Identified factors influencing investment decisions and risky financial behavior among certified public accountants

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ABSTRACT

The objective of the study is to identify which domain of the identified factors influencing investment decisions best influences risky financial behavior of CPAs in Davao City. This research is significant for investors to enhance their capacity to decide on investments in a risky situation and provide investment managers better ways of designing their products and services. The study surveyed 100 CPAs using a standardized adapted questionnaire that was both personally administered and sent through shared google survey link. The data were analyzed using frequency, mean, standard deviation, percentage and regression. Results show high level of manifestation of the factors influencing investment decisions. The study also revealed high level of manifestation on risky financial behavior. Further, the results of the study exhibited significant relationship between the factors influencing investment decisions and risky financial behavior. Using the regression analysis, the study reveals that self-image or firm image best influences the risky financial behavior of CPAs in Davao City.

Keywords: *accountancy, investment decisions, risky financial behavior, certified public accountants, Philippines*

INTRODUCTION

Financial-related decisions are among the main life-shaping decisions that people deal with. These risky decisions influence the ordinary human lives and that these decisions are made at varying stages in the economy (Frydman & Camerer, 2016). The average basic decision-making ability of an individual infers the complexity of each risky behavior and its underlying components (Kusev, Purser, Heilman, Cooke, Schaik, Baranova, Martin, & Ayton, 2017). In fact, the financial turmoil of 2008 triggered over one million people to file bankruptcy and many reasons were linked to the financial crisis but more evidently, psychological states played a major role in these results. Among the bankruptcy cases, one can arrive at a judgment that these were outcomes from unwise risky financial decisions (United States Court, 2012). Hence, how well the financial ecosystem works is sensitive to the rational thinking and social behavior of human beings which is why risky financial behavior as a psychosocial factor affected the investment choices of the investors (Carr & Walton, 2014). A sound measurement of risky financial behavior in decision making is a vital introductory stride to investigate human behaviors and decisions effectively (Zheng, 2013). While it is evidenced that when faced with uncertainty, human beings arrive at decisions and choices in an irrational, inconsistent and incompetent manner. Thus, it is essential to understand what are the important components that determine the investment preferences under different scenarios and psychological states of mind (Manuel & Mathew, 2017).

Risk is an important component of every investment and it is necessary to analyze it as two interconnected subject matter (Virlics, 2013). Undeniably, investors cautiously evaluate the risk and return of all possible investment options to choose an investment portfolio that suits the investor’s level of risky behavior (Nyamute, 2016). Investment decision without risk is impossible and thus far understanding how factors of investment decisions affect risky financial behavior is important to arrive at optimal decisions with risk and reward trade-offs (Hunjra & Zia, 2016). Thereupon, it is the aim of the study to identify what factors of investment decisions significantly influence the risky financial behavior that fits on each individual behavior, personality, risk attitude and confidence level (Mutswenje, 2014). These investment decisions need to be made carefully in order to minimize investment failures as such that these investment decisions are irreversible, more attention is required to avoid loss of money, company closures and financial crisis (Lusardi & Mitchell, 2014). The learning of this study will become an instrument to manage expectations of investment volatility and goal attainment.

In Davao City, investment has shown an increasing performance with fast-evolving economic opportunities. As reported in Davao City’s Board of Investment (BOI), nearly 300 percent investment growth is reported for 2016 compared to 2015 (Arado, 2017). Nielsen’s survey in 2014 depicts that 83 percent of Filipinos trust that they will successfully attain their future financial goals. Although the results show high percentage, only 30 percent of the Filipinos trust that their current financial strategies can suffice the fulfillment of their goals, while 53 percent believes that it would require them a close monitoring to adjust their investments portfolios every now and then in order to meet their expected financial outcomes (“Eight Out of 10 Filipino Respondents Believe They Will Achieve Financial Goals”, 2014). Understanding what factors influence investment decisions and risky financial behavior determines the way these variables influence people’s investment behavior in relation to the maximization of their resources for both short and long-term goals, preparation for anticipated retirement and save for any significant purchase in the future (Mutswenje, 2014). However, for the most part, there has been no specific study that examined how identified factors influencing investment decisions affect risky financial behavior.

As human decisions vary, actions lead to positive and negative results (Lerner, Li, Valdesolo, & Kassam, 2015). While it is true that behavioral finance has a large body of literature, examining the domain that best influences risky financial behavior is a relatively new avenue for research (Zheng, 2013). The results of this paper will contribute considerably towards the investors to carefully assess each investment opportunity. Secondly, policymakers will benefit to implement appropriate regulation on the investment firms and align these to the adverse effects of the economic crisis in the capital market, which if not carefully handled, can destabilize the economy. Finally, Certified Public Accountants will be interested in this study because of a strong need to understand the factors that influence their individual investment decisions.

METHOD

This study is a quantitative non-experimental research using correlational technique. This design is appropriate to the study since the researcher intends to measure two variables and assess the statistical relationship that occur naturally among them (Atmowardoyo, 2018). Accordingly, the research design provides the researcher an outline to define the important aspects of the phenomena of interest for individual investors and other possible perspectives. In the context of the study, the design attempts to measure the degree of relationship between the identified factors influencing the investment decisions and risky financial behavior of CPAs in Davao City. This research study used the methodology of surveys to solicit informed opinion from respondents.

The research study's target population was obtained from the Philippine Institute of Certified Public Accountant (PICPA) Davao City Chapter which has approximately 1,696 members. The population of this study, CPAs in Davao City, was selected using a web-based software called Raosoft. This software was used in determining the accurate size of the population sample which was one hundred respondents; total population estimated 1,696 which covers the registered CPAs in Davao City; 8.14 percent marginal error, 90 percent confidence level, and 50 percent response distribution. The one hundred CPAs in Davao City were randomly chosen as sample using simple random sampling technique. Simple random sampling is suitable for this study because it guarantees that the samples are not biased towards any grouping within the population since the samples represent the entire population. This sampling method is not prejudiced on a specific sub population and thus, eliminates the basing factor method of selection (Cooper, 2014).

The research questionnaire comprised of two sections. Section 1 sought to capture the investor's general information (Bio-Data). Section II was focused with the data on factors that affect individual investment decisions. The items in the questionnaire for the identified factors influencing investment decisions represented five categories: self-image/firm-image coincidence, accounting information, neutral information, advocate recommendation, and personal financial needs. Moreover, the developed questionnaire included items for risky financial behavior which corresponded to financial related behavior, financial related personality, financial attitude towards risk and return, and financial confidence level. Respondents were asked to indicate each of the items on a five-point Likert-type scale about their degree of influence for each of the provided item statements.

The researcher administered the questionnaire through online social networking sites linking google survey forms accessed exclusively by invited participants. The method was very convenient because social networking has evolved its utilization from enjoyment and entertainment to file sharing, content creation and online discussion (Eid & Al-Jabri, 2016). It is a useful tool to expedite the dissemination of the survey questionnaires. The electronic forms were saved with password protection in the computer. Moreover, the researcher also conducted personal administration of the questionnaires so that if questions were asked, immediate clarification would be provided. The hard copies of the forms were stored in a filing cabinet locked with keys for safe keeping. All the accomplished questionnaires were collated, and appropriate statistical tools were used to analyze the data collected.

RESULTS AND DISCUSSION

Presented in Table 1 are the identified factors influencing investment decisions among CPAs in Davao City. The responses of the participants on each indicator were presented, evaluated and carefully deliberated below. Results revealed an overall mean rating of 4.33 that is labeled as very high indicating that CPAs in Davao City always manifested the identified factors influencing investment decisions. The generated overall mean score was the result obtained based on the mean scores of 4.49 or *very high* for *self-image/firm-image coincidence*, 4.59 or *very high* for *accounting information*, 4.21 or *very high* for *neutral information*, 4.02 or *high* for *advocate recommendation* and 4.33 or *very high* for *personal financial needs*. The rest of the indicators obtained mean ratings ranging from 4.02 to 4.33.

Table 1
Level of the Identified Factors Influencing Investment Decisions of CPAs in Davao City

Indicator	SD	Mean	Descriptive Level
self-image/firm-image coincidence	0.42	4.49	very high
accounting information	0.39	4.59	very high
neutral information	0.46	4.21	very high
advocate recommendation	0.76	4.02	high
personal financial needs	0.48	4.33	very high
Overall	**0.50**	**4.33**	**very high**

Illustrated in Table 2 is the summary of the level of risky financial behavior of CPAs in Davao City. The results revealed an overall mean rating of 4.07 labeled as high indicating that CPAs in Davao City often observed risky financial behavior. The score was extracted from the mean scores of 4.34 or *very high* for the *financial related behaviors*, 4.30 or *very high* for *financial related personality*, 3.97 or high for *financial attitude towards risks and return* and 3.66 or *high* for *financial confidence level*. This depicts that the CPAs in Davao City often observed in majority the risky financial behavior that is affected in terms of *financial related behavior*, *financial related personality*, *financial attitude towards risks and return*, and *financial confidence level*, the dependent variable of the study.

Table 2
Level of Risky Financial Behavior of CPAs in Davao City

Indicator	SD	Mean	Descriptive Level
financial related behaviors	0.31	4.34	very high
financial related personality	0.38	4.30	very high
financial attitude towards risks and return	0.40	3.97	high
financial confidence level	0.38	3.66	high
Overall	**0.37**	**4.07**	**high**

Presented in Table 3 is the correlation between identified factors influencing investment decisions and risky financial behavior of CPAs in Davao City. As depicted in the table, it revealed an overall r-value of 0.494 with a p-value of 0.00 which is lesser than 0.05 significance level; hence, the null hypothesis is rejected. The results imply that on aggregate level, identified factors influencing investment decision is significantly correlated to risky financial behavior of CPAs.

The test of the relationship between variables revealed a significant relationship between the identified factors influencing investment decisions and risky financial behavior among CPAs in Davao City. The indicators that contributed to the overall positive significant relationship are *self-image/firm-image coincidence, accounting information, neutral information, advocate recommendation, and personal financial needs*. This means that giving importance to these identified factors influencing investment decisions would further enhance the risky financial behavior of the CPAs in Davao City.

Table 3
Significance of the Relationship between Identified Factors Influencing Investment Decisions and Risky Financial Behavior

Identified Factors Affecting Investment Decisions		***Risky Financial Behavior***				
		Fin-Related Behaviors	Fin-Related Personality	Fin-Attitude Towards Risks and Return	Fin Confidence Level	**TOTAL**
Self-image/Firm-image Coincidence	Pearson Correlation	.402**	.298**	.412**	.352**	**.483****
	Sig. (2-tailed)	0	0.003	0	0	**0**
Accounting Information	Pearson Correlation	0.168	.206*	0.098	-0.046	**0.136**
	Sig. (2-tailed)	0.095	0.04	0.332	0.65	**0.178**
Neutral Information	Pearson Correlation	0.148	.311**	.278**	.206*	**.337****
	Sig. (2-tailed)	0.142	0.002	0.005	0.039	**0.001**
Advocate Recommendation	Pearson Correlation	.266**	.388**	.413**	.295**	**.467****
	Sig. (2-tailed)	0.008	0	0	0.003	**0**
Personal Financial Needs	Pearson Correlation	.316**	.266**	.289**	.323**	**.389****
	Sig. (2-tailed)	0.001	0.007	0.004	0.001	**0**
Overall	**Pearson Correlation**	**.341****	**.401****	**.371****	**.316****	**.494****
	Sig. (2-tailed)	**0.001**	**0**	**0**	**0.001**	**0**

*** Correlation is significant at the 0.01 level (2-tailed).*

** Correlation is significant at the 0.05 level (2-tailed).*

One important purpose of this study was the regression analysis determining which indicators of the identified factors influencing investment decisions correspond to the risky financial behavior of CPAs in Davao City. Table 4 revealed the regression analysis of the influence of identified factors influencing investment decisions and risky financial behavior.

Table 4
Regression Analysis of the Identified Factors Influencing Investment Decisions of CPAs in Davao City

Identified Factors Affecting Investment Decisions	***Risky Financial Behavior***				
	B	Std. Error	Beta	t	Sig.
Self-image/Firm-image Coincidence	0.229	0.075	0.359	3.071	0.003
Accounting Information	-0.083	0.066	-0.12	-1.251	0.214
Neutral Information	-0.012	0.064	-0.021	-0.195	0.846
Advocate Recommendation	0.093	0.04	0.265	2.329	0.022
Personal Financial Needs	0.058	0.065	0.105	0.904	0.368
R^2	*.323*				
F	8.96				
p	*.000*				

It could be observed on the table, the R^2 or coefficient of determination value registers .323 which implies that 32.30 percent of the variance of risky financial behavior is explained by the variance of the identified factors influencing investment decisions. The remaining 67.70 percent percentage is due to the variance of variables not covered in the study.

Overall and in an aggregate capacity ($p<.05$), the identified factors influencing investment decisions predict the risky financial decision. However, on a singular state only, *self-image/firm-image coincidence* and *advocate recommendation* with a *p*-values of .003 and 0.022, respectively, which are lesser than 0.05 level of significance. On the other hand, *accounting information, neutral information,* and *personal financial needs* having *p*- values of 0.214, 0.846 and 0.368 respectively do not influence risky financial behavior on an individual capacity. Only with the inclusion that they can significantly influence risky financial behavior. Furthermore, between *self-image/firm-image coincidence* and *advocate recommendation*, it is *self-image/firm-image* best influenced risky financial behavior having a higher Beta coefficient of 0.229.

Moreover, the study revealed a positive connection between investment decisions and risky financial behavior. Both financial risk tolerance and investment behavior are two interconnected concepts in such that a person's risk attitude is elastic, thus changing consistently. Because people's behavior varies from time to time, decisions also differ based on the underlying factors. The positive relationship between these two concepts was relevant from a behavioral point of view in understanding financial decision making. Consistent with the theory of Financial Cognitive Dissonance which implies that financial economists should explore influences on investor behavior brought about by the reputation of the firm, social norms, adherence to corporate ethics, and expert recommendations when formulating their investment decisions.

CONCLUSION AND RECOMMENDATION

Based on the findings of the study, the *identified factors influencing investment decisions* played a critical role in the manifestation of *risky financial behavior of CPAs in Davao City*. The respondents revealed a high level of identified factors influencing investment decisions and demonstrated a high level of risky financial behavior. Moreover, it displayed a significant correlation between identified factors influencing investment decisions and risky financial behavior. Further, the domains *self-image/firm-image coincidence* and *advocate recommendation* best influenced the risky financial behavior of CPAs in Davao City while the remaining factors do not predict risky financial behavior of CPAs in Davao City if left alone without the integration of all indicators.

CPAs are rational agents where their personal perception towards the firm influence their risky behavior. Other than that, they also value the firm's reputation including corporate ethics both in the administrative function and economic contribution. Finally, recommendations from family, friends, and brokers have shown a significant influence in their risky financial behavior. The suggestions contributed by these people have impacted the way how they behave with risk. Ultimately, both the investor's feelings towards the firm including the firm's image and the suggestions recommended by third parties are significant domains that influence the risky financial behavior of CPAs in Davao City. Consistent with the EUT concept emphasized by Von Neumann and Morgenstern (1947) that investors are totally rational beings, capable of dealing with difficult choices, able to deal with complex decisions, risk seeker or risk averse, and with natural tendency to favor maximizing wealth.

Based on the foregoing findings and conclusions, the following recommendations are made in consideration of the results and conclusion of the study. Based on the findings, the overall level of the *identified factors affecting investment decisions* is very high. Even though the numbers are very high, *advocate* recommendation is the only domain of identified factors influencing investment decisions that resulted to a high rating amongst those other factors that scored very high results. This implies that professional experts in the fields of investment should strengthen their marketing arm to frame up a more visible presence in the industry specially the brokers who are considered professional experts capable of assisting prospects and clients assess their financial behavior when making investment-related decisions.

Moreover, the very high results of the rest of the indicators of the identified factors influencing investment decisions imply that it is necessary to sustain the firm's reputation by promoting corporate social responsibility while at the same time sustaining business profit. It is recommended to maintain good and readily accessible accounting information so investors could easily assess the strength and weaknesses of the company through issuance of periodic financial statements for public reference, keep updated corporate announcements and strengthen positive information about the company in different media outlets to expand awareness and promote positive corporate identity. Certainly, the awareness in the society and community about the role of investors can increase the investment in the country and to maintain the stable financial status with desired social presence in the market. It is further recommended to make investment portfolios attractive to the investors through offering diversified investment mechanisms.

The high level of risky financial behavior recommends that in order to improve the level of risky financial behavior, focus should be attended in refining investors' financial attitude towards risk and return and improving the financial confidence level by conducting investment seminars by investment companies and brokerage firms to members of the working force and discuss the importance of investment, risk tolerance and current trend of the investment paradigm. As a result, investors can assess their level of financial risk tolerance and achieve optimal investment decisions to select the best investment portfolio that fits their level of risk tolerance.

The established significant relationship between identified factors influencing investment decisions and risky financial behavior suggests that the two concepts are connected in such that risk attitude of a person is elastic that is constantly adopting to changes. In effect, the established relationship influences behavior, personality, decisions and investment choices. The positive relationship of these two concepts are important to understand actions taken on daily financial activities and monitor financial investments. It is further recommended that future studies will consider other factors not included in this study that could significantly influence risky financial behavior. Technically, the risk appetite of an investor is primarily viewed on a financial aspect. Consequently, the evaluation of financial risk tolerance as a mechanism to manage expectations of the volatility of investment portfolio is very vital to attaining the financial goals.
The domain that best influences the risky financial behavior of CPAs in Davao City is the self-image/firm-image coincidence thus it is further recommended that promoting the ethical and reputable image of the firm is the best factor that influences investment decisions. It is of big hope that the study findings would be informative to policy makers and regulators of capital markets especially with regard to the role played by risky financial behavior on economic developments to satisfy the preferences of investors, sustain, and improve economic growth of the society.

Finally, future researchers may utilize the findings of this study to further investigate other factors that may influence the risky financial behavior applicable to other fields of expertise or within a specific industry. And finally, it is recommended that continuous study on investment decisions should be promoted since investors walk on a tightrope in the role they play as philanthropic stakeholders in a collective impact initiative, creating partnerships and producing forward moving economy.

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