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Factors Influencing Malaysian University Students' Investment Decisions in the Capital Market: Barriers

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ABSTRACT

This study aims to investigate the factors influencing Malaysian University students' investment decisions in capital market. This study analyses different variables including financial literacy, risk appetite, accounting information, investment experience, using the Theory of Planned Behaviour (TPB). This study is a study using quantitative approach and uses primary data to gather first-hand responses. Data were collected from distributing questionnaires to the target population for this study who are Malaysian university students and 160 responses were collected. This research use SPSS Statistics v27 to reveal the correlation among the predictor variables. Results indicate that financial literacy and risk appetite significantly influence investment decision in capital market, while accounting information, investment experience do not. The study acknowledges limitation related to limitations in gathering and analysis of primary data, limitation of sample size, representation and variables and reliance on self-reported. In conclusion, this research offers valuable overview for the regulatory bodies better comprehend university students' investment decision and formulate initiatives and strategies that are appropriate and encourage new policies or programs for university students to actively and engage in the capital market investments.

1. Introduction

Investment is a strategy to build a strong financial future, involving the commitment of current resources for future gains. Investment offers a much better option compared to savings as its much more profitable and offers a wider range of investment instruments. However, investment is challenging due to various factors, including market conditions, fund availability, psychological influences, social factors, demographics, and behaviour. High returns come with risks, and risk tolerance affects a student's willingness to take potential losses in exchange for gains [1]. Financial literacy significantly impacts the readiness of individuals to make informed investment decisions [8].

Decision-making in investment can be crucial and it can easily be influenced by many factors [23]. There are various options for investment. Investment divided into two categories which are real investment where the investment made in tangible assets such as land, buildings and etc. As for financial investment, investments made in securities such as stocks, bonds and in money market such

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as deposits [3]. According to Hubbard *et al.*, [32] define that capital market is an economic instrument that has experienced very rapid growth.

Capital market is a medium to offer individuals to own shares in companies that are listed. Capital market is an alternative investment as well, with potential profits with assessed risk. This allows individuals to buy shares of any company that they perceive they are financially sound [33]. As for Gen Z (born 1997-2012) just started enter in workforce, they are increasingly being recognized for their economic potential and influence. In fact, 32% of the Malaysian population falls into this cohort. Gen Z's entry into the capital market is facilitated by their familiarity with digital platforms, social media exposure, and the low-cost investment opportunities that have emerged. Their investment behaviour is influenced by ease of access and low entry barriers via online platforms. However, the Gen Z participation in capital market investment is low compare to Millennials.

According to Youth Capital Market Survey [28], the survey notes a perceived lack of youth participation in the capital market. The youth participation in capital markets is relatively low, with many hesitant to invest due to low financial literacy and financial constraints. The Securities Commission Malaysia (SC) encourages younger generations to participate in the capital market. The Star [34] reports that, the SC implemented several program and initiatives to enhance financial literacy and encourage young adults to invest in the capital market. The SC has launched initiatives like the InvestED Leadership Programme, which aims to enhance financial literacy and attract young investors by offering a comprehensive learning experience and on-the-job training.

This study aims to identify the barriers that hinders Malaysian university students to involve in investing activities. The study uses factors that are assumed to be influencing the investment decision of Malaysian university students. Financial literacy is a set of awareness, knowledge, skills, attitudes, and behaviours that enable individuals to make informed and smart financial decisions [9]. It encompasses fundamental concepts such as budgeting, saving, investing, risk management, and the workings of financial markets [35]. Besides, risk appetite refers to 'the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives' [17]. The fundamental to the investment decision process is understanding the relationship between return and risk. This study aims to identify if accounting information has influence on investment decision.

Accounting information has the potential to significantly impact the investment decisions of Malaysian young in the capital market. Investors able to benefit greatly from the accurate information, which they will invest based on their various sources of accounting information. As a result, with sufficient information provided from the capital market, investors able to avoid uncertain risks more efficiently during their investment. Finally, Investment decision making is improved with the increased of investment experience [36]. A person's investment experience in the investment decision making is also determined by the financial knowledge that creates awareness for him/her to make himself/herself more understand about financial management. A young person is not only lacking in financial education but also has minimal knowledge of basic economic dimensions such as interest rate material [37]. Low financial knowledge can cause problems in the long run or may end in deficits [38]. The result of this study would be to provide insights to regulatory bodies or provide changes to policy based on the factors that are included in the study. From the results, changes could be made to shape a much financial literate generation which would impact the country economy positively.

1.1 Problem Statement

Despite the increase in accessibility to engage in investing through simplified investing platforms, Malaysian university students are detached from the capital market. The growing importance of

financial literacy among Malaysian university students contradicts with the students' presence in the capital market. The perception and attitude towards investing in the stock market influences the investing behaviour in general. Investment is seen as something that requires a lot of money and know-how, with many feelings somewhat intimidated by it [28]. According to Ibrahim *et al.*, [44] Malaysia is one of the regions whereby financial literacy level is at the bottom end. Such statement can be supported by a survey conducted by Securities Commission Malaysia (SC) in 2022, whereby Malaysian Youth perceive investing as an instrument valid to be engaged only with a lot of money and are unable to access the invested funds in case of an emergency [28].

Previous researches have been conducted based on a wider range of demographic. This study, particularly investigates Malaysian university students as it could offer new perspective for future researches. There is currently no research on the barriers Malaysian university students face in investing in the capital market. This study aims to provide an insight to understand the actual reasoning. According to a survey conducted by SC Malaysia, 1121 individuals were the respondents and were asked on investing questions. From the responses, the data collected presents that 40% of the respondents that investments have varying risk. These are the future of the country, and they are unaware of the risk involved in investment. This reflects on factors such as poor financial literacy and low risk appetite. An individual would be able to identify one's risk appetite only by understanding the risk in investing. From the survey by SC Malaysia, 40% of them do not know there are consequences of investing which are the risk involved. Therefore, these individuals are unable to have their own risk assessment.

The Malaysian government has identified the situation and attempts to tackle it before these ends negatively for the country. Malaysian government has initiated a program specifically for "IPTA", Private Higher Educational Institution in Malaysia. "Celik Kewangan Belia MADANI" allocated RM1 million for university students. As a result of this program, RM50 would be credited to each student's account to encourage them to invest. This shows that the Malaysian government is concerned of the situation and recognises the importance of sculpting its youth into a brighter future.

Investing early in life can significantly impact a student's financial future, primarily due to the power of compounding interest. By starting early, students can take advantage of this phenomenon, allowing their money to grow exponentially over time [26]. White also noted that even small, consistent contributions can lead to substantial growth in the long term. This not only enhances university students' financial well-being but also contributes positively to the country's economy. Many bachelor degree-holders had jobs that barely paid enough to survive as nearly 50% of working adults in Kuala Lumpur earn far below the central bank's official living wage. This has forced a large share of graduates to default not only on their student loans [14]. There is even evidence that the level of financial development is a good predictor of future rates of economic growth, capital accumulation, and technological change.

1.2 Research Questions

- i. Does accounting information influence investment decision in capital market among university student?
- ii. Does financial literacy influence investment decision in capital market among university student?
- iii. Does risk appetite influence investment decision in capital market among university student?
- iv. Does investment experience influence investment decision in capital market among university student?

1.3 Research Objectives

- i. To examine the relationship between accounting information and the investment decision in capital market among university student.
- ii. To examine the relationship between financial literacy and the investment decision in capital market among university student.
- iii. To examine the relationship between risk appetite and the investment decision in capital market among university student.
- iv. To examine the relationship between investment experience and the investment decision in capital market among university student.

1.4 Research Significance

The significance of this research lies in its potential to enhance the understanding of a specific factor that inhibit Malaysian university students from participating in the capital market. The purpose of this research is to investigate the relationships between the independent variable (financial literacy, risk appetite, accounting information, investment experience, and income level) and the dependent variable (investment decision-making). This study explores the decision-making process of Malaysian university students in engaging to invest in the capital market and identifies the barriers that hinder them from investing.

Besides, understanding the importance of the Sustainable Development Goals (SDGs) as a global framework for development, this study aims to contribute to them. SDG 4, Quality Education, serves as a relevant example of the potential impact this study offers. By identifying the barriers to investing among students, this study considers factors such as financial literacy and access to accounting information. When university students in Malaysia are provided sufficient financial literacy education, they are not only able to overcome the barrier to invest but also manage personal finance, have proper budgeting and fundamental financial knowledge. SDG 4 would also ensure university students in Malaysia are able to understand accounting information provided by companies. This will not only provide students quality education but enhances them to make considerate decisions on investing. They would be able to identify profitable businesses and even support local start-ups which would only positively impact the country's economy.

For researchers seeking to expand their knowledge of university students' investment behavior, this study would provide valuable insights. Not enough attention is given to teaching young people about how to manage their finances, and there is a need to intervene and nurture the right values from young [16]. Furthermore, this research can be extremely relevant to regulatory bodies to understand the barriers that Malaysian university students face in their investing journey. The importance of investing and the positive impact on a country's economic growth is undeniable, emphasizing the need for improved financial literacy and early exposure to investment opportunities.

2. Literature Review

2.1 Investment Decision

Investment is an economic activity that can be a way for a person to expand or maintain his wealth [45]. This study specifically explores individuals' willingness to invest in the capital market. Generally, investors are classified into two categories: retail investors and institutional investors. The focus of this study is on retail investors, specifically Malaysian university students. These are non-professional investors who purchase assets such as stocks, bonds, securities, mutual funds, and

exchange-traded funds. In this context, investment decisions refer to the factors influencing or hindering these students from investing their financial resources in the capital market, including financial literacy, risk appetite, accounting information, and investment experience.

2.2 Capital Market

Capital market is a platform where buyers and sellers engage in the trading of financial securities such as bonds, stocks, and others [25]. This trading activity is typically carried out by both retail and institutional investors. Capital markets primarily involve two types of securities: equity securities and debt securities [19]. In this study, the term capital market refers to investing into equity securities, debt securities derivatives market, and other financial instruments. The breakdown for each would involve equity securities which consists of stocks as in company's shares, debt securities which bonds issued by governments and corporations [24] derivatives which consist of options and futures, and other financial instruments like mutual funds and Exchange-Traded Funds (ETFs).

2.3 Financial Literacy

Financial literacy is defined as a set of awareness, knowledge, skills, attitudes, and behaviours that enable individuals to make informed financial decisions [9]. It encompasses essential concepts such as budgeting, saving, investing, risk management, and understanding financial markets [35]. High financial knowledge equips individuals to evaluate investment risks and rewards effectively, distinguish between financial products, and develop long-term financial plans Lusardi *et al.*, [39] as cited in Armansyah *et al.*, [2]. The ability to understand financial concepts is crucial for making informed capital market decisions.

Financial education plays a crucial role in enhancing financial literacy [11,38,41]. According to Kamel *et al.*, [12], university students who were exposed to financial education demonstrated higher test scores compared to those who were not. Financial literacy significantly influences individuals' understanding of financial products, enabling better financial choices and enhancing overall well-being [10].

Research indicates that financial literacy plays a critical role in investment decision-making. Elango *et al.*, [6] emphasize that financially literate individuals are better equipped to assess risks and interpret financial information effectively. Several studies have confirmed the significant impact of financial literacy on individual investment decisions [18]. Among university students, financial literacy shapes investment attitudes and behaviors, thereby influencing their likelihood of participating in stock markets [10,46]. However, low financial literacy is prevalent among Malaysian students. The Money SENSE report 2023 indicates that only 25% of students exhibit high financial knowledge, with many lacking understandings in areas like investments and taxation. This gap persists as students transition from secondary to higher education, leading to low participation in capital markets [29].

The lack of financial knowledge and awareness contributes to Malaysia's low household savings and poor retirement planning. Financial literacy levels among Malaysian students are moderate to low, with many expressing interests in improving their financial management skills but finding the subject stressful [16]. Overall, financial literacy is vital for university students, enabling them to make informed investment decisions. The relationship between financial literacy and investment behaviour underscores the importance of enhancing financial education to empower young individuals in managing their finances effectively.

Hence the following hypothesis is developed:

H10: There is no significance relationship between financial literacy and capital market investment decisions among university students in Malaysia

H1A: There is a significance relationship between financial literacy and capital market investment decisions among university students in Malaysia

2.4 Risk Appetite

Risk appetite refers to "the amount and type of risk that an organization is willing to take in order to meet their strategic objectives". An individual or organization will have different risk appetites, which may change over time. Risk appetite and risk tolerance are inextricably linked to investment performance over time [17]. According to Evangelou *et al.*, [7] financial risk tolerance can be understood as a combination of risk appetite and risk capacity. Risk appetite refers to the level of risk an investor is willing to accept, reflecting the extent of uncertainty one is prepared to face in pursuit of potential gains. An individual with a high-risk appetite is more likely to accept greater uncertainty in exchange for the possibility of higher returns.

Zakaria *et al.*, [31] indicate that some studies argue on risk averseness, stating that individual preferences and their financial decisions, including investment decisions, are influenced by risk aversion. Individuals' risk tolerance varies, reflecting their respective financial-related behaviours, where some are less risk-tolerant and others exhibit high risk tolerance, which can change according to situational factors. The fundamental investment decision process involves understanding the relationship between return and risk. Investors differ in their willingness to take high risks for expected high profits; others prefer lower risks and are more conservative. The higher the level of risk tolerance, the more courageous their investment decision-making will be in choosing higher-risk investment types [15].

Evangelou *et al.*, [7] state that the level of risk tolerance in investors varies depending on demographic factors, such as age, gender, marital status, race, education level, employment status, and income. According to Bunyamin *et al.*, [4] revealed that financial risk tolerance significantly influences investors' interest in gold investment. Gold is perceived as a safe investment. The risk tolerance aspect indicates financial vulnerability among Malaysians. Additionally, Bunyamin *et al.*, [4] argues that risk tolerance explains variations in individuals' financial vulnerability, with risk-takers being less financially vulnerable when diversifying their savings to include bonds and stocks.

In context of Malaysia, according to The Edge Malaysia, young adults have become less risk-appetite after the COVID-19 pandemic [30]. The Securities Commission Malaysia Annual Report 2021 revealed that only 3% of Malaysian youth reported having a high-risk appetite, indicating a substantial shift toward conservative investment behaviour. Furthermore, studies such as Kusumaningrum *et al.*, [13] concluded that risk tolerance has no significant effect on investment decisions. In contrast, Stoian *et al.*, [22] found that low risk appetite is prevalent among students, who often tend to overestimate their actual risk tolerance.

Hence the following hypothesis is developed:

H20: There is no significance relationship between risk appetite and capital market investment decisions among university students in Malaysia

H2A: There is a significance relationship between risk appetite and capital market investment decisions among university students in Malaysia

2.5 Accounting Information

Accounting information has the potential to significantly impact the investment decisions of Malaysian youth in the capital market. Firms utilize their accounting information to make investment decisions, specifically in lucrative assets that have a positive Net Present Value (NPV) [43]. Investors can benefit greatly from accurate information, which they will invest based on their various sources of accounting information. As a result, with sufficient information provided from the capital market, investors can avoid uncertain risks more efficiently during their investment [47]. However, a survey showed that most of them had relatively low information about mutual fund prospectuses, mutual fund fees, and expense ratios [42]. Besides, investors also make investment decisions based on the accounting information published on daily share prices [48].

Furthermore, the level of disposition can affect the before and after treatment of accounting information [49]. Moreover, accounting information can also affect the acquisition of good investment opportunities [50]. This can be explained by the individual investors' ability to seize investment opportunities depending on the written information issued by internal companies rather than verbal information. Accounting information is the information that describes utility accounts [51]. High-quality accounting information allows external stakeholders to fully understand the fundamentals of the company [43]. Thus, it is considered a critical factor used because investment decisions can be based on the company's stock.

Hence the following hypothesis is developed:

H30: There is no significance relationship between accounting information and capital market investment decisions among university students in Malaysia

H3A: There is a significance relationship between accounting information and capital market investment decisions among university students in Malaysia

2.6 Investment Experience

Investment decision making is improved with the increase of investment experience [36]. A study has found that 92% of the youth population possess 0-6 years of investment experience, suggesting a notable absence of experience. To corroborate this assertion, it has been observed that investors with a tenure beyond 5 years exhibit a propensity for assuming more risks [52].

A person's investment experience in decision making is also determined by the financial knowledge that creates awareness for him/her to understand financial management better. Young individuals often lack not only financial education but also a basic understanding of key economic concepts, such as interest rates [37]. Limited financial knowledge can lead to long-term financial problems or deficits [38]. For instance, individuals who do not understand interest rate trends may accumulate significant debt over time [40]. Consequently, experienced investors are generally better equipped to assess whether an investment carries risk compared to those with limited investment experience [53].

An experienced investor is confident about the skills and past experience that make them familiar with the condition, where higher investment experience leads investors to high-risk tolerance. However, research states that young investors relying on their past investment experiences can negatively affect investment decision making [54]. This causes them to reduce their cautiousness in investing due to practical investment decisions they believe to be correct, where they prefer to take risks by investing in high-risk stocks. In fact, long-term investment experience is more important in investment decision making because even though beginner investors are provided with online stock

trading game facilities, they will not be proficient in practice in the real world and are not skilled enough to transact shares as professional investors.

Hence the following hypothesis is developed:

H40: There is no significance relationship between investment experience and capital market investment decisions among university students in Malaysia

H4A: There is a significance relationship between investment experience and capital market investment decisions among university students in Malaysia

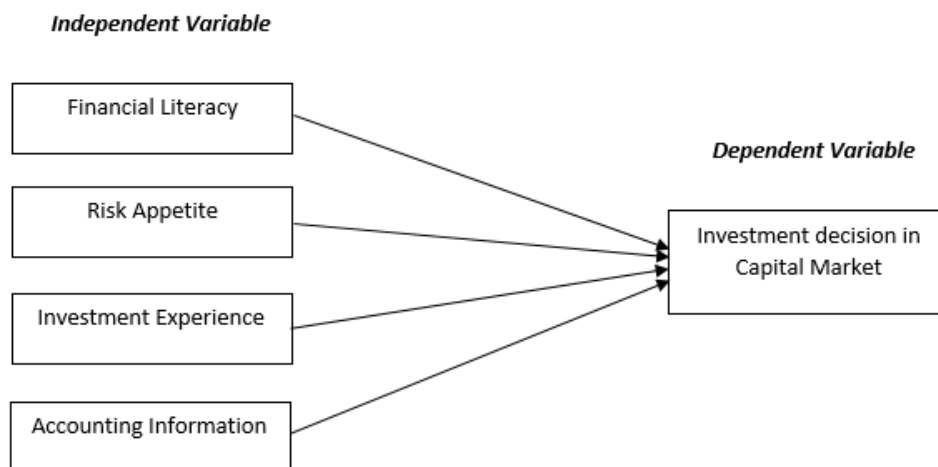


Fig. 1. Conceptual framework

3. Research Methodology

The research strategy employed to identify the factors influencing Malaysian university students' investment decisions in the capital market, focusing on barriers, therefore the study adopted a quantitative methodology to sample a specific group of interest while applying the purposive sampling method to ensure alignment with the study's objectives and resources. This study employed a quantitative approach where through a survey, distributed to a sample of 160 university students in Malaysian. Data collection of the primary data was carried out by using online questionnaires shared via email and social media. As for the data analysis, this study utilized IBM SPSS Statistics 27 for data analysis, including descriptive statistics, reliability statistics and inferential statistics to examine the relationships between independent and dependent variables [55]. To determine the relationship between the variables influences students' investment decisions in capital market, a set of questionnaires was employed in this cross-sectional study, which was segregated into few sections. Section A consists of respondents' demographic information, and Section B to F intends to understand respondents' behaviour based on the dependent and independent variables.

4. Findings

4.1 Reliability Test Results

In this study, Cronbach's Alpha is used to assess the reliability of the variables, with values ranging from 0 to 1. Higher values indicate stronger internal consistency. The highest Alpha value recorded is 0.913, reflecting excellent reliability. This suggests that Financial Literacy and Accounting Information are the most significant and reliable factors in determining investment decisions among Malaysian university students. Risk Appetite follows with an Alpha of 0.821, while Investment Experience has the lowest reliability score at 0.794. Overall, the test results as presented in Table

1indicate that all independent variables demonstrate high reliability, with Alpha values exceeding the acceptable threshold of 0.7.

Table 1
Cronbach's alpha reliability

Variables	Cronbach's Alpha	Number of Items
Dependent Variable		
Investment Decision	0.895	5
Independent Variable		
Financial Literacy	0.913	5
Risk Appetite	0.821	5
Accounting Information	0.913	5
Investment Experience	0.794	2

4.2 Inferential Analysis

4.2.1 Pearson correlation coefficient analysis

In this study, Pearson correlation coefficient analysis is employed to examine the strength and direction of the relationships between four independent variables and the dependent variable. The correlation coefficient ranges from -1 to 1, where values between 0.1 and 0.3 indicate a weak correlation, values between 0.3 and 0.5 represent a moderate correlation, and values between ± 0.5 and 1.0 signify a strong correlation. The correlation results are presented in Table 2.

Table 2
Pearson correlation coefficient analysis

Investment Decision (ID)		
	Pearson Correlation	.728**
Financial Literacy (FL)	Sig. (2-tailed)	<.000
	N	160
	Pearson Correlation	.682**
Risk Appetite (RA)	Sig. (2-tailed)	<.000
	N	160
	Pearson Correlation	.674**
Accounting Information (AI)	Sig. (2-tailed)	<.000
	N	160
	Pearson Correlation	.476**
Investment Experience (IE)	Sig. (2-tailed)	<.000
	N	160

Based on the results, the analysis shows that financial literacy has the strongest positive relationship with investment decision, with correlation of 0.728. When the financial literacy increases, the investment decision will also tend to increase. Pearson Correlation for risk appetite is 0.682 which signifying a moderate to strong positive correlation with investment decisions. The result

suggests when the variable increases, the other variable tend to increase also but the strength is not too strong for this relationship. Accounting information shows a similar pattern, with a correlation of 0.674. This indicates, the result is in a positive result with moderate to strong, positive correlation. Lastly, investment experience has a correlation of 0.476, indicating a moderate positive correlation. This suggests, when one variable increases, the other tend to also increase also but the relationship is not very strong which indicates some degree of variability. Overall, all the independent variables are positively correlated with investment decisions at a statistically significant level ($p < 0.01$). Financial literacy demonstrates the strongest impact, followed by risk appetite and accounting information and lastly, investment experience.

5. Discussion

The study examined four hypotheses related to factors influencing Malaysian university students' investment decisions in the capital market. As a conclusion, financial literacy had a significant influence on capital market investment decisions among university students in Malaysia, supported by a p-value of 0.000 and a beta value of 0.391. This finding aligns with prior research: Awaluddin *et al.*, [3] and Farida *et al.*, [8] both concluded that financial literacy influences capital-market investment decisions. Risk appetite also shows a positive, significant effect ($\beta = 0.266$, $p = 0.001$), mirroring results reported by Mardikaningsih *et al.*, [15] and Evangelou *et al.*, [7]. In contrast, accounting information proves insignificant ($\beta = 0.175$, $p = 0.052$), diverging from Wei Liang *et al.*, [23] who observed a significant impact. Finally, investment experience does not affect capital-market investment decisions ($\beta = 0.010$, $p = 0.882$), supporting the conclusions of Wei Liang *et al.*, [23] and Kusumaningrum *et al.*, [13]. In conclusion, the results demonstrate that while financial literacy and risk appetite are significant factors influencing investment decisions among Malaysian university students, accounting information and investment experience do not show a similar relationship. Thus, H1 and H2 are accepted and H3 and H4 are rejected.

5.1 Implication of the Study

5.1.1 Theoretical implications

This study aims to identify if financial literacy is a barrier to Malaysian university students' investment decisions in the capital market. It provides a new perspective, as previous research covered broader demographics. Findings show a significant relationship between financial literacy and investment decisions, indicating that a lack of financial literacy may hinder students from engaging in the capital market. This study fills a literature gap on this topic and informs policymakers about the importance of financial literacy. Recommendations include integrating financial literacy programs in universities to foster a financially literate future generation.

5.1.2 Practical implications

This research could fill the gap or misconceptions that Malaysian university students have about investing in the capital market. There is a significant relationship between risk appetite and investment decisions, suggesting that Malaysian university students are reluctant to involve themselves in investing due to perceptions of volatility and potential losses. Proper financial education programs would be a stepping stone for Malaysian university students in their investing journey. These programs could target university students, promoting understanding of risk management aligned with their desired risk appetite. Investing at a much younger age is

advantageous for students' future undertakings. Financial institutions could respond to this situation by tailoring investment products specifically for university students, promoting beginner-friendly options such as low-risk investments. These offerings can serve as practical investment experience for Malaysian university students before they engage in more complex and volatile financial instruments. Educational institutions may also utilize the findings of this study to design or enhance course content, as the results indicate that students' primary concerns are financial literacy and risk appetite. This insight should encourage investment platforms to simplify their products, making them easier to understand and more accessible for effective portfolio management.

5.2 Recommendation for Future Studies

Future research should consider a more diverse and comprehensive sample, encompassing a broader range of universities across Malaysia—including students from Selangor, Johor, Penang, Sabah, and Sarawak—to ensure the findings are representative of the national student population. Expanding the sample size beyond the current 160 respondents may also yield deeper and more generalizable insights. Additionally, future studies could incorporate new variables such as technological advancements and psychological factors (e.g., overconfidence) to further explore their influence on university students' investment decisions. Furthermore, future researches could do a comparative study between business and non-business students which could reveal differences in financial literacy and investment attitudes, as well as cultural and systemic influences on investment decisions.

6. Conclusions

This study examined the influences of various variables on the capital market investment decision among the university students in Malaysia. This study examined financial literacy, risk appetite, accounting information, and investment experience as independent variables influencing investment decisions. The findings were derived through comparisons with previous research and literature reviews from both local and international contexts. The study clearly outlined its outcomes, highlighted significant findings, and emphasized their broader implications. It effectively identified the key factors that shape investment decisions in the capital market. Furthermore, the study acknowledged its limitations and offered constructive recommendations to guide future researchers in enhancing the quality and accuracy of related investigations.

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