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A Study on Factors Influencing UAE Expatriate Investors' Perception towards Investments

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Abstract*: Investment Behaviour of Expatriate Investors is concerned with choices about investment opportunities and willingness to take risk. Expatriates in UAEare by and large more conservative in nature and are not willing to take more risk. Their investment decisions are often supported by several of their perceptions, which are more to do with the external environment and less with the nature of the investment. The objective of this study is to establish the factors influencing investment decisions of the UAE based cosmopolitan investors of multinational. The study was conducted on 82 investors who constituted the sample size. To collect data the researcher had used a structured questionnaire that was personally administered to the respondents. The respondents were the individual investors. In this study, data was analysed using frequencies, mean scores, standard deviations, percentages, testing of hypothesis using ANOVA analysis techniques. The researcher confirmed that there seems to be a certain degree of correlation between the factors and the environmental situations of the UAE. The researcher found out that the most important factors that influenced individual investment decisions were: investors' preferences, years of experience in investment, knowledge on investment, area of investing preference, association between Investor risk taking and investment objectives and available investment products etc.,*
Keywords:*Investment-savings preferences, InvestorAttitude,Investor risk taking, investment objectives and the UAE's investment opportunities.*

I. Introduction

The present study is an analysis of the Investment process and is aimed to understand the attitude of the expatriate investors in UAE, which is one of the growing urban economies, undergoing tremendous transition in recent times. Dubai Investors, like any international investors are wealthy individuals but are still hesitant to invest in the local real estate market unlike pre-recession time. The present study on Investors attitude enables us to gain an enhanced understanding of how an individual expatriate investor uses information contained in analyst and management forecasts. For example, in the capital market, we only observe the buy or sell decision but not how confident an expatriate investor feels about the decision, although confidence can be inferred from the offer price and the number of shares in the order placed. This behavioural accounting approach to explain anomalies in the capital market draws on theories from psychology to understand the actions of individuals. Mobilization of Urban savings and levering of Private-Sector Investment in a multi-cultural environment like the UAE remains a major policy issue.

Research Objectives
The specific objectives of this study are listed below:

1. To understand and review the existing literature on the motivations of investors and their attitudes in the participation across a range of urban investment initiatives and
2. To study the expatriate investor attitude in UAE, and to examine the influence of the following factors on the same:
    a. Income savings preferences
    b. Years of experience and knowledge on investment
    c. Area of investing preference
    d. Association between Investor risk taking and investment objectives and
    e. Available investment products

II. Methodology

The study is exploratory and empirical in nature; primary data have been employed for the study. The study consists of 82 samples, which are collected from the investors in UAE. The data set include, primary data were collected through a method using structured questionnaire and secondary data was collected from relevant publications and websites. The data collected was converted into readable data and was tabulated and analysed for logical status using Microsoft-Excel spread-sheets and other appropriate statistical method. In this study, ANOVA hypothesis testing have been employed to interpret the suitable hypothesis framed and analysed to predict the preference of the investors.

Hypothesis of the study

Hypotheses are set for ANOVAanalysis to check whether there was any association between variables and the investment decision making of the expatriate investors. The variables identified for analysis include: Income savings preferences, years of experience and knowledge on investment, area of investing preference, association between Investor risk taking and investment objectives and available investment products

Data collection

About 4 months was spent for the completion of the research topic and the research activity. This period was directed towards data gathering and analysis, as well as towards the drafting of reports on the various phases of the research. The researcher selected samples torepresent all segments in the data. Keeping this fact in view, after identifying the factors influencing the attitude, a questionnaire was prepared and it was pre tested and necessary modifications were incorporated in the final draft which was administered for the collection of primary data. By virtue of the data obtained from the research survey using Google Forms, descriptive and analytical tests were carried out.

III. Statistical Tools

The completed questionnaires were analysed and the tests were calculated by using Microsoft-Excel 2007. Further, the ANOVA test has been employed to test the relationship between the identified variables and the level of attitude of the respondents.

3.1 Review of Literature

Before undertaking the study on the motivations of UAE investors, an exhaustive review of existing literature on the analysis of expatriate investor attitudes in the participation across a range of urban investment initiatives, enables us to gain an enhanced understanding of how an individual expatriate investor uses information contained in analyst and management forecasts, reasons for holding an urban regeneration investment portfolio, evaluate factors and perspectives concerning the attraction of private finance into urban investment

3.2 Investor attitudes and behaviour towards inherent risk and potential returns

Consumer behaviour research began in the 1960s but there have been few studies on consumer decision-making under risk about financial service industry. Investors of Financial products often purchase investment products by drawing on experience or through the investment appraisal process (Harrison, 2003). Therefore, past investment experience and expertise of investors provides them with risk awareness and so have become important commodity risk assessment factors in future. Some personal traits such as risk preference and personal experience affect risk assessment and awareness.

The propensity to build up risk can further affect actual behaviour, where risk refers to how far decision makers are prepared to extend their exposure to risk. Risk perception forms the basis of risk communication which means that people facing uncertainty and ambiguity in the available information, construct inferences and draw conclusions for them. These faculties determine people's attitude to risk and their behaviour in risk related decisions. Risk perception is determined from the questions investors ask, their familiarity with organizational and management systems etc. all of which are important factors. Risk perception and propensity to risk have a strong negative correlation. In fact, prospect theory does not deal with the effects of past expatriate investor experience on future investmentbehaviour. (Sitkin.S.B., 1992)developed a model of determinants of risk behaviour. In this model, personal risk preferences and past experiences form an important risk factor in which to frame the problem, and social influence also affects the individual's perception.(Sitkin.B, 1995)Extended the Sitkin-Pablo model leading to the definition that risk perception and propensity are the mediators in risk behaviours of uncertainty decision-making. In this hypothesis, past investment establishes the frame for the propensity to risk, risk transfer, and risk awareness which impact decision-making behaviour. Thus risk orientation and risk perception are reduced to antecedent variables in decision-making behaviour under risk.

Investment experience is an important factor influencing behaviour. Investors with moreexperience have relatively high risk tolerance and they construct portfolios of higher risk (Corter, spring-2006). The success or failure of past expatriate investor experience influences the tendencies of investors towards risk and risk perception, and further affects decision-making behaviour. (Byrne, 2005)Shows that risk and investment experience tend to indicate a positive correlation and past experience of successful investment increases expatriate investor tolerance of risk. Inversely, unsuccessful past experience leads to reduced tolerance to risk. Therefore past investment behaviour affects future investment behaviour.

The impact of behavioural differences by gender is also an important variable. Female investors moreoften than their male counterparts tend towards risk aversion which is demonstrated by their more conservative investment behaviour. This claim is evidenced by a smaller number of market enquiries, lower trading volume and lower frequency of transactions attributable to females (Fellner, June 2007) and (Ronay, June 2006) have pointed out that there is no difference in risk attitude between individuals of different gender, but between groups of such, males indicate a stronger inclination to risk tolerance. That is, no gender difference was found at an individual level, but in groups, males expressed a stronger pro-risk position than females.

Investor perception of risk affects the expected return on investment. In traditional concepts of finance, it is understood that investors do not welcome risk but that investments with higher expected rates of return are also understood to bear higher levels of risk. Thus risk and reward are in positive correlation. However, not all investors possess this knowledge. Despite a wealth of literature and trained professional opinion supporting the existence of a positive correlation between risk and return, some novice traders and unskilled investors perceive expected return to be in negative correlation to risk (Byrne, 2005).

Despite risk perception and the tendency of such to be transmitted and influence the decision making behaviour, people continue to make investments in the face of uncertainty. This decision making under risk is reflected in the individual expatriate investor's portfolio construction. That is, risk perception affects return expectations and asset allocation behaviour simultaneously. Therefore the expected utility theory based on a traditional finance perspective cannot explain the anomalous investment behaviour of irrational people. Since this incongruity was noticed, (Kahneman, summer-1998)and (Tversky, 1974) have proposed prospect theory as a reasoned theoretical explanation for this phenomenon.

Normal investors are affected by cognitive bias and emotions in decision-making behaviours, rational investors are not (Statman, 1985). Behavioural Finance scholars have already proven that the act of engaging in risky decision-making in uncertain circumstances cannot be considered "rational" and that this descriptor should best be replaced with the more appropriate "heuristic" in that such decisions are by rule of thumb (they are experience based). Thus decision-making in such circumstances may be understood without cognitive bias. Heuristics is an important feature of the individual decision-making process which may be considered to include thought representativeness heuristics (Tversky, 1974) and availability heuristics (Kahneman, summer-1998). It is important here to understand that there is anchoring bias in the decision-making process which arises due to factors such as overconfidence, loss aversion, status quo bias, mental accounting, framing and so on. Investors in the process of assessing the risks and returns are influenced by this anchor effect (Tversky, 1974). Also (Kahneman, summer-1998) claim that in the process of assessment, people use certain starting values as reference points, and that these reference points may be volatile values to which subjects add necessary adjustments. The KT experiment demonstrates that this adjustment is usually not reliable and people confronted with different situations produce different anchor values. Perceptions of risk are affected by anchors, which lead investors to raise their returns expectations when given a bias/anchor of a higher value.

Behaviour Finance scholars believe in objective consideration of investment risk and return because these factors can be strongly impacted by subjective framing influences. Decision-making processes relying on frames often cause problems to be viewed in different ways, which leads to different choices. Investors in financial markets receive a spectrum of reports which can be interpreted differently making cognition a factor in the final decision-making response. (Shefrin, 1994)Found that noise traders have a greater cognitive bias than informed traders.

Overconfidence and optimism are further forms of bias. (De-Bondt, 1993)Found that individuals rely on their personal past experience as a foundation and it is from this that excessive self-confidence in decision-making can originate. Such investors make inappropriate decisions with insufficient information due to this personal trait (Shefrin, 1994) In addition to Overconfidence bias, optimism is an Achilles heel leading to investment losses. Individuals with this failing often feel they possess an innate talent and in their optimism, over-rate their own assessment ability (Kahneman, summer-1998). Having overconfidence and optimism causes people to further overestimate their own knowledge, underestimate risk, and it even reduces risk recognition.

IV. Evaluation ofInvestor Behaviour in Urban Regeneration.

From the private-sector perspective, inner cities and urban regeneration projects are commonly considered to present high levels of risk with a general lack of information about the value of assets. Furthermore, given the need for financial prudence, decision-making may bypass the potential opportunities offered by urban regeneration locations. Despite a raft of regeneration initiatives over the past two decades, many urban areas still experience a range of problems which affect the fabric of their neighbourhoods, their social and economic infrastructure and the well-being of their residents. While pockets of poverty have always existed, these have tended to be in lower-income areas where strong family and community support systems have acted in a substitute capacity. The distinctive character of investors in urban regeneration is emphasised by the relatively high allocation to residential property contrasting with non-regeneration portfolios. Mobility of investment is apparent suggesting that urban regeneration produces diversification benefits and is not necessarily tied to local sources and actors (Jim Berry, 1984).

4.1 Attitudes of UAE Investors

Industry experts say UAE millionaires are now changing their investment approach and are looking at spreading their wealth over different types of properties and lucrative locations. Investors were not only over-exposed to property as an asset, they were over-exposed to property in one geographical market, and often, these investments were not diversified across property asset types. Investors in the UAE fall into two camps. There are those who seek preservation of capital and those who look to speculate. The speculators are in the majority. If their companies are making profits of 20 per cent or more each year, why would they look for returns on investments that would be lower than that?" says Gregory. Investor attitudes are relatively short term, yet also cautious because they're not used to asset management vehicles, so they are looking at growth but also at things such as expecting to get their money back.

4.2 Evaluation of UAE Investor behaviour in Urban Regeneration

The pattern of Investor attitude over the alternate investment opportunities, the market cycle, reasons for holding an urban regeneration investment portfolio, evaluative factors and perspectives concerning the attraction of private finance into urban investment. From the private-sector perspective, inner cities and urban regeneration projects are commonly considered to present high levels of risk with a general lack of information about the value of assets. Furthermore, given the need for financial prudence, decision-making may bypass the potential opportunities offered by urban regeneration locations.Despite a raft of regeneration initiatives over the past two decades, many urban areas still experience a range of problems which affect the fabric of their neighbourhoods, their social and economic infrastructure and the well-being of their residents. While pockets of poverty have always existed, these have tended to be in lower-income areas where strong family and community support systems have acted in a substitute capacity.

The UAE specific findings concur with overall global trends - with investors worldwide sharing an appetite for alternatives. Intuitively, absolute returns make a lot of sense and we see that more Middle Eastern investors are thinking in those terms, Assets like hedge funds, derivatives and structured financial products,Shariah-compliant products can all be used to manage risk, reduce volatility and stabilise results. The region has seen huge development in the Islamic finance sector in recent years and this is rapidly filtering through to the asset management arena, where considerable product development is now takingplace.While investors in the UAE understand the importance of diversifying their assets, few have enough confidence in their financial knowledge to do this successfully. Fewer than half of those surveyed were confident in their knowledge and understanding of key aspects of personal finance. Despite more investors saying they plan to invest in alternative investments, these vehicles were understood by the fewest people, revealing a need for more financial education and specialist advice. Interestingly, the knowledge gap narrows the older and more affluent individuals are. This is because the financial sophistication of investors tends to increase with wealth, in part because they have more access to private bankers and wealth advisers.

Hypothesis Testing

The survey on expatriate investor attitude prima facie attempts to understand the attitude influencing variables such as - Respondents income and savings preference. Hence we have set null hypothesis to know the existence or otherwise of any relationship between income and savings preference.

Ho-1: *There is no significant association between* income and savings preference *ofthe expatriate investor.*

Table-1: Composition of Respondents income and savings preference

Income inAED	**Yes**	**No, all my disposable income is transferred to my dependents**	**Depends on savings options provided**	**Grand Total**
monthly income <5000	4	2	2	8
monthly income 5000-10000	12	18	7	37
monthly income 10001-25000	23	7	5	35
monthly income above-25000	2	0	0	2
Grand Total	41	27	14	82

Anova: Two-Factor Without Replication						
Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Rows	327	3	109.0000	3.8584	0.0750	4.7571
Columns	91.16667	2	45.5833	1.6136	0.2749	5.1433
Error	169.5	6	28.2500			

The data pertaining to expatriate investor income and savings preference, the researcher applied ANOVA, to test the association between income and savings preference. The calculated p-value for Rows (Income) 0.0750 and Column (savings preference) 0.2749both are more than 0.05 indicate the difference was non-significant and hence acceptance of the null-hypothesis and there was no significant association between income and savings preference of the expatriate investor.

Ho-2: *There is no significant difference between* investment years of experience and investment knowledge *levelof the expatriate investors.*

Investment experience		**Investment Knowledge**				
		Extensive	**good**	**limited**	**none**	**Grand Total**
Less than 1 year		1	8	19	4	32
between 1 - 5 years		0	14	9	0	23
above- 5 years		4	10	10	3	27
Grand Total		5	32	38	7	82
ANOVA						
Source of Variation	*SS*	*Df*	*MS*	*F*	*P-value*	*F crit*
Rows	10.16667	2	5.083333	0.352601	0.716503	5.143253
Columns	287	3	95.66667	6.635838	0.024691	4.757063
Error	86.5	6	14.41667			
Total	383.6667	11				

The data pertaining to expatriate investor investment experience and investment knowledge, the researcher applied ANOVA, to test the association between investment experience and investment knowledge. The calculated p-value for Rows (investment experience) 0.7165 is more than 0.05 and Column (investment knowledge) 0.0246 less than 0.05 indicate that while the difference is non-significant for investment experience and hence acceptance and significant for investment knowledge and hence rejection of the null- hypothesis. So while there was no significant difference among the investors with different years of experience, there was significant difference among the investors with different levels of investment knowledge.

Ho-3: *There is no significant difference between nationality of the investors and the preference for Investment products among the expatriate investors.*

Nationality-wise respondents' area of investing preference (weighted ranking)									
Nationality	**National Bonds**	**Business invest.**	**Equities**	**Fixed Dep.**	**Gold**	**Islamic sec.**	**Real Estate Invest.**	**Structured products**	**others**	**Grand Total**
Canadian	0	0	10	4	2	0	6	3	0	25
Egyptian	0	0	0	0	0	0	0	0	0	0
Indian	50	18	45	142	100	14	48	3	15	435
Iraq	0	0	0	0	0	15	0	0	0	15
Jordan	4	3	5	9	1	0	17	0	30	69
Pakistan	0	24	5	5	4	30	7	0	0	75
Palestine	4	0	0	0	0	5	0	0	0	9
Philippines	0	15	0	0	0	0	0	0	0	15
Sudan	0	0	0	1	0	14	30	0	0	45
Syria	0	0	0	0	0	15	0	0	0	15
UAE	15	23	18	6	19	13	11	0	15	120
Yemen	7	9	3	2	3	2	4	0	0	30
Grand Total	80	92	86	169	129	108	123	6	60	853

ANOVA						
Source of Variation	*SS*	*Df*	*MS*	*F*	*P-value*	*F crit*
Rows	17520.3241	11	1592.75673	7.33026	9.3976	1.8991
Columns	1420.46296	8	177.55787	0.81716	0.5894	2.0454
Error	19121.0926	88	217.285143			
Total	38061.8796	107				

The data pertaining to the *nationality of the investors and the preference for Investment products* have been calculated by applying suitable weights for the preferential ranking given by the respondents and the researcher applied ANOVA, to test the existence of any difference between the *nationality of the investors and the preference for Investment products*. The calculated p-value for Rows (nationality) 9.3976 is more than 0.05 and Column (preferred investment products) 0.5894also more than 0.05 indicate that there is no significant difference among the different nationalities and as well their preference for different investment products and hence acceptance of the null hypothesis and we shall conclude that There is no significant difference between nationality of the investors and the preference for Investment products among the expatriate investors.

Ho-4: *There is no significant difference between investment objectives and the Risk taking nature of the expatriate investors.*

Table showing association between Investor risk taking and investment objectives.					
	Investor Risk taking nature				
Investment objectives	high risk taker	average risk taker	low risk taker	no risk taker	Grand Total
Aggressive growth	11	3	1	3	18
Capital preservation	3	7	6	11	27
Inflation protection	0	2	1	1	4
Significant growth of capital	3	10	11	4	28
No idea	0	2	3	0	5
Grand Total	17	22	19	19	82

ANOVA						
Source of Variation	*SS*	*Df*	*MS*	*F*	*P-value*	*F crit*
Rows	133.3	4	33.325	2.763649	0.077097	3.259167
Columns	5.8	3	1.933333	0.160332	0.920965	3.490295
Error	144.7	12	12.05833			
Total	283.8	19				

The data pertaining to the 'between investment objectives' and the Risk taking nature of the expatriate investors and the researcher applied ANOVA, to test the existence of any difference between the investment objectives and the Risk taking nature. The calculated p-value for Rows (investment objectives) 0.0770 is more than 0.05 and Column (Risk taking nature of the expatriate investors) 0.9209 also more than 0.05 indicate that there is no significant difference between investment objectives and the Risk taking nature of the expatriate investors and hence acceptance of the null hypothesis and we shall conclude that There is no significant difference between investment objectives and the Risk taking nature of the expatriate investors

V. Conclusion

The tested hypothesis had confirmed our presumptions that irrespective of their nationality, income level the perception towards investment remain the same among all expatriates, which means the perception influence is more by external environment factors and internal factors. Also there is no significant difference between the perceptions of different investment objectives (like Aggressive growth, Capital preservation, Inflation protection and Significant growth of capital) and the different Risk taking nature of the expatriate investors (like high risk taker, average risk taker, low risk taker and no risk taker)

UAE expatriate investor's attitudes are sceptical about investing in current market conditions and currently prefer to put their money in low-risk assets with government bonds, cash and gold the favoured investment vehicles. Perhaps unsurprisingly a large proportion of people surveyed in the UAE believe that it is important to use ethically screened investments, including Sharia's compliant products. The region's investment markets are still quite unpredictable, and this is reflected in expatriate investor sentiment. Attitudes have certainly changed over the past year and expatriate investor caution has resulted in savings plans becoming the top choice of investment. When planning medium to long-term investments, investors are being more selective and are carefully researching their options. This is a very good practise to undertake. When managed properly there are still good opportunities to invest and earn returns. Optimism amongst investors in the UAE is improving and residents are becoming a little more bullish about investment markets. This in turn means there is an even greater need for careful financial planning.

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