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Factors Affecting the Securities Investment: A Study on Individual Investors at FPT Securities Joint Stock Company

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Abstract:
This study aims to analyze the factors influencing the investment decisions of individual investors at DA NANG city. The survey was conducted with 257 participants. The study utilizes SPSS 26.0 software to assess the reliability of the factors. Additionally, a Structural Equation Modeling (SEM) framework was employed to test the hypotheses. The research findings indicate that factors such as (1) Self-confidence, (2) Herd mentality, (3) Expected profit, (4) Risk acceptance, and (5) Market information have positive influence on investors' decision. The study also provides recommendations for securities companies tend to sustain existing investors and attract new investors.

Key words: *investment decisions, individual investors, stock market.*

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I. Introduction

Over the past two decades, the Vietnamese stock market has experienced a period ofstrong development, growing from a small market into a big market. The development of the stock market has contributed significantly to the growth of Vietnam's economy, ranging from mobilizing investment capital to promoting integration with international financial markets.

Individual investors play a crucial role in the operation of the stock market. They account for most of the market's volume and transaction value, and their decisions directly impact stock prices and market stability. However, individual investors often face several limitations, including restricted knowledge, weak trading skills, and unstable investment psychology.

Researching the factors influencing the investment decisions of individual investors at securities companies—such as the FPT Securities Da Nang branch—is of great importance. It can provide valuable insights for the research community and help securities firms better understand the needsof their clients. At the same time, this study can also propose recommendations to help individual investors achieve better results in the stock market.

II. Theories and research hypotheses

2.1. Behavioral finance theory

Behavioral Finance is increasingly becoming a vital branch of finance. It explains the behavior of individuals participating in financial markets by combining psychological behavior theory with traditional financial and economic perceptions. The foundation of this theory is built and reinforced by two American psychologists, Daniel Kahneman and Amos Tversky. According to studies, the behavior of investors is approached based on the following factors: experience, behavior bias, herding. The purpose of this theory is to help researchers, investors, or financial experts better understand the direct or indirect impacts influencing financial decisions, as well as predict fluctuations based on psychological factors. This enables us to gain a deeper understanding of ineffective investments, identify opportunities and risks, and thereby propose solutions for improvement and risk mitigation in the most optimal way.

2.2. Prospect theory

Kahneman and Tversky (1979) summarized the main contents of prospect theory as follows:(1) Human behavior has three main characteristics that cannot be explained by expected utility theory: (i) Depending on the nature of the prospect, human behavior sometimes exhibits risk aversion but sometimes risk-seeking behavior. Humans make choices based on gains and losses; (ii) Humans evaluate gains and losses relative to a reference point, and typically the reference point corresponds to the individual's current status; and (iii) Humans are loss-averse.(2) The value function of prospect theory is defined by gains and losses relative to a reference point. The

value function has the following characteristics: (i) The value function is concave in the domain of gains and convex in the domain of losses; (ii) The value function is steeper for losses (reflecting loss aversion) compared to gains.

2.3. Herding in behavior finance

According to Bikhchandani and Sharma (2001), herd behavior exists in two basic forms: intentional herd behavior and unintentional herd behavior. Christie and Hwang (1995) defined herd behavior as when individual retail investors discard their own beliefs and make investment decisions primarily based on the collective behavior of the market. Herd behavior can be seen as unintentional market behavior when investors abandon their previous beliefs by blindly following other investors. Conversely, intentional herd behavior occurs when individuals believe in copying the behavior of other investors, while disregarding other information as well as their own evaluations of their decisions.

Based on foundational research theories and previous studies such as Cao Minh Man et al. (2023), Do Ha Minh et al. (2023), Tran Thi Minh Phuong et al. (2023), and Nguyen Dinh Toan et al. (2022), Ribesh Maharjan et al. (2023), Tanzina Hossain et al. (2022), Kartini et al. (2021), and Reza Widhar Pahlevi (2018), hypotheses are proposed:

H1: Risk acceptance influences individual investors' stock investment decisions.
H2: Herd mentality influences individual investors' stock investment decisions.
H3: Market information influences individual investors' stock investment decisions.
H4: Self-confidence influences individual investors' stock investment decisions.
H5: Expected profit influence individual investors' stock investment decisions.

III. Method

The qualitative research aims to examine whether the factors and observed variables of each factor proposed by the author above are appropriate to the current situation of FPT Securities Joint Stock Company - Da Nang branch. The questionnair used in the qualitative research is structured interviews. The author will conduct discussions with 30 people, including 10 employees at the company and 20 randomly selected individual investors currently trading at the company. The reliability coefficient (Cronbach's Alpha), exploratory factor analysis (EFA), and confirmatory factor analysis (CFA), SEM model are used to testing the influence's levels of factors in the model.

IV. Results

4.1. Cronbach's Alpha

After testing the reliability of 23 observed variables across 6 factors, the results showed that the Cronbach's Alpha coefficients were all greater than 0.6, and most observed variables had appropriate total-item correlation coefficients (> 0.3).

4.2. Exploratory Factor Analysis

Figure 1.Rotate matrix of independent variables

	1	2	3	4	5
DD3	,933				
DD2	,905				
DD1	,903				
DD4	,818				
KV4		,889			
KV3		,881			
KV1		,876			
KV2		,867			
CN2			,878		
CN1			,870		
CN3			,841		
CN4			,834		
RR3				,861	
RR1				,824	
RR2				,805	
RR4				,784	
TT3					,839
TT2					,806
TT1					,788
TT4					,779

4.3. Confirmatory Factor Analysis

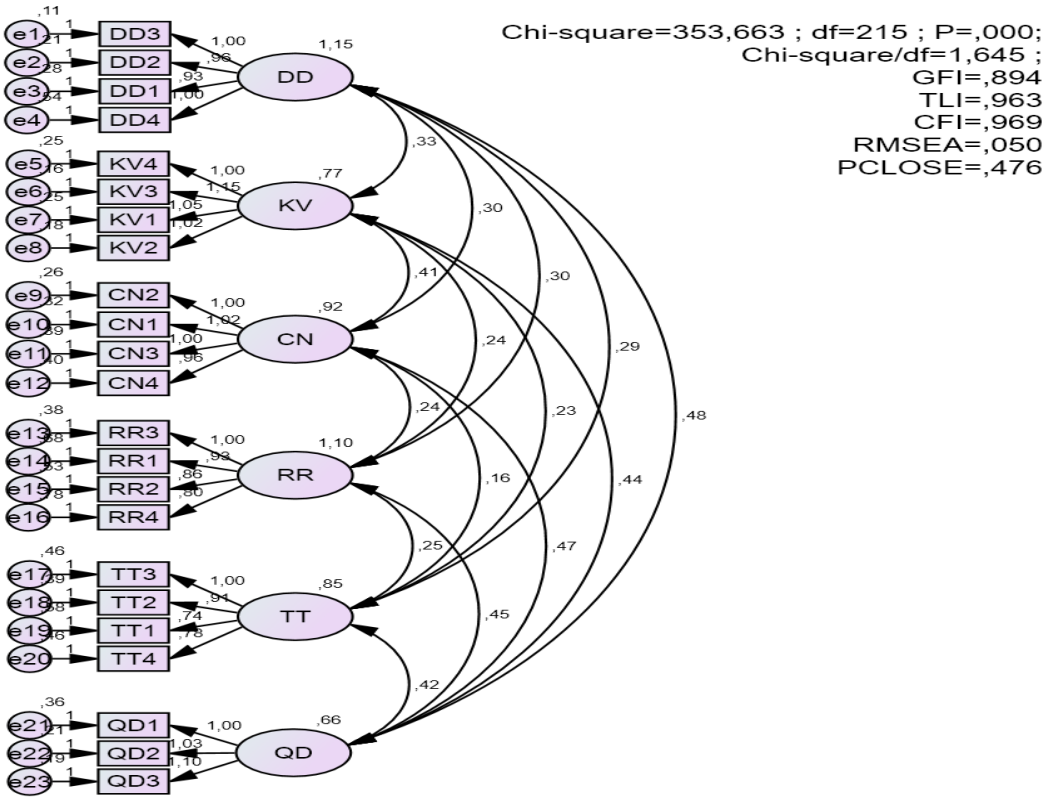

Figure 2. CFA model result

4.4. SEM

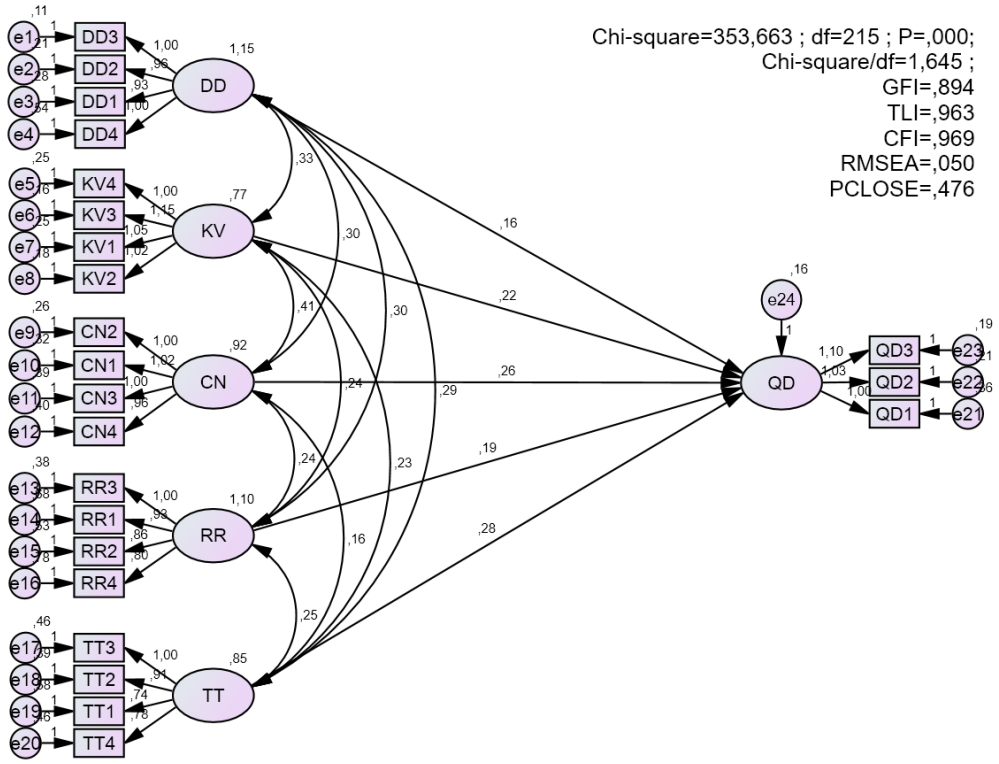

Figure 3. Estimation results of the research model

V. Conclusion

Utilizing a survey dataset gathered from 257 individual investors at the FPT Securities Joint Stock Company (FPTS), Da Nang Branch, this study successfully constructs an empirical model titled "Factors Influencing the Investment Decision-Making of Individual Investors at FPT Securities Joint Stock Company, Da Nang Branch." The empirical findings demonstrate the distinct impacts of various determinants, namely: overconfidence, herd behavior, expected returns, risk tolerance, and market information.

Furthermore, the study addresses its primary research objectives. First, it systematizes the theoretical framework underlying stock investment decisions, thereby establishing a solid foundation for the research model. It employs a combination of qualitative and quantitative research methodologies to comprehensively analyze the effects of the aforementioned determinants. Second, data analysis executed via SPSS 26.0 and AMOS validates five primary hypotheses corresponding to five constructs: Overconfidence, Herd Behavior, Expected Returns, Market Information, and Risk Tolerance. Crucially, all five factors are found to exert statistically significant and positive impacts on the decision-making process of individual investors.

Despite these contributions, certain limitations remain. First, the survey relies on a sample size with a specific number of observations, and data collection was restricted to a relatively short geographical and temporal scope, which does not capture the entire population of individual investors at FPTS Da Nang Branch. Additionally, this study only partially explains and analyzes the factors driving investment decisions, leaving other potential variables unexamined. Nevertheless, the derived empirical results maintain a high degree of objectivity. Second, given that the stock market is undergoing a phase of gradual recovery and volatility, the generalizability of these findings is limited to the current temporal and spatial context, serving primarily as a baseline reference for investors.

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