

WHAT MAKES AN INDIVIDUAL INVEST IN STOCKS?

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Abstract

The purpose of this research is to examine the factors that influence intention to invest in stocks of an individual. This research are using quantitative data with 395 questionnaires collected from Batam residents who as sample. Questionnaire consists indicators for independent variable that included attitude, perceived behavioural control, subjective norms, past behavioral biases and intention to invest. Multiple regression used as the analysis method and result showed that all independent variable have a positive significant effect on intention to invest. It means those factors can motivated an individual to invest in stocks market.

Keywords: *Intention to invest, attitude, perceived behavioural control, subjective norms, past behavioural biases.*

INTRODUCTION

Investment has become something that is often sought by people to make a profit. Azis, Mintarti and Nadir (2015) stated investing is the activity of allocating funds in one or more year periods with the desire to get income from these investments. Investors are known as who will invest their capital such as providing labor costs, good security guarantees, and so forth. Investment is also often referred to as capital investment or capital formation.

Most Indonesians are not yet aware of the need to make investments and the importance of investment, because

they worry that the results will not be what they want. Most of them prefer to save money in the bank or deposit in the bank because it is more certain and safe. In fact, by investing can obtain very satisfying results, one of which is a stock investment. Stock investment can also be said to be more liquid and provide higher profits, because if the movement of the composite stock price index (CSPI) is high then profits can be obtained directly by selling the shares. (Rika, 2019).

In 2018, the level of share investment in Indonesia is considered low, which is only 0.4% of the Indonesian population who invest. Meanwhile, there are several neighboring countries that have

preferred investment, such as Malaysia which has 57% of the population already investing, Thailand 6%, China 9% and India 4%. Community investment can encourage the progress of a country, such as investment in shares that can generate profits of 195.2% in a period of 10 years. (Wartakota, 2018). Stock investment can also help companies to exist or even grow. The number of investors in the Riau Islands Province is still low, only 9,800 people out of a total population of more than 2 million people where 51% of investors are interested in playing shares, 40% of investments in mutual funds, and 7% in state letters. (Nugroho, 2018). The figure is still relatively low, especially in Batam, which has a population of 1.3 million but only 0.60% in the capital market or equal to 7,800 investors. (Zuhri, 2018).

Research by Raut, Das and Kumar (2018) discussed factors that influence intention to invest of individual investors in India. This research found that attitude, perceived behavioral control, subjective norms, and past behavioral biases increase an individual's intention to invest.

LITERATURE REVIEW

Intention can be expected to capture the factors of motivation that affect behavior and indicate how much people want to try hard, or they put a lot of effort into performing an action (Ibrahim and Arshad, 2017).

According to Septyanto (2013), intention to invest are a process for estimating risk and return. Intention to

invest also require special analytical knowledge to ensure the performance of the selected stocks for overall investment.

Some research about intention to invest was studied in different countries. Research by Kang, Gao, Wang and Zheng (2016) identify funder's motivation for investing in crowdfunding in China. Factors that affecting the investment intentions are three subject measure – fundraiser-related, platform-related, and project related factors. Trust beliefs was used as the mediating variable in the relationship between three subject measure and investment intentions.

Investment intentions is influenced by expected investment value, expected sacrifices, subjective investment knowledge and perceived behavioural control in the study of Njuguna, Namusonge and Kanali (2016). This research investigate the investment determinants in Kenya with individual investors as sample.

In the study of Krang and Tho (2017), intention of individual in investing determined by perceived risk and investment performance. This research is a mixed research by using in-depth interview and pilot study to examine intention to invest in emerging market.

Effect of Attitude Towards Investment to Intention to Invest

Research from Raut *et al.* (2018), attitudes help an individual to decide whether a certain action must be taken or not by considering the negative and positive consequences. This research

found that attitude had a positive effect towards intention to invest in the stock market. Akhtar and Das (2018) stated if a person has a good attitude towards a certain behavior, there is a possibility they will develop positive intentions to carry out the behavior. An individual's attitudes toward investing in financial markets can play an important role in developing the intention of investing in shares to achieve the desired financial stability. The majority of research has also resulted that attitudes have a positive and significant impact on intention to invest.

In the study of Phan and Zhou (2014), if someone prefers investment, they tend to be more motivated to take action than those who are less profitable like investment. In his research also has the result that the attitude toward investment of individual investors has a positive effect with intention to invest.

Attitudes is a level where a person has a pleasant or unpleasant evaluation or assessment of the behavior in question. The results of the research he conducted concluded that attitudes have a positive relationship with intention to invest (Alleyne and Broome, 2011). Based on previous researches, the hypothesis was developed as follows:

H₁: There is a positive effect on attitude towards investment to intention to invest
Effect of Subjective Norms to Intention to Invest

Individuals are more likely to participate in the stock market if they are suggested or suggested by those

around them. A study by Akhtar and Das (2018) shows that there is a positive correlation between subjective norms and investment willingness.

Ibrahim and Arshad (2017) pointed out in the investment decision point of view that personal investment intentions are greatly influenced by the opinions of people surrounding. This research shows that subjective norms have a significant impact on investors' intentions in the stock market.

Subjective norms are considered to be one of the direct determinants of behavioral intentions. If individual investors see a group of people on the stock market that they think is important to them, they will take some action. On the other hand, if others do not agree to take action, then they are likely not to take action either. If individual investors are supportive of subjective norms, they may have more investment intentions than those who do not have the same pressure. The results of this study indicate that the subjective norms of investment preferences are positively related to investment intentions (Phan and Zhou, 2014).

A study by Alleyne and Broome (2011) found that subjective norms refer to the influence of a colleague, family members, and behavioral terms to others. In this study, the results show that there is a positive correlation between subjective norms and investment intentions.

Effect of Behavioural Control to Intention to Invest

Research by Ibrahim and Arshad (2017) showed that there is no significant effect of perceived behavioral control on investment intention. Individual investors mostly make decisions based on people who are important to them rather than making investment decisions based on their own desires. According to Njuguna (2016), perceived behavioral control is defined as investor perceptions of financial resources. Thus, it is predicted that someone will only invest when he feels his current financial resources are sufficient to invest. Therefore, when a person has higher self efficacy, he is more likely to invest.

Furthermore, according to Phan and Zhou (2014), perceived behavioral control is defined as an individual's perception of the difficulty or ease in performing certain behaviors. This research is expected that individuals with higher perceived behavioral control will be more likely to have an intention to invest than those with less perceived behavioral control.

Perceived behavioral control is defined as the perceived ease of difficulty in behaving and is considered to describe past experiences and anticipate obstacles and disturbances. His research found that perceived behavioral control had a positive relationship with intention to invest (Alleyne and Broome, 2011).

Effect of Past Behavioural Biases to Intention to Invest

According to Raut *et al.* (2018), if a person maintains his behavior in a unique way, the action can lead to behavioral biases. There are many types of behavioral biases and they can be applied to investigate a behavior. In this study, past behavioral biases were tested in the form of cognitive biases represented by anchoring, representativeness and availability of biases. This study found that past behavioral bias had a positive relationship with intention to invest.

Kidwell and Jewell (2018) stated that past behavior is a major determinant of intentions to perform a variety of behaviors related to consumers and health. The study show that past behavior has a significant positive relationship on behavioral intention.

H₄: There is a positive effect of pas behavioural biases to intention to invest

METHODOLOGY

The population in this study is the Batam residents with 411 questionnaires that was collected. The measurement of each variable are using Likert scale from 1 to 5. Dependent variable in this study is intention to invest and independent variables are attitude, subjective norms, perceived behavioural control and past behavioural biases. Variables in this study are using questionnaires from Raut *et al.* (2018). Analysis

method in this research is using multiple regression.

RESULT AND ANALYSIS

Descriptive Statistics

Table 1 show the descriptive statistics. Descriptive statistics show the demographic data of respondents such as gender, age, marital status, education and income.

Table 1. Descriptive Statistics

Description	Frequency	Percentage
Gender:		
Male	256	64.8%
Female	139	35.2%
Age:		
Less than 20	49	12.4%
20 to 30	271	68.6%
31 to 40	67	17.0%
41 to 50	8	2.00%
Marital Status:		
Single	324	82.0%
Married	71	18.0%
Education:		
High School	229	57.97%
Diploma	25	6.33%
Bachelor	133	33.67%
Master	8	2.03%
Income (in million Rupiah)		
Less than 3	72	18.23%
3 to 6	128	32.41%
6 to 9	52	13.16%
9 to 12	55	13.92%
More than 12	88	22.28%
Total	395	100%

Table 2 of validity test show the loading factor of each indicator more than 0.5. It means all indicators are valid.

Table 2. Validity Test

Indicator	Loading Factor
Attitude:	
AT1	0.875
AT2	0.892
AT3	0.862
Subjective Norms:	
SN1	0.795
SN2	0.870
SN3	0.767
Perceived Behavioural Control:	
PBC1	0.723
PBC2	0.875
PBC3	0.882
Past Behavioural Biases:	
PBB1	0.701
PBB2	0.742
PBB3	0.646
PBB4	0.562
PBB5	0.700
Intention to Invest:	
ITI1	0.891
ITI2	0.848
ITI3	0.886

Table 3 show the reliability test results. Each variable are reliable because the value of cronbach's alpha are higher than 0.6.

Table 3. Reliability Test

Variable	Cronbach's Alpha
Attitude	0.848
Subjective Norms	0.741
Perceived Behavioural Control	0.773
Past Behavioural Biases	0.695
Intention to Invest	0.847

Table 4 shows the multicollinearity tests. Variance inflation factor for each variable are between -10 and 10.

Table 4. Multicollinearity Test

Variable	Tolerance	VIF
Attitude	0.848	1.783
Subjective Norms	0.741	2.263
Perceived Behavioural Control	0.773	2.208
Past Behavioural Biases	0.695	1.908

Figure 1 shows the heterocedasticity test.

Figure 1. Heterocedasticity Test

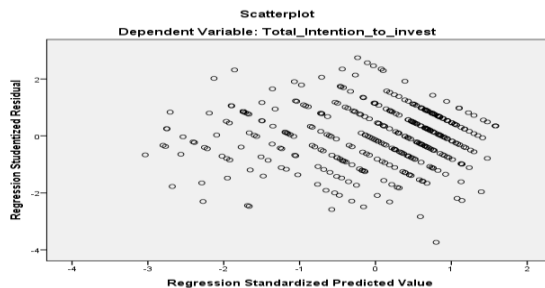


Table 5 of F-Test show the all the independent variable influence the dependent variable simultaneously.

Table 5. F-Test

Model	Significance
Regression	0.000

Table 6 shows the partial effect of each independent variables towards intention to invest.

Table 6. T-Test

Variable	Unstand. Coefficient	Significance
Constant	-2.510	0.000
Attitude	0.375	0.000
Subjective Norms	0.219	0.000
Perceived Behavioural Control	0.324	0.000
Past Behavioural Biases	0.127	0.003

Based on Table 6, the hypothesis discussion as below:

H₁: There is a positive effect of attitude to intention to invest

Attitude has a significance result of 0.000 or less than 0.05, these results indicate that attitude has a significant positive effect towards intention to invest significantly. Good attitude of an individual towards investment develop a positive intention to invest and vice versa. This finding consistent with research by Akhtar and Das (2018), Raut *et al.* (2018), Phan and Zhou (2014).

H₂: There is a positive effect of subjective norms towards intention to invest

Subjective norms have a significance result of 0.000 or less than 0.05, these results indicate that the subjective norms have a positive effect towards intention to invest significantly. An individual is more likely to invest in the stock market if people around him suggest them or advise them to do so. This finding is consistent with research by Akhtar and Das (2018), Raut *et al.* (2018), Ibrahim and Arshad (2017).

H₃ There is a positive effect of perceived behavioural control towards intention to invest

Perceived behavioral control has a significance result of 0.000 or less than 0.05, these results indicate that the perceived behavioral control has a positive effect towards intention to invest significantly. Perceived behavioral control is the perception of an individual of his financial resources so that an individual will invest if he or she feels the source sufficient finances to invest. This finding is consistent with research by Raut *et al.* (2018), Njuguna (2016), Phan and Zhou (2014).

H₄: There is a positive effect of past behavioural biases towards intention to invest

Past behavioral biases have a significance result of 0.003 or less than 0.05, the results of these values indicate that the past behavioral biases has a positive effect towards intention to invest significantly. An individual who wants to invest tends to consider experiences or situations that are

similar in the past so that it will affect intention for one's investment. This finding is consistent with research by Raut *et al.* (2018), Kidwell and Jewell (2018).

CONCLUSION

In this study, we examine the effect of factors that influence intention to invest of Batam residents. Based on result and analysis, it can be conclude that attitude has a positive effect towards intention to invest. A positive attitude towards investment of an individual will encourage them to do investment.

Subjective norms also have a positive effect towards intention to invest. An individual will affected by people around them in doing an action. It will increase their intention to invest in stocks if their family and friends influence them to do that. Perceived behavioural control makes an individual feel they have idle funds to invest, it will also increase the intention to invest in stocks. Intention to invest also determined by the past experience that an individual had before. Past behavioural biases positively influence the intention to invest. The limitations of this research is the scope of the sample. Further research should examine other city or countries with additional variables.

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