A Study of the Effect of Understanding the Value of Investment on Investor's Satisfaction on the Stock Exchange of Iran

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ABSTRACT

The subject of the study is to examine the effect of the understanding of investment value on investor’s satisfaction with stock exchange. It is a descriptive survey research in terms of both nature and method. It is, though, correlational in terms of methodology, and applied in terms of objective. It was conducted in 2014 over (first half of 1393 in Iranian calendar year) within a closed time interval; accordingly, it is considered to be of a kind of single stage. In this study, a questionnaire method was used to test hypotheses; hence, statistical population was taken as investors of Tehran Stock Exchange. To this end, a Cochran formula (infinite population) was used for sampling. Univariate and multivariate regression tests were used to examine and compare effect level. The results of the study indicated that the understanding of investment value and its aspects had significant effect on investors’ satisfaction. Among the aspects of the understanding of investment value, the efficiency ratio with effect coefficient 0.76 had the highest level of effect on investor satisfaction, while the aspect of affective value and experiences had the lowest level of effect.

INTRODUCTION

To achieve a long-term and sustained economic growth, we need to secure and properly allocate resources at national economic level; this seems impossible without the help of financial market, especially extensive and efficient capital market. In a healthy economy, the presence of an efficient financial system has a leading role in the proper distribution of capital and financial resource. Normally, financial markets are defined as a system composed of individuals, institutions, tools and procedures which bring investors and borrowers together [1]. Aiming at getting long-term finance for investment in various economic sectors, capital market assumes a leading role in the economic growth and development of developed countries. In this regard, stock exchange is conceived as the major part of capital market. The central role of stock exchange as the backbone of capital market is to attract and guide wandering and fragmented savings and liquidity into effective course of actions and steer them into a productive investment [2]. Most financial theories assume that investors rationally think about how to raise their capital and continue to attend financial tokens. When setting out to choose how to invest, investors start comparing its risk and yield with other potential investment they are able to pursue. In addition to this, risk level that investors may take depends on their psychological characteristics (risk-averse and risk-seeking). Most recent research concerning financial psychology, it was stated that investors’ decisions may be influenced by internal behavioral factors, including self-recognition, and external behavioral factors such as how an investor choose to work [3]. Basically, investors are advised to do extensive research into buying or selling common stock, because they can turn their nearly cashable assets into stock. If they take an action to make investment without regard to a number of factors, desired results from investment will evade them [4].

Statement of the problem:

Behavior of investors in stock market, how they make decisions, allocate resources, set price, and evaluate would influence company return. Equivocal conditions and cognitive mistakes rooted in human psychology would lead investors to make an error in shaping their expectations; in which case, they may reveal special conducts when it comes to making investment in financial markets [5].

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Recently it was shown that a large number of factors influence the choice of a product on the part of customers, and financial markets serve as a thorough environment for examining customer behavior.

Despite this, very little research was conducted into the application of customer behavior and its techniques in financial issues [5]. One of the concerns of stock exchange has been lately to attract investors and encourage them to invest in stock exchange. Additionally, researchers have been theoretically sought to identify contributing factors in the behavior of investor’s buy and sell. Regarding the effect level it has on the advancement of financial markets and country economy, some studies have been distinctively conducted inside and outside the country. However, a thorough study that can take account of the aspects of understanding investment value cease to exist.

The study thus seeks to account for the question “to what extent understanding of investment value would influence investor’s satisfaction with Tehran Stock Exchange?”

Review of the literature:

While many countries are moving toward development and undergo a transition to market liberation and structural reform, the number of markets in which international investors can mobilize their assets over the past 10 years has greatly increased. Likewise, the dramatic growth of assets for institutional investors’ investment in member countries of the Organization for Economic Cooperation and Development has made international markets confront a massive liquidity. While investors are growing rapidly in financial contexts, the consolidation of the events has also led to some changes in investors’ strategies, in that their capitals were steered into emerging markets [6]. Since the most effective and profitable way to absorb public deposits is the use of stock exchange mechanism, recognition of market, satisfaction or dissatisfaction with investors, shareholder attitude toward available information and information released by companies listed in stock exchange take on high importance. Therefore, the effect of various information and the quality of the information on satisfaction with or dissatisfaction, investor attitude and decision has a close and reciprocal relationship to stock buy and sell and the development of market. Conversely, there ambiguity in the notion of satisfaction, which can be vary from person to person. It is a while since behavioral scientists and utility theorists found that ambiguity and lack of clarity arise in many human judgment [7].

Early studies on investors’ action in capital market dates from 1970s. Cohen and colleagues have come up with experimental observations concerning a decrease in risk-averse people when raising their wealth in the world leading stocks [8]. Rily and Chow found that peole’s risk-aversion attitude, age, income, wealth, and education may increase their levels of risk-seeking. However, there is an inverse relationship between age and risk-seeking [8]. The findings of Lewellen, Lees and Scolarium indicated that there is a significant relationship between investment preferences of individuals and their age, gender, and education [8]. Helm holds that investor’s satisfaction is positively influenced by the degree of fame that he perceives. Investors’ individual behavioral loyalty to a company is positively influenced by the degree of his satisfaction as well as the degree of the company’s fame he understand [9]. Aksoy conducted a study in 2008, which indicates that customer’s satisfaction bears a positive effect on stock price and valuation ratios such as Q Tobin [10]. Based on the theory of investment, the level of investor satisfaction depends on the price of securities which in turn associates with the overall factors in stock market: profitability of investment, security, periodic revenue, income stability, cash recovery rate, the potential for capital appreciation, liquidity, risk, and marketability. The important relationship between satisfaction and the tendency to reinvestment has been confirmed in (Oliver, 1980) and (Cronin and Taylor ,1992) and (Anderson ,1994). (Quang ,2009) demonstrated that the models of customer satisfaction would allow designer team to understand more the relationship between product mix and customer satisfaction [11]. (Amirshahi et al, 2007), in a study entitled the contributing factors in investor’s decision in Tehran Stock Exchange, came up with the result that the marketing communication channels of stock member companies, stock brokerage firms, and verbal communication are among the contributing factors in investors’ making decision about purchase. (Rahnae-Rudposhti et al,2010) demonstrated the contents of the reports of available companies in stock exchange by evaluating contributing factors in investor satisfaction with the content of the financial reports of companies listed in stock exchange using a fuzzy approach. By identifying the factors contributing to company investment behaviors within the realm of defective markets, (Moradi and colleagues,2011) found that it is just operational cash flow variable that bears a significant relationship to investment cost changes [8].

Research hypotheses:

The present study seeks to examine the effect of understanding investment value on investor satisfaction. Hence, six hypotheses will be discussed in the study as follows:

1- The economic value of the money saved influence investor satisfaction
2- Economic value-productivity influence investor satisfaction
3- The easiness of performance value influence investor satisfaction
4- The affective value of feelings and experiences influence investor satisfaction
5. The symbolic value of altruism influence investor satisfaction
6. The symbolic value of confidence influence investor satisfaction

**Research variables and how to measure them:**

Recognizing the value of investment serves as the first hypothesis of the study which includes six dimensions as follows [12].

**The economic value of money saved:**

Monetary value would deliver perceived economic value when it is believed that insurance costs as well as other management costs will be increased along with other investment options.

**Economic value-productivity:**

Productivity is considered a means of obtaining good result and earnings based on consumer risk tolerance. As a result, productivity means delivering what is expected from the investment.

**Easiness of performance value:**

Consumer’s easiness of performance value can be perceived as outcome of easiness: easiness can be defined as input-output ratio to time elapse and relevant efforts by institutions.

**The affective value of feelings and experiences:**

feelings and experiences are realized when the attempt to make investment serves as a sign of the appreciation of its due right. The act of investment just induce positive feelings, entertainment, thrill and excitement.

The symbolic value of altruism: investment can deliver a symbolic profit, since consumers are able to express their personal values through investment.

The symbolic value of confidence: confidence is an experience which is acquired when symbolic values extracted from investment with a view to defining and maintaining the concept of self. Investment can be clearly a symbol of consumer’s financial capability and the act of investment in a test, and consequently an improvement in the state of self and self-esteem, which brings in symbolic value [12].

**Customer satisfaction:**

There are two approaches to defining customer satisfaction:

The first holds that satisfaction is a state that comes up as a result of consuming a product using a service for customer. As for the second, it is defined as a process of understanding and evaluating costumer having bought a given product or service[13].

We here take the latter in order to define customer satisfaction. According to this, the following definition is proposed: satisfaction is customer’s affective response which stems from an interaction with supplier organization or the consumption of a product. It also derives from our different understanding of customer expectations and real performance of product or organization. Earlier experiences of customer with product consumption as well as his experience with an interaction with supplier organization, which shapes his expectations, play a pivotal role. We believe that customer satisfaction would overhaul their future responses to organizations; including preparation and yearning for a reuse, the tendency to fulfil our recommendations to others and a desire to pay product cost without bargaining or struggling for finding suppliers that supply similar products sold at lower prices.

**Statistical population, statistical sample, and the time scope of the study:**

To perform the study, the statistical population consisted of investors active in the Tehran Stock Exchange in Iran, all of them are making investment in presence. The necessary information was gathered in field study (questionnaire distribution). The statistical population of the study was come together as statistical sample in a stage within a 6 month time range in the first half of 1393 (Iranian calendar date). Cochran formula was also used to do sampling. Finally, 461 questionnaires were collected, 432 of which were analyzed.

**Research Methodology:**

The study is an applied one in terms of purpose, and correlational in terms of methodology. A correlational matrix or a covariance analysis was used in the study, in which structural equations were applied with SEM method. Kolmogorov-Smirnov test was used to test hypotheses, single sample T-test, independent samples, and variance analysis were taken along with SPSS version 18, and structural equation modelling was taken using the software LISREL version 8.5.
The questionnaire of the present study include three parts:

The first part consists of an accompanying letter and general questions. The second part includes specific questions as to the understanding of investment value, which contains 18 items. The third and last consists of specific questions as to investor satisfaction, which contains 14 items. Likert scale was also used to measure the variables. Taking advantage of comments and guidelines of some experts, we could examine the questions of the test as well as ensuring its validity; this could prove the content validity of the test. Cronbach’s alpha as pre-test was also used for ensuring the reliability of the questionnaire.

Testing Hypotheses:

The necessary information for the present study was obtained from a questionnaire, the validity of which had been tested. The analysis conducted on data was based on statistical inferences drawn with the help of appropriate statistical techniques in order to confirm or disprove hypotheses. In order to describe sample characteristics, the collected data were summarized and categorized using statistical indexes in the first place, and the descriptive data, including mean, research variable–related standard deviation were given, then we start confirming and disproving the hypotheses using the inferential statistical indexes.

Kolmogorov-Smirnov (K-S) test used for hypotheses. Since the significance level of all components was greater than the error level 0.05, the variables had normal distribution. A parametric test was also used to test hypotheses. The result of the Pearson correlation coefficient between investor satisfaction and understanding of investment value along with its dimensions given the significance level which is smaller than 0.01 indicated that the hypothesis was ruled out, and the hypothesis about the relationship between a business procedure and the dimensions of business intelligence was accepted. All the research hypotheses studied so far (i.e. main and the subsidiaries from 1 to 6) are approved, because T path coefficient of all variables was greater than 1.96, and therefore all of the hypotheses are confirmed. It is seen that there was a significant relationship between the understanding of investment value, its aspects and investor satisfaction. The results indicated that the understanding of investment value, yielded effect coefficient 0.74 and significance value 16.18, had significant effect on investors. Among the dimensions given for the understanding of investment value, productivity, with the effect coefficient 0.76 and significance level 13.48, had the highest effect level on investor satisfaction, and the economic value of saved money, with effect coefficient 0.71 and significance value 13.11, ranked second, then the easiness of performance value, with effect coefficient 0.66 and significance value 12.79, ranked third, then the symbolic value of altruism, with effect coefficient 0.63 and significance value 11.36, ranked fourth, then the symbolic value of confidence, with effect coefficient 0.60 and significance value 10.24 ranked fifth, and finally the aspect of the affective value of feelings and experiences, with effect coefficient 0.57 and significance level 9.13, had the lowest effect as well as the sixth rank on investor satisfaction.

Conclusion:

In the present study, all the relations were confirmed based on the results of the Pearson correlation coefficient and the structural model of the study. In other words, the understanding of investment and its aspects had significant relationship to investor’s satisfaction; among the dimensions, the understanding of investment value, productivity with effect coefficient 0.76 had the highest level on investor satisfaction, and then the affective value of feelings and experiences with effect coefficient 0.57 had the lowest level and the sixth rank on investor’s satisfaction. Customer dissatisfaction with financial institutions is an issue confronting two aspects of a scientific statement. A group of researchers believed that it is basically off the table among financial corporations, because the customers are coming over to their organizations in order to increase their profits, so they will visit them again in the face of their dissatisfaction. It is because some of the organizations such as stock exchange have no rival. However, there are other groups that care about other aspects of human race, believing that customer dissatisfaction in these corporations would result in a decrease in investment, and steer their capital into a route utterly different. Stock market authorities should provide them completely with information influencing shareholders’ decision-making, rather than information provided by stock exchange and considered insufficient, because even if new information is on time and prompt but it lacks necessary qualities, it cannot assist investors.

Recommendations coming from the study:

Based on the first hypothesis, it is suggested that investors pay regard to the techniques such as short term sale of stock, and use shares coming with a downward trend in prices in order to make more profits.

According to the second hypothesis, it is recommended that as market brokers (brokerage) increase in number and information releases as a result of lowering asymmetrical information of facility rate (market price) to closer balance price, it brings more effective allocation of resources.

According to the third hypothesis, it is suggested that the guidelines of brokers should be increased as much as possible, as the number of stock brokers should not be low with respect to the volume of trading on the exchange.
According to the fourth hypothesis, it is recommended that brokers consider all factors when making decisions, and they had better make correct and wise decisions based on various conditions, rather than those sentimental and inaccurate ones.

According to hypotheses 5 and 6, it is advisable that all brokerages (market brokers) ensure cooperation with each other as backing a supervising institution will be achieved to ensure necessary trust. Over the past years, the important issue is going to be realized in the country.

REFERENCES