BUFT Journal of Business & Economics (BJBE)
ISSN 2664-9942 (Print)
2025 Volume 6, Pg: 355-372
DOI: https://doi.org/10.58481/BJBE/2520

Factors Affecting Buying Conduct of Stock Traders of the Dhaka Stock Exchange (DSE), Bangladesh

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ARTICLE INFO

Article History
Received: November 10, 2024
Accepted: July 13, 2025

Keywords:
Company activities, Dependency, Trader Personal, Stock Market Scenario, Micro-Economic Factors, Financial Information, Trading Factors.

JEL Classification:
G11, G21, G31

ABSTRACT

Purpose: This study investigates the key factors influencing the stock buying behavior of traders in the Dhaka Stock Exchange (DSE), Bangladesh.

Methodology: Primary data were collected from 139 DSE traders using convenience and snowball sampling techniques. The analysis employed descriptive statistics, t-tests, ANOVA, correlation, and factor analysis to explore the determinants of stock purchase decisions.

Findings: Traders give the highest priority to political stability, company reputation, financial indicators such as PE/EPS ratios, annual reports, regulatory policies, expected dividends, and their own confidence and risk-taking tendencies. Moderately important factors include share price movement, affordability, market efficiency, investment satisfaction, hedging decisions, institutional shareholdings, and policymakers' reviews. Elements such as the investment environment, transaction facilities, media coverage, ethical practices, bank interest rates, and online information from companies or the stock market are considered less influential. Other investment opportunities, company business activities, trust in advisors or brokers, tax rates, and CSR initiatives hold only marginal importance. Rumors, investor mood, third-party information, public holidays, fiduciary advice, and religious aversion exert minimal or no influence on traders' decisions.

Practical Implications: The findings offer valuable insights for understanding behavioral influences in a market characterized by frequent fluctuations, instability, and high emotional involvement, thereby contributing to the broader field of behavioral finance in emerging markets.

Value/Originality: The study evaluates stock purchase decisions using 46 attributes on a 5-point Likert scale, identified through face validity to ensure relevance. Strong reliability is confirmed with a Cronbach's alpha of 0.876, demonstrating consistency of the measurement instrument.

Limitations: The study is limited to the Dhaka Stock Exchange, the largest stock market in Bangladesh, comprising approximately 3.3 million traders.

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1. Introduction

1.1 Background

A stock market, or equity market, is a public entity where company stocks (shares) and derivatives are traded at agreed-upon prices. The stock market is a complex and dynamic entity influenced by numerous factors that affect the behavior of its participants (Ionescu et al., 2009). The stock market is more than a venue for trading shares and derivatives; it reflects collective human sentiment and economic activity (Elan, 2010). Globally, the stock market's size and significance have grown exponentially, with entities like the New York Stock Exchange (NYSE) and various major Asian exchanges creating vibrant financial ecosystems (Jones, et al., 2009). As of 2023, the global stock market was valued at approximately $111 trillion, highlighting its vast scale in relation to the global economy.

Stock market participants (individual retail investors and institutional investors, e.g., mutual funds, banks, insurance companies, hedge funds, and publicly traded corporations), trade securities listed on stock exchanges, which often function as centralized hubs for record-keeping. However, contemporary markets are increasingly leveraging electronic networks to enhance trading speed and reduce transaction costs (Byrne, 2005, Lin, 2010). The stock market of Bangladesh is a crucial component of the country's economic development and financial inclusion. But despite being a beacon of economic promise, the market has been plagued by several challenges, such as low liquidity, high volatility, weak governance, lack of investor confidence, and poor market infrastructure, resulting into chaos and confusion (RFI France, 2011).

Stock exchange and interest rate are two crucial factors of economic growth of a country. The impacts of interest rate on stock exchange provide important implications for monitory policy, risk management practices, financial securities valuation and government policy towards financial markets (Alam & Uddin, 2009). The Dhaka Stock Exchange (DSE), as the principal stock exchange of Bangladesh, exemplifies this complexity, marked by significant emotional involvement and frequent fluctuations that challenge logical-rational-mathematical principles. This study seeks to investigate the factors affecting stock buying behavior among traders in the DSE, highlighting the interplay between rational and behavioral influences.

In Bangladesh, the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE) facilitate trading through computerized automated trading systems, overseen by the Securities and Exchange Commission (SEC). The DSE, established in 1954, located in the capital Dhaka, is the country's main stock exchange. The CSE is based in the port city Chittagong of Bangladesh. Today, the DSE listed over 750 companies with a combined market capitalization of $56.2 billion. Over the years, the DSE has experienced significant turbulence, especially during periods of political instability and economic uncertainty. In the years 1996, 2009-10, and 2023-24, the market witnessed substantial rises and falls influenced by factors such as political crises, introduction of major companies (e.g., Grameen Phone), and regulatory interventions by the central bank and the SEC.

Stakeholders play a significant role in stock market efficiency globally (Maditinos, 2007, Lin, et al. 2010, Norman, 2011). Hence, it is essential to grasp the factors that shape stock purchasing habits, especially in markets marked by intense emotional engagement and fluctuation. This paper explores, pinpoints, and scrutinizes the multifaceted nature of stock buying behavior impacting traders' choices in the market, recognizing that traders' decisions are influenced by a range of factors from personal and psychological to macroeconomic and informational. By identifying and analyzing these variables, the research aims to provide a comprehensive understanding of what drives stock trading decisions in Bangladesh, ultimately contributing to the broader field of behavioral finance thereby enhancing comprehension of stock market dynamics and offering valuable insights into behavioral finance.

1.2 Objectives

The broad objective of the study is to find out the factors that affect the buying behavior of the stock traders at Dhaka Stock Exchange, Bangladesh. Specifically, the study analyzed the factors related to i) trader psychology, ii) trading factors (primary/ contingent), dependency/ confidence, iii) company information (financial/ non-financial), iv) company activities, v) stock market scenario, vi) investment scopes, vii) macroeconomic factors, and viii) other information source on stock buying behavior.

2. Literature Review

Research into stock market buying has consistently fascinated scholars, revealing a wide range of behaviors from impulsive purchases to well-informed decisions. Emotions significantly impact the market, driving share prices up and down, and frequently causing investors to act irrationally. Behavioral finance literature posits that investors often misprice securities due to these irrational behaviors, leading to market inefficiencies and potential profit opportunities (Gabbi & Zanotti, 2019, Patidhar, 2010).

Studies suggest that investors deviate from rational decision-making due to psychological biases (Mohacsy & Lefer, 2007), e.g., excessive optimism can unjustifiably elevate prices, while undue pessimism can cause significant declines. These psychological influences often result in exaggerated stock price movements, which contradict the efficient market hypothesis that assumes such behaviors balance out. Additionally, individuals are prone to seeing patterns where none exist, leading to overreactions based on consecutive good or bad news about a company (Perminov, 2008). Chan (2003) finds strong drift after bad news, especially in smaller, more illiquid stocks. Investors seem to react slowly to this information. He also finds reversal after extreme price movements unaccompanied by public news.

Tversky and Kahneman's 'Prospect theory', highlights that under uncertainty, investors focus excessively on incremental gains and losses, often leading to suboptimal investment decisions (Kahneman & Tversky, 2013). Investors exhibit overconfidence, optimism, hindsight bias, and overreaction to past events, causing errors in judgment and preference. These biases lead investors to prioritize avoiding losses overachieving gains. Group thinking also affects investor behavior (Perminov, 2008). During market stress, investors tend to follow the herd, heavily weighing the psychology of other investors, causing significant market swings driven by collective sentiment rather than objective assessments (Epstein, 2004, Hong, et al. 2004).

Barber and Odean (2008a, 2008b) found that individual investors often perform poorly due to excessive trading and overconfidence. Choi et al. (2005) demonstrated that even with empowerment and education, investors frequently fail to adequately diversify their portfolios. Political instability is another critical factor affecting stock market behavior. Studies have shown significant correlations between political risk and stock market performance in various countries (Bailey & Chung, 2005). Political instability increases policy uncertainty, leading risk-averse investors to avoid substantial economic decisions or invest abroad. This uncertainty can diminish market confidence and heighten volatility. Empirical research supports these theoretical insights.

Stock exchange and interest rate are two crucial factors of economic growth of a country. The impacts of interest rate on stock exchange provide important implications for monitory policy, risk management practices, financial securities valuation and government policy towards financial markets (Alam & Uddin, 2009). Jones et al. (1999) noted that governments consistently underprice share issue privatizations (SIP) offers, tilt their share allocation patterns to favor domestic investors, impose control restrictions on privatized firms, and typically use fixed price offers rather than book building or competitive tender offers, all to further political and economic policy objectives (Megginson, et al., 2000).

Numerous empirical studies establish that inflation has a negative short-run effect on stock returns, but few studies report a positive, long-run Fisher effect[1] for stock returns (Anari & Kolari, 2009). The study showed that long-run Fisher elasticities of stock prices with respect to goods prices tend to support the Fisher effect. The time path of the response of stock prices to a shock in goods prices exhibits an initial negative response, which turns positive over longer horizons. Also, they reveal that stock prices have a long memory with respect to inflation shocks, such that investors should expect stocks to be a good inflation hedge over a long holding period.

Stock markets are complex and characterized by large dynamic investors. To deal with this complexity Chiu (2007) has come up with using intelligent multi-agents to simulate investor behaviors in a stock market, where a set of investors trade with others within a virtual stock scenario. Each investor represents an intelligent agent who learns the investor's behavior from historical data. It also permits intelligent agents to trade with others virtually. This model can simulate the actual stock market and investors' behavior well with agents and data mining techniques.

Ali and Anwar (2021) state that in Bangladesh stock market investors are highly concentrated on fundamental stock issues when making investment decisions. Khan and Yousuf (2013) acknowledge that the DSE and CSE stock markets are not developed, and its capital size is also modest. This creates numerous opportunities for collusion and corruption. As a result, fundamental analyses have a minimal impact on stock price fluctuations. Khan and Yousuf (2013) noted that 27% of the companies with good fundamentals are undervalued in the long term. The primary reason for this situation is the lack of strong oversight by authorities and the exploitation of the market. Rifat (2015) identifies the stock prices of some companies that are officially closed and have no business operations, but with share prices that are trading and even increasing gradually.

Khan and Islam (2020) investigate the educational and psychological comprehension of individual investors in Bangladesh. They observe that these investors tend to be highly emotional and lack proper training in investment analysis when making decisions. Khan and Islam (2020) observed that two-thirds of individual investment decisions are influenced by fake news, rumors, peer pressure, and the actions of other investors. Rahman and Bristy (2018) find that 83% of individual investors are speculators, with only a few engaging in sustainable business practices in the stock market. This speculative behavior is a major contributor to price volatility in the Bangladeshi exchange.

The literature on identifying the dynamics of individual stock market decision-making clearly shows that many factors influence decision-making behavior. The studies highlighted that investors deviate from rational decision-making due to psychological biases often resulting in exaggerated stock price movements, contradicting the efficient market hypothesis that assumes such behaviors balance out. Also, individuals are prone to seeing patterns where none exist, leading to overreactions based on consecutive good or bad news about a company causing errors in judgment and preference. Individual investors often perform poorly due to excessive trading and overconfidence. Even with empowerment and education, investors frequently fail to adequately diversify their portfolios. During market stress, investors tend to follow the herd, causing significant market swings driven by collective sentiment rather than objective assessments.

3. Methodology

The research made use of both primary and secondary data and pertinent literature review. The primary data is collected through a questionnaire survey, while the secondary data is collected through a rigorous literature review of journal articles, reports, doctoral dissertations, and related books. A coordination schema is developed to identify the parameter, complex variables, simple variables, and values through literature review and talking to experts in the field (Appendix 1). A total of 46 variables/attributes (45 independent and one dependent) are identified and grouped into 11 complex variables/groups. The

survey questionnaire posed statement-based attributes in a five-point Likert scale to compare the importance of opinions of the respondent traders regarding these 46 stocks buying behavior variables.

The study is limited to the Dhaka Stock Exchange, the major stock exchange of Bangladesh, where about 3.3 million stock traders operate. With 10% significance level, 7% precision, and 0.5 proportion, a sample size of 139 traders is surveyed. Convenience and snowball sampling techniques are used to identify the traders for the survey and their responses. Statistical tools, i.e., descriptive statistics, t-test, ANOVA, correlation, and factor analysis are used to analyze the data. The research made use of face validity with little conceptual construct to identify the attributes to measure the traders' stock buying behavior. All the variables are directly measured, and operationalization is rather straight forward and as such, validity is self-evident. The high Cronbach's alpha score of 0.876 ($\geq$0.70) further validates high reliability and consistency of the responses.

4. Analysis and Findings

4.1 Respondent Profile

The study has surveyed 139 stock market traders of DSE with different demography. The mean age of the traders is 37.61 years with a standard deviation of 11.63 years (Range 19-70 years). Education wise 10 (7.2%) have SSC or below degree, 18 (12.9%) have HSC degree, 33 (23.7%) have bachelor's degree, 63 (45.3%) have master's and 15 (10.8%) above master's degree. Profession wise 9 (6.5%) are in government service, 57 (41%) are in private service, 42 (30.2%) are in business, and 31 (22.3%) are unemployed. The trading experience of the respondents varies from 0-18 years with a mean of 5.78 years (σ = 4.89 years). The wide range of demographic features gave a better representation of the population.

4.2 Specific Attribute Wise Analysis

As noted, the traders are given options on a 5-point Likert scale (0: Not at all important, 1: Not important, 2: Marginally important (Indifferent), 3: Important, 4: Very important) to show their importance to each of the 46 attributes (45 specific and one overall) regarding stock purchase choice. The mean response indices are recorded in a range of 0.88~2.99. Of the 45 specific attributes 30 are significantly (α=5%) above 2 (Indifferent), six (6) are significantly below 2 and 9 are not significantly different from 2 at 5% level of significance (Table 1). The study found the following 11 items topmost important ($\mu\geq$2.75) regarding stock purchase behavior of the traders: i) Political situation (μ=2.99), ii) Company reputation (μ=2.94), iii) Stock market index (μ=2.90), iv) PE/EPS ratio (μ=2.87), v) Annual company reports (μ=2.85), vi) Regulatory policies (μ=2.85), vii) Expected dividend (μ=2.81), viii) Self-confidence (μ=2.81), ix) Risk taking orientation (μ=2.76), x) Owners' reputation (μ=2.75), and xi) Company financial information (μ=2.75).

On the other hand, the following nine items are found significantly (α=5%) important, but to a lesser extent (2.75$\geq\mu\geq$2.50): i) Share price change rate (μ=2.69), ii) Affordability (μ=2.69), iii) Share market efficiency (μ=2.68), iv) Stock index & share price match (μ=2.68), v) Time given to invest (μ=2.63), vi) Investment satisfaction (μ=2.60), vii) Hedging (μ=2.58), viii) Institutional holding of shares (μ=2.55), ix) Statement of policymakers (μ=2.51). The following nine items are given least importance (2.50$\geq\mu\geq$2.22): i) Investment environment (μ=2.47), ii) Transaction scopes (μ=2.43), iii) Newspaper articles on stock market (μ=2.37), iv) Company ethical practices (μ=2.35), v) Bank interest rate (μ=2.33), vi) Company nonfinancial information (μ=2.33), vii) Online company information (μ=2.32), viii) Online stock market information (μ=2.29), and ix) Inflation (μ=2.22).

Rumors (μ=1.76), investor's mood (μ=1.73), third party information (μ=1.55), public holidays (μ=1.14), fiduciary advice (μ=1.05), and religious aversion (μ=0.88) are reported to have weak or no importance. Other investment opportunities (μ=2.14), international business of company (μ=2.12), confidence on advisors (μ=2.09), confidence on brokers (μ=2.07), company product/service (μ=2.07), local business of company (μ=2.05), tax rate (μ=1.99), external factor analysis (1.89), and company

CSR activities (μ=1.86) are found marginally important (Indifferent). Overall, the mean of the 45 attribute responses (μ=2.34, σ = 0.506) is found to be quite close and not significantly different from the mean of the dependent variable "overall impact of all attributes" of 2.64.

Table 1. *Descriptive Statistics of the Specific Attributes*

Attributes/ Variables	Mean (μ)	St. dev (σ)	Attributes/ Variables	Mean (μ)	St. dev (σ)
1) Political stability	2.99	1.170	25) Ethical activities	2.35	1.082
2) Company reputation	2.94	0.965	26) Non-financial information	2.33	1.157
3) Stock market index	2.90	1.009	27) Bank interest rate	2.33	1.188
4) EPS/PE ratio	2.87	1.160	28) Online company information	2.32	1.092
5) Regulatory policies	2.85	1.116	29) Online stock market information	2.29	1.106
6) Annual reports	2.85	1.060	30) Inflation	2.22	1.115
7) Self confidence	2.81	1.021	31) Other possible sectors of investment*	2.14	1.164
8) Expected dividend	2.81	1.114	32) International business activities*	2.12	1.151
9) Risk orientation	2.76	0.931	33) Confidence on advisors*	2.09	1.168
10) Owners' reputation	2.75	1.136	34) Confidence on brokers*	2.07	1.183
11) Financial information	2.75	1.097	35) Company products*	2.07	1.171
12) Investment sector preference	2.69	1.227	36) Local activities*	2.05	1.072
13) Affordability	2.69	1.048	37) Tax rate*	1.99	1.014
14) Price change rate	2.69	1.089	38) External factor analysis*	1.89	1.101
15) Stock market index & company share price match	2.68	0.987	39) CSR activities*	1.86	1.213
16) Perceived share market efficiency	2.68	1.085	40) Rumors	1.76	1.382
17) Time taken to investment decision	2.63	1.143	41) Mood	1.73	1.272
18) Investment satisfaction	2.60	1.019	42) 3rd party information	1.55	1.065
19) Hedging	2.58	1.110	43) Public holidays	1.14	1.252
20) Institutional holding of the company shares	2.55	1.002	44) Advice of relatives	1.05	1.105
21) Statements of the policy makers	2.51	1.151	45) Religious Abhorrence	0.88	1.151
22) Investment environment	2.47	1.045	46) Overall impact	2.64	0.971
23) Transaction scopes	2.43	.993			
24) Newspaper articles on the stock market	2.37	1.058			

*Not significantly different from 2 (Indifferent) at 5% level.

Source: Authors Calculation

4.3 Group Attribute Wise Analysis

As noted, the 45 specific attributes are categorized into 11 groups. The group wise analysis (Table 2) showed that the financial information (μ=2.82) is the most important group in stock buying followed by trading factors (μ=2.72), and stock market factors (μ=2.68). On the other hand, the least prioritized groups are contingent trading factors (μ=1.45), and trader personal traits (μ=1.63). The investment-related factors (μ=2.50), dependency/confidence of traders (μ=2.38), and other information sources (μ=2.33) also carries some importance. Interestingly macroeconomic factors (μ=2.18), non-financial information (μ=2.11), and company activities (μ=2.10) are found to have less importance in stock buying behavior of the traders.

Table 2. *Descriptive Statistics of the Group Attributes*

Attributes/ Variables	Mean (μ)	St. dev (σ)	Attributes/ Variables	Mean (μ)	St. dev (σ)
A. Trader personal*	**1.63**	**0.835**	**G. Company activities***	**2.10**	**0.202**
1) Mood	1.73	1.272	1) International business activities*	2.12	1.151
2) Religious Abhorrence	0.88	1.151	2) Local business activities*	2.05	1.072
3) Public holidays	1.14	1.252	3) Ethical activities	2.35	1.082
4) Risk orientation	2.76	0.931	4) CSR activities*	1.86	1.213
B. Trading factors	**2.72**	**0.137**			
1) Sector preference	2.69	1.227	**H. Stock market factors**	**2.68**	**0.184**
2) Political stability	2.99	1.170	1) Stock market index	2.90	1.009
3) Share market efficiency	2.68	1.085	2) Price change rate	2.69	1.089
4) Hedging	2.58	1.110	3) Stock index & company share price match	2.68	0.987
5) Time taken for investment decision	2.63	1.143	4) Statements of the policy makers	2.51	1.151
6) Expected dividend	2.81	1.114	5) Regulatory policies	2.85	1.116
7) Affordability	2.69	1.048	6) Share transaction scopes	2.43	0.993
C. Trading factors (Contingent)*	**1.45**	**0.365**			
1) Fiduciary advice	1.05	1.105	**I. Investment factors**	**2.50**	**0.341**
2) 3rd party information	1.55	1.065	1) Other investment opportunities*	2.14	1.164
3) Rumors	1.76	1.382	2) Investment satisfaction	2.60	1.019
D. Dependency/Confidence*	**2.38**	**0.362**	3) Investment environment	2.47	1.045
1) Self confidence	2.81	1.021	4) Company reputation	2.94	0.965
2) Confidence on brokers*	2.07	1.183	5) Owners' reputation	2.75	1.136
3) Confidence on advisors*	2.09	1.168	6) Products of the company*	2.07	1.171
4) Institutional holding of the company shares	2.55	1.002			
			J. Macroeconomic factors*	**2.18**	**0.173**
E. Financial information	**2.82**	**0.064**	1) Tax rate*	1.99	1.014
1) Published financial information	2.75	1.097	2) Bank interest rate	2.33	1.188
2) Annual reports	2.85	1.060	3) Inflation	2.22	1.115
3) EPS/PE ratio	2.87	1.160	**K. Other information**	**2.33**	**0.040**
			1) Online company information	2.32	1.092
F. Non-financial information*	**2.11**	**0.311**	2) Online stock market information	2.29	1.106
1) Published non-financial info.	2.33	1.157	3) Newspaper articles on the stock market	2.37	1.058
2) External factor analysis*	1.89	1.101	Statistics of 45 attributes	2.34	0.506
			L. Overall impact of attributes	2.64	0.971

* Not significantly different from 2 (Indifferent) at 5% level.

Source: Authors Calculation

5. Demography Wise Analysis

5.1 Age

Age wise not much significant correlation is observed with the attributes. Out of 46 variables only five have shown some significant (α=5%) but weak correlation (Table 3). The expected dividend and reputation of the owners have shown weak positive correlation, meaning the traders are more concerned with dividend and owner reputation. On the other hand, with the increase in age the traders give less importance to fiduciary advice, 3rd party information, and public holidays.

Table 3. *Age Wise Significant Correlation with the Attributes*

Attribute	R	Attribute	R	Attribute	R
1) Reputation of the owner	+0.170	3) Expected dividend	+0.201	5) 3rd party info.	-0.202
2) Public holidays	- 0.164	4) Fiduciary advice	-0.211		

Source: Authors Calcualtion

5.2 Education

Education wise 10 (7.2%) have SSC or below degree, 18 (12.9%) have HSC degree, 33 (23.7%) have bachelor's degree, 63 (45.3%) have master's and 15 (10.8%) above master's degree. To compare the mean responses of the different categories of educational backgrounds, ANOVA test[2] is conducted. It is noted that in majority of cases there is no significant mean difference (α=5%); only in six cases education wise significant (α=5%) mean difference is observed (i.e., 3rd party information, non-financial information, satisfaction from investment, online company information, online stock market information, and institutional holding of company shares). Further it is noted that the traders with higher education are more positive regarding these attributes (Appendix 2).

5.3 Profession

Profession wise 9 (6.5%) are in government service, 57 (41%) are in private service, 42 (30.2%) are in business, and 31 (22.3%) are unemployed. To compare the mean responses of the different categories of professional backgrounds, the ANOVA test is conducted. It is noted that in majority of the cases there is no significant mean difference (α=5%); only in five cases profession wise significant (α=5%) mean difference is observed (i.e., time taken to make decision, EPS/PE ratio, inflation, regulatory policies, and newspaper articles on stock market). Further it is noted that regarding these attributes, government servants are less positive, but private employees and businesspersons are more positive (Appendix 3).

5.4 Trading Experience

The trading experience of the respondents varies from 0~18 years with a mean of 5.78 years (σ = 4.89 years). Trading experience has not shown much correlation with the attributes. As noted, nine of the 46 variables have some significant (α=5%) but weak relationship (Table 4). It is noted that more experienced traders give importance to EPS/PE ratio (r=+292), expected dividend (r=+264), financial information (r=+248), annual reports (r=+224), self-confidence (r=+202) and ethical activities (r=+176). On the other hand, the same group prioritize less 3rd party information (r=-285), fiduciary advice (r=-241), and religious abhorrence (r=-187).

Table 4. *Trading Experience Wise Significant Correlation with the Attributes*

Attribute	R	Attribute	R	Attribute	R
1) Religious abhorrence	-0.197	4) Fiduciary advice	-0.241	7) Financial information	+0.248
2) Self confidence	+0.202	5) 3rd party information	-0.285	8) EPS/PE ratio	+0.292
3) Expected dividend	+0.264	6) Annual reports	+0.224	9) Ethical activities	+0.176

Source: Authors Calculation

5.5 Preferred Day of Trading

The study found that most of the traders (84.2%) have no preferred day(s) for trading. Those who preferred the day of trading (15.8%) mentioned Tuesday (36.4%) and Thursday (22.7%) as the preferred days of trading. On the other hand, Monday (9.1%) and Wednesday (13.6%) as less preferred days of trading.

6. Grouping by Factor Analysis

6.1 Factor Analysis

Factor analysis[3] is conducted on the data to select grouping of variables under common premises. The result grouped the 45 variables into 14 factors that explained 71.39% of the total variance (Table 5). The factor analysis of 45 variables with 139 sample[4] is found adequate (KMO=0.699≥0.5) and valid (Bartlett's test of sphericity indicates a significance level of 0.000). The communalities[5] of the variables that constituted the factors are found to be very strong, which indicates strong relationships among the variables (Appendix 4).

Table 5. *Total Variance Explained*

Factors	Extraction Sums of Squared Loadings		
	Total	**Variance (%)**	**Cumulative %**
1) Investment related factor	8.149	18.110	18.110
2) Company activity related	3.640	8.088	26.198
3) Financial information	2.842	6.317	32.515
4) Trading factors 1	2.568	5.706	38.221
5) Stock market factors	2.306	5.124	43.345
6) Macro-economic factors	2.039	4.531	47.876
7) Other information	1.718	3.817	51.693
8) Trading factors 2	1.614	3.586	55.279
9) Dependency/Confidence	1.558	3.462	58.741
10) Contingent trading factors	1.264	2.808	61.549
11) Trader personal 1	1.177	2.615	64.164
12) Non-financial information	1.136	2.525	66.689
13) Trading factors 3	1.089	2.421	69.110
14) Trader personal 2	1.025	2.278	71.388

Source: Authors Calculation

The 14 factors with corresponding variables and their factor loadings[6] are shown in table 6. The high factor loadings in each group shows a strong correlation between the factor and the corresponding variables. As noted, the first factor (*Investment related factors*) consists of 7 of the 45 variables and appears to be the most important as it explains 18.11% of the variability. The second important factor (*Company activities*) explains 8.088% of the variability and consists of three variables. The third one (*Company financial information*) consisting of four variables explains 6.317% of the variability. The fourth (*Trading factor 1*) and fifth factor (*Stock market factor*) explain 5.706% and 5.124% respectively. Other factors do not seem to be very significant as they explain very low variability (≤5%). Further it is noted that the variables under the 14 factors and the variables under 11 eleven groups (complex variables) formed in the schema are quite similar and consistent.

Table 6. *Factors with Corresponding Variables*

Factors with variables (σ^2)	Factor loading	Factors with variables (σ^2)	Factor loading	Factors with variables (σ^2)	Factor loading
Factor 1: Investment related factor (σ^2=18.11%)		**Factor 5: Stock market factors (σ^2=5.124%)**		**Factor 9: Dependency/ Confidence (σ^2=3.462%)**	
1) Other possible sectors of investment	0.732	1) Match between stock market index and company share price	0.799	1) Confidence on brokers	0.801
2) Time taken to make decision	0.666	2) Regulatory policies	0.666	2) Confidence on advisors	0.582
3) Reputation of the owners	0.613	3) Statements of the policy makers	0.535	3) Institutional holding of the company shares	0.482
4) Products of the company	0.545	4) Stock price change rate	0.521		
5) Investment satisfaction	0.495	5) Stock market index	0.385	**Factor 10: Contingent trading factors (σ^2=2.808%)**	
6) Investment environment	0.453			1) 3rd party information	0.806
7) Reputation of the company	0.403	**Factor 6: Macro economic factors (σ^2=4.531%)**		2) Advice of relatives	0.569
		1) Bank interest rate	0.834	3) Rumors	0.471
Factor 2: Company activities (σ^2=8.088%)		2) Inflation	0.709		
1) International activities	0.764	3) Tax rate	0.666	**Factor 11: Trader personal 1 (σ^2=2.615%)**	
2) Ethical activities	0.728			1) Religious Abhorrence	0.722
3) Local activities	0.678	**Factor 7: Other information (σ^2=3.817%)**		2) Mood	0.649
		1) Online information regarding the company	0.820	3) Public holidays	0.557
Factor 3: Financial information (σ^2=6.317%)		2) Online information regarding stock market	0.806		
1) EPS/PE ratio		3) Newspaper articles on the stock market	0.532	**Factor 12: Non-financial information (σ^2=2.525%)**	
2) Financial information	0.708			1) External factors analysis	0.756
3) Annual reports	0.696	**Factor 8: Trading factors 2 (σ^2=3.586%)**		2) Non-financial information	0.660
4) Expected dividend	0.641	1) Transaction scopes	0.813		
		2) Affordability	0.726	**Factor 13: Trading factors 3 (σ^2=2.421%)**	
Factor 4: Trading factors 1 (σ^2=5.706%)		3) Self confidence	-0.404	1) Hedging	0.746
1) Investment sector preference	0.754				
2) Political stability	0.627			**Factor 14: Trader personal 2 (σ^2=2.278%)**	
3) Perceived efficiency of the market	0.614			1) Risk orientation	0.593
4) CSR activities	0.472				

Source: Authors Calculation

6.2 Regression Analysis with the Factors

Factor analysis has identified 14 factors as independent variables. Associated with these 14 factors are 45 variables which independently will affect the overall outcome of the stock behavior of the traders. A regression analysis (both enter and stepwise method) is conducted taking these 14 factors as the independent variable and the **"**Overall impact of all attributes" as the dependent one (Table 7). The model is found significant (0.000) with an adjusted r^2 of 25.1%. The regression factors 2, 7, 9, 10, 11, 13 and 14 are found insignificant at 5% level. Three factors have negative coefficient (Factor 12, 13, 14). Coefficientwise the contributory factors in descending order are 3 (0.251), 4 (0.201), 5 (0.149), 6 (0.219), 8 (0.154), 1 (0.179), and 12 (-0.156).

Table 7. *Regression Model with 14 factors*

REGR factor scores	Factors	Coefficients	Standardized Coefficients	Significance (p-value)
(Constant)		2.620	-	0.000
REGR factor score 1 *	Investment related	0.179	0.186	0.014
REGR factor score 2	Company activity related	0.117	0.121	0.105
REGR factor score 3 *	Financial information	0.251	0.261	0.001
REGR factor score 4 *	Trading factors 1	0.201	0.209	0.006
REGR factor score 5 *	Stock market	0.149	0.154	0.040
REGR factor score 6 *	Macro-economic	0.219	0.227	0.003
REGR factor score 7	Other information	0.055	0.057	0.444
REGR factor score 8 *	Trading factors 2	0.154	0.160	0.033
REGR factor score 9	Dependency/Confidence	0.098	0.102	0.171
REGR factor score 10	Contingent trading	0.002	0.002	0.980
REGR factor score 11	Trader personal 1	0.114	0.119	0.113
REGR factor score 12*	Non-financial information	-0.156	-0.161	0.032
REGR factor score 13	Trading factors 3	-0.105	-0.109	0.144
REGR factor score 14	Trader personal 2	-0.015	-0.015	0.839

N.B.: Dependent Variable: Overall impact of the attributes, * significant at 5% level

Source: Authors Calculation

7. Summary, Conclusion, and Recommendation

In Bangladesh the stock market is characterized by high emotional involvement of traders, rampant price fluctuations and recurring turbulences that seem to defy logical-mathematical principles. Bangladesh has two Stock Exchanges, Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). The research tried to find out the factors that affect the stock buying behavior of the traders of DSE. The primary data is collected from a questionnaire survey of 139 DSE traders using convenience and snowball sampling. A total of 46 variables/attributes (45 independent and one dependent) are identified and grouped into 11 complex variables/groups. The study used descriptive statistics, t-test, ANOVA, correlation, and factor analysis to analyze the data. Face validity is used to identify the attributes to measure the traders' stock buying behavior. The high Cronbach's alpha score of 0.876 ($\geq$0.70) further validates high reliability and consistency of the responses.

The mean age of the 139 respondent traders is 37.61 years ranging between 19~70 years. Education wise the respondents are with SSC or below certificate (7.2%), HSC certificate (12.9%), bachelor's degree (23.7%), and master's degree (45.3%) and above master's degree (10.8%). Profession wise 6.5% are in government service, 41% are in private service, 30.2% are in business, and 22.3% are unemployed. The trading experience of the respondents varies from 0~18 years with a mean of 5.78 years. The study found the following 11 items topmost important ($\mu \geq 2.75$) stock purchase behavior of the traders: i) Political stability (μ=2.99), ii) Company reputation (μ=2.94), iii) Stock market index (μ=2.90), iv) PE/EPS ratio (μ=2.87), v) Annual reports (μ=2.85), vi) Regulatory policies (μ=2.85), vii) Expected dividend (μ=2.81), viii) Self-confidence (μ=2.81), ix) Risk taking orientation (μ=2.76), x) Owners' reputation (μ=2.75), and xi) Financial information (μ=2.75).

On the other hand, the following nine items are found significantly (α=5%) important, but to a lesser extent ($2.75 \geq \mu \geq 2.50$): i) Share price change rate (μ=2.69), ii) Affordability (μ=2.69), iii) Share market efficiency (μ=2.68), iv) Stock index & share price match (μ=2.68), v) Time taken for investment

(μ=2.63), vi) Investment satisfaction (μ=2.60), vii) Hedging (μ=2.58), viii) Institutional holding of shares (μ=2.55), ix) Statement of policymakers (μ=2.51). The following nine items are given least importance (2.50≥μ≥2.00): i) Investment environment (μ=2.47), ii) Transaction scopes (μ=2.43), iii) Newspaper articles on stock market (μ=2.37), iv) Ethical practices (μ=2.35), v) Bank interest rate (μ=2.33), vi) Nonfinancial information (μ=2.33), vii) Online company information (μ=2.32), viii) Online stock market information (μ=2.29), and ix) Inflation (μ=2.22).

Rumors (μ=1.76), investor's mood (μ=1.73), third party information (μ=1.55), public holidays (μ=1.14), fiduciary advice (μ=1.05), and religious aversion (μ=0.88) are reported to have no significance. The respondents found other investment opportunities (μ=2.14), international business activities (μ=2.12), confidence on advisors (μ=2.09), confidence on brokers (μ=2.07), company product/service (μ=2.07), local business activities (μ=2.05), tax rate (μ=1.99), external factor analysis (1.89), and company CSR activities (μ=1.86) marginally important. Overall, the mean of the 45 attribute responses is found to be 2.34 which is quite close and not significantly different from the mean response of the dependent variable "overall impact of all attributes" of 2.64.

The group wise analysis showed that the financial information (μ=2.82) in the most important group in stock buying followed by trading factors (μ=2.72), and stock market factors (μ=2.68). On the other hand, the least prioritized groups are contingent trading factors (μ=1.45), and trader personal traits (μ=1.63). The investment-related factors (μ=2.50), dependency/confidence of traders (μ=2.38), and other information sources (μ=2.33) also carries some importance. Interestingly macroeconomic factors (μ=2.18), non-financial information (μ=2.11), and company activities (μ=2.10) are found to have less significance in stock buying behavior of the traders.

Age wise, out of 46 variables only five have shown some significance (α=5%) but weak correlation. The expected dividend and reputation of the owners have shown weak positive correlation meaning the traders are more concerned with dividend and owner's reputation. On the other hand, with the increase in age the traders give less importance to fiduciary advice, 3rd party information, and public holidays. Education wise, only in six cases significant mean difference is observed (i.e., 3rd party information, non-financial information, investment satisfaction, online company information, online stock market information, and institutional holding of company shares), where the traders with higher education are found more positive.

Profession wise only in five cases significant (α=5%) mean difference is observed (i.e., time taken to make decision, EPS/PE ratio, inflation, regulatory policies, and newspaper articles on stock market), where the government servants are less positive, but private employees and businesspersons are more positive. Trading experience has not shown much significant (α=5%) correlation with the attributes. As noted, nine of the 46 variables have some significant but weak relationships. It is noted that more experienced traders give importance to EPS/PE ratio (r=+292), expected dividend (r=+264), financial information (r=+248), annual reports (r=+224), self-confidence (r=+202) and ethical activities (r=+176). On the other hand, they prioritize less 3rd party information (r=-285), fiduciary advice (r=-241), and religious abhorrence (r=-187). The study found that most of the traders (84.2%) have no preferred day of trading. Those who have preferred day of trading (15.8%) mentioned Tuesday (36.4%) and Thursday (22.7%) as the most preferred days. On the other hand, Monday (9.1%) and Wednesday (13.6%) as the less preferred days.

Factor analysis has grouped the 45 variables into 14 factors that explained 71.39% of the total variance. The high factor loadings in each group shows a strong correlation between the factor and the corresponding variables. As noted, the first factor (*Investment related factors*) consists of seven variables and appears to be the most important as it explains 18.11% of the variability. The second important factor (*Company activities*) explains 8.09% of the variability and consists of three variables. The third one (*Company financial information*) consisting of four variables explains 6.317% of the

variability. The fourth (*Trading factor 1*) and fifth factor (*Stock market factor*) explain 5.706% and 5.124% respectively. Other factors do not seem to be very significant as they explain very low variability (≤5%). Further it is noted that the variables under the 14 factors and the variables under 11 eleven groups (complex variables) formed in the schema are quite similar and consistent.

Notes

1 The Fisher effect implies that the expected nominal returns on assets should provide a complete hedge against inflation; if this is the case, a positive relationship is expected between stock returns and inflation, which implies that investors are compensated for the loss in purchasing power due to inflation.

2 For ANOVA, first the results of the Levene statistic are analyzed. If a variable satisfies homogeneity of variance, then it is tested for equality of means. For the variables that do not satisfy homogeneity of variance, the Brown-Forsythe and Welch robust tests for the equality of means are conducted. Usually, both yield results in the same direction. If Brown-Forsythe and Welch tests do not yield the same results regarding equality of means, the Post Hoc multiple comparisons (Games-Howell) are checked to ensure the difference in means values. There are many Post Hoc multiple comparison tests. One group is for variables that satisfy homogeneity of variance. Another for those that do not satisfy the condition. One commonly used test for the first group is "Turkey" and one such test for the second group is "Games-Howell".

3 Factor Analysis is a type of analysis used to discern the underlying dimensions or regularity in a phenomenon. Its general purpose is to summarize the information contained in many variables into a smaller number of factors. It is an interdependence technique in which all variables are simultaneously considered.

4 Ideally the sample size should be at least 150 (subject to variable ratio greater than 5). The factor analysis of 46 variables with 139 samples is found adequate (KMO test result = 0.881 ≥ 0.5) and valid (Bartlett's test of sphericity indicates a significance level of 0.000).

5 Communality refers to a measure of the percentage of a variable's variation that is explained by the factors. It is the amount of variance an original variable shares with all other variables included in the analysis. A relatively higher communality indicates that a variable has much in common with the other variables taken as a group.

6 'Factor loading' is a measure of the importance of the variable in measuring each factor. It is used for interpreting and labeling a factor. It is the correlation between the original variables and the factors, and key to understanding the nature of a factor.

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APPENDICES

Appendix 1. *Coordination Schema*

Parameter	Complex Variables	Simple Variables	Complex Variables	Simple Variables
Stock purchase conduct of the stock traders	A. Trader personal/ psychological	1) Mood 2) Religious abhorrence 3) Public holidays 4) Risk orientation/taking	G. Company activities	1) International business 2) Local business 3) Ethical practices 4) CSR activities
	B. Trading factors	1) Sector preference 2) Political stability 3) Share market efficiency 4) Hedging 5) Time taken for investment decision 6) Affordability 7) Expected dividend	H. Investment scopes	1) Other investment opportunities 2) Investment satisfaction 3) Investment environment 4) Company reputation 5) Owners' reputation 6) Product perceptions
	C. Trading factors (Contingent)	1) Fiduciary advice 2) Third party information 3) Rumors	I. Stock market scenario	1) Stock market Index 2) Share price changes rate 3) Stock market index & company share price match 4) Statements of policymakers 5) Regulatory policies 6) Share transaction scopes
	D. Dependency/ Confidence	1) Confidence in oneself 2) Confidence in brokers 3) Confidence in advisors 4) Institutional holding of company shares	J. Macro-economic factors	1) Tax rate 2) Bank interest rate 3) Inflation
	E. Financial information	1) Published financial information 2) Annual reports, financial statements 3) P-E ratio, EPS information	K. Other	1) Online information about company 2) Online information about stock market 3) Newspaper articles about the stock market
	F. Non-financial information	1) Published non-financial information 2) External company factors	L. Overall	1) Overall impact of all attributes

Appendix 2. *ANOVA Results of Significant Mean Differences of Educational Categories*

	Attributes	Educational category	N	Mean	Std. Deviation	Significance
1)	3rd party information	Class 8 to class 10/ SSC	10	1.60	1.776	0.046
		HSC	18	2.22	1.166	
		Honors	33	1.33	1.021	
		Masters	63	1.43	.893	
		> Masters	15	1.67	.900	
		Total	139	1.55	1.065	
2)	Non-financial information	Class 8 to class 10/ SSC	10	1.30	1.252	0.029
		HSC	18	2.33	1.283	
		Honors	33	2.30	.984	
		Masters	63	2.40	1.171	
		> Masters	15	2.80	.941	
		Total	139	2.33	1.157	
3)	Online information regarding stock market	Class 8 to class 10/ SSC	10	2.80	1.317	0.015
		HSC	18	2.94	1.162	
		Honors	33	1.94	1.059	
		Masters	63	2.25	.999	
		> Masters	15	2.13	1.125	
		Total	139	2.29	1.106	
4)	Online information regarding the company	Class 8 to class 10/ SSC	10	2.20	.919	0.033
		HSC	18	2.72	1.018	
		Honors	33	1.85	1.176	
		Masters	63	2.49	1.061	
		> Masters	15	2.27	.961	
		Total	139	2.32	1.092	
5)	Institutional holding of the company shares	Class 8 to class 10/ SSC	10	1.70	1.160	0.034
		HSC	18	2.94	1.056	
		Honors	33	2.48	.906	
		Masters	63	2.59	.978	
		> Masters	15	2.60	.910	
		Total	139	2.55	1.002	
6)	Satisfaction from investment	Class 8 to class 10/ SSC	10	1.70	.949	0.033
		HSC	18	2.67	1.188	
		Honors	33	2.52	.834	
		Masters	63	2.70	1.042	
		> Masters	15	2.93	.884	
		Total	139	2.60	1.019	

Appendix 3. *ANOVA Results of Significant Mean Differences of Professional Categories*

Attributes	Educational category	N	Mean	Std. Deviation	Significance
1) Decision making time	Government	9	1.78	1.394	0.041
	Private	57	2.84	1.082	
	Unemployed	31	2.42	1.057	
	Business	42	2.69	1.158	
	Total	139	2.63	1.143	
2) EPS/PE ratio	Government	9	2.00	1.225	0.003
	Private	57	2.98	1.061	
	Unemployed	31	2.45	1.261	
	Business	42	3.21	1.048	
	Total	139	2.87	1.160	
3) Inflation	Government	9	1.33	.866	0.016
	Private	57	2.28	1.065	
	Unemployed	31	1.97	1.197	
	Business	42	2.50	1.065	
	Total	139	2.22	1.115	
4) Regulatory policies	Government	9	2.00	1.000	0.008
	Private	57	3.02	1.077	
	Unemployed	31	2.48	1.122	
	Business	42	3.07	1.068	
	Total	139	2.85	1.116	
5) Newspaper articles on the stock market	Government	9	1.44	1.130	0.019
	Private	57	2.58	.925	
	Unemployed	31	2.23	1.055	
	Business	42	2.40	1.127	
	Total	139	2.37	1.058	

Appendix 4. *Communalities*

Attributes	Extraction	Attributes	Extraction	Attributes	Extraction
1) Investment sector preference	0.655	16) Non-financial information	0.741	31) Investment satisfaction	0.718
2) Mood	0.672	17) External factors	0.721	32) Regulatory policies	0.740
3) Religious Abhorrence	0.652	18) EPS/PE ratio	0.672	33) Policy makers' statements	0.828
4) Self confidence	0.646	19) Company products	0.706	34) Political stability	0.560
5) Risk orientation	0.699	20) Local activities	0.745	35) Public holidays	0.694
6) Hedging	0.693	21) International activities	0.747	36) Investment environment	0.689
7) Expected dividend	0.616	22) Ethical activities	0.729	37) Stock market index	0.697
8) Time taken to make decision	0.636	23) CSR activities	0.683	38) Match between stock market index and company share price	0.764
9) Advice of relatives	0.621	24) Company reputation	0.683	39) Price change rate	0.678
10) 3rd party information	0.742	25) Reputation of the owners	0.716	40) Newspaper articles on the stock market	0.789
11) Affordability	0.726	26) Institutional holding of the company shares	0.713	41) Online stock market information	0.823
12) Confidence on advisors	0.714	27) Tax rate	0.751	42) Online company information	0.842
13) Confidence on brokers	0.703	28) Bank interest rate	0.763	43) Rumors	0.706
14) Annual reports	0.668	29) Inflation	0.859	44) Transaction capability	0.791
15) Financial information	0.792	30) Other sectors of investment	0.697	45) Efficiency of the market	0.644

Extraction Method: Principal Component Analysis.