



Munich Personal RePEc Archive

# **How Individual Investors Select Stocks: A Case of Karachi Stock Exchange**

Ahmed, Faisal Shamim

8 July 2015

Online at <https://mpra.ub.uni-muenchen.de/116423/>  
MPRA Paper No. 116423, posted 20 Feb 2023 09:25 UTC

**HOW INDIVIDUAL INVESTORS SELECT STOCKS:  
A CASE OF KARACHI STOCK EXCHANGE**

# TABLE OF CONTENTS

<b>1.0 INTRODUCTION .....</b>	<b>10</b>
1.1 Background of the Study .....	10
1.2 Problem Statement .....	11
1.3 Research Objectives .....	12
1.3.1 Sub Objectives.....	12
1.4 Significance of the Study .....	12
1.5 Justification of the Study .....	13
1.6 Scope of the Research.....	14
1.7 Limitations .....	14
1.8 Basic Assumptions of the Study .....	15
<b>2.0 REVIEW AND RELATED LITERATURE.....</b>	<b>16</b>
2.1 Introduction.....	16
2.1.1 Influencing Factors.....	16
2.2 Historical Perspective .....	21
2.3 Current Perspective.....	23
2.4 Research Gap Filled by This Research .....	25
2.5 Area for Further Research .....	25
<b>3.0 RESEARCH METHODOLOGY.....</b>	<b>26</b>
3.1 Research Design.....	26
3.1.1 Research Philosophy.....	26
3.1.2 Research Approach .....	27

3.1.3 Research Strategy .....	27
3.1.4 Research Choice .....	27
3.1.5 Research Time Horizon .....	28
3.1.6 Research Technique .....	28
3.1.7 Research Procedure .....	28
3.2 Research Structure.....	29
3.2.1 Statement of the Problem.....	29
3.2.2 Research Question .....	30
3.2.3 Research Objectives .....	30
3.2.4 Conceptual Framework.....	30
3.2.5 Research Variables.....	31
3.2.6 Scale for Measurement of Variables.....	32
3.2.7 Hypothesis.....	32
3.3 Research Tool and Techniques .....	33
3.3.1 Justification for Selected Tools and Techniques .....	33
3.3.2 Population and Target Population .....	33
3.3.3 Sample Size.....	33
3.3.4 Method of Sampling Selected and it's Justification .....	33
<b>4.0 DATA ANALYSIS AND INTERPRETATION .....</b>	<b>35</b>
4.1 Demographic Data Analysis and Interpretation.....	35
4.1.1 Gender .....	35
4.1.2 Education .....	36

4.1.3 Profession.....	37
4.1.4 Age.....	38
4.1.5 Investment in Stocks .....	39
4.1.6 Number of Years in Stock Investing at KSE .....	40
4.2 Hypothesis Analysis and Interpretation .....	41
4.2.1 H1: Technical and fundamental analysis of the company influence the selection of the stock by the individual investors.....	41
4.2.2 H2: Financial statement information of the company influences the selection of the stock by the individual investors.....	42
4.2.3 H3: Valuation models of the company influence the selection of the stock by the individual investors.....	43
4.2.4 H4: Yield and profitability ratio analysis of the company influence the selection of the stock by the individual investors.....	44
4.2.5 H5: Referrals influence the selection of the stock by the individual investors. ....	45
4.3 Frequency Analysis of Questionnaire Responses .....	46
4.3.1 Question 1: Rate the following questions.....	46
4.3.2 Question 2: Which of the following piece of information helps in the selecting of the stock? .....	57
4.3.3 Question 3: Which of the following financial statement and report information helps in the selection of the stock? .....	64
4.3.4 Question 4: Which of the following model is important in the selection of the stock? .....	72
4.3.5 Question 5: Which of the following elements are important and helps in the selection of the stock?.....	75

4.3.6 Question 6: Which of the following concerning individuals helps in the selection of the stock? .....	86
<b>5.0 CONCLUSION AND RECOMMENDATION.....</b>	<b>92</b>
<b>REFERENCES .....</b>	<b>Error! Bookmark not defined.</b>
<b>APPENDIX .....</b>	<b>Error! Bookmark not defined.</b>
Appendix A: Questionnaire .....	<b>Error! Bookmark not defined.</b>
Appendix B: Pearson's r Correlation .....	<b>Error! Bookmark not defined.</b>
Appendix C: SPSS Code Book .....	95

## TABLE OF TABLES

<b>Table 1: Philosophical Paradigms Approaches</b> .....	26
<b>Table 2: Frequency- Gender</b> .....	35
<b>Table 3: Frequency-Education Level</b> .....	36
<b>Table 4: Frequency- Profession Level</b> .....	37
<b>Table 5: Frequency- Age Level</b> .....	38
<b>Table 6: Frequency- Investment in Stocks</b> .....	39
<b>Table 7: Frequency- Number of years in stock investing at KSE</b> .....	40
<b>Table 8: Correlation Analysis of Hypothesis 1</b> .....	41
<b>Table 9: Correlation Analysis of Hypothesis 2</b> .....	42
<b>Table 10: Correlation Analysis of Hypothesis 3</b> .....	43
<b>Table 11: Correlation Analysis of Hypothesis 4</b> .....	44
<b>Table 12: Correlation Analysis of Hypothesis 5</b> .....	45
<b>Table 13: Satisfaction with the Approach</b> .....	46
<b>Table 14: Need to Change the Approach</b> .....	47
<b>Table 15: Significant Portion of the Investment Portfolio</b> .....	49
<b>Table 16: Portion of Investment in Stock Grown Over Period</b> .....	50
<b>Table 17: Portfolio has Performed Well over Period</b> .....	51
<b>Table 18: Was it because of the timing of the disposal of the stock</b> .....	53
<b>Table 19: Was it because of the timing of the purchase of the stock</b> .....	54
<b>Table 20: Was it because of the wrong selection of the stock</b> .....	55
<b>Table 21: Price</b> .....	57
<b>Table 22: Volume Data</b> .....	58
<b>Table 23: Market Position</b> .....	60
<b>Table 24: Annual Growth Rate</b> .....	61

<b>Table 25: Revenues and Expenses</b> .....	62
<b>Table 26: Balance Sheet</b> .....	64
<b>Table 27: Profit and Loss Statement</b> .....	65
<b>Table 28: Cash Flow Statement</b> .....	67
<b>Table 29: Corporate Financial Statement Reports</b> .....	68
<b>Table 30: Audit Report</b> .....	70
<b>Table 31: Capital Asset Pricing Model</b> .....	72
<b>Table 32: Constant Growth Model</b> .....	73
<b>Table 33: Dividend Yield</b> .....	75
<b>Table 34: Earnings Yield</b> .....	76
<b>Table 35: Margin on Sales</b> .....	78
<b>Table 36: Return on Assets</b> .....	79
<b>Table 37: Return on Equity</b> .....	80
<b>Table 38: Book Value per Share</b> .....	82
<b>Table 39: Dividends per Share</b> .....	83
<b>Table 40: Earnings per Share</b> .....	84
<b>Table 41: Consulting with the Friend</b> .....	86
<b>Table 42: Consulting with Coworkers and Colleague</b> .....	87
<b>Table 43: Consulting with Majority Stockholders</b> .....	89
<b>Table 44: Consulting with Brokers</b> .....	90
<b>Table 45: Estimates for Interpreting Strengths of Correlations</b> .....	<b>Error! Bookmark not defined.</b>



## TABLE OF FIGURES

Figure 1: Responses of the Gender.....	35
Figure 2: Education Level.....	36
Figure 3: Profession Level.....	37
Figure 4: Age Level.....	38
Figure 5: Investment in Stocks .....	39
Figure 6: Number of years in stock investing at KSE .....	40
Figure 7: Satisfaction with the Approach .....	46
Figure 8: Need to Change the Approach.....	48
Figure 9: Significant Portion of the Investment Portfolio.....	49
Figure 10: Portion of Investment in Stock Grown Over Period .....	50
Figure 11: Portfolio has Performed Well over Period.....	52
Figure 12: Was it because of the timing of the disposal of the stock .....	53
Figure 13: Was it because of the timing of the purchase of the stock.....	54
Figure 14: Was it because of the wrong selection of the stock .....	56
Figure 15: Price .....	57
Figure 16: Volume Data.....	59
Figure 17: Market Position .....	60
Figure 18: Annual Growth Rate .....	61
Figure 19: Revenues and Expenses .....	63
Figure 20: Balance Sheet.....	64
Figure 21: Profit and Loss Statement.....	66
Figure 22: Cash Flow Statement.....	67
Figure 23: Corporate Financial Statement Reports.....	69
Figure 24: Audit Report.....	70
Figure 25: Capital Asset Pricing Model.....	72

<b>Figure 26: Constant Growth Model</b> .....	74
<b>Figure 27: Dividend Yield</b> .....	75
<b>Figure 28: Earnings Yield</b> .....	77
<b>Figure 29: Margin on Sales</b> .....	78
<b>Figure 30: Return on Assets</b> .....	79
<b>Figure 31: Return on Equity</b> .....	81
<b>Figure 32: Book Value per Share</b> .....	82
<b>Figure 33: Table 39: Dividends per Share</b> .....	83
<b>Figure 34: Earnings per Share</b> .....	85
<b>Figure 35: Consulting with the Friend</b> .....	86
<b>Figure 36: Consulting with Coworkers and Colleague</b> .....	88
<b>Figure 37: Consulting with Majority Stockholders</b> .....	89
<b>Figure 38: Consulting with Brokers</b> .....	90

# 1.0 INTRODUCTION

## 1.1 Background of the Study

One of the leading stock market of Pakistan is the Karachi Stock Market where there are 33 sectors are listed under which listed companies are 582 (KSE Stocks Dot Com, 2014). For the individual investors there are numerous options available to put up their investments into any one of companies but all of them do not give the return or the profit margin same as one individual investors look for. To select the right companies they had to remain in focus with the factors that help them out in selecting the right company and these factors are technical and fundamental analysis, financial statement information, valuation models, yield and profitability ratio analysis, and referral of the brokers, consulting with the friend, majority stockholders, coworker and colleague and many more.

The researched named as “*How Individual Investors Select Stocks: A Case of Karachi Stock Exchange*” will examine the individual investors views regarding making the decision while selecting the stock. This research will comparatively relate the influencing factors that are technical and fundamental analysis, financial statement information, valuation models, yield and profitability ratio analysis, and referral considered by the individual investor’s while making decision for the stocks that is to be bought or sell from the stock market. As they have limited capital to be invested so, they have to foresee these influencing factors so that they could make the right and profitable investment in the stocks (Das, 2012).

In this research individual investors are only targeted from the Karachi Stock Market, where there are thousands on individual investors who make daily investment for the shorter period of time so that to gain profit margin rapidly. They tend to buy those stocks of the companies which have comparatively the stable position and the better growth rate in the stock market and for this they had to foresee the following influencing factors of the company i.e. its financial

statements and accounting information, profitability variables, financial ratios and sometimes they tend to invest on the knowledge of the referrals as well.

Whereas, individual investors are elaborated as the small or the retail investors, who tends to invest money personally for him/ her-self into the stock either for long or short term. In contrast there are also institutional investors in the market, they are relatively banks, various financial institutions and service firms, and mutual fund companies, which tends to make investment for the long term with large capital investments into the stocks (Charlie, 2010).

## **1.2 Problem Statement**

The primary concept behind conducting this research is that there are thousands of individual investors in stock markets of Pakistan and especially focusing Karachi Stock Exchange daily millions of transactions are being transacted, among these there are many individual investors as well as institutional investors who tend to make investment. Individual investors had to make a comprehensive study while making up the final decision in selecting the stocks. However the problem that arises is that at times they do not end up with the effective decision and had to face loss or a minor gain from their investments. In order to find out what factors that is more essential to be foreseen while making the final decision in selecting stock this research is being conducted. The factors that is mostly considered and foreseen are:

- Technical and fundamental analysis
- Financial statement information
- Valuation models
- Yield and profitability ratio analysis
- Referral

The problem statements that are to be focused and find out in this research are:

- What are the mostly preferred factors concerned by the individual investors while selecting the stocks?
- What are influencing factors that are being concerned to get profitable margin and growth within the short term period by the individual investors?

### **1.3 Research Objectives**

The main objective of the research is to find out the influence of the factors that are mostly concerned by the individual investors while stocks selection from the equity market.

#### ***1.3.1 Sub Objectives***

1. To identify the relationship between technical and fundamental analysis of companies and the individual investor's decision making of the stock.
2. To identify the relationship between financial statement information of companies and the individual investor's decision making of the stock.
3. To identify the relationship between valuations models of companies and the individual investor's decision making of the stock.
4. To identify the relationship between yield and profitability ratio analysis of companies and the individual investor's decision making of the stock.
5. To identify the relationship between referrals and the individual investor's decision making of the stock.

### **1.4 Significance of the Study**

The significance of the study is that it will cover the relationship between the influencing factors (that are technical and fundamental analysis, financial statement information, valuation models, yield and profitability ratio analysis, and referral) and the individual investor's

decision making which is not being covered in Pakistan. This research will provide the depth analysis and findings from the Karachi Stock Market regarding the influencing factors those investors foreseen while taking the decision in stock selection.

### **1.5 Justification of the Study**

In Pakistan, when the stock market crashed in 2008, trillion of rupees were swept up from the stock market. The impact was huge on all the stocks markets of Pakistan i.e. Islamabad Stock Exchange (ISE), Karachi Stock Exchange (KSE) and Lahore Stock Exchange (LSE). After the impact the Security Exchange of Pakistan ordered to look into the deep analysis of this crisis of stock market (Daily Times E-Newspaper, Nov. 03, 2012).

Meanwhile, the Karachi Stock Market has offered to compensate the investors who has lost their investment by 6.7% because of the default of the five brokers. Despite this compensation, the key impact was on the individual i.e. small or retail investors as thousands of them have to face loss of billions due to the membership cancellation of five brokers default in this crisis of stock market. These five defaulting brokers were Click Trade, Prudential Securities, MKA Securities, Eastern Capital and Capital One Equities (Daily Times E-Newspaper, Nov. 03, 2012).

Moreover in recent times on August 11, 2014 Karachi Stock Market also faced suddenly drop of 1375 trading points i.e. 4.6% in the morning trading session of the day and reported total points of 28,037. Overall at the closing of the day the impact remain same with the minor difference in the point table as of the morning session and day ended on 28,071.41 points with the difference of 1,309.09 points i.e. 4.46%. This caused panic in the market and many of the investors decided to roll back their investment as they assumed the stock market would crash more in couple of days due to the political instability in Pakistan (AFP, Aug. 11, 2014), (KSE, 2014).

Summarizing both of the impact i.e. crises of 2008 of stock market and the KSE plunging in the trading points has caused the loss to the individual investors (i.e. small or retail investors). Keeping in view to these justification this research has been conducted to find out that after these crises now what are the influencing factors that is being most foreseen by the individual investors while selecting the stock that would further lead to the gain in their investments rather than loss.

### **1.6 Scope of the Research**

Finance is the main area targeted in this research. As it's being a very immense field where there are three major divisions named as corporate or business finance, investments, financial markets and institutions. In this research the major area of finance targeted is the investments in which the Karachi Stock Exchange will be analyzed to check the influence of the factors on individual investors while making the decision of selecting the stocks from the market. Moreover, this research will be useful for the individual investors who tend to buy and sell stock on the daily and short term basis to gain the rapid profit margin from their investments and will also acknowledge them that what influencing factors are most preferred in the stock market while taking up decision in making investments.

### **1.7 Limitations**

- This research is limited to the individual investors available only in the stock market and brokerage house or firms.
- Karachi Stock Exchange will be the only stock market to be targeted for the research across the Pakistan.
- Due to time constrain only selective number of respondents is to be surveyed through questionnaires.

## **1.8 Basic Assumptions of the Study**

The basic assumptions for this research study are:

- Individual investors having the investment knowledge regarding the investments.
- Influencing factors have a significance impact on the individual investor's stock selection decision.
- The research result will be solely drawn on the basis of the questionnaire.



## **2.0 REVIEW AND RELATED LITERATURE**

### **2.1 Introduction**

This research is based to examine the influencing factors that are being most preferred by the individual investors while making the decision in selecting the stock. Despite their right decisions in selecting stock still the projection of success and failure of the individual investors are high. Although they do not end up by stopping their investments into the stock market but they come up with the new dimension and foreseen the factors more deeply that would gave them the better returns from the stock.

The main purpose of the individual investors in investing the stocks market is to earn the profit in less period of time and to increase their savings. For this the productive way is to select the right medium for the information regarding the company financial status in the market. The influencing factors that are technical and fundamental analysis, financial statement information, valuation models, yield and profitability ratio analysis, and referral are the major source highlighted in this research that play a key role in selecting the stock for the individual investors. These influencing factors are briefly discussed below so that will make clear about this research.

#### ***2.1.1 Influencing Factors***

There are several influencing factors that involves around while making the final decision in selecting up the stocks by the individual investors. In this research the influencing factors that are limited to be examined while selecting the stocks are technical and fundamental analysis, financial statement information, valuation models, yield and profitability ratio analysis, and referral.

### ***2.1.2.1 Technical and Fundamental Analysis***

Fundamental and technical analysis are the two basic gears that help the investors (i.e. individual, small or retail) and traders to decide what stocks are to be bought and sold. The basic concept of both analyses is to predict and analyze the shifts or the movement in supply and demand of the stocks. In both of the analyses the movement between the supply and the demand of the stocks mostly helps in drawing out the future fundamental and economic forecasting. The mechanism of this analysis is that when there are more sellers in the market and fewer buyers then there will be an increase in the supply of the stocks and the basic theory states that there is a fall in the price of the stock. And vice-versa if there are more buyers than the seller of the stock then the price and the demand also increase respectively. Overall, it helps the individual investors and the traders to analyze, predict and establish profitable exits and entry into the stock market (Larsen, June, 2010).

Moreover looking specifically at the fundamental analysis, it comprises on the fundamentals of the company that are market position, annual growth rate, revenues and expenses and many more but in case of the technical analysis it is completely comprised on the volume and the price data. These data are easily available on the stock market websites and indexes which makes the ideally analysis appropriate for the short term trades of the stock in the market. As in technical analysis the price of the stock plays the vital role and has much involvement with the certain regularity, forming consistent and foreseeable volume and price outlines that further disclose the mindset of the market which is used to determine the shifts and movement in the demand and supply of the stocks (Larsen, June, 2010).

According to (Murphy, 1999), in technical analysis there are three premises on which this analysis is based and those are:

1. Market action discounts everything.
2. Prices move in trends.
3. History repeats itself.

### ***2.1.2.2 Financial Statements***

The major and the most common way of analyzing used by the individual investors is the financial statement information. The financial statement contains the comprehensive data of the company financial performances and reveals the synchronized image for the investors (McClure, 2014). The most important financial statements are:

1. Balance Sheet
2. Income Statement
3. Cash flow Statement

### ***2.1.2.3 Valuation Models***

There are several valuation models considered by the individual investors while selecting the stocks. These valuation models are:

#### **1. Capital Assets Pricing Model**

The Capital Asset Pricing Model (CAPM) is used to determine the required rate of return, given its systemic risk. Systemic risk is essentially the risk attached to the entire market and cannot be diversified away. When the company is being analyzed, the expected future of the cash flow is being considered by the investors and then on the basis of required rate of return is being considered while making the investment in the stocks. The required return is the compensation for a certain risk level that the investors are willing to take.

Moreover, CAPM helps the investors in determining the required rate of the return, for the systematic risk and this systematic risk is the risk that is involved to the total (entire) market and it cannot be diversified away (Investopedia). It is being calculated by the following formula:

$$E(R_i) = R_f + B_i (E(R_m) - R_f)$$

Where:

$E(R_i)$  = Required Rate of Return

$R_f$  = Risk-free Rate

$B_i$  = Beta

$E(R_m)$  = Expected Market Return

## 2. Constant Growth Model

It is also being known as the “Gordon Model” that was developed and proposed in 1959 by Myron J. Gordon the concept of this model was to find the stock’s intrinsic value by keeping focus on the future dividend payments and making a hypothesis that the growth of the dividends remains stable at a constant rate.

Moreover, this model is most effectual when the company having the stable growth in the past and is being well established (Investopedia). This model is being determined by the following formula:

$$\text{Share Price} = \frac{D_0(1+g)}{(k-g)}$$

Where:

$D$  = Last Dividend Paid

$k$  = Required Rate of Return

$g$  = Expected Growth Rate of Dividends

#### **2.1.2.4 Yield and Profitability Ratio Analysis**

Yield ratio is being defined as association of the anticipated yield of one bond to another bond. It is important for the investors while deciding whether to invest in the bond or not. Actually the higher the yield is most appropriate rather than the lower yield (Harvey, 2012).

Some of the yield ratios are:

$$1. \text{ Dividend Yield} = \frac{\text{Dividend per Share}}{\text{Current Share Price}}$$

$$2. \text{ Earnings Yield} = \frac{\text{Net Income}}{\text{Current Share Price}}$$

Profitability ratio defined as the ability of the business to generate or produce earnings as associated to its relevant cost incurred and the expenses within the precise time period (Profitability Ratios, 2014). Or it can also be defined as the margin of profit leftover from the earned income after deduction of the relevant earnings and costs related to income earning.

There are several ways to find out the profitability ratios and these are:

1. Margin on Sales= Net Income / Sales
2. ROA= Net Income / Total Assets
3. ROE= Net Income / Common Equity
4. Book Value Per share= Total common / Number of common shares issued
5. Dividends Per Share= Dividends paid / Number of common shares issued
6. Earnings Per Share= Net income - preferred stock / Number of common shares issued

## 2.2 Historical Perspective

In the mid-nineties i.e. most of the years after 1950s several efforts were made by the researchers to find out the exact and the most appropriate factors that has the most influence on the individual and institutional investors in making decisions in selecting the stocks. The types of information do have varied time to time and many of factors were acceptable within that period of time. The cause of variation in the acceptability of the influencing factors was due to the market position, trends and the behavior of the investors in the equity market.

In the decade of 70's many researcher have provide effective researches in the field of finding the influencing factors that are considered most by the investors. In 1970 (Ewing, 1970), has carried out research and identified the several factors that plays the key role in guiding and motivating small (individual)investors in their decision making. These identifiable factors are rapid growth, firm and secure investment in the savings, dividends and professional investment management.

Both (Potter R., 1971) and (Baker H K, 1974), during their research have found various variables that has the impact as of profit for the investors. These profitability variables are quick profits and rapid growth, dividends, and investments in the long term growth and for the saving purposes were verified as the most effective factors considered on the attitude of the individual investors while making the decisions for investments. Looking forward to the research study of (Baker K B H, 1973), he identified specifically that among all the influencing factors as identified earlier in the studies, the accounting information is the most prominent factors that helps the individual investors in selecting the stocks. Despite of the other factors, he also stated that financial statements were also found to be the influencing factors and the main source of information for the investors.

There are also some more researches that has being conducted in the past in which many other influencing factors were identified by numerous researchers according to their period of time those were most influencing factors. Both (Abdulla J. Y., 1992) and (Abu-Nassar, 1996), in their research paper he identified and argues that the corporate reports as the dramatic factors and most important sources for the information for the investors in investment decision. Likewise, (Fisher K L and Statman M, 1997) also agreed that the decision making in the investment is very complex task and the process of choosing the right stocks from the market that would give a profitable return is not easy as it appears. He identified that rate of return and risk should also be considered as the influencing factors in the financial and non- financial items.

Moreover (Maditinos D, 2007), has explored something different in his research that is part from the similar type of factors as identified early in the researches. He emphasize that by his time of research investors also started to prefer and focus their decision based on the noises in the market about the company and its stock position in the financial market, newspaper and the media information and the analysis articles also tend to change the behavior of the investors in the stocks. Along with that accounting instruments and the ratio analysis also helps the investors in making up the decisions and those accounting instruments are identified and followed in the sequence, first priority investors consider the earnings of the company; secondly, earning per share (EPS); at third net operating income after tax and finally return on equity.

In all, after these researches by the all the various researchers in the past, one thing has being clarified that numerous factors are considered by the different investors with their priority level. Moreover, the most influencing factors have being varied time to time because of the changes in the market trend, business and position of the company in the financial market.

### **2.3 Current Perspective**

In the recent time many research has been conducted across the globe and many factors are being examined. One of the researches concludes that there are mainly thirteen classifications that comprises on the factors that plays the key role for the small (i.e. small or retail) investors while in stock selection. These thirteen mainly classification are as follows: discounted cash-flow tools, accounting instruments, past stock price (return),past trading volume of stocks , second-hand information resources, economic variables, firms' public information, financial statements of companies, profitability variables, government policies, financial ratios, calculation of the risk of stock, and consult with anybody (Mohammad Reza Tavakoli Baghdadabad, 2011).

In the past most of the researches were conducted on the behavior and the attitude of the individual investors. The research conducted by (Odean, September, 2011), concludes that the individual investors diversified their earnings and savings by allocating it into the stocks where they can easily get the return with in small time period. Their trend of rapid earning may sometimes leads to loss as well. For which they have to be careful while investing.

In all, this research by Odean acknowledges that at times the allocation of the earnings may cause the unpredicted result that is in term of loss. So, the individual investors should foresee the factors that give the comprehensive profile of the company financial position that would result in the healthy and profitable investments of the investors.

Moreover (Das, 2012), has also discussed and find out many factors that influence the decisions of the individual investors in selecting the stock. His study was based on the Indian Stock Market in which the Guwahati Stock Exchange was being examined; the findings were that the market of the Indian Stock Market unpredictable and the market behavior tends to change within no time if any disturbance arise the country. Recovery of the stock market is based on the behavior of the individual and institutional investors, as how they bounce back in the market



and show up their interest in the investment in the equity market. The behavior of the individual investors according to the Das Sanjay is also based on several influencing factors that they considered in making the investments in the equity market, these influencing factors which were highly considered are financial statements of companies, referral, public information, and profitability variables and the influencing factors that were least considered by the individual investors in selecting up the stocks are government policies, calculation of risk, economic variables and discounted cash flow tools.

(Bhatt, May-June 2013), states in his research that the individual or institutional investors are more sensitive and cautious in making investment in the stocks. The motive of both the investors is to invest in those stocks which are less risky and generate more profit out of their investments. Although they also have alternative ways of making investments i.e. they can invest their earnings in investment companies that are reliable and make investment in those sectors that would definitely give profit margin but takes longer time period. But still making investment in equity or stocks is more considered by the investors as it gives higher returns within the less period of time. For making investment in stocks need the proper knowledge and information of the company financial position is essential.

In all, the research of Mr. Bhatt tells that there are some factors that are to be considered while investing in the equity or stock market, but which factor is most preferred in making investments this research will help in finding out with reference to the Pakistani Stock Market.

Finally based on the above mentioned researches and their conclusions this research titled as “How Individual Investors Select Stocks: A Case of Karachi Stock Exchange” will also find the influencing factors that are most preferred and considered by the individual investors in the Pakistani Stock Market in which the Karachi Stock Market will be targeted. The influencing

factors that this research will be focusing are technical and fundamental analysis, financial statement information, valuation models, yield and profitability ratio analysis, and referral.

#### **2.4 Research Gap Filled by This Research**

Previously researches related to this topic have mostly been conducted in foreign countries and most of the researches are regarding the behavior of the investors in the stock investments. This research will find and fill the research gap of conducting in Pakistan's stock market i.e. restricting to Karachi Stock Market. This research will further deeply analyze the influencing factors (i.e. technical and fundamental analysis, financial statement information, valuation models, yield and profitability ratio analysis, and referral) that are mostly considered by the individual investors while making their decision in selecting up the stocks.

#### **2.5 Area for Further Research**

As the influencing factors in this research are limited, so more factors can also be considered in future research for making and exploring more dimensions for individual investors for making more appropriate and profitable investment in stocks. Secondly, the target market can also be diversified within Pakistan i.e. other than Karachi Stock Exchange, Lahore and Islamabad Stock Exchange can also be considered for future enhancement of this research.

### 3.0 RESEARCH METHODOLOGY

#### 3.1 Research Design

There are two types of research design i.e. qualitative or quantitative. The research design will be completely quantitative in nature where data will be collected through the questionnaires from the desired population i.e. from Karachi Stock Exchange.

##### 3.1.1 Research Philosophy

There are two philosophical paradigms approaches which include (Collins, 2011):

	<b>Positivist Paradigm</b>	<b>Phenomenology Paradigm</b>
<b>Basic Notions</b>	<ul style="list-style-type: none"> <li>▪ The world is perceived as external and objective</li> <li>▪ Independency of the observer</li> <li>▪ Value-free approach to science</li> </ul>	<ul style="list-style-type: none"> <li>▪ The world is perceived to be socially constructed and subjective</li> <li>▪ Observer is considered a part of the object of observation</li> <li>▪ Human interests drives science</li> </ul>
<b>Responsibilities of Researcher</b>	<ul style="list-style-type: none"> <li>▪ Focusing on facts</li> <li>▪ Causalities and fundamental laws are searched</li> <li>▪ Phenomenon are reduced to the simplest elements</li> <li>▪ Hypotheses formulation and testing them</li> </ul>	<ul style="list-style-type: none"> <li>▪ To be focusing on meanings</li> <li>▪ Aiming to understand the meaning of events</li> <li>▪ Exploring the totality of each individual case</li> <li>▪ Ideas are developed by induction from data</li> </ul>
<b>Most Suitable Research Methods</b>	<ul style="list-style-type: none"> <li>▪ Concepts have to be operationalized</li> </ul>	<ul style="list-style-type: none"> <li>▪ Using several methods in order to different aspects of phenomena</li> </ul>
<b>Sampling</b>	<ul style="list-style-type: none"> <li>▪ Samples have to be large</li> </ul>	<ul style="list-style-type: none"> <li>▪ Small samples are analyzed in a greater depth or over a longer period of time</li> </ul>

*Table 1: Philosophical Paradigms Approaches*

The research philosophy is positivism. It is a highly structured methodology and quantifiable observations will be used that lend themselves to statistical analysis.

### ***3.1.2 Research Approach***

There are two types of research approach i.e. Inductive and Deductive approach. Inductive approach defines as it's the approach starting from the set of the observations that leads to the theory (Gilbert, 2007). The detail process of this approach is starting from observation, pattern, and tentative hypothesis and finally drafting up the theory (Trochim, 2006). Deductive approach defines as it's the approach in which the theory is being built up that leads to explain particular observations. In deduction, data of the particular case is being selected on which general theory is being applied in order to explore the information from the data (Gilbert, 2007).

For this research topic deductive approach is being used. As conclusion of the report will be drawn stepwise i.e. starting from theory construction then building up hypothesis then further observation and finally leading to the conclusion (Trochim, 2006).

### ***3.1.3 Research Strategy***

Research strategy is being defined as the organizing the plan and giving it the direction that would enable the researcher to conduct research scientifically instead of unscientifically (Asheville, 2013).

The research strategy that will be used in this research will be based on the questionnaire through which the survey will be conducted from the Karachi Stock Market where there the respondents will be the individual (i.e. small or retail) investors.

### ***3.1.4 Research Choice***

According to (Creswell, 2003), there are three research choices, we use in research design which are

- Qualitative approach
- Quantitative approach
- Mixed methods

In this research Quantitative Approach has been used as it deals with the numeric facts and numbers and the data is being collected via survey i.e. questionnaire.

### ***3.1.5 Research Time Horizon***

There are two types of the time horizons. The snapshot view is called the cross sectional view and the diary view is the Longitudinal view. In this research, cross-sectional view is being used because it is the study of the particular phenomenon at a specific time, and it will be completed at a given period of time.

### ***3.1.6 Research Technique***

There are two major data collection techniques or procedure, first one is the mono method study that tends to focus and study only one type of method i.e. qualitative or quantitative. More precisely looking into quantitative study under mono method study, numerical form of data is being collected and further it is examined through quantitative data analysis techniques. While in qualitative study under mono method study, primarily facts are in textual form and are being analyzed through qualitative data analysis techniques (Cameron, 2010).

Second type of data collection technique or procedure is the multiple methods study in which there are more than one method is being used that is restricted within either quantitative or qualitative world view (Cameron, 2010).

The method that is being used in this research is the mono method. The selection purpose of this method is because the influencing factors that are technical and fundamental analysis, financial statement information, valuation models, yield and profitability ratio analysis, and referral would be analyzed through single questionnaire.

### ***3.1.7 Research Procedure***

The following research procedure will be followed while conducting the research:

**Step 1:**

Literature Review will be written so that the broader area would be drafted of the research topic.

**Step 2:**

Questionnaire will be designed as per the research topic and will be surveyed out from the targeted population.

**Step 3:**

Conceptual framework will be designed and with the help of that hypothesis will also be drafted.

**Step 4:**

Data will be analyzed by using the statistical tool i.e. SPSS in which linear regression test will be applied.

**Step 5:**

To get the final result the test will be applied on different variables and being analyzed.

**Step 6:**

On the basis of the final result the conclusion will be drawn.

**3.2 Research Structure*****3.2.1 Statement of the Problem***

The primary concept behind conducting this research is that there are thousands of individual investors in stock markets of Pakistan and especially focusing Karachi Stock Exchange daily millions of transactions are being transacted, among these there are many individual investors as well as institutional investors who tend to make investment. Individual investors had to make

a comprehensive study while making up the final decision in selecting the stocks. However the problem that arises is that at times they do not end up with the effective decision and had to face loss or a minor gain from their investments. In order to find out what factors that is more essential to be foreseen while making the final decision in selecting stock this research is being conducted. The factors that is mostly considered and foreseen are:

- Technical and fundamental analysis
- Financial statement information
- Valuation models
- Yield and profitability ratios analysis
- Referral

### ***3.2.2 Research Question***

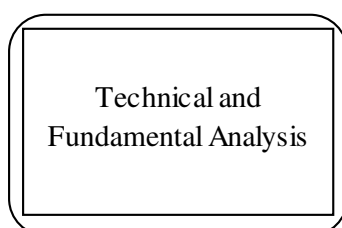
The research questions that are to be focused and find out in this research are:

- What are the mostly preferred factors concerned by the individual investors while selecting the stocks?
- What are influencing factors that are being concerned to get profitable margin and growth within the short term period by the individual investors?

### ***3.2.3 Research Objectives***

Research objective of the research is to find out what are the influencing factors concerned by the individual investors while selecting the stocks.

### ***3.2.4 Conceptual Framework***





### ***3.2.5 Research Variables***

The research variables in this research are five independent variables and one dependent variable.



**Independent Variable:**

- Technical and fundamental analysis
- Financial statement information
- Valuation models
- Yield and profitability ratio analysis
- Referral

**Dependent Variable:**

- Selection of Stock by the Individual Investors

***3.2.6 Scale for Measurement of Variables***

Scale that will be used in measuring the variables are the Likert Scale for the questionnaire survey and in SPSS Nominal and Ordinal Scale will be used.

***3.2.7 Hypothesis***

**H1:** Technical and fundamental analysis of the company influence the selection of the stock by the individual investors.

**H2:** Financial statement information of the company influences the selection of the stock by the individual investors.

**H3:** Valuation models of the company influence the selection of the stock by the individual investors.

**H4:** Yield and profitability ratio analysis of the company influence the selection of the stock by the individual investors.

**H5:** Referrals influence the selection of the stock by the individual investors.

### **3.3 Research Tool and Techniques**

#### ***3.3.1 Justification for Selected Tools and Techniques***

The statistical tools that will be applied in this research will be the Pearson correlation to analyze the relationship between the five independent variables with one dependent variable. For this Pearson correlation test, the software that will be used is SPSS.

#### ***3.3.2 Population and Target Population***

The targeted population from investment sector is from the Karachi Stock Market where there are thousands of individual investors who tends to trade stock on daily the basis and for the short period of time. In term of percentage allocation of the targeted population, 100% of targeted population will be located from Karachi Stock Exchange.

#### ***3.3.3 Sample Size***

According to the (Morgan, 1970), the standard number of respondents over the population size of 1,000,000 is 384. Therefore, in this research number of respondents also falls under this standard size of population and the number of respondents are 384 which will be examined through the close ended questionnaire.

#### ***3.3.4 Method of Sampling Selected and it's Justification***

There are two types of sampling method or technique used in the researches i.e. Non-Probability Sampling Methods and Probability Sampling Methods. In this research Non-Probability Sampling Methods in which Convenience Sampling will be used, as it is being obtained by picking out 'convenient' population units. Convenience sampling is also being termed as chunk i.e. selective portion of the whole population will be investigated and this selection is neither made by judgment or nor by the probability. The selective ration from the whole population (i.e. all the stock investors) are being selected for this research, as more

precisely these selective population are the individual investors only present in the stock market.

## 4.0 DATA ANALYSIS AND INTERPRETATION

### 4.1 Demographic Data Analysis and Interpretation

#### 4.1.1 Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	381	99.2	99.2	99.2
Valid Female	3	.8	.8	100.0
Total	384	100.0	100.0	

*Table 2: Frequency- Gender*



*Figure 1: Responses of the Gender*

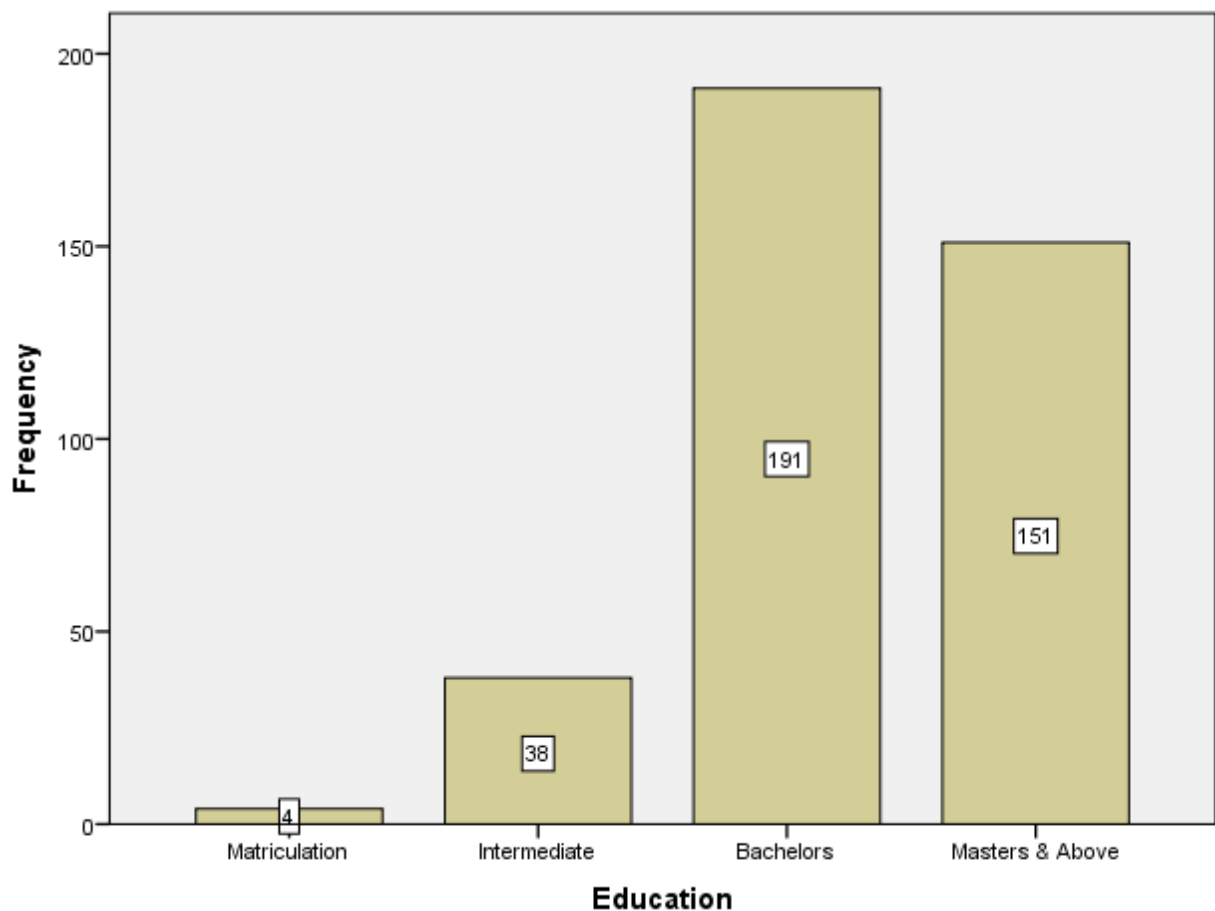
#### **Interpretation:**

The total number respondents are 384 of the individual investors. Above frequency table shows that the major respondents of individual investors are male i.e. out of 384 there are 381(99.2%) and only 3 respondents of female individual investors i.e. (0.8%) are being responded.

### 4.1.2 Education

	Frequency	Percent	Valid Percent	Cumulative Percent
Matriculation	4	1.0	1.0	1.0
Intermediate	38	9.9	9.9	10.9
Valid Bachelors	191	49.7	49.7	60.7
Masters & Above	151	39.3	39.3	100.0
Total	384	100.0	100.0	

**Table 3: Frequency-Education Level**



**Figure 2: Education Level**

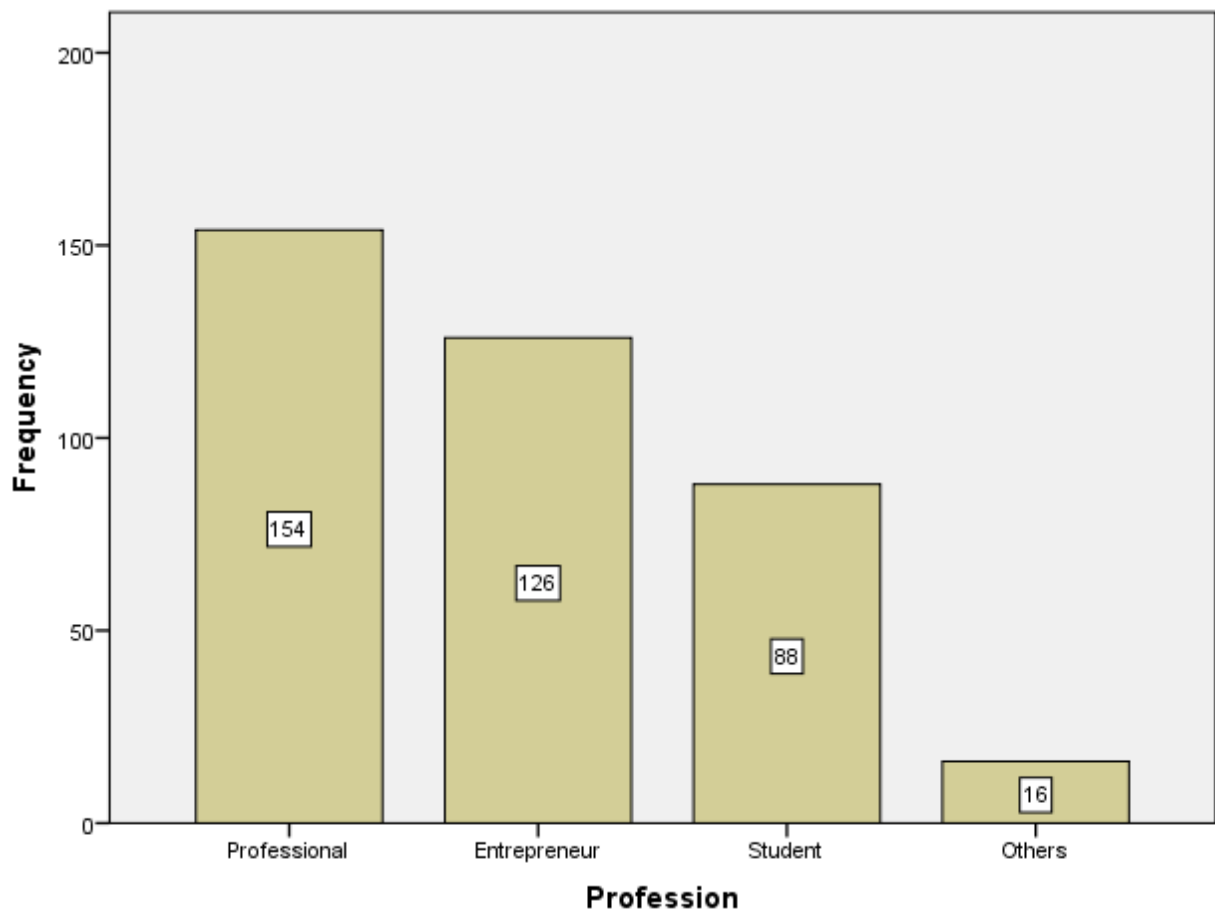
#### Interpretation:

Above analysis shows the education level of respondents of the individual investors at KSE. Among the total 384 respondents major domination are of bachelors and then masters i.e. 191 (49.7%) and 151 (39.3%) respectively. Rest of the respondents of the individual investors are of intermediate and matriculation i.e. 38 (9.9%) and 4 (1%) respectively.

### 4.1.3 Profession

	Frequency	Percent	Valid Percent	Cumulative Percent
Professional	154	40.1	40.1	40.1
Entrepreneur	126	32.8	32.8	72.9
Valid Student	88	22.9	22.9	95.8
Others	16	4.2	4.2	100.0
Total	384	100.0	100.0	

**Table 4: Frequency- Profession Level**



**Figure 3: Profession Level**

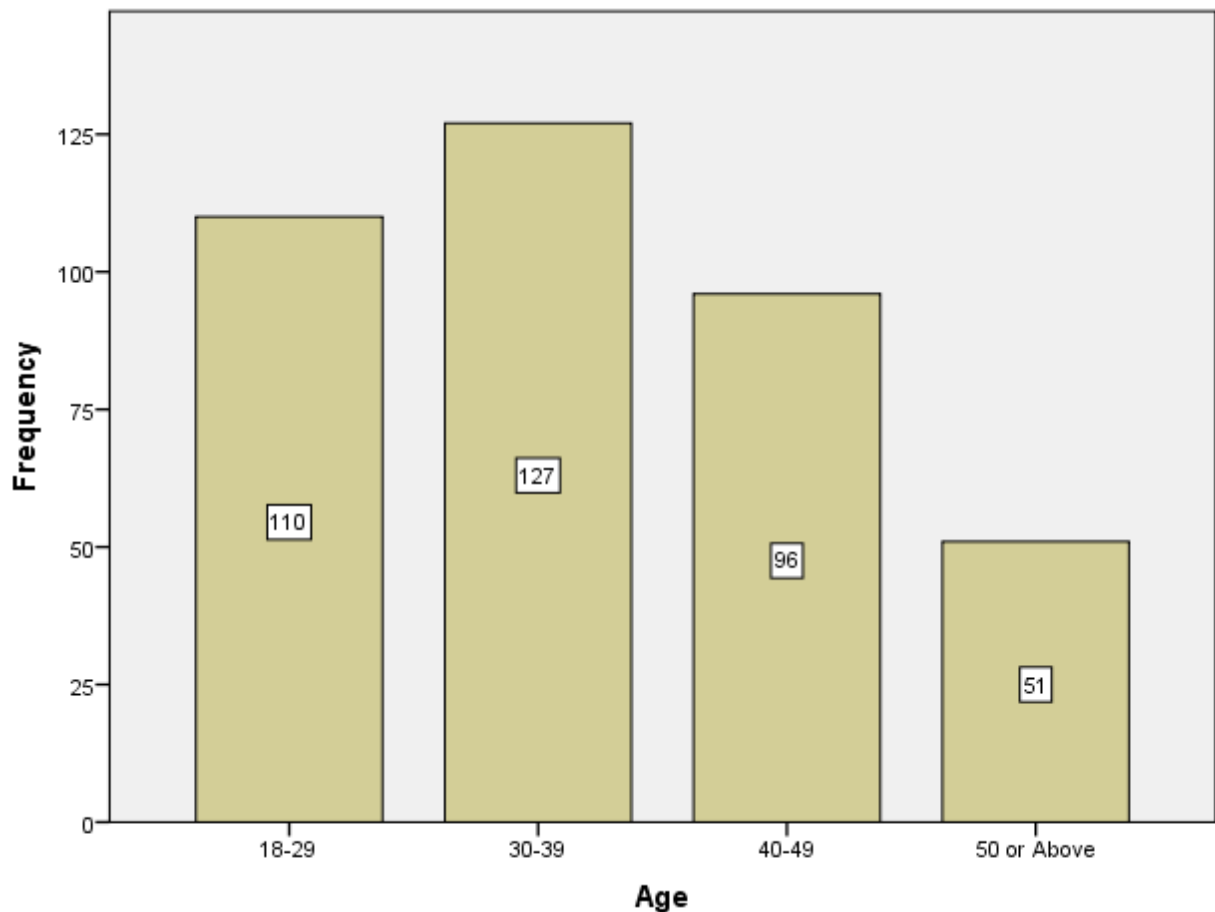
#### **Interpretation:**

The analysis of the profession level of the individual investors at KSE are mostly dominated by the professionals, then entrepreneurs and then students and others. The respondents out of 384 questionnaires are 154 (40.1%) of professionals, 126 (32.8%) of entrepreneurs, 88 (22.9%) and 16 (4.2%) of students and others respectively.

#### 4.1.4 Age

	Frequency	Percent	Valid Percent	Cumulative Percent
18-29	110	28.6	28.6	28.6
30-39	127	33.1	33.1	61.7
Valid 40-49	96	25.0	25.0	86.7
50 or Above	51	13.3	13.3	100.0
Total	384	100.0	100.0	

*Table 5: Frequency- Age Level*



*Figure 4: Age Level*

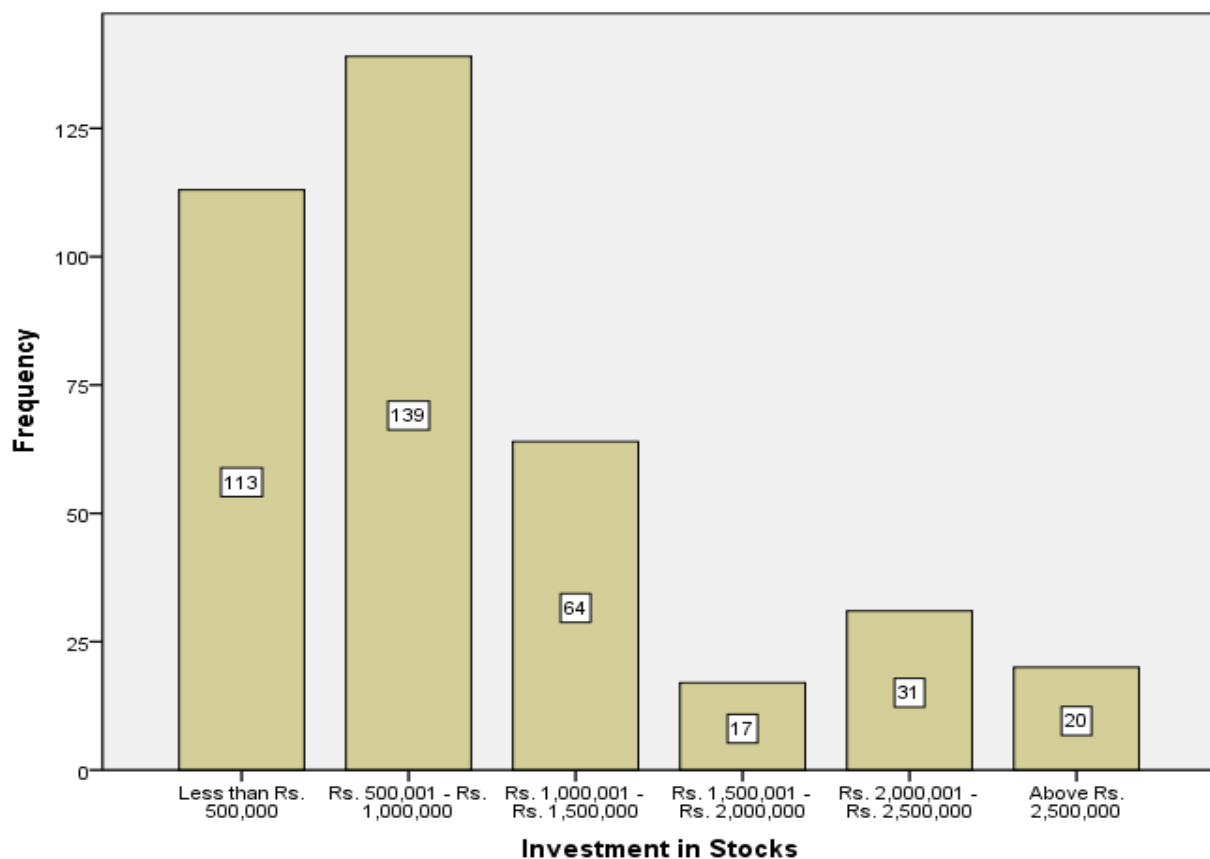
#### **Interpretation:**

The above analysis show the age bracket of the respondents of the 384 questionnaire. Most of the respondents belongs to the age bracket of 30-39 i.e. 127 (33.1%) respondents, secondly the age bracket that leads are of 18-29 i.e. 110 (28.6%) respondents, then 96 (25%) are of 40-49 age bracket and rest of them are of 50 and above i.e. 51 (13.3%) respondents.

#### 4.1.5 Investment in Stocks

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than Rs. 500,000	113	29.4	29.4	29.4
Rs. 500,001 - Rs. 1,000,000	139	36.2	36.2	65.6
Rs. 1,000,001 - Rs. 1,500,000	64	16.7	16.7	82.3
Rs. 1,500,001 - Rs. 2,000,000	17	4.4	4.4	86.7
Rs. 2,000,001 - Rs. 2,500,000	31	8.1	8.1	94.8
Above Rs. 2,500,000	20	5.2	5.2	100.0
Total	384	100.0	100.0	

**Table 6: Frequency- Investment in Stocks**



**Figure 5: Investment in Stocks**

#### Interpretation:

The above analysis shows the amount of investments of the individual investors in the stocks at KSE. Mostly are ranged between Rs. 500,001 - Rs. 1,000,000 i.e. 139 respondents (36.2%),



following by the range of less than Rs. 500,000 i.e. 113 respondents (29.4%). Remaining ranges are from Rs. 1,000,001 - Rs. 1,500,000 are 64 (16.7%) respondents, Rs. 1,500,001 - Rs. 2,000,000 are 17 (4.4%) respondents, Rs. 2,000,001 - Rs. 2,500,000 are 31 (8.1%) respondents and above Rs. 2,500,000 are 20 (5.2%) respondents respectively.

#### 4.1.6 Number of Years in Stock Investing at KSE

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
1 year - 5 years	137	35.7	35.7	35.7
6 years - 10 years	129	33.6	33.6	69.3
11 years - 15 years	77	20.1	20.1	89.3
16 years - 20 years	17	4.4	4.4	93.8
Above 20 years	24	6.3	6.3	100.0
Total	384	100.0	100.0	

Table 7: Frequency- Number of years in stock investing at KSE

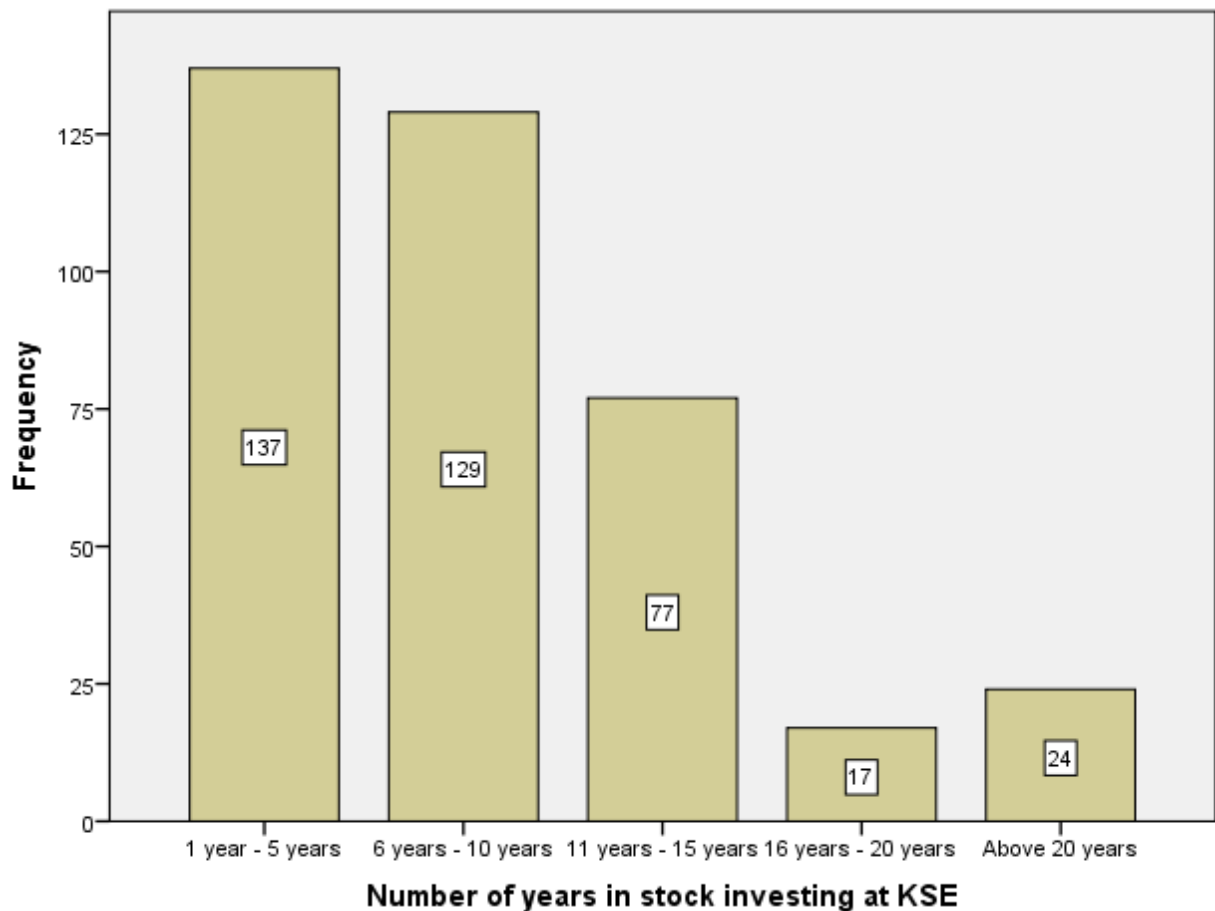


Figure 6: Number of years in stock investing at KSE

### Interpretation:

The above frequency table shows the number of years of the individual investors investing in the stocks at KSE. The dominating number of years are of 1 year - 5 years i.e. 137 (35.7%) respondents. Secondly 6 years - 10 years i.e. 129 (33.6%) respondents. Then 11 years - 15 years i.e. 77 (20.1%) respondents, 16 years - 20 years i.e. 17 (4.4%) respondents and above 20 years i.e. 24 (6.3%) respondents respectively.

## 4.2 Hypothesis Analysis and Interpretation

### 4.2.1 H1: *Technical and fundamental analysis of the company influence the selection of the stock by the individual investors.*

		question_1_mean	rate_question_mean
question_1_mean	Pearson Correlation	1	.705**
	Sig. (2-tailed)		.000
	N	384	384
rate_question_mean	Pearson Correlation	.705**	1
	Sig. (2-tailed)	.000	
	N	384	384

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

**Table 8: Correlation Analysis of Hypothesis 1**

### Interpretation:

The above table illustrate the Pearson Correlation analysis between the independent variable technical and fundamental analysis and the dependent variable selection of the stock by the individual investors. The result of the Pearson correlation between both the variables is 0.705 that indicates the very strong positive relationship.

**4.2.2 H2: Financial statement information of the company influences the selection of the stock by the individual investors.**

<b>Correlations</b>			question_2_me an	rate_question_ mean
question_2_mean	Pearson Correlation	1	.910**	
	Sig. (2-tailed)		.000	
	N	384	384	
rate_question_mean	Pearson Correlation	.910**	1	
	Sig. (2-tailed)	.000		
	N	384	384	

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

**Table 9: Correlation Analysis of Hypothesis 2**

**Interpretation:**

The above table illustrate the Pearson Correlation analysis between the independent variable financial statement information and the dependent variable selection of the stock by the individual investors. The result of the Pearson correlation between both the variables is 0.910 that indicates the very strong positive relationship.

**4.2.3 H3: Valuation models of the company influence the selection of the stock by the individual investors.**

<b>Correlations</b>			question_3_me an	rate_question_ mean
question_3_mean	Pearson Correlation	1	.599**	
	Sig. (2-tailed)		.000	
	N	384	384	
rate_question_mean	Pearson Correlation	.599**	1	
	Sig. (2-tailed)	.000		
	N	384	384	

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

**Table 10: Correlation Analysis of Hypothesis 3**

**Interpretation:**

The above table illustrate the Pearson Correlation analysis between the independent variable valuation models and the dependent variable selection of the stock by the individual investors. The result of the Pearson correlation between both the variables is 0.599 that indicates the strong positive relationship.

**4.2.4 H4: Yield and profitability ratio analysis of the company influence the selection of the stock by the individual investors.**

<b>Correlations</b>			question_4_me	rate_question_
			an	mean
question_4_mean	Pearson Correlation		1	.965**
	Sig. (2-tailed)			.000
	N		384	384
rate_question_mean	Pearson Correlation		.965**	1
	Sig. (2-tailed)		.000	
	N		384	384

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

**Table 11: Correlation Analysis of Hypothesis 4**

**Interpretation:**

The above table illustrate the Pearson Correlation analysis between the independent variable yield and profitability ratio analysis and the dependent variable selection of the stock by the individual investors. The result of the Pearson correlation between both the variables is 0.965 that indicates the very strong positive relationship.

**4.2.5 H5: Referrals influence the selection of the stock by the individual investors.**

		question_5_mean	rate_question_mean
question_5_mean	Pearson Correlation	1	.521**
	Sig. (2-tailed)		.000
	N	384	384
rate_question_mean	Pearson Correlation	.521**	1
	Sig. (2-tailed)	.000	
	N	384	384

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

**Table 12: Correlation Analysis of Hypothesis 5**

**Interpretation:**

The above table illustrate the Pearson Correlation analysis between the independent variable valuation models and the dependent variable selection of the stock by the individual investors.

The result of the Pearson correlation between both the variables is 0.599 that indicates the strong positive relationship.

### 4.3 Frequency Analysis of Questionnaire Responses

#### 4.3.1 Question 1: Rate the following questions

Are you satisfied with the approach you have been using to select stock?				
	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	11	2.9	2.9	2.9
Disagree	48	12.5	12.5	15.4
Somew hat Agree	105	27.3	27.3	42.7
Agree	91	23.7	23.7	66.4
Strongly Agree	129	33.6	33.6	100.0
Total	384	100.0	100.0	

Table 13: Satisfaction with the Approach

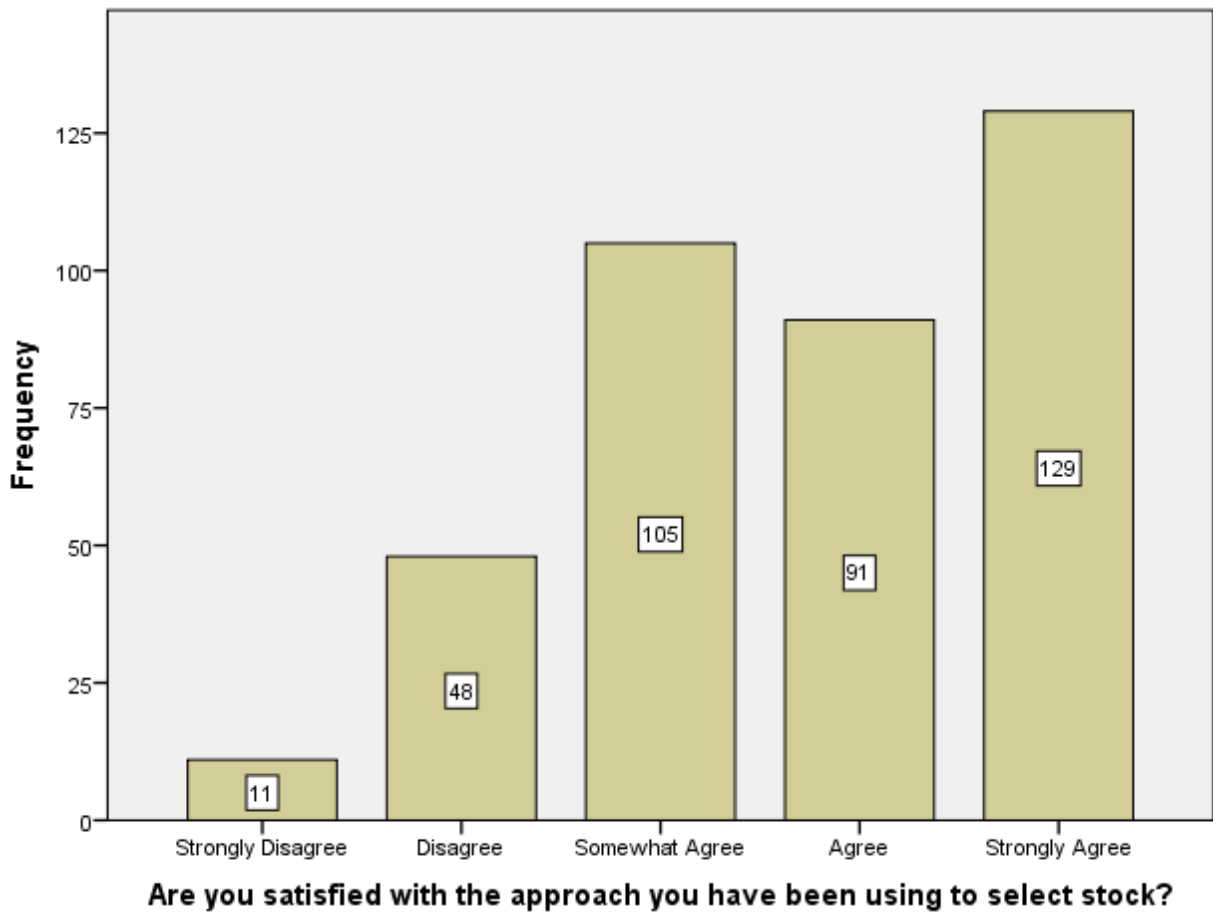


Figure 7: Satisfaction with the Approach

**Interpretation:**

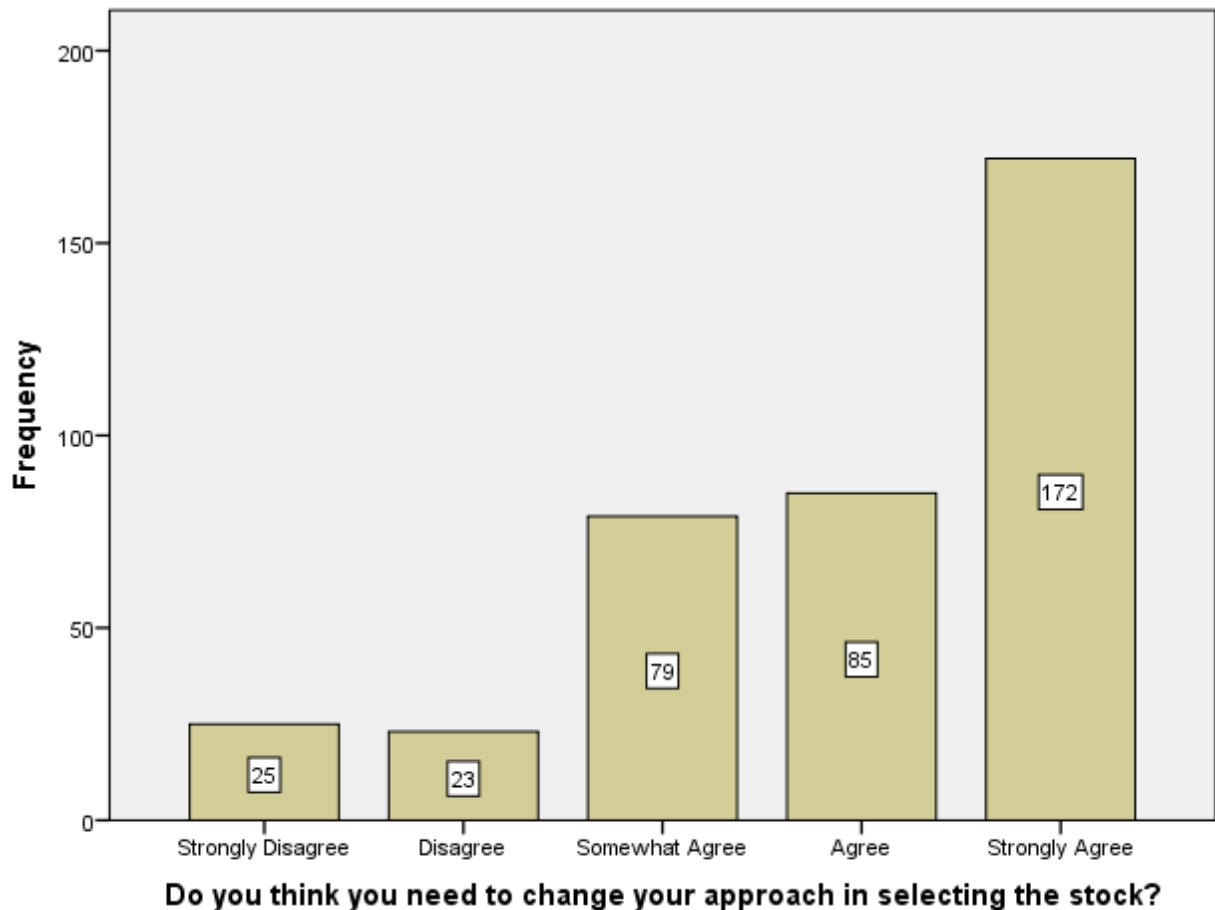
Responses of the individual investors who tends to invest in the stock market are mostly to the strongly agree i.e. 129 (33.6%) out of 384 questionnaires. That shows, the individual investors are highly satisfied with the approach while selecting the stocks. Moreover, the second highest response of the satisfaction of the approach in selecting the stock is somewhat agree i.e. 105 (27.3%), other responses that are responded are: agree 91 (23.7%), disagree 48 (12.5%) and strongly disagree 11 (2.9%).

Eventually this interprets that currently the individual investors are highly satisfied with the approach they are following in selecting the stock from the equity market.

<b>Do you think you need to change your approach in selecting the stock?</b>				
	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	25	6.5	6.5	6.5
Disagree	23	6.0	6.0	12.5
Somew hat Agree	79	20.6	20.6	33.1
Agree	85	22.1	22.1	55.2
Strongly Agree	172	44.8	44.8	100.0
Total	384	100.0	100.0	

*Table 14: Need to Change the Approach*





**Figure 8: Need to Change the Approach**

**Interpretation:**

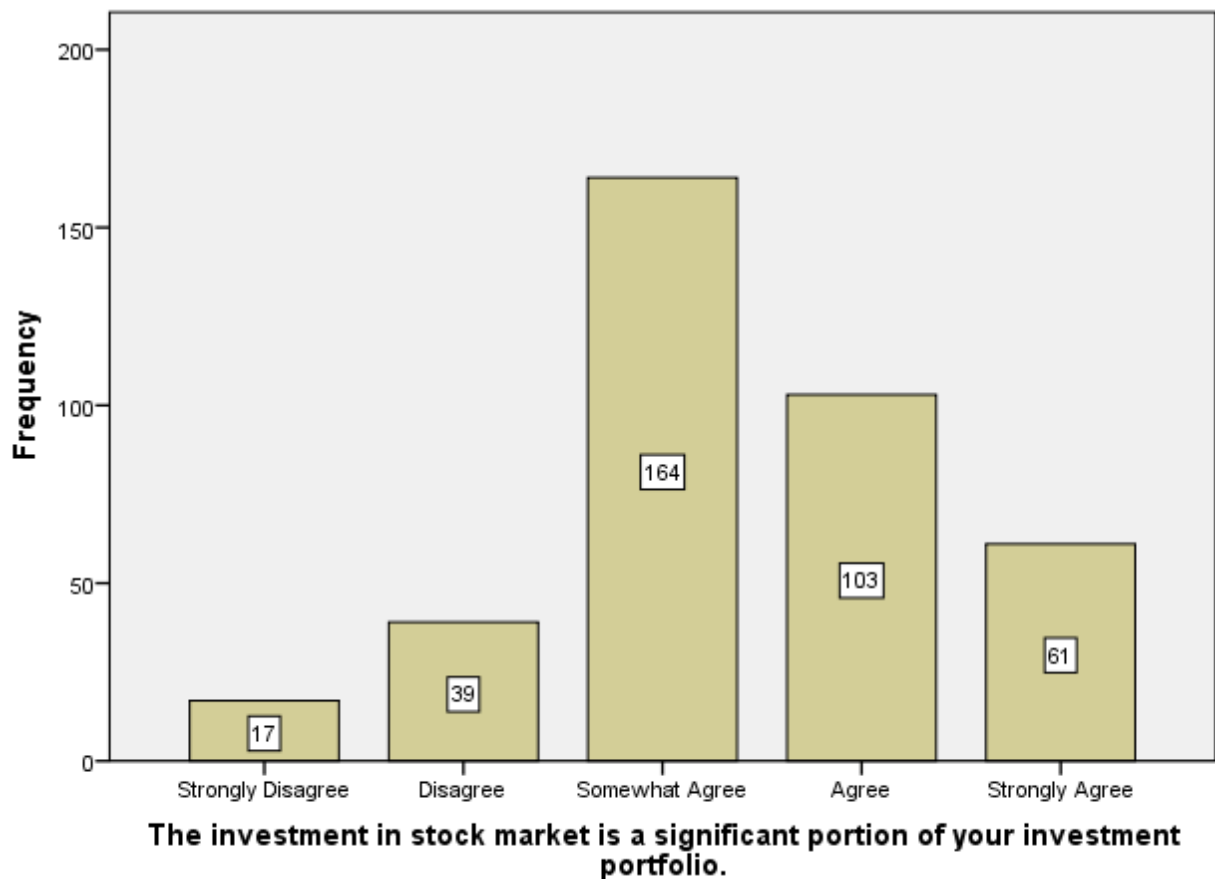
Responses of the individual investors who tends to invest in the stock market are mostly to the strongly agree i.e. 172 (44.8%) out of 384 questionnaires. That shows, the individual investors are willing to change their approach of selecting the stocks with the passage of time due to change in economic conditions, financial positions and many more. Moreover, the second highest response of the change in the approach in selecting the stock is agree i.e. 85 (22.1%), other responses that are responded are: somewhat agree 79 (20.6%), strongly disagree 25 (6.5%) and disagree 23 (6.0%).

Eventually this interprets that currently the individual investors are highly willing to change the approach that they are following in selecting the stock from the equity market.

**The investment in stock market is a significant portion of your investment portfolio.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	17	4.4	4.4	4.4
Disagree	39	10.2	10.2	14.6
Somewhat Agree	164	42.7	42.7	57.3
Agree	103	26.8	26.8	84.1
Strongly Agree	61	15.9	15.9	100.0
Total	384	100.0	100.0	

*Table 15: Significant Portion of the Investment Portfolio*



*Figure 9: Significant Portion of the Investment Portfolio*

**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the somewhat agree i.e. 164 (42.7%) out of 384 questionnaires. That shows, the investment in stock market is a significant portion of individual investor’s investment portfolio are at moderate level. Moreover, the second highest response of the stock market is a significant portion of

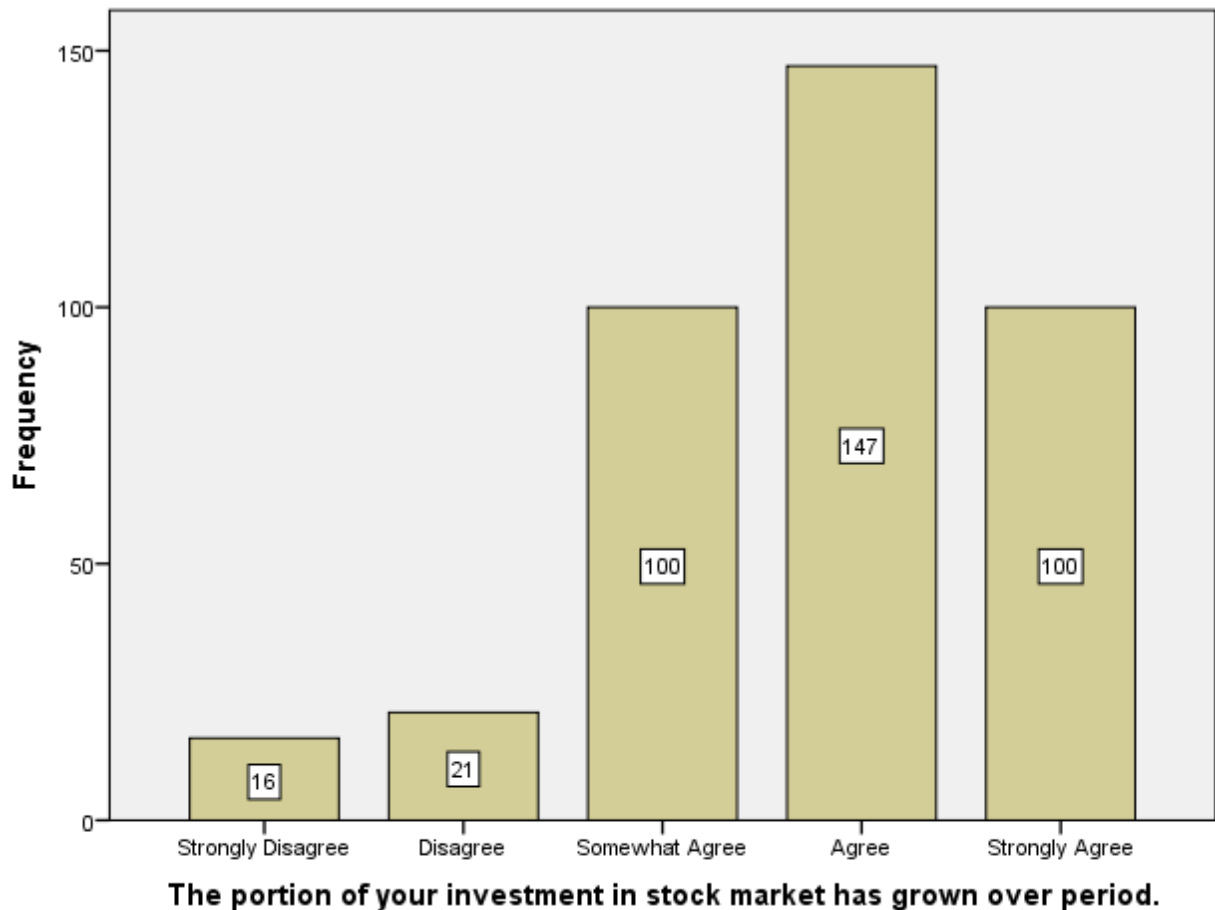
individual investor's investment portfolio is agree i.e. 103 (26.8%), other responses that are responded are: strongly agree 61 (15.9%), disagree 39 (10.2%) and strongly disagree 17 (4.4%).

Eventually this interprets that currently the individual investors are having moderate level of their investment in the stocks out of their overall investment portfolio.

**The portion of your investment in stock market has grown over period.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	16	4.2	4.2	4.2
Disagree	21	5.5	5.5	9.6
Somew hat Agree	100	26.0	26.0	35.7
Agree	147	38.3	38.3	74.0
Strongly Agree	100	26.0	26.0	100.0
Total	384	100.0	100.0	

**Table 16: Portion of Investment in Stock Grown Over Period**



**Figure 10: Portion of Investment in Stock Grown Over Period**

**Interpretation:**

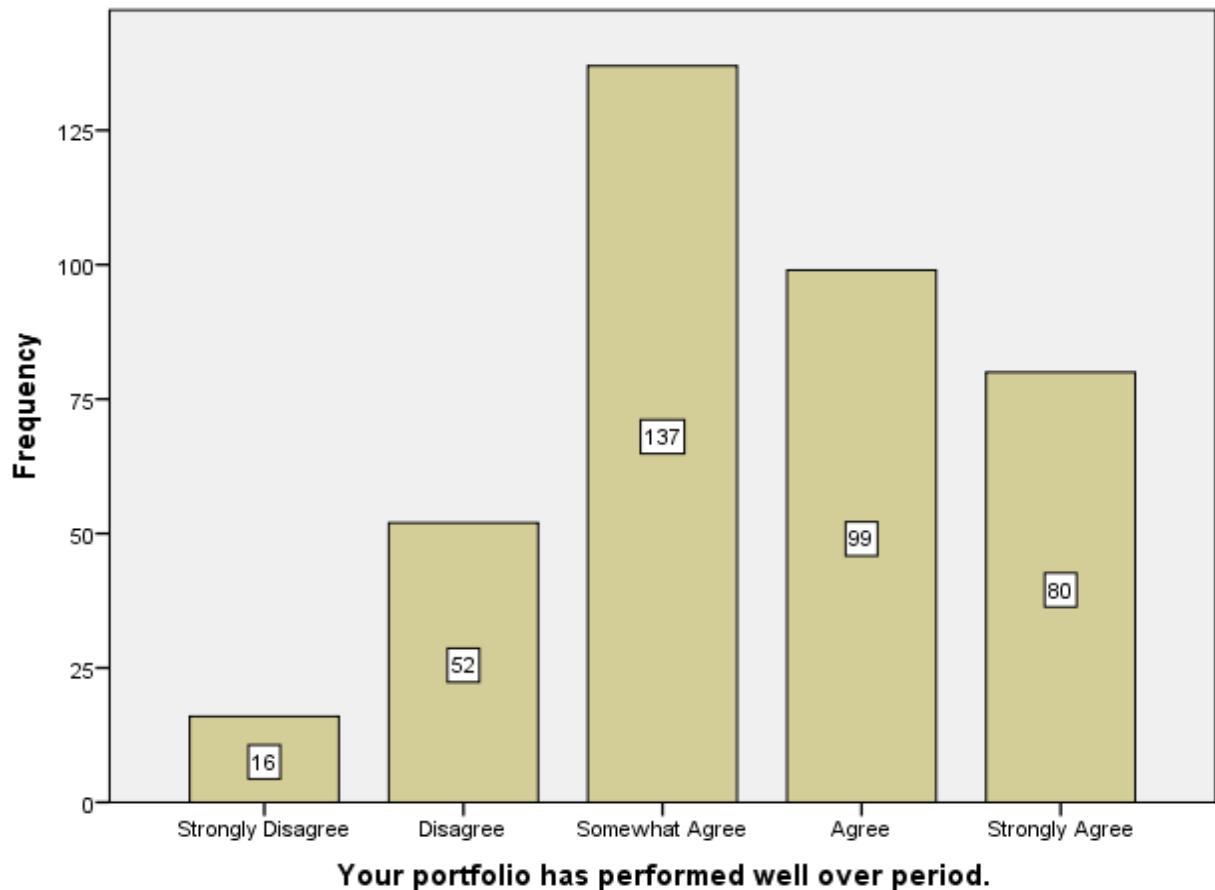
Responses of the individual investors who tends to invest in the stock market are mostly to agree i.e. 147 (38.3%) out of 384 questionnaires. That shows, the individual investors investment has significantly grown over the period of time and this is due the current performance of the KSE that led the market volume over 34,000 points from 29,000 points in recent years. Moreover, the second highest response of the growth in the investment of stock market is strongly agree and somewhat agree i.e. 100 (26.0%), other responses that are responded are: disagree 21 (5.5%) and strongly disagree 16 (4.2%).

Eventually this interprets that currently the individual investors are having the growth in the investment that they had made in the stock market in the recent years.

**Your portfolio has performed well over period.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	16	4.2	4.2	4.2
Disagree	52	13.5	13.5	17.7
Somew hat Agree	137	35.7	35.7	53.4
Agree	99	25.8	25.8	79.2
Strongly Agree	80	20.8	20.8	100.0
Total	384	100.0	100.0	

**Table 17: Portfolio has Performed Well over Period**



**Figure 11: Portfolio has Performed Well over Period**

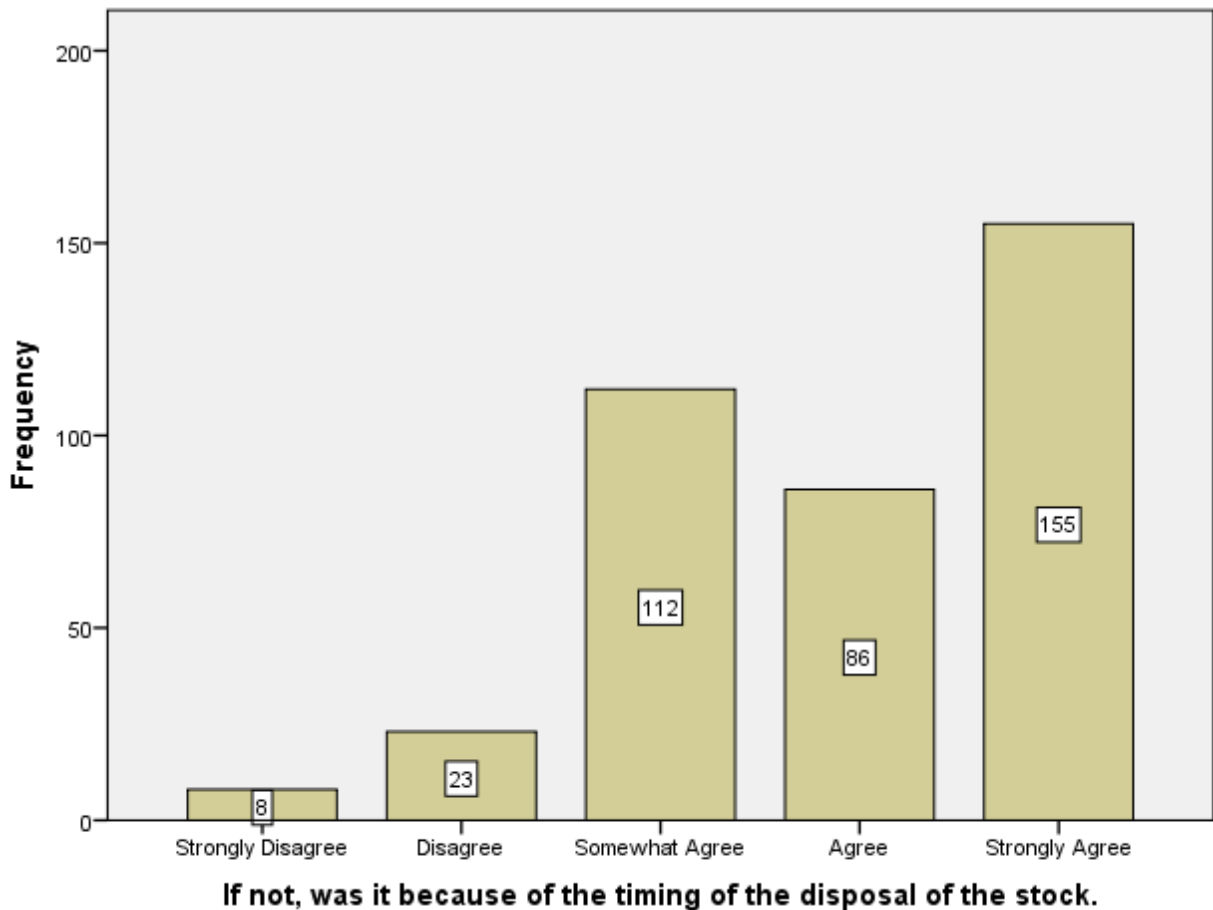
**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the somewhat agree i.e. 137 (35.7%) out of 384 questionnaires. That shows, the individual investors over portfolio has moderate growth in their investment over the period of time and it is due to the recent drop of the trading points in the KSE and individual investors got panic and mad the wrong decision of selling the stocks as the ,market would crash more over the time but it didn't happened. Moreover, the second highest response of the growth in the portfolio over the period is agree i.e. 99 (25.8%), other responses that are responded are: strongly agree 80 (20.8%), strongly disagree 52 (13.5%) and disagree 16 (4.2%).

Eventually this interprets that individual investor has got the moderate growth in the over investment in the stock at KSE over the period.

If not, was it because of the timing of the disposal of the stock.				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Strongly Disagree	8	2.1	2.1	2.1
Disagree	23	6.0	6.0	8.1
Somewhat Agree	112	29.2	29.2	37.2
Agree	86	22.4	22.4	59.6
Strongly Agree	155	40.4	40.4	100.0
Total	384	100.0	100.0	

*Table 18: Was it because of the timing of the disposal of the stock*



*Figure 12: Was it because of the timing of the disposal of the stock*

**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the strongly agree i.e. 155 (40.4%) out of 384 questionnaires. That shows, that because of the wrong time of disposal of stock has led the individual investors to face loss from the stock market many times. Moreover, the second highest response to the wrong time of disposal of

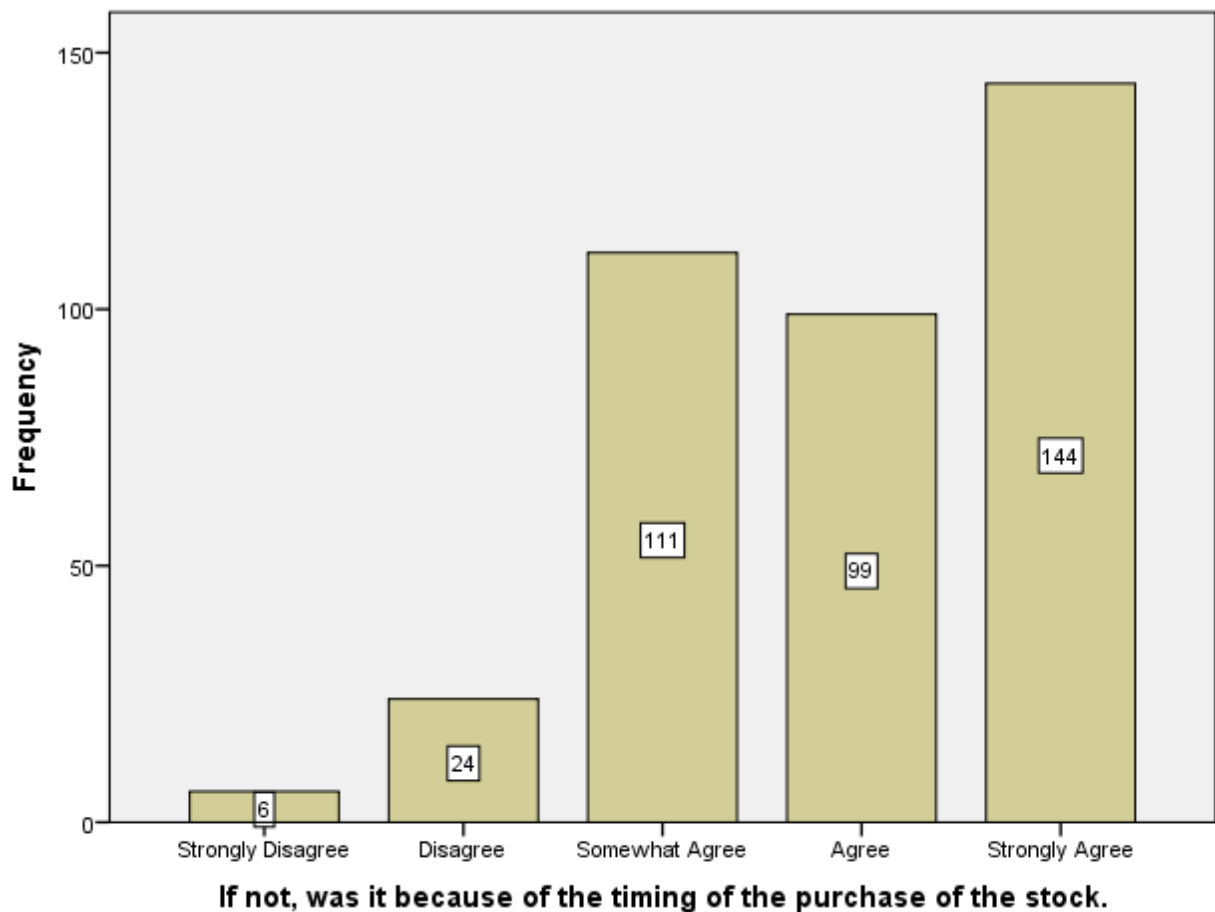
stock is somewhat agree i.e. 112 (29.2%), other responses that are responded are: agree 86 (22.4%), disagree 23 (6.0%) and strongly disagree 8 (2.1%).

Eventually this interprets that individual investor mostly have to face loss from the stock market due to the wrong time of disposal of the stock at the equity market.

**If not, was it because of the timing of the purchase of the stock.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	6	1.6	1.6	1.6
Disagree	24	6.3	6.3	7.8
Somew hat Agree	111	28.9	28.9	36.7
Agree	99	25.8	25.8	62.5
Strongly Agree	144	37.5	37.5	100.0
Total	384	100.0	100.0	

**Table 19: Was it because of the timing of the purchase of the stock**



**Figure 13: Was it because of the timing of the purchase of the stock**

**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the strongly agree i.e. 144 (37.5%) out of 384 questionnaires. That shows, that because of the correct time of purchase of stock has led the individual investors to face gain from the stock market many times. Moreover, the second highest response to the correct time of purchase of stock is somewhat agree i.e. 111 (28.9%), other responses that are responded are: agree 99 (25.8%), disagree 24 (6.3%) and strongly disagree 6 (1.6%).

Eventually this interprets that individual investor mostly have to face gain from the stock market due to the correct time of purchase of the stock at the equity market.

**If not, was it because of the wrong selection of the stock.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	.5	.5	.5
Disagree	8	2.1	2.1	2.6
Somew hat Agree	63	16.4	16.4	19.0
Agree	104	27.1	27.1	46.1
Strongly Agree	207	53.9	53.9	100.0
Total	384	100.0	100.0	

*Table 20: Was it because of the wrong selection of the stock*





*Figure 14: Was it because of the wrong selection of the stock*

**Interpretation:**

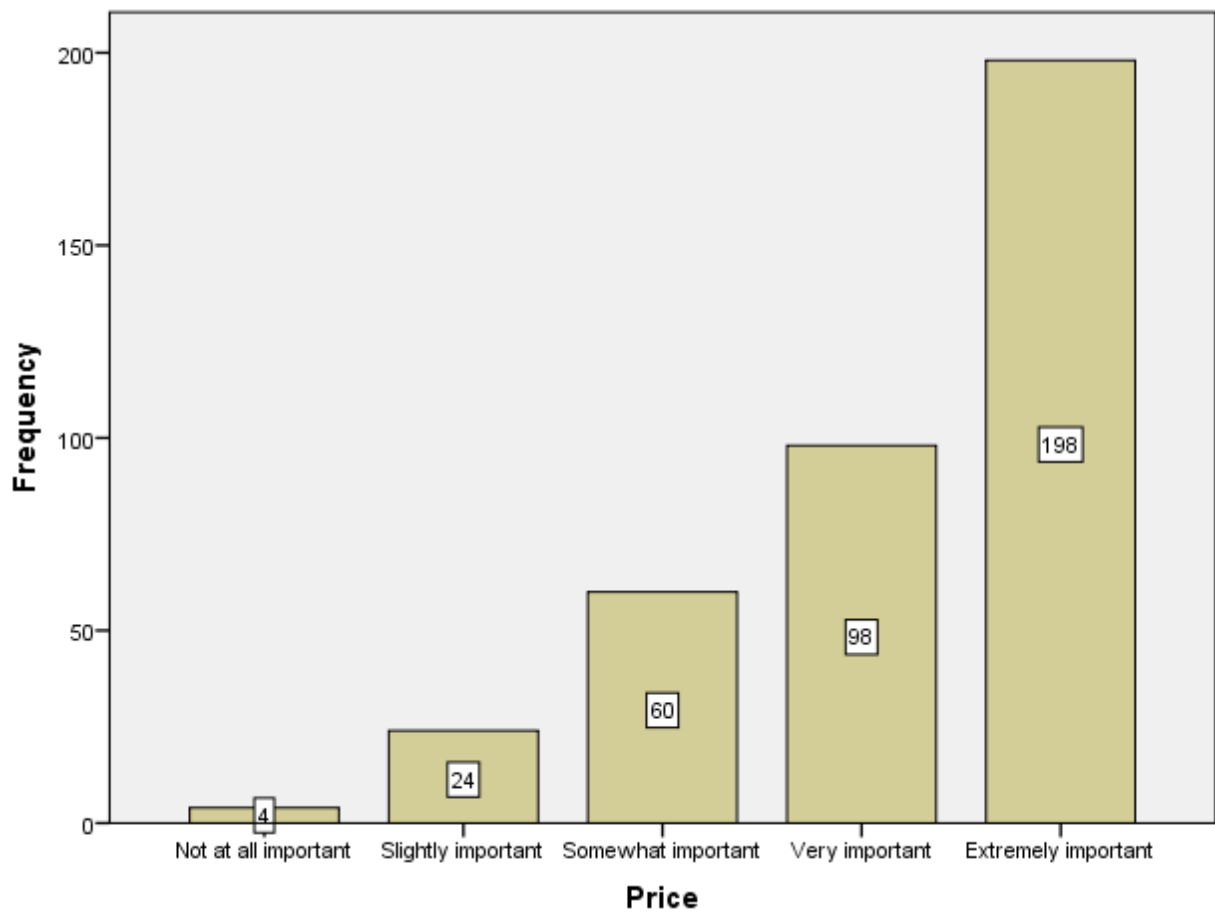
Responses of the individual investors who tends to invest in the stock market are mostly to the strongly agree i.e. 207 (53.9%) out of 384 questionnaires. That shows, that because of the wrong selection of stock by the individual investor has the impact on the gain or loss from the stock market. Moreover, the second highest response to the wrong selection of stock by the individual investor is agree i.e. 104 (27.1%), other responses that are responded are: somewhat agree 63 (16.4%), disagree 8 (2.1%) and strongly disagree 2 (0.5%).

Eventually this interprets that individual investor mostly have to face gain or loss from the stock market due to the wrong selection of the stock at the equity market.

**4.3.2 Question 2: Which of the following piece of information helps in the selecting of the stock?**

		Price			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all important	4	1.0	1.0	1.0
	Slightly important	24	6.3	6.3	7.3
	Somewhat important	60	15.6	15.6	22.9
	Very important	98	25.5	25.5	48.4
	Extremely important	198	51.6	51.6	100.0
	Total	384	100.0	100.0	

**Table 21: Price**



**Figure 15: Price**

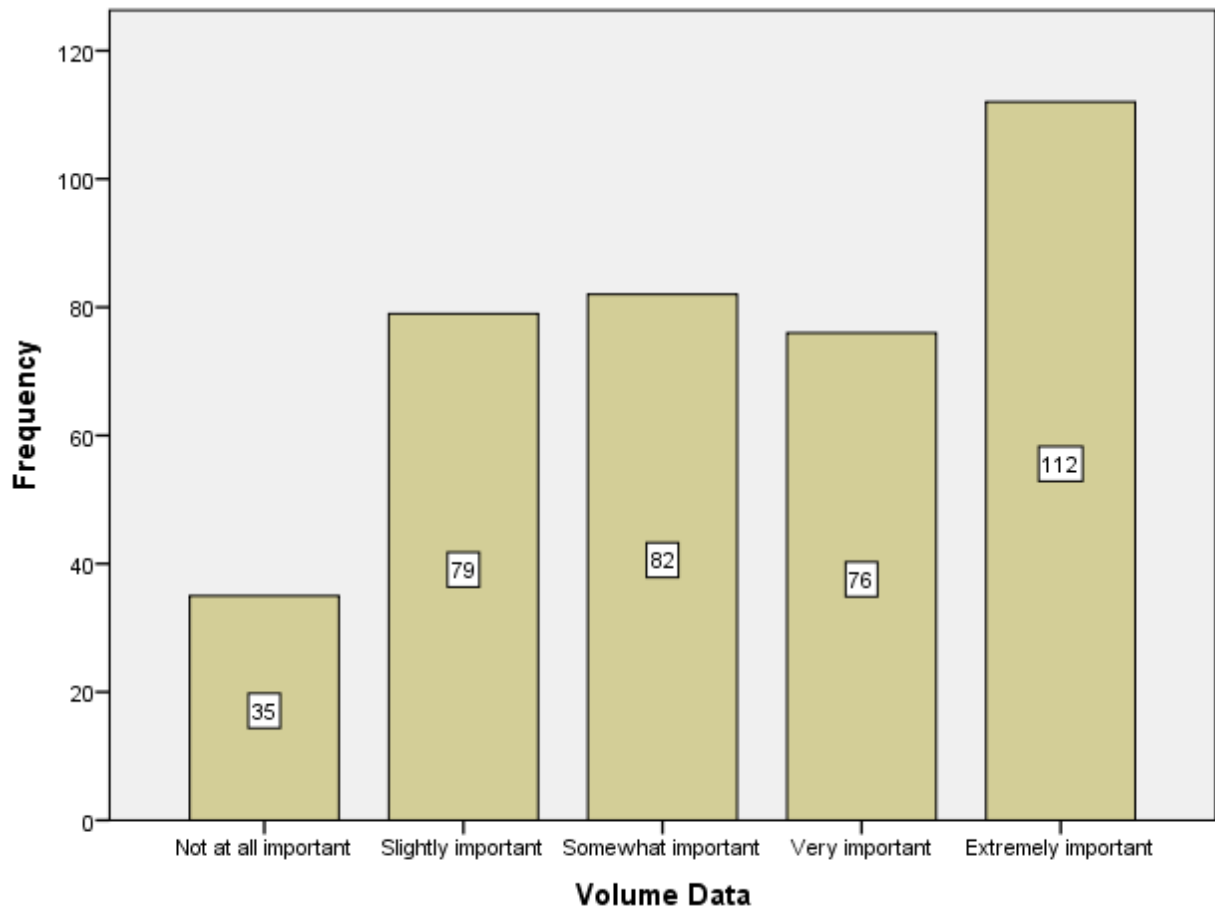
**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the extremely important i.e. 198 (51.6%) out of 384 questionnaires. That shows that price of the stocks are highly important and considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the selection of stock while considering the price is very important i.e. 98 (25.5%), other responses that are responded are: somewhat important 60 (15.6%), slightly important 24 (6.3%) and not at all important 4 (1.0%).

Eventually this interprets that individual investor mostly considered the price of the stocks at the stock market while the selection of the stock.

Volume Data				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all important	35	9.1	9.1
	Slightly important	79	20.6	29.7
	Somew hat important	82	21.4	51.0
	Very important	76	19.8	70.8
	Extremely important	112	29.2	100.0
	Total	384	100.0	100.0

**Table 22: Volume Data**



**Figure 16: Volume Data**

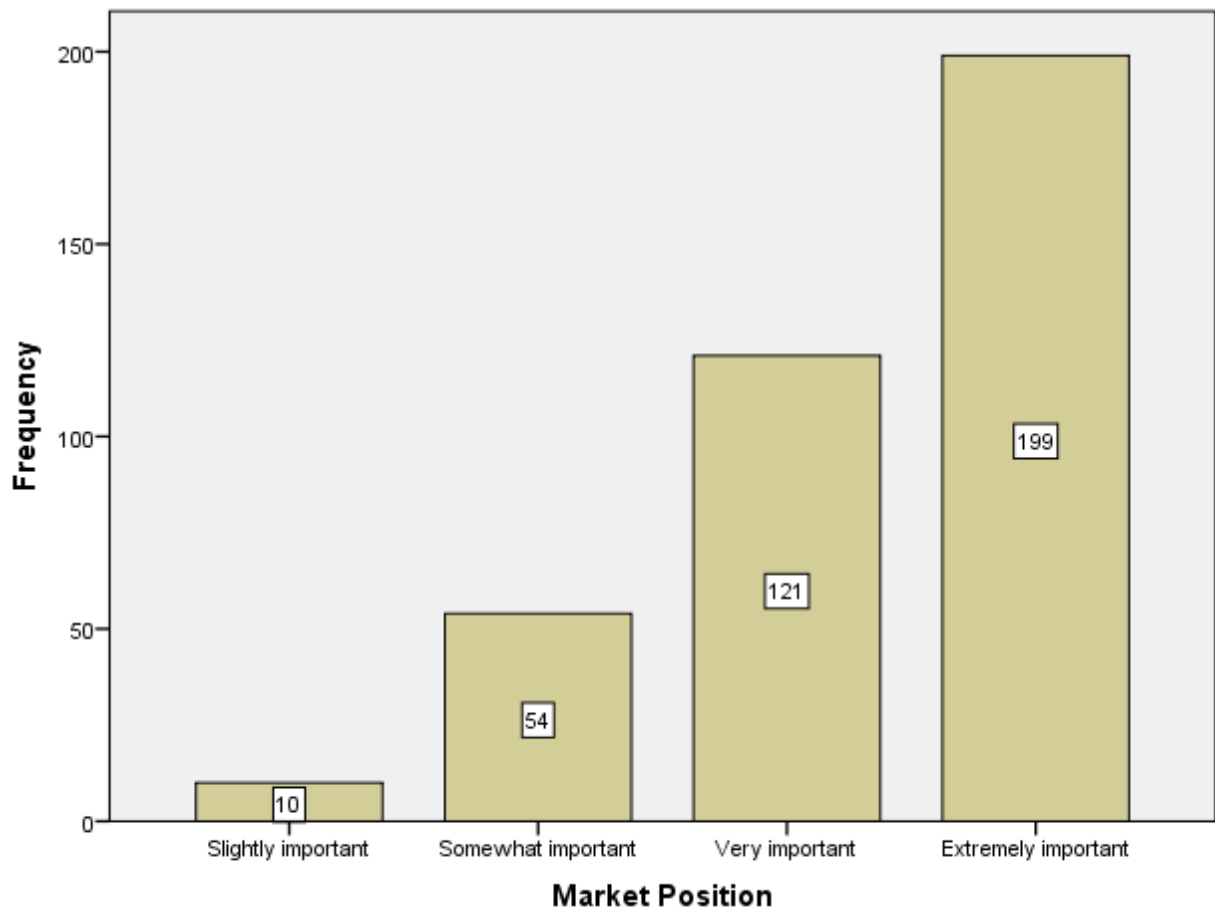
**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the extremely important i.e. 112 (29.2%) out of 384 questionnaires. That shows that volume of the stocks are highly important and considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the selection of stock while considering the price is somewhat important i.e. 82 (21.4%), other responses that are responded are: slightly important 79 (20.6%), very important 76 (19.8%) and not at all important 35 (9.1%).

Eventually this interprets that individual investor mostly considered the volume of the stocks at the stock market while the selection of the stock. The responses are almost equal by the individual investors and it is because of the different perception of them.

Market Position				
	Frequency	Percent	Valid Percent	Cumulative Percent
	Slightly important	10	2.6	2.6
	Somewhat important	54	14.1	16.7
Valid	Very important	121	31.5	48.2
	Extremely important	199	51.8	100.0
	Total	384	100.0	100.0

*Table 23: Market Position*



*Figure 17: Market Position*

**Interpretation:**

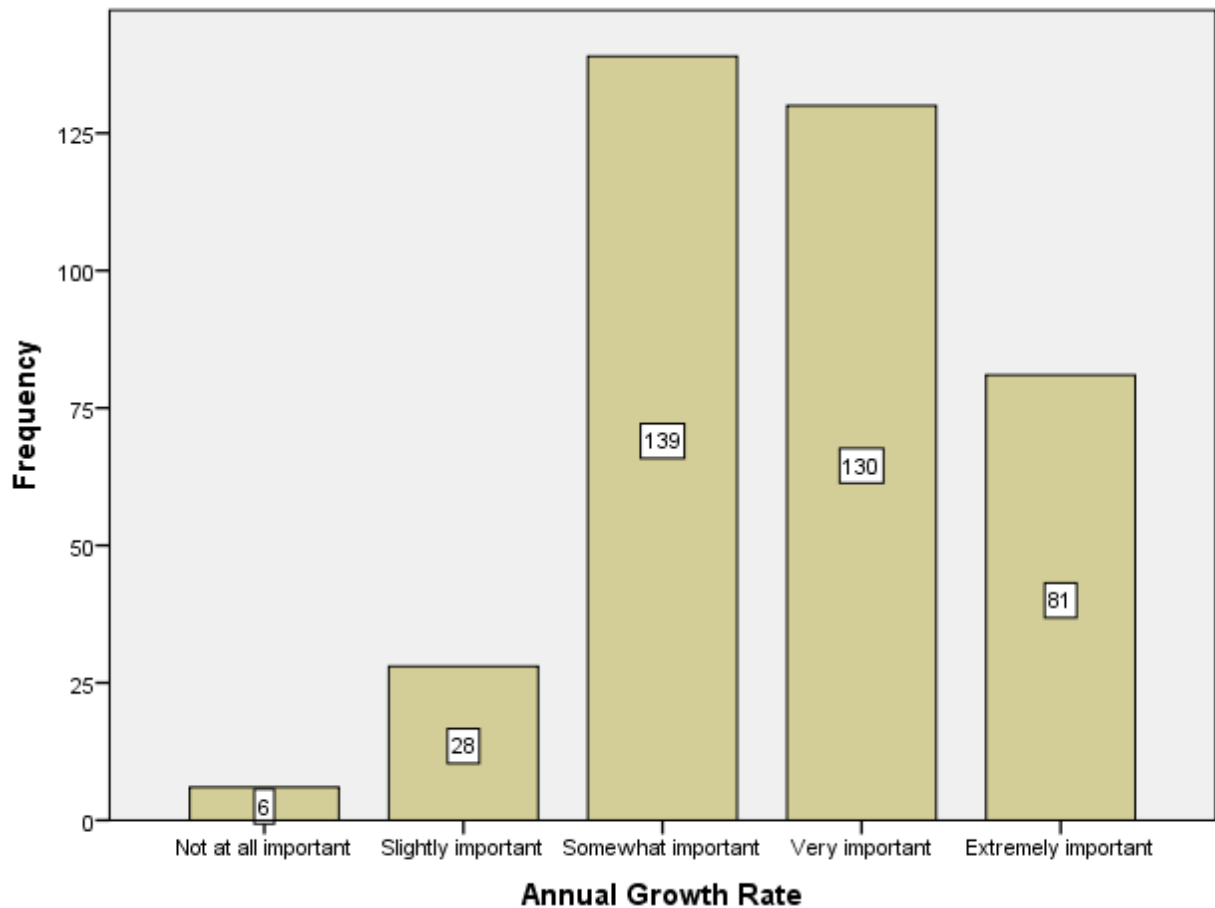
Responses of the individual investors who tends to invest in the stock market are mostly to the extremely important i.e. 199 (51.8%) out of 384 questionnaires. That shows that market position of the stocks are highly important and considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the

selection of stock while considering the market position is very important i.e. 121 (21.4%), other responses that are responded are: somewhat important 54 (14.1%) and slightly important 10 (2.6%).

Eventually this interprets that individual investor mostly considered the market position of the stocks at the stock market while the selection of the stock.

Annual Growth Rate				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all important	6	1.6	1.6
	Slightly important	28	7.3	8.9
	Somewhat important	139	36.2	45.1
	Very important	130	33.9	78.9
	Extremely important	81	21.1	100.0
	Total	384	100.0	100.0

**Table 24: Annual Growth Rate**



**Figure 18: Annual Growth Rate**

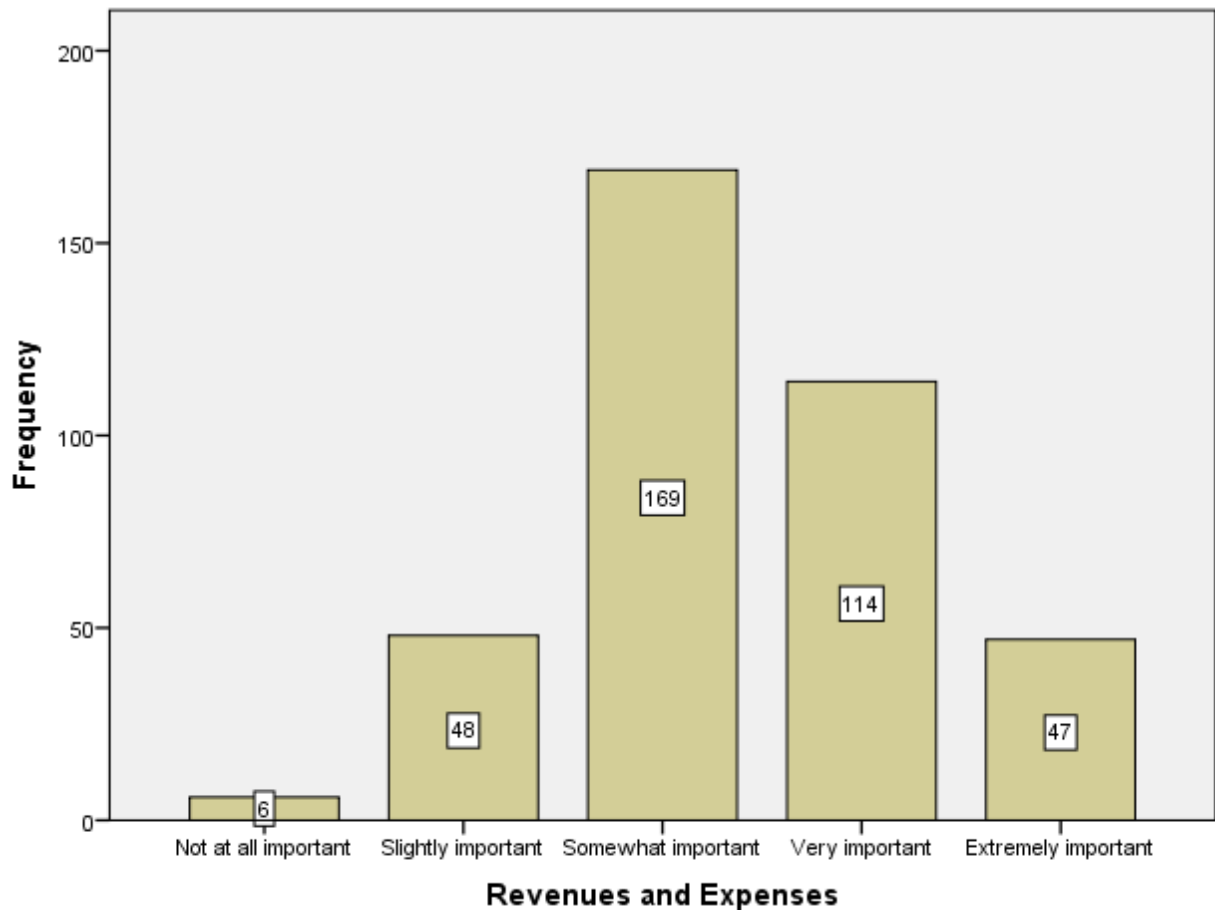
**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the somewhat important i.e. 139 (36.2%) out of 384 questionnaires. That shows that annual growth rate of the stocks are moderately important and considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the selection of stock while considering the annual growth rate is very important i.e. 130 (33.9%), other responses that are responded are: extremely important 81 (21.1%), slightly important 28 (7.3%) and not at all important 6 (1.6%).

Eventually this interprets that individual investor have moderate consideration the annual growth rate of the stocks at the stock market while the selection of the stock.

<b>Revenues and Expenses</b>				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all important	6	1.6	1.6
	Slightly important	48	12.5	14.1
	Somew hat important	169	44.0	58.1
	Very important	114	29.7	87.8
	Extremely important	47	12.2	100.0
	Total	384	100.0	100.0

**Table 25: Revenues and Expenses**



**Figure 19: Revenues and Expenses**

**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the somewhat important i.e. 169 (44.0%) out of 384 questionnaires. That shows that revenue and expenses of the stocks are moderately important and considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the selection of stock while considering the revenue and expenses is very important i.e. 114 (29.7%), other responses that are responded are: slightly important 48 (12.5%), extremely important 47 (12.2%) and not at all important 6 (1.6%).

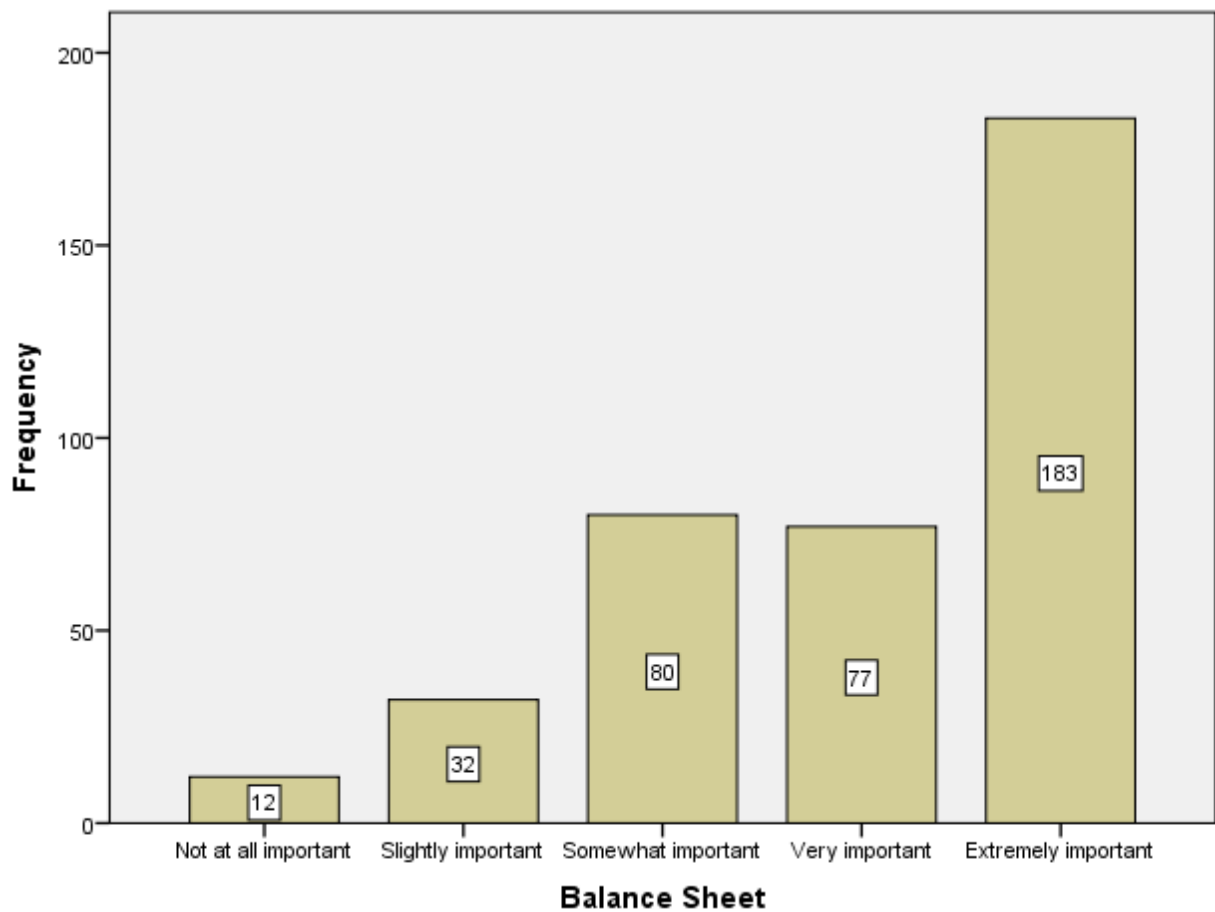
Eventually this interprets that individual investor have moderate consideration the revenue and expenses of the stocks at the stock market while the selection of the stock.



**4.3.3 Question 3: Which of the following financial statement and report information helps in the selection of the stock?**

Balance Sheet					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Not at all important	12	3.1	3.1	3.1
	Slightly important	32	8.3	8.3	11.5
	Somewhat important	80	20.8	20.8	32.3
	Very important	77	20.1	20.1	52.3
	Extremely important	183	47.7	47.7	100.0
	Total	384	100.0	100.0	

**Table 26: Balance Sheet**



**Figure 20: Balance Sheet**

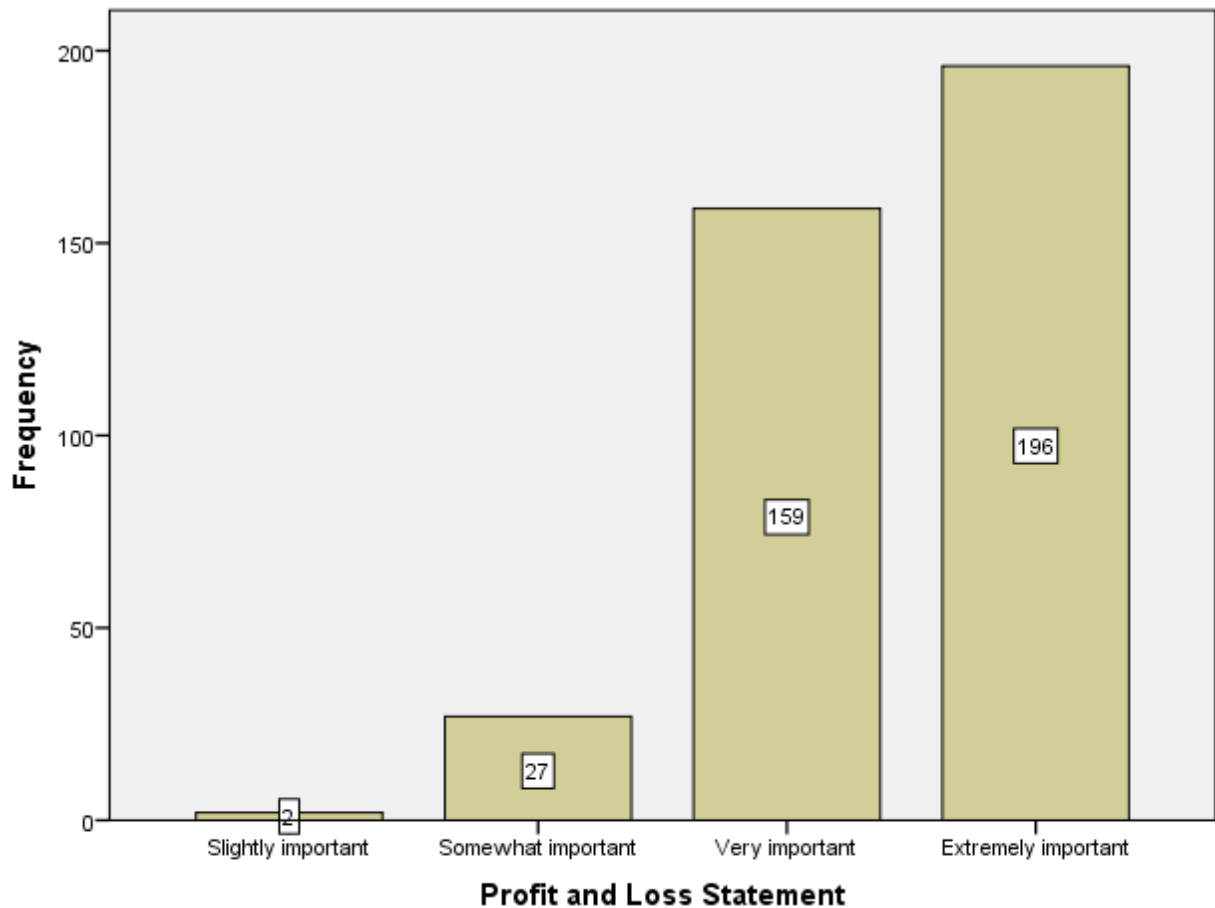
**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the extremely important i.e. 183 (47.7%) out of 384 questionnaires. That shows that the information from the balance sheet is extremely important and considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the selection of stock while considering the information from the balance sheet is somewhat important i.e. 80 (20.8%), other responses that are responded are: very important 77 (20.1%), slightly important 32 (8.3%) and not at all important 12 (3.1%).

Eventually this interprets that individual investor highly considered the information from the balance sheet while the selection of the stock at the stock market. The balance information tends to help in getting the historical information and the performance of the company in terms of its assets, liabilities, loans, shares volumes and many more.

<b>Profit and Loss Statement</b>				
	Frequency	Percent	Valid Percent	Cumulative Percent
	Slightly important	2	.5	.5
	Somew hat important	27	7.0	7.6
Valid	Very important	159	41.4	49.0
	Extremely important	196	51.0	100.0
	Total	384	100.0	

*Table 27: Profit and Loss Statement*



**Figure 21: Profit and Loss Statement**

**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the extremely important i.e. 196 (51.0%) out of 384 questionnaires. That shows that the information from the profit and loss statement is extremely important and considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the selection of stock while considering the information from the profit and loss statement is very important i.e. 159 (41.4%), other responses that are responded are: somewhat important 27 (7.0%) and slightly important 2 (.5%).

Eventually this interprets that individual investor highly considered the information from the profit and loss statement while the selection of the stock at the stock market. The profit and

loss statement tends to help in getting the information regarding the performance of the company in terms of its sales, revenue, net profit and many more.

Cash Flow Statement				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Not at all important	10	2.6	2.6	2.6
Slightly important	38	9.9	9.9	12.5
Somewhat important	44	11.5	11.5	24.0
Very important	121	31.5	31.5	55.5
Extremely important	171	44.5	44.5	100.0
Total	384	100.0	100.0	

Table 28: Cash Flow Statement

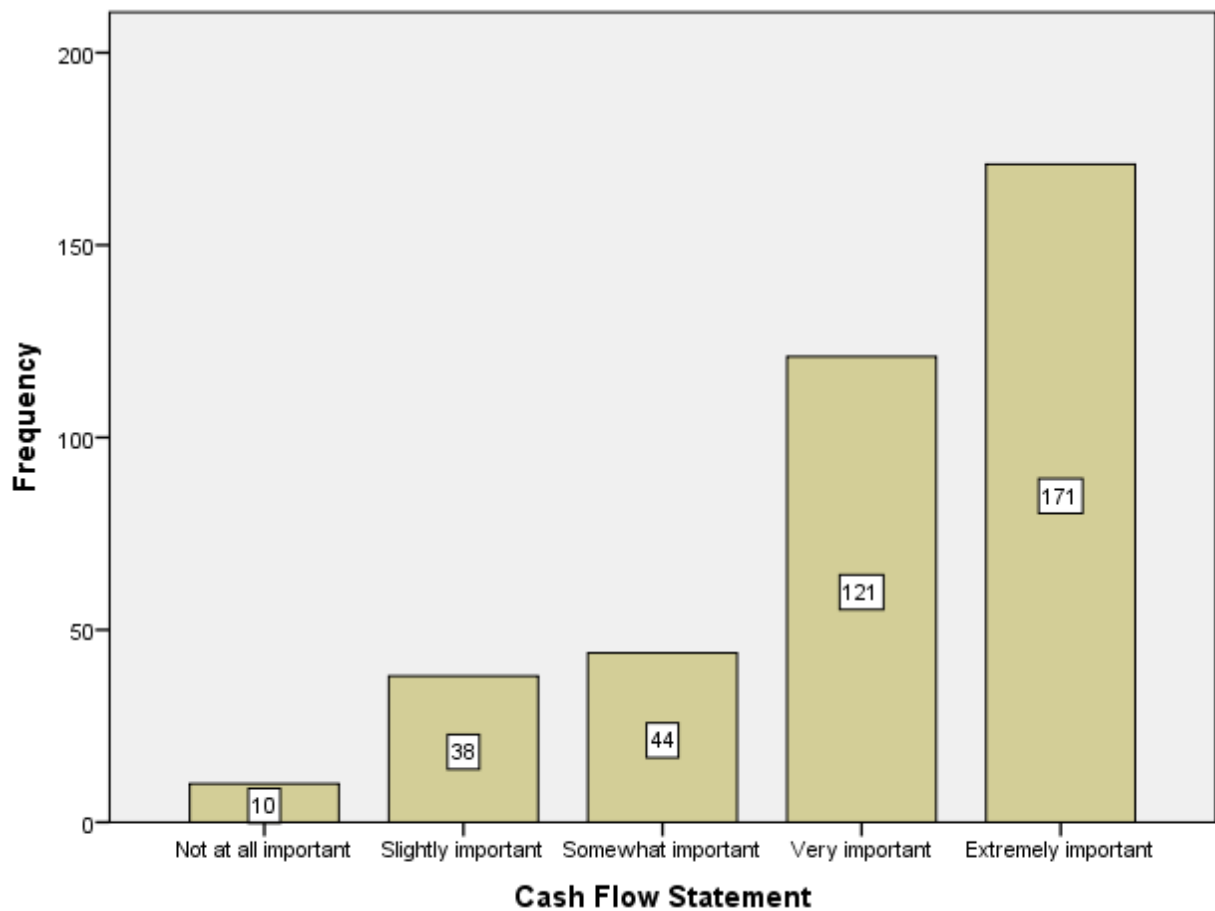


Figure 22: Cash Flow Statement

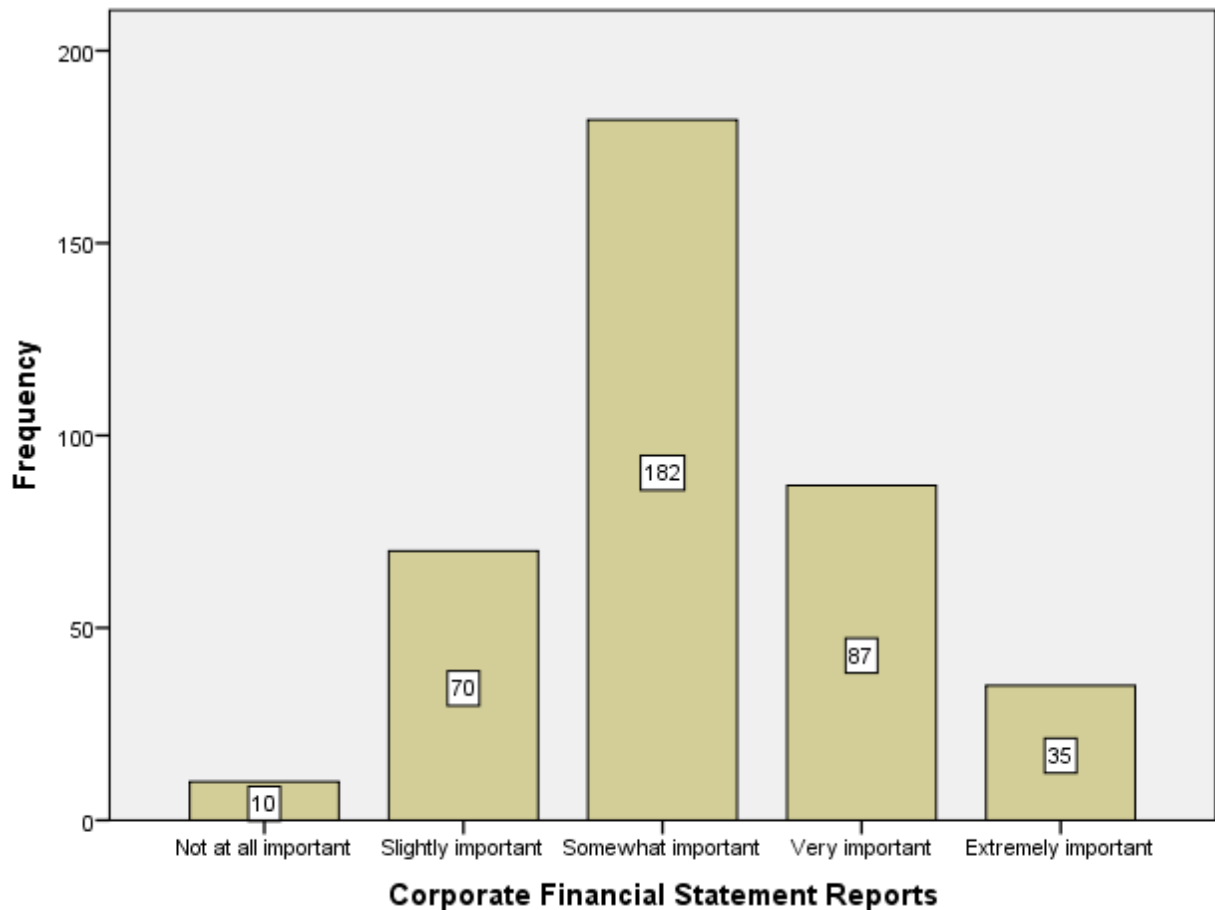
**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the extremely important i.e. 171 (44.5%) out of 384 questionnaires. That shows that the information from the cash flow statement is extremely important and considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the selection of stock while considering the information from the cash flow statement is very important i.e. 121 (31.5%), other responses that are responded are: somewhat important 44 (11.5%), slightly important 38 (9.9%) and not at all important 10 (2.6%).

Eventually this interprets that individual investor highly considered the information from the cash flow statement while the selection of the stock at the stock market. The cash flow statement tends to help in getting the information regarding the performance of the company in terms of its cash flows in financing, operating section and many more.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Not at all important	10	2.6	2.6	2.6
Slightly important	70	18.2	18.2	20.8
Somewhat important	182	47.4	47.4	68.2
Very important	87	22.7	22.7	90.9
Extremely important	35	9.1	9.1	100.0
Total	384	100.0	100.0	

**Table 29: Corporate Financial Statement Reports**



**Figure 23: Corporate Financial Statement Reports**

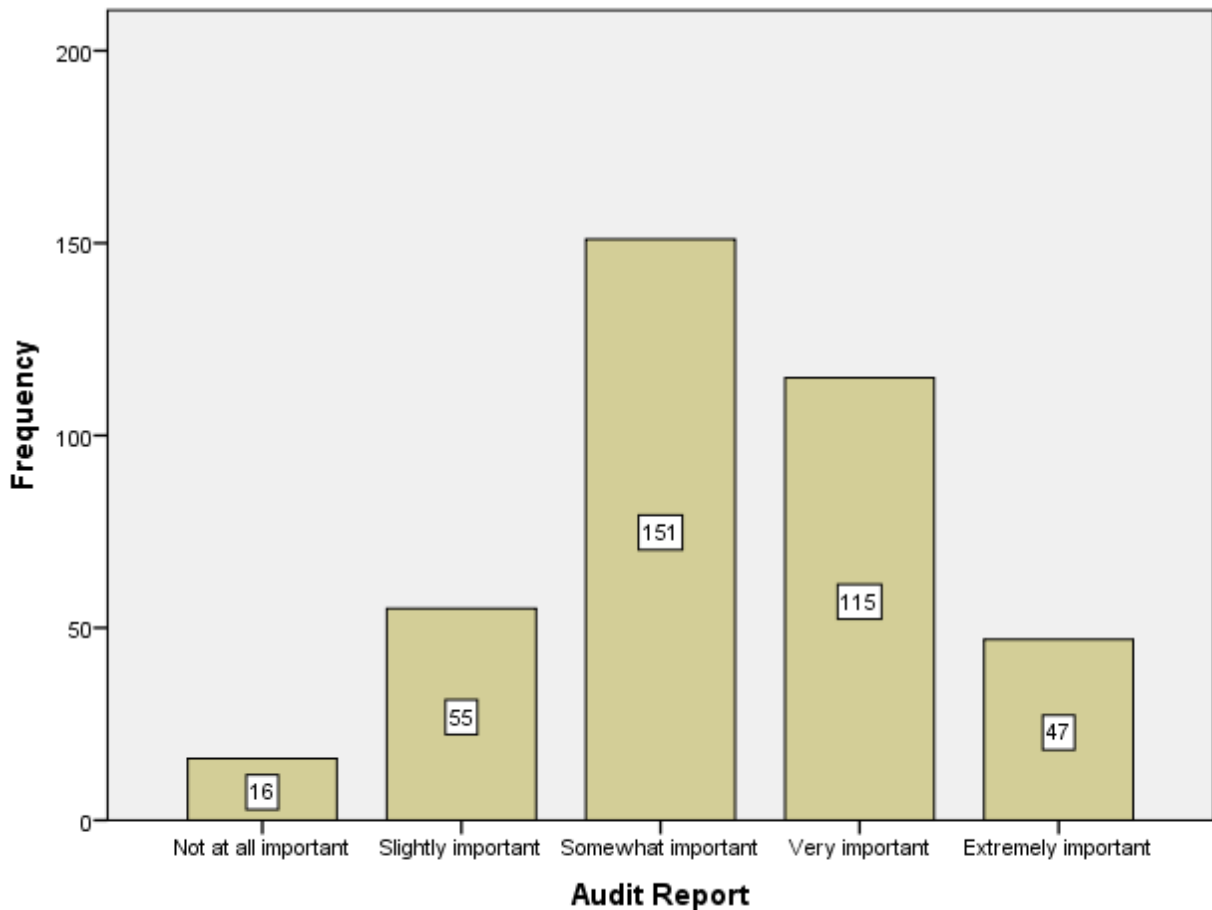
**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the somewhat important i.e. 182 (47.4%) out of 384 questionnaires. That shows that the information from the corporate financial statement reports is moderately important and considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the selection of stock while considering the information from the corporate financial statement reports is very important i.e. 87 (22.7%), other responses that are responded are: slightly important 70 (18.2%), extremely important 35 (9.1%) and not at all important 10 (2.6%).

Eventually this interprets that individual investor moderately considered the information from the corporate financial statement reports while the selection of the stock at the stock market.

Audit Report				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Not at all important	16	4.2	4.2	4.2
Slightly important	55	14.3	14.3	18.5
Somewhat important	151	39.3	39.3	57.8
Very important	115	29.9	29.9	87.8
Extremely important	47	12.2	12.2	100.0
Total	384	100.0	100.0	

*Table 30: Audit Report*



*Figure 24: Audit Report*

**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the somewhat important i.e. 151 (39.3%) out of 384 questionnaires. That shows that the information from the audit report is moderately important and considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second

highest response to the selection of stock while considering the information from the audit report is very important i.e. 115 (29.9%), other responses that are responded are: slightly important 55 (14.3%), extremely important 47 (12.2%) and not at all important 16 (4.2%).

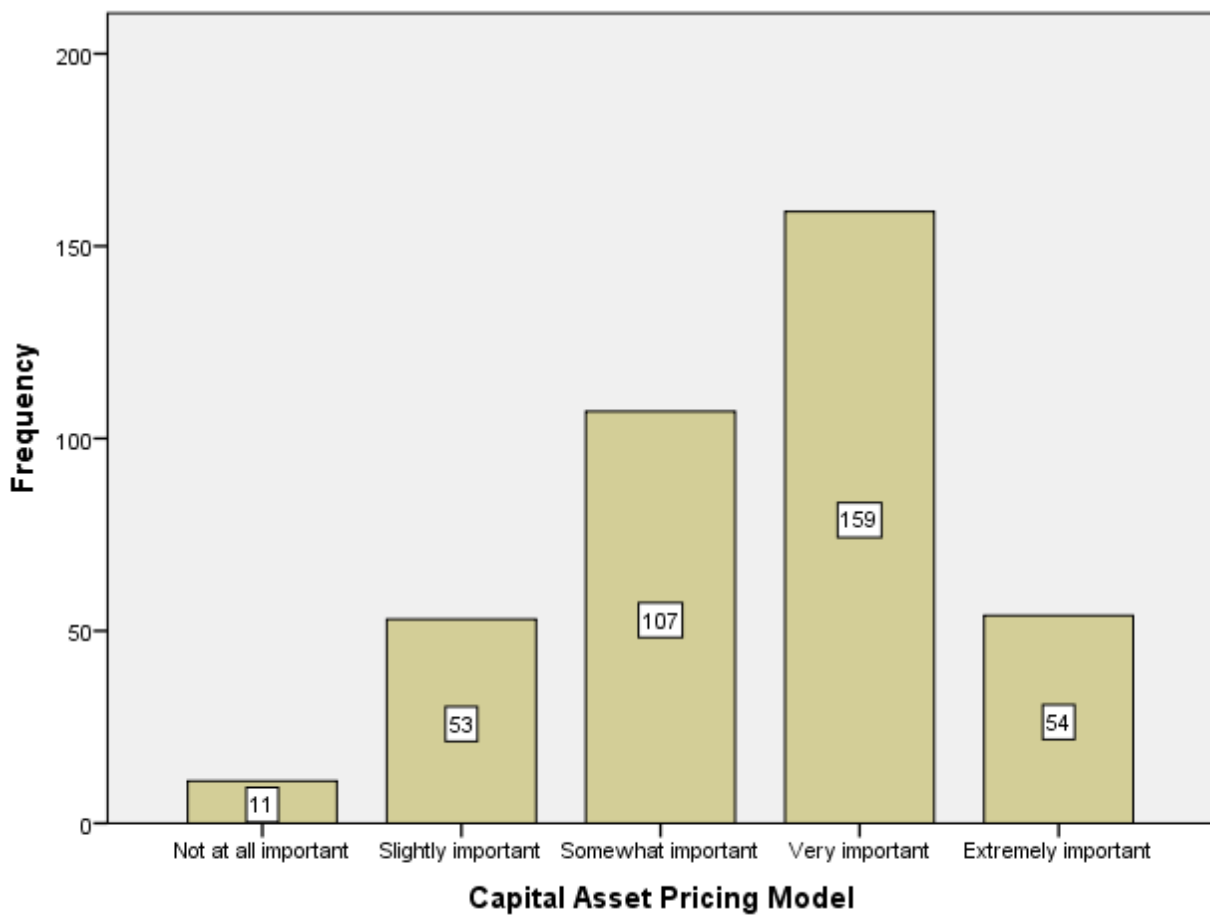
Eventually this interprets that individual investor moderately considered the information from the audit report while the selection of the stock at the stock market.



**4.3.4 Question 4: Which of the following model is important in the selection of the stock?**

Capital Asset Pricing Model					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Not at all important	11	2.9	2.9	2.9
	Slightly important	53	13.8	13.8	16.7
	Somewhat important	107	27.9	27.9	44.5
	Very important	159	41.4	41.4	85.9
	Extremely important	54	14.1	14.1	100.0
	Total	384	100.0	100.0	

**Table 31: Capital Asset Pricing Model**



**Figure 25: Capital Asset Pricing Model**

**Interpretation:**

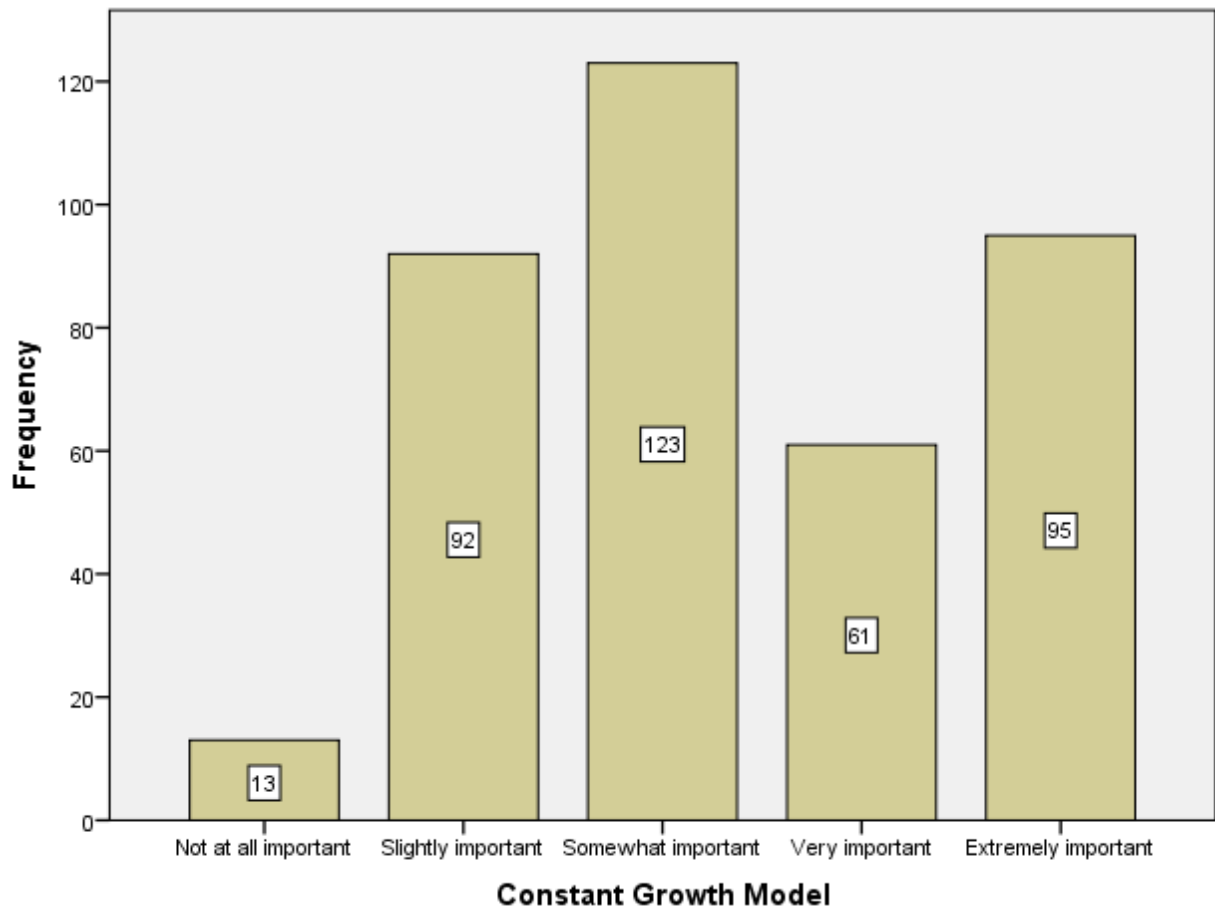
Responses of the individual investors who tends to invest in the stock market are mostly to the very important i.e. 159 (41.4%) out of 384 questionnaires. That shows that the CAPM model is very important and considered by the individual investors while making the selecting the

stock from the stock market. Moreover, the second highest response to the selection of stock while considering the information from the CAPM model is somewhat important i.e. 107 (27.9%), other responses that are responded are: extremely important 54 (14.1%), slightly important 53 (13.8%) and not at all important 11 (2.9%).

Eventually this interprets that individual investor highly considered the CAPM model while the selection of the stock at the stock market. The CAPM model tends to help in getting the information regarding the performance of the company in terms of its risk free return rate, market rate and beta value.

<b>Constant Growth Model</b>					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Not at all important	13	3.4	3.4	3.4
	Slightly important	92	24.0	24.0	27.3
	Somewhat important	123	32.0	32.0	59.4
	Very important	61	15.9	15.9	75.3
	Extremely important	95	24.7	24.7	100.0
	Total	384	100.0	100.0	

**Table 32: Constant Growth Model**



*Figure 26: Constant Growth Model*

**Interpretation:**

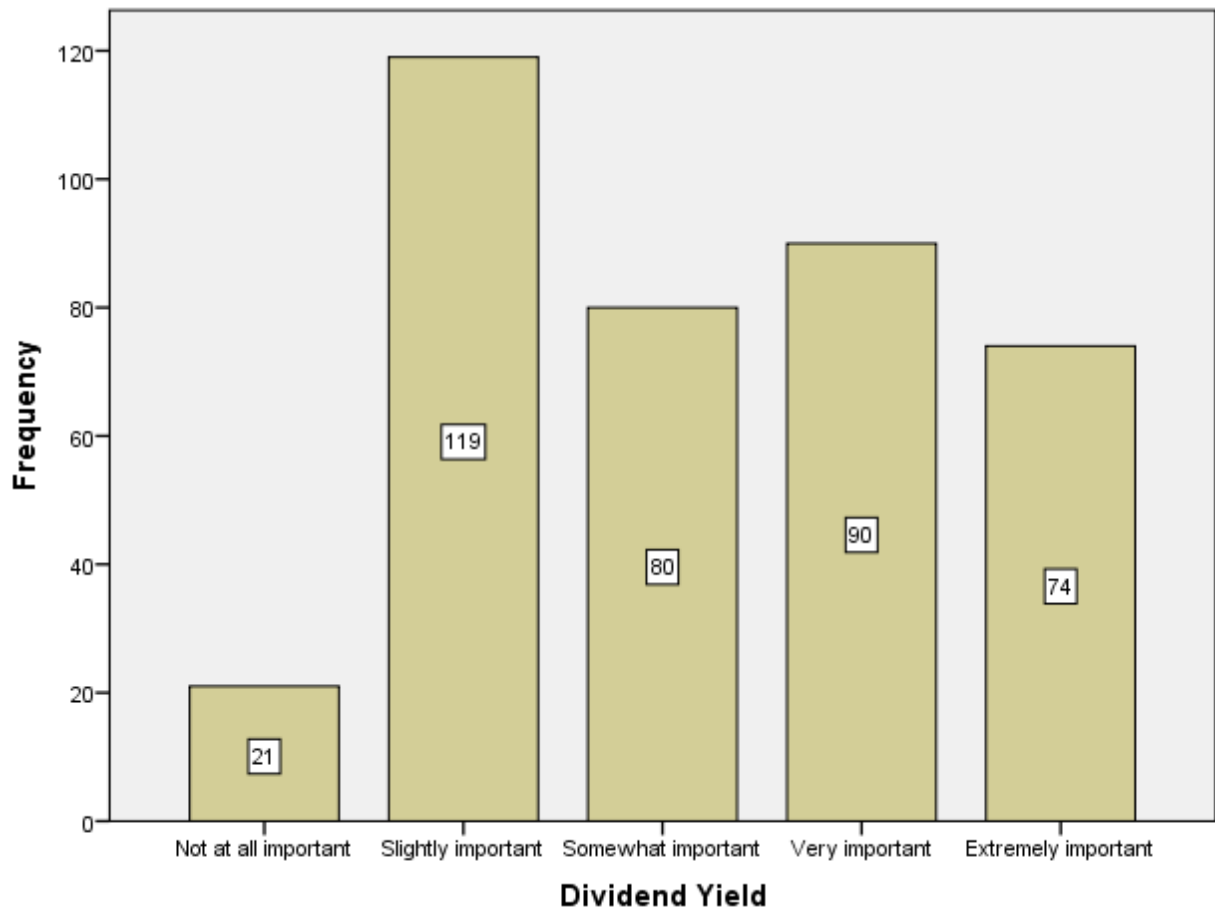
Responses of the individual investors who tends to invest in the stock market are mostly to the somewhat important i.e. 123 (32.0%) out of 384 questionnaires. That shows that the constant growth model is moderately important and considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the selection of stock while considering the information from the constant growth model is extremely important i.e. 95 (24.7%), other responses that are responded are: slightly important 92 (24.0%), very important 61 (15.9%) and not at all important 13 (3.4%).

Eventually this interprets that individual investor moderately considered the constant growth model while the selection of the stock at the stock market.

**4.3.5 Question 5: Which of the following elements are important and helps in the selection of the stock?**

Dividend Yield				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all important	21	5.5	5.5
	Slightly important	119	31.0	36.5
	Somewhat important	80	20.8	57.3
	Very important	90	23.4	80.7
	Extremely important	74	19.3	100.0
	Total	384	100.0	100.0

**Table 33: Dividend Yield**



**Figure 27: Dividend Yield**

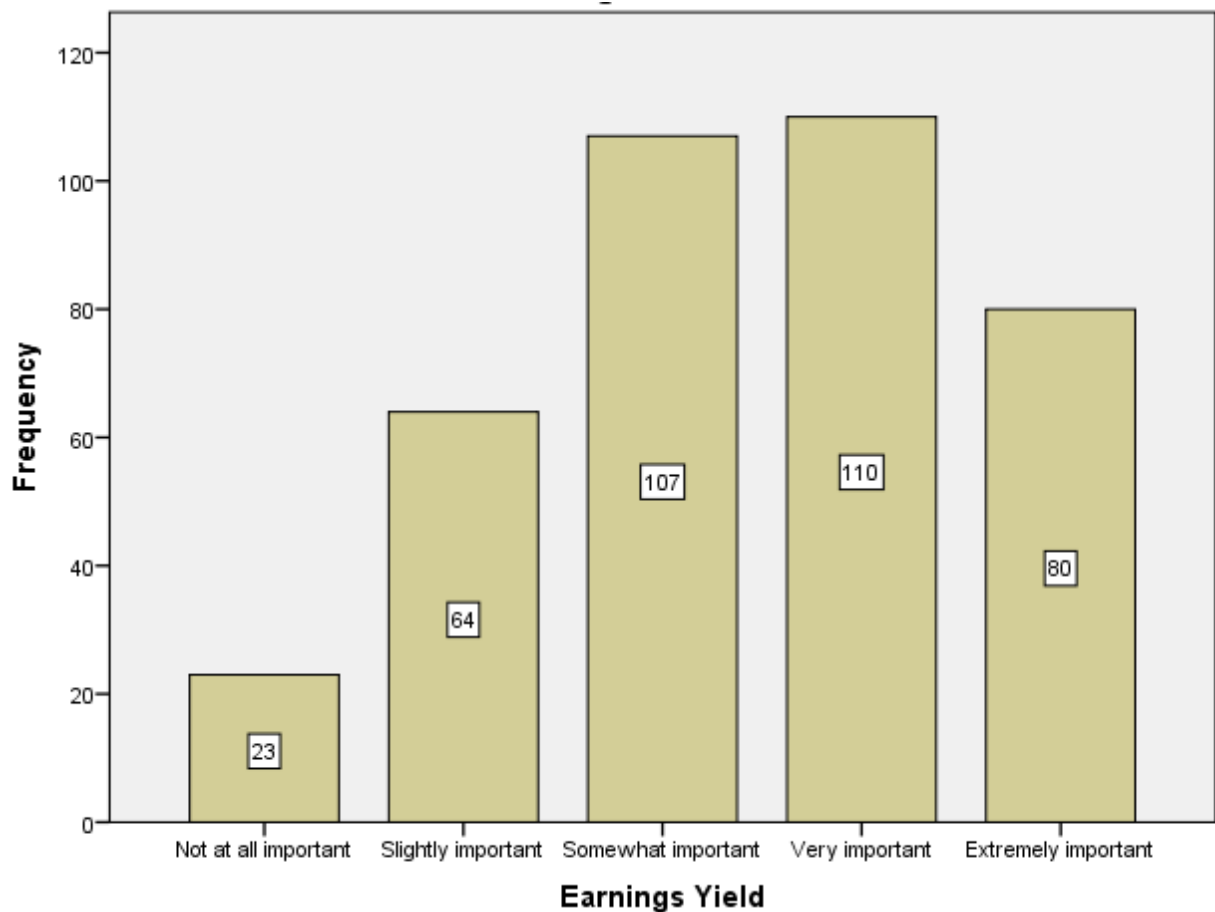
**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the slightly important i.e. 119 (31.0%) out of 384 questionnaires. That shows that the dividend yield is moderately important and considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the selection of stock while considering the information from the dividend yield is very important i.e. 90 (23.4%), other responses that are responded are: somewhat important 80 (20.8%), extremely important 74 (19.3%) and not at all important 21 (5.5%).

Eventually this interprets that individual investor moderately considered the dividend yield while the selection of the stock at the stock market.

Earnings Yield				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all important	23	6.0	6.0
	Slightly important	64	16.7	22.7
	Somew hat important	107	27.9	50.5
	Very important	110	28.6	79.2
	Extremely important	80	20.8	100.0
	Total	384	100.0	100.0

**Table 34: Earnings Yield**



**Figure 28: Earnings Yield**

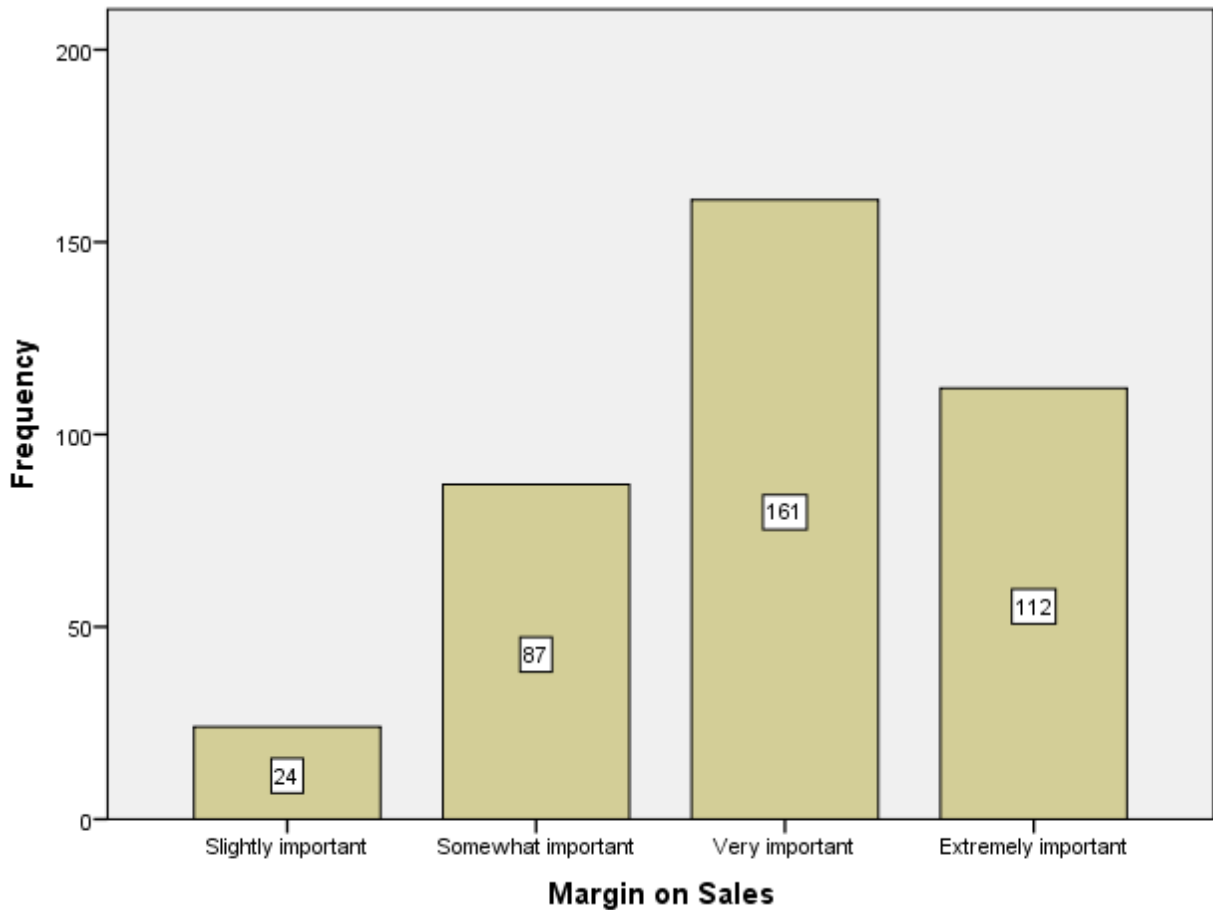
**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the very important i.e. 110 (28.6%) out of 384 questionnaires. That shows that the earnings yield is highly important and considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the selection of stock while considering the information from the earnings yield is somewhat important i.e. 107 (27.9%), other responses that are responded are: extremely important 80 (20.8%), slightly important 64 (16.7%) and not at all important 23 (6.0%).

Eventually this interprets that individual investor highly considered the earnings yield while the selection of the stock at the stock market.

Margin on Sales				
	Frequency	Percent	Valid Percent	Cumulative Percent
	Slightly important	24	6.3	6.3
	Somewhat important	87	22.7	28.9
Valid	Very important	161	41.9	70.8
	Extremely important	112	29.2	100.0
	Total	384	100.0	100.0

*Table 35: Margin on Sales*



*Figure 29: Margin on Sales*

**Interpretation:**

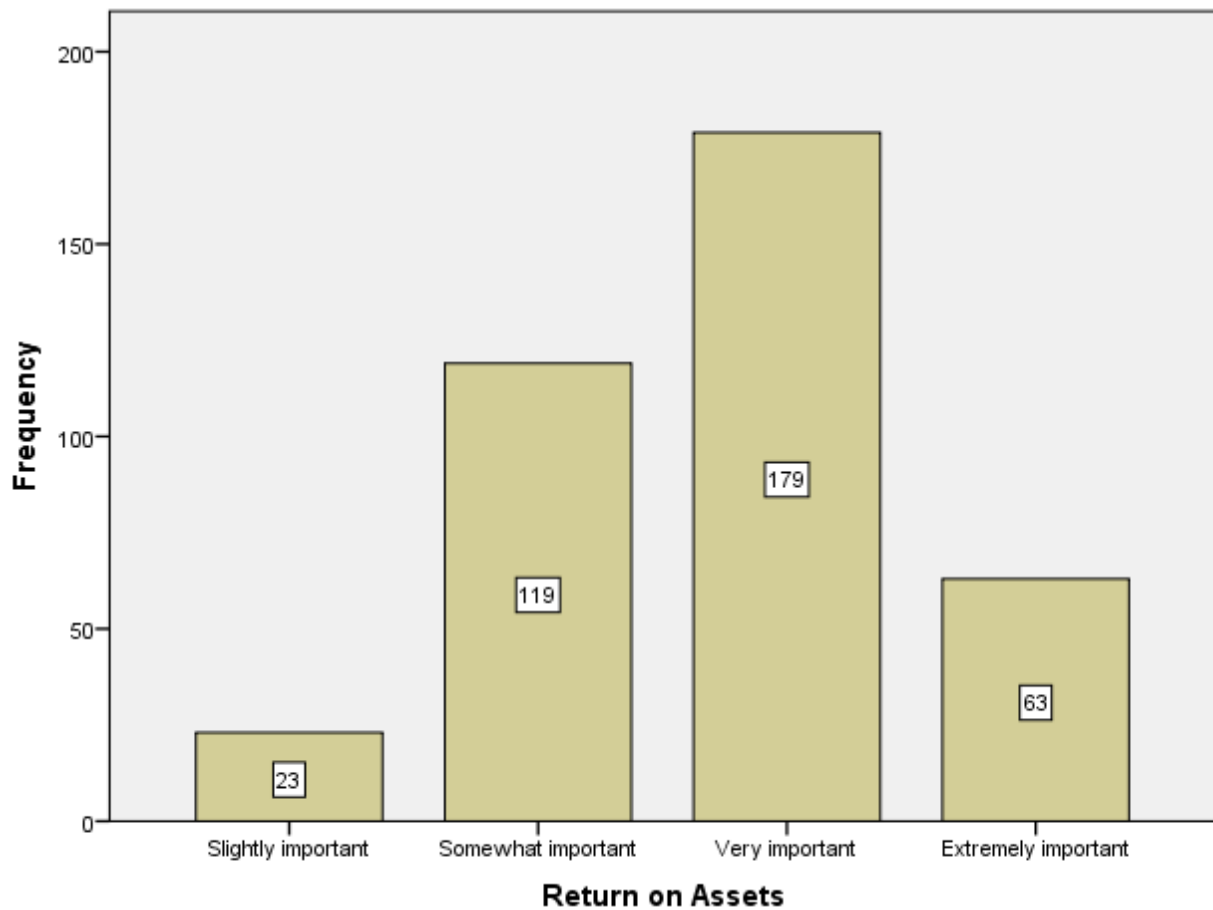
Responses of the individual investors who tends to invest in the stock market are mostly to the very important i.e. 161 (41.9%) out of 384 questionnaires. That shows that the margin on sales is highly important and considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the selection of stock

while considering the information from the margin on sales is extremely important i.e. 112 (29.2%), other responses that are responded are: somewhat important 87 (22.7%) and slightly important 24 (6.3%).

Eventually this interprets that individual investor highly considered the margin on sales while the selection of the stock at the stock market.

Return on Assets				
	Frequency	Percent	Valid Percent	Cumulative Percent
Slightly important	23	6.0	6.0	6.0
Somewhat important	119	31.0	31.0	37.0
Valid Very important	179	46.6	46.6	83.6
Extremely important	63	16.4	16.4	100.0
Total	384	100.0	100.0	

**Table 36: Return on Assets**



**Figure 30: Return on Assets**



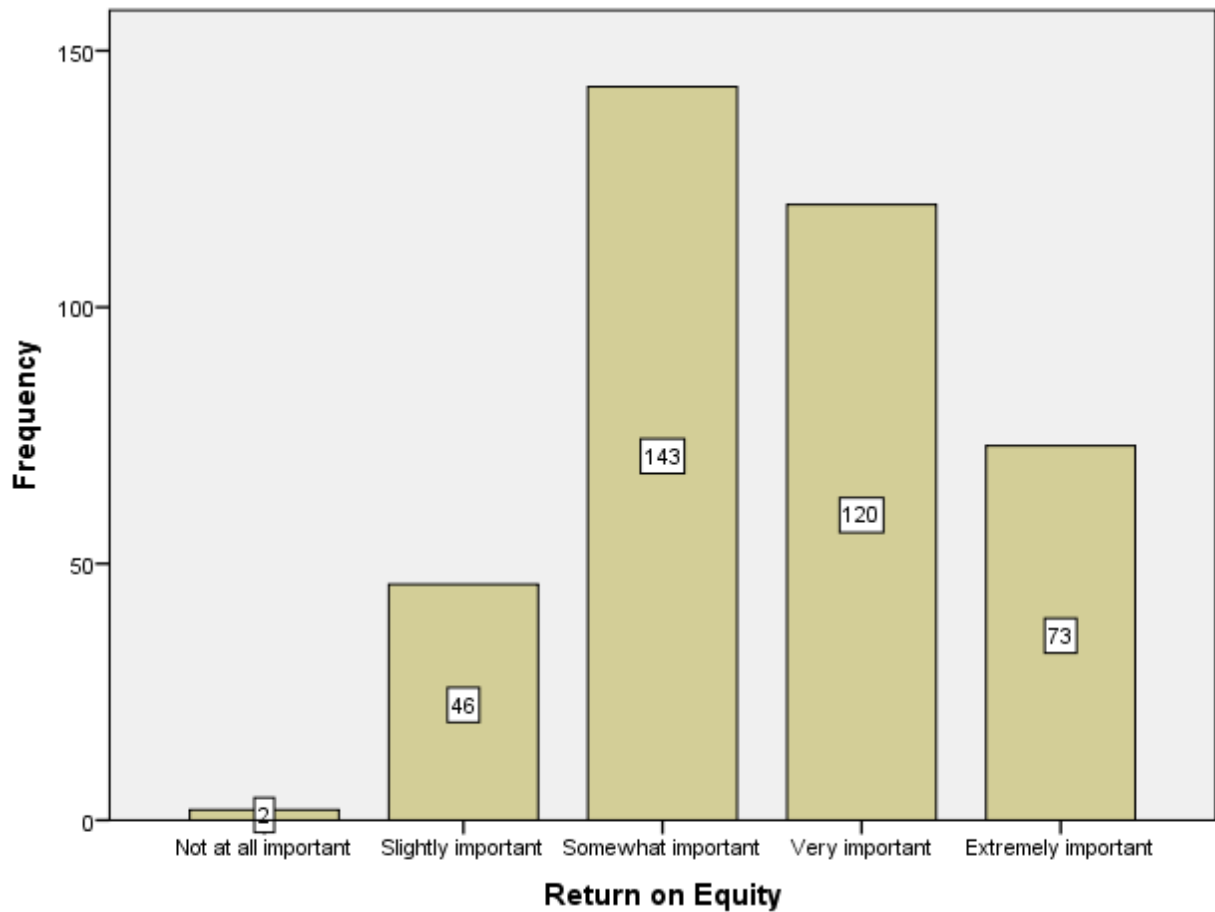
**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the very important i.e. 179 (46.6%) out of 384 questionnaires. That shows that the return on assets is highly important and considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the selection of stock while considering the information from the return on assets is somewhat important i.e. 119 (31.0%), other responses that are responded are: extremely important 63 (16.4%) and slightly important 23 (6.0%).

Eventually this interprets that individual investor highly considered the return on assets while the selection of the stock at the stock market.

Return on Equity				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all important	2	.5	.5
	Slightly important	46	12.0	12.5
	Somew hat important	143	37.2	49.7
	Very important	120	31.3	81.0
	Extremely important	73	19.0	100.0
	Total	384	100.0	100.0

**Table 37: Return on Equity**



**Figure 31: Return on Equity**

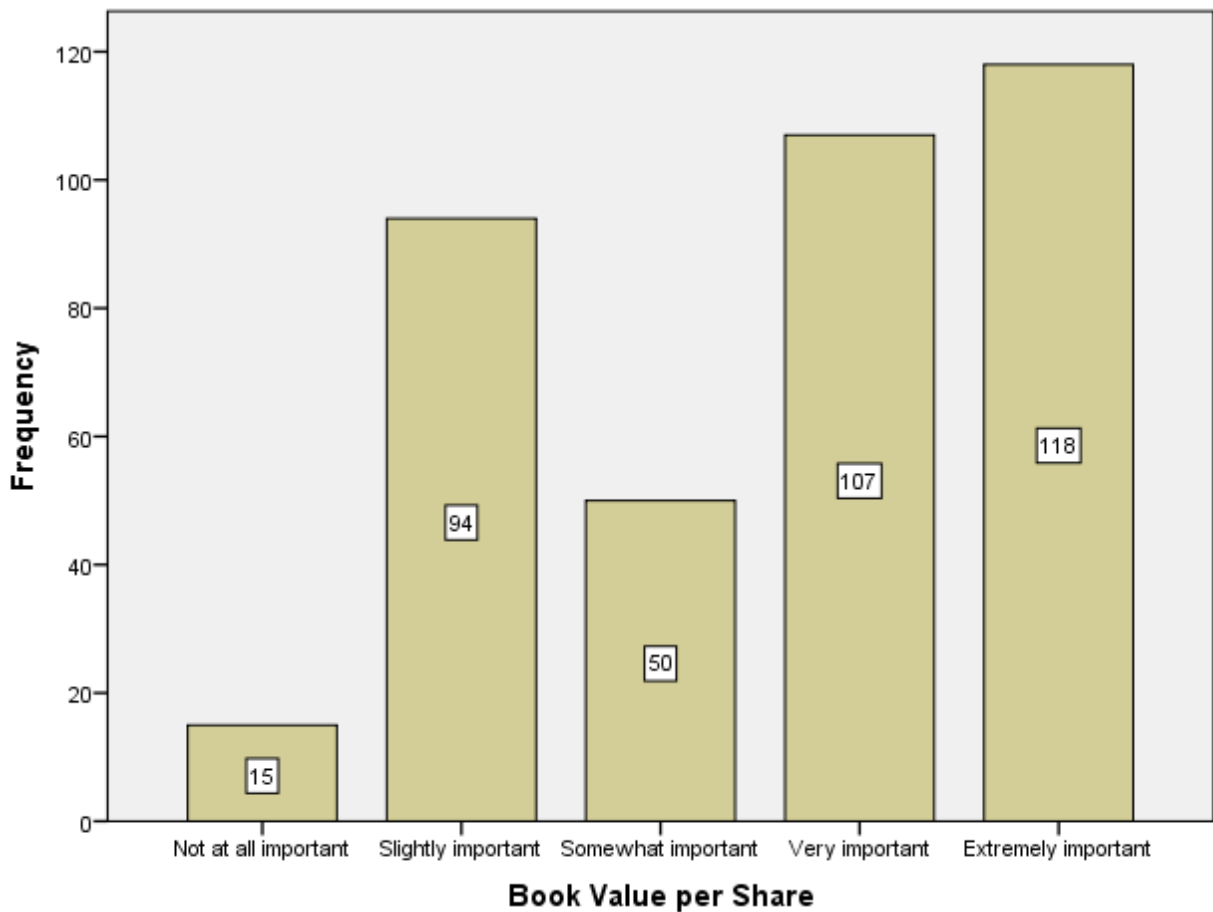
**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the somewhat important i.e. 143 (37.2%) out of 384 questionnaires. That shows that the return on equity is moderately and considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the selection of stock while considering the information from the return on equity is somewhat important i.e. 120 (31.3%), other responses that are responded are: extremely important 73 (19.0%), slightly important 46 (12.0%) and not at all important 2 (0.5%).

Eventually this interprets that individual investor moderately considered the return on equity while the selection of the stock at the stock market.

Book Value per Share					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Not at all important	15	3.9	3.9	3.9
	Slightly important	94	24.5	24.5	28.4
	Somewhat important	50	13.0	13.0	41.4
	Very important	107	27.9	27.9	69.3
	Extremely important	118	30.7	30.7	100.0
	Total	384	100.0	100.0	

**Table 38: Book Value per Share**



**Figure 32: Book Value per Share**

**Interpretation:**

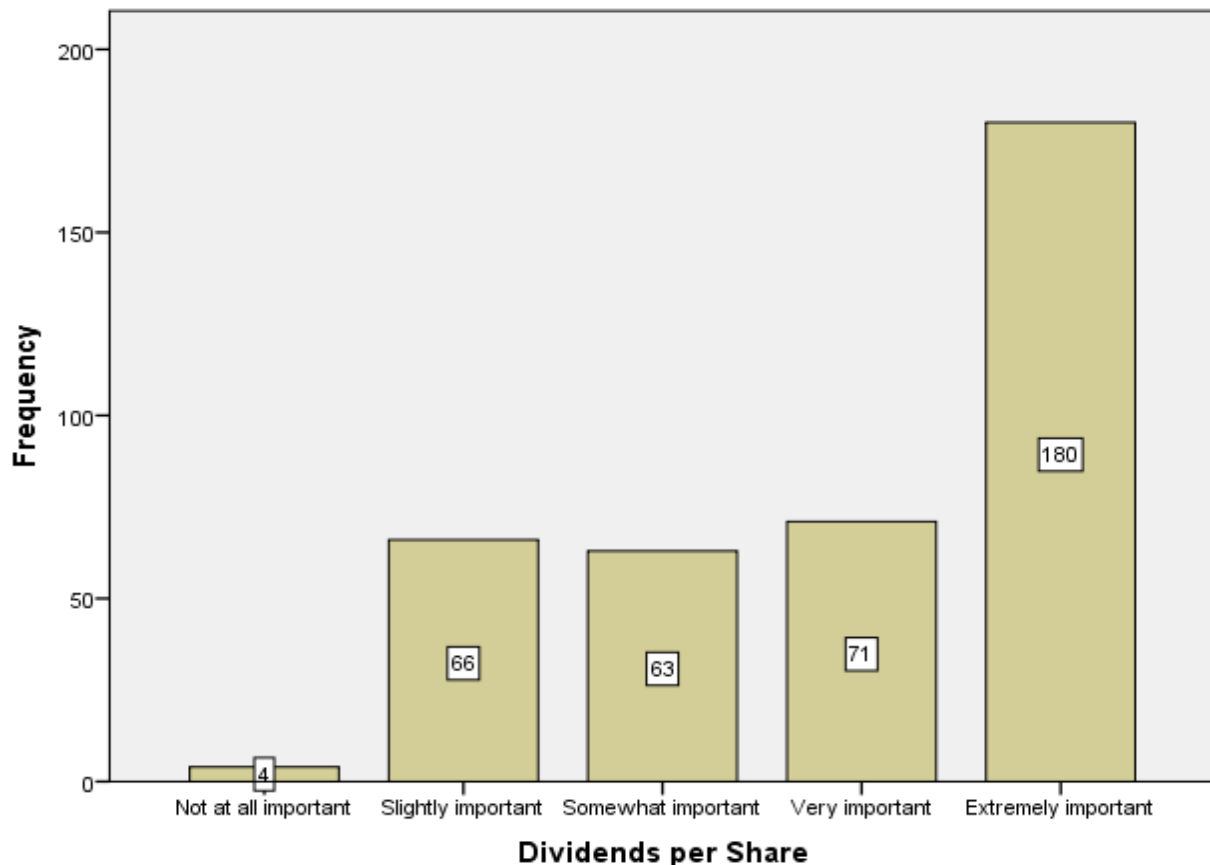
Responses of the individual investors who tends to invest in the stock market are mostly to the somewhat important i.e. 118 (30.7%) out of 384 questionnaires. That shows that the book value per share is extremely highly and considered by the individual investors while making the

selecting the stock from the stock market. Moreover, the second highest response to the selection of stock while considering the information from the book value per share is very important i.e. 107 (27.9%), other responses that are responded are: slightly important 94 (24.5%), somewhat important 50 (13.0%) and not at all important 15 (3.9%).

Eventually this interprets that individual investor extremely highly considered the book value per share while the selection of the stock at the stock market.

Dividends per Share				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Not at all important	4	1.0	1.0	1.0
Slightly important	66	17.2	17.2	18.2
Somewhat important	63	16.4	16.4	34.6
Very important	71	18.5	18.5	53.1
Extremely important	180	46.9	46.9	100.0
Total	384	100.0	100.0	

**Table 39: Dividends per Share**



**Figure 33: Table 39: Dividends per Share**

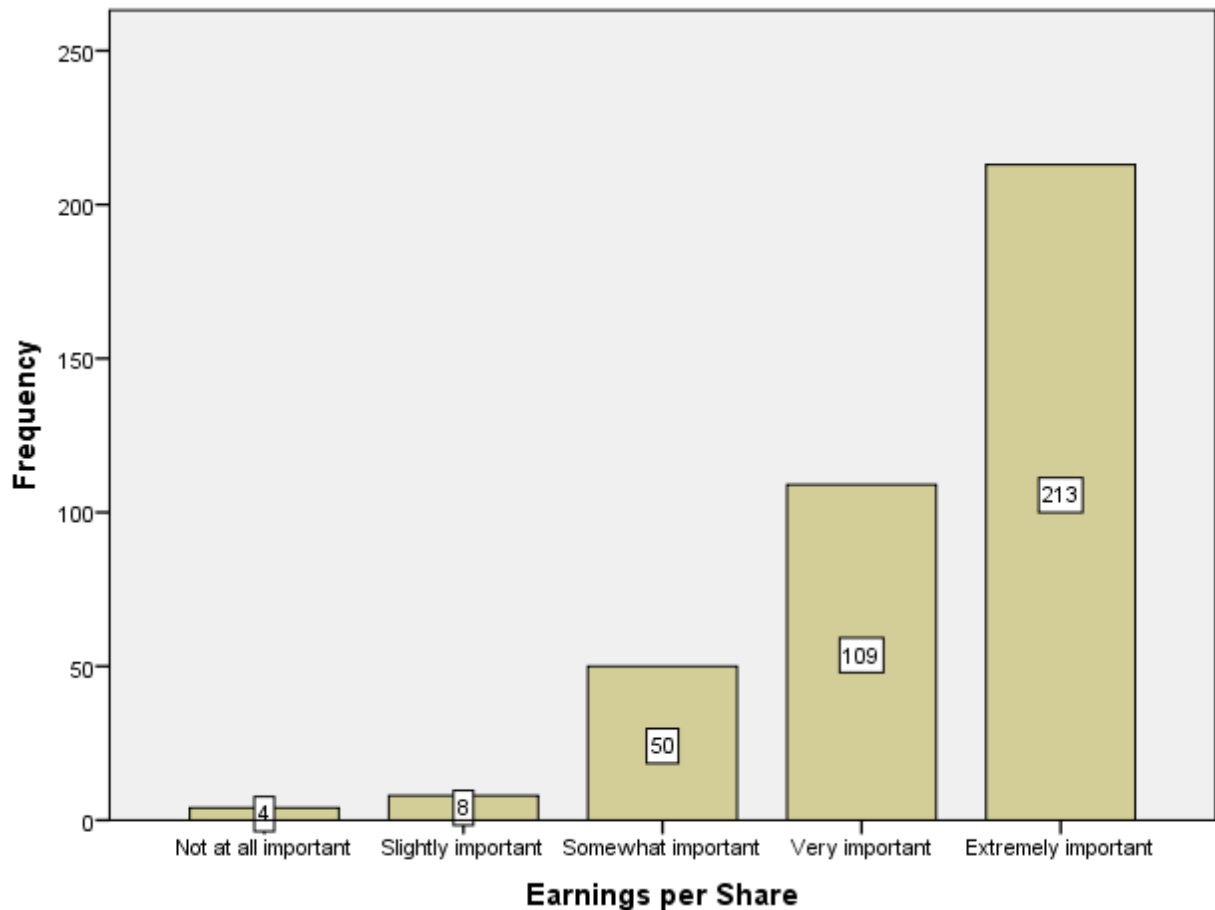
**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the somewhat important i.e. 180 (46.9%) out of 384 questionnaires. That shows that the dividends per share is extremely highly and considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the selection of stock while considering the information from the dividend per share is very important i.e. 71 (18.5%), other responses that are responded are: slightly important 66 (17.2%), somewhat important 66 (17.2%) and not at all important 4 (1.0%).

Eventually this interprets that individual investor extremely highly considered the dividend per share while the selection of the stock at the stock market.

Earnings per Share					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Not at all important	4	1.0	1.0	1.0
	Slightly important	8	2.1	2.1	3.1
	Somewhat important	50	13.0	13.0	16.1
	Very important	109	28.4	28.4	44.5
	Extremely important	213	55.5	55.5	100.0
	Total	384	100.0	100.0	

**Table 40: Earnings per Share**



**Figure 34: Earnings per Share**

**Interpretation:**

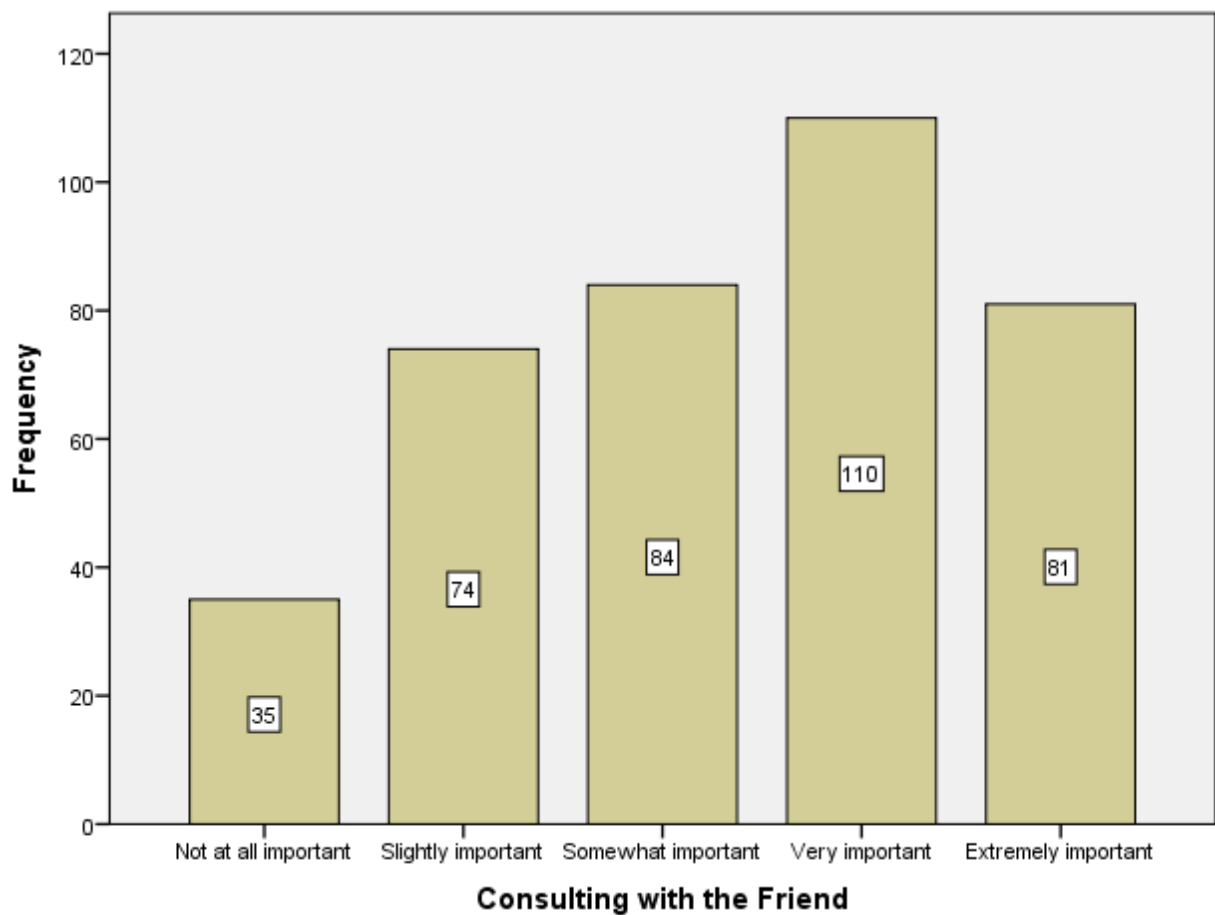
Responses of the individual investors who tends to invest in the stock market are mostly to the somewhat important i.e. 213 (55.5%) out of 384 questionnaires. That shows that the earnings per share is extremely highly and considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the selection of stock while considering the information from the earnings per share is very important i.e. 109 (28.4%), other responses that are responded are: somewhat important 50 (13.0%), somewhat important 8 (2.1%) and not at all important 4 (1.0%).

Eventually this interprets that individual investor extremely highly considered the earnings per share while the selection of the stock at the stock market.

**4.3.6 Question 6: Which of the following concerning individuals helps in the selection of the stock?**

Consulting with the Friend				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all important	35	9.1	9.1
	Slightly important	74	19.3	28.4
	Somewhat important	84	21.9	50.3
	Very important	110	28.6	78.9
	Extremely important	81	21.1	100.0
	Total	384	100.0	100.0

**Table 41: Consulting with the Friend**



**Figure 35: Consulting with the Friend**

**Interpretation:**

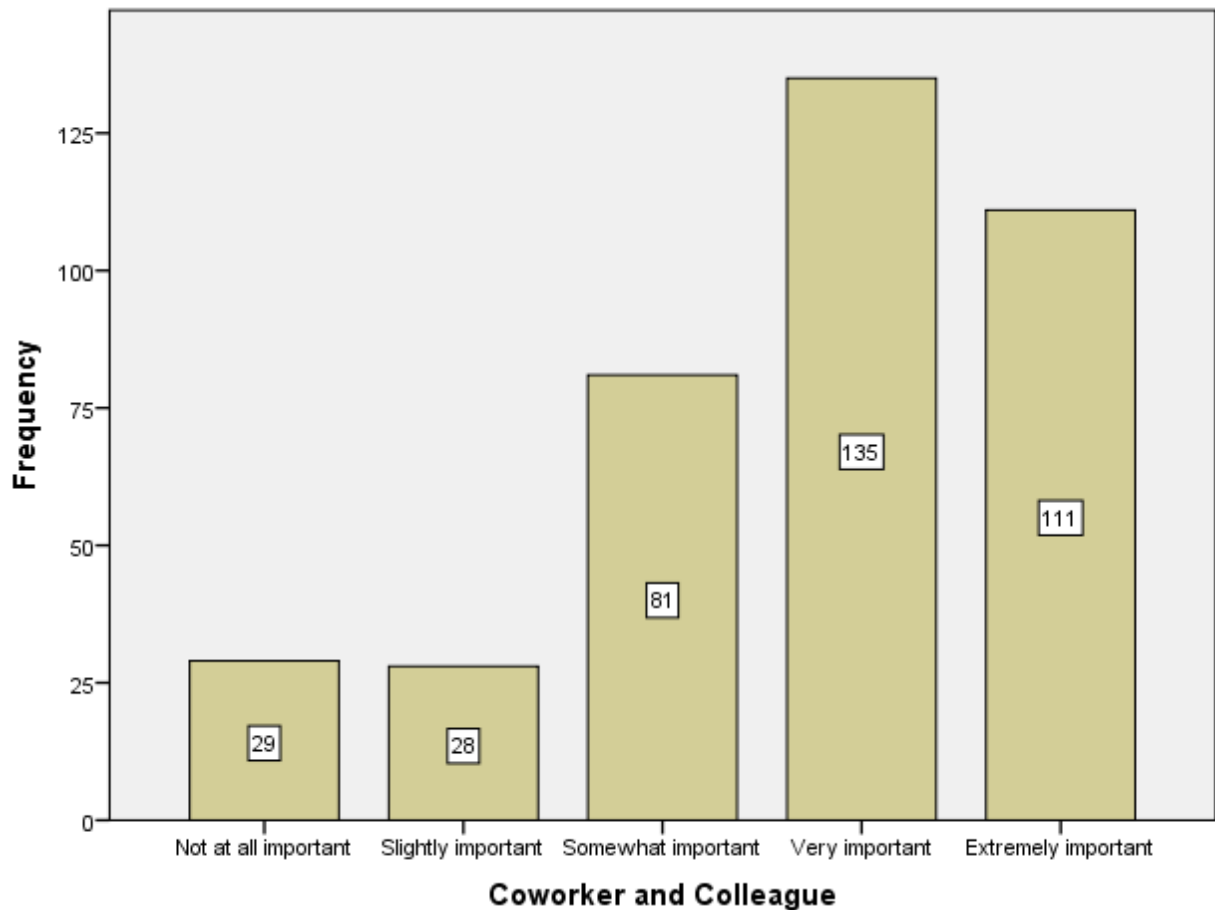
Responses of the individual investors who tends to invest in the stock market are mostly to the very important i.e. 110 (28.6%) out of 384 questionnaires. That shows that consulting with friends are almost highly considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the selection of stock while consulting with friend is somewhat important i.e. 84 (21.9%), other responses that are responded are: extremely important 81 (21.1%), slightly important 74 (19.3%) and not at all important 35 (9.1%).

Eventually this interprets that individual investor almost highly consult with the friends while the selection of the stock at the stock market. The response of the individual investors are almost equal to the importance level of consulting with friends that shows sometimes individual investors do tend to consult and sometimes not.

<b>Coworker and Colleague</b>				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Not at all important	29	7.6	7.6	7.6
Slightly important	28	7.3	7.3	14.8
Somew hat important	81	21.1	21.1	35.9
Very important	135	35.2	35.2	71.1
Extremely important	111	28.9	28.9	100.0
Total	384	100.0	100.0	

*Table 42: Consulting with Coworkers and Colleague*





**Figure 36: Consulting with Coworkers and Colleague**

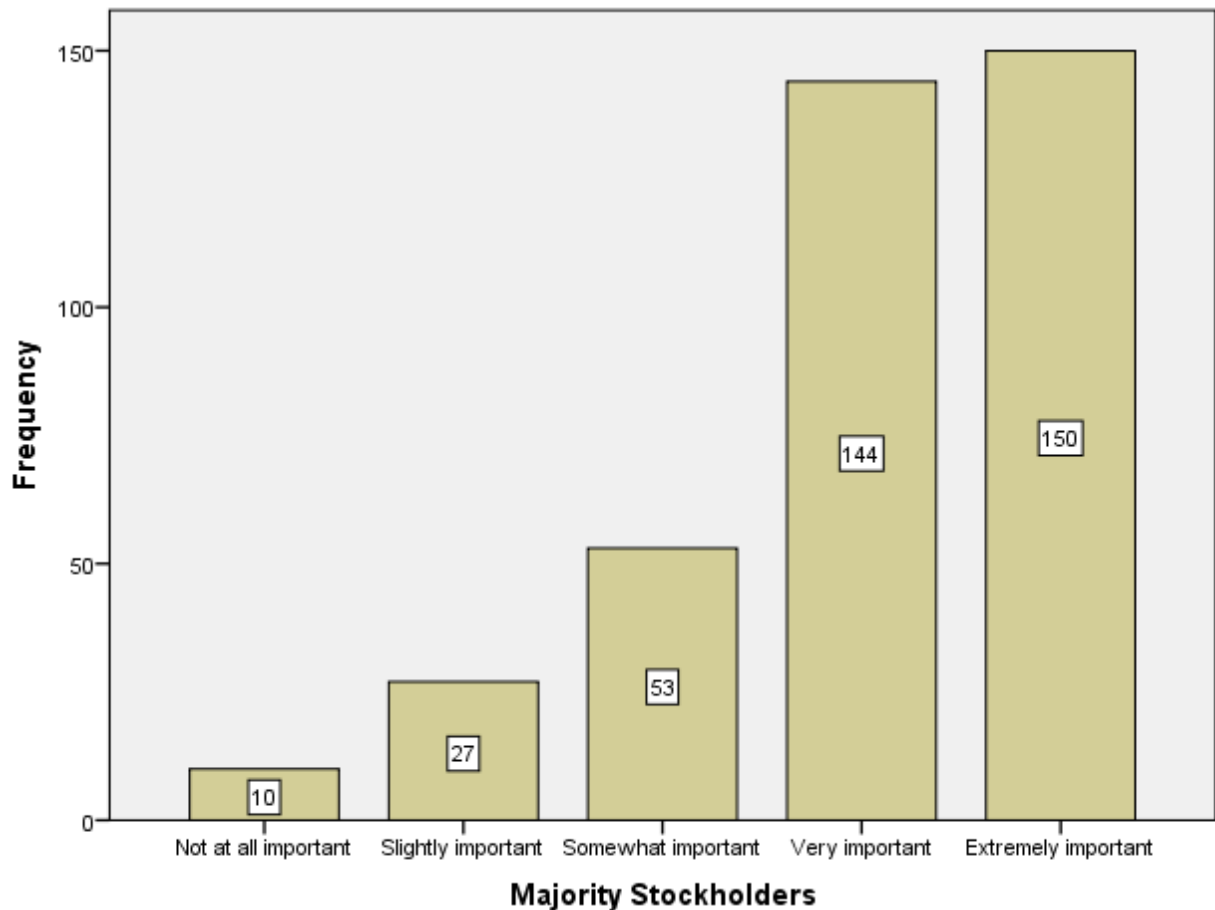
**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the very important i.e. 135 (35.2%) out of 384 questionnaires. That shows that consulting with coworkers and colleague are highly considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the selection of stock while consulting with coworkers and colleague is extremely important i.e. 111 (28.9%), other responses that are responded are: somewhat important 81 (21.1%), not at all important 29 (7.6%) and slightly important 28 (7.3%).

Eventually this interprets that individual investor highly consult with the coworkers and colleague while the selection of the stock at the stock market. The response of the individual investors are at high to the importance level of consulting with coworkers and colleague that shows mostly individual investors do tend to consult with their coworkers and colleague.

Majority Stockholders				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Not at all important	10	2.6	2.6	2.6
Slightly important	27	7.0	7.0	9.6
Somewhat important	53	13.8	13.8	23.4
Very important	144	37.5	37.5	60.9
Extremely important	150	39.1	39.1	100.0
Total	384	100.0	100.0	

*Table 43: Consulting with Majority Stockholders*



*Figure 37: Consulting with Majority Stockholders*

**Interpretation:**

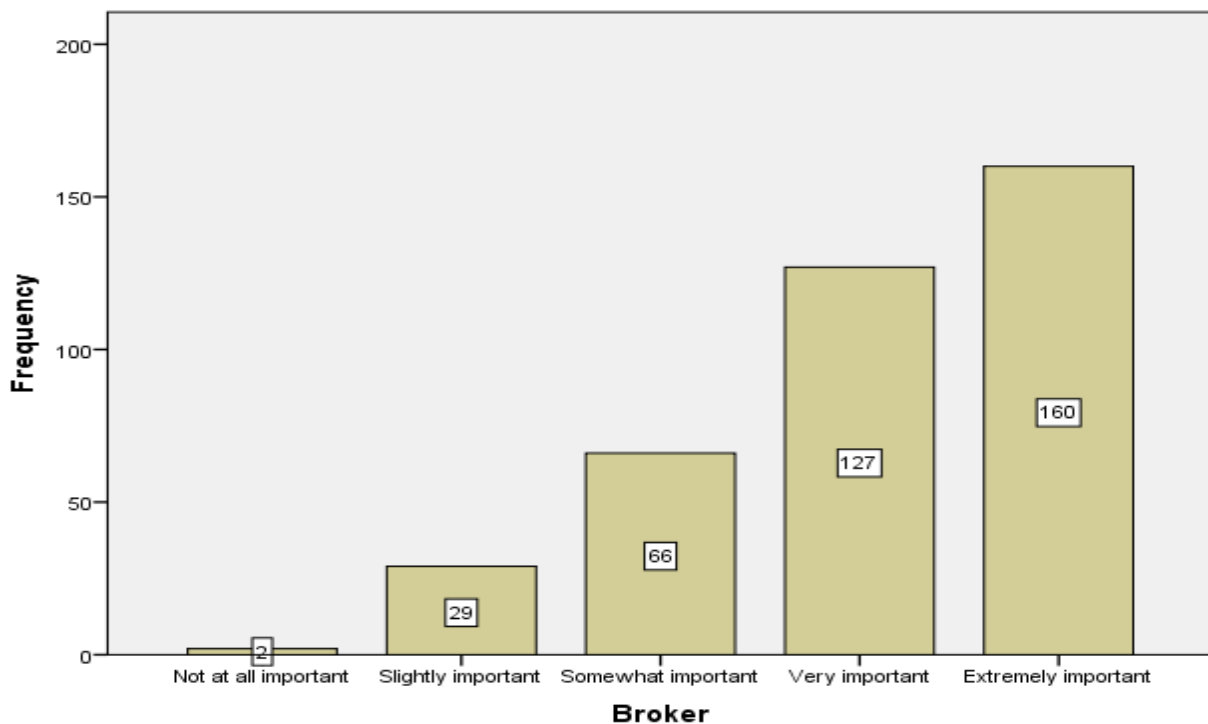
Responses of the individual investors who tends to invest in the stock market are mostly to the extremely important i.e. 150 (39.1%) out of 384 questionnaires. That shows that consulting with majority stockholders are extremely highly considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response

to the selection of stock while consulting with majority stockholders is very important i.e. 144 (37.5%), other responses that are responded are: somewhat important 53 (13.8%), slightly important 27 (7.0%) and not at all important 10 (2.6%).

Eventually this interprets that individual investor extremely highly consult with the majority stockholders while the selection of the stock at the stock market. The response of the individual investors are at extremely high to the importance level of consulting with majority stockholders that shows mostly individual investors do tend to consult with their majority stockholders as they are the investors that are regularly investing in the stock market.

Broker					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Not at all important	2	.5	.5	.5
	Slightly important	29	7.6	7.6	8.1
	Somewhat important	66	17.2	17.2	25.3
	Very important	127	33.1	33.1	58.3
	Extremely important	160	41.7	41.7	100.0
	Total	384	100.0	100.0	

**Table 44: Consulting with Brokers**



**Figure 38: Consulting with Brokers**

**Interpretation:**

Responses of the individual investors who tends to invest in the stock market are mostly to the extremely important i.e. 160 (41.7%) out of 384 questionnaires. That shows that consulting with brokers are extremely highly considered by the individual investors while making the selecting the stock from the stock market. Moreover, the second highest response to the selection of stock while consulting with brokers is very important i.e. 127 (33.1%), other responses that are responded are: somewhat important 66 (17.2%), slightly important 29 (7.6%) and not at all important 2 (0.5%).

Eventually this interprets that individual investor extremely highly consult with the brokers while the selection of the stock at the stock market. The response of the individual investors are at extremely high to the importance level of consulting with brokers that shows mostly individual investors do tend to consult with their brokers as they are the promptly present at the stock market and tends to deal with many clients of the individual investors. Their decision making power is highly considered as at times they also have share in the rotating the volumes of the stock at stock market.

## 5.0 CONCLUSION AND RECOMMENDATION

Different individual investors have different approaches while selecting the stock from the equity market. This research study "*How Individual Investors Select Stocks: A Case of Karachi Stock Exchange*" has found out the current approach of the individual investors' selection of the stocks at Karachi Stock Exchange. The main objective of this research is to find out what are the influencing factors concerned by the individual investors while selecting the stocks.

The outcomes of the results are based on the test that is applied on the hypothesis (i.e. for the five independent and one dependent variable for the research) is via Pearson's Correlation. The results determine that all the hypotheses are accepted and had the very strong positive relationship and a strong positive relationship between the independent and dependent variables. The results are as follows for the test applied on the hypothesis.

The Pearson's correlation for the first hypothesis (H1) shows the very strong relationship between the variables of the independent and dependent. And the result of the Pearson's correlation for both independent variables i.e. technical and fundamental analysis and the dependent variable i.e. selection of the stock by the individual investors is 70.5%. This finally suggests that the price, volume data, market position, annual growth rate and revenues and expenses play the vital role and influence for the individual investors in selecting the stocks from the equity market.

The Pearson's correlation for the second hypothesis (H2) also shows the very strong relationship between the variables of the independent and dependent. And the result of the Pearson's correlation for both independent variables i.e. financial statement information and the dependent variable i.e. selection of the stock by the individual investors is 91.0%. This finally suggests that the balance sheet, profit and loss statement, cash flow statement, corporate financial statement reports and audit report play the major influence for the individual investors in selecting the stocks from the equity market.

The Pearson's correlation for the third hypothesis (H3) shows the strong relationship between the variables of the independent and dependent. And the result of the Pearson's correlation for both independent variable i.e. valuation models and the dependent variable i.e. selection of the stock by the individual investors is 59.9%. This finally suggest that the capital asset pricing model and constant growth model does not have that much influence for the individual investors in selection the stocks from the equity market.

The Pearson's correlation for the fourth hypothesis (H4) shows the very strong relationship between the variables of the independent and dependent. And the result of the Pearson's correlation for both independent variable i.e. yield and profitability ratio analysis and the dependent variable i.e. selection of the stock by the individual investors is 96.5%. This finally suggest that the dividend yield, earnings yield, margin on sales, return on assets, return on equity, book value per share, dividends per share and earnings per share does have the strong influence for the individual investors in selection the stocks from the equity market.

The Pearson's correlation for the fifth hypothesis (H5) shows the very strong relationship between the variables of the independent and dependent. And the result of the Pearson's correlation for both independent variable i.e. referral and the dependent variable i.e. selection of the stock by the individual investors is 59.9%. This finally suggest that the recommendations from consulting with the friend, coworker and colleague, majority stockholders and broker does not have that much influence for the individual investors in selection the stocks from the equity market.

Eventually, all the results of the hypothesis suggested on the bottom line is that the approach for the selecting the stocks varies between the individual investors. But, the most and dominating result in terms of percentage of the Pearson's correlation test suggest that the financial statements information, yield and profitability ratio analysis and technical and

fundamental analysis are mostly concerned and had the greater influence; while valuation models and referrals does not have that much influence on the individual investors while selecting the stocks from the Karachi Stock Exchange.

The final recommendation for the individual investors that are investing in the Karachi Stock Exchange is that the current trend and the influencing factors are suggested in this research. But, with the space of time the terms and conditions do vary accordingly with the financial position of the country and that tends to change the approach of selecting the stocks. For this look for the best approach of selecting the stock and make the rapid gain out of it. Moreover, the government and the financial regulatory authorities should make the stable the conditions for the investors in making the investment in the stocks and to make their profit rather than bearing the loss out of it.

## Appendix C: SPSS Code Book

### gender

		Value	Count	Percent
Standard Attributes	Position	2		
	Label	Gender		
	Type	Numeric		
	Format	F1		
	Measurement	Nominal		
	Role	Input		
Valid Values	1	Male	381	99.2%
	2	Female	3	0.8%

### education

		Value	Count	Percent
Standard Attributes	Position	3		
	Label	Education		
	Type	Numeric		
	Format	F1		
	Measurement	Nominal		
	Role	Input		
Valid Values	1	Matriculation	4	1.0%
	2	Intermediate	38	9.9%
	3	Bachelors	191	49.7%
	4	Masters & Above	151	39.3%

### profession

		Value	Count	Percent
Standard Attributes	Position	4		
	Label	Profession		
	Type	Numeric		
	Format	F1		
	Measurement	Nominal		
	Role	Input		
Valid Values	1	Professional	154	40.1%
	2	Entrepreneur	126	32.8%
	3	Student	88	22.9%



4	Others	16	4.2%
---	--------	----	------

**Age**

		Value	Count	Percent
Standard Attributes	Position	5		
	Label	Age		
	Type	Numeric		
	Format	F1		
	Measurement	Nominal		
	Role	Input		
	Valid Values	1	18-29	110
2		30-39	127	33.1%
3		40-49	96	25.0%
4		50 or Above	51	13.3%

**investment stocks**

		Value	Count	Percent
Standard Attributes	Position	6		
	Label	Investment in Stocks		
	Type	Numeric		
	Format	F1		
	Measurement	Nominal		
	Role	Input		
	Valid Values	1	Less than Rs. 500,000	113
2		Rs. 500,001 - Rs. 1,000,000	139	36.2%
3		Rs. 1,000,001 - Rs. 1,500,000	64	16.7%
4		Rs. 1,500,001 - Rs. 2,000,000	17	4.4%
5		Rs. 2,000,001 - Rs. 2,500,000	31	8.1%
6		Above Rs. 2,500,000	20	5.2%

**Number years stock investing**

		Value	Count	Percent
Standard Attributes	Position	7		
	Label	Number of years in stock investing at KSE		
	Type	Numeric		
	Format	F1		
	Measurement	Nominal		
	Role	Input		
	1	1 year - 5 years	137	35.7%
Valid Values	2	6 years - 10 years	129	33.6%
	3	11 years - 15 years	77	20.1%
	4	16 years - 20 years	17	4.4%
	5	Above 20 years	24	6.2%

**rate following questions 1**

		Value	Count	Percent
Standard Attributes	Position	8		
	Label	Are you satisfied with the approach you have been using to select stock?		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
	1	Strongly Disagree	11	2.9%
Valid Values	2	Disagree	48	12.5%
	3	Somewhat Agree	105	27.3%

4	Agree	91	23.7%
5	Strongly Agree	129	33.6%

**rate following questions 2**

		Value	Count	Percent
Standard Attributes	Position	9		
	Label	Do you think you need to change your approach in selecting the stock?		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
	Valid Values	1	Strongly Disagree	25
	2	Disagree	23	6.0%
	3	Somew hat Agree	79	20.6%
	4	Agree	85	22.1%
	5	Strongly Agree	172	44.8%

**rate following questions 3**

		Value	Count	Percent
Standard Attributes	Position	10		
	Label	The investment in stock market is a significant portion of your investment portfolio.		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
	Valid Values	1	Strongly Disagree	17
	2	Disagree	39	10.2%
	3	Somew hat Agree	164	42.7%

4	Agree	103	26.8%
5	Strongly Agree	61	15.9%

**rate following questions 4**

		Value	Count	Percent
Standard Attributes	Position	11		
	Label	The portion of your investment in stock market has grown over period.		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
	1	Strongly Disagree	16	4.2%
Valid Values	2	Disagree	21	5.5%
	3	Somewhat Agree	100	26.0%
	4	Agree	147	38.3%
	5	Strongly Agree	100	26.0%

**rate following questions 5**

		Value	Count	Percent
Standard Attributes	Position	12		
	Label	Your portfolio has performed well over period.		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
	1	Strongly Disagree	16	4.2%
Valid Values	2	Disagree	52	13.5%
	3	Somewhat Agree	137	35.7%
	4	Agree	99	25.8%
	5	Strongly Agree	80	20.8%

**rate following questions 6**

		Value	Count	Percent
Standard Attributes	Position	13		
	Label	If not, was it because of the timing of the disposal of the stock.		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
	1	Strongly Disagree	8	2.1%
Valid Values	2	Disagree	23	6.0%
	3	Somew hat Agree	112	29.2%
	4	Agree	86	22.4%
	5	Strongly Agree	155	40.4%

**rate following questions 7**

		Value	Count	Percent
Standard Attributes	Position	14		
	Label	If not, was it because of the timing of the purchase of the stock.		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
	1	Strongly Disagree	6	1.6%
Valid Values	2	Disagree	24	6.2%
	3	Somew hat Agree	111	28.9%

4	Agree	99	25.8%
5	Strongly Agree	144	37.5%

**rate following questions 8**

		Value	Count	Percent
Standard Attributes	Position	15		
	Label	If not, was it because of the wrong selection of the stock.		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
	Valid Values	1	Strongly Disagree	2
2		Disagree	8	2.1%
3		Somewhat Agree	63	16.4%
4		Agree	104	27.1%
5		Strongly Agree	207	53.9%

**technical and fundamental analysis 1**

		Value	Count	Percent
Standard Attributes	Position	16		
	Label	Price		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
	Valid Values	1	Not at all important	4
2		Slightly important	24	6.2%
3		Somewhat important	60	15.6%
4		Very important	98	25.5%
5		Extremely important	198	51.6%

--	--	--	--

**technical and fundamental analysis 2**

		Value	Count	Percent
Standard Attributes	Position	17		
	Label	Volume Data		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
Valid Values	1	Not at all important	35	9.1%
	2	Slightly important	79	20.6%
	3	Somew hat important	82	21.4%
	4	Very important	76	19.8%
	5	Extremely important	112	29.2%

**technical and fundamental analysis 3**

		Value	Count	Percent
Standard Attributes	Position	18		
	Label	Market Position		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
Valid Values	1	Not at all important	0	0.0%
	2	Slightly important	10	2.6%
	3	Somew hat important	54	14.1%
	4	Very important	121	31.5%
	5	Extremely important	199	51.8%

**technical and fundamental analysis 4**

		Value	Count	Percent	
	Position	19			
Standard Attributes	Label	Annual Growth Rate			
	Type	Numeric			
	Format	F1			
	Measurement	Ordinal			
	Role	Input			
		1	Not at all important	6	1.6%
Valid Values		2	Slightly important	28	7.3%
		3	Somewhat important	139	36.2%
		4	Very important	130	33.9%
		5	Extremely important	81	21.1%

**technical and fundamental analysis 5**

		Value	Count	Percent	
	Position	20			
Standard Attributes	Label	Revenues and Expenses			
	Type	Numeric			
	Format	F1			
	Measurement	Ordinal			
	Role	Input			
		1	Not at all important	6	1.6%
Valid Values		2	Slightly important	48	12.5%
		3	Somewhat important	169	44.0%
		4	Very important	114	29.7%



5	Extremely important	47	12.2%
---	---------------------	----	-------

**financial statement information 1**

		Value	Count	Percent
Standard Attributes	Position	21		
	Label	Balance Sheet		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
Valid Values	1	Not at all important	12	3.1%
	2	Slightly important	32	8.3%
	3	Somew hat important	80	20.8%
	4	Very important	77	20.1%
	5	Extremely important	183	47.7%

**financial statement information 2**

		Value	Count	Percent
Standard Attributes	Position	22		
	Label	Profit and Loss Statement		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
Valid Values	1	Not at all important	0	0.0%
	2	Slightly important	2	0.5%
	3	Somew hat important	27	7.0%
	4	Very important	159	41.4%

5	Extremely important	196	51.0%
---	---------------------	-----	-------

**financial statement information 3**

		Value	Count	Percent
Standard Attributes	Position	23		
	Label	Cash Flow Statement		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
	1	Not at all important	10	2.6%
Valid Values	2	Slightly important	38	9.9%
	3	Somew hat important	44	11.5%
	4	Very important	121	31.5%
	5	Extremely important	171	44.5%

**financial statement information 4**

		Value	Count	Percent
Standard Attributes	Position	24		
	Label	Corporate Financial Statement Reports		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
	1	Not at all important	10	2.6%
Valid Values	2	Slightly important	70	18.2%

3	Somew hat important	182	47.4%
4	Very important	87	22.7%
5	Extremely important	35	9.1%

**financial statement information 5**

		Value	Count	Percent
Standard Attributes	Position	25		
	Label	Audit Report		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
	1	Not at all important	16	4.2%
Valid Values	2	Slightly important	55	14.3%
	3	Somew hat important	151	39.3%
	4	Very important	115	29.9%
	5	Extremely important	47	12.2%

**valuation models 1**

		Value	Count	Percent
Standard Attributes	Position	26		
	Label	Capital Asset Pricing Model		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
	1	Not at all important	11	2.9%
Valid Values	2	Slightly important	53	13.8%
	3	Somew hat important	107	27.9%

4	Very important	159	41.4%
5	Extremely important	54	14.1%

**valuation models 2**

		Value	Count	Percent
Standard Attributes	Position	27		
	Label	Constant		
	Type	Grow th Model		
	Format	Numeric		
	Measurement	F1		
	Role	Ordinal		
		Input		
Valid Values	1	Not at all important	13	3.4%
	2	Slightly important	92	24.0%
	3	Somew hat important	123	32.0%
	4	Very important	61	15.9%
	5	Extremely important	95	24.7%

**yield and profitability ratio 1**

		Value	Count	Percent
Standard Attributes	Position	28		
	Label	Dividend Yield		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
		Not at all important		
Valid Values	1	Not at all important	21	5.5%
	2	Slightly important	119	31.0%
	3	Somew hat important	80	20.8%

4	Very important	90	23.4%
5	Extremely important	74	19.3%

**yield and profitability ratio 2**

		Value	Count	Percent
Standard Attributes	Position	29		
	Label	Earnings Yield		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
	1	Not at all important	23	6.0%
Valid Values	2	Slightly important	64	16.7%
	3	Somewhat important	107	27.9%
	4	Very important	110	28.6%
	5	Extremely important	80	20.8%

**yield and profitability ratio 3**

		Value	Count	Percent
Standard Attributes	Position	30		
	Label	Margin on Sales		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
	1	Not at all important	0	0.0%
Valid Values	2	Slightly important	24	6.2%
	3	Somewhat important	87	22.7%
	4	Very important	161	41.9%

5	Extremely important	112	29.2%
---	---------------------	-----	-------

**yield and profitability ratio 4**

		Value	Count	Percent
Standard Attributes	Position	31		
	Label	Return on Assets		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
Valid Values	1	Not at all important	0	0.0%
	2	Slightly important	23	6.0%
	3	Somewhat important	119	31.0%
	4	Very important	179	46.6%
	5	Extremely important	63	16.4%

**yield and profitability ratio 5**

		Value	Count	Percent
Standard Attributes	Position	32		
	Label	Return on Equity		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
Valid Values	1	Not at all important	2	0.5%
	2	Slightly important	46	12.0%

3	Somew hat important	143	37.2%
4	Very important	120	31.2%
5	Extremely important	73	19.0%

**yield and profitability ratio 6**

		Value	Count	Percent
Standard Attributes	Position	33		
	Label	Book Value per Share		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
Valid Values	1	Not at all important	15	3.9%
	2	Slightly important	94	24.5%
	3	Somew hat important	50	13.0%
	4	Very important	107	27.9%
	5	Extremely important	118	30.7%

**yield and profitability ratio 7**

		Value	Count	Percent
Standard Attributes	Position	34		
	Label	Dividends per Share		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
Valid Values	1	Not at all important	4	1.0%
	2	Slightly important	66	17.2%

3	Somew hat important	63	16.4%
4	Very important	71	18.5%
5	Extremely important	180	46.9%

**yield and profitability ratio 8**

		Value	Count	Percent
Standard Attributes	Position	35		
	Label	Earnings per Share		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
Valid Values	1	Not at all important	4	1.0%
	2	Slightly important	8	2.1%
	3	Somew hat important	50	13.0%
	4	Very important	109	28.4%
	5	Extremely important	213	55.5%

**referral 1**

		Value	Count	Percent
Standard Attributes	Position	36		
	Label	Consulting with the Friend		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
Valid Values	1	Not at all important	35	9.1%
	2	Slightly important	74	19.3%



3	Somew hat important	84	21.9%
4	Very important	110	28.6%
5	Extremely important	81	21.1%

**referral 2**

		Value	Count	Percent
Standard Attributes	Position	37		
	Label	Cow orker and Colleague		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
Valid Values	1	Not at all important	29	7.6%
	2	Slightly important	28	7.3%
	3	Somew hat important	81	21.1%
	4	Very important	135	35.2%
	5	Extremely important	111	28.9%

**referral 3**

		Value	Count	Percent
Standard Attributes	Position	38		
	Label	Majority Stockholders		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
Valid Values	1	Not at all important	10	2.6%
	2	Slightly important	27	7.0%

3	Somew hat important	53	13.8%
4	Very important	144	37.5%
5	Extremely important	150	39.1%

**referral 4**

		Value	Count	Percent
Standard Attributes	Position	39		
	Label	Broker		
	Type	Numeric		
	Format	F1		
	Measurement	Ordinal		
	Role	Input		
Valid Values	1	Not at all important	2	0.5%
	2	Slightly important	29	7.6%
	3	Somew hat important	66	17.2%
	4	Very important	127	33.1%
	5	Extremely important	160	41.7%