PROFILE OF INDIVIDUAL INVESTORS IN THE KELANG VALLEY AREA

Mansor Md. Isa*
Lim Ching Fong*

ABSTRACT

This paper reports the result of a lifestyle survey on demographic and investment characteristics on a sample of shareholders residing in the Kuala Lumpur and Petaling Jaya area. Shareholders in Malaysia can be described as male dominated and consist mainly of Chinese origin. The majority are aged between 25 and 45, and married (and have children). They are highly educated, engaged in the professional and managerial jobs, earning more than RM1,000 per month. They speculate actively in bull periods, going after short gains, but resort to fundamental analysis in bear periods, going for long term profits. On the whole, it seems that share investors in Malaysia are those in the middle or upper middle class in the society, with a respectable level of education, career and income. However, it is quite disturbing to find the majority of them are speculators in the market. This may not be consistent with the promotion of informed investment, which is a necessary condition for capital market efficiency.

1. INTRODUCTION

Little empirical research exist concerning individual investors and their investment behaviour in Malaysia, particularly those relating to attitudes, opinions and activities on investment decisions. This type of study is important because it tells us the type and quality of people making up our capital market. Are they speculative, short-term, hit-and-run, rumor driven investors, or reasonably educated personalities with substantial personal liquidity? Understanding investor behaviour is particularly useful to capital market regulators for more effective market promotion and supervision. This paper reports the result of a demographic and investment

---

* Dr. Mansor Md. Isa is an associate professor with the Faculty of Economics and Administration, University of Malaya, and Mr. Lim Chin Fong was an MBA student in the same Faculty.

characteristics survey on a sample of shareholders residing in the Kuala Lumpur and Petaling Jaya area. In addition, the study also describes the profile and investment characteristics of heavy versus light investors.

2. OTHER STUDIES

There are a number of studies conducted elsewhere on investor behaviour. Barnewell (1987) in his study on lifestyle characteristics classifies investors as belonging to either of two extremes: (1) active or (2) passive. Active investors are those possessing life style characteristics of risk takers, non-conformists, credit users with high self confidence. Generally this group's investment portfolio consists of 70% high risk assets and 30% low risk assets. Their occupations are such as small business owners, doctors-surgeons, dentists-surgeons, independent accountants and lawyers and entrepreneurs.

On the other hand, passive investors are those with characteristics just the opposite of the active investors. They are risk avoiders, conformist, non credit users and have low self confidence. Their portfolio typically consists of 70% low risk assets and 30% high risk assets. Occupational characteristics are the likes of corporate executives, doctors (non-surgeons), dentists (non-surgeons), and accountants and lawyers of large firms.

A study by Warren et. al (1990) on 600 households in southern metropolitan United States later verified these investors' traits. In addition, Warren et. al. also attempted to answer if lifestyle characteristics could be used to differentiate investors by the size and nature of their investment holdings. The survey finds that heavy investors (those with more than US$30,000 investment holdings) tended to reside in households with no children living at home or in households with children of 18 years of age and older. They or their spouses tended to be full time homemakers with household incomes exceeding US$50,000 a year and educated with one to three years of college or more.

Sharpe and Alexander (1990) reports a study conducted by the New York Stock Exchange (NYSE) in 1985 on approximately 47 million US individual shareholders. The survey finds that in 1985, about a quarter of U.S. adult population own shares. There is no particular age cluster of shareholders within the range 20 to 65 years old. The proportion of male and female investors is about equal. About 77 percent of shareholders have college or better education. About 42 percent of the investors are at least in the executive level of occupation. However,

a significant 27 percent are homemakers. About 50 percent of the investors earn a household income between US$25,000 to US$50,000.

In Australia, the AASE (1986) survey estimates about 7 percent of the population are share owners, with male to female ratio of about 6 to 1. About one third of the shareholders are over 55 years old. Only 37 percent are in executive or better professions. About 20 percent of graduates are share owners, and about 40 percent of the population earning A$40,000 per annum own shares.

Locally, in October 1986, the KLSE (1986) conducted a survey on the profile of Malaysian individuals who own shares in public listed companies. The results show that about 7 percent of the population are share owners, with male to female ratio of 3 to 1. Almost 50 percent of the share owners are above 55 years of age, with veteran share owners outnumbering first time investors by 4 to 1. About 80 percent of the shareholders had completed at least secondary education. The majority of the shareholders are clustered in major cities in the West Coast of Malaysia.

Osman (1988) conducted a study on investment behaviour of 477 Malaysian investors by interviewing them in the trading galleries of stockbroking companies. Ethnically, he finds that almost 70 percent of shareholders are Chinese, followed by Malays (24 percent) and Indians (7 percent). The majority of the respondents are in the working age category of less than 55 years of age, with more than half of the respondents in the 35-54 years category. About three quarters of the respondents earn less than RM3,000 per month, and two thirds of them earn less than RM2,000 per month. The findings also reveal that almost half of the respondents have at least college (diploma level) education. The majority of the shareholders began their investment with an amount less than RM10,000 mostly from own savings, and then increased it over time. Osman also finds that investors actually conduct their own information search and facts collection, and use several methods of analysis before making investment decisions.

3. METHODOLOGY

This survey was conducted on individuals residing in the Kelang Valley area, particularly in the Kuala Lumpur and Petaling Jaya areas. It comprises both male and female aged 21 and above and those who invest in securities of public listed companies traded on the Kuala Lumpur Stock Exchange (KLSE). They are sampled from a diverse cross section of sampling units

based on the investors' education level, ethnic groups, occupation, and income groups. In each of the sampling units, the sample elements are randomly selected adopting the convenience type of sampling. The survey instrument is an eight-page questionnaire designed to measure and collect, among other things, information on demographics and investment approaches of the respondent.

The survey was conducted over an eight week period in the beginning of 1992, with personal interviews and self administered drop-off method. The drop-off method was conducted by placing several copies of the questionnaire with several stock-broking companies. A key person in each of the stock broking company, normally a senior remisier, was requested to act as distributing and collecting agent.

4. SURVEY RESULTS

4.1 Sample Characteristics

A total of 192 usable questionnaires were collected and analysed. The general characteristics of the respondents are presented in Table 1. It is found that the male respondents outnumbered the female respondents by about 3 to 1. Racial breakdown shows about 75 percent of the respondents are Chinese while 19 percent are Malays, and Indians made up the remaining 6 percent. In terms of marital status, 65 percent of the respondents are married (of which, 20 percent have no children) while 33 percent are single. The average age is 40 years, with more than half of the respondents below 35 years of age. There is therefore a noticeable shift towards having younger investors in the KLSE, compared to earlier surveys of the KLSE (1986) and Osman (1988). This could be viewed as a healthy development, because younger investors are presumably more concerned with long-term investment performance than older investors.

The dominance of males in share ownership remains the same compared to the KLSE (1986) study. However, the ratio of male to female share owners of 3 to 1 is far lower than the Australian (1986) survey of 6 to 1, but greater than the NYSE survey of 1 to 1. This can be explained by the fact that on the average, men earn higher income than women and are more willing to take risk. A great majority (80 percent) of the respondents are individuals holding white collar jobs. Nearly 53 percent of the respondents are either professionals or working in a managerial/ administrative capacity, followed by about 27 percent in the supervisory type professions such as sales, marketing, teaching and technicians. About 63 percent of the respondents earn a monthly

income of at least RM3,000, 60 percent of whom earn less than RM2,000 a month. Compared to the findings of Osman (1988), this indicates a shift towards higher income among investors.

About 78 percent of the respondents have at least some tertiary education. Of these, two-thirds had either university or professional qualifications. In addition to the age and income factors mentioned above, the education of the investors has also improved significantly, compared to the earlier surveys. This is indeed a very encouraging note because education helps to promote informed investment in the local capital markets.

TABLE 1

GENERAL CHARACTERISTICS OF RESPONDENTS (N=192)

Characteristics of respondents	N	% of sample
Sex		
Male	139	72.8
Female	52	27.2
Race		
Malay	37	19.3
Chinese	144	75.0
Indian and others	11	5.7
Age		
Under 25	14	7.3
26 - 35	104	54.2
36 - 45	63	32.8
46 - 55	11	5.7
Marital Status		
Single	63	32.8
Married (no child)	25	13.0
Married (with children)	100	52.1
Divorced	4	2.1
Occupation		
Professional	55	28.8
Managerial/Executive	60	31.4
Supervisory	37	19.4
Own Business	12	6.3
Others	27	14.1

TABLE 1 (CONTINUATION)

GENERAL CHARACTERISTICS OF RESPONDENTS (N=192)

Monthly personal income

Less than RM1,000	8	4.2
RM1,000 - RM2,000	64	33.3
RM2,001 - RM3,000	49	25.5
RM3,001 - RM4,000	30	15.6
Above RM4,000	41	21.4

Educational level

Form 5 (O-level)	26	13.5
Form 6 (A-level)	16	8.3
Diploma/Certificate	50	26.0
University/Professional	80	41.7
Post Graduate	19	9.9
Others	1	0.5

4.2 Investment Characteristics

Although respondents are selected based on their involvement in trading publicly listed securities, many are also involved in other forms of investments, such as real estates (40 percent) and fixed deposits (35 percent). Table 2 shows the investment characteristics of the respondents. Part (a) of the table shows that share investment represents about 77 percent of the value of the respondents' portfolios. Only about 27 percent of the respondents own debt securities, and the majority of these have less than 25 percent debt component in their portfolios.

TABLE 2

INVESTMENT CHARACTERISTICS (N=192)

(a) Investment Proportion in Securities

Proportion(%)	Shares(%)	Debt Securities(%)	Unit Trusts(%)
0	3 (1.6)	140 (72.9)	149 (77.6)
1 - 25	15 (7.8)	31 (16.1)	20 (10.4)
26 - 50	14 (7.3)	17 (8.9)	10 (5.2)
51 - 75	16 (8.3)	1 (0.5)	1 (0.5)
76 - 100	147 (76.6)	3 (1.6)	12 (6.3)
	192 (100)	192 (100)	192 (100)

TABLE 2 (CONTINUATION)
INVESTMENT CHARACTERISTICS (N=192)

(b) Method of Analysis

Method	Bullish Market		Bearish Market	
	N	% of sample	N	% of sample
Speculation	140	72.9	63	32.8
Fundamental method	62	32.3	99	51.6
Technical method	30	15.6	49	25.5
Others	3	1.6	1	0.5

(c) Investment Objective

Objective	Bullish Market		Bearish Market	
	N	% of sample	N	% of sample
Short term gain	134	69.8	39	20.3
Long term gain	51	26.6	125	65.1
Dividend	16	8.3	33	17.2
Bonus/Rights Issue	27	14.1	14	7.3
Others	1	0.5	–	–

(d) Average Holding Periods

Holding Period	Bullish Market		Bearish Market	
	N	%	N	%
Daily	21	10.9	4	2.1
Weekly	56	29.2	14	7.3
Monthly	69	35.9	62	32.3
One Year	17	8.9	61	31.8
More than 1 year	27	14.1	50	26.0
Others	2	1.0	1	0.5
	192	100.0	192	100.0

TABLE 2 (CONTINUATION)

INVESTMENT CHARACTERISTICS (N=192)

(e) Average Number of Transaction Done in a Month

Times	Bullish Market		Bearish Market	
	N	%	N	%
0	12	6.2	29	15.1
1 - 3	78	40.6	123	64.1
4 - 9	59	30.7	31	16.1
10 - 15	23	12.0	6	3.1
More than 15	20	10.4	3	1.6
	192	100.0	192	100.0

Respondents are also asked on their sectoral preference in picking companies for investments. Their answers (not presented) reveal that the most preferred sector is Industrials, followed by Finance. A distant third most preferred sector is Properties, which is followed by Rubber and Hotel. The least preferred sectors are Trusts and Tins.

Respondents are then asked about their investment behaviour during bull and bear markets. During bull markets, it is found that "speculation" is rampant with 73 percent of the respondents saying they are involved in some form of speculative activity. "Speculation" includes trading based on tips, rumors or just random picking of stocks. About 32 percent of the respondents use fundamental analysis, while only 16 percent use technical analysis. Some investors use more than one method of analysis. The situation is somewhat different during bear markets when only 32 percent of the respondents speculate in the market. The majority of the respondents, about 52 percent, use fundamental analysis. The use of technical analysis also increases from 16 percent during a bull period to 26 percent during a bear period.

The method of analysis used in share investment in different market situations is found to be consistent with respondents' investment objectives. In the bull period, 70 percent of the respondents are after short-term gains. Also, during the period, about 77 percent have an average holding period of less than one month. These are presumably the speculators in the market. On the other hand, during a bear period, respondents' main objective is long-term gain (65

percent of respondents). It is also found that the role of dividend seems to be more significant in the bear period than in the bull period. Bear market holding periods are longer, ranging from one month to more than one year. Accordingly, it is also found that more trading is done during bull periods compared to bear periods.

4.3 Heavy Versus Light Investors

It is recognised that not all investors are involved with equal intensity in the market, in terms of time spent, wealth involved and quality of investment decisions. Some investors are more involved than others, in any or all of these respects. Hence, instead of differentiating heavy from light investors by the amount of investment as done by Warren (1990), we chose to include a question in the survey which asks directly whether the respondent considers himself/herself a "heavy" or "light" investor based on his/her own perceptions. As a guide, a note was included in the question that respondents may consider an investment fund of RM30,000 as the demarcation line between heavy and light investors.

It is found that 87 respondents (45 percent) considered themselves heavy investors, while 105 respondents (55 percent) thought they were light investors. In order to determine if this distinction is meaningful in terms of their investment behaviour, we first determine if there are significant differences in terms of demographic variables of the two groups. For this purpose, chi-square goodness of fit test is utilised.

The results are presented in Table 3. It is found that there are significant differences, at least at the 5 percent level, between the heavy investor and the light investor groups, in terms of sex, racial composition, age structure, marital status, and income. Specifically, it is found that the heavy investors consist of a greater proportion of men, of Chinese ethnicity, and of people in the older age group, compared to light investors. The heavy investor group also consists of a greater proportion of married people. They also have higher personal income compared to light investors. However, our results show no difference in terms of occupational characteristics and education level, between heavy and light investors.

In terms of investment characteristics, both groups seem to have similar preferences in trading strategies. Both prefer to be mostly speculative in bull periods and rely on fundamental analysis in bear periods. However, the proportion of the preference for the different methods differs significantly between the two groups, with light investors tending to be more speculative than heavy investors, in both bull and bear periods.

As for investment goals, both groups have similar goals during both periods, that is, they prefer short-term gains in bull periods and long-term gains in bear periods. The structure of preference among objectives is found to be the same in bull periods, but differs in bear periods. In bear periods, a greater proportion of light investors prefer short term gains compared to heavy investors. Investment objectives are more focused among the heavy investors. In addition, both heavy and light investors tend to place greater importance on dividend in bear periods. The investment holding periods are found to be remarkably similar for both groups, in both periods. However, as should be the case, heavy investors seem to do more trading than light investors in both periods.

TABLE 3

DEMOGRAPHIC COMPARISON BETWEEN HEAVY (N=87) AND

LIGHT INVESTORS (N=105)

	Heavy Investors		Light Investors	
	N	%	N	%
Sex				
Male	68	78.2	71	67.6
Female	19	21.8	34	32.4
	87	100.0	105	100.0

χ^2 significant at $p < 0.05$

	Heavy Investors		Light Investors	
Race				
Malay	13	14.9	24	22.9
Chinese	72	82.8	72	68.6
Indian and others	2	2.3	9	8.6
	87	100.0	105	100.0

χ^2 significant at $p < 0.05$

	Heavy Investors		Light Investors	
Age				
Under 25	2	2.3	12	11.4
26 - 35	37	42.5	67	63.8
36 - 45	38	43.7	25	23.8
46 - 55	10	11.5	1	1.0
Greater than 55	2	2.3	12	11.4
	87	100.0	105	100.0

χ^2 significant at $p < 0.0000$

TABLE 3

DEMOGRAPHIC COMPARISON BETWEEN HEAVY (N=87) AND

LIGHT INVESTORS (N=105)

Marital Status

Single	19	21.8	45	42.9
Married, no child	8	9.2	17	16.2
Married with children	59	67.8	39	37.1
Divorced	1	1.1	4	3.8
	87	100.0	105	100.0

χ^2 significant at $p < 0.005$

Occupation

Professional	31	35.6	24	22.9
Managerial/Executive	25	28.7	36	34.3
Supervisory	16	18.4	21	20.0
Own Business and others	15	17.2	24	22.9
	87	100.0	105	100.0

χ^2 not significant at 5 % level

Monthly personal income

Less than RM1,000	0	0.0	5	4.8
RM1,001 - RM2,000	18	20.7	49	46.7
RM2,001 - RM3,000	24	27.6	25	23.8
RM3,001 - RM4,000	17	19.5	13	12.4
Above RM4,000	28	32.2	13	12.4
	87	100.0	105	100.0

χ^2 significant at $p < 0.0001$

Education Level

Form 5 (O-level)	12	13.8	14	13.3
Form 6 (A-level)	9	10.3	8	7.6
Diploma/Certificate	17	19.5	33	31.4
University/Professional	40	46.0	40	38.1
Postgraduate	9	10.3	10	9.5
	87	100.0	105	100.0

χ^2 not significant at 5 % level.

TABLE 4

INVESTMENT CHARACTERISTICS OF HEAVY (N=87) AND

LIGHT INVESTORS (N=105)

a) Method of Analysis

	N	% of 78	N	% of 105
Bullish Market				
Speculation	63	72.4	77	73.3
Fundamental method	31	35.6	31	29.5
Technical method	21	24.1	9	8.6
Others	2	2.3	1	1.0

χ^2 significant at $p < 0.0005$

Bearish Market				
Speculation	9	10.3	27	25.7
Fundamental method	50	57.5	49	46.7
Technical method	29	33.3	20	19.0
No method	11	12.6	16	15.2
Others	0	0.0	1	1.0

χ^2 significant at $p < 0.0005$

b) Investment Objective

Bullish Market				
Short term gain	63	72.4	71	67.6
Long term gain	21	24.1	38	36.2
Dividend	8	9.2	8	7.6
Bonus/Rights Issues	13	14.9	14	13.3
Others	0	0.0	1	1.0

χ^2 not significant at 0.05 level

Bearish Market				
Short term gain	12	13.8	27	25.7
Long. term gain	63	72.4	62	59.0
Dividend	20	23.0	13	12.4
Bonus/Rights Issues	9	10.3	5	4.8
Others	0	0.0	0	0.0

χ^2 significant at $p < 0.0005$

c) Holding Periods

Bullish Market

Daily	12	14.3	8	8.0
Weekly	29	33.3	27	25.7
Monthly	27	30.5	43	40.7
One year	7	8.6	9	8.8
More than one year	12	13.3	16	15.0
Others	0	0.0	2	1.8

χ^2 not significant at 0.05 level

Bearish Market

Daily	2	2.0	2	2.0
Weekly	4	4.1	11	10.2
Monthly	29	33.7	32	30.6
One year	28	31.6	33	31.6
More than one year	25	28.6	25	23.5
Others	0	0.0	2	2.0

χ^2 not significant at 0.05 level

d) Number of Transaction in a Month

Bullish Market

Less than 3 times	20	23.0	58	55.2
3 - 9 times	26	29.9	33	31.4
10 - 15 times	20	23.0	3	2.9
More than 15 times	18	20.7	2	1.9
Others	3	3.4	9	8.6

χ^2 significant at $p < 0.0005$

Bearish Market

Less than 3 times	46	52.9	77	73.3
3 - 9 times	23	26.4	8	7.6
10 - 15 times	6	6.9	0	0.0
More than 15 times	1	1.1	2	1.9
Others	11	12.6	18	17.1

χ^2 significant at $p < 0.0005$

5. SUMMARY AND CONCLUSION

This paper reports the results of a lifestyle survey on demographic and investment characteristics on a sample of shareholders residing in the Kuala Lumpur and Petaling Jaya area. The study also describes the profiles of heavy versus light investors.

Shareholders in Malaysia can be described as male dominated and consist mainly of Chinese origin. The majority are aged between 25 and 45, and are married (have children). They are highly educated, engaged in professional and managerial jobs, earning more than RM1,000 per month. They speculate actively in bull periods, going after short term gains, but resort to fundamental analysis in bear periods, going for long term profits.

Compared to light investors, heavy investors are found to be more male dominated, and a higher proportion of them are of Chinese origin. Heavy investors as a group also have a higher proportion of older people and married people. Their monthly income is also higher. However, there is no significant difference in terms of occupation type and education level between the two groups.

In terms of investment characteristics, both groups seem to have similar preferences in trading strategies, but light investors tend to be more speculative than heavy investors, in both bull and bear periods. Both groups have similar investment goals during both periods, but the goals of the heavy investor are more focused. The investment holding periods are found to be remarkably similar for both groups, in both periods.

It seems that share investors in Malaysia are those in the middle or upper middle class in society, with a respectable level of education, career and income. However, it is quite disturbing to find the majority of them are speculators in the market. This may not be consistent with the promotion of informed investment, which is a necessary condition for capital market efficiency.

REFERENCES

1. Australian Associated Stock Exchange (1986), "Australian Share Ownership", Sydney: AASE, 1-24.

2. Barnewell M.M. (1987), "Psychographic Characteristics of Individual Investors", in *Asset Allocation of Individual Investor*, Homewood, Illinois: Dow Jones Irwin.

3. Kuala Lumpur Stock Exchange (1986), "Malaysian Individual Shareownership Survey, 1986", Kuala Lumpur: KLSE, 1-28.

4. Osman Md Zain (1988), "The Study of the Extent of Knowledge and Usage of Investment Technique on the KLSE Individual Investors (translated)", *Jurnal Pengurusan,* Universiti Kebangsaan Malaysia, Vol.6 & 7, 21-34.

5. Sharpe W.F. and G.J. Alexander (1990), "Investments", New Jersey: Prentice Hall Inc.

6. Warren W.E., R.E. Stevenson, and C.W. McConkey (1990), "Using Demographic Life Style and Analysis to Segment Individual Investors", *Journal of Financial Analysis*, March 1990, 74-77.