INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES

Vol 13, Issue 12, (2023) E-ISSN: 2222-6990

Investment Decision Determinants: A Study of Utm Student Preferences

Siti Nurshahira Shafiei[1], Hanini Ilyana Che Hashim[2], Teh Zaharah Yaacob[3], Mohd Zulfabli Hasan[4], and Nur Syazwani Mohd Fuzi[5]

[1,2,5]Department of Accounting and Finance, Faculty of Management, Universiti Teknologi Malaysia, Johor, MALAYSIA, [3,4]Department of of Management and Technology, Faculty of Management, Universiti Teknologi Malaysia, Johor, MALAYSIA

Corresponding Author email: haniniilyana@utm.my

To Link this Article: http://dx.doi.org/10.6007/IJARBSS/v13-i12/20125 DOI:10.6007/IJARBSS/v13-i12/20125

Published Date: 20 December 2023

Abstract

This study intends to examine the influence of several factors on students at Universiti Teknologi Malaysia (UTM)'s investment preferences when making investment decision. Factors such as investment knowledge, attitude towards money and level of risk aversion are used to determine which factors gives significant influence towards the students' perception when making investment decision. This research was conducted using an online questionnaire distributed to the students all over Universiti Teknologi Malaysia (UTM) Johor Bahru. A total of 97 respondents, consisting of students and staff, answered this survey. SPPS version 27 was used to transform the data from the survey. The research's findings were analysed using multiple regression analysis. The findings demonstrated that there is a significant influence of investment knowledge, attitude towards money and level of risk aversion towards investment decision.

Keywords: Investment Preferences, Investment Decision, Malaysia, UTM, Financial Knowledge, Attitude Towards Money, Risk Aversion.

Introduction

Investment preferences in Malaysia can be defined as specific characteristics towards some profitable activity that citizens or institutions in Malaysia have chosen to sacrifice their resources in expectation for it to grow more and can be enjoyed later in the future. Most common investment preferences activity will be involved in identifying the factors that can influence an investment decision, as well as the types of investment that are most popular in the Malaysia market. The need to understand the investment behavior and preferences of individuals and institutions in Malaysia is due to Malaysia has a growing economy and a diverse population with varying levels of income, education, and investment experience. As a result, there is a wide range of investment options available, including stocks, bonds, mutual funds, real estate, and alternative investments such as commodities and cryptocurrencies that people can invest to. Some Malaysians know the importance of investing to the country's economy but not all are aware of how much impact it could bring and help the country to go through the inflation.

A good amount of investment could help to boost Malaysia's economic condition and reduce the poverty rate as well as bring stabilizing political matters in Malaysia. Besides, understanding the investment preferences of Malaysians is important for policymakers, financial institutions, and individual investors alike. It can help to inform investment strategies, identify new investment opportunities, and provide insights into the overall health of the economy. Investment preferences refer to the choices made by investors regarding the type of investment vehicles they choose to invest their funds in. The decision to invest in a particular asset class can be influenced by a number of factors, including risk tolerance, return expectations, liquidity requirements, and personal biases. Despite the importance of investment preferences, relatively little is known about the factors that shape them.

While some studies have examined the relationship between risk tolerance and investment preferences, others have focused on the role of financial literacy and demographic factors such as age, gender, and income. However, these studies have yielded mixed results and have failed to provide a comprehensive understanding of the factors that contribute to investment preferences. Understanding the factors that drive investment preferences is critical for financial advisors, investment managers, and policymakers who seek to provide investment advice or design investment products that cater to the needs of different types of investors. Additionally, understanding the factors that influence investment decisions can help to improve financial literacy and promote responsible investing practices.

Literature Review Studies

Investment is the act of allocating money or other resources (such as time, effort, or expertise) into an asset or business venture with the expectation of generating a profit or a return on investment. The primary goal of investment is to increase wealth over time through the purchase of assets that are expected to appreciate in value or generate income. Investing can take many forms, such as buying stocks, bonds, mutual funds, real estate, commodities, or starting a business. Investors often assess the potential risk and return of an investment opportunity before deciding whether to invest or not. Risk and return are closely related, with higher-risk investments often offering the potential for higher returns, while lower-risk investments typically offer lower returns.

Factors That Influence Investment Decision

Attitude Towards Money

Attitude towards money refers to an individual's beliefs, values, and emotions related to money and financial resources. It encompasses how individuals feel about money, how they perceive its importance and how they manage their lives. Young adults' developing attitudes towards money may have a significant impact on their ability to save money and manage their finances (Utkarsh et al., 2020). A person who has a cautious attitude towards money may prefer low risk investments such as bonds and saving accounts while a person with a more aggressive attitude may be more willing to take on higher risk investments such stocks or real estate investment.

According to Nga et al (2015), money can be a tool or/ and a drug. Individuals with the tool theory would describe money as a medium of exchanges and incentive in motivating desired behaviour. Meanwhile, the drug theory suggests that money can lead to adverse psychological and behavioral manifestations such as extreme obsession, greed, fear and gambling. Individuals with drug theory would develop greed towards money in which it would affect their investment decision. That is because a person who treats money as a drug would develop an aggressive attitude and willing to take high risk investments that provide higher returns. Not just that, this investor would also be highly likely to fall for an investment scheme as it offers higher return within a very short period of time.

Furthermore, there is an anxiety dimension of attitude towards money. This is a reference to the worries that come along with having too much or too little money. Acute risk awareness brought on by a lack of funds may cause people to become too careful with their purchasing choices. The worry is caused by the worry that one would lose their financial security. According to the prospect theory, investors frequently sell out winning stocks too fast while holding on to losing ones for an excessive amount of time. This is because they have an irrational fear of losing money (Nga et al., 2015).

Moreover, because the value of money was formed through childhood experiences or certain traumatic events involving money, it is possible that values towards money will influence how an individual's attitude and behavior grow. In addition, how young individuals handle their finances is influenced by their attitude towards money. The way one uses money reflects their lifestyle, and if they have a poor attitude towards it, they may find themselves in debt without even realizing it (Nurain et al., 2019).

Level of Risk Aversion

Risk aversion is a strong feeling of disliking taking risks. Risk aversion varies depending on the life of individuals. Their wealth, income, age, gender, etc could affect their risk aversion. When an individual is poor, they may have high and strong aversion. That is because, if investments they made failed, it could affect their life. However, someone who is coming from a wealthy background may have a lot of savings, and some loss in investment does not bring much impact to their life. Hence, they have low risk aversion.

Many investors make investments by taking into account the risks contained in the type of investment they want to make, quite a few investors avoid risk because they cannot take high-risk investments. Besides, a person's attitude to change their way of thinking to the amount of risk that can be acquired based on the actions to be taken with the return on reaching these goals is known as risk aversion. These acts are abnormal behavior that results from risk aversion since the fear of loss can cause a strong rejection of the risks associated with the decisions chosen. Depending on how much money is being invested, each person's risk aversion varies. However, if a person has a low net worth and a significant risk aversion, they can withdraw from the investment and refrain from making decisions. Investor risk aversion decreases progressively as more information becomes available. However, more knowledge might also result in more risk aversion (Cindy & Dezie, 2022)

It has been demonstrated that those who are risk averse invest less in securities, whilst those who are more accepting of risk may buy more hazardous stocks and improve their profits. The study came to the conclusion that risk aversion has a big impact on people's decisions. The study looked at how risk aversion influenced individuals' capital market investment decisions in Kenya. Investors on their own are risk-averse (Faiq et al., 2023). Besides, as a result of COVID-19, people become more risk-averse due to the unstable economic climate. Risk aversion rises as investor anxiety rises with the number of COVID-19 incidents. There are four different sorts of biases, including the tendency for investors to be overly confident in their predictions, to hold onto failing stocks longer than winning ones, to avoid taking risks, and to follow the crowd. The "disposition effect" refers to the fact that investors frequently favor earnings over losses. According to the prospect theory, people tend to take fewer risks after experiencing wins and more risks after experiencing losses. The disposition effect has an impact on investors' financial decisions as well. On long-term investors' selection decisions, the disposition effect is thought to have a considerable and advantageous influence (Ali et al., 2023).

According to Baker et al (2023), risky investments are frequently avoided by investors. They discovered that investors frequently hold onto failing equities while promptly selling winning stocks. In order to clarify the basis for risk aversion, it was also suggested that psychological loss has a greater effect than psychological gain. Among investors with high financial literacy, risk aversion rises with higher extroversion. However, among those with limited financial literacy, enhanced agreeableness has minimal effect on risk aversion.

Financial Knowledge

According to financial literature, one's capacity to understand fundamental financial principles, have confidence in their decision-making, and make appropriate short- and long-term investments while taking changing economic situations into account is measured. Thus, a person's level of financial literacy has a significant impact on their ability to make good investment decisions. Financial literacy encompasses a range of skills, including knowledge, comprehension, behavior, attitudes, perspectives, and awareness of the financial management. It includes fundamental mathematical, reading, and comprehension abilities as well as knowledge of what money is, how it is exchanged, and where it comes from and goes. It also includes awareness of the risks associated with financial products and the capacity to make wise decisions in one's own life regarding matters of money, among other things. (Alipour et al., 2022).

Conceptual Framework

Figure 1 outlines the conceptual framework of this study. The independent variables of this study are Attitude towards money, risk aversion and financial knowledge, meanwhile the dependent variable of this study is Investment decision.

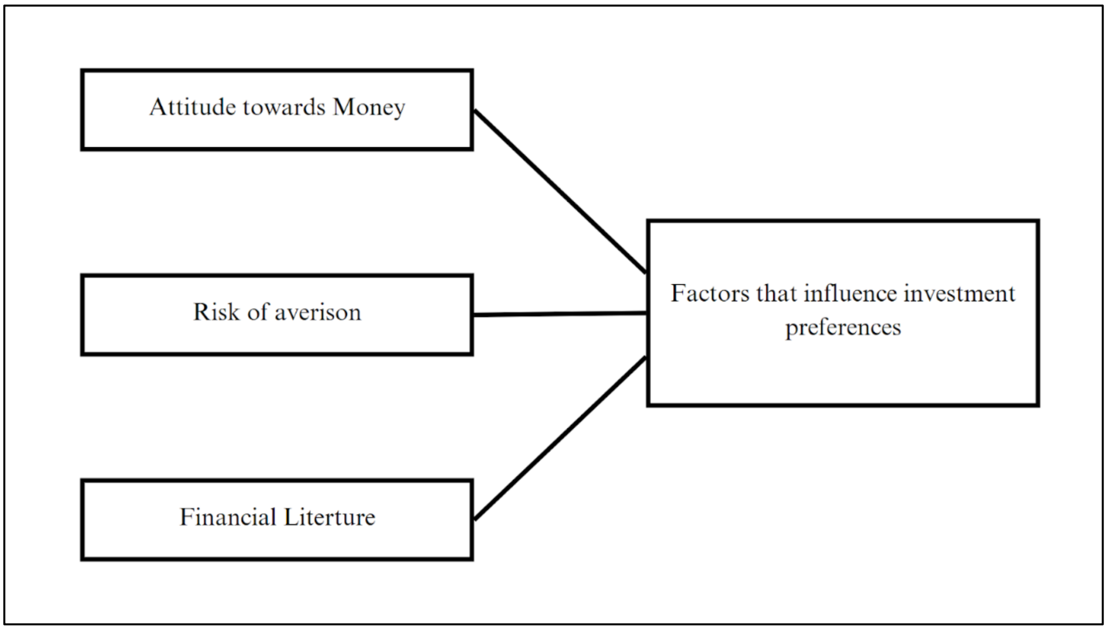

Figure 1: Research framework

Research Methodology

Population and Sample

Population refers to a set group of people that are suitable for a study. To put in other way, the population is a targeted group that the researcher intends to examine. In this study, the population that was examined was the students of Universiti Teknologi Malaysia (UTM) Johor Bahru. The population is estimated to be 400,000 people in total. As the population is quite large, it is unlikely that all of them will be able to take part in this research experiment. As for this, an appropriate amount of a sample was taken. A sample is a subset of the population. So, when dealing with large populations, researchers typically consider 100 participants as the minimum sample size due to resource and statistical considerations related to determining sample sizes (Haitham, 2018). Sudman (1976) recommends that a minimum of 100 respondents is required for each major group or subgroup within the sample. However, due to the limitation of studies, this study only able to retrieve a total of 97 respondents.

Pilot Study

A pilot study entails the preliminary testing of research methods. Prior to commencing the actual data collection process, it is essential to conduct a pilot study. The purpose of this study is to assess the methodology and research methods, ensuring that the elements within the data collection procedure are suitable, devoid of errors, and easily comprehensible for the intended population. If any errors or mistakes are identified during the pilot test, necessary corrections must be made in order to establish a dependable research methodology. In order to gauge the reliability of the questionnaire, five Google Forms questionnaires were administered to students all over Universiti Teknologi Malaysia (UTM) Johor Bahru, as part of the pilot study.

Findings

Demographic Analysis

Table 1
Respondents Demographic Analysis Result

No.	Demographic	Frequency	Percentage
1.	Gender:		
	Male	40	41.2
	Female	57	58.8
2.	Age:		
	18-20	15	15.5
	21-23	50	51.5
	24-26	24	24.7
	27 and above	8	8.2
3.	Year of studies:		
	1	15	15.5
	2	17	17.5
	3	21	21.6
	4	44	45.4
4.	Faculty:		
	Faculty of Built Environment and Surveying (FABU)	9	9.3
	Faculty of Chemical and Energy Engineering (FKT)	8	8.2
	Faculty of Civil Engineering (FKA)	6	6.2
	Faculty of Computing (FC)	4	4.1
	Faculty of Electrical Engineering (FKE)	6	6.2
	Faculty of Management (FM)	48	49.5
	Faculty of Mechanical Engineering (FKM)	6	6.2
	Faculty of Science (FS)	6	6.2
	School of Education (SOE)	4	4.1

Table 1 portrays the demographic analysis from the research. Based on the 97 responses collected, the female respondents accounted for the most, which is 57 students, or 58.8%, whereas the male respondents were 40 students, or 41.2%. There are four categories for the age of the respondents. The majority of the respondents falls in the age group of 21-23, accounted for 51.5%, followed by respondents from the age group 24-26 recorded at 24.7%, age group 18-20 recorded at 15.5%, and 8 respondents above age 27 which accounted for only 8.2% of total respondents. The year of studies respondents who contributed to this survey is mostly in their fourth year which is 45.4%, followed by respondents which currently in their third year for 21.6%, second year for 17.5%, and first year which only contribute to 15.5%. Next, for the faculty, a highest percentage of respondents were coming from Faculty of Management (FM) which accounted for 49.5%, followed by Faculty of Built Environment and Surveying (FABU) for 9.3%, Faculty of Chemical and Energy Engineering (FKT) for 8.2%. As for Facukty of Civil Engineering (FKA), Faculty of Electrical Engineering (FKE), Faculty of Mechanical Engineering (FKM) and Faculty of Science are all have 6 respondents each which equivalent to 6.2% each. Faculty of Computing (FC) and School of Education, both have 4 respondents which accounted for 4.1% each.

Multiple Regression Analysis

Through the analysis, it can assess how changes in the independent variables are associated with changes in the dependent variable. From this study, the dependent factor will be the investment decision, meanwhile the independent factors are investment knowledge, attitude towards money as well as risk aversion. The analysis will be used to study how strong the dependency between the variables and to anticipate how those variables or factors will interact in the future. This study used multiple regression analysis to assess the following hypothesis:

H1: Investment knowledge influence students' preferences when making investment decision
H2: Attitude towards money influence students' preferences when making investment decision
H3: Level of risk aversion influence students' preferences when making investment decision

Table 2
Multiple Regression Analysis Result (Model Summary & ANOVA[a])

Model	**R**	**R^2**	**Adjusted R^2**	**Std. Error of the Estimate**
1	0.832	0.692	0.682	0.24187
	F		**Sig**	
	69.516		0.000	

Notes: ***significant on α = 0.01

The above table shows the results derived from the multiple linear regression analysis, which consist of both the model summary and the ANOVA results of the study. The value of R^2 represents how far the movements of dependent variables are explained by the movements of independent variables. According to Table 3, the value of R^2 is 0.692, which can be converted to 69.2%. This means that 69.2% of the dependent variable, which is investment decision, can be explained by the three independent variables, which are investment knowledge, attitude towards money and level of risk aversion. The remaining 30.8% is may made up from other factors or variables that might have an influence in students' investment preferences when making investment decision. Moreover, the ANOVA analysis shows that the value of F equals to 69.516, with a p value (0.000) which is less than α (0.001). From this, we can interpret that there is significant impact of independent variables on the investment decision (dependent variable).

Table 3
Multiple Regression Analysis Result (Coefficients<u>a</u>)

Model	Independent Variables	Standardized Beta	t	Sig.
1	Investment knowledge	0.347	2.968	0.004
	Attitude towards money	0.313	2.281	0.025
	Level of risk aversion	0.212	1.450	0.151

Notes:
Dependent variable: Investment decision
*** significant on α = 0.01

Table 3 shows the coefficient results of the conducted research. The results show that only one independent variables, which is investment knowledge, have a significant and positive impact on the dependent variable, students' investment decision. This is because the independent variables have p-values less than 0.01, which are 0.004. The other two independent variables, precisely attitude towards money and level of risk aversion have significant level of 0.025 and 0.151 respectively which are higher than the p-value of 0.01. This indicates that these two variables are not significantly impact the students' investment decision.
Besides, the results show the standardized beta values for investment knowledge recorded at β = 0.347, for attitude towards money, β = 0.347, whereas for level of risk aversion recorded at β = 0.212. This result indicates that all three variables have a positive effect on investment decision. However, only one of them have significant impact which is investment knowledge. Precisely, the higher the value of the beta coefficient for investment knowledge, the stronger the influence in students' preferences when making investment decision.
Hence, from the analysis above, we can conclude that only H1 (Investment knowledge influence students' preferences when making investment decision) can be accepted.

Conclusion
In a nutshell, all of these objectives were able to be achieved successfully and it is also supported by some literature and findings obtained from prior studies. The findings from this study have revealed that investment knowledge has a positive significant with investment decision. This study has also allowed the universities to acknowledge the importance of financial management courses as it influences investment decision of students. This will be able to encourage universities out there to invest in their courses for their students because it plays a huge role in providing awareness to the students on the importance of investment decision and managing their financial. Malaysia could also improve its economic condition when there is an increase in investment rate among university students.

References

Claudia, C., & Nuryasman, M. N. (2019). Emotional intelligence, risk aversion, external locus of control, financial literacy serta demografi sebagai prediktor risky investment intention. *Jurnal Manajerial Dan Kewirausahaan*, *1*(2), 153-163.

Sundarasen, S. D. D., & Rahman, M. S. (2017). Attitude towards money: Mediation to money management. *Academy of Accounting and Financial Studies Journal*, *21*(1), 80-96.

Dewi, M., Hamidah, H., & Buchdadi, A. D. (2021). The Influence of Financial Literacy, Experienced Regret, Framing Effect and Mental Accounting on Millennial Generation Investment Decisions in DKI Jakarta with Risk Tolerance as Intervening Variables. *International Journal on Advanced Science, Education, and Religion*, *4*(3), 147-163.

Escribe, C., Garnier, J., & Gobet, E. (2023). A Mean Field Game Model for Renewable Investment under Long-Term Uncertainty and Risk Aversion.

Hastings, J., & Mitchell, O. S. (2010). How Financial Literacy and Impatience Shape Retirement Wealth and Investment Behaviors. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.1710146

Ikram, A., & Siddiqui, D. A. (2021). Do the Individual Factors Diversify Pakistanis' Risky Investment Decisions: the Role of Financial Literacy, and Personality Traits? SSRN Electronic Journal. https://doi.org/10.2139/ssrn.3941750

Lorenza, C., & Wargenegara, D. L. (2022). A Study On Real Estate Investment Decisions in an Indonesian Free Trade Zone: A Behavioral Finance Approach. *Jurnal Akuntansi dan Bisnis: Jurnal Program Studi Akuntansi*, *8*(2), 164-180.

Nga, K. H., & Yeoh, K. K. (2015). Affective, social and cognitive antecedents of attitude towards money among undergraduate students: A Malaysian study. *Pertanika Journal of Social Sciences & Humanities*, *23*(1), 161-180.

Parimalakanthi, K., & Kumar, M. A. (2015). A study on investment preference and behaviour of individual investors in Coimbatore city. *Bonfring International Journal of Industrial Engineering and Management Science*, *5*(4), 170.

Ramadhan, R. M., & Sutrisno. (2022). Financial Literacy, Risk Tolerance, Overconfidence, Experienced Regret, and Demographic Factors on Investment Decisions. *International Journal of Economics, Business and Management Research*, *06*(06), 207–220. https://doi.org/10.51505/ijebmr.2022.6615

Sean, S. L., & Hong, T. T. (2014). Factors affecting the purchase decision of investors in the residential property market in Malaysia. *Journal of Surveying, Construction and Property*, *5*(2), 1-13.

Shih, T. Y., & Ke, S. C. (2014). Determinates of financial behavior: insights into consumer money attitudes and financial literacy. *Service Business*, *8*(2), 217-238.

Widagdo, B., & Roz, K. (2022). The role of personality traits, financial literacy and behavior on investment intentions and family support as a moderating variable. Investment Management and Financial Innovations, 19 (2), 143-153.