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Full Length Research Paper

An empirical evidence of factors in equity selection process in Malaysia

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This paper examined the factors influencing equity selection process and its association with expected and actual return. This study incorporated neutral information, accounting information, social relevance and advocates' recommendations. A total of 199 usable questionnaires were collected by using snowball and convenience sampling. Descriptive study, factor analysis, correlation analysis and multiple regression were applied. The results showed that neutral information appeared to the most important factor for Malaysian investors, followed by accounting information, social relevance and advocates' recommendations in equity selection process. Neutral information was positively correlated while accounting information was negatively correlated with expected return. Social relevance factor was found significant for female investors in their investment decision compared to male investors. As for stock market experience perspective, investors with 5 to 10 and 15 to 20 years' experience highly utilized accounting information in assisting their investment decision and investors with more than 20 years of experience were least likely to use accounting information. The study concluded that investment decisions of investors could be affected with diverse variables and they did not rely on a single integrated factor.

Key words: Equity selection process, information, social relevance, investor behavior, and advocates recommendations.

INTRODUCTION

Behavioral finance has attracted numerous studies of investor behaviour from economic and behavioural perspectives. Past studies found that good understanding of investors' investment behaviour is essential as it strongly affects stock market performance.

Although a high number of studies have been conducted (Easley, Hvidkjaer and O'Hara, 2010; Merikas, Merikas, Voziks, and Prasad, 2008; William, 2007; Nagy and Obenberger, 1994), literature on individual investors' behaviour in Malaysia is relatively few in numbers. Lai, Chong, and Tan, (2010) reviewed the past studies in behavioural finance conducted in Malaysia. The overall results showed that Malaysian Investors appeared to be more rational than expected. However, understanding of investor behaviour and its decision making process remain incomplete and hence, implying many future research opportunities. Thus far, no research has been conducted on the relationships between factors such as neutral information, accounting information, self-image/ firm-image coincidence, classic, social relevance, advocate recommendation and personal financial needs on individual investors' behaviour in the Malaysian environment context. Hence, this shortage acts a primary motivation to examine these factors on how they influence equity selection process of individual investors. The paper aims to identify the factors that influence individual investor behaviour in equity selection process as well as to examine the relationship between all of the grouped factors on equity selection process of individual investors in terms of expected and actual return. The findings of the study contribute additional evidence to the literature

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of the factors influencing equity selection process particularly in the environment of emerging economy. The factors influence equity selection process are important as they provide behavioural understandings on how investors react to these economic and information factors as well as to what extent these factors affect the investment decisions. An understanding of the equity selection process and its associated factors are also very crucial for regulators, brokerage houses, investors, and financial planners in formulating sound investment polices and strategies.

LITERATURE REVIEW

This section presents the some review of prior studies of the factors influencing equity selection process in investment decision making. Nagy and Obenberger (1994) mailed 500 copies of questionnaires to experienced shareholders and 137 usable responses (27.4%) were received. The 34 variables ranging from traditional sphere and others contemporary concerns proved to be factors potentially influencing equity investment decision. Frequency test was conducted to rank the variables according to their importance in investment decision. According to their study, classical wealth-maximization criteria (expected earning, diversification needs and minimizing risk) were found to be the most significant. Other criterion was considered significant by more than half of the respondents. In order to identify homogeneous group of variables, factor analysis was employed to determine any construct that represent investor concerns. A total of 34 variables was analysed using varimax algorithm of orthogonal rotation and 7 constructs were identified such as neutral information, accounting information, self-image/ firm-image coincidence, classic wealth maximization, social relevance, advocate recommendation and personal financial needs.

Neutral information

Neutral information refers to recent price movements, reputation of a firm, firm status in industry, past performance of firm's stock, expected dividend and others. Kutan and Aksoy (2003) examined the impact of inflation rate on nominal interest rates and stock returns in the Istanbul stock exchange by using the composite index from December 1986 to March 2001. The results found that public information played an important role in the stock market. In order to understand investors' investment strategies, one must understand the behaviour and response of investors in the stock market. Easley, Hvidkjaer and O'Hara (2010) examined the potential to earn profits on stock trading by using private information of a stock. The results indicated that buying in high private information stocks and selling in low private information stocks produced significant abnormal returns. However, not every investor would have access to all information as some of the information needed to be paid or were difficult to be obtained.

Rational investors were likely to obtain information regarding the market and studied stock market progressive as well as behaviour of other investors. Providing information to investors did not turn into a profit unless the information was understood. Besides, the timing and delivery of information about investment performance had a dramatic effect on how clients viewed their progresses (Hughes, 2008).

Accounting information

Accounting information ranges from financial and general press, annual reports to expected corporate earnings. Ku Nor Izah and Chandler (2005) examined the perceptions of usefulness of quarterly annual reports by 78 professional investors in 2001 in Malaysia. The results found that annual reports appeared to be more useful than corporate quarterly reports despite the quarterly reports being timely. Annual report was rated the third most important source of information by the professional investors. Annual reports and interviews with company officials were the most important sources of information in assessing the firm value (Gentry and Fernandez, 2008).

Merikas et al. (2008) examined economic factors influencing equity selection as well as individual investor behaviour in the Athens Stock Exchange by using a survey instrument. About 37.5% responses or 150 respondents were obtained from 400 questionnaire mailed to the investors of two major brokerage houses in Greece. The results showed that accounting information factor appeared to have highest significance of 2.55. It was followed by subjective or personal, neutral information, advocates' recommendations, and lastly personal financial needs. Expected corporate earnings of accounting information indicated the highest percentage in terms of factor influencing equity selection process while political party affiliation was the least factor.

Social relevance

Social relevance is an important factor affecting investors' investment behaviour. This factor encompasses environmental record, local and international operations, and attractiveness of non-stock investment. In other words, phenomenon happening surrounding us would indirectly influence on investors' behaviour. It is further supported by Bank of England (2004) which indicated that country vulnerabilities related to the types of shocks may determine whether a crisis would develop or not. Williams (2007) used surveys on 5170 investors across five countries, namely Australia, Canada, Germany, United

Kingdom,and United States to analyse determinants of socially responsible investments. The results showed that investors took company environmental and social behaviour into consideration in making investment choices. .Demographic characteristics and financial returns appeared less concerned by investors in making socially responsible investment choices.

Advocates' recommendations

Advocates' recommendations are furthered classified into: (i) recommendation from brokerage house, (ii) recommendation from individual stock broker, and (iii) recommendation from friends or co-workers. Diacon (2002) examined the risk perception of 123 individual investors who were non-financial experts and 41 financial experts in six organisations based on different parts in England. The results showed the different in risk perceptions of these two groups of respondents. The results further suggested to institute risk communication strategies which supply non-financial experts investors with the information to make them informed with independent judgements about financial risks. Thus, a partnership with two-way commendation needs to be formed between investors, product providers, and regulators.

Hoffmann, Eije, and Jager (2006) surveyed 786 investors from 2005 to 2006 on investors' needs and conforming behaviour in the Netherlands. The results showed that investors valued social interaction with other investors. They realized that their personal knowledge and experience were insufficient to make correct decisions, and thus tried to reduce the resulting feelings of uncertainty in decision making by deriving investment related information from knowledgeable others or observing the behaviour of other investors in their social network. Surrounding people have the tendency of influencing us in everything including investment decision. For instance, an advice from friends will inherently influence on our investment behaviour or even investment decision. However, investing based on the basis of "hot tips" from friends is not recommended because that is often third hand information. Instead, Laschinger (2006) advised that investors should do the homework and seek advice from investment professionals.

Brijlal (2007) mailed 2500 online investors in private firms and examined the profile and characteristics of individual investor on the Johannesburg Securities Exchange. About 343 responses were obtained. The results showed that investors presently seemed to be making more use of advice from stockbrokers compared to the investors in the 1980s. They perceived that stock brokerage house contained insider information or reliable information which able to generate above average returns. The results showed that about two quarter of the respondents used the advice of a stockbroker at some stage during the investment period when making investment decisions.

METHODOLOGY

A questionnaire survey was conducted through online and hardcopy distribution in the month of January and February of 2009. Two (2) types of sampling procedures applied in this study, namely, simple random sampling and snowball sampling. Simple random sampling was applied during the pilot test study in which each element had an equal chance of selection. In the pilot test, 30 MBA students were asked to fill out the survey and drew some comments on the survey's questions. Some amendments were made to the questionnaire before actual data collection was conducted.

In the actual data collection, snowball sampling procedure was employed to enhance the response rate. Snowball sampling procedures were used as the data collected were deemed to be personal and confidential and could hardly be obtained through any source. In reality, website or online survey is potentially accessible to the majority of any population (Nottinghamshire County Council, 2008). The main reason of selecting online survey is that it is reachable to all kinds of individual investors in the Malaysian stock market at anytime and anywhere. Hence, the respondents were not limited to a single geographical range as it was widely accessible through internet. The advantage of applying online survey method is the response rate is relatively higher as compared to hardcopy survey. Moreover, online survey is the easiest and cheapest tool to collect data from respondents. In this study, SurveyGizmo, an online survey tool was used to host and develop online questionnaire. Online survey was targeted on investors who were not accessible by researcher. Out of 199 usable questionnaires, 71 questionnaires were collected through online survey.

Hardcopy questionnaire survey was another method of collecting data from respondents. Questionnaires were distributed through personal friends and relatives to their respective colleagues who were investing in Malaysian stock market. A total of 250 questionnaires were printed and distributed to equity investors in Malaysian stock market. As the result, 159 questionnaires were collected and 128 questionnaires were usable for data analysis.

The questionnaire was created with the purpose of understanding investors' behaviour and analyses of the interaction between independent and dependent variables in which served the research objective. The questionnaire was divided into three (3) main sections. The first section began with the demographic information of respondents. It was followed by the independent variables, which contained seven (7) factors (press information, accounting information, self-image or firm-image coincidence, classical, social relevance, advocate recommendation and personal financial needs). Five-point scaling format was applied to evaluate respondent's perception. The scaling format ranged from totally unimportant (scale 1) to significantly important (scale 5). The last section measured the equity selection procedures of individual investors. The questions were adapted from Nagy and Obenberger (1994) mainly because this study covered a wide range of information and behavioural factors influencing equity selection process rather than just focusing limited or certain factors. In-depty insights would be able to gauge by using this similar approach.

Before entering the demographic information, respondents were asked on their previous experience in any share/ equity investment. It was followed by their planning to invest within a year. Both questions were rated as 'yes' and 'no'. The first section of the questionnaire consisted of questions on respondent's personal particulars. The purpose of collecting respondents' demographic information was to describe the characteristics of the sample size. The demographic information of the questionnaire contained of: (1) gender, (2) age, (3) marital status, (4) race, (5) education level, (6) length of experience in stock market, (7) proportion of investment or saving in equity market over monthly income, (8) type of funds primarily managed, (9) percentage of asset allocation (10) investment horizon for purchased share, (11) frequency of monitoring investment value, (12) investment knowledge, and (13) amount of

risk taken in past financial decision.

The statistical analysis employed included descriptive statistics, factor analysis, correlation analysis and multiple regression. Firstly, descriptive statistics were conducted to determine and explains the demographic variables and characteristics of respondents involved in the study. It was then followed by factor analysis as to identify similarities between tested variables and making interpretation result easier. In this stage, only four identical groups of factor were obtained (neutral information, accounting information, social relevance and advocate recommendation). Next, correlation analysis was conducted among the four variables and dependent variables (expected and actual return). Correlation analysis within the construct's item was able to support the construct validity. Lastly, regression analysis was used to examine significance relation between independent and dependent variables. The regression model is estimated as follows:

$$E(R) = a + b1NI + b2AI + b3SR + b4AR \quad (1)$$

$$R = a + b1NI + b2AI + b3SR + b4AR \quad (2)$$

Where:

E(R) = Expected Return, R = Actual Return, NI = Neutral Information, AI = Accounting Information and AR = Advocate Recommendation.

ANOVA test was conducted to test the relationship between the variables (neutral information, accounting information, social relevance and advocate recommendation) and age, marital status, race education, length of experience in stock market and proportion of investment/ saving in stock market. In addition, independent sample test were used to test the relationship between gender and the four variables.

RESULTS AND DISCUSSION

Table 1 reports on the respondents' characteristics with demographics of gender, age, marital status, race, and education level. The results indicated that total respondents were 199 where 59.8% were male and 40.2% were female. Out of 199 respondents, 47.2% were aged below 25 years old and 41.7% were aged between 26 to 35 years old. Most of the respondents aged less than 35 where it accounted for 88.9% of the total respondents. This indicated that most of the investors were young adults who were likely to participate in equity investment. In addition, majority of the respondents were single which made up 79.4%. In terms of race, Chinese constituted the biggest group with 75.4%, followed by Malay 13.1%, other races 6.5, and Indian 5%.

Table 2 showed that 48.2% or 96 respondents made share/ equity investment before while 51.8% or 103 respondents had not made any equity investment in the past. From the 103 respondents who did not make any equity investment, 68% respondents planned to do so within a year. A total of 85.9% of respondents had 5 years or less of experience in the stock market and this shows that most of the investors were newcomers or young investors. From the total respondents, 54.8% respondents invested or saved less than 5% of their monthly income in stock market. From the study, 28.1% respondents monitored the value of their investments daily. In terms of investment knowledge, about 40.7% respondents reported to have very little investment knowledge; the majority respondents consisted of 51.3% comprising some investment knowledge and understanding. Besides, about 58% respondents perceived that they were exposed to moderate to very high risk in the past financial decision.

Table 3 reports on the respondents' characteristics on the type of invested financial asset and asset allocation of their portfolio investment. From the table, saving/ fixed deposit appeared to be the most frequent type of invested financial assets in their asset allocations. It was then followed by equity, mutual fund, real estate, bond, and commodity. These results indicated that Malaysian investors were more likely to manage their investments in safety assets where their primary investments were in saving/fixed deposit form.

From Table 4, the Eigenvalues for all the constructs (neutral information, accounting information, social relevance and advocate recommendation) were greater than 1. In addition, the percentage of variation was explained in the range from 4% to 45%. The KMO values of the factors were greater than 0.6 and the Barlett's Test of Sphericity is large (Chi-Square = 3950.317). Variables with factor loading less than 0.5 loading were removed. We used factor analysis with principal component analysis and varimax rotation method.

Table 5 reports on factor analysis which resulted in four (4) constructs which differed from pilot testing (7 constructs). These four (4) constructs were neutral information (10 items), accounting information (8 items), social relevance (4 items), and advocate recommendation (3 items). The finding differed from Nagy and Obenberger (1994) where they found seven variables and Merikas et al. (2008) where they found five variables in their study.

The utmost important variable that influenced investors' decisions were expected stock market performance with the mean value of 4.0402, followed by firm status in industry (mean = 4.0352), past performance of firm's stock (mean = 4.0201), reputation of firm (mean = 4.0), and expected dividends (mean = 3.9598). Conversely, the least important variable that influenced investors' decisions were friends/ co-worker recommendation (mean = 3.3819), followed by brokerage house recommendation (mean = 3.4523), environmental record (mean = 3.4724), individual stock broker recommendation (mean = 3.4824), and coverage in general press (mean = 3.4874).

This finding is consistent with Kutan and Aksoy (2003) where they believed that information played an important role in stock market. Accounting information was reported to be the second most significant factor in influencing equity selection (mean = 3.718; standard deviation = 0.754). This supported Simple studies (2007) statement where accounting information provided information for decision-making.

As for social relevance, it was the third significant factor in influencing equity selection process (mean = 3.621;

Table 1. Respondents' characteristics (gender, age, marital status, race, and education level).

Demographic	Frequency	Percentage
Gender		
Male	119	59.8
Female	80	40.2
Total	199	100
Age (years old)		
Below 25	94	47.2
26-35	83	41.7
36-45	10	5
46-55	10	5
Above 56	2	1
Total	199	100
Marital status		
Single	158	79.4
Married	39	19.6
Widow	1	0.5
Divorced/ Separated	1	0.5
Total	199	100
Race		
Malay	26	13.1
Chinese	150	75.4
Indian	10	5
Others	13	6.5
Total	199	100
Education level		
PMR/SRP/SPM/STPM	37	18.6
Diploma/Advanced diploma	42	21.1
Bachelor degree	76	38.2
Master degree	35	17.6
PhD degree	3	1.5
Professional degree	5	2.5
Other qualifications	1	0.5
Total	199	100

standard deviation = 0.779). This result supported the study by Bodie, Kane, and Marcus (2003) where they interpreted that foreign stock market or social relevance factor had an impact on local stock market. Lastly, the next important factor influencing equity selection process of individual investors was advocates' recommendations with mean value of 3.439 and standard deviation of 0.808. This finding is consistent with Ku Nor Izah and Chandler (2005) and Brijlal (2007) where they found that individual investors' decisions worldwide were greatly influenced by the opinion held by professional investors.

As for dependent variable, expected return, it was considered as a significant factor for individual investors in their equity selection process where the mean value (3.256) was moderate and standard deviation value (1.428) which the dispersion was widely distributed. Moreover, the mean value for actual return was 3.085 and standard deviation 1.1513 which was widely distributed.

From Panel A of Table 6, it showed that the items for neutral information had a positive relationship between other items. The highest correlation was between firm status in industry and reputation of firm where the r = 0.785 and lowest correlation was between expected dividend and recent price movement (r = 0.411). The correlations between all the items were significant at

Table 2. Respondents' Characteristics (equity investment, experience in stock market, proportion of investment in stock market (monthly), investment horizon, monitor investment value, investment knowledge, and risk taken)

Demographic	Frequency	Percentage
Have you make any share/ equity investment before?		
Yes	96	48.2
No	103	51.8
Total	199	100
If no, do you plan to invest within a year?		
Yes	70	68.0
No	33	32.0
Total	103	100
Experience in stock market		
5 years or less	171	85.9
5.01-10 years	17	8.5
10.01-15 years	5	2.5
15.01-20 years	5	2.5
Above 20 years	1	0.5
Total	199	100
Proportion of investment in stock market (monthly)		
Less than 5%	109	54.8
5-10%	53	26.6
11-15%	15	7.5
16-20%	8	4.0
More than 20%	14	7.0
Total	199	100
Investment horizon		
T ≤7 days	42	21.1
7 days ≤ T ≤ 1 month	35	17.6
1 month ≤ T ≤ 3 month	26	13.1
3 month ≤ T ≤ 6 month	12	6.0
6 month ≤ T ≤ 1 year	21	10.6
T> 1 year	63	31.7
Total	199	100
Monitor investment value		
Daily	56	28.1
Weekly	42	21.1
Monthly	37	18.6
Quarterly	15	7.5
Yearly	10	5.0
Never Monitor	39	19.6
Total	199	100
Investment knowledge		
Very little knowledge	81	40.7
Some investment knowledge and understanding	102	51.3
Experienced private investor with good investment knowledge	12	6.0
Business Investor	2	1.0
Professional Investor	2	1.0
Total	199	100

Table 2. Contd.

Risk taken with past investment decision		
Very High	17	8.5
High	23	11.6
Moderate	75	37.7
Low	34	17.1
Very Low	50	25.1
Total	199	100

Table 3. Types of invested financial assets.

Demographic	Frequency
Primarily manage investment	
Saving/Fixed deposit	167
Equity	70
Bond	19
Mutual fund	61
Real estate (property)	36
Commodity (palm oil, gold, etc.)	19

The respondent is allowed to tick more than one for types of invested assets.

Table 4. Factor analysis on constructs.

Construct	Eigenvalue	% of variation explained	KMO	BTS	Sig.
Neutral Information	13.709	45.698	0.938	3950.317	0.000
Accounting Information	1.685	5.617			
Social Relevance	1.558	5.192			
Advocate Recommendation	1.253	4.177			

0.01. Hence, the items within neutral information was said to have construct validity. In Panel B, the highest correlation was between data in annual reports and condition of financial statements (r = 0.758) and lowest correlation was between use of valuation equations and coverage in general press (r = 0.385). As in Panel C (Table 6), all the items were positively correlated among itself and the correlation was significant at 0.01 level. The greatest correlation was between international operations and local operations where the r- value is 0.771 and lowest correlation was between attractiveness of non-stock investment and environmental record (r = 0.428). As in Panel D (Table 6), it was reported that all the items were positively associated with other items and the result is significant at 0.01 level. The greatest correlation was between individual stock broker recommendation and brokerage house recommendation (r = 0.704) and lowest correlation was between friends/ co-worker recommendation and brokerage house recommendation (r = 0.501).

According to Table 7, neutral information, social relevance and advocates' recommendations factors were found to be positively correlated with expected return (r = 0.099). However, the relationships between both variables were reported of as little association and not significant (p > 0.05). For accounting information, it was found to have negative correlation to expected return but not significant.

As in Table 8, there was a positive relationship between neutral information and actual return where r = 0.004 but the result proved to be insignificant in predicting actual return (p > 0.05). There was a positive relation between accounting information, social relevance and advocates' recommendations with actual return (r = 0.006, r = 0.036, r = 0.015). However, all the results were proven to be insignificant in predicting actual return (p > 0.05).

Hypotheses

H_1: There is a relationship between neutral information, accounting information, social relevance and advocate

Table 5. Validity, reliability, mean and standard deviation: factors influencing equity selection process of individual investors.

Item	Factor loading	Cronbach's alpha	Mean	Standard deviation
Neutral information				
Recent Price Movements	0.673		3.749*	1.009
Reputation of Firm	0.609		4.000*	0.921
Firm Status in Industry	0.676		4.035*	0.873
Past Performance of Firm's Stock	0.689		4.020*	0.953
Expected Dividends	0.599	0.915	3.960*	1.049
Affordable Share Price	0.540		3.889*	0.925
Expected Stock Market Performance	0.528		4.040*	0.958
Competing Financial Needs	0.590		3.754*	0.951
Time Before Fund are Needed	0.574		3.749*	0.903
Past Performance of Investor's Stock Portfolio	0.679		3.809*	0.945
			3.901	0.715
Accounting information				
Coverage in Financial Press	0.682		3.749*	0.988
Coverage in General Press	0.602		3.487*	0.968
Information from Investment Advisory Service	0.636		3.653*	1.057
Condition of Financial Statements	0.626	0.903	3.920*	1.012
Data in Annual Reports	0.592		3.759*	0.976
Prospectuses	0.698		3.573*	0.912
Use of Valuation Equations	0.632		3.699*	0.910
Expected Corporate Earnings	0.679		3.905*	0.983
			3.718	0.754
Social relevance				
Environmental Record	0.580		3.473*	0.952
Local Operations	0.718	0.826	3.668*	0.964
International Operations	0.650		3.759*	1.006
Attractiveness of Non-Stock Investment	0.540		3.583*	0.922
			3.621	0.779
Advocates' recommendations			3.439	0.808
Brokerage House Recommendation	0.721	0.804	3.452*	0.936
Individual Stock Broker Recommendation	0.790		3.483*	0.947
Friends/ Co-workers Recommendation	0.692		3.382*	0.977

The mean of expected and actual return are 3.256 and 3.085, respectively.

recommendation and expected return

As for social relevance and advocates' recommendations, the result is insignificantly related to expected return (p value = 0.210, p value = 0.978) where p-value is greater than 0.10. These findings do not fully support Piotroski and Roulstone (2004) as stock return synchronicity was positively associated with analyst forecasting activities. Both neutral information and accounting information are significant in predicting expected return; the results are shown in Table 9.

H_{2a}: There is a significant difference between construct (neutral information, accounting information, social relevance, and advocate recommendation) and gender of the respondent.

Table 10 indicates a significant difference in social relevance factor between male and female investors. As for the other factors, there is no difference between male and female investors. Since there is a significant different of social relevance in term of gender of the respondent, thus, hypothesis 2 is supported. Other demographic factors such as age, race, marital status, education showed no relationship with the four constructs in the foregoing

H_{2b}: There is a significant difference between construct (neutral information, accounting information, social

Table 6. Correlation matrix among Items in constructs (neutral information, accounting information, social relevance and advocate recommendation).

Panel A: Neutral information	Recent price movement	Reputation of firm	Firm status in industry	Past performance of firm's stock	Expected dividend	Affordable share price	Expected stock market performance	Competing financial needs	Time before funds are needed	Past performance of investor's stock portfolio
Recent price movement	1									
Reputation of Firm	0.473**	1								
Firm status in industry	0.515**	0.785**	1							
Past performance of firm's stock	0.541**	0.541**	0.606**	1						
Expected dividend	0.411**	0.518**	0.498**	0.466**	1					
Affordable share price	0.398**	0.492**	0.555**	0.501**	0.620**	1				
Expected stock market performance	0.528**	0.527**	0.615**	0.596**	0.444**	0.489**	1			
Competing financial needs	0.451**	0.473**	0.552**	0.440**	0.446**	0.480**	0.527**	1		
Time before funds are needed	0.429**	0.425**	0.518**	0.452**	0.427**	0.420**	0.508**	0.740**	1	
Past performance of investor's stock portfolio	0.501**	0.551**	0.633**	0.554**	0.492**	0.478**	0.600**	0.633**	0.618**	1

Panel B: Accounting information	Coverage in financial press	Coverage in general press	Information from investment advisory service	Condition of financial statements	Data in annual reports	Prospectuses	Use of valuation equations	Expected corporate earnings
Coverage in financial press	1							
Coverage in general press	0.735**	1						
Information from Investment advisory service	0.603**	0.507**	1					
Condition of financial statements	0.555**	0.478**	0.484**	1				
Data in annual reports	0.518**	0.403**	0.497**	0.758**	1			
Prospectuses	0.525**	0.471**	0.522**	0.587**	0.565**	1		
Use of valuation equations	0.477**	0.385**	0.458**	0.561**	0.606**	0.532**	1	
Expected corporate earnings	0.521**	0.437**	0.586**	0.597**	0.571**	0.552**	0.583**	1

Panel C: Social relevance	Environmental record	Local operations	International operations	Attractiveness of non-stock investment
Environmental record	1			
Local operations	0.551**	1		
International operations	0.483**	0.771**	1	
Attractiveness of non-stock investment	0.438**	0.491**	0.506**	1

Table 6. Contd.

Panel D: Advocate recommendation	Brokerage house recommendation	Individual stock broker recommendation	Friends/ Co-workers recommendation
Brokerage house recommendation	1		
Individual stock broker recommendation	0.704**	1	
Friends/ Co-workers recommendation	0.501**	0.531**	1

** Correlation is significant at the 0.01 level (2 tailed).

Table 7. Correlation coefficient of independent variables and dependent variable (expected return).

Variable	Neutral information	Accounting information	Social relevance	Advocate recommendation
Neutral Information	1			
Accounting Information	0.757**	1		
Social Relevance	0.674**	0.660**	1	
Advocate Recommendation	0.544**	0.539**	0.581**	1
Expected Return	0.099	-0.016	0.100	0.051

** Correlation is significant at the 0.01 level (2-tailed).

Table 8. Correlation Coefficient of Independent Variables and Dependent Variable (Actual Return).

Variable	Neutral information	Accounting information	Social relevance	Advocates recommendations
Neutral Information	1			
Accounting Information	0.757**	1		
Social Relevance	0.674**	0.660**	1	
Advocate Recommendation	0.544**	0.539**	0.581**	1
Actual Return	0.004	0.006	0.036	0.015

**Correlation is significant at the 0.01 level (2-tailed).

relevance, and advocates' recommendations) and stock market experience of the respondent

From Table 11, the ANOVA p-value of neutral information ($p = 0.155$, $p > 0.10$), social relevance ($p = 0.152$, $p > 0.10$), and advocates' recommendations ($p = 0.851$, $p > 0.10$). All of these three constructs' (neutral information, social relevance and advocates' recommendations) ANOVA p-value are greater than 0.10, hence, it is concluded that there is no significant difference between constructs (neutral information, social relevance, and advocates' recommendations) in term of stock market experience.

The ANOVA p-value for accounting information ($p = 0.033$, $P < 0.10$) indicates that there is at least one pair of stock market experience differs significantly in term of accounting information factor. Unfortunately, post hoc tests are not performed for accounting information because at least one group has fewer than two cases.

Table 9. Regression results of independent variables on expected return.

Expected return	Beta	t-value	Sig.	Result
(Constant)	2.595	4.403	0.000	
Neutral information	0.409	1.759	0.080	Accept H_{1a}
Accounting information	-0.491	-2.264	0.025	Accept H_{1a}
Social relevance	0.242	1.259	0.210	Reject H_{1a}
Advocate recommendation	0.004	0.028	0.978	Reject H_{1a}

$R = 0.194$; $R^2 = 0.038$; Sig. = 0.112 > 0.10

Table 10. Group statistics and independent samples test of gender.

Construct	Gender	N	Mean	Standard deviation	T-test for equality of means (Sig.)
Neutral Information	Male	119	3.8908	0.681	0.815
	Female	80	3.915	0.766	
Accounting Information	Male	119	3.718	0.746	0.991
	Female	80	3.717	0.770	
Social relevance	Male	119	3.523	0.791	0.031
	Female	80	3.766	0.742	
Advocate recommendation	Male	119	3.381	0.785	0.218
	Female	80	3.525	0.838	

Table 11. Group statistics and ANOVA test of stock market experience.

Construct	Length of experience (Years)	N	Mean	Std. Dev.	ANOVA (Sig.)
Neutral information	≤5	171	3.8532	0.7301	0.155
	5.01 - 10	17	4.2235	0.2437	
	10.01 - 15	5	3.8800	1.2091	
	15.01 - 20	5	4.3800	0.2588	
	>20	1	4.2000	.	
	Total	199	3.9005	0.7145	
Accounting information	≤5	171	3.6827	0.7431	0.033
	5.01 - 10	17	4.0735	0.6847	
	10.01 - 15	5	3.6000	0.8900	
	15.01 - 20	5	4.1500	0.7093	
	>20	1	2.1250	.	
	Total	199	3.7180	0.7537	
Social Relevance	≤5	171	3.5980	0.7837	0.152
	5.01 - 10	17	3.8088	0.7631	
	10.01 - 15	5	3.7000	0.6471	
	15.01 - 20	5	4.0000	0.4330	
	>20	1	2.0000	.	
	Total	199	3.6206	0.7792	
Advocates' recommendations	≤5	171	3.4366	0.7715	0.851
	5.01 - 10	17	3.3333	1.1902	
	10.01 - 15	5	3.5333	0.7674	
	15.01 - 20	5	3.8000	0.7303	
	>20	1	3.3333	.	
	Total	199	3.4389	0.8079	

Conclusion

Overall, the results show that not all of the proposed factors appear to influence Malaysian investors in their investment decisions. Both neutral and accounting information indicate strong associations with expected return. The results reveal that neutral information is significant positively correlated while accounting information is negatively correlated with expected return. No significant relationship is found between these four factors and actual return.

In addition, gender factor provides differences in term of social relevance factor in equity selection process. Female investors have a higher significance in utilising social relevance factors compared to male investors in their investment decision.

In terms of stock market experience, there is a significant difference between stock market experiences of the respondents in using accounting information to assist their investment decisions. It is found that investors with stock market experience of 5 to 10 years and 15 to 20 years are highly utilising accounting information in assisting their investment decisions. Moreover, it is reported that investors with more than 20 years of stock market experience are less likely to utilise accounting information in their investment decision. Future research is suggested to incorporate psychological variables as well as investment techniques such as fundamental analysis, technical trading rules to further illustrate investor's investment decision. Research could also be done on these behavioral and information factors across countries.

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