

## The investment decision making in long term equity fund (LTF) of Thai investors in Bangkok

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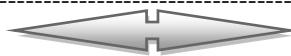
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### -----ABSTRACT-----

*The objective of this research paper is to study deciding factors to invest in Long Term Equity Funds (LTF) amongst investors in Bangkok. This study looks at influential demographics on the decision to invest in Long Term Equity Funds of investors in Bangkok and studies the relationship between the factors which consist of yield on investment, taxes, present incentives of saving and investment, knowledge and interest of investment and distributing agents, with the impact on Bangkok investors' decision to buy Long Term Equity Funds. Research findings found that the demographic of questionnaire respondents which comprised age, average income per month and LTF investment experience varied, whereby the decision to invest in LTFs also differed with a statistical significance of 0.05. Factors which influenced the decision to invest in Long Term Equity Funds amongst investors in Bangkok which had the most positive correlation were those related to tax and current savings and investment incentives. The sample group said that purchasing LTFs could help reduce the burden on personal income taxes and future savings. This was followed by the factor on yield upon investments for Long Term Equity Investment Funds, which had a mid-level positive correlation, as well as the factor on knowledge and interest in investments and distributing agencies, which also had a mid-level positive correlation on the decision to purchase LTFs.*

**Keywords:** *Investment, Long Term Equity Fund (LTF), yield on investment, tax, knowledge and interest in investment*

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Date of Submission: 19 October 2015



Date of Accepted: 31 October 2015  
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## I. INTRODUCTION

### 1.1 Background

Thailand's social and economic conditions have changed over time. Financial planning is a starting point and an important part of life that can make people more effectively. Investment in the Mutual Fund is an alternative for those with savings to seek higher returns by investing in the Mutual Fund which will have enough savings on retirement. As well as the quality of life in retirement, the Mutual Fund is a powerful investment tool which provides investment management system and aims to provide the best investment returns subject to the risk that investors can accept. Each investor will receive a return based on the percentage of their participation in that fund. The mutual fund operates under the supervision of Securities and Exchange Commission, Thailand that is the regulatory and investor protection.

A mutual fund is a type of long-term savings. They are also entitled to investments in the Long-Term Equity Fund (LTF) that are entitled to income-tax deduction for investors up to limit of 500,000 Baht in any particular tax year. All the conditions qualifying for the tax breaks from the LTF investment have also lightened up. Simply just hold the investment units for at least five consecutive years (If investors put money in the LTF by the end of the first year, the units can be sold back to the LTF in the fifth year of holding. That means the real holding period is just three years plus a few more days). Whether investors will put additional money in every year is also not an issue to make investors lose their tax exemption rights. LTF invest only in equity funds (stock) and not required (but subject to requirements imposed by the individual investment companies). Long-Term Equity Fund (LTF) are a family of equity funds (which invest heavily in listed companies in the Stock Exchange of Thailand) that have an investment policy to put at least 65 percent of the fund's net asset value (NAV) into stocks. There are two types of the LTF: LTF with and without dividend payout policy. Each type of fund has different characteristics. Simply put, LTF with dividend policy enable fund-holders to receive a consistent stream of income throughout the holding period (subject to fund performance), but they are liable to pay a 10 percent withholding tax on dividends. On the other hand, LTF without dividend payment policy,

despite lack of consistent income stream from dividends, offer investors the opportunity to reap the windfall of higher capital gains, because investment return from this type of fund will be re-invested to generate even higher returns (also, subject to fund performance). Thailand's government encourages established to increase the proportion of investment in long-term funds to invest in the Stock Exchange of Thailand. The addition of institutional investors will help Thailand capital markets more stable. Based on a detailed investment policy of the Fund that LTF Division, Statistics of growth of the mutual fund is a long-term equity funds (LTF) that the growth continues. As can be seen from the increase in net asset value every year, it is shown in the table 1 below.

Table 1. Statistics of growth of the Long Term Equity Fund (LTF)

As of year-end	LTF		
	No. of Companies	No. of Fund	Net Asset Value (Billions of Thai Baht)
2004	17	22	5.63
2005	18	30	14.18
2006	18	34	25.19
2007	21	53	49.41
2008	22	52	42.01
2009	20	52	85.5
2010	20	52	129.58
2011	20	52	148.28
2012	20	52	199.605
2013	20	52	213.912
2014	20	53	271.023

Source: Association of investment management companies, 2015

From the above data, they show that the growth statistics of Long Term Equity Fund (LTF) is growing steadily every year and can be seen from the increase in net asset value every year. However, investors will be entitled to a tax deduction on investment in LTF up until the year 2016. On this basis, the researcher was interested in doing with the title in "The investment decision making in long-term equity fund (LTF) of Thai investors in Bangkok"

### 1.2 Problem Formulation

Based on the background that has been described above, it becomes the issue in this research which consists of:

1. Is there the demographic characteristics including gender, age, marital status, education, occupation, income per month and experience in investing in long-term equity fund (LTF) that have influence on the investment decision making in long term equity fund (LTF) of Thai investors in Bangkok?
2. How was the relationship among factors the remuneration, tax and welfare factors, factors of savings and investment in the present, factors knowledge and interest in the investment and distribution of long-term equity funds (LTF) that have influence on the investment decision making in long term equity fund (LTF) of Thai investors in Bangkok?

### 1.3 Research Purposes

The purposes of this study are:

1. To study the demographic characteristics that influence the investment decision making in long term equity fund (LTF) of Thai investors in Bangkok.
2. To study the factors that influence the investment decision making in long term equity fund (LTF) including the factors the remuneration, tax and welfare factors, factors of savings and investment in the present, factors knowledge and interest in the investment and distribution of long-term equity funds (LTF) of Thai investors in Bangkok.

### 1.4 The Benefits of Research

This study is expected to provide the following benefits:

1. To understand the behavior of savings and investment including factors that affect investment decision making in long term equity fund (LTF)
2. Can be used information for the government and other agencies involved to design to help promote long-term savings and development adopted integration as well as policymakers term in long-term equity funds (LTF).
3. Represents information for future research.

## **II. LITERATURE REVIEW**

S.Suriya Murithi, B.Narayanan and M.Arivazhagan.(2012).have studied deals with the behavior of the investor to identify the better investment avenues available in India.The study found that the investment strategy is a plan, which is created to guide an investor to choose the most appropriate investment portfolio that will help them to achieve their financial goals within a particular period of time. By increasing personal wealth, investing can contribute to higher, overall economic growth and prosperity. The process of investing helps companies where they can raise their capital through financial markets. Specific types of investments provide other benefits for the investor, corporate as well as the society. The Indian investors are very much aware about the concept of portfolio allotments and risk and return of the investment. The mantra of the investment is „Prevention is better than Cure” which is expected with more income but less risk.

PanomponAkarachayanantb. (2014). studied the behavior and factors affecting investment in financial instruments of the Stock Exchange of Thailand. The data collected from the population aged 25-49 years in Bangkok. The results show that investors are quite more general expenditure and liabilities which effect savings and investment. Financial instruments that are choosing to invest most is equities and mutual funds. By demographic factors were gender, age, occupation, education and income affect investment style. The internal factors that the most affect to investment is confidence and the external factors is the recognized investment information. The source to get information mainly from the Internet.

## **III. RESEARCH METHODS**

Based on the research objectives, the research method used are below:

1. The instrument used for data collection was a questionnaire, which was built on a concept frameworkof research by consulting advice from thesis advisors. The study results to the objectives of the research and a questionnaire to provide qualified and expert validation must meet content and to improve the recommendations.The nature of the questionnaires used to collect data as Close – Ended Question divided into three parts.

Part 1: Personal characteristics, including gender, age, marital status, education, occupation, income per month and experience of investing in the LTF, to invest in long-term equity funds (LTF).

Part 2: Environmental factors that influence the decision to invest in long-term equity funds (LTF).

Part 3: The decision making to invest in long-term equity funds (LTF).

2. Data analysis and statistics used when the questionnaires were returned, the researchers examined the accuracy and completeness of the questionnaires and then analyzed by computer and data processing as detailed below.

2.1 Descriptive research method were used to describe the data and information in a study, the statistics were (1) Percentage for analyzing data from the questionnairePart 1: Personal characteristics of the respondents.(2) Statistical mean score (Mean: $\bar{X}$ ) used in the analysis of the questionnaire Part 2 and Part 3. (3) Standard Deviation (SD) analyzed data in questionnaire Part 2 and Part 3from the surveys.

2.2 The methods of inferential statistics were used to describe the data and information in a study (1) t-Test for the significance of the difference between the Means of two independent samples. To test the hypothesis that gender differences are deciding to invest in long-term equity funds (LTF) is different. (2) One-way ANOVA compares the means between the groups and determines whether any of those means are significantly different from each other. It tests the null hypothesis of gender, age, marital status, education, occupation, income per month and experience of investing in LTF.(3) Pearson product-moment correlation coefficient to measure of the strength of a linear association between two variables. To test the hypothesis, the yield factor affecting the decision making to invest in long-term equity funds (LTF) of investors in Bangkok. Testing the hypothesis base tax and welfare savings and investment decisions present affect long-term investments in long-term equity funds (LTF) of investors in Bangkok. And hypothesis testing factors in knowledge and interest in investment and distribution influence the decision to invest in long-term equity funds (LTF) of investors in Bangkok.

## **IV. ANALYSIS AND RESULT**

Part 1: Most of the respondents were female, 58.8 percent of 247 people aged 26-35 years, most of the 127 people, representing 30.2 percent. Education Bachelor of 304 people accounted for 72.4 percent of employee's company 214 people, representing 51.0 percent.Income per month 40,001-60,000 baht maximum of 143 people, representing 34.0 percent. Most experienced investment inlong-term equity funds (LTF) less than or equal to 2 years, 111 people, representing 26.4 percent. The savings/investment inlong-term equity funds (LTF) is currently the most followed by the deposit money in banks/financial institutions and government lottery respectively.

Part 2: Factors in return, the overall average of 4.03 at a high level. The item with the highest average. Terms and investment policy, as it focuses on investing in stocks with strong fundamentals and high growth potential with an average of 4.17 at the high level. Followed by the get excess profits from the redemption with an average of 4.11 at the high level.

Factor in the tax and welfare savings and investments in a total average of 4.18 on a massive scale. The item with the highest average annual net income reached a certain threshold must pay personal income tax. With an average of 4.43 at the most. Followed by the expansion of the Net Asset Value of the Fund's net asset growth among the highest returns (Best Performance) with an average of 4.23 at the most.

Factor in the knowledge and interest in investment and distribution. The overall average is 3.80 on a massive scale. The item with the most is the service of distribution with an average of 3.98 at the high level. Followed by the get good quality information on the fund with an average of 3.94 at the high level.

Part 3: The decision to invest in long-term equity funds (LTF), with an average total of 4.06 on a massive scale. The item with the most purchasing long-term equity funds (LTF) can help reduce the burden on individual taxpayers with an average of 4.27 at the most. The second is to keep a savings or investments in the future. With an average of 4.18 at the high level.

The hypothesis testing found that accepted hypothesis about the characteristics of respondents, including age, average income per month and experience in different investment funds. The decision making to invest in long-term equity funds (LTF) is different.

Accepted hypothesis, factors return assumption in affecting the decision to invest in long-term equity funds (LTF) is positively correlated moderately.

Accepted hypothesis, factor in the tax and welfare savings and investment present. Affect the decision to invest in long-term equity funds (LTF) is positively correlated moderately.

Accepted hypothesis Factor in the knowledge and interest in investment and distribution influence the decision to invest in long-term equity funds (LTF) is positively correlated moderately.

## **V. CONCLUSION AND RECOMMENDATIONS**

Based on the data analyzed, there are important issues to be discussed below.

1. Environmental factors that influence the decision to invest in long-term equity funds (LTF) is a factor in the tax and welfare savings and investment present. This is the core of long-term equity funds (LTF), which received the tax benefits by investors to put money into a fund to buy allowances in the calculation of tax. The study is in line with the results of the research of Sanga Banjongprasert and Kaniya Issariyapracha (2011). They studied the spending habits of the investor, the level of financial literacy and investment as well as savings and investment behavior. The study found that investors who invest in mutual funds often take into account the tax benefits primarily. The sample in the study were of the opinion that. If the annual net income reached a certain threshold must pay personal income tax. (The average is the highest) will be a major factor influencing the decision to invest in the fund long-term equity (LTF) and is also consistent with the decision of the Fund's long-term equity (LTF), which groups. Examples opinion that LTF Fund buying can help reduce the burden of individual taxpayers, too.

2. Age, the average income per month and experience in the investment long-term equity funds (LTF) different affect decisions to invest in long-term equity funds (LTF) are different. By age, average income per month and experience in the investment long-term equity funds (LTF) will have more decisions to invest in in long-term equity funds (LTF) more as well. The study is of the opinion that such an outcome is caused due to the age of the sample would increase the average income increased, resulting in a high base pay tax due to progressive taxation and more work experience to make better the investment long-term equity funds (LTF) before investing experience, which can be explained according to the concept of Petcharee Khumsap (2006) described the purpose of investing in the satisfaction of the taxation that the tax position of investors is key to investment decision-making. In addition, the results of this study are consistent with the results of the research of Panompon Akarachayanant (2014) that studied the behavior and factors influencing financial instrument investment decision. The results showed that the financial instruments are choosing to invest the most equities and mutual funds by demographic factors as age and income that affect such investments.

3. Factor returns are factored in tax and welfare savings and investment present. Factors knowledge and interest in investment and distribution affect the decision to invest in long-term equity funds (LTF) which is positively correlated moderately. The results of this study were consistent with the results of the research of Pattamarat Tummati (2007) studied the factors affecting the investment in the retirement mutual funds and the long-term equity funds of clients of the Siam Commercial Bank Public Company Limited, Thaphae Branch, Mueang District, Chiang Mai Province. The research found that the key factor is the factor of understanding about the tax benefits of participating funds, the yield factors and insight into the conditions of the tax deductible condition of the retirement mutual funds and the long-term equity funds. Factors include

advertisements from distributors, the rates of return of both types of funds, the taste with respect to investment, choices and the investment risks inherent in both types of funds, the relevant marketing and promotion campaigns, the understanding of investment conditions in both types of funds affect investments in both types of funds.

However, the factor that correlates most positive factor is the tax and welfare savings and investment present. This is consistent with the results as discussed in Section 1. Therefore, it is confirmed that the tax and welfare savings and investment present a primary factor resulting in the decision to invest in long-term equity funds (LTF).

Recommendation on the results of this research to use.

1. The results of this study indicate the importance of the tax and welfare savings and investments and is currently the core of the Fund's long-term equity (LTF), which is a factor that people have deciding to invest in long-term equity funds (LTF), so if the government has a policy to promote investment and saving people, they should not dismiss the benefits of tax incentives for long-term equity funds (LTF).

2. The results of this study show that the majority of the population has decided to invest in long-term equity funds (LTF) which is a group of high monthly income and taxed at a higher base. So, in the conduct of public relations, advertising news on the mutual funds should focus on target groups such as the core. This will reduce the cost of marketing. It also makes it possible to focus on promoting the hallmark of long-term equity funds (LTF) has been targeted as well.

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### BIOGRAPHIES AND PHOTOGRAPHS



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