



To Study the REITs Investment in Affecting the Investor's Confidence with Inflation Rate as the Intervening Variable in Malaysian Financial Market

Yeoh Wee Win

MCMI, B. Comm (Acc), MBA (Fin), D.Man, DBA (Fin), PhD (Acc), School of Business (SOBIZ)

INTI International College Penang (IICP).

Corresponding Author: Yeoh Wee Win meekyeoh@yahoo.com

ARTICLE INFO

Keywords: REITs investment, Trading Volume, Inflation Rate, Malaysia, Investment Behavioural

Received : 23, August

Revised : 15, September

Accepted: 20, October

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ABSTRACT

The research had proposed the quantitative study using the correlation analysis and regression analysis to combine producing the quantitative output to test for hypothesis before drawing the conclusion of the study. The results and findings of the study posed the evidence to suggest the significant of the inflation rate being the intervening variable within the regression model of the REITs investment return and the trading volume of the REITs investment, but the regression analysis failed to demonstrate the existence of the relationship between the two variables. With this, the outcome of the study had been concluded where the findings had provided the significant contribution to the development of the academic referrence and drawing the relevance understanding towards the investment behavioural within the financial market in Malaysia.

INTRODUCTION

The majority of the research in the field of investment finance has focused on investor behavior patterns. Investment finance focuses on the behavioral patterns that influence a person's approach to the wise use of capital. Economic expansion and stock market performance have historically been closely correlated; when the economy is doing well, stock prices tend to rise, and vice versa. Consider the fact that an increase in investment growth and an increase in economic prosperity create a positive feedback loop that benefits investors to support this assertion (Iqbal and Riaz, 2015). The stock market as a whole has been seeing an increase in trading activity as a result of investors' growing confidence in the market's future success (He et al., 2020).

The 2008 stock market crash, which occurred after investors had lost a lot of money as a result of the Great Recession, serves as an effective example of the harm that can be done to investor confidence (Sheta, Ahmed & Faris, 2015). This demonstrated how the state of the economy affected investors' confidence in the stock market. Investor sentiment and behavior tend to be more cautious during a recession because of the expectation that stock market performance will decline (Batrinca, Hesse & Treleaven, 2018). Investors are frequently advised to lessen their desire to invest in the stock market due to the high level of uncertainty, which can result in a high level of exposure to potential loss. In an effort to reduce portfolio volatility, this causes the investor's risk tolerance to decline and their comfort level with high-volume trading to rise (He et al., 2020).

This was crucial for the study of the financial markets because, according to Chiah and Zhong (2020), the supply and demand for secondary investments can sometimes be a driving force behind the type of trading that increases a stock's value on the stock exchange. Due to the fact that stocks with high trading volume frequently experience a boost that enables them to reach their full potential, this is the case (Mauricas, Darškuvienė & Mariničevaitė, 2017). That is to say, as the volume of stock market transactions rises, the interaction between stock market performance and economic growth will also rise (Choi, 2019). This study was motivated by the lack of sufficient evidence to support the validity of the relationship between trading volume and the movement of stock prices within a stock market, as well as by the need for more extensive research on this topic.

The recent recommendation of investing in real estate investment trusts, or REITs, has also attracted more investors, particularly during the current economic downturn (Chong, 2018). This is due to the perception that REITs will generate higher returns over time despite the aforementioned investment's apprehension and risk (Hirsch and Hahn, 2018). Furthermore, since there is no evidence to support the concept of risk and return for the REITs investment, the REITs investment is expected to offer lower risk and induce a higher coefficient of variation n (CV) for the investment return, which is crucial to address for the current study to explore this problem statement.

With this, the problem statement had been addressed into the gap identified in the academic study creating the drive for the motivation to understand the behavioural and confidence level for the investors in the investment decision into the trading activities for the REITs investment. This had been importance for the market to understand the performance of the investment affecting the confidence level for the investors. To provide the relevance understanding into the study. The inflation rate representing the economic conditions for the country will be included as the intervening variable for the current study. The target setting for the study will be solely focus in the country of Malaysia.

LITERATURE REVIEW

Through an example where a change in the environment prompts a forecast of impending changes in macroeconomics and investment growth potential, the concept of rational expectations theory is demonstrated (Widyarti, Wahyudi, and Hersugondo, 2021). The expectations placed on investors to steer clear of risky investments in risky times are a result of the risk-averse investors' propensity to exhibit their conservative side when making investment decisions. This phenomenon may be closely related to the rational expectations theory. According to the current study, if the stock market has recently experienced poor performance, investors will become more risk-averse and reduce their stock market trading. According to earlier studies on investors' responses to market changes (Batinca, Hesse, & Treleaven, 2018), this theory makes sense. This would imply that the ups and downs of the market index and the performance of individual stocks would be the deciding factors for investors when deciding whether or not to invest in the stock market. Investors' confidence in stock prices rising further will increase as the stock market as a whole performs better, which should result in more trading and investment activity on their part (He et al., 2020).

Choi (2019) asserts that market indices have been the recommended for economists and financial experts to reference to in order to comprehend the pattern and performance of the stock market over a given period of time. According to Tapa & Hussin (2016) BBusiness value and performance typically follow the economic situation in a country. Boom and recession in the economy will therefore become the reason for the rise and fall in the stock market. In many countries where the stock market observes the sharp fall in the market indices indicating a significant pitfall for the stock performance, for example, the recent Covid-19 had observed the major fall in the economy recording one of the word recessions in history (Chiah & Zhong, 2020). Due to the risk of losing their initial investment, investors are likely to refrain from making a variety of stock market investments.

As noted by Souza, Barbedo, and Araujo (2018), the volume of trades can be used to infer an investor's trading behavior on the stock market. Investors are more likely to trade on the market if they perceive its current expansion as being strongly positive. A rising market index gives the appearance that the stock market is expanding, luring more investors to the secondary market.

Investors increasingly look to market indices for guidance and reference when making investment decisions. Al-Ajmi (2017) claims that increasing stock market activity is a sign that investors are upbeat about the likelihood of future growth and returns on their stock holdings. The stock market's indices, which rise and fall as a signal to buy or sell in the current market, are subject to the whims of investors (Iqbal & Riaz, 2015).

According to previous research studies, investing in REITs had a similar concept to investing in a stock portfolio, but was considered to carry lower risk as REIT investments had been shown to provide a higher level of consistency in their investment performance (Sukor, Sujak and Noordin, 2020). This is supported by the fact that REIT investments make more economic sense when the returns come from real estate and property management, which are in high demand in the market (Zaidin et al., 2021). Unlike the rest of the industry, there is a higher risk of feeling the effects of the recession as well as changing trends and conditions (Sukor, Sujak & Noordin, 2020). According to studies conducted in the past, it is known that a stock portfolio is likely to generate a high return on investment and yet expose the investor to higher risk, which is consistent with the idea of high risk and high return (Zaidin). et al., 2021). Therefore, the idea derived by investors was clearly aimed at reducing the overall risk of the investment rather than focusing on the risk of higher returns, which could ultimately have different effects on the outcome of the investment (Chuwani & Eves, 2017).

In addition, the involvement of the economic factor had been crucial to provide the relevance impact towards the confidence of the investors. The economic condition remained as the significant influence towards the performance of the business investment as the economic growth still motivates on the overall Gross Domestic Product (GDP) as well as demonstrating the potential for the stimulate the growth on the investment (Khairulanuwar & Chuwani, 2021). The REITs investment had been in relevance with the economic condition as the real estate demand had been in aligned with the consumption and demand in the consumers and businesses (Soon, 2021). As per previous studies, there is major suggestion to predict the economic inflation being able to provide the mediating impact towards the relationship between the economic condition in affecting the real estate investment (Jing & Samsudin, 2018). This is because of the fact where the previous findings had shown the significant in the growth of the economic translate becoming the growth of the investment due to the higher encouragement into the investment of the real estate to produce greater business returns (Khairulanuwar & Chuwani, 2021). This will eventually translate into the return through REITs investment inducing higher growth for the REITs investment.

Based on the assessment through the literature review, there are numerous suggestions drawn from the previous studies where the previous studies provide the fundamental suggestion to identify the significant in the relationship between the REITs investment performance in affecting the confidence of the investors inducing higher trading activities within the financial market (David, Chang & Low, 2021). In addition, following the

suggestion that the economic condition remained as the significant mediating factor within the investment performance and the confidence level for the investors, the lacking suggestion for the specifically directing the focus on REITs investment remained unclear resulting in conducting the similar quantitative analysis into the current study but using the REITs investment performance instead (Soon, 2021). With this, the hypothesis had been developed through the literature review which draw the expected outcome in the research study where the results from the hypothesis testing will be reflected in the outcome of the quantitative study.

Hypothesis 1

H0: There is no significant in REITs investment return in affecting the trading activities among the investors in the financial market.

H1: There is significant in REITs investment return in affecting the trading activities among the investors in the financial market.

Hypothesis 2

H0: The inflation rate is not significant being the intervening variable between the REITs investment return and the trading activities among the investors in the financial market.

H1: The inflation rate is significant being the intervening variable between the REITs investment return and the trading activities among the investors in the financial market.

METHODOLOGY

The proposed study had been identifying the quantitative study method as the ideal approach for the research design. The research design using the quantitative method is being referred as the preferred methodology for the current study as the current research provide the assessment and relevance analysis using numerical data that is collected from the previous historical trend of data input (Apuke, 2017). With this, the assistance from the statistical output from the quantitative data will become significant to provide the quantitative analysis drawing the concrete and objective form of results to conclude the findings of the study (Tapa & Hussin, 2016). Besides, the quantitative study method allows the study to provide higher visibility to dive into the understanding on the pattern and trend for the historical data for the investment activities. In addition, the research approach will emphasize on the application on the longitudinal study which allow the study to focus into a certain period of time within the assessment for the research allowing the stud to test for the relationship between the variables through the quantitative analysis (Sharela, 2016).

Moving on, the data collection process had introduced the secondary data collection where the data is collected through the historical data that was previously presented using primary data market (Apuke, 2017). The benefits from collecting the secondary data had been clear where the data collection process can be ease with more convenient and cost friendly (Sharela, 2016). The

major source of the data from the secondary data collection is directly source from the Yahoo Finance for the relevance data input on the REITs stock price and the trading volume as well as sourcing from World Data for the inflation rate for the economy. The target setting for the study had been focusing into the country of Malaysia where the Malaysia country remained as the high representing country as the developing country where more and more investors are more cautious into the potential of the alternative investment opportunity rather than depending into the usual stock equity investment (Khairulanuwar & Chuweni, 2021).

Moving forward, the quantitative analysis will be concluded through the demonstration of a series of the statistical testing for the study. Firstly, the descriptive analysis will be surface to provide the clear overview on the attributes on the data input for the current study (Sekaran & Bougie, 2016). The quantitative analysis will forward with the correlation analysis mainly to understand the inter-correlation between the data input involving ranging from the REITs investment return, trading volume growth as well as the inflation rate for the country (David, Chang & Low, 2021). Last but not the least, the regression analysis will be conducted where the regression analysis will observe the application of the REITs investment return as the independent variable with the trading volume for the REITs investment identified as the dependent variable as well as the inflation rate of Malaysia being used as the intervening variable for the regression model (Sekaran & Bougie, 2016). Based on the outcome of the research study, the findings in the quantitative analysis will be used for the hypothesis testing with reference of the research framework drawn in the study before concluding the objective of the study.

RESEARCH RESULT

Data Analysis

Table 1. Descriptive Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Inflation Rate	10	-.01139	.03871	.0195789	.01484432
REITs Investment Return	10	-.09566	.09107	.0105136	.06306782
REITs Trading Volume Growth	10	-.55779	3.92173	.6020903	1.37551284
Valid N (listwise)	10				

The Table 1 had been the starting point of the quantitative analysis to introduce the assessment in the attributes for the data input for the study, The descriptive analysis will provide the clear indication to identify the attributes for the quantitative data to verify the quality of the data before proceeding into the further testing of the quantitative analysis. The information in Table 1 showed the significant higher average growth expressed in terms of percentage compared to the mean of the inflation rate and the REITs investment return. With referrence to the standard deviation referring to the fluctuations showing the similar trend where the standard deviation for REITs trading volume

appears to be higher than the other two variables in sync with the higher mean recorded for the variable. Therefore, there is no abnormality being observed over time for the current data analysis study.

Table 2. Correlation Analysis

Correlations				
		Inflation Rate	REITs Investment Return	REITs Trading Volume Growth
Inflation Rate	Pearson Correlation		.542	-.388
	Sig. (2-tailed)		.106	.267
REITs Investment Return	Pearson Correlation	.542		.289
	Sig. (2-tailed)	.106		.418
REITs Trading Volume Growth	Pearson Correlation	-.388	.289	
	Sig. (2-tailed)	.267	.418	

The Table 2 introduce the correlation analysis where the purpose of the correlation analysis created the understanding to explore the direction and movement of the data between the variables. With reference to the current study, there are total of three variables hat will be included as part of the assessment within the correlation analysis for the quantitative study. The outcome from the data output from the correlation analysis in Table 2 demonstrate the REITs investment return tend to share positive correlation against the inflation ate within the economy as well as the trading volume of REITs investment. On the other hand, the investment trading volume for the REITs investment had been showing negative correlation against the inflation rate growth in the Malaysia economy. However, the correlation shown among all the three variables had not been showing the significant in the p-value recorded indicating there is no significant inter-relation between all the variables introduced within the current study.

Table 3. Regression Analysis

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.536	.448		1.195	.266
	REITs Investment Return	6.304	7.382	.289	.854	.418
2	(Constant)	1.840	.641		2.870	.024
	REITs Investment Return	15.420	6.907	.707	2.232	.061
	Inflation Rate	-71.484	29.346	-.771	-2.436	.045

a. Dependent Variable: REITs Trading Volume Growth

The Table 3 had been demonstrating the creation of the regression model for the study where the regression analysis will be observing the application for the three variables based on the research framework as demonstrated for the current study. The regression model will apply the REITs investment return as the independent variable against the influence towards the trading volume growth for the REITs investment over time. The initial study had been very straight forward offering the findings that suggest the p-value of 0.418 which exceed the tolerance level of 5% showing no indication that the REITs investment return motivating and encouraging the trading activities for the REITs investment.

Shifting the focus into alternate regression model, the similar independent variable on the REITs investment return against the initial dependent variable expressed through the trading volume growth on the REITs investment but with the addition of the involvement of the inflation rate as the intervening variable for the regression model. The outcome for the statistical output for the regression analysis had been producing the very different perspective for the study where the information in Table 3 had shown that the inflation rate being significant in mediating within the two variables having the p-value of 0.045 which is below the 5% tolerance level. However, the similar regression model failed to show any strong indication on the presence of the significant impact from the REITs investment return against the movement of the trading volume for the investment leading to the conclusion drawing the irrelevance for the performance of the REITs investment in influencing the confidence of the investors.

With this, the results from the research findings had provide the sufficient evidence to perform the hypothesis testing for the research. Based on the hypotheses that are drawn in the current study where the outcome will help to conclude the purpose of the study. With reference to the first hypothesis, the hypothesis is targeted to test the relationship between the REITs investment return in affecting the trading volume activities for the REITs investment. However, the results in correlation analysis and regression analysis had conclude no significant evidence to point out the relationship between the two variables. Therefore, the results will reject the alternate hypothesis in H1 opposing the initial suggestion and accepting the null hypothesis in H0.

DISCUSSION

Hypothesis 1

H0: There is no significant in REITs investment return in affecting the trading activities among the investors in the financial market.

H1: There is significant in REITs investment return in affecting the trading activities among the investors in the financial market.

Moving on to focus in the second hypothesis, the main purpose for the hypothesis is to explore the significant of the role of inflation rate representing the economy to test against the mediating factor between the REITs investment

return and the trading activities. The results had shown strong relevance of the impact from the economic condition playing a major and significant role to influence the investment return and the trading activities for the REITs investment. With this, the outcome from the quantitative findings had support the rejection of the null hypothesis in H0 and accepting the alternative hypothesis in H1 agreeing with the initial suggestion from the literature review.

Hypothesis 2

H0: The inflation rate is not significant being the intervening variable between the REITs investment return and the trading activities among the investors in the financial market.

H1: The inflation rate is significant being the intervening variable between the REITs investment return and the trading activities among the investors in the financial market

CONCLUSIONS AND RECOMMENDATIONS

The conclusion of the study draws the relevance summary on the findings of the research. In summary, the results and findings of the study had concluded that there is no relevance relationship being exist between the REITs investment return against the trading volume activities for the stock. This means that the attractiveness of the investment return for REITs appear not being able to motivate the investors' confidence towards the preference into investing in REITs. This could be due to the increasing uncertainty of the economic condition resulting in lack of stability in the business and investment growth. As a results, the investors tend to be conservative where the performance of the investment will not likely to yield more trading volume translating to the confidence of the investors.

On the other hand, the inflation rate within the economy of Malaysia had showed the significant impact mediating between the relationship of the REITs investment return against the trading volume of the investment. This would mean that the boom and recession within the economic cycle will likely to influence the investment performance and the investor's confidence level within the financial market. Therefore, it is no doubt that the investment decision and the investment return are very dependent on the economic growth of the country. In contrast to this, the investors tend to highly reference to the economic growth level before proceeding into making investment decision for the future. Therefore, bottom line had shown that the economic condition expressed through the inflation rate remained as significant role to influence the investment return and confidence level for investors within the REITs investment aligning with the expectations of the investors over time based on the movement and development of the economic situation in the country.

The outcome of the study had been significant where the research had been creating the value towards the understanding to narrow down the gap in the literature review. The development of the new knowledge within the scope

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of study had been crucial to address to the academic where the study will provide the valuable insight for the current research to conduct future research. More importantly, the outcome of the research helps to understand the behavioural of the investors in terms of assessing the confidence level of the investors. The results from the study had provide the recommendation to the investors to reference to the economic condition when comes to making investment decision for the REITs. This will provide higher reference for the future investors to gain the necessary understanding the investment behavioural within the financial market in Malaysia

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