

# **UNDERSTANDING THE STOCK MARKET INVESTMENT DECISIONS OF BANGLADESHI INVESTORS: A THEMATIC CONTENT ANALYSIS APPROACH**

**ASHIQUL HAQ CHOWDHURY,  
CARLETON UNIVERSITY**

**ASAD KARIM KHAN PRIYO,  
NORTH SOUTH UNIVERSITY**

# PURPOSE OF THE STUDY

- Understanding how Bangladeshi Stock Market Investors take decisions
- Use the findings as a basis for future studies
- Introducing a new approach in studying decision making

# WHY CONTENT ANALYSIS?

## ➤ **Thematic Analysis/Thematic Content Analysis:**

Thematic analysis is a method for identifying, analysing, and reporting patterns (themes) within data. It minimally organises and describes your data set in (rich) detail (Braun & Clarke, 2006).

## ➤ **Previous Literature:**

- Qualitative Studies are rare in Economics and Finance
- Bouwman et al. (1987) uses 'Protocol Analysis' investment screening process of Financial Analysts

# METHODOLOGY

- Semi Structured Interview (15 Investors, Median length: 78 min)
- **Included Questions Regarding:**
  - Motivation to Invest in Stock Market
  - Decision Making Process e.g. “How did you structure your current portfolio?” or “Do you focus on some specific criteria/do you have a checklist?”
  - Knowledge of the Investor e.g. “Do you know how to assess a stock’s intrinsic value?”
  - Attitude of the Investor e.g. “Do you like to take risk if it brings you high return or do you prefer stability”
- **Ethnographic Decision Tree Model** takes the assumption that the decision makers themselves are expert on how they make the decisions they take (Gladwin, 1989).

# BELIEFS AND ATTITUDES

## ➤ Perception of Investment being “Easy”

**Investor R1:** “Around 2012-13 I used to earn around Tk. 50,000 per month. It did not seem enough. I thought if I can earn 50,000, why can't I earn 1 lakh? One of the easiest ways to earn money is from the stock market.”

**Investor R3:** I started in 2010. I had the HSC exams in 2011. So I was very busy then. For my share business I only had to follow share prices and see how the Companies whose shares I bought were doing. The return was very high from this business. But I did not have to spend much time behind this. I used to check the market in between my studies. It was easy for me as I could do this from home. It is not possible to get this much return with this less effort in other businesses.

# BELIEFS AND ATTITUDES

## ➤ Initial Dependence on Financial Advice

**Investor R2:** “I just used listen to others. I asked others to learn which stocks were better. Then I used to buy and hold those stocks. I did not have any idea back then.”

## ➤ Concern about Market Manipulation, Insider Trading and Quality of Available Information

**Investor I2:** The biggest risk is the quality of financial information. I will make my decision based on the financial statements available in the annual report. For example, I see that a company has made 100 crore taka of profit. My analysis tells me that it will profit 120 crore taka next year. But the analysis will not work if the information is not correct.

# THE DECISION MAKING

## ➤ Importance of News/Suggestions/Rumors

**Investor R12:** Those of us who trade have made a lot of friends. We collect the information from them. The information is not like those which can be found searching the internet. Information e.g. a company will start another operation is not available in the internet. Those who know the company's directors or staffs collect the information. Then they buy the share. After they purchase, they suggest us to buy it.

**Investor R4:** I have an individual analysis of each stock. If I believe that the stock is comparatively cheap, I consult with some of my friends who are working in different organizations to get their opinion about it. If they give me some positive news and I see that the volume is rising, then it becomes easier for me to take the decision. I am then confident that I should buy this stock. This helps me a lot.

# THE DECISION MAKING

## ➤ Identification of 'Safe' Stocks:

**Investors R9:** I have observed over the years and know the companies which have good demand. For example there are companies now like Renata and Bata. I buy such companies which are purchased by foreign investors when they come to the market.

**Investor R3:** Since the stock market crash, I invest in large and good companies whose financial conditions are known to me. For example, there is Beximco, Grameenphone, Square etc. I hold these stocks. This is because investment in these stocks is very safe. These companies do not get into trouble that easily. Even after the market crashed, these stocks had relatively high price.

# THE DECISION MAKING

## ➤ Existence of 'Filter' Criteria:

**Investors R3:** I look at the basic things like everyone. I check its condition, how much debt it has, whether it was in Z category at any time etc. I always check the category. I never buy Z category shares. This is a problem category. If there is any problem, the company goes into the Z category.

**Investor R6:** I look at what movements are there in the market and which industries have the possibility of future movements. Using some technical tools I look at the position the industries are in currently and what might their position be in the future. If I find out that an industry has the possibility of movement in the future, then I scan particular stocks from that industry using my fundamental and technical knowledge.

# THE DECISION MAKING

## ➤ Importance of Qualitative Criteria:

**Investor R1:** Every company releases its statements every quarter. This mentions the shareholding structure. Foreign holding is factor. Those who are risk averse check whether there are any foreign holdings. Institutional holding is also important.

## ➤ Long Term vs. Short Term Analysis:

**Investor R4:** For Z category stocks, I look at the 52 weeks range. I look at whether these are at 52 weeks or 2 years low. If I see that in last one month it fell by around 20% and the market has a tendency to rise, I buy the share. I do not even look at any other thing, neither income statement nor balance sheet. I just look at the price



# TRUST AND COLLECTIVE INTELLIGENCE

- Whether active or not, each of the investors is part of a group or a network that shares information with each other. Though the information given or received is not always acted upon, news, suggestions and rumors always travel through this network.
- While investors report that they receive news from a wide variety of sources, they usually do not act on it before they verify it. But even among them there are sources that they value and trust. Information received from such sources is often immediately acted upon.

# CONCLUSION