

FACTORS INFLUENCING INVESTMENT DECISIONS OF INDIVIDUAL INVESTORS IN THE PESHAWAR INDUSTRIAL ZONE

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ABSTRACT

The Objective of the study is to examine the relationship between social factors, accounting information, firm image, neutral information, advocate recommendations and personal financial needs, and individual investor investment decisions in Peshawar industrial region. The data for the current research study is collected from 150 individual investors in Peshawar industrial zone. The data is analyzed through regression and correlation techniques to investigate the relationship between independent and dependent variables. The results of the study indicate that accounting information and firm image have a significant positive relationship with investor investment decisions however social factors, neutral information, advocates recommendations, and personal financial needs have an insignificant negative relationship with investor investment decisions in Peshawar industrial region. Pakistan investors will understand better the role of various social factors, accounting information, firm image, neutral information, advocates recommendations, and personal financial needs and their impacts on stock market performance and investor investment decisions. The results have various insights for internal and external stakeholders of the business, firm, or industry.

Keywords: *Social factors, Accounting information, Firm image, Neutral information Advocate recommendation, Personal financial needs, Investment decision.*

INTRODUCTION

Traditional finance assumes that market participants make rational decisions behavioral financiers argue that markets operate on investor psychology, and investors make decisions based on psychological perceptions like biases and overconfidence (Uslu Divanoğlu & BAĞCI, 2018). It's frequently used to assess firm information and expertise and to mitigate risk and its implications. To buy and sell shares in the market investors conduct assessments based on conscious and unconscious events in market information and this information helps in investment decisions. Behavior finance theory explains the rise and fall of financial information on individual investor

behavior; specifically, individuals buy small assets for their accounts (Shefrin & Statman, 2000). According to Nofsinger & Varma, (2013) researchers are still analyzing stock investors from the past regardless of how smart an investor. This research can also help with potential profit and loss evaluations. The form of the analysis reveals a lot about investor rationale. According to conventional financial theory, investors are always looking for new ways to improve their profits and concentrate on calculating risk-return using financial concepts and processes. In practice investors always employ security measures to mitigate risk which can vary depending on their actions. In the past researchers have concentrated on behavioral finance theory to construct a census that influences investor decision-making. Internal and external investor behavioral issues may also impact this decision (Baker & Nofsinger, 2002). Most investors are focused on producing profits to provide high-quality services and boost profits. They also adopt high-quality measures to buy shares and increase profits. It can also help with stock purchase practices. It can also improve stock buying strategies, in online marketing shareholders play an important role which can improve the management of companies or industries' overall performance (Zulqarnain Safdar et al., 2020). The objective of the study is to examine the relationship between social factors, accounting information, firm image, neutral information, advocate recommendations and personal financial needs, and individual investor investment decisions in Peshawar industrial region. As there is a lack of research on the relationship between social factors, accounting information, firm image, neutral information, advocate recommendations and personal financial needs, and individual investor investment decisions in Peshawar industrial region. Essentially the results of the current study will provide valuable insights to various practitioners to ascertain the significance of this research area in various dimensions of financial markets. After achieving the above objectives the study brings several theoretical and practical contributions to the study. Firstly the study has theoretical contributions to fortify the limitation of traditional financial theories to satisfy the demand of various shareholders in stock markets. Secondly, the study contributes to the limited literature on investors' investment profiles after the pandemic. Finally, the study has several implications in practical perspectives for the different industries of the country. A brief overview of the literature on social factors, accounting information, firm image, neutral information, advocate recommendations, and personal financial needs is presented in the following section followed by the research hypothesis. Next, we presented the specific methods used in the current study. We then describe the analysis and results, followed by a detailed explanation of the research findings. The last section highlights certain limitations of the current study and provides several recommendations for future analysis.

LITERATURE REVIEW

The basic criteria of behavioral finance literature to measure individual investor behavior that plays a substantial role in stock market investment decisions. To conduct consensus to assess all factors that influence investor behavior based on hypothesis and previous research methods findings to build a questionnaire for the proposed outcome using personal interviews and surveys (Zulqarnain Safdar et al., 2020). Hypothesis testing is a better way to analyze data. It is a comparison of previous studies and expertise. Quantitative research is linked to a deductive method that relies on quantitative data and statistical models. The inductive technique leads to the investigation of general knowledge induction from specific performances. The inductive method indicates that the hypothesis is developed on quantitative data (Bell et al., 2018). According to Al-Tamimi, (2006), the theory focuses on the behavior of individual investors in the markets which is driven by psychological factors that influence investor decisions in the market. The goal of behavioral finance theory research explains why it is plausible to conclude that markets are inefficient. They

also deal with theories and experiments relating to emotional decision-making (Singh, 2012). Agarwal et al., (2016) found that behavior finance theory explains economic behavior as a distinct discipline and psychological methods have a new scenario to explain investment decisions. Komalasari et al., (2021) investigated whether the mutual simulation principle is a meeting point for defining financial market herding. The majority of investors have made a typical blunder when making financial selections. Because a good moment for investors is when they may purchase and sell in financial markets it may be due to psychological pressure that exerts restraining them due to peer pressure. Some investors might be swayed by private investors recommended by a well-known analyst. These analysts may help people overcome behavioral barriers. However, when micro-level data isn't confirmed due to a lack of information a positive relationship between analyst revisions may be related to the modification of recommended information (Cushen, 2013). The behavioral finance theory provided a visible, methodological, and very human departure from the traditional mindset for financial information by giving a visible, methodological, and extremely human exit from the market's rationality on the standards model. Overconfidence can make it difficult for investors to make decisions. Human desire is also a barrier to investors archiving the output (Barber & Odean, 2002).

It is also evident that varied characters, personalities, participation, and other factors influence individual investors' investment decisions (Nguyen & Nguyen, 2020). Typically investors make money and then reinvest in the markets. To be successful investors in the stock market you must act intelligently. They might be able to overcome their rationality (Karanja & Bhatt, 2014). Whether it is an internet investment or a traditional investment technique decision-making for investment in any business is critical and knowledge of investments is required (Mehta et al., 2019). According to the expert, positive suggestions are crucial. It may aid in achieving the desired results as most small traders even associated analysts put pressure on each other to acquire stock. Factors influencing decisions through recommendations may be beneficial by employing expert opinions for short-term investment decisions in the stock market (Krishnan & Booker, 2002). Individual investors' value social knowledge could assess the value of annual reports to investors' shareholders. As a result, the majority of shareholders have polls of information on norms ethics, and values (Epstein & Freedman, 1994). Currency overlaps and exchange rates the bank's operation is dependent on its performance. Some banks are keeping a close eye on interest rate risk. As a result interest rate vulnerability is difficult to measure and manage. Obamuyi, (2013) investigated the key factors impacting investor decisions in the Nigerian capital market and how these factors are related to the investors' socio-economic characteristics. According to the survey, the historical performance of the firm's stock, dividend policy, and other aspects are the most important for rational investment decisions. According to Aregbeyen & Mbadiugha, (2011) the 10 most influential factors that affect investor investment decisions the most influential factors are motivation from persons who have achieved financial security through share investments. Pasewark & Riley, (2010) investigated the impact of several factors in an individual's investor investment decisions and find out that the most influential factor is wealth maximization which has a substantial effect on investor investment decisions in the stock market. Based on the above discussions the following hypothesis is formulated:

H1: Social factors have a positive relationship with individual investor investment decisions.

H2: Accounting information has a positive relationship with individual investor investment decisions.

- H3:** Firm Image has a positive relationship with individual investor investment decisions.
- H4:** Neutral Information has a positive relationship with individual investor investment decisions.
- H5:** Advocate recommendations have a positive relationship with individual investor investment decisions.
- H6:** Personal financial needs have a positive relationship with individual investor investment decisions.

Independent Variables

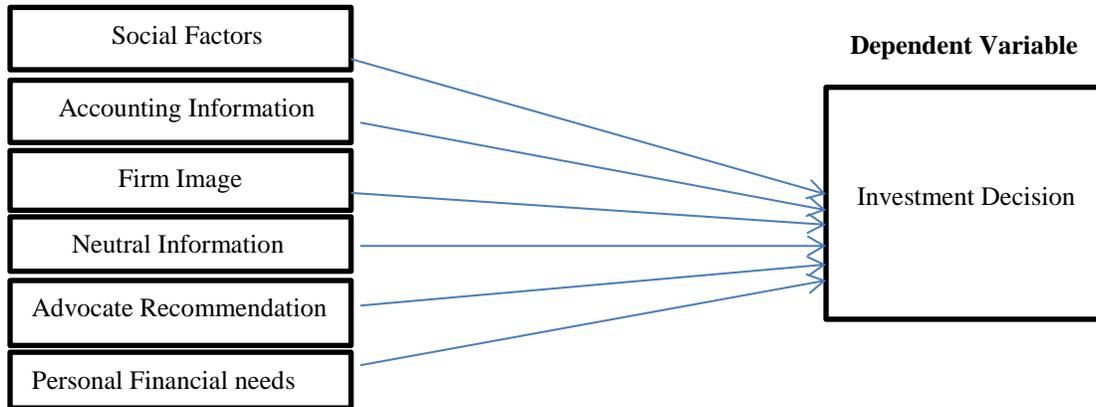


Figure1. Conceptual framework of the study

METHODOLOGY

Data

The study aims to investigate individual investors operating in Peshawar Hayatabad industrial zone. According to Sekaran & Bougie, (2016) the sample size of the study should be ten times greater than the respective variables of the study. The sample size of the study is 150 individual investors, however, due to the non-response rate total of 200 questionnaires are distributed among individual investors operating in Peshawar Hayatabad industrial zone. For data collection from the respective sample size, we used structured questionnaires. The questionnaire consists of 5 points on the Likert scale 5 points for strong agreement and 1 point for strong disagreement.

Table1 Data

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

The study is based on hypothesis testing. Hypothesis testing provides a better understanding of the relationship between variables (Sekaran & Bougie, 2016). This research investigates both causal and correlational approaches. The SPSS statistical technique is used to analyze the data. Descriptive statistical analyzes, reliability, regression, and correlation analyzes were performed. The multivariate inquiry will be used to illustrate the relationship between the control and response

variables. Correlation analysis will also be used to determine the degree of interaction between the variables.

RESULTS

Descriptive Analysis

Table 2 Descriptive Statistics

	N	Minimum	Maximum	Mean	Standard Deviation
Social factors	150	2.0	5.0	3.8800	1.26342
Accounting information	50	2.0	5.0	3.4200	1.03800
Self-image/ Firm image	150	2.0	5.0	2.9400	0.83730
Neutral Information	150	2.0	5.0	3.4200	1.03800
Advocate Recommend	150	2.0	5.0	3.5600	1.14973
Personal Financial Needs	150	2.0	5.0	4.2000	1.16435
Investment Decision	150	2.0	5.0	3.0067	0.83944
Valid N	150				

Table 1 shows the standard deviation value of the social factors, accounting information, firm image, neutral information, advocate recommendations, and personal financial needs are 1.26342, 1.03800, 0.83730, 1.03800, 1.14973, and 1.16435 and the mean values are 3.8800, 3.4200, 2.9400, 3.4200, 3.5600 and 4.2000 respectively. A standard deviation of 0.83944 and the average value of investment decisions are 3.0067.

Reliability Analysis

Table 3 shows that Cronbach's alpha for all the variables is above 0.7 indicating that all the variables used in the study are reliable and consistent with Nunnally's reliability endorsements. It also reveals that the tool used to calculate all the variables in the current study is accurate.

Table 3 Reliability Analysis

Variables	Reliability Statistics	
	Cronbach's Alpha	No of Items
Social factors	0.714	4
Accounting information	0.792	4
Self-image/ Firm image	0.803	4
Neutral Information	0.824	4
Advocate Recommend	0.704	4
Personal Financial Needs	0.774	4
Investment Decision	0.832	2

As seen from the Table 2 the values of Cronbach alpha are 0.714, 0.792, 0.803, 0.824, 0.704, 0.774 and 0.832.

Correlation Analysis

Table 4 Correlation Analysis

	SF	AI	SI	NI	AR	PF	ID
SF	1						
AI	0.192*	1					
SI	0.317**	0.516**	1				
NI	0.192*	1.000**	0.516**	1			
AR	0.102	0.926**	0.439**	0.926**	1		
PF	0.637**	0.402**	0.240**	0.402**	0.437**	1	
ID	0.349**	0.574**	0.908**	0.574**	0.525**	.294**	1

*Correlation is significant at 1% or 0.01%

* Correlation is significant at 5% or 0.05%

Table 3 shows that an investment decision is strongly correlated with SF, AI, SI, NI, AR, and PF. The relationship between independent and dependent variables is significant and positive. The values of the correlation coefficient for the dependent variables SF, AI, SI, NI, AR, and PF are 0.349, 0.574, 0.908, 0.574, 0.525, and 0.249 respectively. These values show a positive correlation with investment decisions and are statistically significant at the 1% level.

Regression Analysis

The relationships between control and response variables are calculated through Multivariate inquiry. It is the link between the summary of the model, ANOVA, and coefficients.

Table 5 Model Summary

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	0.922	0.850	0.845	0.33070

Predictors: (Constant), Independent Variables.

The multiple correlation coefficient 'R' between the dependent variable ID and the independent variables, SF, AI, SI, NI, AR, and PF is 0.922 which shows that the factors influencing the investment decision are over-responsive to the investment decision. The results show that 84.5% of the variation in the dependent variable is caused by all the independent variables.

Table 6 ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	89.245	5	17.849	163.207	.000 ^a
	Residual	15.748	144	0.109		
	Total	104.993	149			

Analysis of variance also called (ANOVA) test is applied to determine the overall significance of the model. The value of the F statistic is 163.2 and $P < 0.001$ means that the current model is statistically significant by 1%.

Table 7 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Standard Error	Beta		
(Constant)	.036	.129		0.278	.781
Social factors	.075	.032	.113	2.341	.021
Accounting information	0.465	.054	.574	8.538	.000
Self-image/ Firm image	.817	.040	.815	20.628	.000
Neutral Information	-.063	.076	-.078	0.834	.406
Advocate Recommend	.182	.070	.250	2.600	.010
Personal Financial Needs	-.037	.036	-0.51	-1.016	.311

Table 7 indicates the non-standardized coefficients; each unit increase of the social factors implies a variation of 0.075 units in the dependent variable (investment decision). However, except for NI and PF, all other variables have the same consequence. For NI and PF each unit of decrease in NI and PF brings a change in the dependent variable of -.063, and 037 units (investment decision). Each increase in the standard deviation in the social factors brings a variation of the standard deviation of 0.113 in the investment decision, since for the standardized coefficients all other variables have the same scenario, while for the standardized coefficients of NI and PF each increase in the standard deviation in NI and decrease in PF brings 0.834, -1.016 variation in standard deviation in the investment decision. The values of the coefficient AI, SI, and beta are positive at $P < 0.01$, which indicates that these variables have a positive and significant relationship with the investment decision. Although the beta coefficients SI, NI, AR, and PF are negative with $P \geq 0.01$ which indicates that these variables have a negative and insignificant relationship with the investment decision.

Discussions

The objective of the study is to examine the relationship between social factors, accounting information, firm image, neutral information, advocate recommendations and personal financial needs, and individual investor investment decisions in Peshawar industrial region. First, we investigate the relationship between social factors and individual investor investment decisions. The results of the study indicate that social factors have an insignificant relationship with individual investor investment decisions. Second, we investigate the relationship between accounting information and individual investor investment decision. The results of the study indicate that accounting information has a significant relationship with individual investor investment decisions. Third, we investigate the relationship between firm image and individual investor investment decisions. The results of the study indicate that firm image has a significant relationship with individual investor investment decisions. Fourth, we investigate the relationship between neutral information and individual investor investment decision. The results of the study indicate that neutral information has an insignificant relationship with individual investor investment decisions. Fifth, we investigate the relationship between the advocate's recommendations and individual investor investment decisions. The results of the study indicate that advocates' recommendations have an insignificant relationship with individual investor investment decisions. Finally, we investigate the relationship between personal financial needs and individual investor investment decisions. The results of the study indicate that personal financial needs have an insignificant relationship with individual investor investment decisions.

Conclusion

The results of the study indicate that accounting information and firm image have a significant positive relationship with investor investment decisions however social factors, neutral information, advocates recommendations, and personal financial needs have an insignificant negative relationship with investor investment decisions in Peshawar industrial region. Accounting information provides investors a baseline for evaluating and comparing the financial condition of security-issuing bodies. Financial accounting helps creditors in determining a firm's soundness, liquidity, and solvency. The firm image provides investors with the reputation and goodwill of the firm in the financial market. A positive firm image provides an investor positive signals to invest in firm or company securities in the stock market. The results indicate that accounting information and firm image have positive impacts on investor investment decisions. Social factors determine investors social contacts related to stock market investment decisions. Neutral information provides investors an opportunity to diversify their investments across different companies to minimize risk and maximize returns. The advocate recommendation also provides guidance and encourages investors to improve their investment decisions in the stock market. Personal financial needs are concerned with the individual future rate of return related to improving the standard of living and prospects but the results indicate that social factors, neutral information, advocate recommendation, and personal financial needs have negative impacts on investor investment decisions.

The limitations & direction for future research

The study has several limitations that should be addressed in future studies. First, the sample size of the study is relatively small in future studies large sample size will select to get more generalized results. Second, the study selected only Peshawar industrial region future studies should be directed to select other industrial zones of the country for more consistent and reliable outcomes.

Third, the study selected only Haripur industrial region future studies should be directed to select other sectors such as manufacturing and supply chain of the country for more reliable and applicable consequences. Fourth, the study revealed variables such are social factors, accounting information, self-image, neutral information, recommendations from advocates, and personal financial needs future studies should be considered more variables that have a significant relationship with investor investment decisions. Finally, future studies should analyze the cross-sectional analysis of two or more industries in different provinces of the country.

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