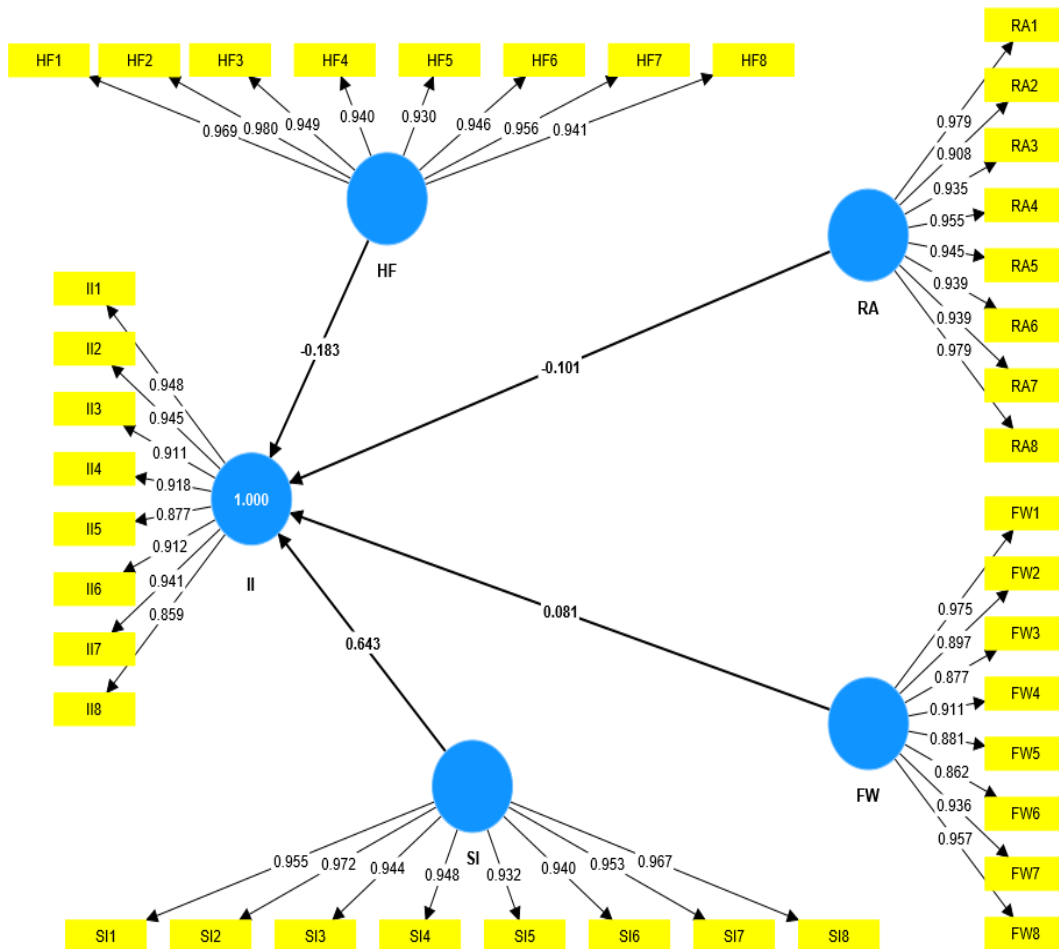


Figure 4.1.1: Diagram of Outer Loading Analysis for Pilot Test

In which:

FW = Financial Well-being

HF = Hassle Factors

II = Investment Intention

RA = Risk Avoidance

SI = Social Influence



Table 4.1.1:

*Outer Loading Result for Pilot Test*

<b>Indicator</b>	<b>FW</b>	<b>HF</b>	<b>II</b>	<b>RA</b>	<b>SI</b>
<b>FW1</b>	0.975				
<b>FW2</b>	0.897				
<b>FW3</b>	0.877				
<b>FW4</b>	0.911				
<b>FW5</b>	0.881				
<b>FW6</b>	0.862				
<b>FW7</b>	0.936				
<b>FW8</b>	0.957				
<b>HF1</b>		0.969			
<b>HF2</b>		0.980			
<b>HF3</b>		0.949			
<b>HF4</b>		0.940			
<b>HF5</b>		0.930			
<b>HF6</b>		0.946			
<b>HF7</b>		0.956			
<b>HF8</b>		0.941			
<b>II1</b>			0.948		
<b>II2</b>			0.945		
<b>II3</b>			0.911		
<b>II4</b>			0.918		
<b>II5</b>			0.877		
<b>II6</b>			0.912		
<b>II7</b>			0.941		
<b>II8</b>			0.859		
<b>RA1</b>				0.979	
<b>RA2</b>				0.908	
<b>RA3</b>				0.935	
<b>RA4</b>				0.955	
<b>RA5</b>				0.945	
<b>RA6</b>				0.939	
<b>RA7</b>				0.939	
<b>RA8</b>				0.979	
<b>SI1</b>					0.955

<b>SI2</b>	0.972
<b>SI3</b>	0.944
<b>SI4</b>	0.948
<b>SI5</b>	0.932
<b>SI6</b>	0.940
<b>SI7</b>	0.953
<b>SI8</b>	0.967

In this study, outer loading has been employed to assess the reliability of the variables. When the value of the outer loading is more than 0.7, the reliability can be regarded as internally consistent. In contrast, when the value falls below 0.7, the variables are thought to be eliminated from the study. According to Table 4.1.1, every variable is greater than 0.7, indicating a high level of satisfaction with the data set's reliability.

#### 4.1.2 Cronbach's Alpha

Table 4.1.2:

*Cronbach's Alpha Result for Pilot Test*

<b>Variables</b>	<b>Cronbach's alpha</b>
Investment Intention	0.976
Financial Well-being	0.975
Hassle Factors	0.987
Risk Avoidance	0.986
Social Influence	0.987

According to Table 4.1.2, both independence variables "hassle factors" and "social influence" have the greatest value of Cronbach's alpha of 0.987 and followed by 0.986, 0.976 and 0.975. As due to the Cronbach's alpha values for all the variables are more than 0.7, it can be concluded that all the variables are reliable.

### 4.1.3 Composite Reliability (CR)

Table 4.1.3:

*Composite Reliability for Pilot Test*

<b>Variables</b>	<b>Composite reliability</b>
Investment Intention	0.976
Financial Well-being	0.975
Hassle Factors	0.987
Risk Avoidance	0.986
Social Influence	0.987

It is thought that the variable is consistent and dependable enough to be employed in the model because its values hit above 0.7, indicating that the reliability is really being satisfied. According to the data in Table 4.1.3, each and every value is higher than the reference value of 0.7, making all the variables and model incredibly satisfactory and internally consistent.

### 4.1.4 Average Variance Extracted (AVE)

Table 4.1.4:

*Average Variance Extracted for Pilot Test*

<b>Variables</b>	<b>Average variance extracted (AVE)</b>
Investment Intention	0.836
Financial Well-being	0.833
Hassle Factors	0.905
Risk Avoidance	0.898
Social Influence	0.905

According to Hair et al. (2014), the value of the AVE should be above 0.50 to prove sufficient convergent validity. Based on the results shown in Table 4.1.4, the value of AVE of all indicators is above 0.50, which falls between

0.833 to 0.905. It proves that all indicators achieved sufficient convergent validity.

## **4.2 Participation Rate**

For this study, the questionnaires are collected by using an online platform, which is Google Form. Google Form allows researchers to collect data from young adults in Malaysia who are currently not participating in the stock market. As we are targeting for non-participant in the Malaysian stock market who are aged between 18 to 29, there is a total of 276 people responding to this questionnaire, while only 253 responses met the required criteria. Since the minimum requirement on the sample size is 250, 253 responses are sufficient to conduct the study.

## **4.3 Descriptive Analysis**

Descriptive analysis is the process of identifying trends and correlations in both historical and current population data. Descriptive analysis is widely applied as research products, such as when it recognizes socially significant aspects that are not discovered previously (Loeb et al., 2017). Descriptive analytics is particularly beneficial for conveying alteration over time, and it uses trends as a jumping off point for further research to drive decision-making. Data aggregation and data mining, which involve connecting and retrieving information for the purpose of tracking individual 's behavior, are two techniques that are used within descriptive analysis (Saulnier, 2013).

### 4.3.1 Gender

Table 4.3.1:

*Gender*

Gender	Frequency	Percentage (%)	Cumulative frequency	Cumulative percentage (%)
Female	126	49.80%	126	49.80%
Male	127	50.20%	253	100.00%

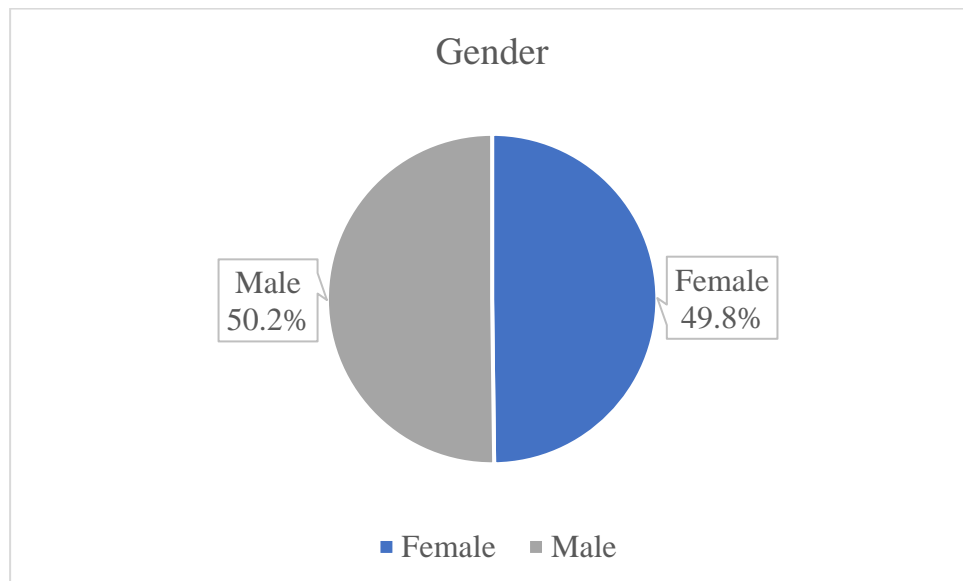


Figure 4.3.1, Gender

A total of 253 respondents are divided into gender-specific groups based on Table 4.3.1 and Figure 4.3.1. There are 126 of female out of 253 respondents participate in this survey and 127 of male out of 253 respondents. The proportion of male respondent is slightly higher than female respondent which is 50.20% and 49.80% respectively. In whole, the questionnaire is considered as distributed equally between both gender and it may implement that this survey has avoided gender bias.

### 4.3.2 Age

Table 4.3.2:

Age

Age Group	Frequency	Percentage (%)	Cumulative frequency	Cumulative percentage (%)
18-21	129	50.99%	129	50.99%
22-25	67	26.48%	196	77.47%
26-30	57	22.53%	253	100.00%

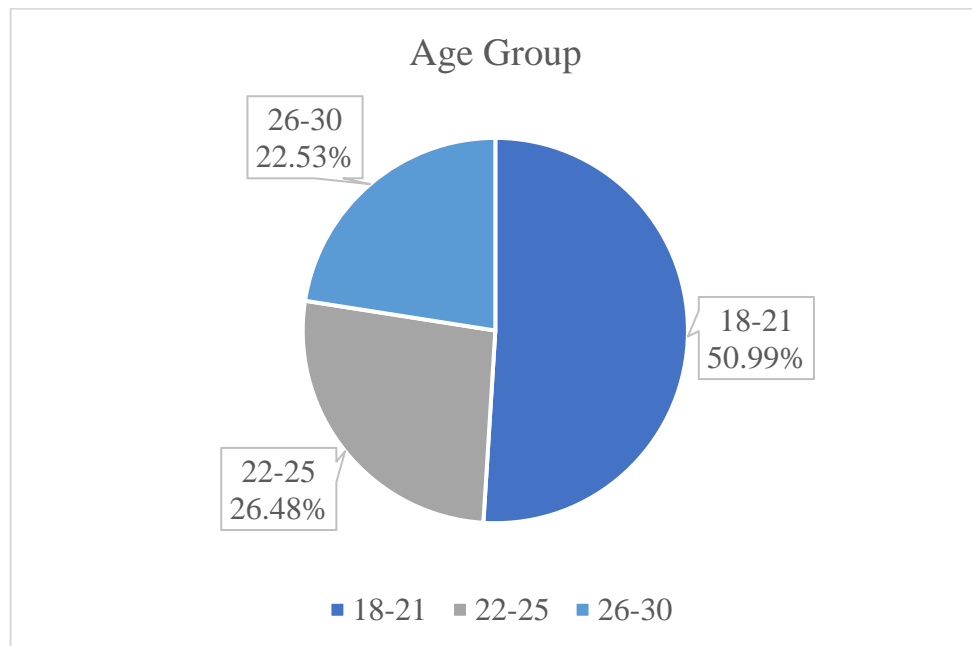


Figure 4.3.2, Age

Besides, the 253 respondents have also been grouped based on their age group. Referring to Figure 4.3.2 and Table 4.3.2, the age group with the largest population is between 18-21 years old which has 129 out of a total of 253 respondents. The second largest age group is aged between 22-25 which contributes 26.48% or in other terms, 67 respondents in this research. Moreover, the third and fourth age group are 26-29 and above 29 years old with 17% (43 respondents) and 5.53% (14 respondents) respectively.

### 4.3.3 Marital Status

Table 4.3.3:

*Marital Status*

<b>Marital Status</b>	<b>Frequency</b>	<b>Percentage (%)</b>	<b>Cumulative frequency</b>	<b>Cumulative percentage (%)</b>
Single	226	89.33%	226	89.33%
Married	25	9.88%	251	99.21%
Divorced	2	0.79%	253	100.00%

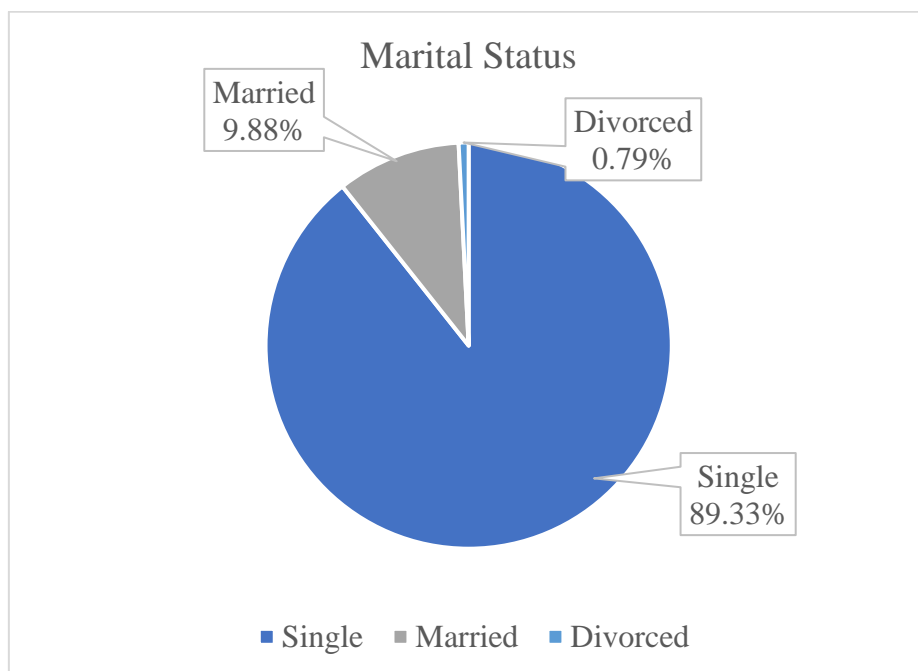


Figure 4.3.3, Marital Status

In accordance with Table 4.3.3 and Figure 4.3.3, the respondents' marital status has been classified into 3 groups which are single, married and divorced. Out of all 253 respondents, respondents with single marital status have the largest population which is 226 people or 89.33%. Furthermore, the respondents with married and divorced marital status are 25 people and 2 people or 9.88% and 0.79% respectively.

### 4.3.4 Highest Education Level Attained

Table 4.3.4:

*Highest Education Level Attained*

Education Level	Frequency	Percentage (%)	Cumulative Frequency	Cumulative Percentage (%)
SPM	63	24.90%	63	24.90%
Diploma	36	14.23%	99	39.13%
Degree	148	58.50%	247	97.63%
Master	5	1.98%	252	99.60%
PhD	1	0.40%	253	100.00%

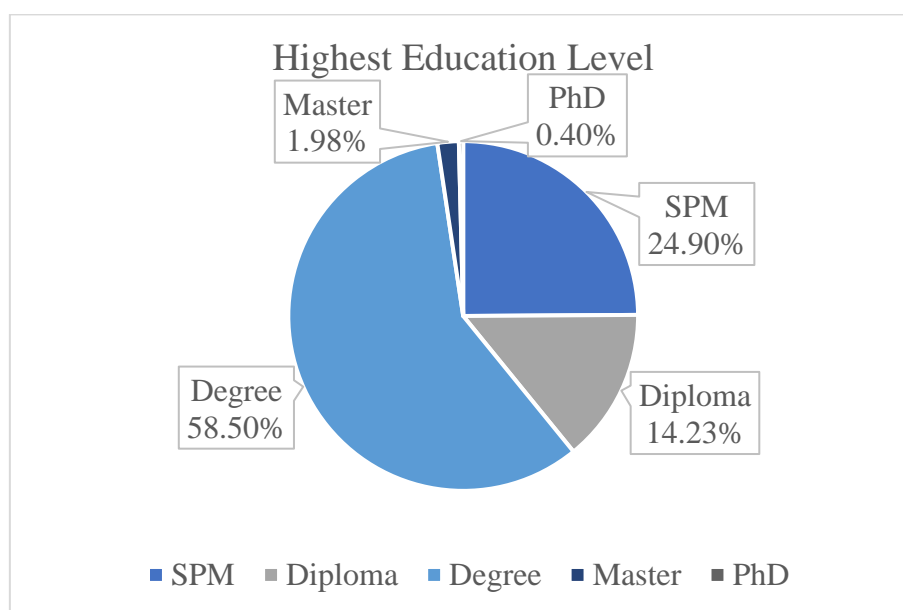


Figure 4.3.4, Highest Education Level Attained

According to the Table 4.3.4 and Figure 4.3.4, the outcomes for the highest education level are displayed which can be categorized into Sijil Pelajaran Malaysia (SPM), certificate/diploma, bachelor's degree / advanced diploma, master's degree and PhD/ doctorate degree.

There are 58.5% of respondents, which is 148 respondents having bachelor's degree / advanced diploma as their highest education level, followed by 14.23% of respondents or 63 respondents who have SPM as their highest education levels. Next, there are 36 respondents or 14.23% of respondents who have certificates/ diplomas as their highest education level, while 5



people or 1.98% of respondents have master's degrees. Lastly, there is only 1 person who has PhD/ doctorate degrees, which only covers 0.40% of respondents.

### 4.3.5 Central Tendencies and Dispersion Measurement of Constructs

#### 4.3.5.1 Investment Intention

Table 4.3.5.1:

*Investment intention*

Question	Statement	Mean	Median	Standard deviation
II1	I believe that investing in the stock market can generate wealth.	3.937	4	1.140
II2	I believe that investing in the stock market can protect me from inflation.	3.664	4	1.229
II3	I believe that investing in the stock market can make me happy.	3.419	3	1.202
II4	I intend to invest in the stock market	3.731	4	1.254
II5	I intend to do short-term (less than one year) investment in the stock market.	3.557	4	1.252
II6	I intend to do long-term (more than one year) investment in the stock market.	3.530	4	1.335
II7	I will encourage my friends and family to invest in the stock market.	3.356	3	1.276
II8	I would invest a large sum of money in the stock market.	2.949	3	1.286

Table 4.3.5.1 shows the statistical results of the variable Investment Intention of the 253 respondents, which includes mean, median and standard deviation. For the highest mean belongs to II1 “I believe that investing in the stock market can generate wealth.”, which is 3.937, while the lowest mean is 2.949 belongs to II8 “I would invest a large sum of money in the stock market.”. The median of 4 which belongs to 5 indicators such as II1, II2, II4, II5, and II6, while the median of 3 belongs to II3, II7 and II8. For the standard deviation, II6 has the greatest value of 1.335, followed by II8’s 1.286 and II7’s 1.276. The II1 has the lowest standard deviation which is 1.140.

#### 4.3.5.2 Hassle Factors

Table 4.3.5.2:

*Hassle factors*

Question	Statement	Mean	Median	Standard deviation
HF1	I feel that the procedure involved in stock market investment is very complex.	3.360	4	1.366
HF2	I feel that investing in the stock market is costly.	3.194	4	1.399
HF3	I feel that investing in the stock market requires a lot of my time.	3.364	4	1.426
HF4	I feel that investing in the stock market requires too much paperwork.	2.992	3	1.403
HF5	I found that it is difficult to seek advice from professional to assist in stock market investment.	3.257	4	1.423
HF6	I found that it is difficult to get economic and financial markets information from the bank.	3.202	4	1.415

HF7	I found that it is difficult to get economic and financial markets information from the media (news/ internet/ broadcast).	2.972	3	1.413
HF8	I found that it is difficult to get economic and financial markets information from people surrounding.	3.249	4	1.441

Table 4.3.5.2 shows the result of independent variable “hassle factors” and refer to the table, the greatest value of mean is HF3 which is 3.364 with a second highest standard deviation value of 1.426. Besides, the mean value of hassle factors questions is followed by HF1 of 3.360, HF5 of 3.257, HF8 of 3.249, HF6 of 3.202, HF2 of 3.194 and HF4 of 2.992. The lowest mean for hassle factors is HF7 with a mean of 2.972 and standard deviation of 1.413. Even though HF7 has the smallest value of mean in all the 8 questions in hassle factors, its standard deviation is ranked as 5<sup>th</sup> out of 8.

#### 4.3.5.3 Risk Avoidance

Table 4.3.5.3:

##### *Risk Avoidance*

Question	Statement	Mean	Median	Standard deviation
RA1	I never invest in something that I do not know.	4.055	5	1.215
RA2	I only make investments which I can predict returns.	3.893	4	1.251
RA3	I do not enjoy taking financial risks in most aspects of my life.	3.383	4	1.386
RA4	I do not make risky financial decisions.	3.455	4	1.418

RA5	I feel that taking financial risks would make life harder.	3.332	4	1.403
RA6	I feel that taking financial risks is not an important part of my life.	3.087	3	1.392
RA7	I would give up my financial goals to avoid risks.	2.953	3	1.348
RA8	I would be attracted by financial risk.	3.016	3	1.434

The second independent variable being analyzed is risk avoidance. Referring to Table 4.3.5.3, there are a total of 8 questions under risk avoidance in the questionnaire. The question with the highest mean value is RA1 of 4.055. Nonetheless, with a standard deviation of 1.215, RA1 has the lowest value. Contrarily, RA2 has the second-largest mean (3.893) and the second-smallest standard deviation (1.251). The third-largest mean value, 3.455, with a standard deviation of 1.418 belongs to RA4. And it is followed by RA3 with mean of 3.383 and standard deviation of 1.386, RA5 with mean of 3.332 and standard deviation of 1.403, RA6 with mean of 3.087 and standard deviation of 1.392, RA8 with mean of 3.016 and standard deviation of 1.434 and the smallest mean value is belonging to RA7 of 2.953 with standard deviation of 1.348.

#### 4.3.5.4 Social Influence

Table 4.3.5.4:

*Social Influence*

Question	Statement	Mean	Median	Standard deviation
SI1	I am interested in stock investment-related conversations.	3.704	4	1.194
SI2	I am willing to follow stock investment-related contents in social media.	3.632	4	1.287

The Viewpoint from Psychology: Attitudinal Impact of Young Adults' Intention on Retail Equity Participation

SI3	I am usually influenced by another person's behavior.	3.628	4	1.185
SI4	I am willing to spend time interacting with parents who are investing in the stock market.	3.684	4	1.223
SI5	I am willing to spend time with friends who are investing in the stock market.	3.735	4	1.215
SI6	I am willing to spend time with co-workers who are investing in the stock market.	3.636	4	1.252
SI7	I am willing to maintain close social relationships with friends who are investing in the stock market.	3.755	4	1.167
SI8	I am willing to maintain close social relationships with friends who are investing in the stock market.	3.700	4	1.168

Table 4.3.5.4 shows the statistical results of the independent variable Social Influence of the 253 respondents, which includes mean, median and standard deviation. For the highest mean belongs to SI7 “I am willing to maintain close social relationships with friends who are investing in the stock market.”, which is 3.755, while the lowest mean is 3.628 belongs to SI3 “I am usually influenced by another person's behavior.”. The median of 4 which belongs to all of the indicators from SI1 to SI8. For the standard deviation, SI2 has the greatest value of standard deviation of 1.287, followed by SI6’s 1.252 and SI4’s 1.223. The SI7 has the lowest standard deviation which is 1.167.

#### 4.3.5.5 Financial Well-being

Table 4.3.5.5:

*Financial Well-being*

Question	Statement	Mean	Median	Standard deviation
FW1	I believe that I will achieve my financial goal.	4.083	4	0.896
FW2	I am confident with my current financial situation.	3.613	4	1.029
FW3	I am satisfied with my current financial situation.	3.443	4	1.045
FW4	I am confident that my savings are enough to pay for a financial emergency.	3.344	4	1.214
FW5	I feel that it is easy to save money.	3.186	3	1.210
FW6	I feel that I have enough income to meet all my needs.	3.273	3	1.139
FW7	I am struggle with my personal finances.	3.142	3	1.171
FW8	I am worried that my savings would not last long.	2.854	3	1.312

Table 4.3.5.5 shows the statistical results of the last independent variable Financial Well-being of the 253 respondents, which includes mean, median and standard deviation. For the highest mean belongs to FW1 “I believe that I will achieve my financial goal.”, which is 4.083, while the lowest mean is 2.854 belongs to FW8 “I am worried that my savings would not last long.”. The median of 4 belongs to 4 indicators such as FW1, FW2, FW3 and FW4, while the median of 3 belongs to FW5, FW6, FW7 and FW8. For the standard deviation, FW8 has the greatest value of 1.312, followed by FW4’s 1.214 and FW5’s 1.210. FW1 has the lowest value, which is 0.896.

## 4.4 Inferential Analysis

### 4.4.1 Outer Loading Analysis

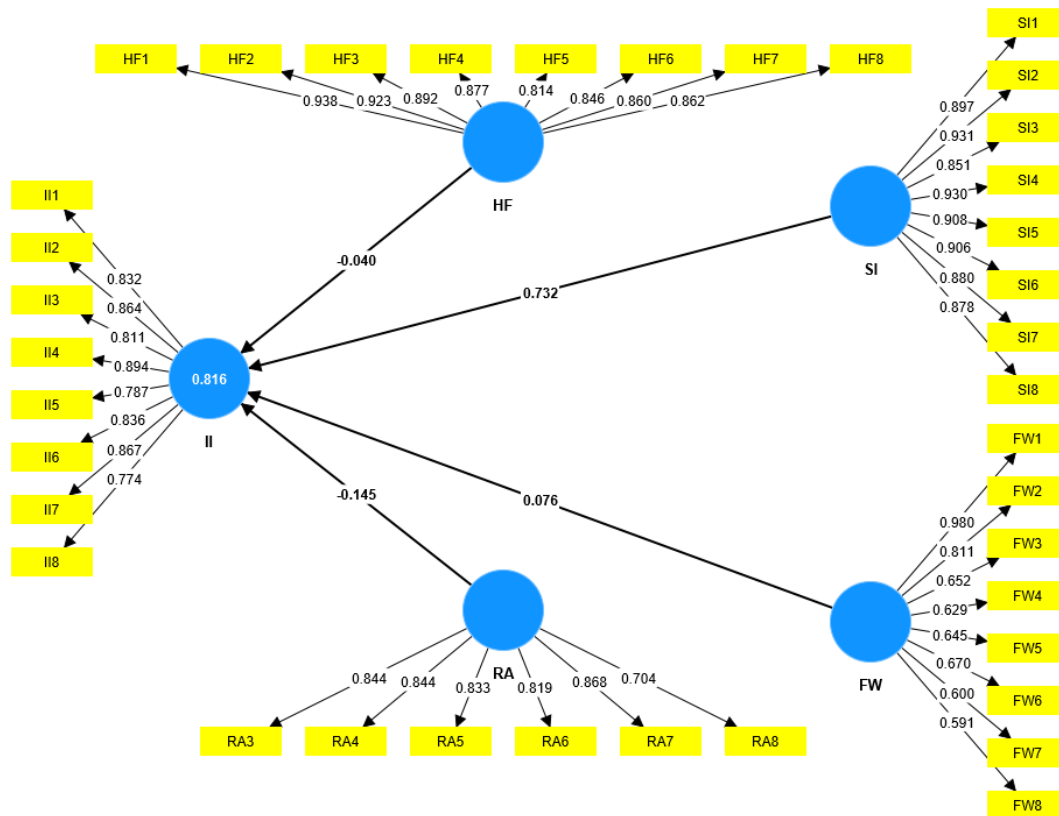


Figure 4.4.1, Diagram of Outer Loading Analysis

In which:

FW = Financial Well-being

HF = Hassle Factors

II = Investment Intention

RA = Risk Avoidance

SI = Social Influence

Table 4.4.1:

*Outer Loading Analysis*

<b>Indicator</b>	<b>FW</b>	<b>HF</b>	<b>II</b>	<b>RA</b>	<b>SI</b>
<b>FW1</b>	0.980				
<b>FW2</b>	0.811				
<b>FW3</b>	0.652				
<b>FW4</b>	0.629				
<b>FW5</b>	0.645				
<b>FW6</b>	0.670				
<b>FW7</b>	0.600				
<b>FW8</b>	0.591				
<b>HF1</b>		0.938			
<b>HF2</b>		0.923			
<b>HF3</b>		0.892			
<b>HF4</b>		0.877			
<b>HF5</b>		0.814			
<b>HF6</b>		0.846			
<b>HF7</b>		0.860			
<b>HF8</b>		0.862			
<b>II1</b>			0.831		
<b>II2</b>			0.865		
<b>II3</b>			0.812		
<b>II4</b>			0.893		
<b>II5</b>			0.787		
<b>II6</b>			0.836		
<b>II7</b>			0.867		
<b>II8</b>			0.774		
<b>RA3</b>				0.880	
<b>RA4</b>				0.880	
<b>RA5</b>				0.868	
<b>RA6</b>				0.854	
<b>RA7</b>				0.905	
<b>RA8</b>				0.734	



<b>SI1</b>	0.897
<b>SI2</b>	0.931
<b>SI3</b>	0.851
<b>SI4</b>	0.930
<b>SI5</b>	0.908
<b>SI6</b>	0.906
<b>SI7</b>	0.880
<b>SI8</b>	0.878

The outer loading value for the indicator from the variable hassle factors, investment intention, risk avoidance and social influence are above the value of 0.700, which is preferred to use. This shows that there is high reliability for these indicators. Referring to Table 4.4.1, for the indicator of the variable financial well-being, there are some outer loading falls between 0.400-0.700. According to Astuti (2021), the indicators with outer loading falls between 0.400-0.700 can be retained if the removal of indicators will not increase the AVE and composite reliability. After rerunning the test, it has been proved that the composite reliability decreases after removing the indicators of financial well-being. Therefore, these indicators have been retained in this study.

#### 4.4.2 Cronbach's alpha

Table 4.4.2:

*Outcome of Cronbach's Alpha*

---

<b>Variables</b>	<b>Cronbach's alpha</b>
Investment Intention	0.948
Financial Well-being	0.894
Hassle Factors	0.964
Risk Avoidance	0.922
Social Influence	0.971

---

According to Table 4.4.2, the dependent variable “investment intention” has a Cronbach’s alpha of 0.948. Besides, the independent variable “social influence” has the highest Cronbach’s alpha which is 0.971 and as compared to other independent variables, it can be considered the most reliable variable. It is followed by the 0.964 of “hassle factors”, 0.922 of “risk avoidance and 0.894 of “financial well-being”. As due to the Cronbach’s alpha values for all the variables fall between 0.8 and 0.9, it can be concluded that all the variables are reliable.

### 4.4.3 Composite Reliability (CR)

Table 4.4.3:

*Outcome of Composite Reliability*

<b>Variables</b>	<b>Composite reliability (CR)</b>
Investment Intention	0.948
Financial Well-being	0.886
Hassle Factors	0.964
Risk Avoidance	0.925
Social Influence	0.971

Refer to the Table 4.4.3, the composite reliability value for the independent variable “investment intention” is 0.948 and the highest value of composite reliability is 0.971 of independent variable “social influence” follow by the 0.964 of “hassle factors”, 0.918 of “risk avoidance and 0.886 of “financial well-being”.

### 4.4.4 Average Variance Extracted (AVE)

Table 4.4.4:

*Outcome of Average Variance Extracted (AVE)*

<b>Variables</b>	<b>Average variance extracted (AVE)</b>
Investment Intention	0.696
Financial Well-being	0.502
Hassle Factors	0.770
Risk Avoidance	0.673
Social Influence	0.806

Based on the result of Table 4.4.4, the variable of social influence has the highest AVE, which is 0.806. While the variable of financial well-being has the lowest AVE, which is 0.502. In overall, the AVE of all variables is fall between 0.502 to 0.806, which is all 0.500 above. It proves that convergent validity of all variables is sufficient.

## 4.4.5 Discriminant Validity

### 4.4.5.1 Fornell-Larcker Criterion

Table 4.4.5.1:

*Outcome of Fornell-Larcker Criterion*

	<b>FW</b>	<b>HF</b>	<b>II</b>	<b>RA</b>	<b>SI</b>
<b>FW</b>	<b>0.708</b>				
<b>HF</b>	-0.516	<b>0.877</b>			
<b>II</b>	0.589	-0.631	<b>0.834</b>		
<b>RA</b>	-0.518	0.811	-0.664	<b>0.821</b>	
<b>SI</b>	0.570	-0.593	0.888	-0.612	<b>0.898</b>

Table 4.4.5.1 of discriminant validity in Fornell-Larcker Criterion has shown that all the result of the values are higher than the values in Average variance extracted (AVE). In the result of AVE, the value for social influence is 0.806 while in the Fornell-Larcker criterion, the value for social influence is 0.898 and the value followed by 0.877, 0.834, 0.774, and 0.708 in Fornell-Larcker criterion. Overall, the findings of this research demonstrate that discriminant validity is adequate.

#### 4.4.5.2 HTMT

Table 4.4.5.2:

*Outcome of HTMT*

<b>Variables</b>	<b>FW</b>	<b>HF</b>	<b>II</b>	<b>RA</b>	<b>SI</b>
<b>FW</b>					
<b>HF</b>	0.516				
<b>II</b>	0.576	0.631			
<b>RA</b>	0.517	0.811	0.668		
<b>SI</b>	0.551	0.592	0.887	0.613	

The introduction of HTMT allowed for the evaluation of discriminant validity through the comparison of latent variables. Referring to previous research, HTMT values of 0.90 was proposed and if the HTMT values are larger than 0.90, it can be concluded that there is a lack of discriminant validity (Gold et al., 2001 & Teo et al., 2008). Table 4.3.5.2 shows that all of the HTMT values are less than 0.90. This finding generally demonstrates that discriminant validity is adequate.

#### 4.4.6 Bootstrapping

Table 4.4.6:

*Outcome of T-statistics and P-value*

<b>Variables</b>	<b>T statistics ( O/STDEV )</b>	<b>P values</b>
<b>FW -&gt; II</b>	1.273	0.203
<b>HF -&gt; II</b>	0.613	0.540
<b>RA -&gt; II</b>	2.349	0.019
<b>SI -&gt; II</b>	15.035	0.000

The path coefficient will be recognized as significant when the t-statistic is 1.96 or above. (Wong, 2013). Based on the Table 4.4.6, t-statistic values of risk avoidance and social influence are 2.349 and 15.035 respectively, while

the t-statistic values of financial well-being and hassle factors are 1.273 and 0.613, both of them are known as insignificant in this research. Assume that the significant level is  $\alpha = 0.05$ , independent variable risk avoidance, and social influence with p-value of 0.0196 and 0.000 are both significant in this study. On the other hand, financial well-being, and hassle factors with p-value of 0.203 and 0.540 are known as insignificant as larger than the significant level of 0.05.

## CHAPTER 5: DISCUSSION, CONCLUSION, AND IMPLICATIONS

### 5.0 Introduction

This chapter provides a summary of statistical analysis and discusses the major findings in this study. Based on the bootstrapping results, the major findings examine the relationship between independent and dependent variables. The study's implications are discussed from both perspectives of policymakers and academics. The study's limitations and a few recommendations made for up-and-coming researchers are also discussed in this chapter. Finally, the conclusion provides a summary of the entire chapter.

### 5.1 Summary of Statistical Analysis

Table 5.1:  
*Summary of Statistical Result*

Hypothesis	Result	Consistency to expectation
<b>H<sub>1</sub></b> : Hassle factors has a significant relationship with the investment intention among young adults.	Insignificant	Inconsistent
<b>H<sub>1</sub></b> : Risk avoidance has a significant relationship with the investment intention among young adults.	Significant	Consistent
<b>H<sub>1</sub></b> : Social influence has a significant relationship with the investment intention among young adults.	Significant	Consistent
<b>H<sub>1</sub></b> : Financial well-being has a significant relationship with the investment intention among young adults.	Insignificant	Inconsistent

## 5.2 Discussion of Major Findings

From the findings of the research, it has concluded that social influence and risk avoidance are both significant to the investment intention in stock market while hassle factors and financial well-being are insignificant.

### 5.2.1 Hassle Factors

Hassle factors refer to the level of inconvenience or difficulty involved in carrying out a specific task or activity. In the context of investments, it refers to the amount of time, effort, and resources needed to handle and sustain an investment portfolio (Sivaramakrishnan et al., 2017). Hassle factors are elements that interfere with willingness to participate in the stock market (Mosalamy & Metawie, 2018). Perceived costly information, complex procedures, complicated paperwork are the instances of hassle factors that may prevent young adults to participate in the stock market. For example, a new investor may find it difficult or required significant investment of time, money, or effort to obtain market information from reliable sources, hence he / she may experience higher perceived costly information, and this can be a hassle and preventing them from participating into the stock market (Sivaramakrishnan et al., 2017; Mosalamy & Metawie, 2018). The result shows that the relationship between the hassle factors and investment intention is insignificant. This outcome can be explained by the rapid advancement of digital technology.

Based on our findings, stockbroking services in Malaysia are more automated and digitalized in the most recent years, as most domestic licensed stockbrokers rush to adopt digital transformation during the years of 2020 – 2021. The digitalization efforts were further accelerated after the Securities Commission Malaysia's approval of Digital On-boarding



services on June 2020, which enabled Bursa Participating Organizations to offer non-face-to-face verification for online trading and CDS account opening. The approval also results in eliminating the need for wet signature when opening CDS account and enabling submission of applications to open a securities account via CDS eServices (Securities Commission Malaysia, 2020). The digital transformation also allows individual investors to access stockbroking services online with their mobile phones anywhere and anytime.

Moreover, as industry players keen to digitalize their operations to maximize efficiency, most publicly available market information (including corporate announcements, research reports, stock information, prospectus, factsheet etc.) can now easily accessible by individuals with specified websites from respective stockbrokers or online investment communities (I3investor, Klscreener, Stockbit, Bursa Marketplace etc). With the collective digitalization efforts from industry players, the aforementioned hassle factors (Perceived costly information, complex procedures, and complicated paperwork) were believed to be ultimately reduced or almost none-existence in today's scenario. Hence, this could explain the outcome of having no significant relationship between hassle factors and investment intention. As times goes by, there have been notable changes on how stockbroking services were offered to prospective investors, and this could justify the inconsistency of our results with previous empirical studies done by Sivaramakrishnan et al. (2017) and Mosalamy & Metawie (2018) which shows significant negative relationship between hassle factors and investment intention.

### **5.2.2 Risk Avoidance**

Risk avoidance was first defined as an individual tendency to refrain from engaging in behaviors that involve a desirable outcome but carry a significant risk of failure or loss (Kogan and Wallach, 1964). In the context of investment, individuals who are averse to taking risks in their investment decisions typically exhibit a lower investment intention because they prefer investments that offer minimal risk or avoid investing altogether. On the contrary, those who have a greater tolerance for risk usually exhibit a higher investment intention and are more inclined to invest in high-risk assets that have a potential for higher returns. (Bonaparte et al., 2014; Giannetti & Wang, 2016).

This research proven a significant relationship between risk avoidance and investment intentions that is in line with the conclusion made by Yang et al. (2021), Nadeem et al. (2020), Sivaramakrishnan et al. (2017). These studies also find individuals who are risk-averse tend to be more cautious about investing due to the possibility of incurring losses, which may result in them avoiding investments entirely or opting for low-risk investment options. Conversely, individuals who are more comfortable with taking risks are inclined towards investing and may allocate resources towards high-potential return investments. Hence, an individual's level of risk aversion is a crucial factor in determining their investment inclination.

### 5.2.3 Social Influence

Generally, social influence is present in various aspects of society, and it involves how individuals directly or indirectly impact the opinions, emotions, and behaviors of others (Haverila et al., 2023). It comes in various forms, such as obedience, persuasion, conformity, social loafing, social facilitation, de-individuation, observer effect, bystander effect, and peer pressure. Haverila et al. (2023) also argued that social influence has become more prevalent in the age of social media because it is relatively easy for people to be influenced by others, although the accuracy and dependability of information on social media are uncertain at best. In investment context, social influence refers to an individual's perception of how others perceive certain products and services, and it can also be one's view on others' intention in stock market participation (Yang et al., 2021).

This research finds that there is a significant relationship between social influence and investment intention. This outcome is tallied with the studies done by Yang et al. (2021), Sabir et al. (2021), Wu et al. (2018), Akhtar and Das (2017), and Brown et al. (2008). From these studies, prospective or new investors commonly rely on their reference networks. Brown et al. (2008) emphasized that an individual's decisions to participate in the stock market are directly influenced by word-of-mouth recommendations from parents, friends, and co-workers. For instance, if someone in a person's social network, such as a close friend or family member, has a positive experience with a specific investment, that person may be more likely to invest in it too because of the influence of their social circle. Similarly, if an individual perceives that a particular investment is fashionable or trendy among their peers, they may be more inclined to invest in it to conform to social norms. Sabir et al. (2021) also finds that social influence can also work the other way, where negative experiences or opinions of others can discourage an individual from investing. For example, if a person learns about their colleague losing a considerable amount of money in a specific investment, they may avoid investing in it.

### **5.2.4 Financial well-being**

Financial well-being can be defined as the status of an individual's financial condition, which can be measured by their level of contentment and sense of protection (Moore et al., 2022). It covers various financial elements, such as income, expenses, savings, debts, investments, and general financial security. Financial well-being is often linked with positive outcomes, including improved mental and physical health, reduced stress levels, and a better quality of life. It requires making wise financial choices, setting, and attaining financial objectives, and efficiently managing one's finances (Moore et al., 2022).

In the context of investment, financial well-being may increase investment intention as individuals who have a high level of financial well-being may have more resources to allocate towards investments (Yang et al., 2021). In addition, financial well-being can provide individuals with a sense of security and confidence in their financial situation, making them more willing to take risks and invest in potentially higher-return investments (Yang et al., 2021). Conversely, individuals who have not achieved financial well-being may have a lower investment intention due to financial constraints or a lack of resources available for investment. They may prioritize meeting their basic financial needs over investing in the future (Yang et al., 2021; Vestman, 2018). Overall, financial well-being can have a positive effect on investment intention by providing individuals with the necessary resources, confidence, and security to make informed investment decisions.

However, this research finds that the relationship between financial well-being and investment intention is insignificant. The outcome is in line with the studies made by Ilyas et al. (2022), and Sivaramakrishnan et al. (2017). From the results, financial well-being does not directly affect investment

intention; however, it had a positive influence on financial attitude which can mediate the relationship between financial well-being and investment intentions (Ilyas et al., 2022). Sivaramakrishnan et al. (2017) finds that financial well-being has a negative relationship with investment intention, although it had a positive relationship with equity holding.

### **5.3. Implications of the Study**

Through the findings of this study, it is understood that that social influence and risk avoidance will have attitudinal impacts to investment intention of young adults in Malaysia. It is learned that young adults in Malaysia will be affected by their risk attitude and perceptions from friends, co-workers, and neighbors while considering investing into the stock market.

#### **5.3.1 Implications from Academic Perspective**

This research provided a fresh perspective in psychology and helped improve the understanding of why young adults may invest in the stock market. It also addressed gaps in knowledge about equity-related products and stock market participation. Previous studies on young adults' involvement in the stock market have primarily focused on financial literacy, neglecting the impact of hassle and social influence. By considering these factors, the study broadens our perspective on the intention to invest in the stock market.

Furthermore, this study provides a detailed analysis of the factors influencing young adults' participation in the stock market, including the hassle factors, risk aversion, social influence, and financial stability. Other researchers who wish to explore this topic can refer to this study for a more comprehensive understanding. Additionally, the data collected in this study

can be utilized by researchers to assess the impact of psychological factors on investment decisions among young adults in Malaysia.

### **5.3.2 Implications for Policy Makers and Practitioners**

The findings of this study can be utilized as a point of reference for policy makers and practitioners, including Bursa Malaysia, Securities Commission Malaysia, and other government entities, to create more effective strategies and policies aimed at encouraging young retail investors to participate in the equity market. The ultimate objective is to develop a dynamic and competitive equity market in Malaysia, aligning with the vision of Bursa Malaysia and Securities Commission Malaysia to establish a leading and globally competitive marketplace. The policies put forth by these organizations will have a significant impact on the economy and the stock market. Increased participation from young investors in the stock market can help address cost and efficiency issues related to fundraising. Ultimately, this could lead to robust performance in the Malaysian stock market and improve its competitive standing in the international market.

The participation of young adults in the stock market is crucial for their individual welfare and asset accumulation. Additionally, it is considered as one of the sustainable solutions to address wealth inequality in a country (Favilukis, 2013). The stock market plays a pivotal role in a nation's economic growth by facilitating savings mobilization, resource allocation, risk management, and corporate governance. This study offers valuable insights into the attitudinal factors that influence young adults' participation in the retail stock market. Therefore, the authorities, such as Bursa Malaysia and the Securities Commission, should pay close attention to this issue in order to encourage greater participation by young adults, as it can significantly impact the growth of the Malaysian stock market.

## 5.4 Limitations of the Study

It is known that the objective of this study is to determine the relationships between independent variables and stock market investment intention among Malaysian young adults. This study's research method has a few limitations that should be stated for improvement in future research.

The study aimed to target young adults aged between 18 to 30 years old to identify their investment intention in the stock market. The preliminary reason for selecting young adults as the research sample is that young adults' stock market participation is relatively low, and it is worthwhile to look into the variables that influence their investment intention. Age group was a limitation in academic research since the outcomes could only be applied to young adults, not representing the entire population. Hence, this research can only contribute research outcomes based on young adults' participation while stock market investment intention from all the other age groups is not assessable in this research.

Moreover, the study has employed cross-sectional study, it is an observational study design allowing researchers to identify and evaluate different variables within a specific time period (Setia, 2016). In fact, cross-sectional data may not provide conclusive evidence of cause-and-effect relationships between dependent variable and independent variables (Thomas, 2020). Based on the research, there is an indirect relationship between financial well-being and investment intention. As stated in the discussion, financial well-being influences young adults' financial attitudes, and their financial attitudes significantly affect their stock market investment intentions. Therefore, the indirect relationship is not captured under this study, and it resulted financial well-being to show insignificant result to investment intention.

Cross-sectional research is suitable for identifying the association between variables in the preliminary stage of research. By implementing cross-sectional data for the research, this research study captures respondents' investment intention limited to this particular period of time and may result in lack of longitudinal data.

However, fewer research studies are taking up longitudinal study to determine long term developments in the targeted population. The non-existence of longitudinal data may not fully reflect the investment intention of the targeted young adults over time, and it will cause restrictions to determine stable and dynamic study results. It explains that sudden economic crisis may influence the cross-sectional data accuracy for that specific period.

Linking actuality to this issue, the COVID-19 pandemic has had a significant impact worldwide, and it has caused a shift in lifestyles and technology. However, since the majority of the studies referred to were conducted prior to the COVID-19 pandemic, the outcomes in previous journals weren't particularly applicable to the current scenario. In general, longitudinal research design is more appropriate but the consideration was effective longitudinal studies are time-consuming and costly which requires resources and commitments (Thomas, 2020). Aside from that, longitudinal research is preferable for identifying psychological factors due to their capacity to be influenced by other variables and varies over time (Pat et al., 2022).

Apart from that, this research paper investigates young adults' intention to participate in the stock market, which is a marketplace where a wide range of investment instruments with different risk exposure are traded. These instruments may range from high growth stocks to diversified exchange-traded funds that align investors with distinct risk appetite and financial goals. However, non-financial individual or individual with less financial literacy may not have knowledge of these varied-risk instruments, hence their perceived risk to stock market may have been different and this could influence their intention to investing into the stock market. This implication could have been avoided by providing additional clarification on the range of investment instruments for respondent's knowledge.



## 5.5 Recommendations for Future Research

Through the research of this topic, a few recommendations are drafted for future researchers to fill in the gaps in the body of knowledge of psychological factors in relation to stock market participation.

First and foremost, researchers could target a broader range of age groups for more valuable research insights on how different stages of age development influence stock market participation behaviors. For instance, the study includes both younger and older age groups to investigate the age-related disparities in stock market risk-taking behavior. The research should provide a clear justification on the selected population and take specific considerations on the age group developmental stage, cognitive capacity, and physical health of the age group. Nevertheless, targeting a wider age group is riskier as it requires detailed sampling design to ensure that the outcome is not prejudiced towards any age group.

This study surprisingly indicates the insignificant relationship between financial well-being and investment intention. However, in reference to empirical studies, an indirect relationship between the two variables was suspected and further investigations involving models for mediating and moderating effects testing may be required. The existence of moderating effect between the independent and dependent variables affects the result under certain conditions, it could influence the analysis of an insignificant variable. Hence, future researchers are recommended to include these models in their studies to further comprehend the relationship of financial well-being and investment intention.

Longitudinal research is recommended for researchers who are seeking to advance their research on investment intentions and stock market participation among young adults in the long term. Although longitudinal research is considerably more challenging to execute since it appears to require tight data collection over time and may obtain high confidential information from respondents. Furthermore, longitudinal research could function as a tool to establish temporal ordering between variables (Menard, 2002). Researchers could use this study as a framework

to establish appropriate measures, planning for high-quality data collection and informed policies.

Overall, conducting longitudinal studies is valuable and contributes greatly to the finance field as it analyzes changes over period and provides outcomes based on comprehensive perspective. Longitudinal research considers changes over time; additionally, researchers can observe how the COVID-19 pandemic impacts the independent variables and the relationship to stock market participation. Furthermore, it may provide helpful insights into various aspects of individuals who have been adversely affected by the pandemic outbreak. A ten-year longitudinal study is complicated due to changes in data availability and data collection methods. Therefore, researchers are advised to support longitudinal data with cross-sectional data to verify the findings of longitudinal research.

This research paper delves into the investment intentions of young adults in the stock market, which is a platform for trading a diverse array of investment instruments with varying levels of risk. These instruments include high-growth stocks, blue-chip stocks, ETFs, and REITs that cater to the different risk appetites and financial goals of investors. However, individuals with little financial literacy or no prior experience in investing may not be familiar with these instruments and could perceive the risks associated with the stock market differently, which could ultimately affect their investment intentions. To address this issue in future research, it is recommended that future researchers provide additional explanations on the different stock market instruments and their associated risks to better inform and guide potential investors.

## 5.6 Conclusion

To conclude, the relationships between various attitudinal factors and Malaysian young adults' intention to invest in the stock market are investigated in this study. This research paper concluded that the attitudinal factors including social influence and risk avoidance have significant relationship to young adults' intention to participate in the stock market. Social influence appears to have positive impact to young adults' investment intention, while risk avoidance has negative impact to young adults' investment intention. On the other hand, other attitudinal factors such as hassle factors and financial well-being were surprisingly discovered to have insignificant relationship with the investment intention, these unexpected results could be explained by the swift digital transformations of Malaysian stock broking industry in the most recent years, and the probable indirect relationship between financial well-being and Malaysian young adults' intention to participate in stock market investment.

Since the impact of attitudinal factors to Malaysian young adults' intention to participate in the stock market is reflected in this study, there are various practical implications towards policy makers and practitioners to develop feasible policies to enhance stock market participation among young adults in Malaysia, as it believed to be able to promote individual welfare gain, a nation's economic growth as supported by several considerable empirical studies. Other than that, this study provides theoretical implications from academic perspective which fill in the gaps in the body of knowledge of stock market participation and psychological factors.

Lastly, a few recommendations were made to future researchers such as widening the range of targeted age group to broaden research insights, providing additional clarifications on stock market instruments with varied risk exposure to improve research outcomes, conducting longitudinal studies to obtain more comprehensive research results, and the inclusion of indirect relationship analysis to further comprehend the impact of various attitudinal factors towards young adults' intention to participate in the stock market.

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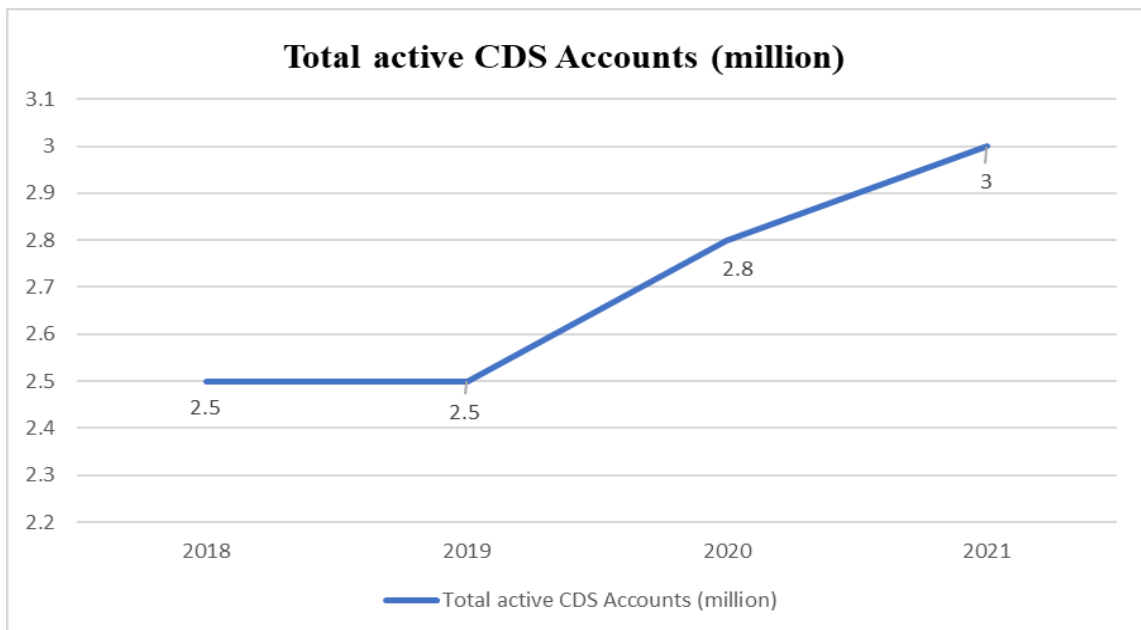
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**APPENDICES**



*Appendix 1: 5-years historical chart of FTSE Bursa Malaysia KLCI (Source: KLSE Screener)*

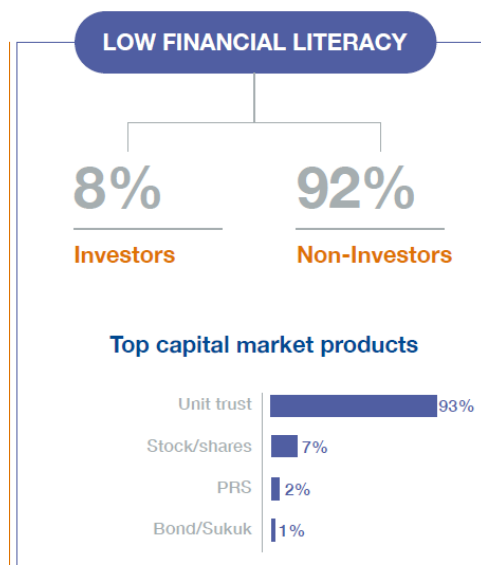


*Appendix 2: Number of active CDS accounts (million) (Source: Bursa Malaysia)*

The Viewpoint from Psychology: Attitudinal Impact of Young Adults' Intention on Retail Equity Participation

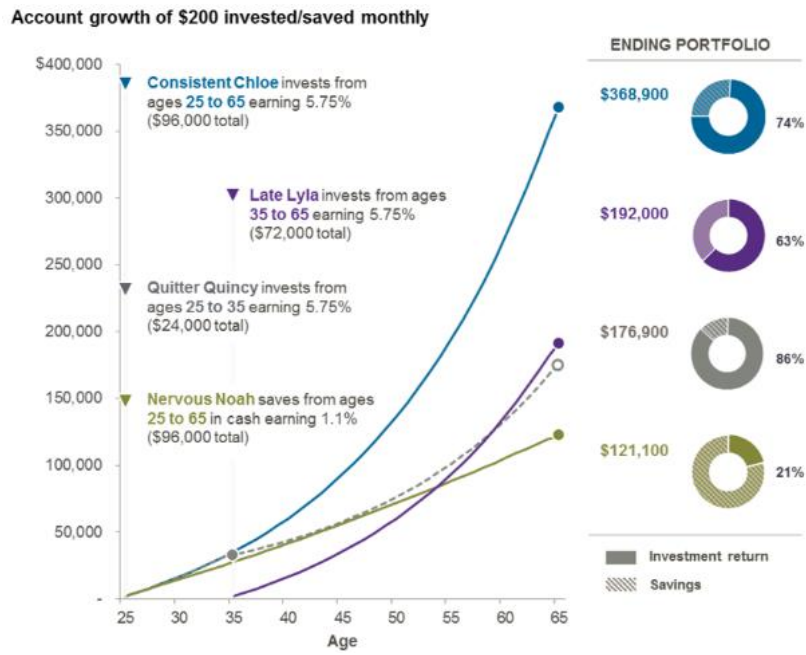


Appendix 3: Key observations of investor profiles (Source: Securities Commission Malaysia)



Appendix 4: Financial literacy survey on capital market (Source: Securities Commission Malaysia)

The Viewpoint from Psychology: Attitudinal Impact of Young Adults' Intention on Retail Equity Participation



Appendix 5: Benefits of saving compared to investing at the early age (Source: J.P. Morgan Asset Management)