The Influence of Culture Toward Investor's Decision Making

Saxion University of Applied Sciences
Muhamad Fadhil Hidayat
Deventer, 2017

International Finance and Accounting Short Degree Program

2016/2017

Bachelor Thesis

The Influence of Culture Toward Investor's Decision Making

This Bachelor Thesis is Presented as Partial Fulfillment of the Requirements

to Obtain the Bachelor Degree in International Finance and Accounting from Saxion University of Applied Sciences.

Date : August 17, 2017

Author : Muhamad Fadhil Hidayat

Student Number : 441370

University 1st Supervisor : drs. Henk Jan Essen

University 2nd Supervisor : drs. Frank Gruben

ACKNOWLEDGMENTS

Alhamdulillahi rabbil'alamin, with the praise and blessing of the almighty god, Allah SWT, this thesis entitled "The Influence of Culture Toward Investor's Decision Making" can be done.

This thesis was finished with the continuous support and encouragement from the author's family and friends. The author would also like to give gratitude to the parties and people who gave the author direct or indirect support during the making of this research.

In addition, the author also gives sincere gratitude to Mr. Henk Jan Essen for the supervision, guidance, and recommendations during the process of writing. The author also would like to thank the second supervisor Mr. Frank Gruben . Without them, this paper would not be completely written.

This research is far from perfect, but, hopefully, this thesis could be useful for the study of finance in the future.

Deventer, 17 August 2017

Muhamad Fadhil Hidayat

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ABSTRACT

Nowadays, the role of financial market is getting more and more important as people tries to invest their money to get more profit from that. A market that was once as blue as the sea has turned into a blood-colored sea because there are too many competitors to get the best investment decision. This, unexceptionally, affects both the individual and institutional investor. In order to survive in this situation, an investor must know what is the factor behind every investment and one of them is cultural background.

The aim of this research is to know the best investment decision an investor can get by knowing the effect of their cultural background toward their decision making. This research is also aim to give knowledge to both individual and institutional investor about the presence of cultural background influence toward investment decision making progress.

Keyword: *Financial Market, Cultural Background, Decision Making, Investment Decision*

Chapter I

Introduction

1.1 Problem Description

Global economic markets had been the pioneers of capital globalization over the past decade (Beckmann, Menkhoff, & Suto, 2008). This phenomenon currently plays an important role in the economic progress of the country because this market plays a role as an intermediary between parties who wants to gain capital and parties who need extra capital. Parties who wants to gain capital are called investors.

It isn't a simple task for traders to make investments within the international financial marketplace. Cultural difference in this case, become one of the main task in international financial markets. The knowledge of the range of cultures, perceptions, clichés and values and react adequate is complex. For example, in the research done by Grinblatt & Keloharju (2001), they find that Finnish investor tend to invest their money to company who have native Finnish speaking CEO rather than those who have Swedish speaking CEO. They also found that Finnish investor tend to invest their money to the company closest to their hometown, which is Finland without even looking at the portfolio of the investment.

Rothonis, Tran, and Wu (2016) found that sometimes investor makes a bad investment decision because they unconsciously affected by their cultural background. Therefore, how investor react with trading information is often affected by their own values and norms which in turn can become a threat by creating an informal barrier toward their perception and behavior. Rothonis et al. (2016) additionally stated that stock price behavior might be affected by not only thus of the investor but also corporate manager because of those culturally-biased investment decision.

The author also found that other researcher such as Aggarwal, Faccio, Guedhami, and Kwok built a concept that culture comprises a long lasting set of ideals or values that impact people' perceptions, choices, and behaviors. It is therefore culture sometimes may affects business and economic decisions. Drogendijk and Slangen (2006) also confirmed that culture can assist on explaining how a company make their foreign investment decisions.

As a result, “Culture ultimately affects utilities of financial choices both at the individual level and, if frictions are present, at the firm and national levels” (Aggarwal et al., 2016, p. 4). In the same side, the author finds that the study about the influence of culture on investor’s decision is very crucial especially in this global era.

1.2 Research Question

Based on the problem description above, the research focused on identifying the influence of culture towards investor’s decision and it derives following question:

- What is the influence of culture on the investor’s decisions and in what way can the awareness of this influence help the investor to make the right decisions.

And to answer this question the author also examine the next sub-questions

- What is the definition of culture in term of investment?
- What is the definition of decision making in term of investment?
- What are the influences of culture on investor’s decision making?
- In what way can this awareness of cultural influence can help the investor make the right decision?

1.3 Research Methodology

The main method that will be used for this research is a literature review on the relation of investor’s behavior with their cultural background to know whether culture have an impact towards their behavior

This research will also use qualitative description method. A qualitative approach is intended to determine how much culture influencing investor’s behavior in capital market.

Identification of keywords

The following keywords have been used in order to gain relevant articles between culture and investor’s behavior: *Culture, Investor behavior, Behavioral finance, International financial market.*

Selection of databases

In order to recognize and filter the abstract of relevant articles the author uses the first 10 article from the following databases:

- Google scholar
- Social Science Research Network
- Online databases of Saxion University of Applied Sciences

Journals

In this research the author uses the following journals in order to find relevant articles:

- Journal of Business
- The Journal of Finance
- Journal of Financial Economics
- Journal of Economic Behavior & Organization
- Research in International Business and Finance
- Journal of Banking & Finance
- Journal of Corporate Finance

1.4 Research Objective

This research was focusing on the influence of culture toward the decision making process of the investor when investing their money in the stock market. This research was conducted in order to help both the individual and institutional investor to realize the importance of culture to their investment decision.

1.5 Thesis Structure

The Structure of this thesis constructs as follows. Chapter 2 gives the Theoretical Framework of the paper, in which the 3 sub questions will be answered. In chapter 4, the main questions will be answered with a conclusion and in chapter 5 policy suggestions are given for both the individual and institutional investor. And in chapter 6 the limitations of the research are written, then the author will post the literature used in the working of this thesis.

Chapter II

Theoretical Framework

Introduction

In this chapter the author will try to answer the 4 sub-question derived from the main question by first finding the information about the sub-question and then it will be summarized in the end of each sub-chapter.

2.1 Definition of Culture in Term of Investment

2.1.1 Understanding Culture in Investment

“Culture is the collective programming of the mind that leads to patterned ways of thinking, feeling,emotional and acting action patterns that distinguish the members of one group member or category of people from the others” (Hofstede, 1984, p. 9). Studies regarding culture have been conducted since the 1900s which focused on political dynamics of contemporary culture, its historical foundations, defining traits, and conflicts. Aggarwal, Kearney, & Lucey (2012) Found that “Although the concept of culture has been around for centuries, it is only since the mid-1920th century that researchers have begun to systematically define and measure it, and to collect data on it across countries and over time“.

Culture refers to the values and norms of a particular society or country, which in turn influences and imposes informal constraints one’s perceptions and behavior. Therefore, the author tries to connect that with the way which investors behave in response to information can conceivably be influenced by their culture. As previously examined by Rothonis, et al., (2016), Kwok and Tadesse (2006), and Stulz and Williamson, (2003) culture have many roles in distinctive areas of finance. Importantly, it's been proven that culture is crucial within the improvement of economic systems, the legal system, degrees of investor safety and the development of company’s financial situations in the long run.

In another article, Beckmann, Menkhoff, and Suto (2008) also found that cultural differences implies in distinct practices in the behavior between one people and another, and these distinctions are important for determining investor behavior. Unfortunately, the relations between culture and behavior are complicated, first due to the fact that each nationalities have unique orderings within the cultural dimensions, and secondly, due to the fact that cultural differences no longer affect behavior to a similar degree and a similar way between one country and another and in the light of that, Aggarwal, R et al., (2012) found that the hypothesis of cultural dimension made by Hofstede (2001), has turned into the most generally used measure of culture, depicting the four basic yet orthogonal measurements of national culture which are individualism, masculinity, power distance, and uncertainty avoidance, and each measurement and their combinations can influence financial decision making.

2.1.2 Hofstede's Cultural Dimension

1. Individualism

Individualism reflects on how much society underscores the value of an individual, rather than the value of a group (Beugelsdijk and Frijns, 2010). A general public's level of individualism refers back to the degree that its people have a tendency to be approximately associated and responsible with their very own prosperity, as opposed to being closely linked with long lasting groups that offer coverage as an end-result of loyalty in greater collectivist social orders. High individualist social orders underscore the significance of individual idea and moreover humans in place of cooperative decision making, with remuneration based of the person's commitment rather than the performance of the group (Aggarwal, R et al., (2012)).

Individualism can be connected to overconfidence, i.e. in more individualistic social orders more choices are made by the individual and these choices have a tendency to be driven more by arrogance. In previous researches, Beugelsdijk, S and Frijns, B (2010) and Van den Steen (2004) argues that overconfidence tend to make the investor to overestimate his/her data and thus, will affect the perceived riskiness of foreign investment and by that, investor creates a Future research should also investigate in what kind of situation does the phenomenon of culture ruining the investment decision made by investor happens. downward bias in the perceived riskiness of a foreign investment and consequently ends in a more allocation on foreign investment.

2. Masculinity

Meanwhile, a society's degree of masculinity measures the volume to which it emphasizes and rewards the male characteristics of assertiveness, competitiveness and achievement rather than the female traits of nurturance and support, and it additionally embodies the volume to which societal contributors are anticipated to appear and carry out these roles. Societies that noticeably have high score on masculinity tend to showcase behavior toward achievement in place of harmony, disagreement as opposed to cooperation, and highbrow independence in place of moral obligation (Aggarwal, R et al., (2012)).

3. Power Distance

As for the concept of power distance was built upon by Hofstede (2001) to refer to the differential weights that societies assign to inequality in power, status and wealth, and the extent to which its members expect power to be unequally distributed. Power distance takes the extent of inequality among members of a country's society into account. A high Power distance ranking implies that inequalities of power, prestige, and wealth have been allowed to grow within the society and keep being accepted by its members. Countries with greater Power Distance are placing greater emphasis on seniority, so the chief executives of strategic investment directors are relatively older than other staff (Beckmann, D et al., (2008)).

4. Uncertainty Avoidance

The concept of uncertainty avoidance is familiar to financial analysts and researchers, particularly given the many tools that have been designed to manage risk and to financially engineer preferred combinations of risk and reward. The uncertainty avoidance dimension in national culture was developed by Hofstede (2001) to capture the anxiety that people feel when exposed to ambiguity and uncertainty.

Uncertainty avoidance reflects the extent to which people feel uncomfortable in situations with uncertain outcomes and their willingness to deal with risk. Although Hofstede (2001) states that uncertainty avoidance is not equal to risk avoidance, Kwok and Tadesse (2006) develops an arguments on how the uncertainty avoidance affects the individual's investment preference. They show that countries with high uncertainty avoidance are characterized by a relatively unsteady banking-based financial system compared to those with low uncertainty avoidance who uses over the market-based financial system.

2.1.3 Summary

From the information found about this sub-chapter, the author can summarize that culture is a way of life that develops, and is shared by a group of people, and passed down from generation to generation. It is made up of many complex elements, including religions, political systems, customs, tools, clothing, buildings, and artwork. Language, as well as culture, is an integral part of the human self that many people tend to consider genetically inherited hence we can't ignore the fact that every doing whether it is good or bad are influenced by our culture. The reason why author decided to include Hofstede's four cultural dimension in this sub-chapter is to let the readers know that it is the most commonly used benchmark to measure the degree of cultural presence having impact on people's behavior especially in terms of decision making.

2.2 Definition of Decision Making in Term of Investment

Capital market acts as a liaison between both individual and institutional investors with companies or government institutions through the trading of financial instruments. In order to carry out these investment activities, investors need to take investment decisions. The investment decision in question is the decision to buy, sell, or retain ownership of shares (Vyas, 2012)

Investment is a form of spending made by company to make profits in the future. Therefore, a company needs to make an investment as a way of development and thus remains competitive on the market (Avram, Savu, Avram, Ignat, Vance, & Horja (2009)). In accordance to that, Virlics (2013) said that investment is considered as an expenses and made to gain financial benefit and it can be carried out with two methods. First, investments may have the form of fixed assets such as buildings, machinery or equipment and secondly, financial assets such as shares, and bonds and both types of investment could help company grow financially.

"In making his plans, a businessman takes account in the one hand of the various potential investment opportunities to him; and, on the other hand, of the cost of finance. If the expected rate of profit exceeds the cost of finance by the margin required to cover the risk element, the businessman would wish to undertake the project." (Harcourt, Karmel, and Wallace., 1967, p. 151). And by that, according to Avram et al., (2009) a good investment decision requires the investors to recognize completely and correctly the potential of each investment opportunities and those decisions must not be made in a hurry because an incorrect investment decision can even lead an organizations to bankruptcy. It is therefore important to recognize the primary thoughts of the investment decisions to attain the maximum value from the investment appraisal. In evaluating the investment, the indicators should be chosen regarding the specific nature of the investment and the information held by the project analyst with the aid of the company's decision maker.

Furthermore, Yates & Oliveira (2016) also argues that good decision making depends, in part on whether the decision maker is able to recognize whether to decide and when to decide. For example, entrepreneurs must be particularly good at observing opportunities before others see them just like a pilots that should be able to detect threats before the catastrophe befalls on their aircraft. It is therefore it can be concluded that investment decisions are made after a complete evaluation of the investment project. One of the key factors influencing the decision is the risk aspect for the investment. This risk exists due to the fact it is uncertain that whether the cost of the investment will be fully recovered or profit could be earned.

2.2.1 Summary

Decision-making in general is a complex phenomenon, encompassing all aspects of life, encompassing various dimensions, and the process of choosing from the various options available. Decision-making theory is based on the concept of satisfaction, that utility is the amount of pleasure or relative satisfaction achieved, with this number one can determine the increase or decrease of utility in an effort to increase satisfaction. Based on this concept, each action performed by decision-makers aims to maximize the number of utilities to achieve satisfaction. Similarly, investment decision making by investors is done rationally in order to maximize its utility.

2.3 Influence of Culture on Investor's Decision Making

2.3.1 Relation between Culture and Investor's Decision Making

Research regarding culture and finance are increasingly addresses such issues as the impacts of culture with people's sub consciousness in making financial decisions with the usage of diverse techniques. Some discover additional evidence on the empirical theory and some appoint a new alternative toward the empirical methods to differentiate the direct and indirect consequences of culture (Aggarwal, R et al., (2016)). In more recent work done by Eun, Wang, & Xiao (2015) it is shown that culture is an important component in determining stock rate synchronicity as it exerts systematic biases into investor behavior and it is reflected with higher stock price synchronization in the market. Meanwhile Akhtar, Jahromi, John, & Moise (2012) and have shown that there are stronger volatility linkage between Islamic assets than those of conventional assets in Islamic country, suggesting that common culture is likely to play a significant role in information transfer and asset prices. Therefore in addition to cultural distance, common religion also act as cultural similarities, ultimately enabling them to become one of the factor in stock market integration. Cifarelli and Paladino (2008) also shows that the drift of data resulting to the transfer of volatility linkages between markets, and there is enough evidence that there are volatility spreads in certain markets.

2.3.2. Influence of Culture toward Investor's Decision Making

In traditional financial theories, investors do not always have rational and predictable responses through the objective of quantitative models, which means that the decision-making process of investors involves cognitive biases and affective (emotional) considerations therefore the flow of information leads to volatility transmission between markets, and effecting in volatility spill-overs across certain markets (Park & Sohn, 2013).

Previous studies have used geographical distance, shared religion and language as proxies for cultural similarity. Walti (2005) examines the impact of certain factors on stock exchange synchronization and notes that common language results in greater stock market correlations while information asymmetries lead to lower stock market correlations depending on geographical distance. Similarly, Eckel, Loffler, Maurer, & Schmidt (2011) use geographical distance as a determinant of stock market correlation and they found that the more "distant" the investor with the company the less the stock market correlation existed. Meanwhile Eun et al. (2015) focuses on two of the four dimensions of national culture, which are uncertainty avoidance and individualism as it is important for price synchronicity because they represent both the internal and external constraints of human behavior features. They find that both uncertainty avoidance and individualism affect the degree of synchronicity of stock markets, as uncertainty avoidance is expected to lead to greater stock synchronicity, while individualism has an opposite effect.

Using Greif's (1989) studies of "Maghribi traders", eleventh-century Jewish merchants operating in the Muslim Mediterranean, as an example. When the reservation prices of cash customers are higher than those of credit customers, sellers can profit from offering lower prices to credit customers. Nevertheless, Mian & Smith (1992) found that sellers often face the practical and legal constraints on the application of price discrimination in which case they may reduce the price that credit assessors pay by extending commercial credits at subsidized prices. In response to that, El Ghoul & Zheng (2016) also found that in high level power distance countries where there is greater inequalities between rich (cash) and poor (credit) customers, suppliers are more likely to apply commercial credits to the price differential. Commercial credit is also linked to uncertainty avoidance and masculinity. In countries with a high degree of uncertainty avoidance, customers worry about the quality of the products they buy, suppliers offer multiple commercial loans to provide an implicit guarantee for their products. In high masculine countries, debtors are much more likely to behave opportunistically on the expense of creditors therefore some suppliers often offer greater trade credit because by doing that, it enforces more impregnable obstacles on debtor opportunism than other forms of credit toward the customer.

"We go a step further by suggesting that the way in which investors interpret information is influenced by their culture, therefore, investors from culturally similar countries would interpret information in similar ways." (Rothonis, S et al., 2016, p. 86). And in the light of that, Beugelsdijk, S & Frijns, B (2010), found that culturally distant countries are not taken into consideration as an attractive investment opportunities by both the individual and institutional investor, and thus making lower investment preferences in these countries. And with this, the author concludes that one of the most essential mysteries in the financial economics is that investors do not optimize their money on international markets but they systematically outweigh their portfolio with securities familiar to their nationality.

Ethnic background has also been found to play a very important role in investment behaviors related to risk aversion. Yates, Lee, & Bush (1997) find that people raised in Asian cultures shows more behavioral biases than people coming from the United States. Chen, Kim, Nofsinger, & Rui (2007) study the stock investment decisions using data from a brokerage firm in China, finding evidence that Chinese investors are "just as prone to the disposition effect as U.S. individuals' but more overconfident than U.S. individuals''.

Based on Rothonis, S et al., (2016), existing literature suggests that investors invest in countries that are known to them and are culturally similar to their home country because investors believe that they have a greater risk of retaining foreign capital because they know little about them and this become the resulting in home/familiarity bias. Indeed, studies have studied about what are the factors that lead to home bias and, most recently, focused on behavioral explanations. For example, Grinblatt & Keloharju (2001) focus on Finnish companies to use familiar properties, culture, language and geographical distance to explain investor preferences. The presence of home bias seems to be much smaller when greater number of different stocks held. The correlation between sophistication and distance effects is a result produced to some extent, because if investors have more volatile preferences depending on the company's distance, investor with more diversified portfolio have necessarily more distant companies.

In addition, Chan, Covrig, & Ng (2005) said that institutional investors commonly put their money into markets which are culturally much like their domestic market as they share a common language or geographically similar, thus creating a familiarity bias. A cultural distance index based on the cultural dimensions of Hofstede also has been used by Kogut and Singh (1988) and Lee, Shenkar, & Li (2008) to demonstrate how culture plays a role in company's decision making process when investing and entering a foreign market. It is found that the greater the cultural distance between the company's origin countries and other countries, the less likely it is to invest heavily without the cooperation of a party that is familiar with the other country because in previous research done by Grinblatt & Keloharju (2000), they found that foreign investment tend to rely heavily by gaining momentum from investment which is done by buying winnings stocks in the past and selling past losers. However, domestic investors, especially households, are generally opposed to that. The differences in behavior are constant across a variety of past-return periods therefore the portfolios of foreign investors appear to outperform the portfolios of households, even after controlling for behavior differences making use of Hofstede's four generally used cultural dimensions to look at the real score/value of the investment.

2.3.3. Summary

From the information found about this sub-chapter, the author can summarize that culture is affecting the behavior of the investor by making them invest their money to company which they are familiar with. Not only culture, in this sub-chapter the author also find another factors influencing investor's decision making by examining the Hofstede's cultural dimension in which the investor's originated and also from their religion. In this sub-chapter, the author also finds that distance between investor and the company plays an important role, culturally distant countries are not considered attractive investment opportunities and they tend to avoid foreign financial market even though it have a better investment portfolio than those originated from their home country. Investors do not allocate their money optimally across international markets, but instead systematically overweigh the securities of their home country.

2.4. Way Awareness of Cultural Influence Can Help the Investor Make the Right Decision

Cultural measures have been used to help illuminate business decisions and behavior for a long time, understanding financial behaviors and decisions therefore studying the continuation of culture and finances is therefore expected to offer new and important aspects to financial scientists and professionals (Aggarwal, R et al., (2016)).

However, in the field of finance, the role of culture in financial decision-making has only started to pay attention recently. Károlyi (2016) notes that studies in this field depend on a small group of key data sets: Hofstede, Schwartz and the World Values Survey. In previous research Kogut and Singh (1988) use Hofstede's dimensions to make the average difference factor for all four major Hofstede measures. Other researchers use Schwartz's dimensions or the WVS data set to create cultural long-distance measures. However, Shenkar (2001) raises questions about the hidden assumptions underlying such measures. These include the illusion of symmetry, the illusion of stability, the illusion of linearity, the illusion of causality, the illusion of contradiction, the assumption of homogeneity and the assumption of equivalence.

Károlyi (2016) places cultural distance on the most well-known research lines, the foreign bias puzzle. He finds that the cultural distance built with Hofstede's dimensions has a strong explanatory power and goes beyond other determinants that are often held. By examining Shenkar's (2001) challenge of symptom illusion and equivalence the illusion of symmetry, Hofstede interacts with the cultural distance of the emerging market. It is found that global market investors in emerging markets are negatively sensitive to cultural distances, suggesting that symmetry concerns exist in this context. It also examines the challenge of assuming equivalence in different forms of cultural distance allowing the four Hofstede cultural dimensions measures to explain excessive investment rates (Károlyi (2016)).

2.4.1 Summary

From the information found about this sub-chapter, the author summarize that the easiest way to improve awareness of the cultural influences of behavior is to observe oneself carefully. The way awareness about culture can help investor to make the right decision is by being aware about the presence of culture, investor can analyze if there are any cultural bias present on the decision made by both the individual and institutional investor. If there's no presence of cultural bias within the investment decision, then the investor could begin the next step which are doing the analysis about the company that they're interested. From that analysis, awareness about cultural presence can also help investor to find the most suitable company to invest based purely from their portfolio not from investor's unconscious preference.

Chapter III

Conclusion

In this chapter, an answer to the main research question is going to be given. By means of the research conducted by Grinblatt & Keloharju have shown that cultural differences affecting investment decision, have been revealed. This has been confirmed by the results of their study in 2001. However, the results from the research are a little bit contradictive. A possible explanation can be found in the fact that the subject chosen for that research are both Finnish investor. Furthermore the results show that both the household and institutional investor could be influenced to some extend by familiarity bias. The joint investment portfolio of these two investors has perhaps led to a process of an adjustment. On the other hand they still overweight their investment to those of company located closer to their home country which is Finland or those who use Finnish language in their financial reporting. However, today's world is a fast developing place which bring people to think in a new more standardized way. Nowadays, people learn, read and travel more. This enriches them and brightens their horizon which on the other hand helps them to accept differences more easily.

The purpose of this study is to find out the influence of one's cultural background toward their decision making process in investment. According to the theoretical framework discussed in this study, it can be concluded that the cultural background of investor have impact toward their cognitive decision making process when investing their money in a business. Culture is a way of life that develops, and is shared by a group of people, and passed down from generation to generation. It is made up of many complex elements, including religions, political systems, customs, tools, clothing, buildings, and artwork.

Language, as well as culture, is an integral part of the human self that many people tend to consider genetically inherited hence we can't ignore the fact that every doing whether it is good or bad are influenced by our culture. The reason why author choose Hofstede's four cultural dimension is because it is the most commonly used to benchmark the presence of cultural influence on people.

Decision-making in general is a complex phenomenon, encompassing all aspects of life, encompassing various dimensions, and the process of choosing from the various options available. Decision-making theory is based on the concept of satisfaction, that utility is the amount of pleasure or relative satisfaction achieved, with this number one can determine the increase or decrease of utility in an effort to increase satisfaction. Based on this concept, each action performed by decision-makers aims to maximize the number of utilities to achieve satisfaction. Similarly, investment decision making by investors is done rationally in order to maximize its utility.

Culture is affecting the behavior of the investor by making them invest their money to company which they are familiar with. Not only culture, the author also find another factors influencing investor's decision making by examining the Hofstede's cultural dimension in which the investor's originated and also from their religion. The author also finds that distance between investor and the company plays an important role, culturally distant countries are not considered attractive investment opportunities and they tend to avoid foreign financial market even though it have a better investment portfolio than those originated from their home country.

In short, the author have found that by using Hofstede's four cultural dimensions there are several bias arising in investor decision making process caused by their cultural background for example, when investor originated from a country with high power distance, they usually only invest their money on the company they are familiar with which means the company that they invest in was originated from their home country or using the same mother language as them. And from this example we can see that there are familiarity bias arises within investor coming from country with high power distance level.

Based on the analysis above, it can be concluded that investors tend to behave irrationally because of their cultural background. Investors need to consider information clearly on the portfolio of the investment itself if they want to make an investment decision. The consideration is made to be able to estimate the linkage of bias caused by cultural background of investor with changes in stock prices. The market presents a variety of information and investors should analyze the various information. Before the stage of utilization of information to take decisions, investors must first conduct an active and continuous information search about the company's investor, and why they invest their money in that company.

After they conducted their active and continuous information search, they can be more aware about the fact why that company have such investment is it because of the company's portfolio or is there any presence of cultural background in those investment. And from that, investor can improve their awareness of cultural influence toward other investor's investment decision making process.

The easiest way for investor to improve awareness of the cultural influences on their behavior is to observe oneself carefully. The way awareness about culture can help investor to make the right decision is by being aware about the presence of culture, investor can analyze if there are any cultural bias present on the decision made by both the individual and institutional investor. If there's no presence of cultural bias within the investment decision, then the investor could begin the next step which are doing the analysis about the company that they're interested. From that analysis, awareness about cultural presence can also help investor to find the most suitable company to invest. The greater the awareness about cultural background influence, the greater the results will be achieved by both individual and institutional investor. This was caused by the decision they made before investing their money was purely influenced by the portfolio of the company, not by their own cultural preferences

All of the statement above can give answer to taking into consideration that national cultural is an important factor, however, not the decisive one. Culture has a great meaning ascendancy over people's perceptions. Nevertheless it could not become a restraint.

CHAPTER IV

Policy

In this part of thesis the author are going to discuss the possible outcome to its validity. As starters the original idea of the study was to find if there's any influence of culture toward the decision made by both individual and institutional investor when they want to gain more capital by investing their money.

Previous studies showed there are a lot of investment decision influenced by cultural background of the investor. It often makes the investor makes the wrong choice as to where and why they invested their money on. This has caused them the misfortune because they unable to be aware about this. To prevent the same condition to occur again, the author suggest a tipping list to both individual and institutional investor in order to improve their performance and also to be better when making investment decision.

In the aspect of country's cultural dimension made by Hofstede, the author suggest that both individual and institutional investor should maximize their investment in terms of quality of the portfolio itself, not by their emotional response, cultural background, familiarity with the company that they interested at, or the fact that the company and investor are using the same mother language. Investors should also balance their investment decision on the forecast so they can gain higher investment result.

Based on the above analysis, it is clear that researchers need to conduct more studies and surveys which help in clarifying and giving more understanding about the concepts of cultural presence in decision making, especially in terms of investment. Specifically, future studies are needed in the following fields:

- Explaining and giving examples in adopting culture on investment decision making, such as what factors that may become their driver when making investment decision.
- Outlining the effects after adopting culture on investment decision making, especially when doing foreign investment.
- Suggesting solutions for the difficulties and problems that are faced by both individual and institutional investor in culture on investment decision making.
- Investigate in what kind of situation does the phenomenon of culture ruins the investment decision made by investor happens.

In doing so both individual and institutional investor can take some actions to improve their investment performance which can be elaborated in a cross cultural understanding between company.

Several firms have different way of taking action because sometimes, company adopt different culture from the CEO and also the managers without considering the role of their employees. The companies only adopts the culture of their CEO and stakeholders because of cost savings and it is less timely to do so. This action can become a bias because when company adapt the culture of a CEO with high individualism index, the performance of the company will not be able to go to its full extent because the CEO believe in the opinion of individual than the opinion of the many of its employees. Therefore, motivation of the employees are dropping when they notice that their leaders are not considering their opinion when making company decision and it can lower the company's performance.

The greatest difficulty in raising awareness of the presence of culture is changing the mindset of human beings, and motivating people to get excited about the many different culture across the globe requires a lot of familiarization and the limitation in conducting this study is lack of a more practical scientific journal that can give more knowledge and understanding about the relationships between the influence of culture and the investment performance of both individual and institutional investor, as well as the impacts for adopting a cross cultural understanding when deciding on which company to invest.

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