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**THE INFLUENCE OF BEHAVIORAL FACTORS IN  
INVESTMENT DECISIONS: STUDY OF MILLENNIAL  
INVESTORS IN KUALA LUMPUR**



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DECISIONS: STUDY OF MILLENNIAL INVESTORS IN KUALA LUMPUR**

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**Thesis Submitted to  
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## ABSTRAK

Secara tradisinya, pelaburan dilihat sebagai satu aktiviti yang rasional yang dijalankan berdasarkan objektif kewangan seseorang. Walau bagaimanapun, teori-teori baru dalam tingkah laku pelaburan melihat pelaburan sebagai sains tingkah laku di mana para pelabur dipengaruhi oleh faktor-faktor pelaburan tingkah laku. Kajian ini meninjau 200 pelabur milenium dari Kuala Lumpur, Malaysia, untuk menyiasat faktor tingkah laku yang mempengaruhi keputusan pelaburan mereka. Pelabur millennial merujuk kepada para pelabur yang berumur di antara 21 hingga 36 tahun. Secara khusus, kajian ini mengkaji faktor-faktor yang mempengaruhi keputusan pelaburan para pelabur milenium berdasarkan teori heuristik, teori prospek, faktor-faktor pasaran, dan kesan pengembala. Pengumpulan data dilakukan menerusi pengedaran borang soal selidik melalui talian. Hasil kajian menunjukkan bahawa kedua-dua teori kewangan tradisional dan faktor-faktor teori tingkah laku kewangan mempengaruhi keputusan pelaburan responden. Walau bagaimanapun, faktor-faktor teori kewangan tingkah laku berkaitan teori heuristik dan kesan pengembala mempunyai impak yang lebih besar berbanding dengan faktor teori kewangan tradisional. Di samping itu, kajian juga mendapat bahawa pelabur Malaysia di Kuala Lumpur merasakan diri mereka lebih rasional daripada mereka sebenarnya.

**Kata Kunci:** milenium, teori kewangan tradisional, teori tingkah laku kewangan, heuristik, teori prospek, faktor-faktor pemasaran, teori pengembala, teori jangkaan utiliti, gelagat pelaburan individu dan keputusan pelaburan



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## ABSTRACT

Traditionally, investing is viewed as a rational activity which is carried out based on one's financial objectives. However, newer theories in investment behaviour view investing as a behavioural science, acknowledging that investors are human beings influenced by behavioural investment factors. This study surveyed 200 millennial investors from Kuala Lumpur, Malaysia, in order to investigate the behavioural factors that affect their investment decision. Millennial investors refer to investors between the ages of 21 to 36 years old. Specifically, this study examines the factors which influence millennial investors' investment decision based on heuristic theory, prospect theory, market factors, and herding effect. Data collection is done through a questionnaire which is shared online. The findings reveal that both traditional finance theory and behavioural finance theory's factors influence the respondents' investment decision. Nevertheless, the behavioural finance theory's factors of heuristics theory and herding effect have greater impact compared to traditional finance theory's factors. In addition, it is revealed that Malaysian investors in Kuala Lumpur perceive themselves to be more rational than they actually are.

**Keywords:** millennial, traditional finance theory, behavioural finance theory, heuristic theory, prospect theory, market factors, herding theory, expected utility theory, perceived personal investment behaviour, and investment decision



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Investment Decision

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# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

Malaysia, a country with a median age of 26.3 years old (Mobius, 2012), is full of investing potential. A report by (Department of Statistics Malaysia, 2010) revealed that the median age of the Malaysian population had increased to 26.2 years old in 2010 compared to 23.6 years in 2000. A recent study by Wikipedia estimates that the median age for Malaysian population in 2015 was 27.7. (Wikipedia, 2016) Investments are ways in which people maximize their income while subsequently minimizing their expenditure (Islamoglu, Apan & Ayvali, 2015). The purpose of this study is to identify the behavioral factors which influence the investment decision of millennial investors in Kuala Lumpur, Malaysia. Millennial investors refer to investors between the ages of 21 to 36 years old.

This chapter presents the background of this study, problem statement, research questions and objectives. In addition, this chapter also discusses significance of the study and identifies the scope of the study. Finally, the organization of this paper is presented in the last section.

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