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Factors Influencing Individual Investors' Behavior: An Empirical Study of Pakistan Financial Markets

Shafeeq Ahmad*

Department of Management Sciences, Institute of Management Sciences Peshawar, Pakistan

Abstract

Purpose: The purpose of this study is to determine the factors that influence individual investor behavior in the Pakistani financial markets.

Design/methodology/approach: Cronbach's Alpha, Chi square test, Descriptive statistic and Frequency distribution have been used to find the extent of influence of these 30 variables on the investor's behavior of Pakistan financial market.

Findings: The most influencing factors in terms of order are expected corporate earnings, dividends paid, stock marketability, condition of financial statements, expected dividends, current economic indicators, past performance of the firm stock, broker recommendations, firm status in industry and get rich quick. The least influencing factors by order are religious reasons, political party affiliation, environmental record, perceived ethics of the firm and family member opinions. Two factors are such that they unexpectedly have least influence on the Pakistani investor's behavior that is religious reasons and family member opinions. One factor that is broker recommendation is unexpectedly highly influence Pakistani investors behavior in making their investment decision.

Practical implications: Pakistan is a developing country and due to the volatile nature of market most of the time investors rely on these factors which have been observed in this study. The results of this research are mostly consistent with the evidences in previous studies. This study, hopefully, will help investors to be aware of the impact of these factors in their decision making in the stock market, thus increasing the rationality of investment decisions for enhanced market efficiency.

Originality/value: Behavioral finance is relatively a new subject in Pakistan. The study examines the factors influencing individual investor's behavior in Pakistan's financial market. The paper is based on a modified questionnaire administered to 102 investors and their response was measured for five groups of thirty variables. The groups are accounting information, firm image/self-image coincidence, neutral information, advocate recommendations and personal financial needs.

Introduction

Research in behavioral finance is comparatively new. In behavioral finance it is believed that information system and the features associated with market contributors systematically impact individual's investment decisions and also market outcomes. Seweel states that the influence of psychology on the behavior of financial practitioners and the subsequent influence on markets is called behavioral finance [1]. Behavioral finance assists and describes the reasons why and how markets might be inefficient. According to behavioral finance, investor market behavior derives from psychological guidelines of making decisions to describe why people purchase or sell the stocks. Behavioral finance concentrates on how investors understand and address information for making investment decisions. Furthermore the behavioral finance focuses on investor behavior leading to different market concerns.

Shefrin [2] finds that in traditional financial concepts, investors are assumed to be much more concerned about wealth maximization, following basic financial guidelines and making financial strategies purely on the risk return analysis. On the other hand in practice the degree of risk investors are willing to undertake is not really the same and relies largely on their personal perceptions toward risk. A good understanding of behavioral processes and outcomes is significant for financial planners simply because an understanding of how investors normally react to market movements should assist investment analysts

in creating proper resource allocation approaches for their clients. Furthermore individual investors like to evaluate organizations on the basis of their reputation. In recent analyses, corporation status is investigated as a determinant in the formation of risk and return anticipations. Investors usually tend to assume that effective investment opportunities come from good corporations, that is from organizations with a great reputational status.

Tavakoli et al. [3] state that conventional financial theories have normally captured two important assumptions to choose different stocks by financial decision makers. In the first place, investors make rational decisions through following basic financial principles base on their investment approaches and risk-return consideration and next they are unbiased in their estimations about upcoming earnings of the stock. However the nature of investor's decisions is not exactly the same

*Corresponding author: Shafeeq Ahmad, Department of Management Sciences, Institute of Management Sciences Peshawar, Pakistan, Tel: +92919217452; E-mail: shafeeqahmad@mail.com

and relies largely on their personal perceptions to several characters of the stocks. Studies in behavioral finance has rapidly expanded during the current years and given facts that investors financial decisions relies significantly on internal and external behavioral elements. Recognition of the impacting elements on investor's behavior can be useful for various policyholders so that it would impact company's future plans and practices from company's point of view. Furthermore it can impact the necessary regulations and the additional operations required in order to meet investor's desires as well as provide more help to market effectiveness.

Literature Review

Al-Tamimi [4] studies factors that influencing on the UAE investor behavior in Dubai Financial Market and Abu Dhabi Securities Market by using a set of 34 questions. He has divided the questions in five groups. Six elements have been discovered the most influencing elements whereas more than fifty percent of overall participants consider these kinds of elements as the most influencing elements on their behavior. The most influencing element was by arrangement regarding significance are expected corporate income, get rich fast, stock marketability, previous performance associated with the firm's stock, governing administration holdings, the development of the structured financial marketplace. Five elements have been identified to have the very least influencing elements where less than 10% of overall participants consider these elements as the minimum influencing elements on their behavior. The least influencing element was by order regarding significance are anticipated losses in other local investments, decreasing risk, anticipated losses inside foreign financial marketplaces, family member viewpoints as well as gut feeling for the overall economy.

Tun-Pin and Ming-Ming [5] study the individual investor behavior in Malaysian stock markets. The study investigated two main classes (neutral and accounting information) which include many factors. The outcome shows that neutral information is considerable positively related while accounting information is negatively related to anticipated return. Female investors have a higher significance in employing social relevance elements compared to male investors in their investment decision. With regards to stock market experience, there is a substantial distinction between stock market experiences of the participants in using accounting information to assist their investment decisions. It is observed that investors with stock market experience of 5 to 10 years and 15 to 20 years are highly employing accounting information in supporting their investment decisions. Moreover, it is described that investors with more than 20 years of stock market experience are less likely to employ accounting information in their investment decision.

Merikas et al. [6] follow a modified set of questions to investigate elements having an influence on Greek investor behavior on the Athens Stock Exchange. The outcomes show that individuals base their stock purchase selections on economic conditions combined with different other factors. They do not depend on just one integrated approach, instead on many categories of factors. The outcomes also states that there is a specific level of correlation regarding the elements that behavioral finance theory and former empirical proof determine as the influencing elements for the average equity investor and the individual behavior associated with dynamic investors in the Athens Stock Exchange (ASE) influenced by the total trends prevailing during the time of the survey in the ASE. This investigation analyzed the elements that seem to exercise the greatest effect on the individual stock investor and incorporated not only the elements researched by prior research and produced by current behavior financial theories but also presented

further elements produced via personal interviews which have been observed to influence the stockholders investment selections in Greece.

Obenberger and Nagy [7] analyze elements having an influence on investor behavior. They formulated a list of questions to investigate the elements having an influence on individual investor behavior. Their studies indicated that classical wealth-maximization criteria are very important to investors even though investors use different criteria when choosing stocks. Contemporary concerns like regional or global operations, environmental track record and the firm's moral posture seem to be given only basic consideration. The recommendations of brokerage house, individual stock brokers, and family members and fellow workers go typically unheeded. Several individual investors discounted the advantages of valuation models when analyzing stocks.

Akhtar et al. [8] find that majority of individual investors indicate solid preference for cash dividend. Outcomes also show that most of individual investors take important portion of their dividend income and also few investors reinvest their dividend income. Investigation of various dividend theories explains that majority of shareholders have solid preference for cash dividend. In case the corporation does not have sufficient cash to pay cash dividend, investors still have solid desire to get stock dividend. They also indicate powerful desire for cash or stock dividend even if corporation has to give dividend by borrowing cash.

Chandra and Kumar [9] investigate Indian individual investor behavior in stock market. The results reveal some psychological axes such as conservatism and under confidence which are consistent with the prior literature to some extent but there are some contrary behavioral axes reported by the multivariate analysis such as prudence and precautious attitude and informational asymmetry which are not yet considered in prior literature in growing economies, particularly in Indian context.

Kadiyala [10] study the investor response to corporate event announcements. They determined that investors seem to under react to previous information and facts as well as to information and facts provided by the event leading towards the diverse patterns: returning continuations and also return reveals both documented in long-horizon return. They determined no assistance for the overreaction hypothesis.

Hodge [11] examines investors' perceptions of earnings quality, auditor independence, and the efficiency of audited financial information. He figured lower perceptions of earnings quality are connected with greater reliability on a firm's audited financial arguments and essential evaluation of those arguments when making investment decisions.

Krishnan [12] finds the elements having an influence on the choices of investor who use analysts' recommendations to reach a short-term selection to carry or to sell a stock. The outcomes point out that a solid way of the analyst summary recommendation report, i.e., one along with further details supporting the analyst's situation further minimizes the disposition error for profits and also minimizes the disposition error for losses.

Epstein [13] studies the demand for social information by individual investors. The outcomes suggest the efficiency of yearly reports to corporate investors. The outcomes also show a strong demand for facts about product safety and quality, and about the company's environmental activities.

Barnea et al. [14] study two essential financial decisions that the majority of individual investors in developed countries experience. First the decision to invest in the stock market and then selection

of asset allocation. The outcome shows that an individual's genetic composition is a crucial determinant of the individuals' investment behavior. While more facts show that nature is an important determinant of an individual's investment behavior. Furthermore they point out that the non-shared environment tends to be considerably more significant than the shared environment in describing the cross-sectional difference in investment behaviors. The family environment does have vital effects on the investment behavior of young individuals but this influence is not long-lasting because individual gains personal experiences as time passes.

Maditinos et al. [15] find that the majority of Greek investors depend heavily on fundamental and technical analysis and less on portfolio analysis. Surprisingly the combined use of both fundamental and technical analyses is reasonably popular among all user categories. There are variations across time horizons however using fundamental analysis being viewed as the most significant method in the long-term but technical analysis being important in the short-term. Portfolio analysis brings in a greater reputation in the long-term however ranks in last placement. These results are pretty reasonable and don't diverge from theory and former investigation results.

Zhu [16] investigate individual investors' tendency towards regional organizations in their local equity investment. Different measurements indicate that individual investors show considerable bias towards organizations that are near to their houses. Investors having foreign securities show substantially weakened regional tendency than those not having foreign securities. Furthermore the result indicates that international home tendency and local home tendency are related. Results in this research demonstrate that investor behavior differs considerably across investor classes which inspire future analysis on the influence of investor patrons about asset rates.

Owen and Yejun [17] find the relationship between socially responsible investing and individual investor behavior. The evidence shows that demographic features along with non-financial motives play a significant part as investors decide whether or not to take into account socially responsible investing products. Particularly, the results declare that female investors those who actively take part in religious groups and those who take into account the societal impact of their purchases as consumers are more likely to consider the societal components of the companies they invest in. Thus the result shows that social responsibility of an organization have a positively effects on individual investors behavior.

Tavakoli et al. [3] investigates small investor's behavior to acquire stock in the Kuala-Lumpur stock market. They divided the factors in 13 main classes for stock selection empirically determined by using the literature evidence. Essential aspect get noticed by small investors via five sub-variables of profit and loss statement, balance sheet, corporate financial statement reports, cash flow statement, audit report statement and the economic variables are significantly less essential aspect is identified by one sub-variable which is market value added. In addition, the research explained by literature shows that the institution and individual investors take into account three variables of calculating the risk of stock, government policies and economic variables as impacting aspects on stock choice but these three variables has been reducibly put on by small investors.

Gelos and Wei [18] study the relationship between transparency of a country and individual investor behavior. The result indicates that investor prefers to hold more assets in more transparent markets and that herding among funds is somewhat less prevalent in more transparent countries. Thus more transparent markets positively effects on investor behavior while less transparent markets negatively effects on investor behavior. The result also finds out assistance from the view that during the Asian and Russian crises the global investors tended to leave less transparent countries.

Research Methodology

The fundamental goal of the study is to examine the factors that influencing individual investor's behavior in the Pakistan financial market. For this purpose questionnaire method was used to receive responses from different investors. Two hundred questionnaires were distributed to investors in the two stock exchanges of Pakistan, namely Karachi stock exchange and Islamabad stock exchange. A response of 120 was received which became 60% of the total. Out of 120 responses 18 responses were incomplete, the inclusion of which add noise to the sample therefore they were excluded. The remaining 102 full responses were considered to be enough for the study.

Data Two types of data are used for the study, these are:

Primary data: Primary data are collected by conducting a modified questionnaire to 102 investors from the two stock exchanges of Pakistan i.e., Karachi stock exchange and Islamabad stock exchange. The primary data collected is the core element of the study.

Secondary data: Secondary data are collected from scholarly articles, journals, books and different websites like hubpages.com, kse.com and ise.com etc. The secondary data helped to understand the different facets of the subject and identify the key variables for the study.

The Questionnaire: This paper formulated a modified questionnaire to evaluate the behavior of the Pakistani investors. Saunders et al. [19] state that questionnaire is the chief data collection tool; it is significant that essential questions related to the study must be used to get the appropriate result. In order to extract the correct required information from the respondent, correct terminology must be used. The list of questions represent five different categories, namely self-image/firm-image coincidence, accounting information, neutral information, advocate recommendation and personal financial needs. Based on this questionnaire, the most significant item and the most significant category were determined. The developed questionnaire consists of thirty items where nine items correspond to self-image/firm-image coincidence category, seven items correspond to accounting information category, six items correspond to neutral information category, four items to advocate recommendation and four items to personal financial needs. Participants were asked to indicate their degree of agreement by marking only one of three choices for each of the 30 variables: "High Influence" for the variables which were significant in making their investment decisions, "Low Influence" for the variables of secondary importance in their decision making, and "No Influence" for the variables that were not at all significant in their investment decision process.

The factors were ranked according to how frequently they were placed in each response category and factor analysis was used to evaluate how they interacted with one another. More specifically, factor analysis was used to identify the resemblances among the variables and group them into identifiable categories.

Discussion of Results

Reliability of the measures

Reliability of the measures was assessed with the help of Cronbach's

alpha. Cronbach's alpha is considered the most popular way of measuring internal consistency (reliability). It is most frequently used if you have multiple Likert questions in a survey/questionnaire that form a scale and you desire to see whether the scale is reliable or not. Cronbach's alpha enables us to estimate the reliability of the various groups. It consists of estimates of how much dispersion in scores of various variables is attributable to chance or random errors. As a general principle a coefficient more than or equal to 0.5 is regarded acceptable and also a good sign of constructive reliability.

The Overall Cronbach's alpha for the five categories is (0.993). The Cronach's alpha for the five categories namely accounting information, self-image/firm-image coincidence, neutral information, advocate recommendation and personal financial needs is following. (0.970) for the group 1, (0.976) for the group 2, (0.962) for the group3, (0.928) for the group 4 and (0.937) for the group 5 respectively. Cronbach's alpha indicates that these categories are reliable.

Chi square test

Chi-square test is one of the simplest and most widely used statistical tests. More specifically the chi-square test statistic can be used to evaluate whether there is an association between two variables or not. Here the purpose of the chi square testis to determine association between all the variables under study (Tables 1-10).

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	68.440[a]	4	0

[a]The P value for these two variables is less then (.05) therefore we reject the null hypothesis which means that there is a strong association between these variables.

Table 1: Accounting information * Firm image/Self image coincidence.

Hypothesis test:

- Ho: There is no association between accounting information and firm image/self-image coincidence.

- H1: There is an association between accounting information and firm image/self-image coincidence.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	62.291[a]	4	0

[a]The P value for these two variables is less then (.05) therefore we reject the null hypothesis which means that there is a strong association between these variables.

Table 2: Accounting information * Neutral information.

Hypothesis Test:

- Ho: There is no association between accounting information and neutral information.

- H1: There is an association between accounting information and neutral information.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	57.152[a]	4	0

[a]The P value for these two variables is less then (.05) therefore we reject the null hypothesis which means that there is a strong association between these variables.

Table 3: Accounting information * Advocate recommendation.

Hypothesis Test:

- Ho: There is no association between accounting information and advocate recommendation.

- H1: There is an association between accounting information and advocate recommendation.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	60.547[a]	4	0

[a]The P value for these two variables is less then (.05) therefore we reject the null hypothesis which means that there is a strong association between these variables.

Table 4: Accounting information * Personal financial needs.

Hypothesis Test:

- Ho: There is no association between accounting information and personal financial needs.

- H1: There is an association between accounting information and personal financial needs.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	144.105[a]	4	0

[a]The P value for these two variables is less then (.05) therefore we reject the null hypothesis which means that there is a strong association between these variables.

Table 5: Firm image/Self image coincidence * Neutral information.

Hypothesis Test:

- Ho: There is no association between firm image/self-image coincidence and neutral information.

- H1: There is an association between firm image/self-image coincidence and neutral information.

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	129.616[a]	4	0

[a]The P value for these two variables is less then (.05) therefore we reject the null hypothesis which means that there is a strong association between these variables.

Table 6: Firm image/Self image coincidence * Advocate recommendation.

Hypothesis Test:

- Ho: There is no association between firm image/self-image coincidence and advocate recommendation.

- H1: There is an association between firm image/self-image coincidence and advocate recommendation.

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	141.671[a]	4	0

[a]The P value for these two variables is less then (.05) therefore we reject the null hypothesis which means that there is a strong association between these variables.

Table 7: Firm image/Self image coincidence * Personal financial needs.

Hypothesis Test:

- Ho: There is no association between firm image/self-image coincidence and personal financial needs.

- H1: There is an association between firm image/self-image coincidence and personal financial needs.

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	148.441[a]	4	0

[a]The P value for these two variables is less then (.05) therefore we reject the null hypothesis which means that there is a strong association between these variables.

Table 8: Neutral information * Advocate recommendation.

Hypothesis Test:

- Ho: There is no association between neutral information and advocate recommendation.

- H1: There is an association between neutral information and advocate recommendation.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	118.807[a]	4	0

[a]The P value for these two variables is less then (.05) therefore we reject the null hypothesis which means that there is a strong association between these variables.

Table 9: Neutral information * Personal financial needs.

Hypothesis Test:

- Ho: There is no association between neutral information and personal financial needs.

- H1: There is an association between neutral information and personal financial needs.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	163.531[a]	4	0

[a]The P value for these two variables is less then (.05) therefore we reject the null hypothesis which means that there is a strong association between these variables.

Table 10: Advocate recommendation * Personal financial needs.

Hypothesis Test:

- Ho: There is no association between advocate recommendation and personal financial needs.

- H1: There is an association between advocate recommendation and personal financial needs.

From the entire above hypothesis the P value is less then (.05) for all the variables. So it is concluded that there is significant association between all these variables (Table 10).

Results

This section includes the three tables and their analysis. The Table 11 shows mean and standard deviation for all the five groups namely accounting information, firm image/self-image, neutral information, advocate recommendation and personal financial needs. In Table 12 variables that seem to exercise the most influence on the behavior of Pakistani investors are analyzed. Table 12 rates the factors by frequencies with which participants viewed them to have significant influence on their investment decisions in the Pakistani financial market. The Table 13 shows the analysis of variables that seem to exercise the least influence on the behavior of Pakistani investors in making their investment decision. Table 13 rates the factors by frequencies with which participants viewed them to have least/no influence on their investment decisions in the Pakistan's financial market.

Mean and Standard deviation of all the five groups that influencing Pakistani investors behavior in situations where various population groups are adding to an overall average and you want to give more influence to one group or the other depending on a certain criteria. While standard deviation used for measuring variability to compute the spread of the data as well as the relationship of the mean to the remaining data. If the standard deviation closes to the mean representing that the variance is small. In that case the standard deviation will be small. On the other hand if the standard deviation far from the mean it means that there is a wide variance in the responses. In that case the standard deviation will be large. Here the result shows that all the 30 variables included in questionnaire are somehow affecting the decisions of Pakistani investors. The most importance group by order of impotence as firm image/self-image coincidence, neutral information, accounting information, personal financial needs and advocate information. The effect of each factor of the 30 factors will be analyzed in the following tables.

Frequency distribution of variables that significantly/highly influence on the behavior of Pakistani investors.

The Table 12 shows the data categorized according to all those variables that have the most influence on the Pakistani investor behavior. The first ten factors are those where more than 50% of the total respondent considered these factors are the most influencing factors on their investment decision. In the first ten factors which highly affect the Pakistani investors, six factors belong to accounting information. These factors are expected corporate earnings, dividends paid, stock marketability, condition of financial statements, expected dividends and past performance of the firm. All of these factors shows the relative importance of wealth maximization criteria and confirmed that wealth maximization is the most important criteria for investors.

1. Accounting Information	
1. Stock Marketability	
2. Expected corporate earnings	
3. Condition of financial statements	
4. Dividends paid	
5. Affordable share price	
6. Expected Dividends	
7. Past performance of the firm's stock	
Mean	9.84
Standard deviation	3.72
2. Firm Image/self-Image	
8. Religious Reasons	
9. Feelings for a firm's products and services	
10. Reputation of the firm's shareholders	
11. Get rich quick	
12. Firm status in industry	
13. Political party affiliation	
14. Perceived ethics of firm	
15. Gut feeling on the economy	
16. Increase of the firm's involvement in solving community problems	
Mean	16.94
Standard Deviation	5.83
3. Neutral Information	
17. Information obtained from the internet	
18. Fluctuation/developments in the stock index	
19. Coverage in the press	
20. Statements from politicians & governmental officials	
21. Current economic indicators	
22. Environmental record	
Mean	10.79
Standard Deviation	3.68
4. Advocate Recommendation	
23. Broker recommendation	
24. Family member opinions	
25. Friends and coworker recommendations	
26. Opinions of the firm's majority stockholders	
Mean	7.55
Standard deviation	2.33
5. Personal Financial Needs	
27. Attractiveness of non-stock investment	
28. Diversification needs	
29. Ease of obtaining borrowed funds	
30. Minimizing risk	
Mean	7.79
Standard deviation	2.35

Table 11: Mean and standard deviation.

Number	Item	Frequency	Percent
1.	Expected corporate earnings	78	76.47
2.	Dividends paid	74	72.54
3.	Stock Marketability	70	68.62
4.	Condition of financial statements	67	65.68
5.	Expected Dividends	65	63.72
6.	Current economic indicators	60	58.82
7.	Past performance of the firm's stock	57	55.88
8.	Broker recommendation	57	55.88
9.	Firm status in industry	54	52.94
10.	Get rich quick	52	50
11.	Affordable share price	49	48.03
12.	Reputation of the firm's shareholders	48	47.05
13.	Fluctuation/developments in the stock index	46	45.09
14.	Minimizing risk	45	44.11
15.	Feelings for a firm's products and services	41	40.19
16.	Gut feeling on the economy	39	38.23
17.	Information obtained from the internet	37	36.27
18.	Statements from politicians & governmental officials	35	34.31
19.	Coverage in the press	35	34.31
20.	Increase of the firm's involvement in solving community problems	30	29.41
21.	Opinions of the firm's majority stockholders	29	28.43
22.	Ease of obtaining borrowed funds	26	25.49
23.	Friend or co-worker recommendations	23	22.54
24.	Diversification needs	21	20.58
25.	Religious Reasons	20	19.60
26.	Political party affiliation	17	16.67
27.	Perceived ethics of firm	15	14.7
28.	Environmental record	12	11.76
29.	Family member opinions	12	11.76
30.	Attractiveness of non-stock investment	9	8.82

Table 12: Frequency distribution of variables that significantly/highly influence on the behavior of Pakistani investors.

Number	Item	Frequency	Percent
1.	Religious Reasons	40	39.21
2.	Political party affiliation	37	36.27
3.	Environmental record	34	33.33
4.	Perceived ethics of firm	33	32.35
5.	Family member opinions	31	30.39
6.	Increase of the firm's involvement in solving community problems	26	25.49
7.	Attractiveness of non-stock investment	26	25.49
8.	Feelings for a firm's products and services	23	22.54
9.	Ease of obtaining borrowed funds	22	21.56
10.	Diversification needs	21	20.58
11.	Coverage in the press	20	19.60
12.	Opinions of the firm's majority stockholders	19	18.62
13.	Friend or co-worker recommendations	17	16.67
14.	Statements from politicians & governmental officials	17	16.67
15.	Reputation of the firm's shareholders	15	14.7
16.	Gut feeling on the economy	14	13.72
17.	Information obtained from the internet	14	13.72
18.	Get rich quick	13	12.74
19.	Minimizing risk	11	10.78
20.	Fluctuation/developments in the stock index	10	9.8
21.	Affordable share price	10	9.8
22.	Broker recommendation	8	7.84
23.	Past performance of the firm's stock	7	6.86
24.	Current economic indicators	7	6.86
25.	Firm status in industry	6	5.88
26.	Dividends paid	5	4.9
27.	Stock Marketability	4	3.92
28.	Condition of financial statements	3	2.94
29.	Expected corporate earnings	3	2.94
30.	Expected Dividends	3	2.94

Table 13: Frequency distribution of variables' that least/no influence on the behavior of Pakistani investors.

All of these factors significantly affected the behavior of Pakistani investors. For example one of these factors is stock marketability in which investors are more interested. This would affect the policies that to be followed by companies listed in the three stock exchanges. In order to increase their stock marketability, these companies need to review frequently the relationship between the price and demand on their stocks. If the stock price is too high, this might make it difficult to sell and one of the policies can be adopted by companies to make it more marketable as a stock split.

Others four factors are current economic indicators, broker recommendation, firm status in industry and get rich quick. The first factor belongs to neutral information, the second to advocate recommendation and the third and fourth to firm image/ self-image respectively. Broker recommendation is a factor in these factors which highly effects on the Pakistani investor. The investors are given more weightage to the broker's advice than on family members and friends/ coworker advices. The reason is that the investors believe that broker have much more accurate information related to stock investment opportunities.

Some factors have unexpectedly least influence on the Pakistani investor's behavior. For example religious reasons factor in which 20 respondents or 19.6% of total response considers this factor as the most influencing factor on the behavior of Pakistani investors. Religious reasons factor was expected to be considered by a large number

of respondents as the most influencing factor on their investment decision. This is mainly because mostly the Pakistani investors don't like to invest their money in the conventional banks in order to avoid adding interest on their investment which is forbidden from an Islamic point of view. The other unexpected responses were those related to family member opinions, in which only12 respondents or about 11.7% of total responses consider this factor as the most influencing factor on the behavior of Pakistani investors.

Regarding the five groups of factors which influencing the behavior of Pakistani investors the most influencing factors belongs to accounting information group, namely expected corporate earnings, dividends paid, stock marketability, condition of financial statements, expected dividends and past performance of the firm's stock. The second group is firm image/self-image coincidence group in which important factors are get rich quick, firm status in industry, reputation of the firm shareholders and feelings for a firm products & services. The third group is neutral information group in which important factors are current economic indicators, fluctuation/development in the stock index and information obtained from the internet. The fourth group is advocate recommendation group in which important factors are broker recommendation and opinions of the firm majority shareholders. The fifth and last group is personal financial needs group in which minimizing risk is the important factor.

Frequency distribution of variables' that least/no influence on the behavior of Pakistani investors.

The Table 13 shows the data categorized according to all those variables that have the least influence on the Pakistani investor behavior. The first five factors are those where more than 30% of the total respondent considered these factors are the least influencing factors on their investment decision. These factors are religious reasons, political party affiliation, environmental record, perceived ethics of the firm and family member opinions. Out of these five factors the first, second and fourth factor belong to firm image/self-image group, the third one belongs to neutral information group while the fifth and last one belongs to advocate recommendation group. The first factor is religious reasons factor in which 40 respondents or 39.2% of total response consider this factor as the least influencing factor on the behavior of Pakistani investors. As already mentioned that this as an unexpected response received from investors. The second factor is political party affiliation factor in which 37 respondents or 36.27% of total response considers this factor as the least influencing factor on the behavior of Pakistani investors. This is also an unexpected response because in Pakistan many of the politicians have their own businesses and they have strong influence on the laws & regulations regarding to tax, borrowing and other related matters.

The next least influencing factor is environmental record. Unfortunately in Pakistan most of the investors ignore this factor in making their investment decision. In developed countries companies spend a lot of money to keep the environment safe and sound otherwise they will be enforced by law. In Pakistan most of the companies don't follow government regulation due to bad governance. The same situation is for the perceived ethics of the firm in which most of the investors are unaware of the importance of this factor. Another least influencing factor is family member's opinions in which 31 respondents or 30.4% of total response consider this factor as the least influencing factor on the behavior of Pakistani investors. Only 11.7% investors give weightage to their family member opinions in making their investment decisions because of education level and experience in the relevant field. Regarding the five groups of factors which least influencing the behavior of Pakistani investors, the first least influencing group is firm image/self-image, the second group is personal financial needs, the third group is neutral information, followed by advocate recommendation and the last group is accounting information.

Conclusion

In this study the factors which influencing the behavior of Pakistani investors was examined. The paper contains a modified questionnaire which included thirty questions. These thirty questions belong to five groups namely accounting information, firm image/self-image coincidence, neutral information, advocate recommendation and personal financial needs. Seven items belongs to the first group, nine items to the second group, six items to the third group, and four items each to fourth and fifth group respectively. Ten factors were founded to be the most influencing factors on the behavior of Pakistani investors in making their investment decisions. All of these ten factors were considered important by more than fifty percent of the total respondents. The most influencing factors in order of importance were expected corporate earnings, dividends paid, stock marketability, condition of financial statements, expected dividends, current economic indicators, past performance of the firm stock, broker recommendations, firm status in industry and get rich quick. On the other hand five factors were founded to be the least influencing factors on the behavior of Pakistani investors in making their investment decisions. The least influencing factors in order of importance were religious reasons,

political party affiliation, environmental record, perceived ethics of the firm and family member opinions. Two factors were founded to be unexpectedly least influence on the behavior of Pakistani investors namely the religious beliefs and family member opinions. While on the other side broker recommendations factor was found unexpectedly the most influencing on the behavior of Pakistani investors in making their investment decisions. Regarding the five groups of factors which influence the behavior of Pakistani investors, the most influencing factors were belongs to accounting information group, namely expected corporate earnings, dividends paid, stock marketability, condition of financial statements, expected dividends and past performance of the firm's stock. The second group was firm image/self-image coincidence group, in which important factors are get rich quick, firm status in industry, reputation of the firm shareholders and feelings for a firm products and services. The third group was neutral information group, in which important factors are current economic indicators, fluctuation/development in the stock index and information obtained from the internet. The fourth group was advocate recommendation group, in which important factors were broker recommendation and opinions of the firm majority shareholders. The fifth and last group was personal financial needs group, in which minimizing risk was the important factor.

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