

LEMBAR HASIL PENILAIAN SEJAWAT SEBIDANG ATAU PEER REVIEW
KARYA ILMIAH: JURNAL ILMIAH*

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 Jumlah Penulis : 3 Orang
 Nama Penulis : Nabila Na'ma Aisa, Desiana Fitriani, Azizah Humairo
 Status Pengusul : ~~Penulis Tunggal~~/Penulis pertama/~~penulis ke-~~/penulis korespondensi **
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Yogyakarta, 1 Februari 2023
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What Drives Investment Intention in Indonesia Stock Market during Pandemic?

AKURASI
113

Nabila Na'ma Aisa, Desiana Fitriani, & Azizah Humairo

Research Paper
Financial Management

Economics and Business Faculty, Universitas Ahmad Dahlan,
Yogyakarta, Indonesia

Abstract

The pandemic has brought a massive change to the global economy. Stocks have been very volatile since last year. Despite the uncertainty in the capital market, retail investors have increased significantly. It depicts the great intention to invest in the capital market by individuals. In addition, the demography shows young people play a role in boosting new investors in Indonesia. The present study investigates the effect of subjective norms and risk perception on investment intention in the capital market. We collect the data from university students in Yogyakarta through an online questionnaire. After testing the validity and reliability of the data, a multiple regression analysis is conducted to test the data. Subjective norms and risk perception affect the intention to invest positively.

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INTRODUCTION

The pandemic hit the global capital market aggressively in 2020. Indonesia has not been an exception. Indonesian Stock Exchange (IDX) Composite bumped into its lowest downturn in March, not long after the state lockdown policy (IDX, 2020). The stock price of top companies indexed by market capitalization had stumbled. Besides the volatility experienced by the market, the number of retail investors continued to climb. The pandemic year has marked the first departure of stock market participation for more than a million new investors.

As reported by Indonesia Central Securities Depository KSEI (2020), new investors in 2020 are more than half the number of investors in 2019. Registered investors reached almost four million, with more than 30% of the number applying for Single Investor Identification (SID) during 2020 only. KSEI (2020) shows that investors aged 25 years old and below took the most prominent part in the steep number amounting to almost half of the total investors in the first year of the pandemic. This upsurge captured great awareness and interest of Indonesian youth in the capital market.

Besides hundreds of IDX investment galleries built within the campus area targeting students, virtual campaigns have been brought by IDX on various platforms. As the consequences of lockdown and travel restrictions, people are exposed to the internet since social media is where most interactions occur. Moreover, students are more tech savvy, and technology is proven to play a role in the rise of investors in Indonesia (Aisa, 2021).

Despite the fluctuation in price and the uncertainty of the economic atmosphere, new players were expecting to earn benefits from this rare occurrence. This condition brought the risk together with the potential gain that people are vigilant on fundamental analysis of stocks (Singh, 2020). Thai & Phung (2017a) stated that perceived risk affects investment intention. An investment decision is likely influenced by how people conceive risk (Silalahi et al., 2020). However, Mahardhika & Zakiyah (2020) found that risk is neglected by young people when investing in stocks. Putra et al. (2016) also mentioned the insignificant effect of risk on investment decisions in Indonesia.

The inconsistency of the previous findings leads us to conduct this research. We aim to investigate the drivers of investment intention by Indonesian students to invest in the capital market. Besides risk perception, we examine how the influence of outsiders plays a role in one's investment intention. Studies in developing countries such as India, Indonesia, and Pakistan found that young people tend to be interested in capital market investment as people surrounding has participated and advised them to do so (Akhtar & Das, 2019; Ibrahim & Arshad, 2017; Mahardhika & Zakiyah, 2020; Paramita et al., 2018). Previous studies have documented that subjective norms positively correlate with capital market participation in Vietnam and peer effect (Nguyen & Nguyen, 2020; Phan & Zhou, 2014). In Greece, subjective norms determine the investment intention of young people living in turbulent economic environments (Palamida et al., 2017). These findings affirmed the association of subjective norms and intention under the Theory of Planned Behavior by Ajzen (1991).

The current research is deemed essential to understanding the phenomenon of young investors' significant rise. We present information on whether young people's investing behavior is affected mainly by significant others and their perception of risk embedded in capital market products. The results are expected to add to the literature and give insight to capital market stakeholders in promoting financial products.

Theoretical model and hypotheses

Theory of Planned Behavior

The theory of Planned Behavior (TPB) was developed by Ajzen (1985) following his previous idea of the Theory of Reasoned Action (TRA). The theory comprehends human behavior through 3 main antecedents: attitudes toward behavior, subjective norms, and perceived behavioral control [Ajzen, 1991]. Perceived behavioral control relates to one's perception of the level of difficulty in performing specific behavior [Ajzen, 1991; Akhtar & Das, 2019]. According to TPB, perceived behavioral control added with behavioral intention is adequate to foresee the actual behavior. Attitude towards behavior refers to personal perception of whether to comply with the behavior is good or bad [Akhtar & Das, 2019]. Subjective norms are construed as normative beliefs brought by one's significant others to engage in a specific behavior. Social pressure plays a role in individual intention. The present study attempts to include two variables representing external and internal factors. First, it explores more the subjective norms of TPB to describe how the opinion of people surrounding (external factor) matters to influence one's intention. Further, we add a variable, risk perception, which comes from the person's view of risk (internal factor) and relate it to intention.

Subjective Norms and Investment Intention

Subjective norms were once the original construct of the Theory of Reasoned Action and then developed into the Theory of Planned Behavior. As asserted in TPB, people's intention to conduct particular behavior is influenced by the view of other people deemed vital to them. Subjective norms account for the influence of parents, friends, and relevant individuals [Ibrahim & Arshad, 2017; Raut et al., 2020]. During the pandemic, where people are exposed to the internet in the digital era, the circle of friends might be more expansive than ever. It is undeniable that such influence also comes from social media friends and influencers. In the investment intention case, when one's significant others have invested in the capital market and advised him to participate, there is a higher possibility that the person will have the intention to do so [Akhtar & Das, 2019; Phan & Zhou, 2014]. It is applicable the other way around. When investing in the capital market is unfavorable for one's significant others, the individual is likelier not to participate. Despite the contrary perception one may have on specific behavior, one is more likely to grow intention toward that behavior because of social pressure [Akhtar & Das, 2019; Phan & Zhou, 2014; Venkatesh & Davis, 2000].

Many researchers have been conducted regarding subjective norms and investment intention [Akhtar & Das, 2019; Ibrahim & Arshad, 2017; Mahardhika & Zakiyah, 2020; Paramita et al., 2018; Raut et al., 2020]. Studies in India, Pakistan, and Vietnam have implied that subjective norms positively influence investment intention in the capital market [Akhtar & Das, 2019; Ibrahim & Arshad, 2017; Phan & Zhou, 2014]. Alleyne & Broome (2011) conducted study gathering data from undergraduate students and reported subjective norms as a significant factor of investment intention. Nguyen & Nguyen (2020) also asserted that peer group promotes investment, among others. Research on young people resulted in a positive and significant effect of subjective norms on the intention to invest [Mahardhika & Zakiyah, 2020; Paramita et al., 2018]. Hence, the first hypothesis is developed:

H1 = Subjective norms positively affect investment intention in the capital market.

Risk Perception and Investment Intention

Sitkin & Weingart (1995), in their theory of risk behavior, alleged that risk perception is noteworthy for predicting risk-taking behavior in individuals. One with a higher perceived situational risk is associated with a lower possibility of pursuing more risky behavior in finance. The tendency to experience loss and negative results is more overwhelming than other possible outcomes when behavior is associated with risk. Thai & Phung (2017b) asserted that the factor affecting investment decisions is the investor's perception of risk. Despite the actual risk of the investment, how the investors observe and act in response to the threat is critical. Risk is also associated with investment strategy (Croy et al., 2010). When investing, it becomes a primary element (Mishra, 2018). Higher risk perception by individuals on various sock types will eventually courage them to grow their intention in investment (Thai & Phung, 2017a).

How people perceive risk will likely influence their behavior in the financial decision (Alleyne & Tracey, 2011; Phan & Zhou, 2014). Under the perceived risk theory, Weber et al. (1992) specified risk as more susceptible to negative and minimum earnings. A study by Alleyne & Tracey (2011) claimed that future investors are perceptive about investment because of the potential loss. One who prefers less risk has a lower probability of participating in the capital market (Mishra, 2018; van Rooij et al., 2011).

Weber et al. (1992) suggested different levels of risk aversion regarding investors' age. The younger the investor, the higher the risk-seeking behavior. Croy et al. (2010) empirically supported the previous finding by providing the result of young respondents with greater tolerance toward investment risk. Alleyne & Tracey (2011) also reported that risk has a significant association with the investment intention of potential investors studying at university. Mahardhika & Zakiyah (2020) found that young investors in the stock market tend to neglect risk. They might invest in stocks knowing the high risk attached to the products. Several other studies that linked risk and financial behavior mostly pointed to the positive relationship between risk perception and investment intention. Thus, we formulate the second hypothesis as follows:

H2 = Risk perception positively affects investment intention.

METHODS

Research Type

Our research is explanatory research which seeks a causal relationship between the variables. Causal effect research is designed to examine the effect of one variable on other variables. We discuss the influence of subjective norms and risk perception on investment intention. The type of data used is primary data obtained directly from the respondents. The data is collected through a survey method in which the research instrument in the form of a questionnaire is distributed online to the respondents. The questionnaire consists of questions to support the data needed for the research. It includes queries assessing subjective norms, risk perception, and investment intention.

Population and Sample

Students currently studying in universities or colleges in Yogyakarta Province are the population of the research. Our sampling criteria are students who have never participated in capital market investment in Indonesia. We consider this criterion to avoid bias, especially for investment intention measurement. To determine the sample size, we employ the Roscoe method by

multiplying the number of variables by ten at a minimum. It is also known that 30 samples at minimum are appropriate to represent the population. Early in 2021, we collected data from 243 respondents, which fulfilled the criteria for the research.

Measurement

Investment Intention refers to the respondents' intention to conduct behavior, in this case, investment in the capital market. It measures one's desire to perform and learn about the investment. The questions are obtained from East (1993) which is frequently adopted and adjusted by the later researcher in Indonesia (Aisa, 2021; Yusuf, 2019). The indicators that will be used are intended to invest, eagerness to learn about investment, and the interest to actually invest in the capital market. Subjective norms are construed as normative beliefs brought by one's significant others to engage in a certain behavior (Ajzen, 1991). The questionnaire is assessed through several questions adopted from Alleyne & Tracey (2011) and East (1993). Subjective norms account for the influence of parents, friends, and relevant individuals (Ibrahim & Arshad, 2017; Raut et al., 2020). Using 5 points Likert scale, the questions comprise statements to confirm whether the respondent's significant others advise them to invest in the capital market. Risk perception refers to how people observe risk more subjectively. The questionnaire regarding risk perception is taken from Hunjra et al. (2016), who studied confirmatory factor analysis on psychological factors, including risk perception. The 5-point Likert scale is also employed to compute the variable.

The technique of Data Analysis

The present study uses causal effects with quantitative data. We investigate the impact of subjective norms and risk perception on investment intention. To test the hypotheses, we use a multiple regression model since the independent variables are more than one. Previous research has conducted similar studies using regression analysis (Aisa, 2021; Alleyne & Broome, 2011; Setyorini & Indriyanti, 2020).

RESULTS AND DISCUSSION

We have observed our respondents' data displayed in Table 1. The table provides information about gender, age, the primary source of funds, and financial products owned by the respondents. Female respondents by 64% surpass the male respondent by 36%. About half of the students are in the first age group of 17-20. 39% of students are in the second age group of 21-23 years old, and only 6% of students are in the 24-27 years old group.

The primary source of funds for the majority is from parents, 81%. This demography shows that students are in relatively similar financial conditions. They have not earned money by themselves. Only 10% of the students work either part-time or full-time. The students amounted to 8% are reported running their businesses as young entrepreneurs. The remaining students, by 2%, are reported as scholarship awardees. The data shows that most respondents are financially dependent on their parents. In contrast, only a tiny portion of the respondents are independent to support their daily needs from working and business.

As our target is students who have not invested in the Indonesian capital market, we have also identified the financial product owned by the students at the time we conducted this research. Saving account in the bank is in the first place, with 85% of students reporting holding the product. About 5% of students maintain savings other than in the bank. Up to 9% of respondents have

invested money in gold, while 5% of the students reported having no financial product. It can be implied that, in general, students are already exposed to essential financial products.

Table 1.
Respondents' Profile

Demographic	Classification	Number of Respondents	Percentage
Gender	Male	87	36%
	Female	156	64%
Age	17-20	134	55%
	21-23	94	39%
	24-27	15	6%
Main Source of Fund	Parents	196	81%
	Working part time/full time	24	10%
	Self-Owned Business	19	8%
	Scholarship	4	2%
Financial Product Owned	Do not own any product	11	5%
	Saving Account in Bank	206	85%
	Gold	23	9%
	Other saving (not in bank)	12	5%

Table 2 displays the descriptive statistic of the respondent's answers to the questionnaire. By the variable's mean value of more than 3.73, the students are reported to have a high intention to participate in capital market investment. They possess investment knowledge and are eager to learn more about investment. The second variable, namely Subjective Norms, shows that the average mean for each item is more than 3.42. It can be implied that most of the respondents agree that their significant others have a great influence in growing their interest in investing in the capital market. The respondents' risk perception's mean value shows that they have a high perception of risk related to capital market investment.

Table 2.
Descriptive Statistic

Variable and item	N	Minimum	Maximum	Mean	Std Deviation	
Investment Intention	II1	243	1	5	3.91	.813
	II2	243	1	5	3.73	.781
	II3	243	1	5	4.07	.747
	II4	243	1	5	4.20	.764
	II5	243	1	5	3.86	.780
Subjective Norms	SN1	243	1	5	3.42	.708
	SN2	243	1	5	3.54	.717
	SN3	243	1	5	3.48	.694
Risk Perception	RP1	243	1	5	3.37	.772
	RP2	243	1	5	3.46	.687
	RP3	243	1	5	3.48	.729

Valid N (listwise)	243
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Validity and reliability

This study uses the test of validity and reliability before testing the hypotheses. Both independent variables, subjective norms and risk perception, and the dependent variable, investment intention, are measured using the Likert scale first. Table 3 shows the Kaiser-Meyer-Olkin (KMO) value which is more than 0.50. The Bartlett test has resulted in chi-squares of 1154.10 with a significance level of 0.00; factor analysis can be conducted. The Anti-Image Correlation values in Table 4 display all variables have exceeded the minimum value of 0.50. The assumption of Measure of Sampling Adequacy (MSA) is satisfied. We continue to estimate the factor loading of all variable items. Our sample is more than 200, so we use the value of 0.40 as the minimum value. According to the factor loading in Table 3, all variables are valid.

Based on Table 3, the validity test has resulted in valid for all items of the variables. As for the reliability test, the construct is reliable only if the Cronbach alpha is more than 0.6. Table 6 indicated that all variables used in the current study had fulfilled the reliability test. The scores of the variables are more than the minimum requirement of the Cronbach alpha score.

Table 3.
Validity and reliability

Construct	Items	Anti-Image Correlation	Factor Loading	Cronbach Alpha
Investment Intention	I1	0,893	0,747	0,858
	I2	0,871	0,731	
	I3	0,860	0,812	
	I4	0,842	0,775	
	I5	0,919	0,745	
Subjective Norms	SN1	0,819	0,874	0,881
	SN2	0,837	0,843	
	SN3	0,868	0,848	
Risk Perception	RP1	0,876	0,656	0,613
	RP2	0,824	0,779	
	RP3	0,862	0,707	
KMO	0,861			
Sig	0,000			

Hypothesis Testing

According to Table 4 displaying the hypothesis test, both independent variables, risk perception, and subjective norms, are supported by empirical data. The significance is less than 0.05 for those variables, meaning they positively influence the students' intention to invest in the capital market. The R2 shows that about 70% of investment intention can be explained by other variables unemployed in the current research.

Table 4.
Regression results

<i>Variable</i>	<i>B</i>	<i>T_{stat}</i>	<i>Sig.</i>	<i>Description</i>
Constant	8,905	5,917	0.000	
Risk Perception	0,419	4,221	0.000	Support H1
Subjective Norms	0,622	6,915	0.000	Support H2
F _{test}	45.503			
Sig.	0.000			
R ²	0.275			

Discussion

The theory of planned behavior has three conceptual standards in determining intentions, including attitudes towards behavior, which refers to the extent to which a person assesses the favorable or unfavorable things of behavior in action, subjective norms, and perceived behavioral control (Ajzen, 1991). However, these three conceptual standards allow them to have varying impacts on intentions across behaviors and situations. Based on the results of hypothesis 1 testing in this study, it is explained that subjective norms have a significant positive effect on the intention of students of economics and finance study programs in the city of Yogyakarta to invest in the capital market. In line with this, the results of research carried out by Rahadjeng & Fiandari (2020) explain that subjective norms affect the intention to invest in stocks, where the study uses the personal norm variable and the will to invest in stocks.

In addition, the results of hypothesis testing in this study align with the research conducted by Ibrahim & Arshad (2017), who stated that subjective norms are an essential factor that impacts individual investors' investment. This is because relatives, family, and lecturers influence millennials' intentions to invest, and people in the surrounding environment are influential to investors. Investors consider the closest parties as role models in providing advice. As Ouimet & Tate (2020) asserted that investment behavior is influenced by people with whom they interact, numerous financial planner accounts and influencers followed by students may also play a substantial role nowadays. They advertise capital market investment through social media, and students can get information about the investment. As Rahayu et al. (2021) demonstrate, expert investors have a solid social influence on Indonesian investors' decisions. In the frame of subjective norms, the social pressure of essential people is adequate to grow one's intention to participate in the capital market (Phan & Zhou, 2014; Venkatesh & Davis, 2000).

The regression result has proven the significant influence of risk perception on investment intention. Students with a better risk perception are more likely to invest in the capital market. According to the theory of risk behavior by Sitkin & Weingart (1995),

risk perception portrays a substantial prediction of individuals' risk-taking behavior. The more favorable risk on one's perception leads to a higher possibility of performing risky financial behavior. The present study supports the theory with the context of investing in the capital market as risky behavior. Students who favor risk positively in the risk perception assessment possess a greater intention to invest in the capital market.

This result complies with the study by Alleyne & Tracey (2011), who found that risk is a significant predictor of the investment intention of undergraduate students. They argue that risk is proven, supporting the Theory of Planned Behavior in their research. Our study also focuses on students as future leading players in capital market investment. Having limited income, knowledge, and experience in financial decision-making, especially investment, students might start with doubt and fear of the risk. Considering the risk of investment, Alleyne & Tracey (2011) argued potential investors represented by students in our present research are pretty sensitive to risk. Investment inherently comprises potential gains, opportunities, and success yet also potential losses, threats, and failure simultaneously (Ganzach et al., 2008). We provide evidence of the relationship between students' risk perception on investment intention. Whether students view risk as an opportunity or threat will result in higher or lower investment intention in the capital market.

In our research, the significant effect of subjective norms is proven. We also found that risk perception determines students' investment intention. It can be implied that besides the influence of people who participated in the capital market and advised them to do so, students still consider the level of risk they can deal with before investing in the capital market.

CONCLUSION

The massive increase in the number of investors in the Indonesian capital market leads us to investigate the factors behind it. Indonesian investors are dominated by the young generation; thus, our research focuses on students as research subjects. The present study provides evidence regarding subjective norms and risk perception. According to the result of statistical tests, both subjective norms and risk perception positively and significantly influence students' investment intention in the capital market.

Our findings on investment intention contribute to a related party promoting capital market investment, such as the government, financial institutions, fintech companies, and private sectors. This paper can also be beneficial for investors to understand the investors' financial behavior in general and act accordingly to perform better investment decisions. Several limitations are attached in this study to be noted by future researchers. The study is conducted by employing only students as the sample in a specific region. Only one construct of a theory of planned behavior which is subjective norms, is used while we exclude the others. The risk observed in this study is bounded to risk perception only. Later research should examine the determinants of investment intention more thoroughly using a wider sample, other TPB predictors, and other types of risk assessment. The future researcher may also add other variables such as investment literacy, technology, and psychological variables to enrich the research.

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