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A Psychographics and Demographic Profile of Individual Investors of Kuala Lumpur Stock Exchange

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ABSTRACT

The growing complexity and sophistication of the stock market had made stock broking a specialized profession. The era of globalization will pose a threat to securities industry in Malaysia. Thus, the importance of marketing in stock broking firms should not be taken for granted. In terms of market segmentation, demographic characteristics alone may no longer serve as a basis for segmenting individual investors. This had led to the development of psychographics research to more effectively communicate and market. By analyzing the characteristics of the individual investors, brokers in Malaysia will be in a better position to identify new opportunities.

The present study attempts to explore the differences and similarities of active and passive investors in terms of demographics, psychographics, leisure activities, investment behavior as well as characteristics.

Primary data was collected through eight pages self-administered questionnaire. The sample consisted of 245 KLSE individual investors from Kuala Lumpur and Petaling Jaya. The majority of the respondents were Malay, followed closely by Chinese and finally Indian. They were generally, from the age group of 26 to 49, working in professional, managerial or executive capacity and with monthly personal income of between RM2,000 to RM7,999. Majority were married and university graduates. Male respondents outnumbered female by three to one ratio.

The study reveals that active investors were majority males, age 25 and above but below 50. They were much higher income earner and somewhat better education level than passive. They worked in professional or managerial capacity or own business. Psychographically, they were more risk oriented and innovative than passive investors. Their leisure activities were reading, surfing the net, traveling, dine out, partying, attending social functions and watch TV. They tend to be heavy investors as well with investments of RM80,000 or more on share. Hit-and-runners and speculators with the goal of short term profit during bullish market but turned to fundamental and technical methods with long-term goal during bearish. However, remisiers and brokers were still important as advisers. Tend to be generally weekly and monthly holders of shares.

Passive investors consisted of both lower income males and females, married with lower to middle education level. They were between 25 to 50 and above age group. Majority of them working in professional and managerial capacity but less of them own business. Psychographically, they were more risk averse and less innovative as compared to passive. Their top activity in leisure hours was mainly watching TV. Their Internet usages were also limited. They also tend to shy away from serious publications like business and finance. In terms of investment characteristics, they were light investors as well with investments of less than RM20,000. Sometimes they used no method at all in pursuing investment. Remisier and brokers are very important to them as source of information and in helping them to make investment decision. Mainly, one year or more holders of shares.

The results show that there are some differences between active and passive investors in terms of demographic, psychographics, activities, investment characteristics as well as investment behavior.

The result of this study implies that individual investors in Malaysia conducted their own research besides speculating in the bullish market. However role of remisiers and brokers should not be underestimated as a source of information as well as advisers especially for passive investors who are unsure on how to invest their money.

The study further implies that firstly, there are opportunities for financial marketers to target female investors in Malaysia. Secondly, communications with passive investors should be kept simple to avoid confusions. Thirdly, the importance of Internet will rise as active investors increasingly depending on the net for information. Thus, marketers should try to penetrate this segment online. Fourth, many of the investors are speculators in the market. They need to be educated on the adverse effect of speculation behavior to the economy of Malaysia.

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