

MBA Dissertation

**The Investment Behaviour of retail
investors.**

**Role of individuals' financial behaviour in the
Spanish Securities Market.**

MBA in Finance Stream

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Dublin Business School

Dublin, 22th of August of 2014.



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Declaration

This is to certify that I, Sergio de la Peña Condado, student of Dublin Business School in partnership with the Liverpool John Moores University, studying a Masters of Business Administration, have submitted this dissertation on the topic “The Investment Behaviour of retail investors: role of individuals’ financial behaviour in the Spanish Securities Market” in part fulfilment of the requirements for the degree of Masters of Business Administration (MBA) at the Dublin Business School.

Moreover, I hereby certify that this entire material belonging to my MBA Master Dissertation, which I now submit for assessment, is entirely my own work and has not been taken from the contents of others save to the extent that such work has been cited and acknowledged within the text of my own elaboration and development. Finally, I declare it has not been submitted in part or in whole to any other College/University for assessment or for award of any other academic degree.

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List of Abbreviations

BME – *Bolsas y Mercados Españoles* → Spanish Stock Market.

CNMV – *Comisión Nacional de Mercados de Valores* → National Securities Market Commission.

US – United States.

UK – United Kingdom.

NASDAQ – National Association of Securities Dealers Automated Quotation.

IBEX 35 – *Índice Bursátil Español* → Spanish Exchange Index.

AIAF – *Asociación de Intermediarios de Activos Financieros* → Spanish Private Fixed-income Securities Market.

MEFF – *Mercado Español de Futuros Financieros* → Spanish Financial Futures Market.

SIBE – *Sistema de Interconexión Bursátil Español* → Spanish Electronic Trading Platform

ETF – Exchange-Traded Funds.

MAB – *Mercado Alternativo Bursátil* → Spanish Alternative Trading Platform.

ECR – *Entidad de Capital-Riesgo* → Venture Capital Firm.

S.A. – *Sociedad Anónima* → Public Limited Company (plc).

SEND – *Sistema Electrónico de Negociación de Deuda* → Electronic Fixed-income Trading Platform.

SENAF – *Sistema Electrónico de Negociación de Activos Financieros* → Electronic Multilateral Trading System.

MTF – Multilateral Trading Facility.

SEU – Subjective Expected Utility.

MPT – Modern Portfolio Theory.

CAPM – Capital Asset Pricing Model.

APT – Arbitrage Pricing Theory.

INE – *Instituto Nacional de Estadística* → National Statistics Institute.

SPSS – Statistical Package for the Social Sciences.

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Abstract

The aim of the research paper is to examine and better understand the capacity of individual investors to adequately invest on the Spanish stock market (BME) and how their decisions and choices made in this financial framework along the Behavioural Finance branch of knowledge, can affect and determine a customer's financial standing. Moreover, the purpose of this work is to determine whether their personal strategies when accessing to markets are effective in earning surplus returns of each transaction executed.

There is much research into the relationship between individual or retail investor behaviour and their own investing methods, but we encounter very few research studies run to understand the nature of individual behaviour in the Spanish financial market. Therefore, this study represents one such attempt to fill this gap, investigating the factors influencing individual investor behaviour and their way of investing in Spain.

Data employed were collected from two sources, primary and secondary research methods. For primary data, they were obtained through the use of quantitative questionnaires administered to investors categorised as young, experienced or professionals. Secondary data were collected from various sources such as business library, journal articles, eBooks, catalogues, textbooks and internet. In the first part of the dissertation, a critical review of definitions and explanations within the investments and behaviours, financial markets and attitudes towards risk is undertaken.

Finally, in the second and concluding part, the research findings from the implementation of primary data are described and analysed. The data collected through the questionnaire showed that the majority of retail investors effectively managed to invest their savings or incomes into the markets and most people's view of investment was generalized positivism related to them having the adequate and precise money allocated in different instruments.

It also revealed that retail investors have access to their open positions and tends to reorganize the investment philosophy adopting a conservative approach, seeking for capital preservation as a primary objective and almost any tolerance to fluctuating returns at the end of the year. This is ultimately supported by the general investment purpose of safety and profitability as strong key priorities before deciding whether to invest in certain product or not.

Chapter 1: Introduction

1.1 Research background

Nowadays and since long ago, people decided to invest in financial markets, to make money and obtain high returns. And, when it comes to money and investing, we are not always as rational as we think we are, which is why there is a whole field of study that explains our sometimes-strange behaviour (Pareto, 2010). It is certainly a concept that deserves to be presented in the following lines, through the literature review, to expose accurately and consistently the future content of the methodology.

But before going in depth into this topic, the nuclear notion of financial investment within the stock markets is presented hereafter. According to Cambridge Dictionaries (2014), it represents “the act of providing money for a business rather than other forms of investment such as effort or time, or the money provided”. Therefore, what do we mean by investor? Graham (2003) use this term in contradistinction to speculator, stating a precise formulation of the difference between the two, as follows: “an investment operation is one which, upon thorough analysis promises safety of principal and an adequate return. Operations do not meeting these requirements are speculative”. Additionally, in most periods the investor must recognise the existence of a speculative factor in his common-stock holdings. It is his task to keep this component within minor limits, and to be prepared financially and psychologically for adverse results that may be of short or long duration (Graham, 2003).

A pure preliminary exposition of investment would encompass some basic notions among the researchers. According to Vanguard (no date, p.4), investing can help you to both create and preserve your wealth. By taking an appropriate level of risk you may have the opportunity to earn potentially higher long-term returns. It is important to remember that the value of investments, and the income from them, may fall or rise and investors may get back less than they invested. In broad terms, you invest create and preserve wealth.

Additionally, as The Investor Protection Trust (no date, p.13) states, most people start saving and investing to meet a specific goal, such as buying a car, continuing their education or starting a family. Among the tasks young adults face as they move into the working world are the following:

- Preparing for a career, often by going to college.
- Saving for major purchases and expenses (such as a college education, a family and a first home).

- Building up a “rainy day” fund for emergencies (possible job lay off, etc.).
- Developing a personal financial/investment plan.
- Starting a savings and investment program.

Beyond the things they may need or want either now or in the near future, people save and invest for other reasons. One of the most important reasons for people to save and invest is to provide the funds for a comfortable, financially secure retirement. People who save and invest for the long term are using their money to make more money — through interest in a bank product (such as a certificate of deposit) or through market returns on a stock, bond or mutual fund. Most investors need both bank and investment products to meet their long-term financial goals.

However, in general terms the belief that investing provides almost always profits in favourable and adverse scenarios, it is what makes families and general participants invest hoping to multiply their money, and ultimately the issue that arises can be related to in what way does this affect families economy and investment business. In this willingness to earn high returns from profitable financial products on the securities market, a continuously increasing participation of subjects together with the complexity surrounding the trading, is prompting regulators and practitioners to investigate the determinants of financial behaviour of individuals (Barasinska, 2011).

Theoretical and Experimental works of two psychologists Daniel Kahneman and Amos Tversky which contributed to psychology literature in 1970s served as foundation and gave rise to a new paradigm in the 1980s called Behavioural Finance, which “studies how people actually behave in a financial setting. Specifically, it is the study of how psychology affects financial decisions, corporations, and the financial markets” (Nofsinger 2001, cited in Subash, 2012, p.15).

In addition, according to Barber and Odean (2011, p.1), research in modern economics has been built on the notion that human beings are rational agents who attempt to maximize wealth while minimizing risk. These agents carefully assess the risk and return of all possible investment options to arrive at an investment portfolio that suits their level of risk aversion. Models based on these assumptions yield powerful insights into how markets work. However, real individual investors behave differently from investors in these models. Most individual investors hold underdiversified portfolios. Many apparently uninformed investors trade actively, speculatively, and to their detriment. And, as a group, individual investors make systematic, not random, buying and selling decisions.

And finally, in this process of decision-making and self-assessment of which are going to be the best and more remarkable items of the stock exchange market to incorporate them in an individual portfolio, the role of behavioural finance is essential to be aware of the different

paradigms and scenarios to properly invest. As Benjamin Graham, the Father of Value Investing, stated (Davis Funds, 2012) “individuals who cannot master their emotions are ill-suited to profit from the investment process.”

Throughout the past years, there has been a large amount of instruments available for families to choose in the financial markets, and these are currently increasing over the time. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity (Certified Public Accountants, 2012, p.10).

The types of investment in instruments available in the market can be represented schematically as follows (HSBC, 2014):

- I. Financial instruments:
 - Equities.
 - Mutual Funds.
 - Bonds.
 - Treasury Bills.
 - Deposits.
 - Cash equivalents.
 - Futures and Options.

- II. Non-financial instruments:
 - Real Estate.
 - Gold.

1.2 Research justification

Developing this dissertation will lead me acquire an expert knowledge on this field and in-depth explanation of the main drivers that individual investors consider when they carry out their stock acquisitions.

However, despite facing along the entire report certain complex features, I fully trust the final choice of the topic, because of its originality, formulation heterogeneity and an amplitude of possible ways of applying my financial skills. With regard to the reasons that led me to choose the topic, it outstands a growing desire to understand personal behavioural acts, what are the most commercialized products in the financial market and how they start taking buying/selling positions.

1.3 Research objectives

It is evident from the below literature review that there exists a close association between individual investor behaviour and their own investing methods, also that each retail investor is different, some are more averse to risk than others, and some have more resources than others to achieve certain investments. However, we encounter very few research studies run to understand the nature of individual behaviour in the Spanish market. Therefore, the present work represents one such attempt to fill this gap, investigating the factors influencing individual investor behaviour in the Spanish securities market.

The research study seeks to examine the capacity of individual investors to adequately invest on the Spanish stock market (BME) and how their decisions and choices made in this financial framework along the Behavioural Finance branch of knowledge, can affect and determine a customer's financial standing. Also, the aim of this work is to determine whether their personal strategies when accessing to markets are effective in earning surplus returns of each transaction executed.

According to Tornroos and Halinen (2005), "a research objective is the guiding line for all decisions made concerning research methods, it is an important role in defining the unit of analysis in mastering the complexity and in setting the basis for reasonable comparisons".

Another aspect which this study looks into is the approach to the financial market and consumer behaviour that will be studied and explained from a wide angle, to focus later in a

more specific way, ending with the main point of this dissertation, the behaviour of retail and individual investors regarding the financial markets and their final performance along the investment process.

By looking over the behavioural finance of certain profiles of active subjects, I hope to learn about the underlying reasons and particular actions that lead them play an important role on the preservation and boost of their capital and net worth across the years. And how current and emergent instruments satisfy the needs of buyers and sellers on the stock market.

1.4 Research question

The research question is what the researcher is trying to find out by doing his study. According to Foss and Waters (2007), the research question guides the research process, tells the researcher what to look at and what to ignore, and is captured in the title of the dissertation. In other words, a research question is what the dissertation is about.

Thus, the present academic dissertation attempts to answer the following research question:

How can investors' sentiments and behaviours determine their own financial position held on the Spanish Securities Market?

This initial question is the source for others sub-questions, immediately related to the previous one. Therefore, we can observe the following:

1. Attitudes of retail investors against incurring on risk.
 - 1.1 What kind of attitudes are prevalent in the individuals' investment?
 - 1.2 Does this attitudes change between their stake volumes incurred?
 - 1.3 Reasons behind those investment attitudes (i.e. aggressive, conservative).
2. How much money, investors put aside for investing in financial instruments, and does this show some equal investment parameters?
3. Causes and effects on individual investors to commence investing on financial market.
4. Type of securities incorporated to their personal portfolios.
 - 4.1 Do individuals have a diversified portfolio?

4.2 Which financial instruments are the most bought?

5. Interactivity offered from intermediaries (brokerage firms) or advisors/financial consultant when investing.
6. What psychological heuristics and biases affect the retail investor behaviour?

On my subsequent arguments and calculations in response of all these questions, I will be employing a quantitative research. Thus, I will choose a deductive method, that is, from Investor Behaviour theoretical patterns to the verification of data searched. Surveys will be done to different types of families and others general retail investors; these samples will be explained later on.

Hypotheses:

As mentioned in the literature review above, it is undoubtedly that behavioural factors impact the investment decisions of investors in the financial markets, especially in the stock markets. This study explores the influence levels of the behavioural approach on the individual investors' decisions and their investment performance at the Spanish stock market, as in the following research model and hypotheses.

In addition, there will be different hypotheses to take into consideration, corresponding to the quantitative approach in the research project conducted:

Hypothesis 1 → (H1): *Experienced men aged above 40 are the ones who most participate and interrelate on the securities market.*

Hypothesis 2 → (H2): *As the amount of net worth increases, investors with significant resources put aside money in several financial assets, diversifying their savings and incomes across the market.*

Hypothesis 3 → (H3): *From among all the available financial instruments, shares/stocks are the most recurrent and preferred investment option.*

Hypothesis 4 → (H4): *It is thought that retail investors' investment is not influenced by demographic factors.*

Hypothesis 5 → (H5): *It exists a direct relation between conservative expositions and the predominance of portfolio diversification and the quest for profitability.*

As can be totally assumed and presupposed on this thesis, the researcher enables the configuration of a crucial and nuclear Hypothesis 0 at the epicentre of the study development, which will be the connecting link between data analysis and hypothesis assessment. It has been determined as follows:

Hypothesis 0 → (H0): *It is believed that a vast majority of individuals invest or have invested in the financial market at some point.*

Of course, if Hypothesis H0 is false, then the subsequent Hypothesis H1, H2, H3, H4 and H5, will also be false.

1.5 Research layout and organization

This research consists of five main chapters or sections, consecutively developed and treated in the same order as shown. They can be described as below:

1. Chapter 1 – Introduction:

Section one is “Introduction” where a brief introduction is given on the research topic, incorporating an initial overview of the all dissertation, its background and its main purpose. Therefore, it is divided into five parts: Research Background, Research Justification, Research Objectives, Research Question and Research Layout and Organization.

2. Chapter 2 – Literature Review:

Section two is “Literature Review” which presents existing information and secondary data associated to the research study and critically examines the research topic. It is devoted to provide the foundation of knowledge in the research area.

This section gives information about what has already occurred within the Spanish securities market. The secondary research is gathered into this chapter in order to get an opinion and theories on the research subject. It is divided into five headings which are: Literature Introduction, Spanish securities market and financial instruments, Behavioural Finance, Investor sentiment and behaviour, Individual attitudes towards investment risk, and Literature Conclusion.

3. Chapter 3 – Research Methods and Methodology:

Section three is “Research Methods and Methodology” which discusses and describes the research design and the research activities undertaken.

The purpose is to illustrate and better understand the methodology employed to conduct this study. In this chapter, the researcher explained and justified his choice of methodology for researching and collecting the primary data. In fact, this section describes the methodology behind the research. It provides a rationale for each “direction” that the researcher has taken. The chapter is divided into following sections: Research Philosophies, Research Approach, Research Strategy, Selecting Respondents, Research Ethics, Data Collection Instruments/Data Analysis Procedures, and Limitations of Methodology.

4. Chapter 4 –Data Analysis and Research Findings:

Section four is “Data Analysis and Research Findings” where results of the questionnaire was presented and analysed using the appropriate statistical tools.

The aim of this section is to present and analyse the results of the primary research conducted with a quantitative research method. Since the data is merely reduced to numbers into this analysis, there will appear a balanced content of discussion and interpretation together with measurements of quantitative relationships, in order to get a good understanding of the data collected.

5. Chapter 5 – Conclusions, Discussion and Recommendations:

Section five is “Conclusions, Discussion and Recommendations” which summarizes the research findings and draws a conclusion from the research study, and explaining the limitations and further recommendations of the thesis.

6. Chapter 6 – Self-reflection on own learning and performance:

The dissertation finalizes with some reflection setting the researcher’s personal learning experience developed through this work and what has been taught from it.

7. Chapter 7 – References.

8. Chapter 8 – Appendices.

Chapter 2: Literature Review

In this second section the selected themes related with the secondary data information searched will be exposed and extensively analysed.

2.1 Literature Introduction

Along the above paragraphs all the nuclear themes will be explained in depth. The first topics reviewed will start giving to the study a more general view of what investment is, its main financial instruments available to deal with and how this affects invertors. Further topics will be closely related with families and investors' behaviour when investing and main theories in relation to investment strategies and parameters of action.

2.2 Global and Spanish securities market and financial instruments

2.2.1 Global financial markets and instruments

First of all, the premise surrounding the selection of this initial topic is because in every society worldwide, and especially in Spain which comprises our focus group, there are an increasing willingness to become part of the financial markets by investing in financial products and taking positions, sometimes too risky, with their money. And in this initiation process, individuals feel that they are not receiving as much information as they would need to properly operate on the market. For that reason, on this chapter it is presented a straightforward and clear view of the securities regulated markets and its financial instruments available to investors.

In economics a market is an organisational device which brings together buyers and sellers. It does not have to have a physical location to full accomplish all the requirements. Prove of this is that for example, until October 1986 trading in stocks and shares in the UK was concentrated on the physical location of the London Stock Exchange trading floor. With the introduction of new technology, however, dealers have since dispersed to their companies' offices. In fact, financial markets offer some of the best examples of buyers and sellers

interacting over a widely dispersed geographical area. Markets for foreign exchange bring together and meet buyers and sellers in different countries. The latest communication technology now permits financial institutions in the US to deal in shares in Tokyo as readily as they can in New York. This is not just a technological marvel, due to thanks of the extensive regulation of financial activity, the internationalisation and heterogeneity of financial markets can be nowadays seen across the most important market places. Ultimately, it is an organisational framework within which financial instruments can be bought and sold (Howells and Bain, 2007, p.17).

Alternatively, as NASDAQ (2014) proposes, the financial market is an organized institutional structure or mechanism for creating and exchanging financial assets, which are, claims on real assets or identifiable assets such as land and buildings, equipment, patents, and trademarks, as distinguished from a financial investment. Therefore, the creation of more money through the use of capital embraces the concept of investment, on which individuals are constantly putting aside resources to gain surplus profits in a certain time period.

Within these operators the establishment and presence of some figures denominated as financial intermediaries, is determinant to leave the system functioning adequately. Basically, they are institutions that provide the market function of matching borrowers and lenders or traders. They also facilitate transactions between those with excess cash in relation to current requirements (suppliers of capital) and those with insufficient cash in relation to current requirements (users of capital) for mutual benefit (NASDAQ, 2014).

The term is also used in reference to a market in which funds are transferred from people with surplus funds to people who have a shortage. It also provide means for making payments, handle services like insurance and help investors to make cheap and frequent adjustment to their portfolio of assets. Current and potential buyers and sellers are willing to trade with instruments placing better buy or sell offers making the prices change and providing dynamism to the market. Table 1 gives a brief exemplary list of such instruments. The table is useful in that it indicates something of the range of instruments in existence and also because it enables us to distinguish certain broad categories of them (Kweigyah, 2011).

Table 1: A selection of Financial Instruments:

Table 1 A selection of Instruments

- Bank deposits
- Building society deposits
- National Savings certificates
- Treasury bills
- Government bonds
- Commercial bills
- Equities
- Life insurance policies
- Eurobonds
- Certificates of deposit

(Source: Howells and Bain, 2007, p.17).

Instruments which can be bought and sold between third parties are known as securities. Company shares and government stock, for example, once created can be bought and sold in organised markets without their original issuers ever again being involved, therefore, they can be traded directly between holders.

Additionally, one form of instruments distinction is whether they are issued with a fixed rate of interest for as long as they exist (government bonds) from those assets whose yield varies according to market conditions (bank deposits or company shares). Other differentiation basis is the maturity, this is the length of time which has to elapse before the claim is repaid. This method has been employed across the years to create a division between capital markets (markets for long-term claims) and money markets (markets for very short-term claims) (Table 2) (Howells and Bain, 2007, p.18).

Table 2: Capital and Money markets:

Capital markets	<ul style="list-style-type: none">● The market for bonds● The market for equities● The market for mortgages● The eurobond market
Money markets	<ul style="list-style-type: none">● The discount market● The interbank market● The certificate of deposit market● The local authority market● The eurocurrency market

(Source: Howells and Bain, 2007, p.19).

Prior to analyse the differences of classifications among markets, it is convenient for the study to be aware that the continuous technological advances transferred from the economy to the overall financial markets, embrace changes in the methods of doing business as well the assets traded in those markets. These financial innovations refer to development in the institutions of finance made in response to changes in the environment in which the institutions exist. However, as more sophisticated and efficiency techniques are introduced into these places, the functions of the system always remain the same (Bailey, 2005, p.2).

In this line, Merton and Bodie (chap. 1 in Crane et al. 1995, cited in Bailey, 2005, p.2) argue that the functions of financial systems change more slowly than their institutions. They propose a classification of functions:

1. Clearing and settling payments.
2. Pooling resources and subdividing shares.
3. Transferring resources across time and space.
4. Managing risk.
5. Providing information: price discovery or expectations of future asset price volatility.

The functions of a market are, in a trivial sense, performed directly or indirectly by its participants. In addition to the authorities that regulate the markets, the market subjects can be classified into three broad groups, according to their motive for trading (Bailey, 2005, p.35):

A. Public investors:

Who ultimately own the assets and are motivated by the returns from holding them. On this category there are included private individuals, trusts, pension funds and other institutions that are not part of the market mechanism itself.

B. Brokers:

Act as agents for public investors and are motivated by the remuneration received (typically in the form of commission fees) for the services they provide. Under this interpretation, brokers trade for others, not on their own account.

C. Dealers:

They do trade on their own accounts but the primary motive is to profit from trading – rather than from holding – assets. Typically, dealers obtain their return from the difference between the prices at which they buy and sell the asset over short intervals of time.

2.2.2 The Spanish securities market – regulated markets

To conclude with this section, the Spanish securities market (BME) will be examined to reduce the research scope into a local framework which will help the researcher build the posterior methodology and to focus more in deep on its internal paradigms and peculiarities related with the Spanish investors.

Bolsas y Mercados Españoles (BME) is the operator of all stock Markets and financial systems in Spain. BME has been a listed company since 14 July 2006 and an IBEX 35® constituent since July 2007. In the last few years it has become a reference in the sector in terms of solvency, efficiency and profitability. Additionally, is a stock market operator and the heir of centuries of cultural and financial heritage, in which millions of Spanish and foreign investors place their trust. It is currently one of the four major European stock exchange and market operators.

BME is a high technological company with an experienced and skilled workforce. It has the know-how and resources necessary to offer a wide range of services, products and advanced trading and global market access systems to issuers, intermediaries and investors, whether in Spain or elsewhere (BME, 2014).

It is also a highly diversified company structured into seven business-units which represents the broadest and most varied range of products and services that a company in its sector can offer to the financial community: Equities, Public and Corporate Debt, Derivatives,

Clearing and Settlement, Information Dissemination, Consultancy, New Technologies and Training.

BME comprises over 20 subsidiaries, among which some of the most prominent are Bolsa de Madrid, Bolsa de Barcelona, Bolsa de Bilbao, Bolsa de Valencia, AIAF Mercado de Renta Fija, MEFF, BME CLEARING, IBERCLEAR, MAB, Visual Trader, BME Innova, BME Market Data e Infobolsa.

BME is the repository of a long tradition of financial culture and best practice as well as the trust placed in it by millions of Spanish and foreign investors. The Spanish stock exchanges, markets and financial systems all make a dynamic and modern company thanks to its capacity to anticipate changes, its innovation and responsibility, all of which have strengthened its financial solvency and allowed the company to boast a solid international presence, especially in Latin America (BME, 2014).

Among their group companies, in its Stock exchange governing centres their main purpose of existence is to list for trading, supervise and manage official secondary markets for securities.

The Barcelona, Bilbao and Valencia stock Exchange governing companies deal exclusively with public debt issued by the Catalonia, Basque Country and Valencia regional governments, respectively.



(Source: BME, 2014).

The four stock exchange governing companies also own 25% of:

1. Sociedad de Bolsas, S.A.

Which manages and operates the Spanish electronic trading platform (SIBE).

The Spanish equity market operates based on the SIBE electronic trading platform, developed entirely by BME, which guarantees full interconnection of the four Spanish stock exchanges. As well as stocks and shares, SIBE trades products such as ETFs, warrants, certificates and many other instruments.

2. Bolsas y Mercados Españoles, Sistemas de Negociación, S.A., (BME Sistemas de Negociación).

The governing company of two multi-lateral trading systems:

Mercado Alternativo Bursátil (MAB), which lists different segments: small cap companies looking to expand, collective investment institutions, venture capital firms (ECRs) and hedge funds (SIL), and,

Latibex, the market for European investors to buy and sell euro-denominated Latin American stocks.

3. MEFF Sociedad Rectora de Productos Derivados, S.A.U. (MEFF).

Manages the official secondary market for derivatives

MEFF Euroservices, S.A.U., and S.V.: which transfers orders to European markets (Eurex).

MEFF Tecnología y Servicios S.A.U.: which develops and operates data-processing systems, and manages the forward market for Red Eléctrica de España.

4. AIAF Mercado de Renta Fija S.A.U. (AIAF).

Manages and supervises both the primary and secondary corporate debt markets, the electronic fixed income trading platform SEND and is the governing company of the multilateral trading system SENAF (SENAF.SMN).

5. Bolsas y Mercados Españoles Innova, S.A.U. (BME Innova).

Offers specialised strategic consultancy services, custom- made technological solutions and integrated training programmes for the financial markets, as well as products and services for three areas: business continuity, financial communication and management software for financial institutions.

6. Bolsas y Mercados Españoles Market Data, S.A. (BME Market Data)

Specializes in handling, generating and selling information from the Group's various regulated markets and multilateral trading facilities (MTFs) and in developing value-added services aimed at the securities industry. BME Market Data is owned by BME, the four stock Exchange governing companies, MEFF and AIAF.

7. BME Clearing, S.A.U.

BME has concentrated its CCP activities under one umbrella, BME Clearing.

8. Visual Trader Systems, S.L.

Develops and operates the Visual Trader system, a platform which allows access to international markets and routing networks. It is connected to entities and brokers all over the world to send and receive orders.

This company is owned by the Madrid and Valencia stock exchange governing companies, with stakes of 90% and 10%, respectively.

9. Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear).

This is Spain's central depository for securities. It is responsible for the accounting records and the clearing and settlement of securities listed for trading on Spanish stock exchanges, the book-entry public debt market, AIAF and Latibex.

Iberclear, under the supervision of the Spanish Ministry for Agriculture, Food and the Environment, manages the National Registry of Greenhouse Gas Emission Rights (RENADE).

10. Instituto Bolsas y Mercados Españoles, S.L.U. (Instituto BME).

BME's training center, focusing on the organization of different training services related to financial markets.

11. Infobolsa, S.A.

Markets real-time financial market information services. It is jointly owned (50%/50%) by BME and Deutsche Börse.

In addition to the above, Bolsas y Mercados Españoles Servicios Corporativos, S.A. provides auxiliary services for the rest of BME Group companies.

Furthermore, as regards the National Securities Market Commission (CNMV in Spanish), it is the agency in charge of supervising and inspecting the Spanish Stock Markets and the activities of all the participants in those markets. It ensures the transparency of the Spanish market and the correct formation of prices in them, and protect investors. It also promotes the disclosure of any information required to achieve these ends, exercising prudential supervision over the securities issued and investment services companies (CNMV, 2014).

Finally, there is now time to place on the context previously detailed the savers who ultimately invest on these markets. As explained in Chapter 1, there is scarce literature review on the Spanish field and very few research studies run to understand the nature of individual behaviour and their way of incurring on financial decisions with instruments. However, regarding on the paper from Observatorio Inverco (2013, p.5), we encounter that in a period of four years, the number of conservative savers have raised more than doubled, reaching the 62% of total population, while between 2011 and 2013 the increase has been more moderate. Also, according to the investment profile, men are more "active" than women. 76% of dynamic savers are men, while most conservative investors are women (56%). In addition, the savings to deal with unexpected incidents gains more prominence against seeking for tax advantages. And, to complement public retirement remains second reason for saving, probably due to the intense debate on the future of pensions.

In line with these investing features, excluding bank deposits, investment products with a more presence in the portfolio savers are pension plans and mutual funds (60%) followed by equities (31%). The safety and profitability offered by products remain key priorities before deciding whether to invest in them or not (Observatorio Inverco, 2013, p.9).

2.3 Behavioural Finance

At this point, in this second chapter the attention will be turned into the analysis of the Behavioural Finance branch of economy, directly linked and very close-knit features with the markets' behaviours and general social, emotional and cognitive factors on the instruments choices finally implemented by the active participants. This revised financial sub-category will be the origin source for understanding the content of the next theme, delineated within each individuals' decisions took when deploy actions to effectively invest their savings, and consequently obtaining abundant gains through effective resource allocation.

Therefore, in this fragments the aim is to provide a practical introduction to general principles of behavioural finance, outlining the potential lessons for successful investing.

First of all, drawing the attention to Byrne and Utkus (no date, p.3) behavioural finance studies the psychology of financial decision-making. Most people know that emotions affect investment decisions. People in the industry commonly talk about the role greed and fear play in driving stock markets. Behavioural finance extends this analysis to the role of biases in decision making, such as the use of simple rules of thumb for making complex investment decisions. In other words, it takes the insights of psychological research and applies them to financial decision-making.

In particular, behavioural finance has been an increasingly fruitful branch of research that, in short, takes account of deviations from perfect rationality and explores the ways this may affect market outcomes, asset prices, and even the behaviour of other investors. In consonance with Barclays' (2014) definition, it combines psychology with financial theory to understand the interactions between markets, emotions, personality and reason.

Over the past fifty years established finance theory has assumed that investors have little difficulty making financial decisions and are well-informed, careful and consistent. The traditional theory holds that investors are not confused by how information is presented to them and not swayed by their emotions. But clearly reality does not match these assumptions.

As Byrne and Utkus (no date, p.3) also reiterate on their study, this financial reality has been growing over the last twenty years specifically because of the observation that investors rarely behave according to the assumptions made in traditional finance theory. Behavioural researchers have taken the view that finance theory should take account of observed human behaviour. They use research from psychology to develop an understanding of financial decision-making and create the discipline of behavioural finance.

In addition, Barberis and Thaler (2003, p.1053) in their paper explained that the traditional finance paradigm, which underlies many of the other articles in this handbook, seeks to understand financial markets using models in which agents are "rational". Rationality means two things. First, when they receive new information, agents update their beliefs correctly, in the manner described by Bayes' law. Second, given their beliefs, agents make choices that are normatively acceptable, in the sense that they are consistent with Savage's notion of Subjective Expected Utility (SEU).

They further go on and state that this traditional framework is appealingly simple, and it would be very satisfying if its predictions were confirmed in the data. Unfortunately, after years of effort, it has become clear that basic facts about the aggregate stock market, the cross-section of average returns and individual trading behaviour are not easily understood in this framework.

According to them, is a new approach to financial markets that has emerged, at least in part, in response to the difficulties faced by the traditional paradigm. In broad terms, it argues that some financial phenomena can be better understood using models in which some agents are not fully rational.

From the perspective of Statman (1999, p.19), the author presents Miller's arguments within standard finance as the unified theory intended to answer all the questions of finance: "the rationality-based market equilibrium models in finance in general and of dividends in particular are alive and well—or at least in no worse shape than other comparable models in economics at their level of aggregation. The framework is not so weighed down with anomalies that a complete reconstruction (on behavioural/ cognitive or other lines) is either needed or likely to occur in the near future" (Miller 1986 p. S466, cited in Statman, 1999, p.19). However, Statman argues that, to the contrary, reconstructing financial theory along behavioural lines makes much sense because it incorporates some beneficial tools such as: susceptibility to frames and other cognitive errors, varying attitudes toward risk, aversion to regret, imperfect self-control, and preferences as to both utilitarian and value-expressive characteristics.

Further discussions of behavioural finance appear within the literature in various forms and viewpoints. Shefrin (2000, cited in Ricciardi and Simon, 2000, p.3) describes behavioural finance as the interaction of psychology with the financial actions and performance of "practitioners" (all types/categories of investors). He recommends that these investors should be aware of their own "investment mistakes" as well the "errors of judgment" of their counterparts. Shefrin states, "One investor's mistakes can become another investor's profits" (2000, p. 4, cited in Ricciardi and Simon, 2000, p.3).

Furthermore, Barber and Odean (1999, p. 41, cited in Ricciardi and Simon, 2000, p.3) stated that "people systemically depart from optimal judgment and decision making. Behavioural finance enriches economic understanding by incorporating these aspects of human nature into financial models".

Robert Olsen (1998, cited in Ricciardi and Simon, 2000, p.3) describes the "new paradigm" or school of thought known as an attempt to comprehend and forecast systematic behaviour in order for investors to make more accurate and correct investment decisions.

Regarding Kishore's paper (no date), the Modern Portfolio Theory (MPT), Capital Asset Pricing Model (CAPM) and Arbitrage Pricing Theory (APT) are the quantitative models that underpin the rational expectations based theories (Markowitz 1995, Sharpe 1964, Ross 1976, cited in Kishore, no date, p.3).

These models within the traditional finance paradigm assume that investors act rationally and consider all available information in the decision-making process. Hence, investment markets are efficient and security prices reflect the true 'intrinsic values' of the

assets. That investors act promptly to new information and update prices correctly within a normatively acceptable process. Investment market returns are believed to follow a random walk pattern; hence considered not predictable. Underlying all these is the theory of arbitrage, which suggests that rational investors undo price deviation away from the fundamental values quickly and maintain market equilibrium. As such, 'prices are right' reflecting all available information and there is no 'free lunch': no investment strategy can earn excess risk-free rate of return greater than that warranted by its risk (Fama 1965, cited in Kishore, no date, p.2).

Despite that, the new behavioural finance paradigm born in response of difficulties faced by traditional financial models. In essence, it argues that investment choices are not always made on the basis of full rationality, and it attempts to understand the investment market phenomena by relaxing the two doctrines of the traditional paradigm, that is, (1). agents fail to update their beliefs correctly and (2). there is a systematic deviation from the normative process in making investment choices (Kishore, no date, p.3).

In the 1990s, a lot of the focus of academic discussion shifted away from these econometric analyses of time series on prices, dividends and earnings toward developing models of human psychology as it relates to financial markets. Hence, Shiller (2003, p.91) illustrates the progress of behavioural finance with two salient examples from recent research: feedback models and obstacles to smart money. Basically, what the author defends is that the collaboration between finance and other social sciences that has become known as behavioural finance has led to a profound deepening of our knowledge of financial markets. In judging the impact of behavioural finance to date, it is important to apply the right standards. Of course, we do not expect such research to provide a method to make a lot of money off of financial market inefficiency very fast and reliably. We should not expect market efficiency to be so egregiously wrong that immediate profits should be continually available. But market efficiency can be egregiously wrong in other senses. For example, efficient markets theory may lead to drastically incorrect interpretations of events such as major stock market bubbles (Shiller, 2003, p.101).

Finally as a conclusion, in his review of the literature on behavioural finance, Eugene Fama (1998, cited in Shiller, 2003, p.101) found fault for two basic reasons. The first was that the anomalies that were discovered tended to appear to be as often underreaction by investors as overreaction. The second was that the anomalies tended to disappear, either as time passed or as methodology of the studies improved. Shiller discovered that Fama's first criticism reflects an incorrect view of the psychological underpinnings of behavioural finance. Since there is no fundamental psychological principle that people tend always to overreact or always to underreact, it is no surprise that research on financial anomalies does not reveal such a principle either. His second criticism is also weak. It is the nature of scholarly research, at the frontier, in all disciplines, that initial claims of important discoveries are often knocked down

by later research. The most basic anomaly, of excess volatility, seems hardly to have been knocked down, and it is in fact graphically reinforced by the experience of the past few years in the stock markets of the world.

Moreover, the mere fact that anomalies sometimes disappear or switch signs with time is no evidence that the markets are fully rational. That is also what we would expect to see happen even in highly irrational markets. Even the basic relation suggested by market inefficiency, that stocks whose price is bid up by investors will tend to go back down later, and stocks that are underpriced by investors will tend to go up later, is not a relation that can be easily tested or that should hold in all time periods. The fundamental value of stocks is hard to measure, and, hence, if speculative bubbles (either positive bubbles or negative bubbles) last a long time, then even this fundamental relation may not be observed except in very long sample periods (Shiller, 2003, p.102).

2.4 Investor sentiment and behaviour

Along this third theme proposed, all the content turn around the identification of sentiments and choices made by investors which will guide their investments and personal financial acquisitions on the capital markets.

Giving a preliminary approach to the concept, it can denoted among the investing reality that casual observation suggests that the content of news about the stock market could be linked to investor psychology and sociology. However, it is unclear whether the financial news media induces, amplifies, or simply reflects investors' interpretations of stock market performance (Tetlock, 2007).

As Benartzi (no date, p.12) proposes, financial advisors are well aware of the herd mentality of humans, which sometimes leads individual investors to buy high and sell low, by plunging into rising markets and fleeing when markets fall (Bikhchandani et al. 1992, Galbraith 1993; cited in Benartzi, no date, p.12). But there are other psychological issues at play in the behaviour of individual investors, beyond fear and greed, impulses that flow from the intuitive mind. These are: overconfidence, as the herd instinct, leads people to believe they can outperform the market, and seduces them to trade stocks at an irrationally high rate; also, many people unconsciously fall back on a simple rule of thumb, or heuristic: what stocks are in the news? Buy them; and they sell winners too early and losers too late, caused by the disposition effect error.

Aziegbemhin (2013, p.26) declares that, investor sentiment has been traditionally regarded as a myth by classical financial theories and has received little attention by researchers prior to 1990. The standard argument was that in the highly competitive financial market, suboptimal trading behaviours such as paying attention to sentiment signals is unrelated to fundamental value. The traditional asset pricing models to explain some of the most striking events in the history of stock markets, such as the Nifty Fifty bubble, the Black Monday crash, and the internet or Dot.Com bubble. Since the 1980s, there have been several attempts to carry out asset pricing studies by assuming the efficient market hypotheses may be violated, at least in the short-run. A body of research has emerged from DeLong, et al. 1990, Black 1986, Brown and Cliff 2004, Baker and Wurgler 2006 (cited in Aziegbemhin, 2013, p.26), which argues that some of the anomalies observed in the stock market can be attributed to noise created through trades which are motivated by sentiment.

Modern finance theory also suggests that investor sentiment should not be priced as the mispricing induced by sentiment and can be removed by trades of rational investors and arbitraging. However, research in recent decades illustrates that if investor sentiment induces uninformed demand shock, and the cost of arbitrage is high, the influence of investor sentiment cannot be ignored. In reaction to the activities of this period many researchers appealed in hindsight to behavioural explanations such as investor sentiment. Thus, from a historical perspective investor sentiment is important since it is a plausible explanation for the speculative episodes of the 1990's: extreme bullish sentiments pushed prices far above fundamentals, leading to an inevitable return and crash in 2000 and 2007.

Additionally, concerning Baker and Wurgler's views (2006, p.1645), classical finance theory leaves no role for investor sentiment. Rather, this theory argues that competition among rational investors, who diversify to optimize the statistical properties of their portfolios, will lead to an equilibrium in which prices equal the rationally discounted value of expected cash flows, and in which the cross-section of expected returns depends only on the cross-section of systematic risks. Even if some investors are irrational, classical theory argues, their demands are offset by arbitrageurs and thus have no significant impact on prices.

They present in their paper evidence that investor sentiment may have significant effects on the cross-section of stock prices. They start with the discussion of theoretical predictions. Because a mispricing is the result of an uninformed demand shock in the presence of a binding arbitrage constraint, they predict that a broad-based wave of sentiment has cross-sectional effects (that is, does not simply raise or lower all prices equally) when sentiment-based demands or arbitrage constraints vary across stocks. One can therefore think of two distinct channels through which investor sentiment, as defined more precisely below, might affect the cross-section of stock prices. In the first channel, sentimental demand shocks vary in

the cross-section, while arbitrage limits are constant. In the second, the difficulty of arbitrage varies across stocks but sentiment is generic (Baker and Wurgler, 2006, p.1648).

Therefore, Baker and Wurgler (2006, p.1648) establish two different but complementary definitions:

- a) One possible definition of investor sentiment is the propensity to speculate. Under this definition, sentiment drives the relative demand for speculative investments, and therefore causes cross-sectional effects even if arbitrage forces are the same across stocks.

- b) One might also define investor sentiment as optimism or pessimism about stocks in general. Indiscriminate waves of sentiment still affect the cross-section, however, if arbitrage forces are relatively weaker in a subset of stocks.

There have been a very few researches done on the Spanish Stock market related to the same issue of the investor sentiments and behaviours and the resulting effect on investors' decisions. Also, to check the various effects of various events which might or might not affect both, there have been very few evidences put forward concerning the Spanish market. Thus, this project will be an attempt to fill the gap mentioned above.

2.5 Individual attitudes towards investment risk

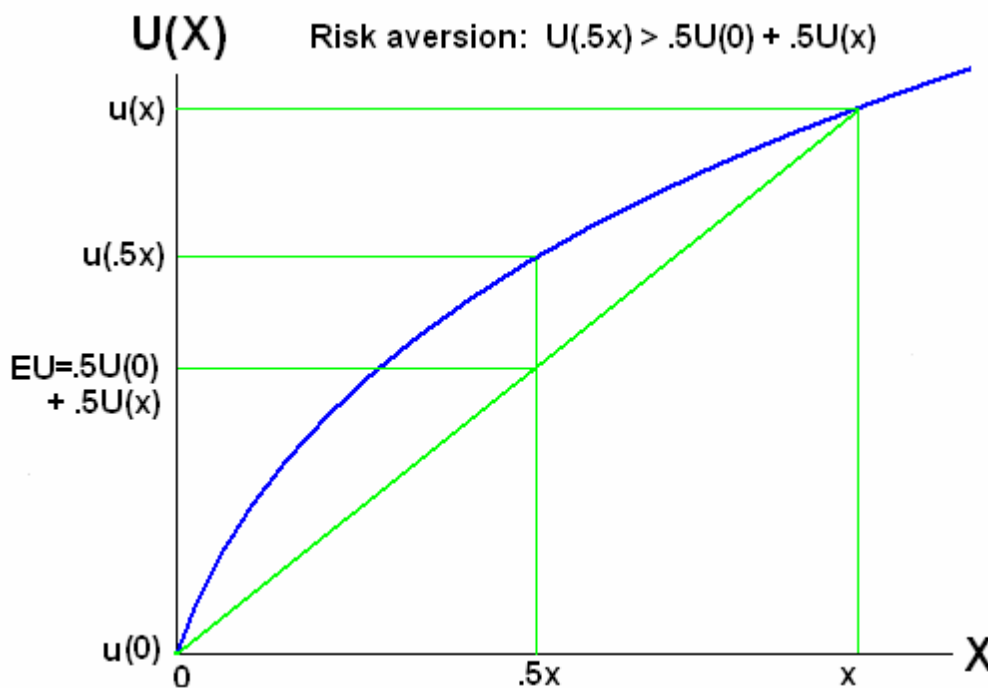
Risk tolerance measures are being used more and more widely by financial services firms to assess clients' attitudes towards investment risks. As Corter (2010, p.3) exposes, in behavioural decision making research, an important distinction has been made between decision behaviour under risk and under uncertainty. In his paper, the term "risk" is used to denote situations in which the probabilities of outcomes are known or at least made explicit, and "uncertainty" to denote situations in which the probabilities of outcome are unknown. Knight (1921, cited in Corter, 2010, p.3) was one of the first researchers to point out that risk and uncertainty are different.

The Ellsberg paradox (Ellsberg 1961, cited in Corter, 2010, p.3) is a compelling demonstration of one source of risk aversion in investment decision making: the fact that people show what can be described as uncertainty aversion (or "ambiguity aversion"). That is,

people prefer the risk of a known probability to an unknown one, even with equating of the objective risks.

The theoretical position adopted here is that financial risk aversion has a number of causes or affective/cognitive components. Theoretical models of behavioural decision making have mechanisms that can produce risk aversion. Under Prospect Theory (Kahneman & Tversky 1979, cited in Corter, 2010, p.4), the dominant theory of behavioural decision making for the past 30 years, risk aversion can be shown to result from two fundamental assumptions of the theory. First, the value (utility) function for gains is concave downwards (see Figure 1), as in Utility Theory (Bernoulli 1738/195, cited in Corter, 2010, p.4). This curvature of the utility or value function can be shown to lead to risk aversion for prospects involving only gains.

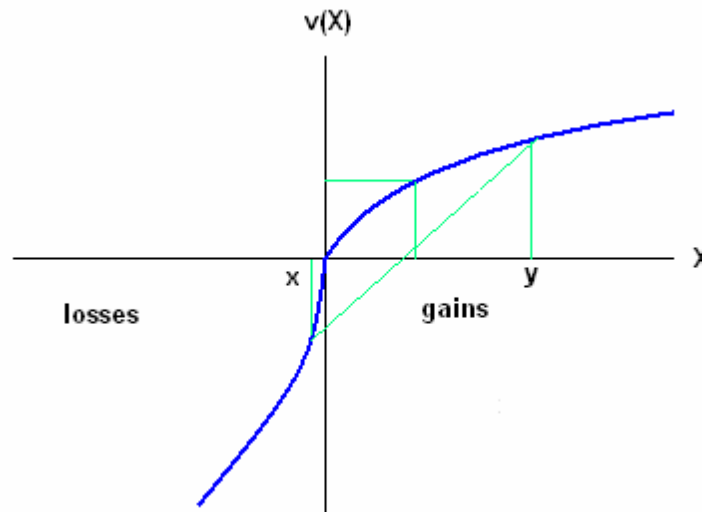
Figure 1: Illustration of how a concave utility (value) function leads to risk aversion:



(Source: Corter, 2010, p.4).

A second assumption of Prospect Theory that can lead to risk aversion is the relatively steep slope of the value function for losses compared to gains (Figure 2). The steeper slope of the value function for losses means that the value curve is essentially concave downwards in the neighbourhood of the origin. This means that for mixed prospects, involving potential gains and losses simultaneously, risk aversion should be observed (Corter, 2010, p.4).

Figure 2: Illustration of how loss aversion leads to risk aversion in Prospect Theory:



(Source: Corter, 2010, p.4).

Alternatively, quantitative and qualitative research carried out in this area by Collard (2009, p.3), indicates that attitudes to investment risk depend on factors such as personality, circumstances, educational attainment, level of financial knowledge and experience, and extent of financial product portfolio (Conquest Research Limited 2004, Distribution Technology 2005, cited in Collard, 2009, p.3). Quantitative research carried out in the US identifies a similar range of factors, including income, wealth, age, marital status, gender and level of education (Finke and Huston 2003, cited in Collard, 2009, p.3).

Attitudes to risk change over time as needs alter and people's capacity to afford to lose varies (Conquest Research Limited 2004, cited in Collard, 2009, p.4). The evidence indicates fairly clearly that willingness to take financial risk decreases significantly among people who are retired or nearing retirement (Distribution Technology 2005, Finke and Huston 2003; cited in Collard, 2009, p.4). In addition, work carried out in the UK on the measurement of investors' risk appetite (which depends on their attitude to risk) suggests that it fluctuates within a relatively narrow gauge during 'normal' times, but falls sharply during crises (Gai and Vause 2005, cited in Collard, 2009, p.4).

Finally, following the qualitative study of Collard and Breuer (2009, p.19), there was a general consensus that most participants were unwilling to take much risk with their money. This was the case even over the long term (five years or more) and few participants mentioned the potential for risk and return to balance out over time. The most common reasons cited for being averse to taking risks related to life stage: the responsibility of raising a family, taking on large financial commitments such as a mortgage and, among older participants, the need to protect any savings they had built up over time. However, some participants were willing to

take higher risks with their money to give themselves the chance of making higher returns. These participants tended to be young and single or higher earners.

2.6 Literature Conclusion

Previous papers which have been mentioned above in the review have identified different sentiment proxies and performed empirical studies to determine the influence on the aggregate market returns and its ability to predict future returns. Presently there are a number of methods to proxy market sentiment. Surveys are regularly conducted in many countries to see how investors foresee the direction of the overall economy and the stock markets. For that reason, in the posterior headings a quantitative questionnaire will be built and carried out to complement these previous information selections.

In addition, after having explained the Spanish financial market and their products, the essential theme of the dissertation, investors' behaviour in the financial markets, has been largely presented. The section is finally completed and accompanied by the Behavioural Finance sub-branch notion, leading the way in setting effective and decisive investing actions in terms of the choices that families and individuals make when investing their money.

By performing this research based on the preliminary information gathered, the researcher aims to provide a comprehensive study taking most of the literature available on Spanish investor's sentiment, the stock market categorization and its performance.

Chapter 3: Research Methods and Methodology

3.1 Methodology Introduction:

This chapter explores on the method of data collection and the study design used to configure the responses to the research questions. It also seeks to ascertain the demographic and socio-economic characteristics of the respondents. Descriptive and quantitative empirical methods of estimation are used for the data analysis. According to Brannick and Roche (1996), research methodology is essentially a decision making process, each decision made is affected by, and in turn, influences every other decision. In fact, decisions are interrelated. Brannick and Roche (1996) explained also that “the research process provides a systematic, planned approach to a research project and ensures all aspects of the project are consistent with one other”.

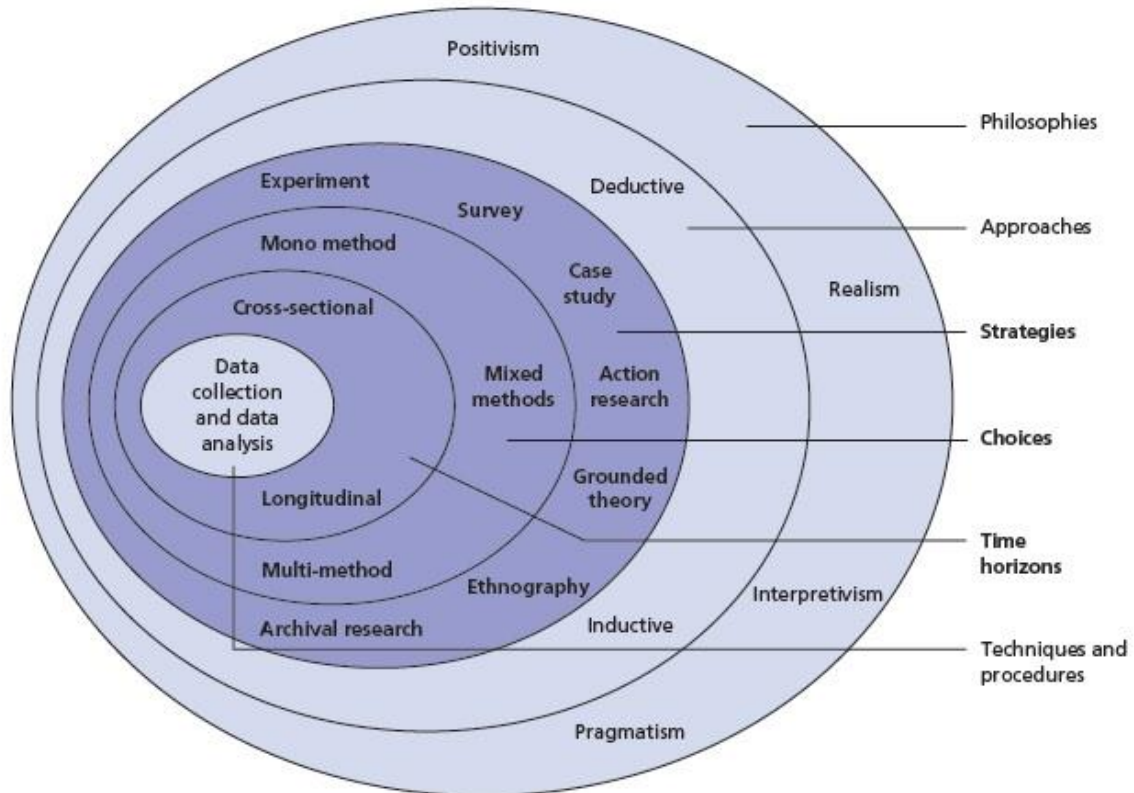
3.2 Research Design:

3.2.1 Research Philosophy:

According to Saunders, et al. (2009) the research philosophy or epistemology adopted by the researcher contains important assumptions about the process in which the researcher looks at the world. These assumptions will in turn influence the research strategy chosen and the methods chosen as a part of the research strategy. In other words, research philosophy plays a vital role in shaping the entire research. The philosophy adopted will depend upon the researcher’s “particular view of the relationship between knowledge and the process by which it is developed” (Saunders, et al. 2009, p.108).

The research methodology of this dissertation is structured by considering each layer of the Research Onion (Figure 3). The use of this tool helps me to better understand how my research will be answered. In fact, the commitments we make through our choice of research strategy are integrated in this tool, which primarily provides a clear methodology in order to conduct a research. The first layer of the Research Onion is research philosophies.

Figure 3: The research “onion”:



(Source: Saunders, et al. 2009, p.108).

In this research, there will appear a mix of several philosophies, to explain the objectives with the most suitable framework. Therefore, critical realism, positivism and functionalist.

The first scientific approach exposed will be positivism, due to in the thesis from the use of existing theory onwards, the researcher will develop hypotheses which are then tested and either confirmed or denied. These hypotheses are:

Hypothesis 1 → (H1): *Experienced men aged above 40 are the ones who most participate and interrelate on the securities market.*

Hypothesis 2 → (H2): *As the amount of net worth increases, investors with significant resources put aside money in several financial assets, diversifying their savings and incomes across the market.*

Hypothesis 3 → (H3): *From among all the available financial instruments, shares/stocks are the most recurrent and preferred investment option.*

Hypothesis 4 → (H4): *It is thought that retail investors' investment is not influenced by demographic factors.*

Hypothesis 5 → (H5): *It exists a direct relation between conservative expositions and the predominance of portfolio diversification and the quest for profitability.*

Positivism is supported by extracted facts instead of impressions or feelings. The hypotheses developed, as exposed above, lead to the gathering of facts that provide the basis for subsequent hypotheses testing.

Realism will accompany positivism as a key paradigm which influence the research methodology, because as Saunders, et al. (2009, p.114) mention that its essence is “what the senses show us as reality is the truth: that objects have an existence independent of the human mind”. However, it is taken a step further on the concept, defending the critical realism’s position on which the business world and the people in it are part of a social world that is constantly changing. Presently, it can never be really known if something is completely real, but some reasonable understanding can be gained.

The last philosophy applied is functionalism, and it is essential because it concern the explanation of behaviours and institutions, which are the main factors contained on the research, specifically into the effective understanding of individuals behaviours in action when investing.

The researcher has therefore chosen Direct Realism to be the best suited research philosophy to apply as given its nature, it enables scientific data and tries to examine its validity. Bryman and Bell (2011) described empirical or direct realism as primarily, the use of appropriate methods to understand the reality of experience through our senses.

3.2.2 Research Approach:

Robson (2002) as cited by Saunders, et al. (2009) lists five sequential stages through which deductive research will progress:

1. Deducing a hypothesis from the theory;
2. Expressing the hypothesis in operational terms which propose a relationship between two specific concepts or variables;

3. Testing this operational hypothesis;
4. Examining the specific outcome of the inquiry;
5. If necessary, modifying the theory in the light of the findings.

This approach is appropriate for the research at hand as there are hypotheses deduced and checked and the approach is more rigid and scientific in its entirety. It is the most common way to link between theory and research. In the view of Cooper and Schindler (2008), the researchers collect data to evaluate hypothesis or hypotheses related to an existing theory. Then the result of the finding will modify theory or verify the theory.

Also the researcher needs to explain the causal relationship between the two variables which are investor sentiments and behaviours and the resulting effect on investors' decisions. Thus, I will choose a deductive method, that is, from Investor Behaviour theoretical patterns to the verification of data searched.

Additionally, by employing a deductive approach, the gap of information encountered on the second theme caused by having few evidences put forward concerning the Spanish market, will disappear.

The time horizon for this research is cross-sectional approach (measuring time in months), that is, the study of a particular phenomenon (or phenomena) at a particular time, as the researcher is necessarily time constrained. This study is required to be submitted in August 2014, thus the survey was done over a short period of time along the summer.

3.2.3 Research Strategy:

The research strategy would respond to a general plan of how the researcher will go about answering the research questions that have been set (Saunders, et al., 2009). The choice of these strategies is coherent with the research design, mainly guided by the research questions and objectives, in order to enable researcher to answer those questions and conduct successfully the dissertation delivery (Cameron and Price, 2009).

The strategy chosen involves carrying out surveys, coded as quantitative questionnaires.

Surveys are essential to get the answers for the research questions and being able to extract conclusions. With good sampling we can infer how the entire population in the target segment might act in the securities market.

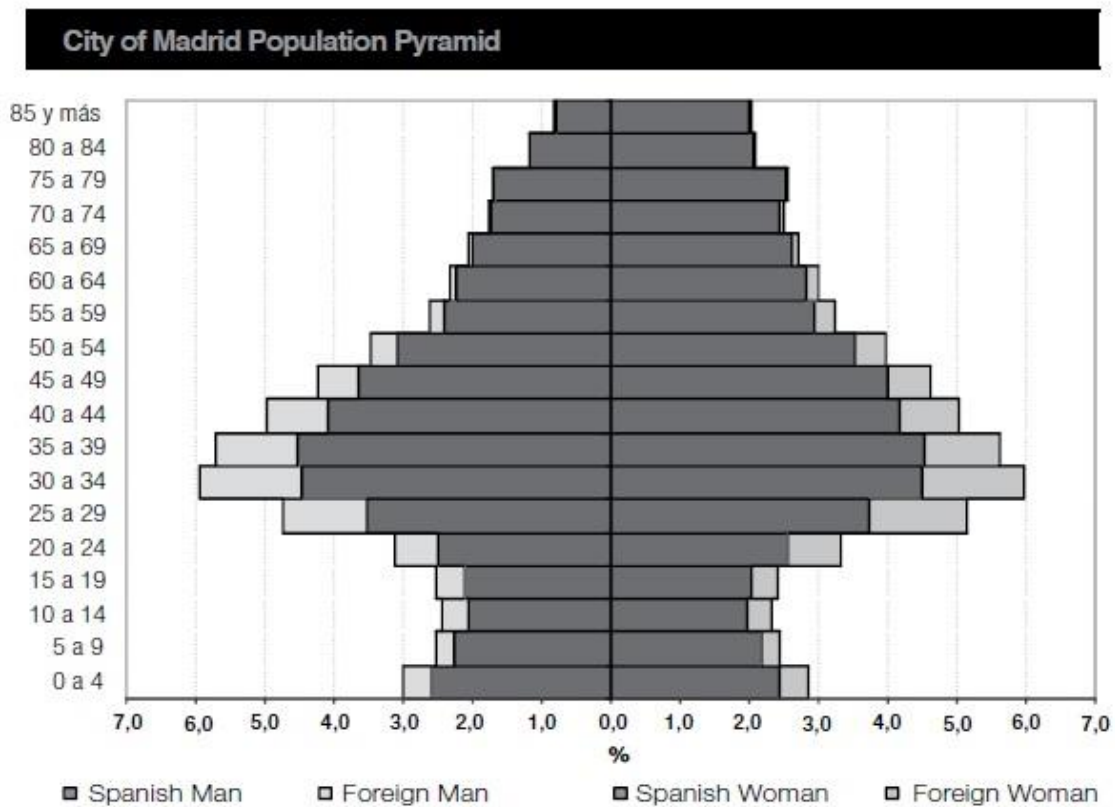
Survey strategy is important, because is crucial to know the amount of individuals, which do different type of actions in the stock market in different situations. Elaborated

questionnaires, as explained later on, will be essential to achieve the truest answers (Appendix 5.1).

3.2.4 Selecting Respondents:

The sample will consist on a selection of different profile investors who can be categorise as (a) young [0-2 years]; (b) experienced [above 2 years] or (c) professional (fully dedicated subject operating within its job’s duties and tasks), within all family retail investor members considered. Therefore, they will be carried out on a multiple heterogeneity of different individuals of Madrid Autonomous Community (Spain) investing in “Bolsa de Madrid” as a representative cluster of the total equivalent Spanish population who operate in other subsidiaries such as: Barcelona, Bilbao or Valencia.

To reach that volume of respondents, the analysis will be centred on getting data from the Spanish demographic pyramid updated to 2012, being the most recent year available (Madrid Economy, 2012, p.9).



Source: General Department for Statistics of Madrid City Council.

(Source: Madrid Economy, 2012, p.9).

Also, as Ispuerto and Villanueva (2010, p.23) state in their monograph in collaboration with the National Securities Market Commission and the Spanish Bank, within the financial assets category slightly less than 20% of the households (individual or retail investors) own those products in Spain.

If 20% of Spanish population are investing on the securities market and taking into account that in Community of Madrid there are 6,185,260 adult people of both sexes (96.82% among the total 6,388,735), that is, at least 18 years who are of legal age (INE, 2013), this means approximately 19.36% that are of interest.

Regarding the formula to see how many respondents are needed:

$$n = p\% \times q\% \times (z/e)^2$$

$$n = 19.36 \times 80.64 \times (1.96/5)^2$$

$$n = 1561.1904 \times 0.153664$$

$$n = 239.90 \rightarrow 240 \text{ respondents are needed (minimum sample size required).}$$

$$n^a = (n \times 100) / 85$$

$$n^a = (240 \times 100) / 85 = \mathbf{282} \text{ questionnaires need to be administered/delivered to return in total 240 of them, given a positive estimated response rate of 85\%.}$$

To ensure the representativeness of the sample selected, a confidence interval of 95% will be set, therefore, $z = 1.96$

3.2.5 Research Ethics:

Among some of the ethical issues I expect to come across on my thesis elaboration, they are summarised as follows:

- They may have little interest in reflecting information of their money and talking about personal financial properties invested.
- If people have already lost money before on the markets, they would be resilient and discouraged to answer the questions.
- Regarding the questionnaire creation, respondents would prove difficult to deal with elaborated and sophisticated questions.

To avoid those potential pitfalls, I will clearly present at the beginning to my participants how the research will be conformed and structured, selling its benefits and adding confidential clauses to be sure that at any time there is a maintenance of confidentiality and protection of candidates anonymity.

3.3 Data Collection Instruments:

The method to achieve the primary data for this dissertation will be throughout quantitative questionnaires. By doing that, we will deal with the advantage that most people have already completed questionnaires before and they generally do not make people apprehensive.

In addition, these questionnaires will be developed and entirely published online, previously built by the researcher trying to put it easy to the respondent, as they only have to answer them through entering into an Internet link hosted in Google's website. More in deep, data is acquired via Google Drive, an online tool for self-creating and publishing surveys to send questionnaires to the mailbox of the respondents.

The questionnaire will be written up in English and translated into Spanish, due to the primary data will be obtained in Spain, facilitating the total understanding and convenience in their native language. The translation will be elaborated by the researcher, always keeping the essence and same format of the questions.

Further information of the questionnaire can be found on the Chapter 8 – Appendix 2, remarking the methodology followed to pursue the research strategic goals.

3.3.1 Pilot test for the questionnaire:

A pilot test was employed in this study. A pilot test was carried out in order to see if it works and to detect eventual weaknesses in design (Saunders and Lewis, 2012). Therefore, problems detected during this phase could then sorted out before undertaken the real research.

The pilot testing was to help the researcher to detect that all the meaning of the questions could be understood clearly by everyone. It is easier to correct mistakes at the pilot stage than to have to recollect data when the final questionnaire was sent.

The researcher tested the questionnaire amongst his friends, with 10 preliminary responses, before sending it to potential respondents, which were individual or retail investors from Madrid (Spain). Some questions used technical and professional terms that were difficult

to understand by the population at large, thus those terms were changed in synonym words in order to be easier understood by all individuals.

3.4 Data Analysis Procedures:

Concerning the questionnaire coding and structure, as exposed in the Appendix 5.1, it is divided in two parts. The first and core part represents a battery of 19 questions where I intend to achieve useful financial information of the retail investors and collect an output of closed data in order to analysis it in subsequent stages. The second element consists on asking supplementary and demographic questions to have additional and complementary data to adequately answer the research questions.

This primary data (descriptive and inferential stats) gathered through the questionnaire will be processed and analysed with the IBM's statistical analysis software: SPSS Statistics v.22.0.0 for Microsoft Windows 8.

3.5 Limitations of Methodology:

Along the proposal drafting, I could realize that there is not enough literature review for the secondary data and evidences of researched work done in some themes of my particular interest. This obstacle may be overcome by keeping searching more in deep on the Internet for white papers, official online repositories of scholarly research and financial materials and specific journals. Ultimately, the lasting solution would be informing my supervisor or others lecturers of DBS and requiring an alternative step to face the issue.

Finally, to avoid possible few responses to my questionnaire and running out of time before the final dissertation submission, I would start distributing preliminary and unfinished versions of the survey as a test to a certain amount of objective public and see if it is being completed entirely and correctly, to anticipate the problems and have time to update and reconfigure the document if necessary.

3.6. Methodology Conclusion:

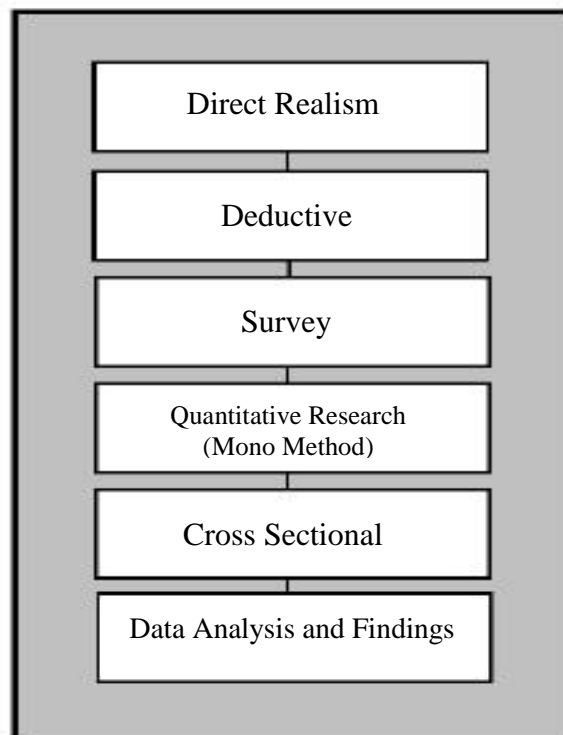
This research adopted the direct realism philosophy within a deductive approach. The data collecting used the mono-method quantitative, as the research seeks to have an objective to examine the perception and capacity of individual's investors towards the Spanish financial markets. The researcher elaborated and carried out a questionnaire survey through cross-sectional time period. Then analysed data by using statistical software and interpreting.

The reasons and configuration of each method before coming to the central point and arriving at a primary selected philosophy, have been explained aided by the research onion (see Figure 3). This tool is used for describing the research process (Saunders, et al. 2009, p.108).

In summary one agree with Johnson and Clark (2006) who argue that the important issue is not so much whether our research should be philosophically informed, but it is how well we are able to reflect upon our philosophical choices and defend them in relation to the alternatives we could have adopted.

Finally, to conclude with this third section, the main structure of the research method – framework is presented in the below figure (Figure 4). Therefore, an explanatory sequence structure and configuration of the study has been summarized as follows:

Figure 4: Sequence structure of the research methods employed:



(Source: own elaboration based on Saunders, et al. 2009).

Chapter 4: Data Analysis and Research Findings

4.1 Introduction:

The purpose of this chapter is to expose, analyse and assess the research findings and results of the quantitative primary data research. As said before, this study used quantitative surveys or questionnaires to collect primary data. Therefore, the data obtained through quantitative questionnaires are analysed in this chapter. This chapter is divided into two main sections according to the research objectives and hypotheses seen in the methodology chapter. Each of these sections comprise data collected from individual retail investors. The findings obtained from the forms are further explained and detailed in this chapter.

As the data has been collected in Spanish, tables and figures will be presented in its original language.

4.2 Analysis of Quantitative Data:

The results of the findings from the questionnaire will be discussed in this section. Out of a huge number of investors, only private or retail investors and not institutional ones were chosen. Each of these investors was asked to complete a questionnaire for the purpose of this research. The population size was 240 and the data being analysed is based on an 85% estimated response rate (204 responses initially were to be received). Finally, after having considered the collection procedures the real amount of responses obtained reached 150, which had been really enough to tackle the data analysis seriously. Before moving forward, we need to keep in mind the research question pertaining this questionnaire survey, it was -“How can investors’ sentiments and behaviours determine their own financial position held on the Spanish Securities Market?”

Within the sample frame of 150 Spaniards who participated in this research, a simple probability sampling technique was employed to the collection. Participants were selected randomly among those currently holding financial investment through intermediary agents. The questionnaire was created with Google Drive, new online software for creating web surveys. An online hyperlink of the questionnaire was sent via private messages on the professional network LinkedIn. In addition, the researcher used his professional and personal contact agenda for sending the questionnaire hyperlink to the people’s mailbox. Individuals were asked to participate by filling out the questionnaire and to follow the hyperlink, so on.

4.2.1 Background information about respondents:

(Note: As explained before, all the Figures presented below appear in Spanish format due to the data collection and summary of responses from the quantitative questionnaire have been obtained and automatically published in Spanish language).

I. Demographic characteristics of the sample:

The respondents to the survey that participated in this research comprised 62 females (41 per cent) and 88 males (59 per cent) (see Table 3.1 and Figure 5.1). Of the total 150 respondents: 47 (31 per cent) were in the age group between 50 to 60, which is the most represented, following by the categories 40 to 50 years with 41 respondents (27 per cent); 28 (19 per cent) were in the age group of 30 to 40; 20 (13 per cent) in the category 20 to 30; and 11 (7 per cent) over the age 60 of 70. Finally, only a 1% was categorised by 1 and 2 persons below 20 and above 70, respectively (see Table 3.2 and Figure 5.2).

Moreover, continuing with the data defragmentation across the survey, the majority of investors (90, represented by 60% of the total) are experienced and knowledgeable agents of the methodology, dynamic and operating way of investing, due to they are being using it since more than 2 years. On the contrary, 47 (31%) of the respondents signalled that they are young investors and have less than 2 years' experience within the securities market. The remaining 13 (9%) are professionals, that is, fully dedicated subjects operating within its job's duties and tasks of the company they represent (see Table 3.3 and Figure 5.3).

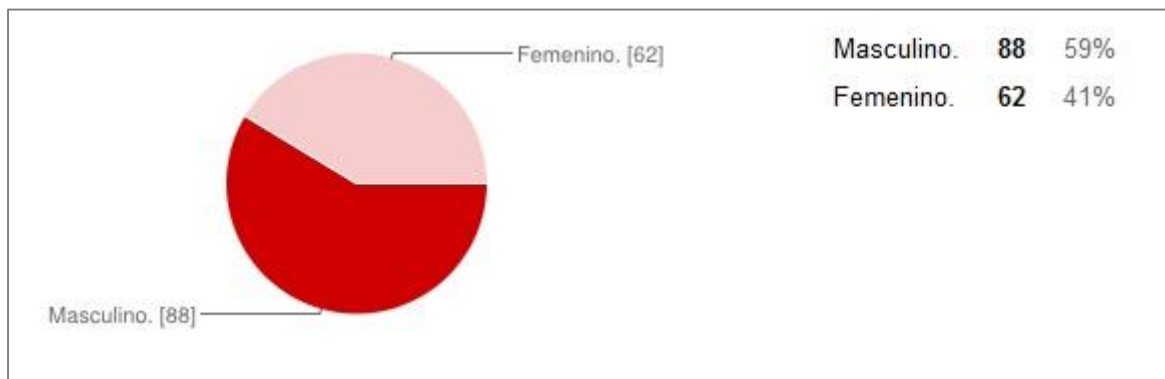
Gender:

Table 3.1: Gender of the sample:

Gender		
Variables	Response (%)	Response count
Male	59%	88
Female	41%	62
Total	100%	150

(Source: own elaboration and compiled by the author).

Figure 5.1: Gender of the sample:



(Source: own elaboration based on Google Drive's Summary of Responses).

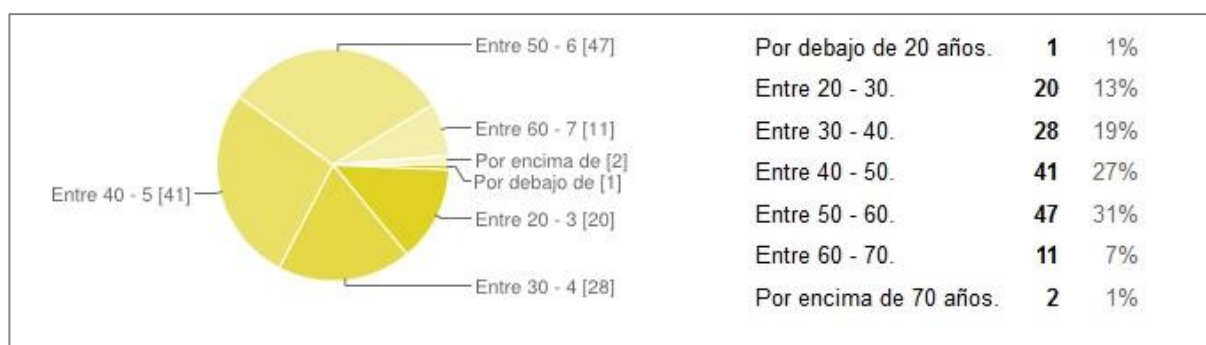
Age group and categorisation of investors' experience:

Table 3.2: Age of the sample:

Age (years)		
Variables	Response (%)	Response count
Below 20	1%	1
Between 20-30	13%	20
Between 30-40	19%	28
Between 40-50	27%	41
Between 50-60	31%	47
Between 60-70	7%	11
Above 70	1%	2
Total	100%	150

(Source: own elaboration and compiled by the author).

Figure 5.2: Age of the sample:



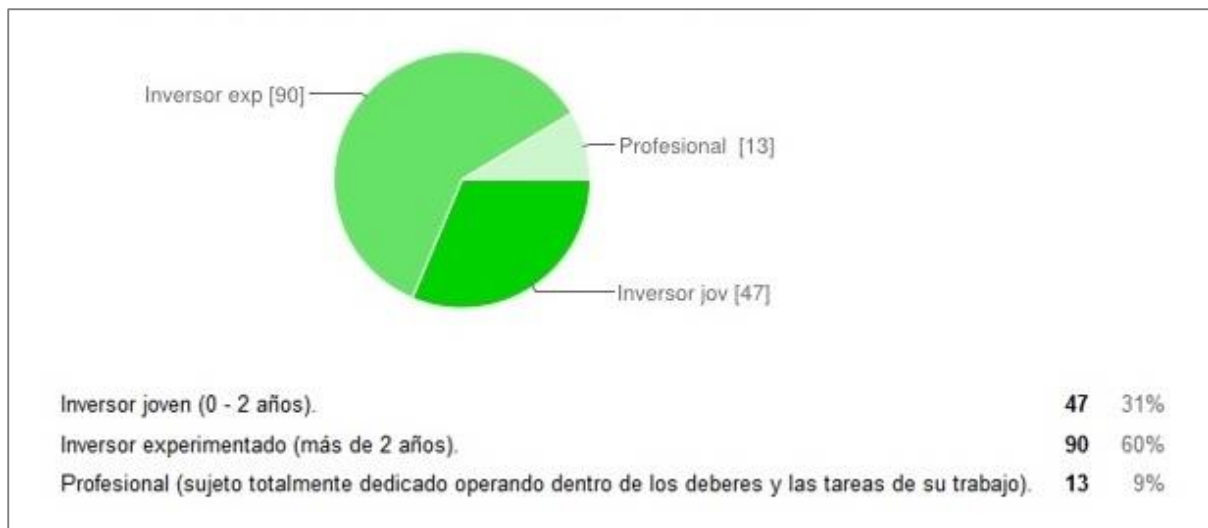
(Source: own elaboration based on Google Drive's Summary of Responses).

Table 3.3: Age categorisation of investors' experience:

Age categorisation of investor's experience		
Variables	Response (%)	Response count
Young investor (0-2 years)	31%	47
Experienced investor (above 2 years)	60%	90
Professional	9%	13
Total	100%	150

(Source: own elaboration and compiled by the author).

Figure 5.3: Age categorisation of investors' experience:



(Source: own elaboration based on Google Drive's Summary of Responses).

II. Education / Occupational Level:

From the below Table 3.4 and Figure 5.4 it can be established that the majority of the participants had been awarded with the third level education or university studies . Particularly, 81 out of 150, comprising the 54%, were graduates; followed by 36 postgraduates (24%), 18 undergraduates currently finishing the university or alternative degrees, who represent the 12%, and only 11 persons did not achieve any qualification during their academic career. The remaining 4 respondents (3%) were doctorates after having completed the doctoral programmes and thesis.

Additionally, as noted in subsequent Table 3.5 and Figure 5.5, amongst agents it is visible that there is an outstanding group of 74 with the total 49% who are domestic salaried employees/workers. There are 31 agents (21%) working as professionals and businessmen in financial and investment companies, with a remarkably experience in the sector. The rest of the sample is completed by 21 housewife/house makers (14%), 7 retired, 5 students and 3 unemployed.

Qualifications:

Table 3.4: Qualifications:

Qualifications		
Variables	Response (%)	Response count
No qualifications	7%	11
Graduate	54%	81
Undergraduate	12%	18
Postgraduate	24%	36
Other	3%	4
Total	100%	150

(Source: own elaboration and compiled by the author).

Figure 5.4: Qualifications:



(Source: own elaboration based on Google Drive's Summary of Responses).

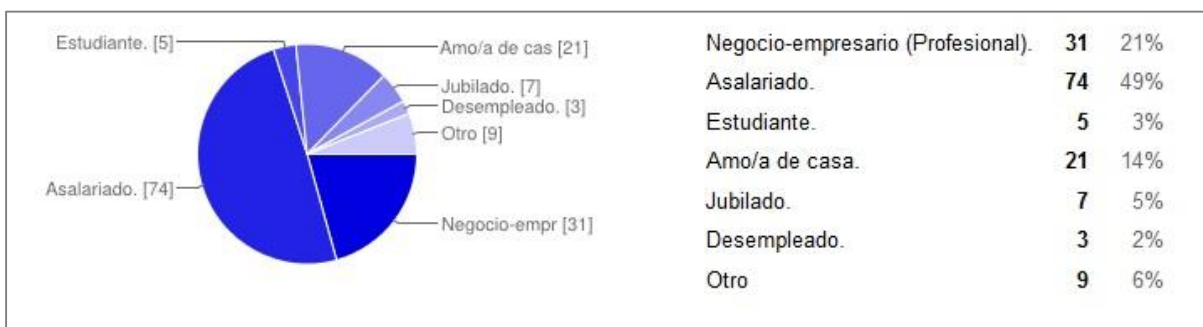
Occupation:

Table 3.5: Occupation:

Occupation		
Variables	Response (%)	Response count
Business (Professional)	21%	31
Salaried	49%	74
Student	3%	5
Housewife / Housemaker	14%	21
Retired	5%	7
Unemployed	2%	3
Other	6%	9
Total	100%	150

(Source: own elaboration and compiled by the author).

Figure 5.5: Occupation:



(Source: own elaboration based on Google Drive's Summary of Responses).

III. Individual's net worth:

In line with the below Table 3.6 and Figure 5.6, this complementary question is a relevant piece of information for the next analysis, due to the researcher considered that the aim was to gain an insight as to very approximately and fairly accurate, how much money does an investor was holding during a year and calculate through estimations their total net worth up until now, in order to ascertain their investment capacity and potential resources provided to the securities markets.

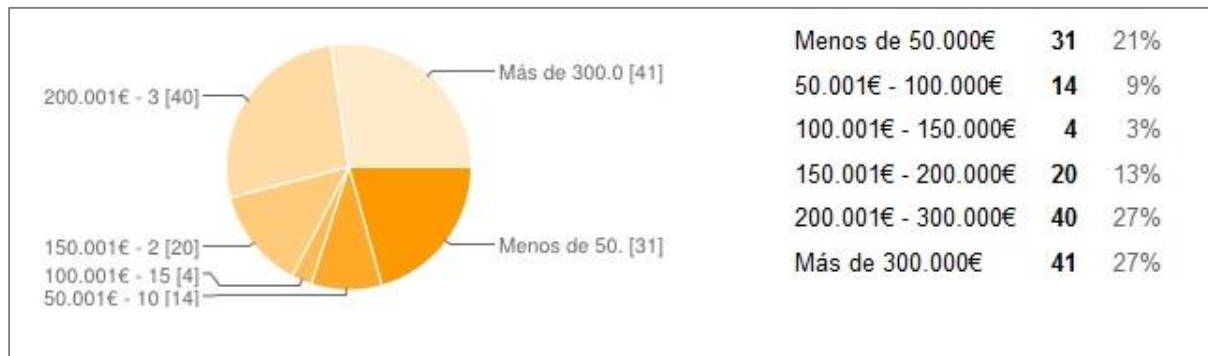
Therefore, in first place we encounter 40 and 41 persons with both signifying a 54% of the sample who dispose of the largest amount of the configured variables, that is, from €200,001 to €300,000 and over €300,000, respectively. But however, despite this substantial amount registered, results are showing that there exists a clear contrast in other groups of people, exemplifying the case of 31 persons (21%) who answered that their current net worth was under €50,000 and 14 (9%) possessing between €50,001 and €100,000. Finally, the intermediate financial position comprising from €150,001 to €200,000, was completed by 20 other investors (a broad 13%), providing evidences of the existing differences in the Spanish society in the aftermath of the financial crisis and the weakening and slowdown on the economy since few years ago.

Table 3.6: Individual's net worth:

Individual's net worth		
Variables	Response (%)	Response count
Under €50,000	21%	31
€50,001 - €100,000	9%	14
€100,001 - €150,000	3%	4
€150,001 - €200,000	13%	20
€200,001 - €300,000	27%	40
Over €300,000	27%	41
Total	100%	150

(Source: own elaboration and compiled by the author).

Figure 5.6: Individual's net worth:



(Source: own elaboration based on Google Drive's Summary of Responses).

IV. Investment profile categorisation:

This final section of the supplementary compilation of data contains each individual investment profile according to their level of financial knowledge and their own preferences in the decision-making. Thus, in the one hand, to that extend there is a notable amount of respondents (47, standing for a 35%), who believe they have a moderate financial background and the basic knowledge to moderately understand the differences between stocks, bonds and funds. Others 43 participants, with a 32% of accumulated responses, strongly affirm that they are knowledgeable, having a fair amount of knowledge (aware of different investment options and their risks). The weakest variable of the form is for the beginners who in this data collection represent a 22%, gathering on it 30 persons. Of the remaining 15, only 3 have been self-proclaimed as experienced investors, possessing extensive knowledge, together with a complete understanding of investment products, philosophies and strategies (see Table 3.7 and Figure 5.7).

Table 3.7: Investment profile categorisation:

Investment profile categorisation		
Variables	Response (%)	Response count
Beginning	22%	30
Moderate	35%	47
Knowledgeable	32%	43
Considerable knowledge	9%	12
Experienced	2%	3
Total	100%	150

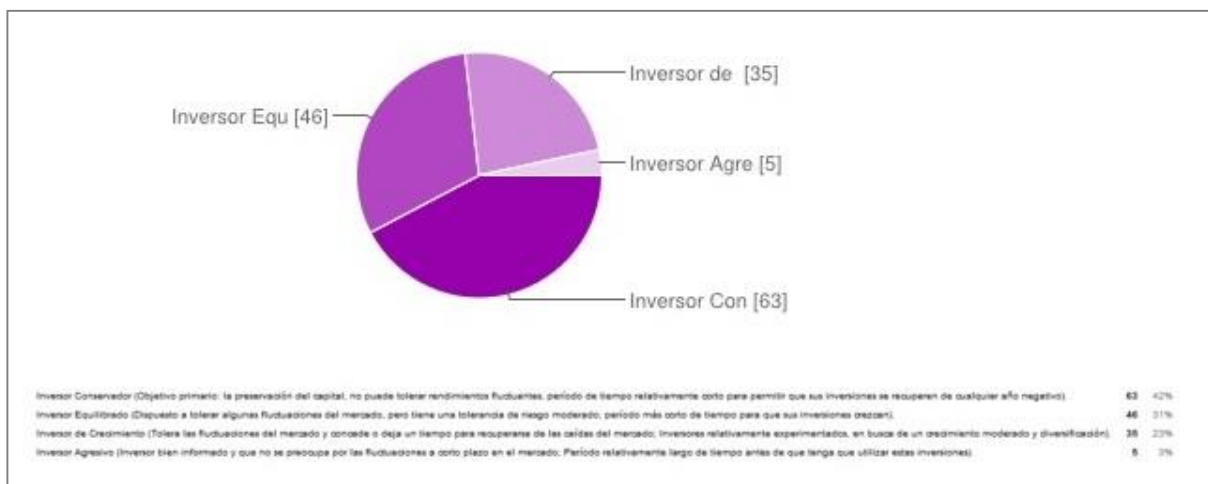
Conservative Investor	42%	63
Balanced Investor	31%	46
Growth Investor	23%	35
Aggressive Investor	3%	5
Total	100%	150

(Source: own elaboration and compiled by the author).

Figure 5.7: Investment profile categorisation:



(Source: own elaboration based on Google Drive's Summary of Responses).



(Source: own elaboration based on Google Drive's Summary of Responses).

4.2.2 Retail Investor's Questionnaire and further details:

Research Objective 1: To ascertain how individual investors invest on the Spanish stock market (BME) in the current financial framework.

- 1) Which of the following investment products in the Spanish securities market are you aware of?

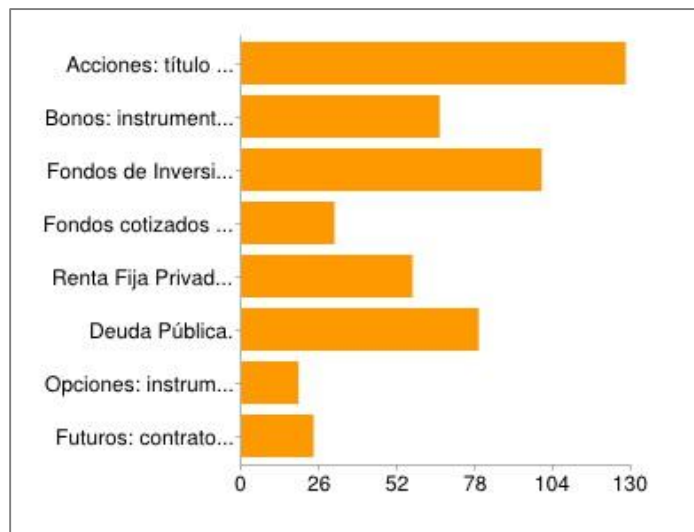
The result of the survey from this question collected a majority of 128 respondents (25%) aware of the existence and understanding of shares or stocks along the company-issued securities. This instrument is very closely followed by the investment funds (100, standing for 20%) and public debt (79, with a 16% of the total count), which are their second best-known term. Among them, 66 persons were understanding also the bonds and 57 the private fixed income's products. Finally, only a small number of people (43, the 9%) perceive the meaning and operative way in reality of the options and futures, and barely 31 agents had heard about an Exchange-Traded Fund (ETF). (See Table 3.8 and Figure 5.8).

Table 3.8: Awareness of investment products:

Which of the following investment products are you aware of?		
Variables	Response (%)	Response count
Shares	25%	128
Bonds	13%	66
Investment Funds	20%	100
ETFs	6%	31
Private Fixed Income	11%	57
Public Debt	16%	79
Options	4%	19
Futures	5%	24
Total	100%	150

(Source: own elaboration and compiled by the author).

Figure 5.8: Awareness of investment products:



(Source: own elaboration based on Google Drive's Summary of Responses).

2) What do you think are the best products for investing your money?

As Table 3.9 and Figure 5.9 suggest, this question captures the answers of the respondents about the support in which they consider are the best products for taking positions and those they used the most to access to their personal decision-taking, as the preferred security to incorporate into their product portfolio. First, according to the shares, 59 persons (39%) believe this choice is too intensive in their selection, almost monopolizing the willingness of investment. The rest of the people maintain a very homogenous thinking, due to on average 20 agents chose the other options within the scale of valuation, without observing an unequal parameter.

Secondly, taking into account the bonds' option, the majority of respondents were located along the intermediate positions, interpreting that they hold an unsure desire to start a stable acquisition trend and will be resilient in the near future to increase the willingness or appetite for them. This medium confidence is supported by 63 agents, the 42%, and others 23 (15%) who are not at all convinced.

Alternatively, the third security designated as investment funds, offers a clear and direct pattern of actions from the respective investor's perspective and attitude, due to 61, standing for 41% of the total, strongly trust this product and is a very solid element of their portfolios.

The number of respondent begin to get reduced whilst we move across the weakest levels of the scale, going from 28 with a hardly strong feeling to less than 15 in the weakest variables.

In the specific case of the ETFs and Private Fixed Income, on average participants answered most on medium variables, denoting the uncertainty and not very knowledgeable type of security that they would like to have. On ETFs, 45 out of 150 consider them a slightly fragile option, betting on it in a lower proportion. And, at the same time, 56 participants think the Private Fixed Income could be a fairly good choice to deposit their money.

In the last section of the figure below, the representation of Public Debt can be analysed in a very straightforward and reasoned way. The results recorded 31 answers with a strong feeling and confidence for them, because of the socially accepted certainty of the future payments delivered by the government and a fixed rate of return compensating its lending. However, after incurring in 2008 in one of the worst global downturns in decades, countries and local governments slowly commence to get more defaulted debt in their balance sheets and the national interest rates began to be differ from those in other countries; therefore, the spreads denoted by the risk premium started to get higher. Nowadays, in the Spanish context, risk premium for debt has been stabilized, moving around 200 basis points and even below this figure, this is why investors do not invest more or have reduced the amount acquired on it. This can be exemplified by 45 respondents (30%), answering with a weak perception.

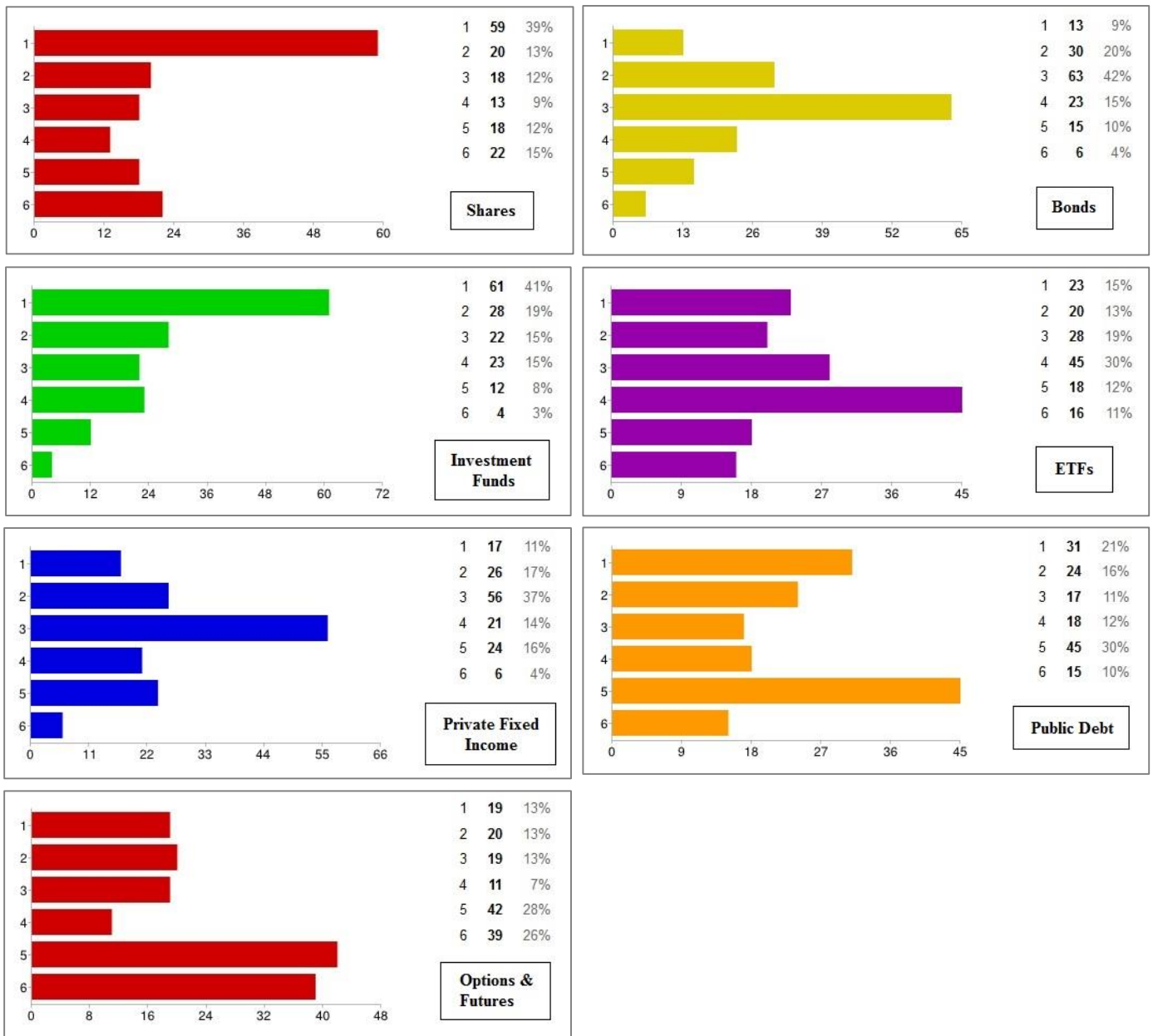
Finally, regarding to options and futures products, the majority of persons express their disagreement, as 42 and 39 out of 150 agents are located respectively in the level 5 and 6, defined by the weakest intensity of the scale. The extracted reason for that could be the disputes and existing distances set by the overall investors, also facilitated by the minimum confidence on its operative methodology and internal understanding difficulties of the real functioning.

Table 3.9: Best products for investing the money:

Best products for investing your money														
Variables	1. Shares		2. Bonds		3. Investment Funds		4. ETFs		5. Private Fixed Income		6. Public Debt		7. Options & Futures	
	Response (%)	Response count	R. (%)	R. Count	R. (%)	R. Count	R. (%)	R. Count	R. (%)	R. Count	R. (%)	R. Count	R. (%)	R. Count
1 - strongest	39%	59	9%	13	41%	61	15%	23	11%	17	21%	31	13%	19
2	13%	20	20%	30	19%	28	13%	20	17%	26	16%	24	13%	20
3	12%	18	42%	63	15%	22	19%	28	37%	56	11%	17	13%	19
4	9%	13	15%	23	15%	23	30%	45	14%	21	12%	18	7%	11
5	12%	18	10%	15	8%	12	12%	18	16%	24	30%	45	28%	42
6 - weakest	15%	22	4%	6	3%	4	11%	16	4%	6	10%	15	26%	39
Total	100%	150	100%	150	100%	150	100%	150	100%	150	100%	150	100%	150

(Source: own elaboration and compiled by the author).

Figure 5.9: Best products for investing the money:



(Source: own elaboration based on Google Drive's Summary of Responses).

- 3) In which of the available securities in the Spanish Stock Exchange are you currently holding open positions?

Among the 150 respondents of this study, an extensive number opt for having shares and investment funds on their personal portfolio accounts. More specifically, 100 of them, consisting on the 34% of the total count, decided to select shares as the main security held, while also 75 (25%) indicated that funds were their second best marketable security possessed.

However, as the numbers move forward towards the rest of the provided securities, it can be soon appraised the rapidly decrease on the financial products owned by retail investors, in comparison with both mentioned before. In this line, 39 agents consider that Private Fixed Income is a priority and are currently taking positions. Moreover, the amount of people choosing bonds and public debt lies at 20 (7%) and 27 (9%), respectively, which are very poor indicators, as we previously explained, because of the decrement on debt spreads across the European countries which undoubtedly cause a lower amount of government debt closed transactions.

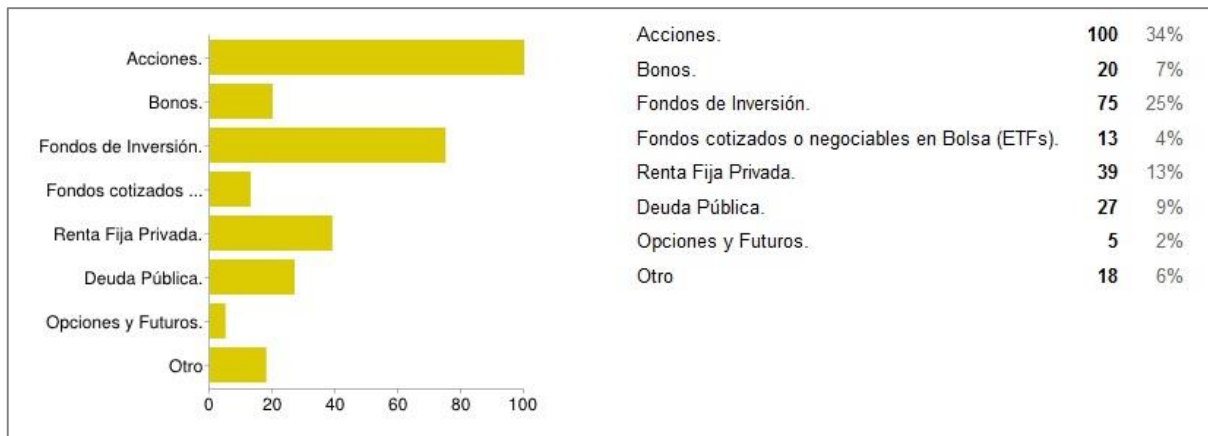
Finally, these answers are complemented by the visualization of poor results collected on ETFs (13 responses and a measly 4%), options and futures (with 5 answers and only 2%) and other kinds of securities such as: hedge funds, commodities (money market securities), forwards, swaps, other risky derivatives as warrants and turbos, and none of the above. (See Table 3.10 and Figure 5.10).

Table 3.10: Open positions held on securities:

In which securities are you currently holding open positions?		
Variables	Response (%)	Response count
Shares	34%	100
Bonds	7%	20
Investment Funds	25%	75
ETFs	4%	13
Private Fixed Income	13%	39
Public Debt	9%	27
Options and Futures	2%	5
Other	6%	18
Total	100%	150

(Source: own elaboration and compiled by the author).

Figure 5.10: Open positions held on securities:



(Source: own elaboration based on Google Drive's Summary of Responses).

4) In which sector do you prefer to invest your money?

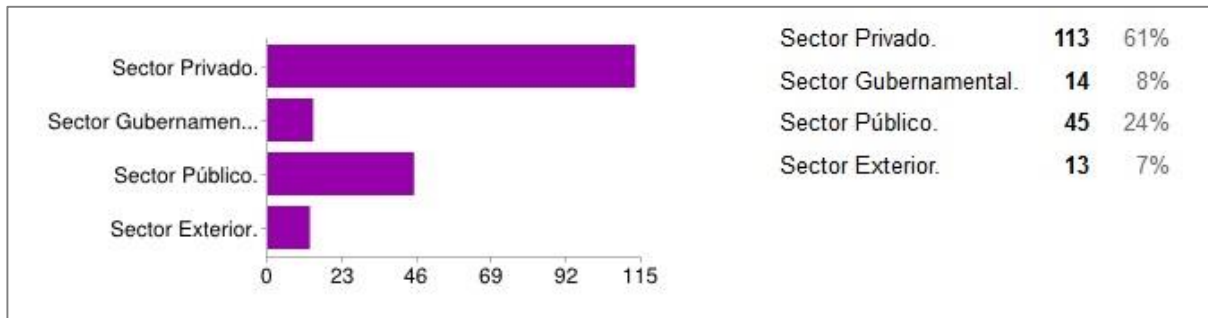
Table 3.11 and Figure 5.11 show that about 61% of respondents (113) were trust in the private sector as their preliminary option to start allocating resources on the subsequent financial securities. From the obtained information, it can be also exposed that government sector, defined as the total Spanish local authorities of each Autonomous Community encompassed under the regional administration framework, has not receive a positive backing from the investors. These agents prefer, nonetheless, to incorporate securities from the overall national sector in 24% of the 150 cases, giving more relevance to the public administrations at national level and less than only betting at a regional or local level (14 responses with a measly 8%). Foreign sector remains configured by only 13 participants and a 7% of the total count.

Table 3.11: Sectors' preferences for investors:

In which sector do you prefer to invest your money?		
Variables	Response (%)	Response count
Private Sector	61%	113
Government Sector	8%	14
Public Sector	24%	45
Foreign Sector	7%	13
Total	100%	150

(Source: own elaboration and compiled by the author).

Figure 5.11: Sectors' preferences for investors:



(Source: own elaboration based on Google Drive's Summary of Responses).

5) What are the important factors guiding your investment decisions?

Results summarised in Table 3.12 and Figure 5.12, point out that over than 34% of respondents, counted as 101, are initially guided and motivated by the willingness to obtain the greatest safety of principal and security on their future monetary incomes. Consecutively, 92 agents, represented by an outstanding 31% of total responses, claims that they hope to achieve a stability on their coming returns. In addition, less than half of the overall sample (66 or the 22%) believe on the portfolio diversification as a manner to mitigate non-systematic risk by investing in a variety of assets from different sector and industry or business' activities. Following this argument of risk topic, there are 34 persons who believe in risk as the main factor for preparing their action policy when investing.

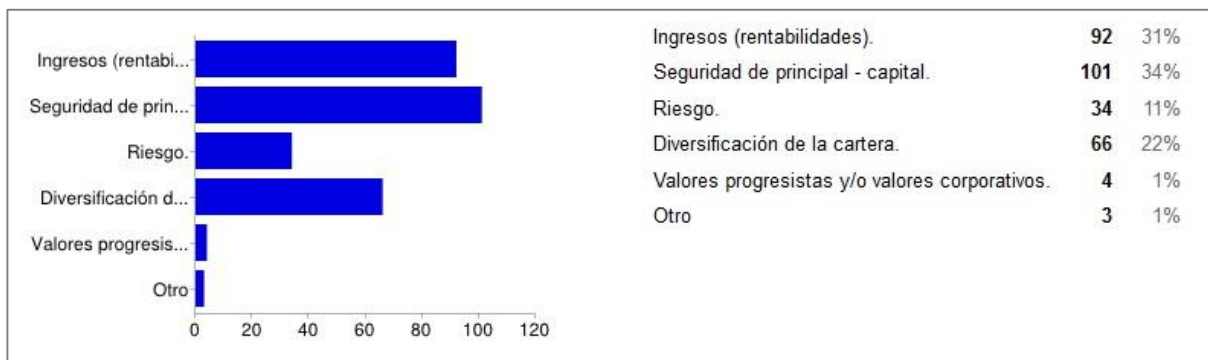
However, other 4 participants (a merely 1%) answered that they were considering corporate values and the integration with the company's culture, as one the most significant and influential factor.

Table 3.12: Factors guiding the investment decision:

What are the important factors guiding your investment decisions?		
Variables	Response (%)	Response count
Returns	31%	92
Safety of principal	34%	101
Risk	11%	34
Portfolio Diversification	22%	66
Progressive Values and/or Corporate Values	1%	4
Other	1%	3
Total	100%	150

(Source: own elaboration and compiled by the author).

Figure 5.12: Factors guiding the investment decision:



(Source: own elaboration based on Google Drive's Summary of Responses).

6) What are your saving objectives and investment objectives?

Table 3.13 and Figure 5.13 assess the reasons why investors and, concretely, retail investors start to be part of the market agents as buyers and sellers, taking part on responsibilities through the intervention on the securities ownership; and, what they are seeking to receive and execute with these decisions. Within the saving objectives' section, a total of 84 persons (27%) asserted having been part of the investments to set aside money for their retirement, contributing and trying to increase the pensions. About 69 of the respondents (22%) agreed to participate on the financial markets in order to help growing and educating their children; and closely, other 61 (20%) defended this reason to be able to undertake other

purchases or acquisitions in their personal lives. Far away from these figures, it appears the objective of buying a home for the family or oneself, with 38 answer times (12%) and 25 others especially worried about their healthcare assistance whenever needed, or disposing sufficient money to address a corresponding health insurance.

The least word count quantity came from the objectives of one’s education or other training courses, with only 12 persons involved and a 4% from the total amount. And also, in equal dimensions, we encounter with 8 respondents the allocation of future returns to their children’s and/or one’s marriage. The remaining 7 respondents claimed for the purpose of future security, a way of increasing disposable earnings on their credit accounts, or to take advantage of the positive and welcoming situations of favourable returns and accumulative profitability.

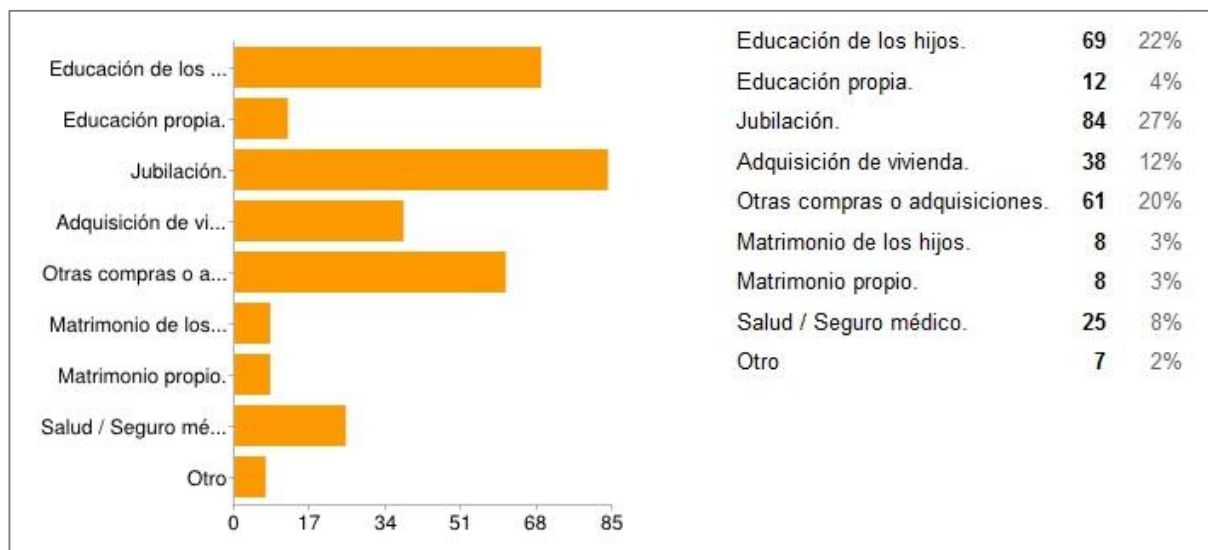
In the other hand, taking into consideration the investment objectives sought by the participants, income and capital preservation was place in first position with 80 responses and a 38%. Additionally, 68 (32%) selected the goal of long-term growth as the base on their investment framework. Other 43 chose profitability growth and income as one of the preferential targets. Only 4 persons finally accept having their securities to speculate or profiting from short or medium term fluctuations, focusing only on price movements, which is more suited for a professional or broker/dealer daily trading with them.

Table 3.13: Saving and Investment objectives:

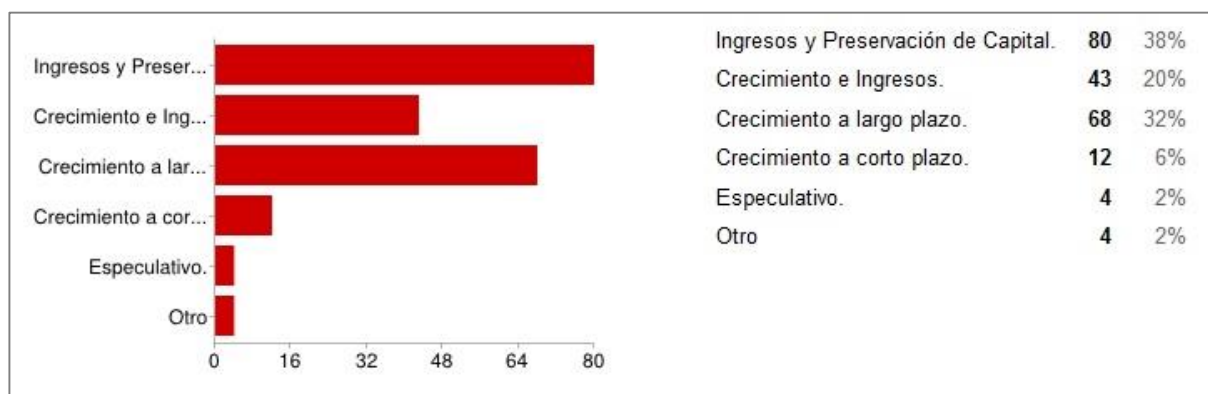
What are your saving objectives?			What are your investment objectives?		
Variables	Response (%)	Response count	Variables	Response (%)	Response count
Children's Education	22%	69	Income and Capital Preservation	38%	80
Own Education	4%	12	Growth and Income	20%	43
Retirement	27%	84	Long-term growth	32%	68
Home Purchase	12%	38	Short-term growth	6%	12
Other Purchases	20%	61	Speculative	2%	4
Children's Marriage	3%	8	Other	2%	4
Own Marriage	3%	8	Total	100%	150
Healthcare / Health Insurance.	8%	25			
Other	2%	7			
Total	100%	150			

(Source: own elaboration and compiled by the author).

Figure 5.13: Saving and Investment objectives:



(Source: own elaboration based on Google Drive's Summary of Responses).



(Source: own elaboration based on Google Drive's Summary of Responses).

7) What is the purpose behind investment?

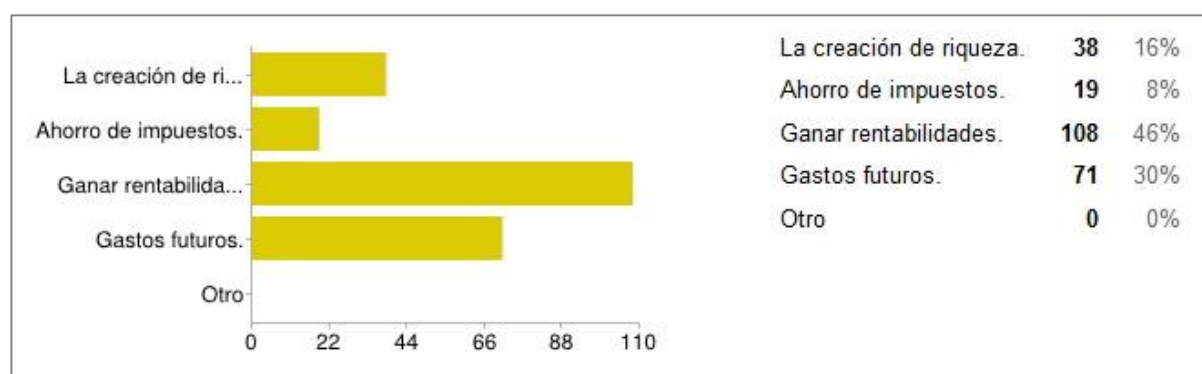
According to the below Table 3.14 and Figure 5.14, and following previous arguments in this sense, a huge proportion of agents (108, configured by the 46%) answered that they were focusing on earning returns and attempting to profit from the underlying financial attributes embodied in the certain type of instrument such as capital gains, interest, or dividends. Another group of 71 (30%) were thinking on future expenses as the intrinsic value proposition. The rest comprise a mixed sum of people defending the purpose of wealth creation (38 persons, 16%) and tax savings (19 persons, 8%), as a contingency and a reserve to take care of possible discrepancies between plan and reality on the tax rate impositions for savings and incomes.

Table 3.14: Purpose behind investments:

What is the purpose behind investment?		
Variables	Response (%)	Response count
Wealth creation	16%	38
Tax savings	8%	19
Earn returns	46%	108
Future expenses	30%	71
Other	0%	0
Total	100%	150

(Source: own elaboration and compiled by the author).

Figure 5.14: Purpose behind investments:



(Source: own elaboration based on Google Drive's Summary of Responses).

8) How much money do you set aside specifically for the following financial products?

As Table 3.15 and Figure 5.15 suggest, beginning with the shares section, 56 respondents (37%) allocate money resources in the first tranche of the variable category, that is, from 0 to €1,000. Likewise, a group of 44 persons (29%) assign between 5,000 and €10,000 for their investing purposes, which is already a prominent quantity deposited to cover almost all the market value necessities and the corresponding fluctuations on its quotation.

Regarding the second group of bonds, the immense majority of the total respondents, concretely 108, standing for the 72%, attribute minor quantities because they only invest less than €1,000. There exists another reduced selection of candidates (27, with an 18%) who decide to spend up to €5,000 in some cases. In parallel with bonds' trend, we noticed the ETFs securities, where the largest level of respondents is located in the range of less than €1,000, with 121 and reaching the 81% of the global count.

Furthermore, considering the investment funds, there is a visible indicator that a notable group of 70 agents (47%) have bought instruments worth €1,000 or even less. However, the opposite spending trend arise when 46 persons answered they were allocating around 10,000 and up to €50,000 only on them, which denotes an abysmal gap and the actual market segmentation between different parties involved.

On Private Fixed Income and public debt the figures and responses obtained are more or less similar, because the first tranche of less than €1,000 was comprising a 55% and 77% of respondents, respectively. The slightly increment of the concentration of agents investing only €1,000 in public debt in comparison with private fixed income, can be explained because of the recent disadvantages for individual's in relation with low interest rates and minor spreads on the risk premium.

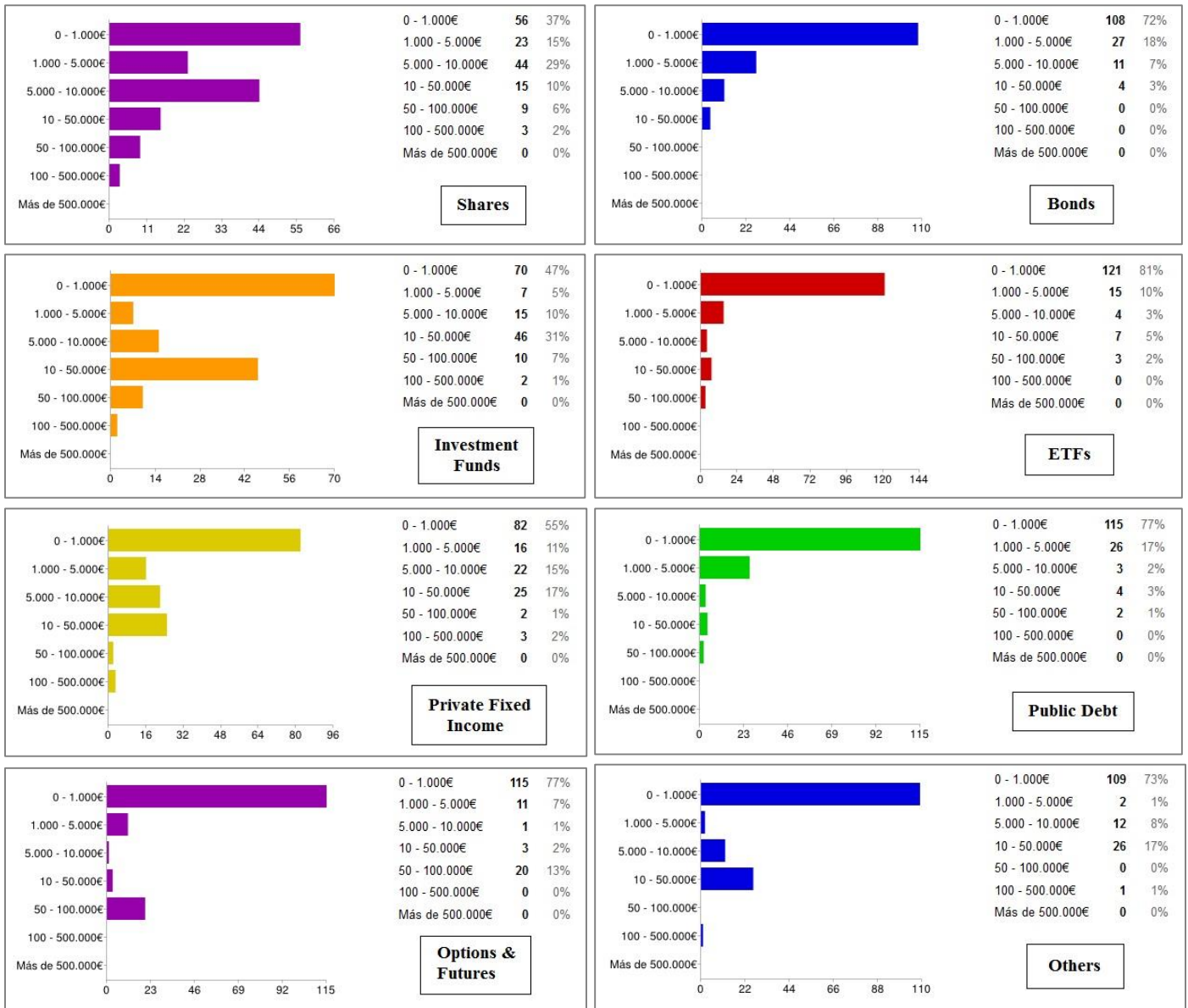
Finally, the options and futures capture a clear predominance of the scarcity of money assigned to them, as the majority of participants (115 or the 77%) preferred to only allocate up to €1,000. On the opposite side, 20 persons (13%) aggressively invest with around 50,000 and €100,000.

Table 3.15: Money allocation for each financial product:

How much money do you set aside specifically for the following financial products?																
Variables	1. Shares		2. Bonds		3. Investment Funds		4. ETFs		5. Private Fixed Income		6. Public Debt		7. Options & Futures		8. Others	
	Response (%)	Response count	R. (%)	R. Count	R. (%)	R. Count	R. (%)	R. Count	R. (%)	R. Count	R. (%)	R. Count	R. (%)	R. Count	R. (%)	R. Count
0 - €1,000	37%	56	72%	108	47%	70	81%	121	55%	82	77%	115	77%	115	73%	109
1,000 - €5,000	15%	23	18%	27	5%	7	10%	15	11%	16	17%	26	7%	11	1%	2
5,000 - €10,000	29%	44	7%	11	10%	15	3%	4	15%	22	2%	3	1%	1	8%	12
10,000 - €50,000	10%	15	3%	4	31%	46	5%	7	17%	25	3%	4	2%	3	17%	26
50,000 - €100,000	6%	9	0%	0	7%	10	2%	3	1%	2	1%	2	13%	20	0%	0
100,000 - €500,000	2%	3	0%	0	1%	2	0%	0	2%	3	0%	0	0%	0	1%	1
More than €500,000	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0
Total	100%	150	100%	150	100%	150	100%	150	100%	150	100%	150	100%	150	100%	150

(Source: own elaboration and compiled by the author).

Figure 5.15: Money allocation for each financial product:



(Source: own elaboration based on Google Drive's Summary of Responses).

9) What percentage of your income do you invest?

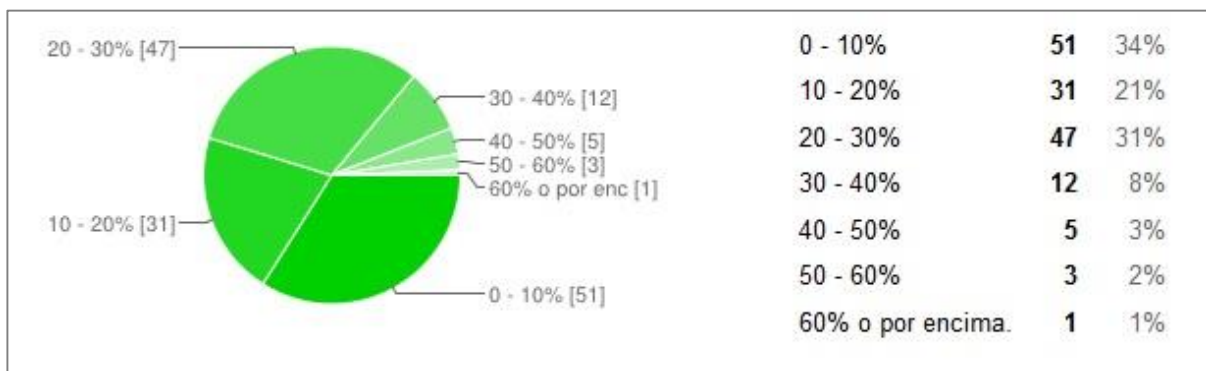
As can be extracted from Table 3.16 and Figure 5.16, an important collective of 51 persons (34%) are integrated under the first percentage range of resources invested, only addressing 10% or even less to the several acquisition procedures undertaken by each individual. The second biggest response count is for the 31% or 47 agents who spend between 20 and 30% on instruments through their personal investing policy. Others 31 or 21% are moving somewhere within 10 and 20%.

Table 3.16: Percentage of income invested:

What percentage of your income do you invest?		
Variables	Response (%)	Response count
0 - 10%	34%	51
10 - 20%	21%	31
20 - 30%	31%	47
30 - 40%	8%	12
40 - 50%	3%	5
50 - 60%	2%	3
60% or over	1%	1
Total	100%	150

(Source: own elaboration and compiled by the author).

Figure 5.16: Percentage of income invested:



(Source: own elaboration based on Google Drive's Summary of Responses).

10) What is the time period you prefer to invest?

Majority of persons standing for the 68% from the overall count and summarised by 102 agents, preferred to invest in a medium-term time period, in a closed range of 1 to 5 years, with an oscillation of 4 years depending on the type of agreement chose in each security. A 21% of the sample selected a short-term period, which comprise instruments with a maturity date of 1 year such as shares, options and futures, commodities and bonds, with the purpose of selling them at the end of the same year and obtain the capital gain, or the corresponding part of the interests and dividends. And eventually, only 16 persons think on the long-term, above 5 years, for a stability and future orientation.

Table 3.17: Preferred time period to invest:

What is the time period you prefer to invest?		
Variables	Response (%)	Response count
Short-term (0 - 1 years)	21%	32
Medium-term (1 - 5 years)	68%	102
Long-term (> 5 years)	11%	16
Total	100%	150

(Source: own elaboration and compiled by the author).

Figure 5.17: Preferred time period to invest:



(Source: own elaboration based on Google Drive's Summary of Responses).

11) What is your source of investment advice?

Respondents when asked about their immediate, more valuable and employed source of advice in any financial decision taken, claims that they were receiving precious information from professional advisors in a 24% from the total (75 persons), and there were 68 using the Internet for comparing and doing benchmarks of different market values, reading online financial articles and any literature review available within the network. Other 58 were reading newspapers, 30 watching news channels and 33 requesting guidance from friends or within their family members.

Table 3.18: Sources of investment advice:

What is your source of investment advice?		
Variables	Response (%)	Response count
Newspapers	19%	58
Books	1%	4
Advisors	24%	75
News Channels	10%	30
Internet	22%	68
Family or Friends	11%	33
Magazines	2%	6
Certified Market Professional / Financial Planner	10%	31
Other	3%	8
Total	100%	150

(Source: own elaboration and compiled by the author).

Figure 5.18: Sources of investment advice:



(Source: own elaboration based on Google Drive's Summary of Responses).

Research Objective 2: How can individuals' decisions and choices made in this financial framework affect and determine a customer's financial standing.

1) What do you look in a good investment?

In this second section, the connecting link which will lead the analysis comes from the need to ascertain how retail investors could jeopardize his interests in favour of a certain marked decision-taking and elections undertaken on the financial markets. A more in-depth analysis on the individual's choices can encompass the imminent reaction to safeguard and protect one's financial standing and the meeting objectives and intention of investment.

Furthermore, as introduced in this first question, the survey results for this aspect collected as we anticipated a broadly open variety of different answer, revealing that a huge majority (95 persons on average) was in search of an investment framework of security on maintaining profitable instruments across the maturity date and safety of principal in relation with not receiving any unforeseen oscillation or fluctuation in the reimbursement of earnings through capital gains, accumulative profitability on principal deposited, and other surplus incomes.

Among other personal guidelines established according to its individual's goals, a significant group of persons also opted to achieve maximum profitability trying to minimize risk through diversification and monitoring of positions and the markets for the different products. They believe on the portfolio efficiency, fostering the reiterated returns and liquidity or availability of products, and a higher than average market returns on a medium/long-term average, that is, that the risk assumed is not large considering its potential for growth.

Closing the responses of a good investment, some were also directed to beat inflation with zero risk, to guarantee their savings with the help of a consistent return based on their own profile which could be increased on the medium/long-term time horizon. For such purpose, positions attempt to be valued at a time horizon equal to the estimated time for closing the risk.

2) In the past, you have invested mostly in:

Responses indicate a tendency to have invested in shares of Spanish entities bank and investment funds in an approximately 75% of the contributed data, in recent past years or before undertaken this study. In a complementary way, apart from selecting shares as their preferred decision to begin their experience in the markets, others considered to previously have deposits

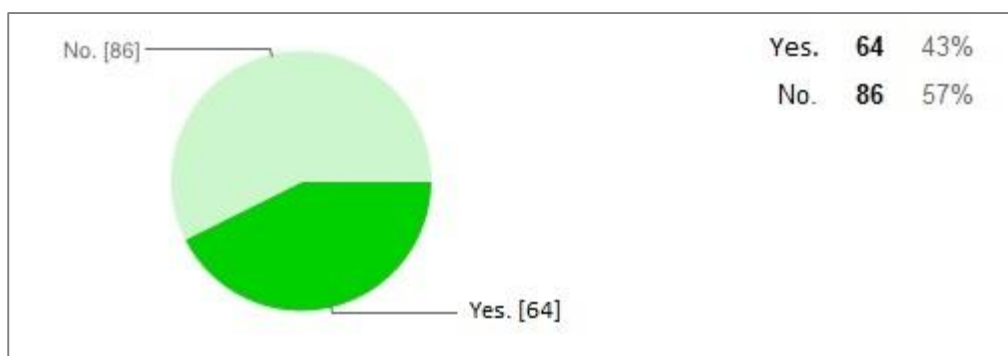
of high profitability in times of "war of interest rates," mixed investment funds, bonds and public debt even in a period of interest rates distress and dangerous futures imbalances to repay its debts. The reason of designing this question was to ascertain whether individuals had change their action plans after the burst of the financial crisis. Agents were all aware of that short-term interest rate differentials vis-à-vis the euro area started to widen in late 2008 as the ensuing lack of liquidity drove up short-term interest rates, reflecting heightened risk aversion among financial firms and retail investors. Consequently, many of them were opting for investing in some others not marketable securities, such as pension funds, fixed-term deposits, operations with repurchase agreements, and small and medium-sized enterprises.

However, many of them, as response count establish, are still investing in securities and loans. For example, they trust on safe values, treasury bonds, mixed equity and mixed fixed income.

3) Have you lost money before in the markets?

This third question can be precisely described and explained in support with below Figure 5.19, exposing a visual logic and clearly evidence that 86 out of 150 respondents or the 57% has previously lost money in the Spanish financial markets. And, in the contrary position, the remaining 64 agents (43%) answered negatively, defending their luck in receiving accumulative earnings and profitability across the years. Among them, some affirmed the reason of not having lost money before was due to a conscious labour and guidance from their financial advisors and consultants, or portfolio managers working for the intermediaries entities where they had agreed the transactions and investments procedures. In addition, other influent reason for not reaching negative results was a tight control over the securities terms, contents, and investment objectives to be in line with those of the retail investor.

Figure 5.19: Money lost previously in the markets:



(Source: own elaboration based on Google Drive's Summary of Responses).

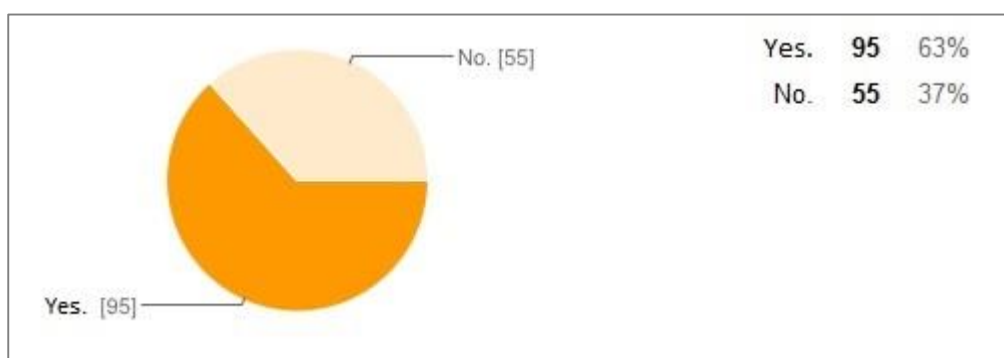
→ If Yes in Q3 and you no longer invest, why do you do not invest now?

Considering the 43% of agents who responded affirmatively (64 in total), some of them in the subsequent statement of reasons claimed that they were continuing with their current investments without incurring in new market acquisitions, because of the insecurity on the present time, psychological harm experimented on the losses, insufficient savings and/or temporary lack of liquidity and other personal circumstances not disclosed. In addition, while some of them continue investing but reducing the risk to the maximum and seeking for a more efficient portfolio, there exists a tendency on investors to abandon shares for fixed-term deposits with banks for giving them more confidence. Others consider there was no profit to be made on it because they could not manage the rising volatility and their investment margin has lowered, while with a newly formed large family priorities and responsibilities are now different.

4) Do you invest your money in Shares?

In correspondence with below Figure 5.20, more than half of the responses were totally affirmative (95 or a 63%), depicting a generalised ambition to invest in shares instruments encompassed within the equity of private companies from the IBEX-35. However, 55 persons are no longer investing their funds here (37% of the total count).

Figure 5.20: Money invested in Shares:



(Source: own elaboration based on Google Drive's Summary of Responses).

→ If Yes in Q4: Imagine that stock market drops after you invest in it, then what will you do?

In the Table 3.19 and Figure 5.21 underneath, among the people who were chosen the affirmative question, 67 or the 69% finally establish that they preserve the position hold by waiting until the market recovery take place and increase their potential earnings before seeing them crystalized. On the second position, it appears the variable of withdrawing money with 14 respondents, close to the last option of “Other” in which they prefer to maintain a direct contact with their financial recruited advisors before reaching a decision, to do a portfolio adjustment or protecting against fluctuations by using financial derivatives with hedging purposes.

Table 3.19: If stock market drops:

If stock market drops after you invest in it, then what will you do?		
Variables	Response (%)	Response count
Withdraw your money	14%	14
Wait to recover and increase	69%	67
Invest more in it	4%	4
Other	12%	12
Total	100%	97

(Source: own elaboration and compiled by the author).

Figure 5.21: If stock market drops:



(Source: own elaboration based on Google Drive’s Summary of Responses).

→ And, if stock market experiences an upward trend?

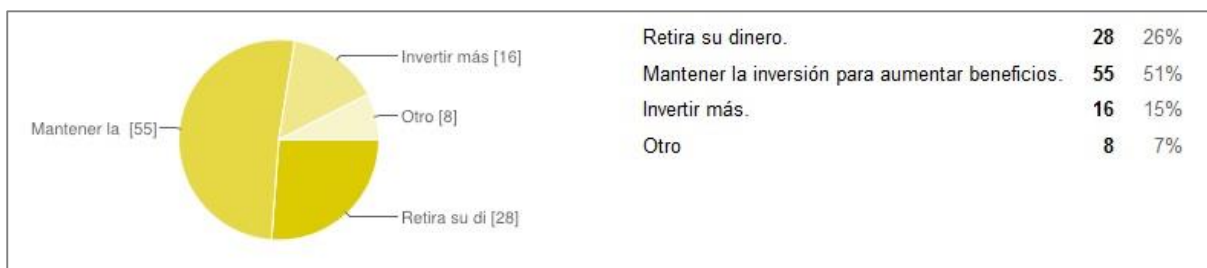
Table 3.20 and Figure 5.22 represents the individuals' behaviour when market shares values are substantially incrementing. A 51% or 55 agents out of total 107 will maintain the investments across the maturity date in order to increase and maximize profits. A group of 28 persons would withdraw their money by selling the instruments to obtain the surplus amount increased or capital gains. Finally, 16 more agents would invest more in these shares which were registering gain values. Nevertheless, the remaining 8 sustained other answers such as: once the pre-defined profitability objective is being fulfilled one sells the security if it is near its highest or maximal levels; also, one believes in adjusting its current portfolio or augmenting the order of stop-loss exit and ponder the investment in other shares.

Table 3.20: If stock market moves upwards:

If stock market experiences an upward trend, what will you do?		
Variables	Response (%)	Response count
Withdraw your money	26%	28
Maintain the investment to increase profits	51%	55
Invest more in it	15%	16
Other	7%	8
Total	100%	107

(Source: own elaboration and compiled by the author).

Figure 5.22: If stock market moves upwards:

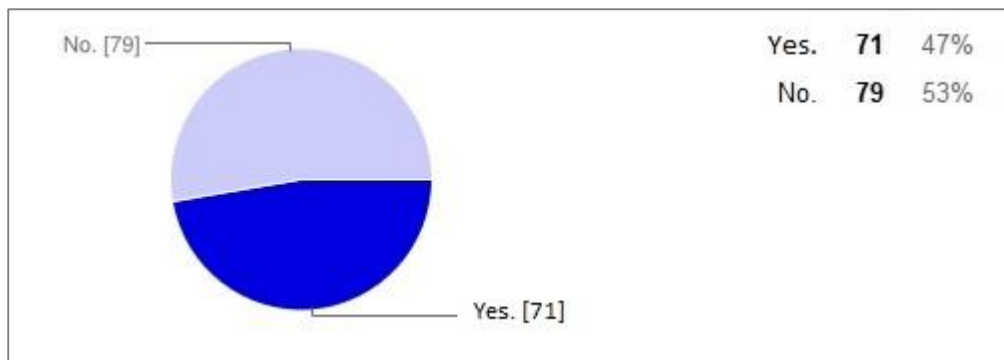


(Source: own elaboration based on Google Drive's Summary of Responses).

5) Can you take the risk of losing your principal investment amount?

In the annexed Figure 5.23, the aim of this last proposed question was to detect in what quantity retail investors could lose the amount deposited on their several instruments, and to determine their decision or predisposition to assume some harmful inconvenient on their earning's accounts. The 53% of the total sample surveyed (79 participants) would not permit getting losses on the initial principal incorporated. In the contrary, 71 (47%) clearly concede a slightly drawback on their own principal or some margins on orders of stop-loss in the case of shares, with the hope of recovering in the nearest future.

Figure 5.23: Whether or not investors would lose its principal amount:



(Source: own elaboration based on Google Drive's Summary of Responses).

→ If Yes in Q5, what percentage:

On average, the considerable part of respondents who concede a partially loss on their principal set a net ceiling system or upper limit around 15-20% on a full-year basis, which concretely are 30 out of 71 participants. Another prominent group of people configured a ceiling of 25-40%, which can be interpreted as sufficient amount to cope with some losses, accepting the risks if they believe they can recoup their investment within a reasonable time, always supported and backed up by their professional advisors. There were finally about 10 persons bearing the consequences of assuming an overall cap of 50% and above, near 80% and in two cases even the 100% of the capital expended.

4.3 Conclusions:

This chapter presented the findings of survey conducted in this study. The data was based on the questionnaire in its quantitative procedure. The next chapter would discuss how the analysis of these findings has helped achieving the objectives of the research, how hypotheses were tested and answer the research question, all this encompassed under the last Conclusions' section. Finally, recommendations will be made based on these explanatory findings.

Chapter 5: Conclusions, Discussion and Recommendations

5.1 Conclusions:

In brief, the purpose on the current research was to determine, examine and better understand the capacity of individual investors to adequately invest on the Spanish stock market (BME) and how their decisions and choices made in this financial framework along the Behavioural Finance branch of knowledge, can affect and determine a customer's financial standing. Moreover, the purpose of this work is to determine whether their personal strategies when accessing to markets are effective in earning surplus returns of each transaction executed. This topic was chosen because it affects a large amount of Madrid's citizens and residents within the Autonomous Community or all over the Spanish country, and especially to those who are currently active agents investing on any available financial asset or retail investment products.

In this examination, the aim was to certainly assess how individual retail investors were operating in the markets and whether they were following a structured and own investment policy supported by their professional advisors. Thus, in order to facilitate the provision of assistance tailored to specific needs in every situation, investors would pursue certain actions on the markets, leading to price variations and financial fluctuations which ultimately will affect one's cash flows, liquidity planning and the overall viability of the investment in accordance with its standing position.

There is much research into the relationship between individual or retail investor behaviour and their own investing methods, but we encounter very few research studies run to understand the nature of individual behaviour in the Spanish financial market. Therefore, this study represents one such attempt to fill this gap, investigating the factors influencing individual investor behaviour and their way of investing in Spain. Across the literature review the researcher did not retrieve field work specifically orientated and adapted to know the features of retail investors, except in the case of Ispierto and Villanueva (2010) where an analysis of Spanish households' profile was done in the past within the 2002 and 2005. But this precise work was already out of date and obsolete, and a more updated new source of primary data during 2014 was needed.

From the research conducted the author was able to answer the research question and sub-questions put forward at the start of this paper. It was highlighted at the beginning that most people's view of investment was generalized positivism related to them having the adequate and precise money allocated in different instruments, which will be translated into

future indicators of wealth and enrichment for the members involved of the Spanish society. We found from the contributors that this sentiment did exist. People decided to invest in financial markets, to make money and obtain high returns, always trying to keep risks at minimum and eliminate the number of irregularities and contingencies from any kind, which could ultimately harm the normal happening of market events.

The findings of this research paper suggest that Spanish-based financial products traded under the operator of all stock Markets and financial systems in Spain, the so-called Bolsas y Mercados Españoles (BME), are a focal part of the economy functioning and that a majority of those have their saving objectives and investment goals aligned with the corresponding investment profile categorisation. However, in order to increase the benefits of maximizing profits/returns in whatever of the three forms: capital gains, interests or dividends, and building an efficient portfolio, that is, for a given return its risk is low, or when for a given risk its return has been maximized; in that cases, the figure of the financial advisor or portfolio manager should be taking more part on the guiding and counselling tasks towards the clients. In addition, retail investors should require their services to develop a tailored action plan adjusted to one's unique and heterogeneous financial standing and net worth, concentrating purely on them and being proactive when identifying new possibilities of investment. At the core of this problem we encounter the concept of diversification, which basically consists in distributing investments among different assets to reduce overall risk, because investors should also strengthen the variability on investments depending on the information received from their main sources of reference.

Furthermore, general information regarding participating individuals revealed that the majority of retail investors taking part in this research are led by males, leaving females in the background but increasingly participants in the new modern era, thanks of the new technologies, a greater gender equality and the progressive involvement of women in the activities within the workforce. Consequently, preliminary data on the level of citizens engaged on these decisions, proved to be determinant with an increasing willingness to become part of the financial markets by investing in financial products and taking positions, sometimes too risky, with their money.

In this line of previous analysis, 60% of respondents are experienced and knowledgeable agents of the methodology, dynamic and operating way of investing, due to they are being using it since more than 2 years, far away from the scarce 9% which were professional subjects. And, considering the age group categorisation, the most representative and nuclear group were in the age group between 50 and 60 with the 31% of the agents, followed by the categories 40 to 50 years with a 27%.

Concluding with the supplementary data gathered, the 54% were graduates and a 24% postgraduates. Among them, 49% are domestic salaried employees/workers and the 21%

working as professionals and businessmen in financial and investment companies, with a remarkably experience in the sector.

These subjects also seeking for profitable transactions and instruments as when they were asked for the anonymous clarification of their net wealth created, 40 and 41 persons were identified with both signifying a 54% of the sample who dispose of the largest amount of the configured variables, that is, from €200,001 to €300,000 and over €300,000, respectively. And a 21% was under €50,000, having a low level of income and wealth, possibly not enough to gain access to this type of investments. In this way, as a result of the disparate nature and broad differences on income levels, the most wealthy and influential citizens of the sample have an opportunity to guarantee its position investing more quantities on the market, or letting it boost and enter in other new securities. This is an important factor to increase the financial performance of the agents and avoid switching to other non-marketable securities, out of the financial system, abandoning their actual philosophies and strategies.

Therefore, we can publicly announce, as the step prior to discuss final conclusions that the traditional Spanish household families encompassed under the retail investors, which are our subject of study, are still competitive and participants with a moderate financial background towards Securities Markets in Madrid (Spain). Spaniards would have access to their open positions and could reorganize the investment philosophy adopting a conservative approach, in the direction of the 42% of the total sample, seeking for capital preservation as a primary objective and almost any tolerance to fluctuating returns at the end of the year. Also, they would have to allow relative short period of time before getting a recovery from any negative years.

However, this study has been drawn on a sample of 150 retail users of financial markets in Spain, in order to answer the research questions. Therefore the conclusion was produced according to research objectives and hypotheses established at the beginning of this study and cross analysing them with findings through result of primary and secondary research data.

The researcher had drawn two comprehensive research objectives and several hypotheses in the start of this study. They are listed in follow:

5.2 Discussion:

5.2.1 Research Objective 1: To ascertain how individual investors invest on the Spanish stock market (BME) in the current financial framework.

Considering the scarce literature review on the Spanish field, as mentioned previously, and the result of the primary research, the researcher can conclude that there are effective gaps and differences between adult retail investors in the use of the securities' market services and their way of investing or strategies held are disparate in multiple occasions between each other's.

Since the study of 2002 and 2005 of Ispierto and Villanueva (2010) and the one from the Spanish Observatorio Inverco (2013), very few papers has been published within the literature. Taking into consideration the contribution of Observatorio Inverco (2013, p.5), the evolution of saver profile or risk profile has undergone modifications during the start of the financial turmoil and the current global economic crisis, reflecting an average accumulation of 30% in losses. Thus, in a period of four years, the number of conservative savers have raised more than doubled, reaching the 62% of total population, while between 2011 and 2013 the increase has been more moderate. Also, according to the investment profile, men are more "active" than women. 76% of dynamic savers are men, while most conservative investors are women (56%). In addition, the savings to deal with unexpected incidents gains more prominence against seeking for tax advantages. And, to complement public retirement remains second reason for saving, probably due to the intense debate on the future of pensions.

In line with these investing features, excluding bank deposits, investment products with a more presence in the portfolio savers are pension plans and mutual funds (60%) followed by equities (31%). The safety and profitability offered by products remain key priorities before deciding whether to invest in them or not. Finally, 3 out of 10 savers invest in one investment fund and in moderate and dynamic profiles investment funds weighting remains around 50% (Observatorio Inverco, 2013, p.9).

Regarding Ispierto and Villanueva (2010, p.23), the acquisition of the main house is the most important investment decision for over 80% of Spanish households between 2002-2005. And, within financial assets should be noted that just under 20% of households own a financial asset investment, such as, listed and unlisted or unquoted shares, fixed income securities, mutual funds and other collective investment; and other assets (options, futures, swaps).

The reality is that thanks of quantitative research undertaken in 2014, the researcher could obtain more up to date findings deepening on the retail investors' concept itself. For that

reason, until the present day, as shown in Table 3.8, a 45% of investors agreed that the products comprised under the shares or stocks and investment funds notion, which are obviously financial in nature, represents the greatest awareness of the existence and understanding along the overall issued securities.

Table 3.10 reveals that shares remains as the most present product in investors' portfolios with the 34% of total count and 25% trust more on investment funds. And in subsequent analysis, an outstanding 61% was reliant on the private sector as their preliminary option to start allocating resources. In Table 3.12 the willingness to obtain the greatest safety of principal and security on their future monetary incomes is defended by a 34%, and a 31% hope to achieve a stability on their coming returns. Furthermore, Table 3.13 shows that a 27% asserted having been part of the investments to set aside money for their retirement, contributing and trying to increase the pensions, while now helping growing and educating their children gains more ground on the social priorities stage as the second saving objective.

By paying attention to Table 3.12, it further confirms that investment funds and shares are two of the products on which individuals allocate more monetary resources, concretely 39% of them spent around 5,000 and €50,000 on a year basis, and a 56% up to €100,000 in certain cases. Consequently, responses gathered determine an existing heterogeneous distribution, and multiple money allocation across the corresponding securities, as a result of a disparate net wealth level and the slowly incorporation of overall households on the financial assets.

Moreover, the achievement of this first objective also implies that retail investors are used to assign a low percentage of their income or savings to these purposes, and has a direct impact on one's current configured portfolio. Table 3.16 confirms this by indicating that expectations from investors were not exceeding the 10% of their earnings deposited on financial assets in 34% of the cases, and the 52% of the agents defined their personal investing policy with a maximum expenditure of 30% on their income schemes.

Finally, regarding to Table 3.18, the conclusion on the sources of advice proves right the importance of professional advisors, financial planners or portfolio managers from commercial banks in the expert guidance provision and personal strategies' elaboration tailored on the client. However, only a 24% of the total count are currently working with them, on which efforts would have to be made to encourage economic growth and financial stability.

5.2.2 Research Objective 2: How can individuals' decisions and choices made in this financial framework affect and determine a customer's financial standing.

In this second objective, the researcher intended to appraise how retail investors could jeopardize his interests in favour of a certain marked decision-taking and elections undertaken on the financial markets. A more in-depth analysis on the individual's choices can encompass the imminent reaction to safeguard and protect one's financial standing, the meeting objectives and intention of investment.

After analysing the results of the primary research, the researcher observed that the majority of respondents (63% on average) was in search of an investment framework of security on maintaining profitable instruments across the maturity date and safety of principal in relation with not receiving any unforeseen oscillation or fluctuation in the reimbursement of earnings through capital gains, accumulative profitability on principal deposited, and other surplus incomes. This desired fact, lead to a large group of persons believe they are feeling confident with the actual planning scheme, avoiding incurring on too much speculative policies or entering on overvalued instruments, always consulted and professionally counselled when possible and necessary. The supplementary data collected showed that not guided individuals along their investment process, were more likely to experience greater profitability oscillations, chaotic money allocations and other disorders on their strategies. Benartzi (no date, p.12) proposes financial advisors are well aware of the herd mentality of humans, which sometimes leads individual investors to buy high and sell low, by plunging into rising markets and fleeing when markets fall (Bikhchandani et al. 1992, Galbraith 1993; cited in Benartzi, no date, p.12).

In addition, retail investors seek to achieve maximum profitability trying to minimize risk through diversification and monitoring of positions and the markets for the different products. The achievement of this purpose begins with the profitability comparison between potential investment options available in and/or out of the markets. According to Observatorio Inverco (2013), the technical criteria such as inflation and Euribor are gaining prominence and leading role, with a 35% more than in past years, over other regular factors as the information received on product. Moreover, investors still believe the best comparison of profitabilities earned is with its prior experience on similar investments, and one's personal objectives.

Furthermore, as Figure 5.19 indicates survey wanted to ascertain the implications of a total or partial loss on the markets from their initial capital invested and the results on their financial standing. A distinguished majority of respondents (57%) had previously lost money at any time on the securities market and the remaining 43% answered negatively, arguing that they were receiving useful guidance from financial advisors and bank employees and maintained almost all the indications established. They only lost money in low proportions and exceptional times as nowadays with instability movements and normal events from bad results

on companies or other issuers of securities, totally independent from retail investors and in occasions unmanageable. Among these 43% who had experienced losses and no longer invest now, the main reasons comprise the continuity with current investments without incurring in new market acquisitions, because of the insecurity on the present time, psychological harm experimented on the losses, insufficient savings and/or temporary lack of liquidity and other personal circumstances not disclosed. Finally, they were opting for abandoning shares for fixed-term deposits with banks who gave them more confidence and conservative solutions.

Considering Figure 5.20, more than half of the people (63%) were investing specifically in Shares securities within the equity of private companies listed on the IBEX-35. Among these investors, in the event that stock market drops after they invest in it, 69% would act preserving the position hold by waiting until the market recovery take place and increase their potential earnings before seeing them crystalized. In the opposite perspective, if stock market experiences an upward trend, a 51% will maintain the investments across the maturity date in order to increase and maximize profits, and the 26% would immediately withdraw their money by selling the instruments to obtain the surplus amount increased or capital gains.

Finally, the findings reveals that the 47% would take the risk of losing part of their principal investment amount, assuming the temporary negative consequences. Thus, they clearly concede a slightly drawback on their own principal or some margins on orders of stop-loss in the case of shares, tolerating losses within their own objective's scheme. Of these we should mention a 42% who set a net ceiling system or upper limit around 15-20% on a full-year basis, with the peculiarity of being the lowest range available following the steps of more conservative profiles. Consequently, the existent dynamic behind figures is a tendency on preserving money at most, only accepting risks if they believe they can recoup their investment within a reasonable time, always supported and backed up by their professional advisors.

5.2.3 Hypotheses:

As a result of the quantitative approach conducted on the project and within the survey, several hypothesis were to be tested and confirmed. Along this project, the researcher designed seven comprehensive hypothesis, in the order displayed below:

The first hypothesis investigates whether experienced men aged above 40 are the ones who most participate and interrelate on the securities market. It showed that, indeed, a 58% are categorised on the age group of 40 to 60 (see Table 3.2) and a 60% can be designated as experienced and knowledgeable agents of the methodology, dynamic and operating way of investing, due to they are being using it since more than 2 years. At a more detailed level of analysis, the hypothesis is accepted on research results throughout this study due to more than an 70% of the experienced agents being men were domestic salaried employees/workers, currently entering on the financial markets belonging to the age group above 40 years old. If the three variables: individual's experience, gender and age, are put together we clearly identify a majority of agents effectively investing on the available options.

The implication of this is that market product acquisitions are significantly gendered and aged by groups. So, there is a triple specialized need of customers based on these factors. It also means that both men and women do not view investing procedures from the same perspective. What this portends for managements and assets allocation departments of banks is that in planning for strategic implementation of the financial intermediation, products strategies would be received differently by both male and female according to their own personal objectives.

The second hypothesis, which aim at discovering whether as the amount of net worth increases, investors with significant resources put aside money in several financial assets, diversifying their savings and incomes across the market. This implies that the 54% of the most wealth participants with a net worth comprised around 200,001 until above €300,000, has a marked tendency and disposition to distribute them in a varied way, concretely more along shares, investment funds and private fixed income (see Table 3.15). The reasons come from the willingness to operate in a sophisticated way, spending money on the options guided by their advice's sources but also depositing funds on potential growing projects and investment opportunities, reaching a superior return and different reimbursements compensating the initial amount invested.

The third hypothesis was carried out to find out if from among all the available financial instruments, shares/stocks were the most recurrent and preferred investment option. This indicated a distinguished priority supported by a 34% of selecting shares as the main security held, while also 25% indicated that funds were their second best marketable security possessed.

Moreover, it could be tested that in the majority of conservative portfolios, private fixed income and investment funds are the most predominant products; while balanced or moderates also incorporate shares.

With regard to the fourth hypothesis, the purpose was to verify and test if retail investors' investment is not influenced by demographic factors. Across the study carried out and within the data analysis of background information about respondents in section 4.2.1, it can be categorically asserted and confirmed that securities are distributed and acquired by varied profiles, with different personal features and affected by net worth, education/occupational level variables, gender or age group and age categorisation. These influential factors are all encompassed under the focal one, which is the investment profile categorisation and thanks to whom advisors and portfolio managers can reasonably start assigning key tailored strategies and limits to their investments, depending on the type of investor: conservative, balanced, growth and/or aggressive.

Finally, the desire to ascertain the fifth hypothesis proves the existence of a direct relation between conservative expositions and the predominance of portfolio diversification and the quest for profitability. As appraised on the investigation, a 42% are self-declared conservative agents, having low risk tolerance and averse from return's fluctuation in a year basis (see Table 3.7 and Figure 5.7). Inserted on this number, the researcher encountered a majority of people considering that the safety of principal and profitability offered by products remain key priorities before deciding whether to invest in a security or not. In addition, in parallel with these results, a significant group also opted to achieve maximum profitability trying to minimize risk through diversification and monitoring of positions and markets for the different products.

5.3 Recommendations:

From the research analysis, and after exposed the main results it was however evident that a number of initiatives could be taken on board by individual investors alone or together with financial intermediaries, such as, professional advisors and bank entities, in order to ensure that its customers have positive impression about the investment experience and ultimately, to make its financial and investing techniques effective in practice.

- Further research should be carried out on the nature of identifying the close relationship between the two parts implicated in financial markets, individuals and investment advisors, which are able to know more about each other's. The point is that this proposal, on the one hand, can help individuals to take different issues into considerations before taking investment decisions, and on the other hand, make investment advisors be more effective when offering different investment alternatives to individuals.
- Retail investors should also base their investment in setting limits or margins, and being aware of the different types of orders on the stock market for shares: market order, limit order, stop-loss and stop-limit orders.
- Commercial banks and professional advisors could also implement video contact in their services, for instance Skype, in order to enhance the interaction with their customer through the Internet channel. As the result of primary research shows (Table 3.18 and Figure 5.18) that 24% of respondents already has been assigned a financial adviser, and due to also a 22% of the total count uses the Internet to receive sources of advice, they would be pleased to aggregate video calls or message texting platforms to get in touch with these professionals.
- Current and active retail investors should redirect their financial background towards the acquisition of advanced knowledge if possible, and also major training programmes should be given, due to only an 11% has been defined as with considerable knowledge or experienced (see Table 3.7 and Figure 5.7). This strengthening of financial terms and theories would help them having greater understanding of investment products, strategies and philosophies, and will ultimately increase the effectiveness of their actions.
- Finally, in order to encourage older adult categories customers, banks need to persuade and attract those people that financial investment on markets are useful and easy to use, according to their marked investor profile. This is because only an 8% between 60-70 years old are investing now (see Table 3.2 and Figure 5.2).



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Chapter 8: Appendices

Appendix 1: Self-reflection on own learning and performance:

Self-reflection on own learning and performance:

6.1. Introduction:

This final chapter provides a personal development that has been made over the course of undertaking a Master in Business Administration in Finance programme and during the dissertation period. This section outline theoretical concepts related to the learning style, the main academic and professional skills acquired during the completion of the MBA programme and how the learning has helped to improve skills that has added value to the researcher in future employment. Furthermore, researcher will discuss plans to sustain and extend this learning.

As the last section and stage of the present paper this module establish an overview of the knowledge and skills gained from this dissertation and the master's experience. It also attempts to discover how the researcher became more skilled and configured its own internal reflective arguments. These next lines will help to expose the growth and development during the preliminary study and how this evolution has been useful for carrying on his professional career. Consequently, the chapter is divided in two blocks. The initial part is about the impact of learning styles on personal development and the second part refers to the clarification of expectations and learning modes gained from the Master of Business Administration program. Finally, I will then outline my future development and progression plan.

6.2. Learning styles and own profile:

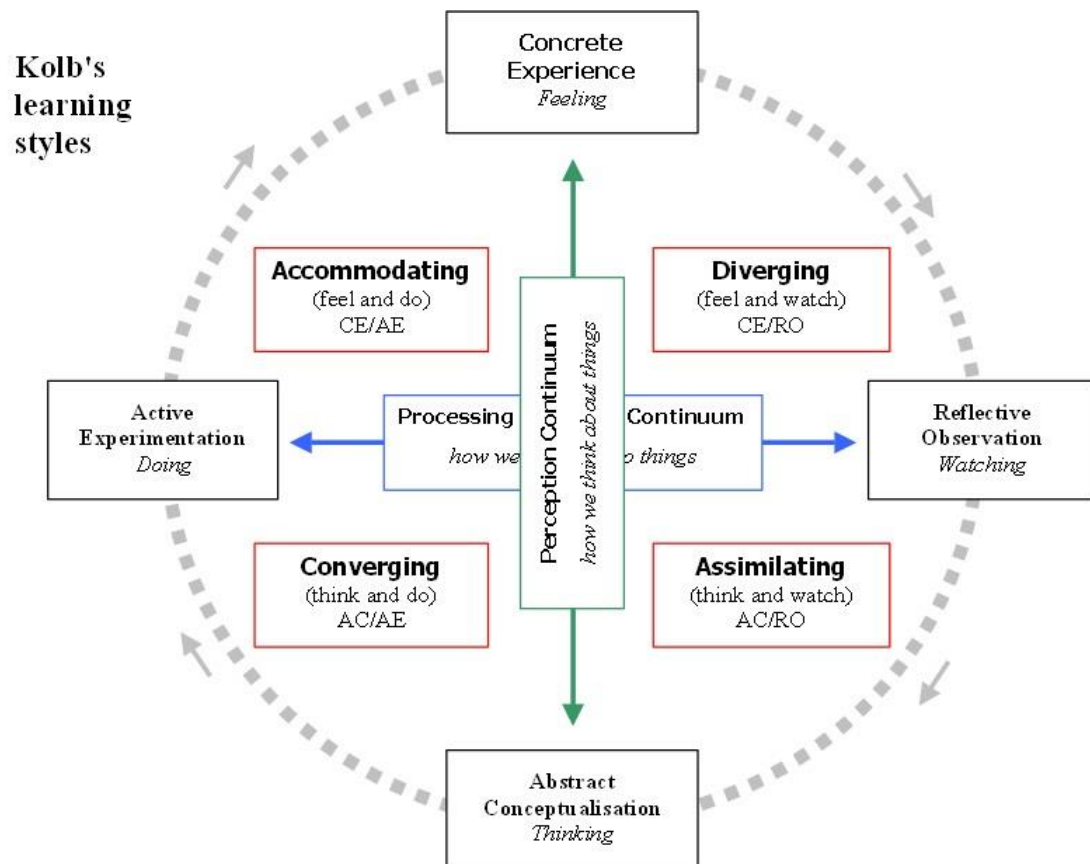
According to the study of Lew and Schmidt (2011), the definitions of self-reflection, though heterogeneous, are united in their advocacy to improve student learning. The term refers to the processes that a learner undergoes to look back on his past learning experiences and what he did to enable learning to occur (i.e. self-reflection on how learning took place), and the exploration of connections between the knowledge that was taught and the learner's own ideas

about them (i.e. self-reflection on what was learned). It is contended that since processes such as these can lead to informed and thoughtful deliberations on one's behaviours and actions, they are believed to assist learners to become better at self-reflection, which leads subsequently to better academic achievement.

Usually learning is considered as acquiring new knowledge or reinforcing it with new models, concepts or a mixture of theory and practice applied to each work area. As the OECD (2010, p.41) states, for behaviourists, it was conceived of as response-strengthening through reinforcements. The advent of cognitive psychology and the focus on the active role of the learner as a sense-maker lead to knowledge construction based on participation, social negotiation. Another definition came through Capinera (2008, p.457), who explains that learning can be defined as a change in behaviour with experience, but this definition would not exclude responses such as growth and maturation, or other processes that are triggered by events such as mating or feeding. In fact, other authors expose that individuals differ in regard to what mode of instruction or study is most effective for them, referring to this term as learning styles. Assessments and optimal instructions of it typically ask people to evaluate what sort of information presentation they prefer (e.g., words versus pictures versus speech) and/or what kind of mental activity they find most engaging or congenial (e.g., analysis versus listening) (Pashler, et al., 2008, p.105).

Moreover, following the model of Kolb (1984) he created a cycle to explain how someone can learn from different events and experiences. The researcher is identified by the preference for being Diverger and Assimilator.

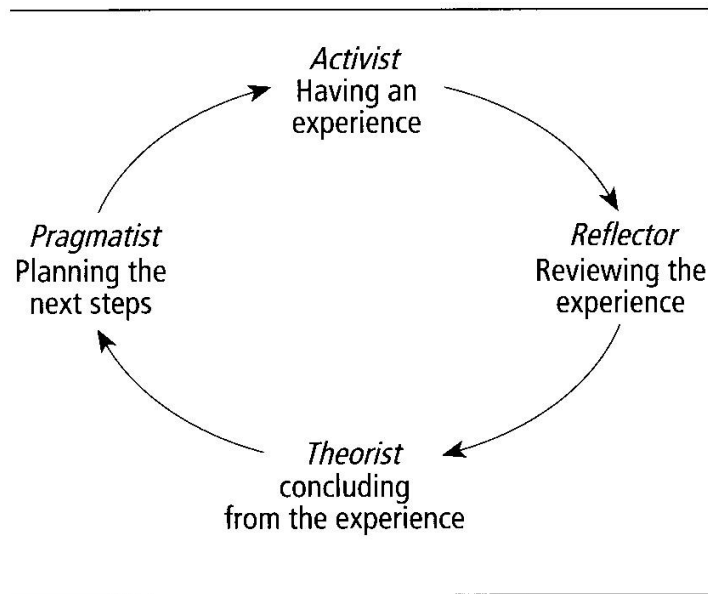
Figure 6: Kolb's learning styles:



(Source: concept David Kolb, adaptation and design Alan Chapman 2005-06, based on Kolb, 1984 – <http://www.businessballs.com/kolblearningstyles.htm>).

At the same time, a simultaneous model can be applied to the researcher and specifically to its learning styles integrant parts. Therefore, according to Honey and Mumford (1982), the latter concept describes the attitudes and behaviours that determine an individual's preferred way of learning. Four elements can be extracted from the model: Activists, Reflectors, Theorists and Pragmatists profiles. Each style connects with a stage in the continuous learning cycle as illustrated in figure below.

Figure 7: Honey and Mumford learning styles:



(Source: Learning styles, based on Honey and Mumford, 1982).

Personally, during my MBA course, I developed a number of skills such as research methods and data analysis among others, supported by the establishment of my personality learning profile. The configuration of my learning styles notably influenced the whole study carried out. First of all, the Assimilator/Theorist style gave the ability to assimilate disparate facts into coherent theories, continuously willing to analyse and synthesize comprising observations into a rational scheme. The better understanding provided by this item helped sometimes to save time while conducting the research. Also, as the dissertation required the authorship of a researcher in its search for the truth and academic objectivity, this style encouraged the rational and analytical objectivity rather than anything subjective or ambiguous (Honey and Mumford, 1982).

At the same time, the Diverger/Reflector style served as an incentive to the researcher to stand back to ponder experiences and observe them from many different perspectives, considering all possible angles and implications before making a move and stating the adequate arguments. The collection and analysis of data, both first hand and from others sources, was made in a thoroughly manner, to postpone reaching definitive conclusions for as long as possible. The researcher was able to really make a difference between major and minor decisions and then acted defining clear objectives (Honey and Mumford, 1982).

The reason for taking up this MBA was to provide me with the opportunity to develop myself personally as well to attain the managerial skills and advanced financial knowledge demanded on a high-competitive industry such as Finance and its subareas. Even if the

dissertation was a hard task due to the lack of experience of the researcher in such work, while progressing in the elaboration he was learning about himself and pushed the available resources to the limit. In overall terms, this experience strongly enhanced the personality type of learning and motivate to develop further and become a more effective learner in the future. However, although there were instances where the researcher encountered difficulties in moving forward with the dissertation, but along the way this could be solved by incorporating alternatives derived from the learning styles review. This might have been due to the lack of the other two profiles: Converger/Pragmatists and Accommodator/Activists.

6.3. Clarification of expectations and learning from Master of Business Administration.

It is no coincidence to having chosen attend to a MBA in Finance Stream at Dublin Business School. Since I finished my Bachelor's Degree in Business Administration and Management at Comillas Pontifical University (Madrid - Spain) last year, I realised that I really needed to improve my academic career, specially the financial know-how and sector which I always love since the university course selection started. Completing an MBA will provide me with important competitive advantages in a global economy, working with different kind of backgrounds and cultures worldwide, besides obtaining a new business perspective away from my home country (Spain) and knowing the functioning of the economic, financial and social Irish and global system.

Therefore, my main expectations of this programme has been the acquisition of relevant expert information in international business and trade, and the opportunity to specialise in the area of knowledge of my choosing, in this case Finance. I would also want to learn from others the different ways of doing things and know people with diverse cultural and ethnic backgrounds, to easily forget possible human prejudices and realising the worldwide heterogeneity in a complex environment.

Achieving the award of MBA will help me entering into professional world, having more opportunities to apply for a selection process of certain job. Due to current competition between university graduates and young postgraduate students, this MBA will give me more chances to access in better conditions to labour market.

Therefore, the MBA at the Dublin Business School was an enriching experience in addition to a challenge for the researcher. The different way of learning and methodology of giving classes from those procedures already learned and acquainted in my own country, led me facing a real challenge, because the researcher is not an English native speaker. This

program provided a more comprehensive and interactive view to establish the link between theory and practice, which can be considered the nuclear part of the MBA approach, and a firm commitment to the own continuous evaluation and student contribution. It also helps the researcher to learn through reflection on experience and practice, and to give more learning capacity to collected information.

Finally, the MBA program succeeds to enhance my communication and presentation skills due to many oral presentations made in classroom. In addition, the complete experience gained will facilitate the opportunity to establish a network of friends who live in different parts of the world and a wished and successful incorporation to the labour market.

6.4. Conclusions:

In this last stage of the own reflective process, the completion of the Master of Business Administration at the Dublin Business School, apart from being an enriching experience has served as a real learning framework during the whole year. In particular, this dissertation has been the culmination to the taught and practical modules together with the starting point for boosting my career and future professional life.

After doing the dissertation I am able to analyse the business and financial information with more focus and formulate theories based on the gathered data, present the theories in a better way to an audience and back them up with rational and relevant facts. The biggest issue I faced during the work on this paper was to accumulate the relevant secondary data for the literature review, and configure a relevant amount of arguments on the behavioural finance and investor's attitudes towards the financial markets. But I finally overcame this by enduring through it with patience. This is an example of how the dissertation process made me learn the skills to proceed with every section, in a heterogeneous and adaptive way across the written elaboration.

Moreover, the MBA has provided the researcher with gaining fluency in English and acquire an international profile which is very important in the world of today and essential for the curriculum vitae in the near future. The expertise and knowledge acquired, accompanied by presentation skills and interaction, will help the researcher to find more easily a better position when looking for a job. Some of the benefits to be part of this program have been the accessibility to look at situations in a more rational way by applying various theories and capable of succeeding in areas which I would have considered in the past to be a weakness. It has also enhanced the specific issue solving techniques besides improving my communication

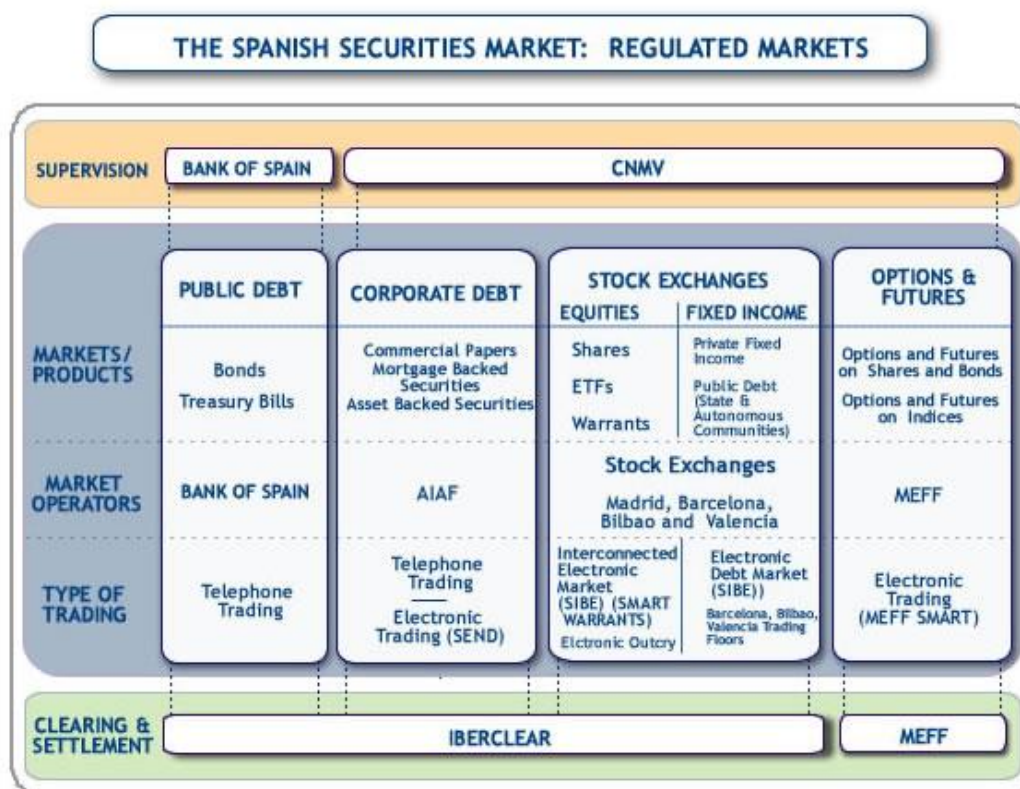
skills. I am sure the new ideas acquired and incorporated will be of a great help to me to further my professional life.

The researcher have undoubtedly found and maintained the openness of mind and his new capacity of adaptation and reaction. The academic knowledge and international profile expansion gained the ground to a more tolerant and interactive person.

Even if the dissertation was a very time consuming and demanding work in any stage of the development, it was very interesting to undertake it. As said previously, this paper was a unique opportunity for the researcher to improve both the financial lessons and the personal point of view of the reality. Living an entire year in another country was the best option that could have happened to the researcher.

Appendix 2: The Spanish Securities Market

The Spanish securities market – regulated markets:



(Source: Bolsas y Mercados Españoles - BME, 2014).

The Spanish securities market has undergone a deep process of change and growth over the last two decades. Technical, operating and organisation systems which support the market today have allowed important investment flows and provided the markets with greater transparency, liquidity and efficiency.

As a result of the implementation of the Markets in Financial Instruments Directive (MiFID), there have been great changes in the structure and functioning of European securities markets. The new trading environment is characterised by it being opened up to increased competition, a backdrop in which Regulated Markets work alongside newly created entities, of which the Multilateral Trading Systems (MTS) stands out. MiFID, nonetheless, recognises the regulated market as the outstanding market, the reference market, and has determined the need for strict requirements to give authorisation to regulated markets, as well as dealers and intermediaries. In the case of the Spanish securities market, the transposition of the EU

directive into Spanish law was made explicit in the publication of Law 47/2007, which modified Law 24/1988 on the Spanish Securities Market.

In article 31 of the new law, regulated markets are defined as those multilateral systems that allow interested parties in the purchase and sale of financial instruments to be brought together to exchange contracts with respect to financial instruments that have been listed for trading. Spanish regulated markets have been denominated official secondary markets. For such purposes, the following are actually considered to be official equity secondary markets: The Stock Markets, the Book-Entry Public Debt Market, the Futures and Options Exchange (MEFF), and the Fixed Income Market, AIAF.

Apart from the regulated markets, Multilateral Trading Facilities (MTS) operate in Spain, trading both shares that are listed in regulated markets (Stock Exchanges) and Public Debt issues.

The Spanish securities market has other distinct markets like the Market for Latin American Securities (LATIBEX) and the Alternative Equity Market (MAB), both for securities of special characteristics. The MAB market has distinct sections for investment companies with variable capital (SICAVs), venture capital companies (ECRs), Hedge Funds, and for small and medium sized companies. Trading in these markets is done via multilateral electronic trading systems.

Bolsas y Mercados Españoles (BME) is the company that manages the main official secondary markets (regulated markets) in Spain, and other multilateral electronic trading systems. BME is made up of, among others, the Madrid, Barcelona, Bilbao and Valencia stock exchanges, the Options and Futures market MEFF, the Fixed Income Market AIAF, the business unit responsible for the registration, clearing and settlement of equity and fixed income securities (IBERCLEAR).

Equities

The Spanish equity market operates based on the SIBE electronic trading platform, developed entirely by BME, which guarantees full connectivity of the four Spanish stock exchanges.

The market is based on an order led system, a single eBook and an order matching system that operates on the basis of price-time priority. Open outcry trading is still used for a small group of less liquid stocks. Apart from shares, warrants, certificates and exchange traded funds (ETFs) are also traded electronically. Some market segments have specialist liquidity providers.

Within the equity division, the Latibex market deserves a special mention, it is a multilateral trading system created in 1999, and is the only international market solely for Latin American stocks.

Futures and Options

Options and Futures are traded on the MEFF exchange, which are the underlying assets of individual shares, the IBEX35® index and various European stock indexes. Meff derivatives

provide investors with useful tools to manage risk and to build hedge mechanisms for all sorts of portfolios.

Fixed income

The AIAF Fixed Income and Corporate Debt market is a solid source of financing for private sector, public and local bodies in Spain. This market lists and trades a wide range of assets and products that meet the needs of issuers and investors in Corporate Debt, giving issuers the fullest possibilities as regards terms and fund raising strategies, and asset management in the case of investors.

Private and public sector fixed income issues listed on the four Spanish Stock Exchanges are also traded on the SIBE platform. BME also manages a multilateral electronic trading system for Registered Debt issues.

Appendix 3: Proposed quantitative questionnaire

Quantitative questionnaire of Investor Behaviour:

English live form can be viewed online in the next Internet link:

→ https://docs.google.com/forms/d/1cD-7ce1yf76VKIhOV7LYtANANaV8ga3ntQ_W2y7ZbXI/edit#

The Spanish version of the questionnaire has been separately translated in another form to facilitate the total understanding and convenience of respondents in their native language:

→ https://docs.google.com/forms/d/18LmoeVq9Yr6KG9d1Ov5Kq260QkOvhL8ofQN0nk_vs7Q/viewform



Dublin Business School (DBS)

Department of Business and Management – Master of Business Administration (MBA)
(Finance Stream)

Dear Respondent,

SUB: “Request to fill out the Questionnaire” regarding a MBA project research study.

I am a student currently pursuing my Master of Business Administration (MBA) at DUBLIN BUSINESS SCHOOL (DBS), DUBLIN (IRELAND) UNIVERSITY. I am

conducting a research study on “INVESTMENT BEHAVIOURS” – an analysis on investor behaviour of their own financial position held on stock market securities in Spain.

This final project is taken as a particular requirement for the completion of my MBA in Finance Stream degree under DBS UNIVERSITY. For that reason, I seek your kind assistance in completing the attached questionnaire which would take approximately 10 minutes of your valuable and precious time. Your responses will be treated as “**Strictly Confidential**”, meaning that the data collection of individuals is protected from inadvertent disclosure to others through online survey administration and coded files.

Therefore, this below form is not a contract and thereby does not incur an obligation on either party. Is the first step in providing you with a personal financial consultation, designed to be easy and quick to fill out. Please be as accurate as possible, due to your cooperation is highly necessary and appreciated.

If you encounter any problem or have queries about completing the questionnaire, please do not hesitate to contact me by email: 10036500@mydbs.ie

Note: *There is no right or wrong answer. To make this study possible a successful, your kind and helpful cooperation and honest responses are greatly valued.*

Yours sincerely,

Sergio de la Peña Condado.

MBA in Finance Stream – Dublin Business School.

MBA Mentor/Supervisor:

Mr. Shaun Hayden

CDipAF MBA

Professor, DBS

Questionnaire

1. Do you invest in the Spanish financial markets?

- a) Yes b) No

2. Which of the following investment options in the Spanish securities market are you aware of? (Please tick which ever applicable in the below boxes).

- Shares / Stocks: security issued by a company that represents the value of one of the equal fractions that its capital is divided.
- Bonds: debt security or instrument of indebtedness of the bond issuer (private and government entities) to the holders.
- Investment Funds: a supply of capital belonging to numerous investors that is used to collectively purchase securities while each investor retains ownership and control of his or her own shares or other fund's assets.
- Exchange-Traded Funds (ETFs): investment fund traded on stock exchanges. An ETF holds assets such as stocks, commodities, or bonds, and trades close to its net asset value over the course of the trading day.
- Private Fixed Income: debt issues represented by marketable securities in the stock market, issued in defined amounts by financially strong corporate and private entities involving an expiration date.
- Public Debt.
- Options: contract which gives the buyer (the owner) the right, but not the obligation, to buy or sell an underlying asset or instrument at a specified strike price on or before a specified date. The seller has the corresponding obligation to fulfil the transaction – that is to sell or buy – if the buyer (owner) "exercises" the option.
- Futures: standardized contract between two parties to buy or sell a specified asset of standardized quantity and quality for a price agreed upon today (the futures price) with delivery and payment occurring at a specified future date, the delivery date.

3. What do you think are the best options for investing your money? (*Choose from above list. Rank in the order of preference beginning from 1 for the strongest and 6 for the weakest*).

	1	2	3	4	5	6
Shares / stocks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Investment Funds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Exchange-Traded Funds (ETFs)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Private Fixed Income	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Public Debt	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Options and Futures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4. What do you look in a good investment?

5. In which of the available securities in the Spanish Stock Exchange are you currently holding open positions?

- Shares / Stocks.
- Bonds.
- Investment Funds.

- Exchange-Traded Funds (ETFs).
- Private Fixed Income.
- Public Debt.
- Options and Futures.
- Others: _____

6. In the past, you have invested mostly in *(write as many as applicable):*

7. Have you lost money before in the markets?

- a) Yes b) No

If Yes in Q7 and you no longer invest, why do you do not invest now? *(Do not answer to this question in the event of having chosen option "NO" in Q7).*

8. In which sector do you prefer to invest your money?

- Private Sector.
- Government Sector.
- Public Sector.
- Foreign Sector.

9. What are the important factors guiding your investment decisions?

- Returns.
 - Safety of principal.
 - Risk.
 - Portfolio Diversification.
 - Progressive Values and/or Corporate Values.
 - Others:
-

10. What are your savings objectives?

- Children's Education.
 - Own Education.
 - Retirement.
 - Home Purchase.
 - Other Purchases.
 - Children's Marriage.
 - Own Marriage.
 - Healthcare / Health Insurance.
 - Others:
-

11. What are your investment objectives?

- Income and Capital Preservation.
 - Growth and Income.
 - Long-term growth.
 - Short-term growth.
 - Speculative.
 - Others:
-

12. What is the purpose behind investment?

- Wealth creation.
 - Tax savings.
 - Earn returns.
 - Future expenses.
 - Other:
-

13. Which factor do you consider before investing?

- Safety of Principal.
- Low Risk.
- High Returns.
- Maturity Period.
- Other: _____

14. How much money do you set aside specifically for the following financial products?

	0 - €1,000	1,000 - €5,000	5,000 - €10,000	10 - €50,000	50 - €100,000	100 - €500,000	More than €500,000
Shares / stocks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Investment Funds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Exchange-Traded Funds (ETFs).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Private Fixed Income	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	0 - €1,000	1,000 - €5,000	5,000 - €10,000	10 - €50,000	50 - €100,000	100 - €500,000	More than €500,000
Public Debt	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Options and Futures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

15. Do you invest your money in Shares?

- a) Yes. b) No.

If Yes in Q15: Imagine that stock market drops after you invest in it, then what will you do?

- Withdraw your money.
- Wait to recover and increase.
- Invest more in it.
- Other: _____

And, if stock market experiences an upward trend?

- Withdraw your money.
- Maintain the investment to increase profits.
- Invest more in it.
- Other: _____

16. What percentage of your income do you invest?

- a) 0-10% b) 10-20% c) 20-30% d) 30-40% e) 40-50% f) 50-60%
- g) 60% or over.

17. What is the time period you prefer to invest?

- a) Short-term (0-1yrs.) b) Medium-term (1-5yrs.) c) Long-term (>5yrs.)

18. Can you take the risk of losing your principal investment amount?

- a) Yes. b) No. c) If yes in Q18: What percentage? _____

19. What is your source of investment advice?

- a) Newspapers. b) News Channels c) Family or Friends.
d) Books. e) Internet. f) Magazines.
g) Advisors. h) Certified Market Professional/Financial Planners.
i) Other: _____

Questionnaire – Respondent Supplementary Details:

(Personal details are kept highly confidential and will not be revealed to any third party)

1. Gender:

- a) Male. b) Female.

2. Age Group:

- a) Below 20
b) Between 20-30
c) Between 30-40
d) Between 40-50
e) Between 50-60
f) Between 60-70
g) Above 70

3. Age categorisation of investors' experience:

- a) Young investor (0-2 years).
b) Experienced investor (above 2 years).
c) Professional (fully dedicated subject operating within its job's duties and tasks).

4. Qualifications:

- a) No qualifications.
- b) Undergraduate.
- c) Graduate.
- d) Postgraduate.
- e) Others: _____

5. Occupation (which category do you belong to):

- a) Business (Professional).
 - b) Salaried.
 - c) Student.
 - d) Housewife / House maker.
 - e) Retired.
 - f) Unemployed.
 - g) Other:
-

6. Estimated net worth: (you can calculate this amount by taking the value of everything you own, including real estate properties, and subtracting anything that you owe, such as loans and mortgages).

- a) Under €50,000
- b) €50,001 - €100,000
- c) €100,001 - €150,000
- d) €150,001 - €200,000
- e) €200,001 - €300,000
- f) Over €300,000

7. Do you have a Financial Advisor/Consultant?

- a) Yes.
- b) No.

8. Which of the financial intermediaries intervening in the transaction are you receiving its services from?

- a) Commercial bank.
- b) Investment bank.
- c) Insurance company.
- d) Broker-dealer.
- e) Mutual funds.
- f) Pension funds.
- g) None of them.
- h) Other: _____

9. What best describes your investment experience and how would you rate your investment knowledge?

- a) Beginning: very limited (little knowledge).
- b) Moderate: basic knowledge (understand the differences between stocks, bonds and funds).
- c) Knowledgeable: fair amount of knowledge (aware of different investment options and their risks).
- d) Considerable knowledge (understand different investment philosophies).
- e) Experienced: Extensive knowledge (complete understanding of investment products and strategies).

10. How would you designate yourself based on the investment profile?

- a) Conservative Investor.
 - Primary objective: preservation of capital.
 - Cannot tolerate fluctuating returns.
 - Relative short period of time to allow your investments to recover from any negative years.
- b) Balanced Investor.
 - Willing to tolerate some market fluctuations, but have a moderate risk tolerance.
 - Shorter time period for your investments to grow.
- c) Growth Investor.
 - Tolerate market fluctuations and allow some time to recover from any market downturns.
 - Relatively experienced investor, looking for moderate growth and diversification.
- d) Aggressive Investor.
 - Knowledgeable investor and not concerned about short-term fluctuations in the market.
 - Relative long period of time before you will need to use these investments.

**You have successfully completed this Questionnaire.
Thank you again for your time and support.**

Appendix 4: Proposed Research Timeplan

Task	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13
1. Introduction and Background to the topic.													
2. Literature Review.													
3. Research Methodology and Methods.													
4. Data Collection.													
5. Data Analysis.													
6. Research Findings.													
7. Conclusions, Discussion, Recommendations.													
8. References and Appendices.													

