

Investigating The Effect of Perceived Risk And Perceived Usefulness on The Purchase Intention of Potential Investors in Stock Exchange in Ahvaz With The Study of the Mediation Role of Investors' Attitude



Management

KEYWORDS : intention of investment, perceived usefulness, perceived risk, attitude.

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ABSTRACT

Given the importance of the stock exchange in the economy as well as increasing investment in the stock, this study examines the impact of perceived risk and perceived usefulness on the purchase intentions of potential investors in stock exchange in the city of Ahvaz, while examining the mediation role of investors' attitude. Structural equation modeling has been used in order to evaluate the effects and explore the relationships. The results showed that the variables of perceived usefulness and attitude have a significant relationship with the intention of investing in the stock market and the perceived risk variable does not have a significant relationship with the intention of investing in the stock market, also perceived usefulness increases the attitude and consequently increases the intention of investment, but the perceived risk did not increase the attitude and consequently did not increase the intention to invest. The results of this study leads to a general understanding of the investments in the stock market and provides a useful empirical analysis of the kinds of investments in this field.

INTRODUCTION

When the intention of investment in different markets and adopting a suitable strategy in this field is considered, you must consider the perceived risk and perceived usefulness at first. The attitude of investors on the perceived risk and usefulness are some of the essential factors for adopting the suitable investment strategy. So the question is that what are the effects of perceived risk and usefulness on the intention of investment, and if the perceived risk and usefulness affect the attitude of individuals toward the investment. Among different types of investments, this study deals with one of the most important and most basic areas of investment: the investment in stock exchange. The perceived risk and the perceived usefulness as a psychological concept are one of the main factors for a reduction in the intention of purchase in the investors. Many studies have been done in this field at a global level, while it has not attracted much attention in Iran. Attitude of the investor in Iran may differ from the ordinary attitude of those who are not in Iran; therefore, performing more research on this matter with consideration of the native circumstances is required. It is certain that a correct understanding of the behavioral process and its consequences is extremely important for financial planners, because a correct understanding of the behavior of investors in the market can help the financial planners of the market significantly in financial resources allocation and enhancement strategy formulation. Overall, in this study we sought to answer the question that whether the perceived risk and the perceived usefulness of the potential investors in stock exchange in Ahvaz do have an effect on their intention of investment, and how much their perceived risk and usefulness affect their attitude toward exchange and whether this impact have a significant on their intention of investment.

THEORETICAL FOUNDATIONS

Perceived risk

One of the concepts that were addressed in customer behavior studies is the concept of perceived risk. Customer behavior researchers often defined the perceived risk as the perception of the customer about the potential uncertainty and reverse results of buying a product or a service (Littler & Melanthiou, 2006).

Studies have shown that customers perceive different forms or dimensions of risk. The amount of predictive value for each of these dimensions of the total risk and its reductive behavior is very much dependent on the category of the product or service (Gemünden, 1985).

Perceived usefulness

Perceived usefulness is the mental understanding of the investor regarding whether using a specific application system or buying a specific product or service in the future will result in an

increase job performance and an increase in revenue or profit in a given area or field (Davis, 1989).

In another definition, usefulness can be defined as the understanding of the investment profits by the investor, or perceived usefulness is the expected benefits of investment.

Attitude

Attitude is the positive or negative feeling of someone as a result of his/her assessment about a certain behavior (Fishbein & Ajzen, 1975).

Attitude is one of the operational concepts in social psychology. This term became common from 1950 decade onwards, and nowadays it is one of the most important concepts in America's social psychology. The combination of knowledge, feelings and readiness for acting in relation to a certain thing is called the attitude of a person toward that thing (Karimi, 1984). The word "attitude" has several meanings. This word is derived from the Latin word "Optus" which means adequacy and compromise, and another root is the word "aptitude" which means mental or intellectual status and readiness for action. Therefore, there is a distinction between two attitude categories in applying these two roots in social psychology: mental attitude and motor attitude.

One of the first people who used the word "mental attitude" was Herbert Spencer. "Correct judgment about the discussed questions is somehow depends on the attitudes at the time of hearing a whine or participating in a conflict; and it is necessary to know the average of correct and incorrect human attitudes in order to have a correct attitude" He wrote at one his first works in 1862.

Several of the experts think of social psychology as the "scientific study of the attitudes". But the definition that most of social psychologists have for the word "attitude" is: a stable system which includes a cognitive element, an emotional element and an inclination toward action. Cognitive element, includes the beliefs and ideas of the person about a thought or an object. Emotional element is that often the type of emotion is linked with our beliefs, and inclination toward action is the readiness for a specific kind of response. For example, the attitude of someone toward a political character may have a cognitive dimension that knows him as a political figure. Its emotional dimension may be his fascination with the way the political figure gives his speech, and the action or behavioral section is that he is always ready for visiting or attend the meetings of that political character (Monshi Toosi, 1992).

Park state the four characteristics below for attitude:

- Attitude has a distinct bias regarding the goals and values and from this perspective it differs from simple and conditioned reflections.

- Attitude is in no way a spontaneous and routine action. On the contrary, it displays some tension even when it is hidden.
- Attitude has different intensities; sometimes dominant and commanding, and other times rather ineffective.
- Attitude roots in experience. Therefore it cannot be a social instinct only (Monshi Toosi, 1992).

Investment

Nature of investment

The term *investment* can be considered as a wide range of activities. It can include investments in certificates of deposit, bonds, equities, gold, foreign currency, land, buildings and so on.

Investment consists of converting funds to one or more types of assets that will be kept for some time in the future. Investing funds in various assets is only a part of the total decisions and financial planning that most people do. Before people attempt to invest, everyone should develop a general financial plan. Such a plan should include a decision on the deal. In addition, the type of asset lifecycle ownership and its profitability should be considered as well (Barani, 2004).

Definition of investment

Generally, investing means expending currently available money in order to acquire more money in the future. In other words, investment means postponing current expenditure in order to have more money to expend in the future (Barani, 2004).

Types of investment

Investments can be divided in two main forms of real and financial. Real investment, is an investment in which the investor acquires a real asset by sacrificing some value in the present time. Buying lands and houses are examples of this type of investment. In financial investment, in exchange for sacrificing the present value, the investor acquires a financial asset which usually results in a cash flow (Barani, 2004).

Most investments in traditional economies have been real, but the majority of investments in advanced economies are on focused assets. In fact, not only these two forms of investment are not against each other, but they complement each other as well (Barani, 2004).

RESEARCH BACKGROUND

Most of the research performed on the subject is in non-financial field and there has been little research on financial subjects which are stated below:

Psychological factors affecting investments in stock exchange

This article aims to understand the psychological factors affecting people's intention to invest in Tehran Stock Exchange. The author believes that in current condition of the capital markets in Iran and the world, the analysis of influencing psychological factors is very important, and the subject called "financial behavior" or "behavioral finance" has entered the field of financial markets in recent decades. Behavioral finance investigate the behavior of investors and attempt to accurately and profoundly identify and understand their reactions.

Plenty of internal and external factors can affect the purchase process of people (investors' mental black box); economic, political and cultural factors are some examples of external factors. Abdolmajid Dehghan (2008) concluded that internal (psychological) factors consists of biorhythmic factors, intrinsic analysis ability, attaining the reputation of a shareholder, synchronization of the buyer's image and the actual image of the company, risk taking and self-confidence; and the measurement of these factors can lead to a

more accurate understanding of investors' behavior, resulting in growth and development of the stock exchange and country's economy.

The relationship between economics and psychology and psychological approach to the capital market

Economics, as a field of humanities which studies the type of selection and exchange done by people and the major economic consequences of those decisions on the society, was always accused of (by psychologists) ignoring the evidence and facts related to human behavior. Economics claims a compatibility with this discipline (psychology) by making the foundations of behavioral logic basics and forming a set of ideas based on these assumption. Since the unit of analysis in these two scientific subjects is the person and his/her behavior, the interaction between economics and psychology can be used by economists for creating economic theories. Loghman Pakravan (2013) deals with the importance of interdisciplinary research in this area by addressing the shortcomings of some economic theories in the face of actual observations and some theoretical advances in the line of interaction between these two sciences. After some studying and research in this area, he has mentioned a number of major psychological characteristics of investors which play a decisive role in their behavior and decisions. These characteristics include: loss aversion, false self-confidence, misunderstanding of the relationship between risk and return, remorse, lack of self-control, false diversification and mental accounting. These characteristics suggest that people don't make their decisions about investments based on scientific financial theories, but psychological and emotional factors play an important role in this matter.

Therefore the impact of the three fundamental forces that affect people's decisions are classified as follows:

1. Based on these characteristic, the first and foremost important aspect in investment is to maintain the security of the money (perhaps one of the reasons for popularity of investment in real estate, especially in Iran)
2. It is important for the investor to be able to earn a regular income from their investments.

People like to achieve their dreams, such as buying a house, luxury travels, buying an expensive cars through investment.

RESEARCH HYPOTHESES

First hypothesis: the relationship between perceived risk of potential investors and their attitude.

Second hypothesis: the relationship between perceived usefulness of potential investors and their attitude.

Third hypothesis: the relationship between perceived risk of potential investors and their intention to invest.

Fourth hypothesis: the relationship between perceived usefulness of potential investors and their intention to invest.

Fifth hypothesis: the relationship between the attitude of potential investors and their intention to invest.

Sixth hypothesis: the relationship between perceived risk of potential investors and their attitude and consequently their intention to invest.

Seventh hypothesis: the relationship between perceived usefulness of potential investors and their attitude and consequently their intention to invest.

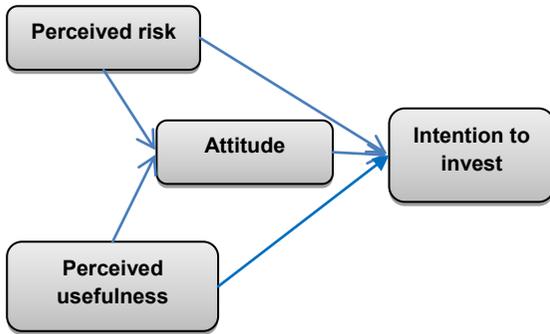


Figure 1: Conceptual framework of the research

RESEARCH METHODOLOGY

This research is an applied research in regard to purpose and a descriptive survey in regard to the nature and purpose. Since the statistical population of this study is infinite, the specific formula for unlimited populations was used which resulted in a statistical population of 266 people at 95% confidence level and 6% estimation accuracy. Sampling method was voluntary (available) sampling, data collection was conducted through a questionnaire as well. The population in this study consists of all the investors and also potential investors in stock exchange in Ahvaz.

DATA ANALYSIS METHOD

Demographic characteristics of the sample

This section describes the general characteristics of the respondents such as gender, age, education and work experience; and for each case, the condition of respondents such as frequency, percentage, and cumulative percentage is expressed.

Gender	The frequency of each layer	The frequency percentage of data in each layer	The frequency percentage of valid data in each layer	C zumulative Percentage
Man	214	80	80	80
Woman	52	20	20	100
Total	266	100	100	

Figure 2: Frequency distribution of gender variable

Age	The frequency of each layer	The frequency percentage of data in each layer	The frequency percentage of valid data in each layer	Cumulative percentage
20-30	143	52	52	52
31-40	60	24	24	76
41-50	31	12	12	88
51-60	24	9	9	97
61 and over	8	3	3	100
Total	266	100	100	

Figure 5: Frequency distribution of age variable in the sample

Hypotheses confirmation and analyzing the proposed model

The two indexes of critical value and P (significance level) is used in order to test the significance of the hypothesis. According to the significance level of 0.05, critical value must be greater

Work Experience	The frequency of each layer	The frequency percentage of data in each layer	The frequency percentage of valid data in each layer	Cumulative percentage
Less than 1 year	86	34	34	34
1 to 5	123	44	44	78
6 to 10	41	16	16	94
11 to 15	8	3	3	97
16 and higher	8	3	3	100
Total	266	100	100	

Figure 3: Frequency distribution of the amount of investment history variable in the sample

Education Level	The frequency of each layer	The frequency percentage of data in each layer	The frequency percentage of valid data in each layer	Cumulative percentage
High school or lower	35	14	14	14
Associate degree	26	10	10	24
Bachelor Degree	149	54	54	78
Master's Degree	50	20	20	98
Ph.D.	6	2	2	100
Total	266	100	100	

Figure 4: Frequency distribution of education levels variable in the sample

than 1.96. Anything less than this value, the relevant parameter of the model is not considered as significant, also amounts smaller than 0.05 for P show a significant difference for the calculated amount of regression coefficients with a zero value at the confidence level of 0.95. If the value of P is less than 0.05, it can be said that the hypothesis is confirmed by 95% certainty.

Hypothesis Number	Hypothesis			Critical value	Regression coefficient	P	Result
1	Perceived risk	→	Attitude	-1.428	-0.08	0.153	Reject
2	Perceived usefulness	→	Attitude	7.573	0.428	0.000	Confirm
3	Perceived risk	→	Intention to invest	-0.076	-0.004	0.940	Reject
4	Perceived usefulness	→	Intention to invest	9.585	0.535	0.025	Confirm
5	Attitude	→	Intention to invest	2.245	0.126	0.000	Confirm

Figure 6: Results and output report of AMOS software

The results of the research hypothesis are as follows:

Hypothesis 1: Perceived risk of potential investors has a significant positive impact on their attitude.

According to the results, this hypothesis was not confirmed at the 5% significance level. Therefore the perceived risk of potential investors does not have a significant positive effect on their attitude. Standardized regression coefficient for this hypothesis is -0.08, which due to the amount of P related to this regression coefficient which is larger than 0.05, it can be concluded that the hypothesis is not accepted with a 0.95 certainty. In other words, it can be stated with a 0.95 certainty that the perceived risk has no impact on attitude.

Hypothesis 2: Perceived usefulness of potential investors has a significant positive impact on their attitude.

According to the results, this hypothesis was confirmed at the 5% significance level. Therefore the perceived usefulness of potential investors do have a significant positive effect on their attitude. Standardized regression coefficient for this hypothesis is 0.428. The amount of P related to this regression coefficient is zero and is smaller than 0.05, which is another reason to confirm this hypothesis. Therefore, it can be stated with a 0.95 certainty that the perceived usefulness has an impact on attitude.

Hypothesis 3: Perceived risk of potential investors has a significant positive impact on their intention to purchase.

According to the results, this hypothesis was not confirmed at the 5% significance level. Therefore the perceived risk of potential investors does not have a significant positive effect on their intention to purchase. The impact factor (regression) for this hypothesis is -0.004, the amount of P related to this hypothesis is larger than 0.05, so it can be concluded that the hypothesis is not accepted with a 0.95 certainty. Therefore, with a 0.95 certainty we can reject the hypothesis and state that perceived risk has no impact on the intention of purchase.

Hypothesis 4: Perceived usefulness of potential investors has a significant positive impact on their intention to purchase.

According to the results from section 4, this hypothesis was confirmed at the 5% significance level. Therefore the perceived usefulness of potential investors do have a significant positive effect on their intention to purchase. Standardized regression coefficient for this hypothesis is 0.535. The amount of P which is smaller than 0.05 confirms this hypothesis as well. Therefore, this hypothesis is confirmed with a 0.95 certainty and it can be stated that perceived usefulness has an impact on the intention to purchase.

Hypothesis 5: Attitude of potential investors has a significant positive impact on their intention to purchase.

According to the results, this hypothesis was confirmed at the 5% significance level. Therefore the attitude of potential investors

do have a significant positive effect on their intention to purchase. The impact factor (regression) for this hypothesis has a value of 0.126. As it is shown in the table, the amount of P for this hypothesis is zero; in short we can say that the regression coefficient related to this hypothesis has a significant difference with the value of zero. Therefore, this hypothesis is confirmed with a 0.95 certainty and it can be stated that attitude has an impact on the intention to purchase.

Hypothesis 6: The attitude of potential investors in whole or in part affect the impact of perceived risk on the intention to purchase in this way that reducing the perceived risk leads to an increase in attitude and ultimately an increase in the intention to purchase.

Since the perceived risk has no significant effect on the attitude and intention of investing, therefore this hypothesis is rejected.

Hypothesis 7: The attitude of potential investors in whole or in part affect the impact of perceived usefulness on the intention to purchase in this way that increasing the perceived usefulness leads to an increase in attitude and ultimately an increase in the intention to purchase.

The impact factor (regression) for this hypothesis has a value of 0.535. As it is shown in the table, the amount of P for this hypothesis is 0.025; in short we can say that the regression coefficient related to this hypothesis has a significant difference with the value of zero. Therefore, this hypothesis is confirmed with a 0.95 certainty and it can be stated that perceived usefulness has an impact on the intention to purchase by using an increase in attitude.

CONCLUSIONS

This study attempted to investigate the effect of perceived risk and perceived usefulness and the role of these two variables on the attitude of potential investors in stock exchange in Ahvaz in order to discover the role of these three factors on their intention to invest. Results showed that the variables of perceived usefulness and attitude have a significant relationship with the intention of investing in the stock market and perceived risk variable has no significant relationship with the intention of investing in the stock market. Also perceived usefulness leads to an increase in attitude and consequently increases the intention to invest, but perceived risk will not lead to an increase in attitude and ultimately in the intention to invest.

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