



INTENTION DETERMINANT OF POTENTIAL INDIVIDUAL INVESTORS IN DECISION MAKING OF SHARE INVESTMENT IN INDONESIA STOCK EXCHANGE

Sri Hermuningsih*

Kusuma Chandra Kirana

Ratih Kusumawardhani

Universitas Sarjanawiyata Tamansiswa Yogyakarta

hermun-feust@yahoo.co.id

ABSTRACT

Capital market is a vehicle that can mobilize long-term fundraising from the society to be channeled into productive sectors through the sale of stocks, bonds, mutual funds and derivatives. Investment decision-making is a process of selecting the best alternative from a number of alternatives available under the influence of complex situations, will be greatly influenced by the received information, the level of capability and knowledge of the investors about investment. Financial behavior aims to understand the behavior of investors in making investment decisions. The purpose of this study is to examine and obtain empirical evidence of potential individual investors' determination in making decision of stock investment. This type of research is quantitative research with purposive sampling technique. The population used in this research is the students of the Faculty of Economics, University of Sarjanawiyata Tamansiswa Yogyakarta. The sample used is 50 UST students who want to be a share investor in Indonesia Stock Exchange. The methods of data collection use questionnaires and structured questions. Data analysis technique use Structural Equation Modeling. The results of this study noted that the quality of accounting information, subjective norms, perceptions of behavior control and risk perceptions do not systematically affect on the intention of prospective individual investors in decision-making stock investment in Indonesia Stock Exchange.

INFO ARTIKEL

Diterima: 30 Agustus 2018
 Direview: 31 Agustus 2018
 Disetujui: 12 September 2018
 Terbit: 17 Desember 2018

Keywords:

Intention, Investor.
 Indonesia Stock Exchange

INTRODUCTION

The capital market is a place that can mobilize long-term fundraising from the society to be channeled to the productive sector through the sale of stocks, bonds, mutual funds and derivatives. According to Hermuningsih (2012), the capital market is one of the investment alternatives for the society. Through the capital market, investors can invest in some companies through the purchase of valuable mails offered. Investments in Indonesia Stock Exchange are influenced by many factors, such as information, risks, politics, security, issues, rumors, policies, global markets, news, and

market players' confidence in intentions to invest. The implication is that investors get capital gains if shares are sold, or held to obtain dividends, or get both (Adhikara, 2012).

The process of making investment decisions based on a study conducted by Waweru, et al (2008) shows that investors are rational and full of consideration. The condition of investors who do not always be rational and consistent can be explained by using the theory of behavioral finance (Waweru, et al, 2008). Furthermore, the theory of financial behavior discusses the psychology of an investor by looking deeper about the background of an investor in the decision to buy or sell shares (Waweru et al, 2008).

The study of financial behavior has been widely practiced in advance countries, such as Europe and the USA (Dhar and Zhu, 2006; Seasholes and Zhu, 2006). Meanwhile, in developing countries, it is still rare to do (Krause et al. 2007, Waweru et al, 2008). Therefore, the study of financial behavior in the developing countries is interesting and important to do, this is because: First, the study is still rare to do. Second, Asian financial markets are among the largest in the world. Third, in Asia there is a difference of capitalist and financial market levels. Fourth, in developing countries there are differences in behavioral treatment between individual and institutional investors (Waweru et al, 2008).

In Indonesia, the study of financial behavior is interesting to be studied further. This is because the capital market is a place that can be used to mobilize long-term funds from the society and channeled into productive sectors through the sale of stocks, bonds, mutual funds and derivatives. Investment decision-making is a process of selecting the best alternative from a number of alternatives available under the influence of complex situations. This is influenced by the information received, and the level of ability and knowledge of investors about investment. Financial behavior aims to understand the behavior of investors in making investment decisions.

This study is different from previous studies, the previous studies are mostly done on the analysis of disposition effect (Irma, 2012; Sousma and Hanafi, 2013; Sitinjak, 2013, Hanafi, 2015; Sembiring and Arfinto, 2016). While the focus of this research is on determinant behavior of individual investors in decision making stock investment in capital market in Indonesia. The determinants of investor behavior used in this study are: impact of accounting information quality (Romney et al, 2006), subjective norm (Ajzen, 2006), perception of behavior control and unsystematic risk perception.

Prior research conducted by Phan and Jian (2014) on the behavior of individual investors in Vietnam capital market shows that attitude, subjective norms, and perceptions of behavior control have a positive effect on the intention of individual investors. In line with research conducted by Adhikara (2012), on investors in Indonesia Stock Exchange, stated that subjective norm, unsystematic risk perception and confidence revision have positive effect on stock investment choice. However, the same study shows that systematic risk perception variables negatively affect the selection of investment shares.

Explanation of the impact of accounting information quality (Romney et al, 2006), subjective norms (Ajzen, 2006), perceptions of behavioral control and unsystematic risk perception are the factors that differentiate the focus of this study from previous studies. The main objective of this study is to examine the impact of accounting information quality, subjective norms, perceptions of behavioral control and unsystematic risk perception on individual investor intentions in making stock investment decisions in Indonesia Stock Exchange. Therefore, this research is expected to answer the question "do the quality of accounting information, subjective norm, perception of behavior control and unsystematic risk perception affect the intention of prospective individual investors in making investment decision shares in Indonesia Stock Exchange?"

LITERATURE STUDY AND HYPOTHESES DEVELOPMENT

Theory of Reasoned Action

Theory of Reasoned Action was developed by Azjen & Fishbein (2005) which explains that behavior is done because individuals have the intention to do so and are related to volitional activities. Volitional behavior is based on the assumption, first, that humans do things in a reasonable way. Second, humans consider all information. Third, either explicitly or implicitly human beings calculate the implications of their actions. The intention to take action is a function of two basic determinants, that is to relate to personal factors and others to social influences.

Investor's intention in stocks selection

Intention is an individual's self-competence which refers to the desire to perform a certain behavior (Engel et al, 2006). Specifically, in the planned behavior theory, it is explained that the intention to conduct a behavior is an indication of the individual's tendency to conduct a behavior and is a direct antecedent of the behavior. The intention to conduct a behavior can be measured through three major predictors which affect the intention, they are attitude toward the behavior, subjective norm, and perceived behavioral control (Ajzen, 2006). Intention to invest requires specialized analytical knowledge to believe in the performance of the stock to be selected in the overall stock investment (Hartono, 2007).

Perceived Behavioral Control

Perceived Behavioral Control according to Ajzen (2006), is the belief that an individual has ever performed certain behaviors, the individual has the facility and time to perform the behavior, then the individual estimates his own ability whether or not he has the ability to carry out that behavior.

Quality of Accounting Information, Investor Intention and Perceived Behavioral Control

The quality of accounting information according to a study conducted by Romney et al (2006), can be used to reduce uncertainty, support decisions, and support better work planning activities. The decision-making by management will be better if all these factors are considered in every decision-making process. This is in line with the study conducted by Waweru et al (2008), stated that when the investment decision-making process, the investor is rational and full of consideration.

A study conducted by Adhikara (2012), indicates that accounting information becomes one of the factors that influence investors in the process of making investment decisions in the Indonesia Stock Exchange.

Therefore, the hypothesizes in this research are:

- H1 : The quality of accounting information has a significant positive effect on investors' intentions in the stocks selection on the Indonesia Stock Exchange.
- H2 : The quality of accounting information has a significant positive effect on the perception of behavior control.

Subjective Norms, Investor Intentions, and Perceived Behavioral Control

The subjective norm is a person's perception about social pressure to perform or not to engage in behavior (Ajzen, 2006). In the theory of reasoned action and theory of planned behavior model, subjective norms are a function of normative beliefs, which represent perception of *significant others* about the preference of whether the behavior should be performed. This model quantifies these beliefs by multiplying the subjective possibilities of a *significant other* (called referent) thinking that one must execute the behavior with one's motivation to follow (*motivation to*

comply) what the referent wants to do. The results of this multiplication are summed up according to the number of available referents.

A study conducted by Phan and Zhou (2014) on the Vietnam capital market revealed that subjective norm variable positively affects the intention of individual investors. The matching results are shown by Adhikara (2012) that subjective norms have a positive effect on the selection of stock investments.

Thus, hypothesizes of this study are:

- H3 : subjective norms have a significant positive effect on investors' intentions in stock selection on the Indonesia Stock Exchange
- H4 : subjective norms have a significant positive effect on the perceived behavioral control

Unsystematic Risk Perception of Investor Intentions

The unsystematic risk perception is the view of individuals (investors) about how big the possibility of himself is going to experience the unsystematic risk exposure. Unsystematic risk is a risk that is based more on influences that lead to irregularities at the rate of return that may be controlled by the company. This risk is generally a company-specific problem such as equipment damage, work strikes, natural disasters, and others. This risk is a unique risk because it stems from the fact that many of the risks faced by the company have special characteristics that are appropriate to the company. This risk can be minimized by doing diversification. A study conducted by Adhikara (2012), shows that the unsystematic risk perception has significant positive effect on the investment stock selection.

Therefore, hypothesis in this research is:

- H5 : Unsystematic risk perception has significant positive effect on investors' intention in stock selection in Indonesia Stock Exchange

Research model

Here is the research model:

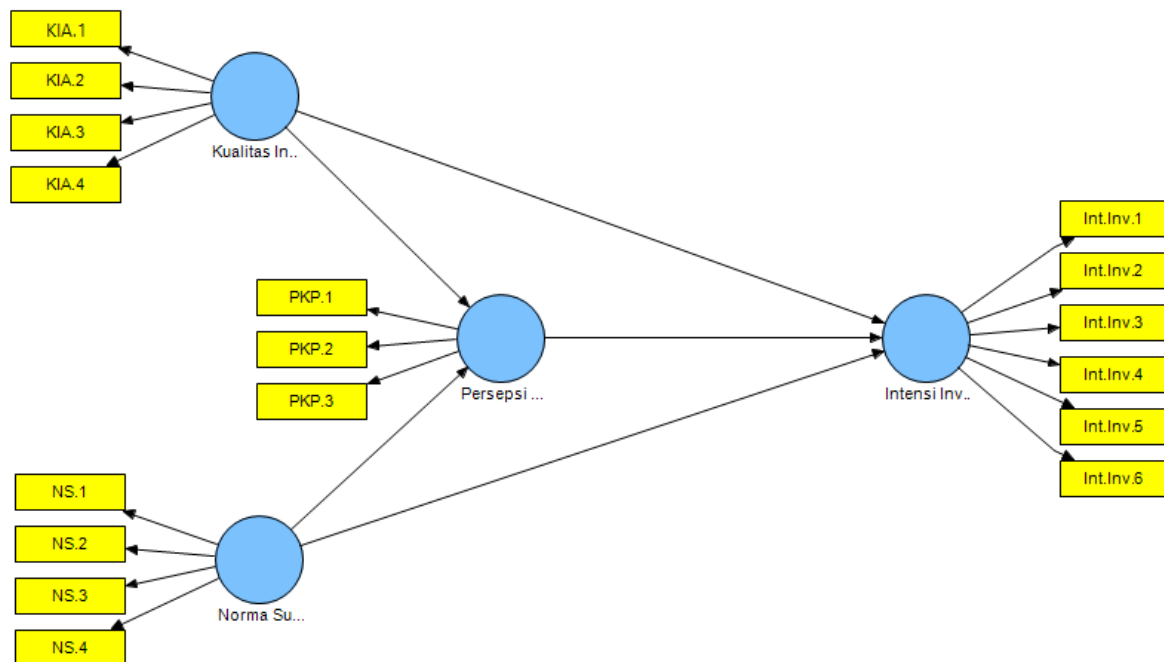


Image 1 Research Model

RESEARCH METHODS

Population, Sample, and Sampling Technique

Population

The population used in this study are students of Faculty of Economics, University of Sarjanawiyata Tamansiswa Yogyakarta.

Sample

The sample used in this study are students of Faculty of Economics, University of Sarjanawiyata Tamansiswa Yogyakarta who wish to invest in Indonesia Stock Exchange

Sampling technique

The sampling technique in this research is done by purposive sampling. The criteria used to select the sample are as follows.

1. Students of Faculty of Economics, University of Sarjanawiyata Tamansiswa Yogyakarta.
2. Students who wish to invest in shares in Indonesia Stock Exchange.

Analysis Method

Data analysis method by using Partial Least square which is an equation model of Structural Equation Model based on variance.

Research variable

Exogenous Variables

Accounting Information Quality is adopted from Adhikara's research (2014) identified from 5 latent variables and 15 measurable variables, namely:

1. Relevance (IA1) consists of three indicators, namely predictive, feedback, and punctual.
2. Reliability (IA2) consists of three indicators, namely can be checked / tested, accuracy of symbols, and neutral.
3. Secondary Quality (IA3) consists of three indicators, namely comparative, consistency, and understandable.
4. Limitations (IA4) consist of two indicators, namely costs and benefits; as well as materiality
5. Performance (IA5) consists of two indicators, namely short-term performance, and prospects. Accounting information quality instrument is developed with Likert scale. This scale measures the quality of accounting information with the number 1 indicates strongly disagree, until the number 5 indicates strongly agree.

Subjective Norm

The subjective norm instrument is adopted from Adhikara's research (2012) with 4 indicators, they are: Effect of observer (NS1), Influence of friend (NS2), Effect of mass media (NS3), and Influence of regulator (NS4). The subjective norm instrument is created using a Likert scale that measures the strength of normative beliefs to obey in investment decision making. The answers provided begin to strongly disagree (1) to strongly agree (5).

Endogenous Variables

Perceived Behavioral Control

This variable with 3 indicators: Self-confidence (PKP1), Capital Support (PKP2), Technology Support (PKP3).

Investors Intention in Stocks Selection

The instrument is adopted and developed from Adhikara research (2012) with 7 measured variables (indicators), they are: the desire to have a high return stock, the desire to have blue chips stock, the desire to find information about the desired stock, the desire to revalue the stock

performance, the desire to figure out the new investment method, the desire to be responsive to changes in stock prices, and the desire to be responsive to changes in interest rates in the market.

Data analysis technique

The activity of analyzing the data in this research includes several stages adopted from Santoso and Tjiptono (2001), namely: 1. The editing process. The first phase of data analysis is to edit the data that has been collected from the survey results in the field. The goal is to obtain accurate and complete data which will be analyzed. 2. Coding process. The process of altering qualitative data into numbers by classifying the available answers according to important categories (code giving). 3. Scoring process. The process of determining the score of respondents' answers by making the classification and the appropriate category depends on the supposition or opinions of respondents. 4. Tabulation. Presenting the obtained data in the table, hopefully the reader can see the results of the research clearly. After the tabulation process is complete then the data will be processed with PLS.

RESULTS

Data Analysis Results

Table 1
R-Square Value

	R Square
Investor Intention	0.372687
Accounting Information Quality	
Subjective Norms	
Perceived Behavioral Control	0.175971

Based on Table 1 shows that the *R-square* value for Investor Intention variable is 0.373. This means that the Investor Intention variable explained by the Accounting Information Quality variable, Subjective Norm and Perceived Behavioral Control is 37.3%. While the *R-square* value for Perceived Behavioral Control variable is 0.176 which means that the variable of Perceived Behavioral Control explained by Accounting Information Quality variable, Subjective Normal is 17,6%.

The next constructor model evaluation is done by calculating *Q-square predictive relevance* as follows:

$$\begin{aligned}
 Q^2 &= 1 - (1 - R_{Investor\ Intention}^2) (1 - R_{Perceived\ Behavioral\ Control}^2) \\
 &= 1 - (1 - 0,373) (1 - 0,176) \\
 &= 1 - (0,627) (0,824) \\
 &= 1 - 0,517 \\
 &= 0,483
 \end{aligned}$$

Based on these calculations, the obtained value of Q^2 is 0.483, indicating that the model formed is still not good.

Based on the results, if the data known that the obtained value of Reliability for each variable above is 0.6. This indicates that the obtained data is measurable and accountable. More details of R test results can be seen in the following table:

Composite Reliability

Table 2
Composite Reliability

	Composite Reliability
Investor Intention	0.864796
Accounting Information Quality	0.789707
Subjective Norms	0.782220
Perceived Behavioral Control	0.811084

Assessment of Outer Model or Measurement Model

The results show that the intention of students to invest in the *blue chip* stocks is very low with *factor loading* value <0.05 which is a value of 0.359208. While the value of Investment Intention from students who have the highest loading factor is the desire of the students to obtain results or dividends of the intensity value of 0, 832361. This shows that the economic motive is the reason for students to invest in the capital market.

Outer Loadings

Table 3
Outer Loadings

	Investor Intention	Accounting Information Quality	Subjective Norms	Perceived Behavioral Control
Inv.Int1	0.777322			
Inv.Int2	0.812230			
Inv.Int3	0.359208			
Inv.Int4	0.681131			
Inv.Int5	0.789741			
Inv.Int6	0.832361			
AIQ.1		0.811235		
AIQ.2		0.749072		
AIQ.3		0.379533		
AIQ.4		0.799269		
SN.1			0.738315	
SN.2			0.765944	
SN.3			0.441006	
SN.4			0.779202	
PBC.1				0.802834
PBC.2				0.698452
PBC.3				0.797794

Table 4
Path Coefficients

	Investor Intention	Accounting Quality	Information	Subjective Norms	Perceived Control	Behavioral
Investor Intention						
Accounting Quality					0.020199	
Subjective Norms		-			0.419718	
Perceived Control		0.080969				
	Behavioral	0.278070				

Hypothesis Testing

To test the proposed hypothesis, we can see the value of t-statistics. If the value of t statistics > t table, then the hypothesis will be accepted. The result of t-statistic estimation can be seen on result for inner weight which is presented in the following table:

Table 5
Path Coefficients (Mean, STDEV, T-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
Attitude -> Intention	0.497581	0.487773	0.099933	0.099933	4.979129
Goverment Support -> Attitude	0.094193	0.080296	0.097910	0.097910	0.962032
Goverment Support -> Intention	0.061018	0.058355	0.081259	0.081259	0.750899
Self-Efficacy -> Attitude	0.524244	0.521842	0.099765	0.099765	5.254807
Self-Efficacy -> Intention	0.168922	0.158957	0.093897	0.093897	1.799024
Subjective Norms -> Attitude	0.342588	0.345856	0.083511	0.083511	4.102296
Subjective Norms -> Intention	0.071979	0.093962	0.112931	0.112931	0.637371

Based on Table 5 can be tested on the research hypothesis. Hypothesis testing used 5% significance level with t table equal to 1,985 (N = 96).

H1: *Subjective Norms* have positive effect on *Attitude*

The result of parameter coefficient test among *Subjective Norms* with *Attitude* shows coefficient value equal to 0,343 and t value of 4,102. At the level of significance (α) = 0,05, the value of t arithmetic is greater than the value of t table of 1,985. This shows that *Subjective Norms* have positive effect on *Attitude*.

H2: *Subjective Norms* have positive effect on *Intention*

The result of parameter coefficient test among *Subjective Norms* with *Intention* shows coefficient value equal to 0,072 and t value of 0,637. At the level of significance (α) = 0.05, the value of t arithmetic is smaller than the value of t table of 1.985. This shows that *Subjective Norms* have no effect on *Intention*.

H3: *Self-Efficacy* has positive effect on *Attitude*

The result of coefficient of parameter between *Self-Efficacy* with *Attitude* shows coefficient value equal to 0,524 and t value of 5,255. At the level of significance (α) = 0.05, the value of t

arithmetic is greater than the value of t table of 1.985. This shows that *Self-Efficacy* has **positive effect** on *Attitude*.

H4: *Self-Efficacy* has positive effect on *Intention*

The result of coefficient of parameter between *Self-Efficacy* with *Intention* shows coefficient value equal to 0,169 and t value of 1,799. At the level of significance (α) = 0.05, the value of t arithmetic is smaller than the value of t table of 1.985. This shows that *Self-Efficacy* **has no effect** on *Intention*.

H5: *Government Support* has positive effect on *Attitude*

The result of parameter coefficient test between *Government Support* with *Attitude* shows coefficient value equal to 0,094 and t value 0,962. At the level of significance (α) = 0.05, the value of t arithmetic is smaller than the value of t table of 1.985. This shows that *Government Support* **does not affect** *Attitude*.

H6: *Government Support* has positive effect on *Intention*

The result of parameter coefficient test between *Government Support* with *Intention* shows coefficient value equal to 0,061 and t value of 0,751. At the level of significance (α) = 0.05, the value of t arithmetic is smaller than the value of t table of 1.985. This shows that the *Government Support* **does not affect** the *Intention*.

H7: *Attitude* has positive effect on *Intention*

The parameter coefficient test between *Attitude* and *Intention* shows coefficient value of 0.498 and t count value of 4.979. At the level of significance (α) = 0.05, the value of t arithmetic is greater than the value of t table of 1.985. This shows that *Attitude* has **positive effect** on *Intention*.

CONCLUSION

Conclusion

1. At the level of significance (α) = 0,05, t count value of 4,102 is greater than the value of t table of 1.985. This shows that *Subjective Norms* **have positive effect** on *Attitude*.
2. At the level of significance (α) = 0,05, t count value of 0,637 smaller than the value of t table of 1.985. This shows that *Subjective Norms* **have no effect** on *Intention*.
3. At the level of significance (α) = 0,05, t count value of 5,255 is greater than the value of t table of 1,985. This shows that *Self-Efficacy* **has positive effect** on *Attitude*.
4. At the level of significance (α) = 0,05, the value of t arithmetic of 1,799 smaller than the value of t table of 1,985. This shows that *Self-Efficacy* **has no effect** on *Intention*.
5. At the level of significance (α) = 0,05, the value of t arithmetic of 0,962 is smaller than the value of t table of 1,985. This shows that *Government Support* **has no effect** on *Attitude*.

Suggestion

1. Understanding of stock information should be known by every potential investors, so they will be confident and are able to determine the attitude in investing funds.
2. Potential investors need to understand more details about the good stock turnover model so that they have a good investment vision, so they are capable to influence the individual subjectivity in investing.

REFERENCES

- Adhikara, M. F. Arrozi. 2012. Ekspektasi Auditor, Investor, dan Akuntan Manajemen terhadap Pemeriksaan. *Jurnal JAM*. Vol. 23. No. 1: 1-12.
- Ajzen, I. & Fishbein, M. (2005). The Influence of Attitudes on Behavior. In D. Albarracín, B.T.
- Ajzen, I. (2006). *Behavioral Interventions Based on the Theory of Planned Behavior*. Retrieved July 4, 2006 from <http://www.unix.oit.umass.edu/~ajzen/pdf/tpb.intervention.pdf>
- Dhar, Ravi, Zhu, Ning, 2006. Up close and personal: an individual level analysis of the disposition effect. *Management Science* 52 (5), 726–740.
- Engel, James et al. 2006. *Consumer Behaviour*. Mason: Permissions Department, Thomson Business and Economics
- Hanafi, Mamduh M. Analisis Disposition Effect dan Momentum Studi Empiris di Bursa Efek Indonesia. Diss. Universitas Gadjah Mada, 2015.
- Hartono, Jogiyo, 2007. Model Kesuksesan Sistem Teknologi Informasi. Yogyakarta: Andi.
- Hermuningsih, Sri., 2012. Pengantar Pasar Modal Indonesia. Yogyakarta: UPP STIM YKPN.
- Irma, I. 2012. perilaku investor individu, efek disposisi, informasi akuntansi, gender, quasi eksperimen, neuroselling.
- Krause, Andreas, Wei, K.C. John, Yang, Zhishu, 2007. Disposition effect and reverse disposition effect: a new measure and empirical evidence. Working Paper. University of Bath.
- Phan, Khoa Cuong & Zhou, Jian. 2014. Factors Influencing Individual Investor Behavior: An Empirical Study of the Vietnamese Stock Market. *American Journal of Business and Management*, Vol. 3 (No. 2), hal 77-94.
- Romney, Marshall B., dan Paul John Steinbart. 2006. Sistem informasi Akuntansi. Jakarta, Edisi 9, Salemba 4
- Seasholes, Mark S., Zhu, Ning, 2006. Individual investors and information diffusion. Working Paper. University of California Berkeley.
- Sembiring, V., & Arfinto, E. D. 2016. Analisis Pengaruh Bid-Ask Spread, Turnover, Volatilitas Terhadap Disposition Effect Pada Pasar Modal Indonesia (*Studi Kasus pada Saham LQ45 Periode Januari 2010–Juni 2015*) (Doctoral dissertation, Fakultas Ekonomika dan Bisnis).
- Singgih Santoso dan Tjiptono. 2001. Riset Pemasaran Konsep dan Aplikasi dengan SPSS. Elex Media Komputindo, Jakarta.
- Sitirajak, Elizabeth Lucky Maretha. Perilaku Investor Individu dalam Pembuatan Keputusan Investasi Saham: Efek Disposisi, Aspek Kognisi, dan Informasi Akuntansi. Diss. Universitas Diponegoro, 2013.
- Sousma, A. T. A., & Hanafi, M. M. 2013. Disposition Effect and Flippers in the Indonesia Stock Exchange. (Doctoral dissertation, Universitas Gadjah Mada).
- Waweru, N. M., Munyoki, E. and Uliana, E. (2008) ‘The effects of behavioural factors in investment decision-making: a survey of institutional investors operating at the Nairobi Stock Exchange’, *International Journal of Business and Emerging Markets*, 1(1), pp. 24–41.