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Analysis of factors affecting student's interest in investing in the capital market

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Abstract

The purpose of this study was to determine the effect of investment knowledge, perceived return on investment, investment risk, and investment motivation on interest in investing in the capital market. This study uses a quantitative approach and data collected by questionnaire as a research instrument. The population in this study were students at the Muhammadiyah University of Surakarta. The sample in this study was 100 respondents using purposive sampling: (1) University of Muhammadiyah Surakarta students, class of 2018–2022, (2) students who already know about the capital market through seminars, webinars, or social media; and (3) students who already have securities accounts. This study used multiple regression analysis techniques, assisted by the SPSS 21.0 for Windows program. The results of the research provide empirical evidence that investment knowledge, perceived return, risk, and motivation influence interest in investing in the capital market. The implications of this research as a reference for developing strategies involve students, investors, and institutions in the stock exchange.

Keywords: *Investment Knowledge, Investment Motivation, Investment Risk, Perception of Return,*

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INTRODUCTION

Investment has recently become an interesting and lively topic of conversation among the public and students. Especially during this pandemic, students have a lot of free time to learn more about what investing is. This will create a sense of interest for those who are serious about investing. Generating student interest in investing in the capital market is actually not a difficult thing. Attending investment seminars, following organizations that work on the capital market, or even just asking your closest friends who have made investments can foster a sense of interest in investing.

The performance of the Indonesian capital market throughout 2020 still shows weakness. From the stock exchanges in the Asia Pacific region, Indonesia experienced the second largest decline in the composite stock price index, or JCI, after the Philippines. JCI closed at 5,114.71; this position fell 18.81% ytd (21/7). Philippines (PSEI), which closed at 6,136.31 on the same day, was down 21.48% year to date, Pakistan (Karachi 100), was down 1.34% year to date, Bangladesh (Dhaka Stock Exchange), was down 0.17% year to date, India (National Stock Exchange), was down 0.10% year to date; and Thailand (SET), was down 12.91% year to date. Vietnam (VNn) closed down 1.55% ytd. On the other hand, two exchanges experienced strengthening, namely Malaysia (KLCI), which rose 0.51% ytd., then Sri Lanka (CSE AllShare), which) rose 0.11% ytd., and the highest was China (Shanghai), which rose 8.88% (Kosim & Safira, 2020).

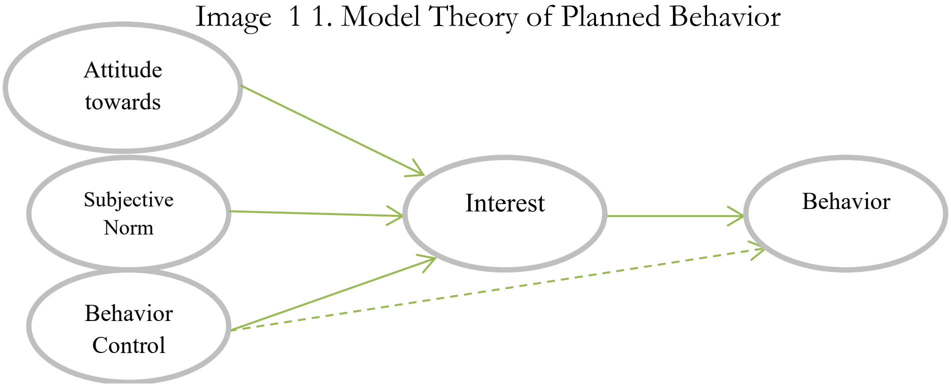
Various educational programs are also carried out in collaboration with educational institutions with the aim of making the public and students more aware of the capital market, understanding the importance of investing, recognizing stocks as an ideal investment tool, understanding the constraints, as well as attracting public interest as potential investors to invest in the Indonesian capital market. Investing in the capital market has many advantages, including getting returns from capital gains and dividends. Dividends are obtained as a result of profits obtained by the company. So, the purpose of this study was to determine the effect of investment knowledge, perceived return on investment, investment risk, and investment motivation on interest in investing in the capital market.

LITERATURE STUDY AND HYPOTHESIS DEVELOPMENT

Theory of Planned Behavior

The theoretical basis used in this study is the Theory of Planned Behavior, which is a follow-up theory of the Theory of Reasoned Action developed by (Ajzen & Driver, 1991), in which this theory explains that humans tend to act in accordance with their intentions and perceptions of control through certain behaviors, where intentions are influenced by behavior, subjective norms, and behavior control. The awareness to act prompts the evaluation and consideration of potential investors.The attitude and views of an investor towards stock trading can become stronger when making a decision to achieve a certain level of financial stability, which is a recommendation from family, environment, and genetics (male and female) that will form certain patterns of behavior for these investors. When the intention to invest has been obtained, investors will generally begin to consider various other factors before investing in a capital market (Tandio Timothius, 2016). Schematically, the Theory of Planned Behavior model is as follows:

Image 1 1. Model Theory of Planned Behavior



Source: (Ajzen & Driver, 1991)

According to the Theory of Planned Behavior, there are three factors that form interest. These factors are attitudes toward behavior, subjective norms, and behavioral control. Attitudes toward behavior are beliefs that allow individuals to act according to what is being observed. Subjective norms can be in the form of individual perceptions or beliefs due to encouragement from the environment, including family, friends, or the community. Behavioral control refers to an individual's ability to shape behavior. The Theory of Planned Behavior considers interest as an indicator or predictor of behavior because it expresses the level of effort of individuals who are willing to develop concrete actions.

Hypotheses Development

An understanding of how investment transactions work is essential for anyone considering investing in stocks, bonds, or other investment assets. Especially those related to the basics of investment, such as the type of investment, the results of investment activities, and the impact that will be caused after the investment. Investors face two opportunities in their investment activities: profitability and risk. A basic understanding of investing, which includes investment types, returns, and investment risks, facilitates investment decisions. To invest in the capital market, it takes a lot of knowledge, experience, and business sense to make the right investment decisions. It takes a lot of understanding to invest in the stock market.

The theory of reasoned action in Nisa & Zulaika (2017) explains that a person's intentions influence his behavior. A person's intention is influenced by attitudes and subjective norms, where a person's attitude will lead to gains or losses from his behavior. With good capital market knowledge, it will lead to growing interest in investing in the capital market. This is in line with research conducted by Pajar (2018), Sari (2018) that shows capital market knowledge affects interest in investing in the capital market. Based on the explanation above, the following hypothesis can be made:
H1: Knowledge of investing has a positive effect on investment interest.

The expected return is the rate of return on the amount of money invested in the future.A condition can occur unexpectedly. The term "return" is divided into two parts: the actual return and the expected return that investors may receive in the future. Decision-making is the process of choosing the best thing to do. Many people invest in order to make money. The result that investors always expect is a high rate of return. The above description is corroborated by research by (Tandio Timothius, 2016), (Hermawati et al. (2018), which explain the positive influence between return and investment interest in the capital market. Based on the explanation above, the following hypothesis can be made:
H2: Perception of return has an effect on investment interest

When investing, there is always an element of risk. Investors don't know exactly what the final outcome of their investment will be, so they take some risks. Investors must be prepared to face significant losses when making risky investments. The convenience of investing in securities is that it is easy to form an investment portfolio.

Investors can't predict what will happen because of their decisions, so they shouldn't make their own. The way you think about risk is based on what other people think and what has happened in the past. Decision theory explains that decisions are made by analyzing and selecting actions to take advantage of opportunities or deal with problems. Our decisions are based on future events that are difficult to predict. Each type of investment has its own level of risk. In financial assets, stocks are seen as a relatively risky investment compared to other types of investments. There are investors who take high risks, commonly called "risk takers."

If it is associated with the Theory of Planned Behavior, this is in accordance with the behavioral control factor, where if someone has too high expectations about the benefits of investment and wants low risk, this can also make someone make the wrong decision. Depending on the individual's beliefs, behavior control can be supportive or inhibiting. Research conducted by Purboyo et al. (2019) obtained the results that risk perception affects student investment interest. So the smaller the risk that will be borne, the higher the interest among students to invest. Based on the explanation above, the following hypothesis can be made:
H_3: Risk affects investment interest

Motivation is a process of giving encouragement from oneself or from other parties to determine the intensity, direction and persistence of a person to achieve the desired goals (Robbins et al., 2016). The theory of learned needs put forward by David McCleland in (Malik, 2017) explains that there are several basic things that motivate a person to behave, such as the need for success, the need for power, or the need to establish relationships with others. The measure of motivation contained in a person will largely determine the quality of the behavior he displays, both in terms of work, study, and in matters relating to his life. Therefore, it can be said that good motivation related to studying the capital market will increase the interest of potential investors to invest, because good learning motivation will increase the quality or time of study, so that someone will understand the capital market more. This is in line with research conducted by Nisa & Zulaika (2017) that motivation affects interest in investing in the capital market. Based on the explanation above, the following hypothesis can be made:
H_4 : Motivation has an effect on interest in investing

RESEARCH METHOD

The type of research used in this research is quantitative. The data used in this study are primary data. Primary data was obtained by using a list of structured questions with the aim of collecting information from respondents in this study. The source of the data used in this study is the total score obtained from the questionnaires that have been distributed to students of the University of Muhammadiyah Surakarta (Class 2018-2022) as respondents in this study.

The population of this study was undergraduate students at Muhammadiyah University of Surakarta, Class of 2018-2022. Based on data obtained from https://star-accreditation.ums.ac.id, it is known that the number of students for the 2018-2022 year is 30,187 students. The sampling technique in this study used purposive sampling, namely the determination of samples with certain criteria. The criteria for determining the sample are as follows: (1) S1 students of Universitas Muhammadiyah Surakarta batch 2018-2022 who are willing to fill out the questionnaire. (2) Students who already know about the capital market through: Seminars/webinars or Social media (3) Students who have securities accounts. The obtained samples are 100 respondents.

Based on data obtained from https://star-accreditation.ums.ac.id, it is known that the number of students for the 2018-2022 year is 30,187 students. So taking the number of samples of this study based on the Solvin formula is:

$$n = \frac{N}{1 + N(\alpha)^2}$$

Investment knowledge were measured using four indicators, namely: (1) The importance of basic investment knowledge (2) Capital market schools, (3) related courses (4) Basic understanding investieren. There are four items in the statement of investment knowledge variables in the capital market. **Return perception** were measured using four indicators, namely: (1) Attractive profits (2) Risk and return, (3) Profit considerations (4) Dividends and capital gains. The statement items for the variable return on investing in the capital market are four. **Risk** were measured using six indicators, namely: (1) There is a certain risk, (2) Has a high risk, (3) Experiencing a loss, (4) Does not guarantee fulfillment needs, (5) risky investment decisions, and (6) thoughts that are risky. The statement items in the investment risk variable are five. **Motivation** were measured using two indicators, namely: (1) Company ownership, (2) Assisting the development of the company. The statement items in the investment risk variable are one.

RESULTS AND DISCUSSION

This research uses quantitative research. The data obtained from distributing the questionnaires was then processed using SPSS.

Table 1. Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-1,046	4,476		-0,234	0.816
Investment Knowledge	0,705	0,232	0,265	3,040	0,003
Investment Returns	0,518	0,163	0,288	3,166	0,002
Investment Risk	0,121	0,057	0,175	2,116	0,037
Investment Motivation	0,224	0,077	0,239	2,925	0,004

Source: Results of Data Analysis 2022,

Investment Knowledge Influences Interest in Investing in The Capital Market

Based on the calculation in Table 1 partially, because the value of the investment knowledge variable (X1) on investment interest is statistically significant at 0.003 <0.05, then H1 is accepted. This means that investment knowledge positively affects interest in investing.

The results of the study provide empirical evidence that investment knowledge influences interest in investing in the capital market. Investment knowledge can act as investment information, this is because having information knowledge will provide an informational picture of investments that have good prospects and prevent investment losses. Thus, the wider the investment knowledge will increase the interest in investing in the capital market.

Investment knowledge provides an understanding of investment science. Thus, the investment knowledge obtained by students through seminars/webinars or social media is expected to increase knowledge about investment and assist students in choosing the type of investment according to their risk profile. Of course, this can increase interest in investing in the capital market.Investment knowledge has a positive effect on interest in investing in the capital market. Having earlier investment knowledge will make someone change their behavior to become non-consumptive and start preparing themselves for financial security for the future. In addition, the existence of investment knowledge opens students' perspectives that investing in the capital market is an investment that is easy, inexpensive, and can provide benefits. Thus, investment knowledge is able to influence students' interest in investing in the capital market. The wider the investment knowledge possessed, the greater the interest in investing in the capital market.

Return On Investment Affects The Interest in Investing in The Capital Market

Based on the calculations in table IV.1 of the investment return variable (X2), the results are statistically significant at 0.002 <0.05, so Hypothesis $(H)_2$ is accepted. This means that the investment return variable positive affects the interest in investing in the capital market.

The results of the study provide empirical evidence that investment returns have an effect on interest in investing in the capital market. Return on investment is the profit obtained from investment activities. Many people invest because they are interested in getting returns. The amount of return obtained depends on how much capital is issued to invest in the capital market. The greater the capital used for investment, the greater the return that can be obtained. Thus, the return on investment can increase interest in investing in the capital market.

The return obtained from investing in the capital market can be said to be an attractive and competitive advantage. This is because returns can provide additional pocket money for students. Only with home and the help of an investor's smartphone, in this case a student, can the pocket money they get from investing in the capital market. Especially in this pandemic, many people are busy creating securities accounts in order to get additional income from investing in stocks. That way, the existence of attractive and competitive returns will increase interest in investing in the capital market.

The amount of profit obtained from investing in the capital market is a consideration for students to invest in the capital market. The greater the capital invested by students, the greater the profit they get. Students can benefit from sharing company profits and increasing share prices so that the greater the amount of profit earned, the greater the interest in investing in the capital market. Return on investment in the form of dividends and capital gains has a positive effect on interest in investing in the capital market. The existence of a return on investment can help students to earn additional money and make students study independently to meet their needs. Thus, a high return on investment can increase interest in investing in the capital market.

Investment Risk Affects Interest in Investing in The Capital Market

Based on the calculations in Table 1 of the risk variable (X3), the results are statistically significant at 0.037<0.05, so H3 is accepted. This means that the risk variable positive affects the interest in investing in the capital market.

The results of the study provide empirical evidence that investment risk influences interest in investing in the capital market. In addition to return expectations, risk perception is also one of the factors that influence an individual's interest in investing in the capital market. Risk tends to be something that hinders someone from making a decision. Of course, every individual has a different view of risk. When an investor's knowledge about investing in the capital market is low, wrong perceptions about investment risk will arise. Conversely, when an investor already understands the various risks of investing in the capital market and has also gone directly to investing, the investor tends to be more able to make the right decision and in accordance with his goals.

This is because each individual has a different risk tolerance. There are three types of investors and their perceptions of risk. First, investors who are risk averse and prefer to expect low returns and low risk are called risk averse. Then, those investors who dare to take risks with maximum decision-making criteria are called risk takers. Then the last one is an investor with a more realistic and risk neutral behavior called risk neutral. Risk neutral investors are willing to take a certain level of risk by considering several factors that affect future investments also states that when making an investment, consider risk. As previously explained, this is very important to note and should not be ignored. In addition, each individual's perception of the risks faced and how important it is for them will certainly be one of the foundations for decision making in investing in the capital market. Likewise, the statement by Frans & Handy (2020) in his research that risk tolerance, which is a form of perception of risk, has a significant effect on students' interest in investing in the capital market. Research conducted by also explains that there is a significant influence.

Motivation Influences Interest in Investing in The Capital Market

Based on the calculations in Table 1 of the motivation variable (X4), the results were statistically significant at 0.004 <0.05, so H4 is accepted. This means that the motivation variable positive affects the interest in investing in the capital market.

The motivation variable in this study shows a positive and significant influence on investment interest. This result can be seen in the significant test value of 0.004, which is below the 0.05 significance level. The results of this test support H4 research, namely, investment motivation has a positive effect on investment interest. From the research results it is also seen that the motivation variable has a coefficient of 0.239 which indicates that motivation has more influence on investment interest. The results of the research above are in line with Rusli Amrul's research, the effect of minimum capital, investment knowledge and motivation on student investment interests in the capital market said that motivation influences interest in investing. This is because the statistical test obtained is smaller than the predetermined significant limit of 0.004 <0.05. With self-motivation, the steps that will be taken to make investments are expected to be more focused, investment knowledge that is owned can help to minimize the risks that will be faced during the investment process and get the expected benefits, play a role in getting information quickly and precisely about investment developments and other information needed by potential investors.

CONCLUSION

Based on the test results and discussion in the previous chapter that has been described, the following conclusions are Investment knowledge, perception of investment return, investment risk, and investment motivation have a positive effect on investing interest in the capital market. All hypotheses are accepted. The limitations of this study are: (1) This study only uses questionnaire data as a research instrument, so it has the possibility of biased responses. (2) The result of the coefficient of determination (Adjust R square) shows a value of 0.419, which indicates that the dependent variable that can be explained by the independent variable is 41.9%. While the remaining 58.1% is explained by other factors outside the research model. This indicates that there are other variables that need to be identified to explain investment interest in the capital market.

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