The Stock Investor's Behavior in Thailand

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Abstract
Thailand has a proportion between current and potential investor is very small when comparing with other countries. The online investor now getting higher proportion as we can get the information from the television show program (the Money Channel) in Thailand. The interesting things is to know how behave they are, how to retain and getting more investors in the Stock Exchange of Thailand (SET). In this paper is investigating the current and potential investors' behavior, which is the current investors trade, their account by broker and sub-broker firm's services not online traders.

This paper aims to study the factors that affect current and potential investors' behavior, and then compare the difference between two groups of investors' behavior. The time period to collect data is from May to July 2014. This research is a quantitative research; questionnaires are collected from three places such as The Stock Exchange of Thailand (SET), Maybank Kim Eng Securities (Thailand) Plc., and University of the Thai Chamber of Commerce (UTCC).

The results found objective factor, information factor, market factor, company factor, and stock factor significantly affect current investors on their investment decision-making. They concern and pay more attention to all of the factors on their investment decisions. Whereas, information factor, company factor, and stock factor insignificantly affect potential investors' behavior, meaning that potential investor pay attention to only objective factor and company factor on their investment decision-making.

Keywords- investors' behavior, stock investor, Stock Exchange of Thailand

1. Introduction

There are many factors to grow one's own money and assets for Thai people the first two main choices are a money saving and an investment. There are a lot of knowledge and information available and easy to reach for beginners to learn how to invest such as the website, the library, and the Money channel television.

Most of previous studies is focused on current investors' behavior. There are a few of them focusing on potential (non-professional) investors' behavior (Heshmat, 2012).

Also, the previous studies in Thailand focused more on the current investors' behavior. Hence this study will focus on the current investors and potential investors' behavior and compare behavior in making investment decision in stocks in the Stock Exchange of Thailand (SET).

2. Literature review

Decision-making

In the investment situation, making decision for a better benefit and worth is very important. Word-of-month is very powerful sentences to investors who have to make a decision. Deshpande and Svetina (2011) studied the research in the United State of America on the topic of "Does local news matter to investor?" They tested the local news by analyzing the stock price an impact of earning a surprise with a financial analyst's forecast and the earning surprise is associated with announcement. These support that the "word-of-mouth" is the most powerful and it affects directly to a stock return. Therefore, the news or newspaper can affect the investors' decision making. On the other hand, Rumor is the most important thing that affects the investors' mind. Al-Tamini and Kally (2009) stated that sometimes, decision-making was wrong and needed to recover very fast. Evidence from Sykianakis and Bellas (2005), they studied the foreign direct investment decision-making process strategy, politics and uses of management accounting information. And found that "the dichotomy between strategy formulation and implementation is a false one" (Sykianakis and Bellas, 2005). The strategy was not the clear plan for managers. It was just the result of the small decision.

Hu and Wang (2013) used the trading record of Chinese investor from 2005- 2009, and they found three main important points. 1) the individual investor prefers to trade in small-cap to large-cap stocks in systematically correlated; 2) most of individual investors is a speculator and the individual sentiment can affect the return of small-cap and large-cap stocks; 3) an individual's sentiment cannot predict the stock return. This paper also supports the noise and can affect individual's decision making to trade stocks. Nowgugu (2005) noted that it has both multi-factor and multi-dimensional process. The decision-making needs the processing information and cannot explain clearly about the rigid quantitative model. However, some of knowledge and experiences were not enough to make a decision. Individual and institute investors, they had a big difference way in making a decision for investment. Maditinos *et al* (2007) studied the investors' behavior in Greece, Athen Stocks Exchange (ASE) by using a mixed method, a questionnaire and an interview. The target group was six different groups of investors, 1) the employees of ASE, 2) mutual funds management companies, 3) portfolio investment companies, 4) listed companies, 5) brokers and, 6) individual investors. The result found that the individual investors and professional investors have the big difference in making the decision in the stock investment. The individual investors prefer to rely on the newspapers/media and noise in the market, at the same time, the professional investors prefer to rely on fundamental and technical analysis.

Investors' behavior

People's thoughts are made up of images that include perceptual and symbolic representations (Ackert and Deaves, 2009). Behavior comes from a plagiarism others and always doing it as a manner. Merikas *et al* (2011) studied the individual investors' behavior in case of the Greek Stock Exchange and found both important and less important factors that affect the Greek investors. The important factors such as the expected company earning, the condition of financial, or the company status in industry, all of these would be high on the important list. On the other hand, the speculative way, the price movement, the affordable share price, state of politicians, and the politician affiliation. All of those are less important to the Greek investors. The expectation is related to the time period. As Adair *et al* (1994) researched in the topic "Investment Decision Making: A Behavioral Perspective". They found that the principles of advance investment in UK were the benefits of the long-term gain and the low level of long-term risk, but the percentage of the financial institution was low. Time period is not enough for the professional investors. There is evidence in large city areas in the UK region, the investment can utilize all of the capital with maximizing capital gain and income flows. In 1970, the economic environment was fluctuated and unpredicted. Investors only respect to the risk and expected the return. The most effective portfolio management was rational basis, (Adair *et al*, 1994).

The brain is controlled by emotion and we want to know how financial decision-maker knows how to control decision-making. Nuerofinance and nueroeconomics use nuerotechnology to examine how to behave while a person is making financial and economic decisions (Ackert and Deaves, 2009). According to this paper, "Human being are a bundle of complex systems and are influenced by various factors that impact their decision choices. Nuerofinance is a very young discipline" (Sahi, 2012). Most of previous paper in neurofinance field has focused on trading behavior. It will be more interesting if they focus on personal financial planning decision. Nowadays, the Neuroscientists have the new technology; there are tools or programs to analyze people that what is in their mind and they will decide to buy stocks or not (Sahi, 2012). And another evidence about increasing a motivation on investment, Aspara (2009) found that the word-of-mouth is influenced on the increase of motivation and the company brand loyalty. For investors' behavior in Taiwan to gain the portfolio assets, Chen and Lee (2011) studied the behavior of Taiwanese investors in the asset allocation. They focused on the account factor of the market environment, the investment volume, the rate of expected return, the risk tolerance and investment type and investigated the relationship between factors and investors' preferences and found that the most important factor for Taiwanese investors is the risk tolerance and the Taiwanese preferred to invest in stocks more than invest in mutual funds.

Pompian (2008) categorized four behavioral investors' types as shown below:
1)Passive Preservers, 2) Friendly Followers, 3) Independent Individualists, and 4)Active Accumulators

The table below will show the more detail in each type of the four behavioral investors' types

Table 1 Behavioral investor types

Behavioral investor type	Basic type	Risk tolerance level	Primary bias	Biases
Passive Preservers	Passive	Low	Emotional	Endowment, loss aversion, status quo, anchoring, mental accounting, regret
Friendly Followers	Passive	Low to medium	Cognitive	Ambiguity aversion, hindsight, framing, cognitive dissonance, recency
Independent Individualists	Active	Medium to high	Cognitive	Conservatism, availability, confirmation, representativeness, self-attribution
Active Accumulators	Active	High	Emotional	Overconfidence, self control, optimist, illusion of control

Source: (Pompian, 2008)

General Factor

Kuhn (2013) studied the age, retirement and establishment closure and found that employers or the huge shares of employees are touching the retirement age people who will retire in the near future about ten percent increasing in the future annual closure probabilities. The research focused on the retirement date of employees and company shares, the age of employer and employee can predict the establishment closure. The establishment with 60-70 years old employers has the annual closure probability higher than establishment with 46-50 years old for about 1.6 times.

There is a big different thinking between male and female when they make a decision on investment. This is the supported evidence the topic on "Team gender diversity and investment decision-making behavior" was studied by Bogan *et al* (2013). The paper found that male show higher probability the selection of the higher risk and can increase loss aversion than female. And Heshmat (2012) studied the female non-professional investors' behavior in Saudi Arabia the result was schoolgirls are willing to own stocks if they have a high level of financial education. One paper in UAE, Hassan Al-Tamimi (2009) studied about financial literacy effect investors' decision making on investment, the paper found that the female had a lower level of financial literacy then the male.

Objective Factor

Taiwanese investors preferred to invest in stocks not in other assets (Chen *et al*, 2011) this is because when considered the market environment and risk tolerance, stock is in a higher position and give a higher return than mutual funds and other asset. Chinese investors preferred to invest in small-cap stocks (Hu and Wang, 2013) as the same reason as Taiwanese, in the point of a high return. About a risk, the risk is an uncertain condition that cannot predict that it will gain or loss in the future. Bogan *et al* (2013) studied the male and the female risk taking; the result found that the male could carry higher risk than the female. Most of investors willing to own stocks because they all expected the lower risk with a higher return (Aspara and Tikkanen, 2010).

Information Factor

Overconfidence is the trend for people who overestimate their knowledge, abilities, and the accuracy of their information, or to be overly sanguine of the future and their ability to control (Ackert and Deaves, 2010). Wickham (2006) investigated the overconfidence in the new star-up success probability judgment. The results show that investors want to get a success and prefer to take more risk. The investor who is overconfident was effected changes in risk attitude not in probability weighting.

There are a lot of the related journals to support this study and all of them show different results to each other. A technical analysis is the most acceptable for investors in Poland. Prorokowsaki (2011) investigated the equity appraisal techniques from non-professional investors in Poland. The outcome was non-professionals rely and prefer to use Technical Analysis as a primary tool. Prorokowsaki (2011) stated "Technical analysis (TA) is the preferred tool utilized by non-professional investors in Poland. However, the current financial crisis caused the majority of Polish practitioners to adopt fundamental analysis which, in this case, is undertaken to support initial conclusions derived from TA. At this point, investees' financial statements coupled with analyses of the main macroeconomic indicators for CEESMs became the main source of decision-influencing information."

The Sustainability Balance Score Card (SBSC) can attack the US investors' attention as in this evidence. Alewine and Stone (2013) studied how accounting information affect attention and investment of investors in the USA. The results show that to achieve the environment objectives, the investors preferred to utilize four perspectives: Sustainability Balance Score Card (SBSC) than the traditional Balance Score Card (BSC). In Bahrain it also has the interesting in corporate financial statement to attack the investor to invest in the stocks, Al-Ajmi (2009) investigated "Investors' use of corporate report in Bahrain". The outcome was individual investors rely on the corporate financial statement because it is the most important information for investment decision-making. The investors also regarded to consensus, cash-flow statement, and income statement between two users group; corporate and broker for their investment decision-making.

Stock Broking Company is very powerful to investor decision-making. Anappindi and Manohar (2011) studied the qualifications that the stock broking company required in the volatility and high competition stock market in India. The results show that the stock broking company focused on the professionals of different cadre such as "dealers, research analysts, business development executives, operation executives, and executives associated with surveillance and risk management".

Analyst or financial advisor recommendations is very acceptable to individual investor. Yu (2011) studied analysis and corporate governance in emerging market. The result found that in emerging market, analyst needed to give the favorable recommendations or make more positive recommendations for a better-governed company. Sometimes in the market volatility situation, the analyst or financial advisor cannot predict anything from this volatility so guiding customers in the positive ways is the best way to do. “Predictors of preference for financial investment product using CART analysis” written by Sahi *et al* (2012), results found investor better understood psychographic variables than demographic and socio economic variables. Atkinson and Butcher (2003) studied trust in managerial relationships in UK and found that a scholar was well informed to incorporate understanding from the growing body of literature on politics and managerial works. The socially constructed phenomena were interpersonal relationship and trust.

The announcement is very sensitive to investors’ sentiment and emotion to control their own investment portfolio; Booth *et al* (2011) found that foreign investors have the faster reaction to the negative news than domestic investors. Also, foreign investors know the negative news first then they sell stocks immediately while domestic investors do the opposite. Foreign institutional investors were better information processors than domestic investors. Tan and Hooy (2004) found that this study did not provide a significant speculative gain for the short-term investment. The market responded more to positive news in order to merge announcement in the post-announcement period “could be due to the positive expectation and speculative moves by investors” (Tan and Hooy, 2004). The important thing to merge was expecting the bigger pool of assets.

Market Factor

“High risk, high return” is the most popular word to say in the current era. Adair *et al* (2006) noted that Central and Eastern European economics was constrained by inefficient resource allocation. The probability of high returns was a high risk because of the information deficiency. Brewer III (2010 found that the US current government bailout program to impose clearly condition to the banks, by diversifying the risk activities and minimize the institution’s size. In a short run, price of too-big-to-fail (TBTF) banks has benefit more than small banks after response to announcement. The government has provided the sustainable regulatory to financial institution. Moreover, Cheong *et al* (2011) found that finance industry has the high power to drove the market volatility. The real estate sector was a main source of this casual relationship. The real estate risk drove the financial industry volatility about 20 years and the real estate investment trust was the one that has the strongest unidirectional relationship with market volatiliy.

World stock market can be volatility and affect to the entire stock market member all over the world. Knif and Pynnonen (2007) noted that the considered markets were: North America, Asia pacific and Europe. They focused on thirteen countries, thirteen stock market which are USA, Canada, Japan, Hong Kong, Great Britain, French, Germany, Switzerland, Netherlands, Denmark, Sweden, Norway, and Finland. The results strongly support the findings that high volatility trends can increase correlations to market.

The more biasses, the worse we take. Sahi and Arora (2012) found investors combined biases that impacted to their financial behavior. Novice learners were new in the investment market and more convenient to communicate with financial advisor about their portfolio management and planning. Investors lack of knowledge about financial market and are not financially satisfied. They preferred to invest in insurance, equity, and mutual funds.

These is an evidence between stock market and oil price in oil market in India. Sahu *et al* (2014) found the price of crude oil had no significant causual effect on Indian stock market. Policy makers are interested in searching the stock marketìs determinants and how the stock market movement affects economic avtivities. The sense of the inter-relationship was useful to share to holders and brokers.

Company Factor

Talamo (2011) analyzed corporate governance rules. Talamo noted that “this result confirms the economic theory that fewer ownership restrictions, greater openness to foreign investors and efficient investor protection facilitate the access to foreign direct investment flows”. The corporate governance is used to describe the relationship between institutions and stakeholders.

Hoffmann and Fieseler (2012) found that the financial sense-making community was directed to a wide range of issues and corporate manners, beyond financial data. The investor relations need to provide information on corporate stakeholders relation and it effort in the relationship management. The investor relations need to guide and form the top management’s exposure to capital markets. Effective staff and quality of activities had the impact directly to the company image.

McLean and Blackie (2004) noted that customers placed a high value on the facets and companies placed more value on marketing facilities. Companies have to consider about the Internet communication’s capabilities and utilize the technology to facilitate the conversation across the cooperate border. They should meet customers both C2C and C2B to increase the company’s value. In return, they need to share the knowledge and crucial information to their customers. And the most important thing is that companies need to learn to communicate with their customers.

Gunasekaran and Ngai (2003) showed that factors that made companies succeed were customer’s satisfaction, repeat customers, and responsiveness to clients and customer’s requirement. There are eight key aspects for this case: 1) government supports on educating and training workers, 2) small logistic companies need to receive the technical support from their client companies; 3) employee empowerment is very essential to small logistic companies; 4) small logistic companies need to learn to respect customers; 5) companies should advice customers how to use the logistic information system in order to meet the maximize customer satisfaction and minimize logistic costs; 6) companies should develop the performance measures, metrics and costing system; 7) web-based information can help to decrease communication barriers and; 8) financial and non-financial should be considered when invest in IT projects.

Ivanov and Zaima (2011) found that employee stock ownership plan (ESOP) has a negative reputation because of bankruptcies. ESOP was not a miracle drug for a failing company. “robustness tests indicate the changes in the cost of equity capital and WACC are unique for the firm adopting the leveraged and non-leveraged ESOPs, particularly from firms which have experience in adopting non-leveraged common ESOP plans" (Ivanov and Zaima, 2011).

Stock Factor

A high level of financial educations was the most important for current and potential investors to make a decision on stock investment (Heshmat, 2012). In Poland, Prorokowski (2011) studied the individual investor strategies of trading during the financial crisis. The study showed that non-professional investor preferred to use technical analysis (TA) tools for their stock investment in emerging stock market in Poland during the period of financial crisis. The volatility of stock price, the earning per share, the price-earning ratio, the dividend payout ratio, and the return on investment all of these ratio were very important and sensitive to the investors' decision making to invest in stock (Heshmat, 2012).

3. Methodology

This research is a quantitative research using questionnaires to collect the raw data. Yamane (1973) formula is use to calculate the sample size. The formula

$$n = \frac{N}{1+Ne^2}$$

n= sample size

N= population

e= error (95% confidence level)

There are 400 questionnaires (Population= 986,630) for current investors and 399 questionnaires(Population= 1,685) for potential investors. Collecting data from investors who attend the financial seminar at SET and collecting data from investors who come to the trading room for trading stock at Maybank Kim Eng Securities (Thailand) Plc. these two places mentioned above is use to collecting the data from current investors. For the potential investors, collecting data is from UTCC both male and female and both full-time and part-time CEO MBA students. The time to collect is from May to July 2014. There are only one approach to collect the primary data. The questionnaire using Likert type 5-point scale in part two, from 1 to 5; 1 = "not important", 5 = "very important". And in part three, the Likert type 5-point scale from 1 to 5; 1= "definitely no", 5 = "definitely yes". Data Measurement and Analysis, using Multiple Regression Analysis (MRA) which is used to test the five factors including objective factor, information factor, market factor, company factor and stock factor affect current and potential investors' behavior and independent sample t-Test which is used to test the difference between two groups of investors' behavior.

4. Analysis of survey data

Table 2 Regression Coefficient of current investors' behavior

Regression Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.765	.189		14.657	.000
	Objective factor	-.500	.051	-.615	-9.779	.000
	Information factor	.243	.055	.190	4.445	.000
	Market factor	.210	.037	.243	5.667	.000
	Company factor	-.437	.084	-.597	-5.211	.000
	Stock factor	.885	.087	1.248	10.141	.000
a. Dependent Variable: current investors' behavior						

Table 2 The regression shows that objective factor, information factor, market factor, company factor, and stock factor significantly affect current investors' behavior on investment decisions at 0.05 significance level.

Table 3 Regression Coefficient of potential investors' behavior

Regression Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.532	.227		15.542	.000
	Object factor	-.432	.054	-.467	-8.021	.000
	Information factor	.092	.061	.086	1.525	.128
	Market factor	.236	.051	.267	4.590	.000
	Company factor	-.038	.053	-.042	-.719	.473
	Stock factor	-.011	.064	-.011	-.179	.858
a. Dependent Variable: Potential investors' behavior						

Table 3 The regression shows that objective factor and market factor significantly affect potential investors' behavior on investment decisions at 0.05 significance level. But information factor, company factor, and stock factor insignificantly affect potential investors' behavior.

Table 4 Independent sample t-Test results

Independent Samples Test						
		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Could you accept big losses? (Behavior #1)	Equal variances assumed	**19.150**	**.000**	**-17.414**	**797**	**.000**
	Equal variances not assumed			**-17.415**	**795.657**	**.000**

Do you always make a decision by your own? (Behavior #2)	Equal variances assumed	**63.309**	**.000**	**-22.129**	**797**	**.000**
	Equal variances not assumed			**-22.119**	**694.244**	**.000**
Do you use emotions/feelings to make a decision more than reasons? (Behavior #3)	Equal variances assumed	**40.043**	**.000**	**7.734**	**797**	**.000**
	Equal variances not assumed			**7.738**	**707.619**	**.000**
Do you have self-confidence when trading stocks? (Behavior #4)	Equal variances assumed	**59.330**	**.000**	**-30.874**	**797**	**.000**
	Equal variances not assumed			**-30.867**	**770.457**	**.000**

Referred to the result in table 4, The Sig. (2-Tailed) value is 0.00(p=0.00). This value is less than 0.05. Based on the result; it is concluded that there is a statistically significant difference between the mean number of current investors and potential investors' behavior. This means that current investors and potential investors have a difference behavior from each other in making their own investment decisions.

5. Conclusions

There are three objectives in this study, which are studying the factors that affect current investors' behavior, studying the factors that affect potential investors' behavior, and comparing the difference between current and potential investors' behavior. The methodologies used are MRA and t-Test. Questionnaires were distributed at SET, Maybank Kim Eng Securities (Thailand) Plc. and UTCC. The results found that the objective factor, the information factor, the market factor, the company factor, and the stock factor have a significant effect on current investors in making decisions. On the other hand, only the objective factor and the company factor have a significant effect on potential investors in making decisions. Based on the result of t-Test, these two groups of investors have a significant difference from each other on investment behavior.

6. Implication for business

There are two points of implication for business the details are as follows:

- Broker firms should recommend the blue-chip stock, which is high dividend yield to and low risk to all of investors regularly. Showing the prediction of stock price, EPS ratio, and P/E ratio (this ratio shown in the www.set.or.th, stock market website) through the multi-channel such as newspaper, magazines, annual report, and on the internet. This helps the current and potential investors have an ideas and easily making decision to buy and sell stocks in that period of time.

- Dividend income is affected both current and potential investors' behavior, as the result; to be more efficiency, the SET should develop and perform the good performances. The listed companies at SET should have good governance, transparent, which everyone can check up. Due to the good performances of the listed companies have directly effect to stock market performance. Hence, if the company does well, then the SET index will go well (positive direction) too. Receiving more dividend income for both short and long term investment also benefits the investors.

In summary, the stock market is the biggest place for raising funds in the country. For stock market section, both companies listed in stock market, and investors need to receive benefits in this market together. All of the implications for business of this study, there are two main points that help investors invest in the stock market and can reach a higher return from the good governance companies. Moreover, it can help the company raising funds from the stock market with the right way that is exactly attractive and interesting financial position to all investors, and help the stock market retain the liquidity as well. Besides it help find out new customers by getting more company that is listed in stock market (SET).

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Questionnaires

Direction: Please fill **(√)** how important to you in your decisions to investing or buying stocks in the boxes below.

Table 1 The scale equal as follows; 1= Not important, 2= Slightly important, 3= Somewhat important, 4= Important, 5= Very important.

Factors	**1** Not important	**2** Slightly important	**3** Somewhat important	**4** Important	**5** Very important
Objectives Factor:					
7) Short-term Capital Gain					
8) Long-term Capital Appreciation					
9) Dividend Income					
10) Minimizing risk					
Information Factors:					
11) Family/Relatives opinions					
12) Friends/Colleagues' recommendations					

13) Brokers/Financial Advisors' recommendations					
14) Newspaper/Magazines					
15) Financial statements/Annual reports					
16) Computer/Internet					
Market Factors:					
17) Stock Market Performance					
18) The performance of the other market (i.e. currency market, gold market, etc.)					
Company Factors:					
19) Size of the company					
20) Reputation of the company					
21) The company reliability					
22) Board of directors' experience					
Stock Factors:					
23) Volatility of stock price					
24) EPS					
25) P/E					
26) Dividend payout Ratio					
27) ROE					

Part 3 Investor's Behavior

Direction: Please fill (√) to your investment behaviors' type.

Table 2 The scale equal as follows; 1= Definitely No, 2= Probably No, 3= Neutral, 4= Probably Yes, 5= Definitely Yes.

Behavior	**1** Definitely No	**2** Probably No	**3** Neutral	**4** Probably Yes	**5** Definitely Yes
28) Could you accept big losses?					
29) Do you always make decision by your own?					
30) Do you use emotions/feelings to make decision more than reasons?					
31) Do you have self-confidence when trading stocks?					

End of questionnaire

Thank you for your assistance