

THE SURVEY FACTORS AFFECTING WISDOM INVESTORS DECISION MAKING OF STOCK MARKET IN THE CONDITIONS OF SEVERE INFLATIONARY RECESSION

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Abstract

The current study is to examine the effective factors on decisions of small investors of stock market in an intense inflation and recession. All investors who have been attended in Tehran stock exchange were selected as statistical population during 2011 to 2012. 415 investors are statistical sample of this research. Hence, The decisions of small investors are regarded as the dependent variable and uncertainty about future condition, advice of people, friends and brokers, risk aversion of small investors, risk taking of small investors, reduction of investment in Initial Public Offering companies and reduction of new investments in the stock market are independent Variable respectively.

The current research uses one sample t-test to confirm or reject each hypotheses and SPSS 19 software is applied to test them and confirmatory factor analysis for Validity of research and Friedman test was used to prioritize hypotheses.

The research's results indicate that uncertainty about future condition, advice of people, friends and brokers, risk aversion of small investors, risk taking of small investors, reduction of investment in Initial Public Offering of companies and reduction in new investments in the stock market, are Respectively, the Effective Factors, driving private investors in stock market, under stagflation conditions, in their decision making.

Keywords: Decisions of small investors (decreasing new investments, selling stocks in stock market, keeping stocks, keeping the current condition, selling stocks and exit) in stock exchange; inflation-recession condition.

Introduction

One of the most important sectors of the economy in each country is the capital market. Stock Exchange as a market economy is a major part of the capital market, in which, under the terms and conditions of the purchase and sale of securities is made. Market shares of the leading investment and savings, development, creating jobs and promoting public welfare paves (Taheri & Sarem Safari 2011). In this regard, the decision of investors, especially investors in the micro stock market and the impact of their financial decisions are more complex and more risky. Therefore, to create conditions that investors from different states, investing in stocks in terms of

severe stagflation choose is of particular importance. The present study attempts to provide a more accurate picture of the stock market, the factors affecting the decision to split the stock market investors have been analyzed. In this chapter of research we summarized according to the research, the main research question expressed the need to do research, research objectives, scope of study, variables studied, the research hypotheses are discussed in the special terms and words. (Bashir 2013)

Statement of Problem

In stock alongside, the traditional instruments of investment for individual investors are of particular importance. However, most productive and most hedge funds in recent years, have been gold coins in general. Although the general stock market performance has been good, but very volatile and risky and could be a good option for investing is risky for individuals. Another important point for the investment attractiveness of the housing market because housing is not only the average value growth has been good, but the yield is the rent as well. So housing is a good option for investment. But dollar and generally stock had a very low efficiency except 2011 and so we can't mention it as a suitable option for investment. (Zamanzadeh 2012) 2012 was a special year from the point of change in investing instruments because in this year, the value of public money has reached to zero in front of foreign stock and according to that, inflation had experienced one of its highest growth in the last decade. (Pakzad 2013)

In the years of 2012 was a special year of ups and downs for the gold and currency. The year in which economy had engaged society's thought and mind more than any other thing. Also impressive was the performance of the stock over the same period. Tehran Stock Exchange leads in the 11-month Bahman 2011, more than 49 percent of its output to the display. The parallel exchange markets, in 2012 the price was surprisingly bullish. The results show that during this period the US dollar, with prices from more than 90 per cent and 87 cent coins all spring release of the growth has started. Whereas each gram 18 carat gold of this period, with growth of 84% has reached itself to 142 thousand USD. Meanwhile, the housing market, according to official statistics released last 6 months of the year grew by 32 percent. However, preliminary estimates indicate a growth of 100% in property prices in the current year (Iran's Economy 2012).

The current downturn of the economy according to time priority and not necessarily the affecting intensity could be because of following factors:

First, uncertainties in last year's because of various matters at different matters of policy making has been created or intensified and caused to outflow some portion of capital of generative private sector .second, the expected effects of plan execution of objectivity of subsidies and increasing the price of energy carrier from 2010 winter which was the final price of many of the costs of transportation of energy products increased purchasing power of consumers and reducing financial power producers have been looking for. Third, trade sanctions and financial affairs, financial and commercial transactions with the outside world two years has made it hard and expensive. These limitations caused the low purchase of crude oil and consequently reduce foreign exchange to the country, followed by the state budget and resource constraints faced the reduction of the current rate of economic growth, inflation and the economy left, but where is the root? Iran's economy demand current inflation caused by supply-side factors. On demand, expansionary fiscal policy and expansionary monetary consequently from 2006 onwards, the main source of the increase in aggregate demand in the economy. Looking at the statistics, the growth of the monetary base (high powered money), cash flow, gross domestic production during last years have made the especial image about this area offers. During the period 2006 to 2012, the average growth rate of the monetary base and liquidity, respectively, 24.2 and 26.1

percent, average real GDP growth rate of about 2.6 percent. If the velocity of money (liquidity) in this period is assumed to be constant, an increase in the nominal money supply to a proportionate increase in the producer price index to measure inflation of this price in economy, resulting in the total supply. (Ceyda 2010)

Towards economy, among the factors that led to the recent years increased production costs are more important than the role of several factors: First, increases in the prices of energy carriers from the last quarter of 2012 and compensate for inadequate industry; second, the exchange rate of the second half of 2011, the cost of raw materials, intermediate and end up demand for higher wages by the labor force. All these factors, growth 16/6, 34/2 and 29/6 percent PPI during the years 2010 to 2012 figure said. The next step to increase the cost of production and household items to the basket price index for consumer goods and services transferred. (Louhichi 2004)

Terms of inflation and stagnant economic conditions impact on the investment community and the individual. Therefore, in this conditions maintaining purchase power is very significant that one of its solutions is investing in high output activities that from among them we can refer to sell and buy as one of the investment options. According to the effect of inflation on economical situations of society, investment method is effective doubtlessly and the main question of this research is that what are the influential variables on decision making of micro market investors in stagflation condition?

Research Variables

The dependent variable, the response variable or output. The research, the dependent variable, longer reduce investors' decisions on new investments, selling shares on the stock exchange, storage and sale of shares, maintaining the current situation, and went out selling shares in the stock market. The independent variable is a mobile or outflow variable which is considered as an instrument to change and transformation of independent variable or output one that is as an instrument for variable transformation. This change is one sided and in other words, independent variable can't get inspiration from dependent variable. In the recent research, according to uncertainty of following trend, we recommend members, friends and agents, new investment, investment in new firms, offered in stock market is risky and risk-averse retail investors is inflation and recession.

Tehran Stock Exchange

Tehran stock exchange as a cohesive and systematic market, is the most important agent of absorbing and arranging wandered financial resources and with gathering society's credit and share selling of companies, by moving economy wheel of society through providing required capital of projects, reducing government interference and also increasing tax revenues provides significant economical benefits and along with, eliminates inflation effects of liquidity in society (Pahlavan et al 2012).

Investor or Shareholder

Individual, group or organization that owns one or more shares in a company and a stock certificate. When you buy shares, you become part owner of the company and have voting rights in public companies. As a shareholder, you also share in the profits and share value plus the increase due to the company's good performance, enjoy (Fanaei and Golestani 2011).

Investment

Investment is the purchase of assets or securities, which over time leads to increased revenue and value to the investor (MehranFar 2008).

Wisdom Investors

In this research, those investors are considered as micro that own micro investments individually (below one million share of each company or under one percent share of each company-any one that is important).

Decision Making

In the definition of decision, it can be said to predict and evaluate the results via the solution of choice for a definitive solution for the purpose of making decision say (Zare'ian, 2006).

The Uncertainty of the Future Trends

A number of factors such as environmental, political, social, cultural, technological and create uncertainty involved (Mateot & Fathi 2012). In terms of decision making in conditions of uncertainty and risk is complete. Complete state of uncertainty, the current issue includes a number of variables and uncontrollable variables to predict the information is not available (Marilyn 2003).

Risk Disclosure

Risk is part and parcel of the financial market and for-profit activities are needed. The risk of every share is a factor for 55% of repliers that has significance for 55% of them, this means that during investment, more than half of investors pay lots of attention to this matter. (Emam and shajari, 2012)

Risk Aversion

Is a basic assumption of stock options that investors shun risk. This means that the investor will choose a portfolio with the lowest standard deviation (Raei & PouyanFar, 2012, p. 124).

Literature Review

Aghaei and Mokhtarian (2004), the study of factors affecting investors' decisions concluded the share price reached new market trend constitution of affected decision.

Ghalibaf and Naderi (2006), in response to the information stagnation conditions more investors from a boom into consideration. The results indicate that short-term investors who were to due information recession conditions, the reaction had been excessive.

Tehrani and colleagues (2006) examined the effect of accounting and non accounting information on investors' decisions. Research results showed that non accounting information like management, domestic and international political and economic issues, sales volume and type of efficiency, have more effect compared to the accounting industry on investors' decisions.

Conceptual Model of Research

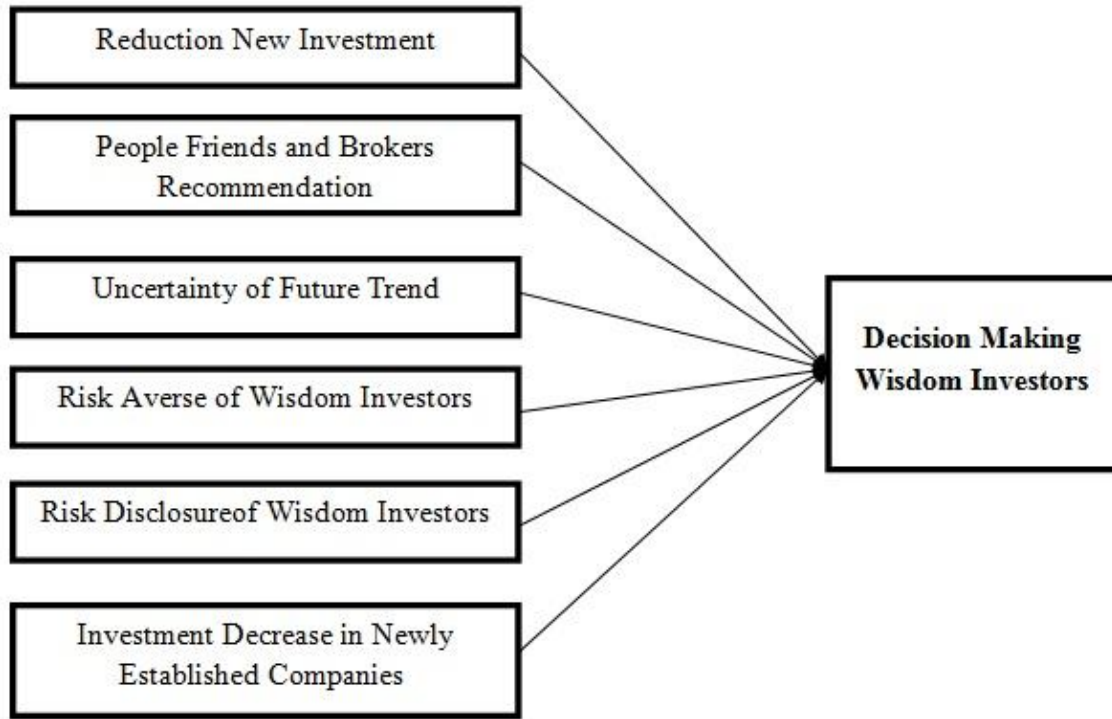


Figure 1: Research's Model

Research hypotheses

H₁: Reducing new investments in the stock market in the recession- inflation has impact on the decision making of wisdom investors.

H₂: Advise individuals, friends and Brokers in the recession- inflation has impact on the decision making of wisdom investors.

H₃: The uncertainty From process of future in the recession- inflation has impact on the decision making of wisdom investors.

H₄: Risk aversion of wisdom investor in the stock market in the recession- inflation has impact on the decision making of wisdom investors.

H₅: Risk Disclosure of wisdom investor in the stock market in the recession- inflation has impact on the decision making of wisdom investors.

H₆: Reduce investment in the new offer companies in exchange in the recession- inflation has impact on the decision making of wisdom investors.

Methods of Research

This study uses a retrospective approach (from past data) is. On the other hand, descriptive correlational research study. Specifying the population, the sample size is obtained. The population of a set of individuals, objects, or things that they have at least one common trait. (Khaki 1390) The population studied in this research, all investors are referred to the Hall of the Tehran Stock Exchange from 2011 to 2012. Sampling and non-probability sampling method

used in this study are available. The gathering instrument in this research is questionnaire that 450 questionnaires were distributed which 415 of them were completed and statistical analysis was done on them. Cronbach's alpha coefficient was used to assess the reliability of which is as follows:

Table 1: The reliability of the questionnaire variables

Variables	Number of Questions	Cronbach's Alpha Coefficient
The uncertainty of the future	3	0.814
Advise individuals, friends and Brokers	2	0.862
Reduce new investment in market	1	0.912
The percentage of fresh supply of stock investment companies	2	0.862
Retail investors risk appetite	6	0.927
Retail investors are risk-averse market	6	0.924

Methods of Data Analysis

In this descriptive study was to examine demographic information of the respondents in the survey questionnaire, frequency tables and statistical graphs are presented as a bar graph. In referential statistics, first we examine the normality of data distribution with single sample t-test to confirm each of research hypotheses and if the data distribution isn't normal, we will use parametric equation which means binominal test.

Results of Hypothesis Testing

The First Hypothesis Tests

Table 2: Results of one-sample t test.

Component	Mean	Standard Deviation	df	Sig.
The first Hypothesis	3.821	1.471	414	0.011*

* Significance level of 5%

According to table 2 and because the questionnaire has five options to select, the assumed average for each question has been placed as number 3 that with comparison by obtained results of investors with assumed means, it can be said that there is a significant difference between obtained statistics and assumed mean and meaningful level of t statistics with 5% error, we can reject H0 hypothesis and accept H1 hypothesis. Thus reducing new investments in the stock market in conditions of intense Recession – Inflation has impact on the micro investment decision of market .

The Second Hypothesis Tests

Table 3: Results of one-sample t test.

Component	Mean	Standard Beviation	df	Sig.
The second Hypothesis	2.274	1.104	414	0.027*

* Significance level of 5%

According to table 3 and because the questionnaire has five options to select, the assumed average for each question has been placed as number 3 that with comparison by obtained results of investors with assumed means, it can be said that there is a significant difference between obtained statistics and assumed mean and meaningful level of t statistics with 5% error, we can reject H0 hypothesis and accept H1 hypothesis. Thus advises individuals, friends and agents in conditions of intense Recession – Inflation has impact on the micro investment decision of market . .

The Third Hypothesis Tests

Table 4: Results of one-sample t test.

Component	Mean	Standard Deviation	df	Sig.
The third Hypothesis	2.732	1.191	414	0.009*

* Significance level of 5%

According to table 4 and because the questionnaire has five options to select, the assumed average for each question has been placed as number 3 that with comparison by obtained results of investors with assumed means, it can be said that there is a significant difference between obtained statistics and assumed mean and meaningful level of t statistics with 5% error, we can reject H0 hypothesis and accept H1 hypothesis. Thus can say that uncertainty of current trend in conditions of intense Recession – Inflation has impact on the micro investment decision of market.

The Fourth Hypothesis Tests

Table 5: Results of one-sample t test.

Component	Mean	Standard Deviation	df	Sig.
Fourth Hypotheses	3.251	1.673	414	0.014*

* Significance level of 5%

According to table 5 and because the questionnaire has five options to select, the assumed average for each question has been placed as number 3 that with comparison by obtained results of investors with assumed means, it can be said that there is a significant difference between obtained statistics and assumed mean and meaningful level of t statistics with 5% error, we can reject H0 hypothesis and accept H1 hypothesis. So it can be said that risk aversion of market micro investors in conditions of intense Recession – Inflation has impact on the micro investment decision of market .

The Fifth Hypothesis Tests

Table 6: Results of one-sample t test.

Component	Mean	Standard Deviation	df	Sig.
Fifth Hypothesis	3.096	1.335	414	0.034*

* Significance level of 5%

According to table 6 and because the questionnaire has five options to select, the assumed average for each question has been placed as number 3 that with comparison by obtained results of investors with assumed means, it can be said that there is a significant difference between obtained statistics and assumed mean and meaningful level of t statistics with 5% error, we can reject H0 hypothesis and accept H1 hypothesis. So it can be said that riskiness of market micro investors in conditions of intense Recession – Inflation has impact on the micro investment decision of market .

The Sixth Hypothesis Tests

Table 7: Results of single sample t test

Component	Mean	Standard Deviation	df	Sig.
Sixth Hypotheses	2.041	1.183	414	0.001*

* Significance level of 5%

According to table 7 and because the questionnaire has five options to select, the assumed average for each question has been placed as number 3 that with comparison by obtained results of investors with assumed means, it can be said that there is a significant difference between obtained statistics and assumed mean and meaningful level of t statistics with 5% error, we can reject H0 hypothesis and accept H1 hypothesis. So it can be said that investing decrease of newly companies in conditions of intense Recession – Inflation has impact on the micro investment decision of market .

Conclusion

The result of the research showed that in severe recession –inflation condition, all new investments in market factors such as loss advice, friends and agents, the uncertainty of the future, being risk averse investor buys the stock market, Venture of the investor buys the stock market and the company's investment in new supply. The stock split will affect the investment decision in new.

Suggestions for Future Research

1. The financial statements of listed companies in Tehran Stock Exchange for the decision of investors in the stock market wisdom of severe stagflation.
2. Reactions of excessive investor buys the stock market in terms of stagflation.
3. The liquidity of the shares in circumstances of severe stagflation in the Tehran Stock Exchange.
4. The effect of dividend increases on the behavior of investors in the stock market wisdom of severe stagflation.
5. Research topic in recent years and the results are compared.

Limitations of the study

1. There confounders that may affect the investment decision, including the political situation, the macroeconomic situation and liquidity conditions in this study, but they did not control.
2. Investors levels of financial knowledge (no knowledge of specialized terminology exchange) studied Another limitation of this research.
3. It is possible that the inherent limitations of questionnaire respondents did not respond to the questionnaire are based on the beliefs of the heart Or it is possible that other people had completed the questionnaire, which is outside the control of the researcher It is likely that these cases have occurred in relation to the present research.
4. Lack of adequate background research about the conditions of the present study.

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