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Analysis of Investors Behaviour and RiskPerception in Investment

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Abstract: This research examines the investment behaviour and risk perception of individual investors in Malaysia, highlighting its importance in the current economic climate. Given the economic uncertainties and market volatility, understanding investor behaviour and risk perception is crucial for effective investment policies. The study aims to identify and understand these aspects through data collected via a questionnaire covering demographic information, investor behaviour, and risk perception. The study found that education level significantly influences investor behaviour, suggesting that individuals with higher education levels tend to exhibit different investment behaviours compared to those with lower education levels. However, education level does not appear to impact risk perception. On the other hand, income level significantly affects risk perception, indicating that individuals with higher income levels perceive investment risks differently. Interestingly, income level does not have a significant impact on overall investment behaviour. Additionally, age does not seem to influence either investor behaviour or risk perception. The study suggests that financial literacy and educational backgrounds play a crucial role in shaping investment decisions. It also recommends future research to explore the impact of cultural attitudes and regional differences in Malaysia on investment behaviour and risk perception.

Keywords: Investment, Risk Perception, Investor Behaviour

1. Introduction

In the face of economic challenges, many people are seeking additional sources of income, with investment being a viable option. Investing, as defined by Cagan M. (1964), is about growing your money and shaping the future. However, cognitive biases like overconfidence can lead to poor investment decisions. Investor behaviour significantly impacts market dynamics, where rational decisions contribute to market efficiency, while irrational behaviour can cause instability.

Understanding investor behaviour is crucial for predicting market trends and developing strategies to mitigate risks and capitalize on opportunities. Behavioural finance highlights the role of psychological factors in investment decisions, often deviating from purely logical economic theories. Despite the ease of investing through technology, many lack sufficient knowledge.

In Malaysia, where the economy is in crisis, investment is seen as a solution to financial challenges. The performance of Malaysian investments has been improving annually. This study emphasizes the importance of understanding the relationship between investor behaviour and risk perception to develop effective investment strategies. Comprehensive analyses integrating psychological biases, demographic characteristics, and market conditions are needed. The findings will help individual investors make better decisions and assist financial advisors in understanding investor behaviour and risk perception. To attain this goal, the following objectives have been set.

i. To compare the investor behaviour and risk perception among age groups and education levels.
ii. To determine where there is a significant difference in investor behaviour and risk perception with different income levels.

2. Methodology

The research utilized a quantitative approach to gather data and apply statistical techniques. Additionally, graphs and scatter plots were used to illustrate the relationships between variables, enhancing the study with design concepts and terminology. Data collection was conducted through a survey, distributing questionnaires to 60 respondents. Various statistical techniques and analyses were then applied to the collected data. The questionnaire was specifically created for the investors in Malaysia as the research focuses on the investors' behaviour and risk perception of the investment.

According to Deepa, K. (2019), research design is the framework of methodologies and techniques chosen to solve the research problem. This research thesis is built upon a quantitative research approach, which is designed to collect and analyse data and compare it with hypotheses to fulfil the research objectives.

The questionnaire is divided into three parts. Part 1 is the respondent's background or demographic questions. Part 2 relates to the behaviour of investors in investing, and part 3 relates to investors' risk perception of investments. Various methods, such as the Kolmogorov-Smirnov Goodness of Fit test and the Shapiro-Wilk test using software like SPSS can be used to test normality.

Data analysis is the process of applying statistical and logical techniques to evaluate thedata systematically. According to Creswell, J.W. (2014), Analyzing data involves transforming unstructured information into useful information that can address research issues and help to conclude. Once the data have been collected from the respondents, unstructured data is transformed into useful information. For this research, SPSS software version 27.0 is used to analyse the data.

According to Bluman, A.G. (2009), analysis of variance (ANOVA) is a statistical tool usedto uncover significant differences between the means of three or more groups. ANOVA is more suitable because it can identify the variance among the groups. Two-way ANOVA was used in this study to identify how the behaviour of the investors and the risk perception of the investment. This method is particularly useful in research where comparisons across multiple groups are necessary. The ANOVA method, it allows researchers to test for differences in means without increasing the type I error rate that would occur if multiple t-tests were conducted. Further, ANOVA can partition the overall variance observed in the data into variance between groups andvariance within groups, providing insights into the sources of variability. By using ANOVA, researchers can assess whether the observed differences among group means are statistically significant, encouraging stronger and more reliable outcomes in their research.

3. Analysis and Result.

3.1 Research Objective 1: To compare the investor behaviour and risk perceptionamong age groups and education levels.

Analysis of variance is used in this section to find out whether there are significant differences within age groups. The hypothesis is given by:

1. H_1: There is a significant difference between the investor behaviour and risk perception among the age group.
2. H_2: There is a significant difference between the investor behaviour and risk perception at different education level.

Table 3.1: ANOVA table for the age group

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
SCORE_IB	Between Groups	131.365	5	26.273	1.014	.419
	Within Groups	1399.485	54	25.916		
	Total	1530.850	59			
SCORE_RP	Between Groups	182.082	5	36.416	2.030	.089
	Within Groups	968.501	54	17.935		
	Total	1150.583	59			

Variables	**Investor Behaviour**	**Risk perception**
Sigma	0.419	0.089

Table 3.1 shows that the p-value 0.419 for investor behaviour and 0.089 for risk perception,which is greater than alpha (0.05), then the null hypothesis is not rejected. Hence, the result shows that there is no significant difference in investor behaviour and risk perception across age groups. In other words, age does not appear to influence variations in investor behaviour or risk perception. Consequently, the data suggest that age is not a significant factor affecting how investors behave or perceive risk in the study.

3.2 Research Objective 2: To determine where there is a significant difference in investor behaviour and risk perception with different income levels.

Analysis of variance is used in this section to find out whether there are significant differences among different incomes. The hypothesis is given by:

1. H_3: There is a significant difference in investor behaviour and risk perception with different income levels.

Table 3.2: ANOVA table for income levels

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
SCORE_IB	Between Groups	93.597	3	31.199	1.216	.313
	Within Groups	1437.253	56	25.665		
	Total	1530.850	59			
SCORE_RP	Between Groups	197.882	3	65.961	3.877	.014
	Within Groups	952.701	56	17.013		
	Total	1150.583	59			

Variables	**Investor Behaviour**	**Risk perception**
Sigma	0.313	0.014

Table 3.2 shows that the p-value 0.313 for investor behaviour which is greater than alpha (0.05), hence fail to reject null hypothesis and 0.014 for risk perception which is less than alpha (0.05), then the reject null hypothesis. Hence, the result shows that there is significance difference between the risk perception among income levels but there is no significance difference between investor behaviour among income levels. This states that income level is a significant factor influencing how investors perceive risk, but it does not significantly impact their overall investment behaviour.

4. Conclusion and Recommendations

As conclusion, the first objective is to compare the investor behaviour and risk perception among age groups and education levels. The analysis indicates that age does not significantly influence investor behaviour and risk perception which is proved by p-values greater than the alpha level of 0.05. Conversely, education level plays a significant role in shaping investor behaviour, with a p-value of 0.019 suggesting an impact while risk perception remains unaffected by education level, with a p-value of 0.746. Overall, while investor behaviour is influenced by educational background, risk perception is not significantly altered by either age or education.

For second objective, the analysis indicates that income level has a significant impact on how investors perceive risk, as evidenced by p-value of 0.014 forrisk perception that is lower the alpha level of 0.05. This suggests that variations in income levelsdo influence risk perception among investors. However, investor behaviour with p-value of 0.313, does not show a significant difference across income levels as it is greater than the alpha level (0.05). Therefore, while income level affects risk perception, it does not significantly alter overall investor behaviour. In summary, income level is a critical factor in shaping risk perceptions but does not substantially influence the general investment behaviour of individuals.

The conclusions drawn from the analysis and findings include the following suggestions that might be applied to further research:

1. The research considers that education level significantly affects investor behaviour and theresearcher needs to investigate how different levels of financial literacy and educational backgrounds influence investment strategies and decisions.

2. The researcher considering the observed preferences for unit trust funds in Malaysia, futurestudies could examine how cultural attitudes and regional differences influence investment behaviour and risk perception. Comparative studies across different countries or regions could offer a broader perspective on these influences.

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