An Analysis of Variables Affecting Stock Exchange Investment

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Abstract— The objective of this study is to examine the determinants that impact stock market investment in Brazil, specifically in the city of Salvador. Emerging nations have the potential to utilize these marketplaces to foster their economies. Nevertheless, certain emerging countries may lack familiarity with the procedure. The stock exchange is a favored choice for companies seeking lucrative investment prospects. Investors usually make decisions in these markets by analyzing projected returns and risks connected with their investments, as these marketplaces are where financial transactions occur. Investors generally avoid high-revenue investments because of the considerable risks involved, choosing instead to pursue low-risk, low-revenue businesses. The present study was examined using a quantitative approach. The research was conducted in Salvador. Out of the 100 surveys distributed by the researcher, only 71 questionnaires were received and completed accurately. The researcher utilized single-regression analysis to identify the elements that impact stock exchange investment. According to the data, the stock market is most influenced by the supply and demand factor, which has the greatest impact. It is followed by the economic factor, the third component being competition, and finally the political element, which has the least influence. The data indicate that supply and demand have a significant influence on stock exchange investment in Brazil.

Keywords— Stock Exchange, Investment, Finance, Monetary.

I. INTRODUCTION

Understanding the factors that impact the stock market is a crucial element of investing in the stock market (Top & Ali, 2021). The strategy for economic growth adopted by various countries worldwide may vary in nature (Demir et al. 2020). Nevertheless, there exists intense global competition with the shared objective of swiftly enhancing the average prosperity of their respective populations. Investments are considered crucial for achieving sustainable and comprehensive growth (Ali, 2021). Therefore, governments should aim to enhance (Sorguli et al., 2021) and broaden their investment sources in order to accomplish this objective. Individuals have the option to invest their money by allocating a specific amount and actively managing it in various business sectors, with the aim of generating a significant amount of additional income. Moreover, investments have a crucial role in accelerating the process of growth (Andavar et al. 2020). However, the main challenge that investments encounter is the way they are managed, namely the scarcity of available investment sources (Faraj et al., 2021). The resolution of this issue necessitates the establishment of an extensive network of financial institutions and organizations with the
capacity to effectively steer investments towards generating the required income (Ali, 2016). Stock exchanges serve as an excellent platform for companies seeking investment opportunities to connect and transact (Anwar & Surarchith, 2015). Emerging nations have the potential to utilize these marketplaces to foster their economies. Nevertheless, several developing countries may lack familiarity with the procedure (Ali, 2014). The stock exchange is a favored choice for companies seeking lucrative investment prospects. Investors usually make investment decisions in these markets by conducting research on projected returns and related risks (Ali & Anwar, 2021). These marketplaces are where financial transactions occur (Anwar & Shukur, 2015). Investors generally avoid high-revenue investments because of the substantial risks involved and instead prefer low-risk, low-revenue businesses (Saleh et al., 2021).

II. LITERATURE REVIEW

Investments are considered crucial for economic and social development (Anwar, 2017). This is because an initial rise in investment leads to an increase in income value through the investment multiplier. Similarly, an initial increase in income also leads to a rise in investment value (Ali et al., 2021). Each investment opportunity (Aziz et al., 2021), however, entails a distinct array of risks and rewards (Anwar, 2016). Investing is widely regarded as a prudent choice by certain individuals (Ali et al., 2021). Investments can be viewed as the act of sacrificing a certain amount of money for a specific duration with the aim of obtaining increased cash flow in the future. This counteracts the loss of potential opportunities and the anticipated decline in the value of the invested funds brought on by inflation. Additionally, investments offer the possibility of future benefits that can be enjoyed through choices related to consumption (Anwar & Abdullah, 2021). On the other hand, some individuals perceive investments as the act of giving up a sum of money for a defined period in order to generate more cash flow in the future (Abdullah et al., 2021). This is done to compensate for missed opportunities and the expected decline in value (Anwar, K., & Louis, 2017). From the preceding information, it can be confidently asserted that investing and saving are distinct concepts. Saving involves the act of abstaining from spending money in the future to enhance future consumption, whereas investment involves allocating funds with the aim of generating returns (Sabir et al., 2021). The user's text is empty. According to Anwar (2017), saving is a risk-free activity. Return-on-investment (ROI) is a metric for the amount of money a capital owner makes after giving it up for the benefit of others over a given time period (Ahmed et al., 2021). It can also be seen as the price paid for taking on risks or uncertainties (Anwar & Qadir, 2017; Anwar, 2017). The investor's appetite for larger gains directly correlates with the level of risk involved. Moreover, the longer the duration between the initial investment and the return-on-investment, the higher the risks involved (Anwar, 2017). These risks arise from the uncertainty over the profitability of a particular business endeavor. Investors in the stock market might anticipate two distinct types of returns. The first factor is the capital augmentation (Akoi et al., 2021), which refers to a growth in the price of the offering as well as the remuneration provided by the company (Anwar & Climis, 2017). Given that the variable will be examined, the stock exchange holds significant relevance in this inquiry. As per the definition provided by Talim et al. (2021), stock exchange refers to the extent of profit perceived by a financial expert for their own advantages and investments (Jamal et al., 2021). Additionally, according to Anwar and Ghafoor (2017) and Jareo and Negrut (2016), the stock exchange refers to the overall rise or fall in value of an investment over a specific time period. The calculation involves deducting the change in value of the benefit from any monetary payments that took place over time, starting from the initial value of the investment. According to Sharif et al. (2015),
there are multiple factors that can affect stock returns. One factor that can influence stock returns is the financial ratio, which has facilitated the prediction of stock returns (Hameed & Anwar, 2018; Ismael et al., 2021). Additional factors that might impact stock returns include book-to-market ratios, debt-to-equity ratios, and dividend yield (Ali et al., 2021).

**Conceptual Framework**

Research hypotheses:

H1: There is positive relationship between economy factor and stock exchange investment

H2: There is positive relationship between competition factor and stock exchange investment

H3: There is positive relationship between politic factor and stock exchange investment

H4: There is positive relationship between supply and demand factor and stock exchange investment.

**III. Research Method**

The purpose of this research is to examine the factors affecting stock exchange investment in Brazil and particularly in Salvador. A quantitative method used to analyse the present research. The questionnaire consisted of two units, the first unit comprised of participants’ demographic questions (respondent’s age and respondents’ gender). The second part of questionnaire consisted of 8 questions for economy factor, 9 questions for competition factor, 10 questions for politic factor, 8 questions for supply and demand factor, and 12 questions for stock exchange. The sampling method used in this study was random sampling technique. The study was carried in Salvador. The researcher distributed 100 questionnaires, only 71 questionnaires were received and being completed properly. The questionnaire was organized in multiple choice questions format. Five point Likret scale used, the participants were asked to range from strongly disagree to strongly agree.

**IV. DATA ANALYSIS**

Table 1-Reliability tests

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
<th>Number of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economy</td>
<td>.832</td>
<td>8</td>
</tr>
<tr>
<td>Competition</td>
<td>.812</td>
<td>9</td>
</tr>
<tr>
<td>Politic</td>
<td>.799</td>
<td>10</td>
</tr>
<tr>
<td>Supply &amp; demand</td>
<td>.911</td>
<td>8</td>
</tr>
<tr>
<td>Stock exchange</td>
<td>.809</td>
<td>12</td>
</tr>
</tbody>
</table>

Table 1 shows the reliability analysis for four independent factors and a dependent factor. According to the reliability tests, the researchers found out Cronbach's Alpha for the economy factor =.832 for eight items, which are greater than .6 this means that economy factor’s eight items were reliable for this study. The Cronbach's Alpha for the competition factor =.812 for nine items, which are greater than .6 this means that competition factor’s nine items were reliable for this study. The Cronbach's Alpha for the politic factor =.799 for ten items, which are greater than .6 this means that politic factor’s ten items were reliable for this study. The Cronbach's Alpha for the supply and demand factor =.911 for eight items, which are greater than .6 this means that supply and demand factor’s eight items were reliable for this study and finally the Cronbach's Alpha for the stock exchange factor =.809 for twelve items, which are greater than .6 this means that stock exchange factor’s twelve items were reliable for this study.

Table 2-Correlation analysis

<table>
<thead>
<tr>
<th></th>
<th>Economy</th>
<th>Competition</th>
<th>Politics</th>
<th>Supply &amp; demand</th>
</tr>
</thead>
</table>


Table 2 shows the correlation among four independent factors (economy factor, competition factor, politic factor and supply & demand factor) and a dependent factor (investment in stock exchange). The value of R between economy factor and stock exchange = .804** which indicates that they are significantly correlated. The value of R between competition factor and stock exchange = .796** which indicates that they are significantly correlated. The value of R between politic factor and stock exchange = .826** which indicates that they are significantly correlated. The value of R between supply and demand factor and stock exchange = .811** which indicates that they are significantly correlated.

The results revealed that overall all variables are significantly correlated with dependent factor.

Table 3-Coefficients H1

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized coefficients</th>
<th>Standardized coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.81</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economy</td>
<td>.87</td>
<td>.211</td>
<td>.821</td>
<td>3.511</td>
</tr>
</tbody>
</table>

a. Dependent Variable: stock exchange

The researcher used single regression analysis to analyze the current study. In terms of the first research hypothesis a single regression used (as seen in table 3), with economy as an independent variable and stock exchange as the dependent variable. Table 3 shows the result of the first research hypothesis, the researcher found that the value B = .878 which is higher than 0.01, accordingly the result revealed that there is positive relationship between economy factor and stock exchange investment.

Table 4 shows the result of the second research hypothesis, the researcher found that the value B = .862 which is higher than 0.01, accordingly the result revealed that there is positive relationship between competition factor and stock exchange investment.

Table 5-Coefficients H3

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized coefficients</th>
<th>Standardized coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.61</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Politic</td>
<td>.63</td>
<td>.230</td>
<td>.589</td>
<td>3.142</td>
</tr>
</tbody>
</table>

a. Dependent Variable: stock exchange

Table 5 shows the result of the third research hypothesis, the researcher found that the value B = .632 which is higher than 0.01, accordingly the result revealed that there is positive relationship between politic factor and stock exchange investment.

Table 6-Coefficients H4

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized coefficients</th>
<th>Standardized coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.36</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply &amp; demand</td>
<td>.92</td>
<td>.268</td>
<td>.896</td>
<td>3.142</td>
</tr>
</tbody>
</table>

a. Dependent Variable: stock exchange

Table 6 shows the result of the fourth research hypothesis, the researcher found that the value B = .926 which is higher than 0.01, accordingly the result revealed that there is positive relationship between supply & demand factor and stock exchange investment.

V. Conclusion

This study has analyzed factors affecting investment in stock exchange in Brazil and particularly in Salvador. Investigating the conditions surrounding financial investment...
and accompanying risks leads to achieving higher profits with fewer risks. As such, risk analysis may have a positive impact on decision-making (Hamza et al. 2021). The researcher used single regression analysis in order to find factors affecting investment in stock exchange (Anwar & Abd Zebari, 2015). The findings revealed that the highest value among all variables was supply & demand factor that influence stock, the second highest value was for economy factor then the third factor was competition factor and lastly the lowest value was for politic factor (Ahmed et al. 2021). According the findings, it seems that supply and demand play an essential role in investment in stock exchange in Brazil.

VI. References


