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Student-investor's behaviour in investment decision making (A study of Widyatama University students)

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Abstract

This research aims to test the student-investors' behaviour in making investment decisions. Information derived from rumours and news is used to test decisions made by students-investors. The data for this study is obtained through questionnaires distributed to a sample of 83 respondents out of a total population of 104 Widyatama University students enrolled as an active investor in Indonesia Stock Exchange. The sampling is made using *purposive random sampling* method to meet the criteria established by the researchers. The results show that the rumours and news information has positive influence on decisions made by the student-investor. Using this theoretical framework, it is concluded that the behaviour of student-investors in making investment decisions is consistent with those much more experienced investors on the Exchange.

Keywords: Behaviour student investors, investor student, investor behaviour, investment

1. INTRODUCTION

Capital market is a meeting place for sellers and buyers of securities. One of the activities carried out in the capital market is buying and selling of stocks. Indonesia has only one capital market, namely *Bursa Efek Indonesia* (BEI) or Indonesia Stock Exchange. To ensure the passage of the Stock Exchange, the government create an authority to regulate the activities in the BEI, which is called the Financial Services Authority (or OJK). The volume of transactions in the BEI is relatively small as compared to its neighbouring countries. Because of that, the OJK plans to improve it further, so the capital market in Indonesia could be bigger and more exciting for more companies to trade on this Exchange.

In order to do this, OJK is working towards increasing the number of investors, particularly foreign investors. However, Indonesian capital market could be adversely affected if the market is dominated by foreign investors. For example, financial turmoil in other countries, especially in the European countries as well as in the United States could give impact on the Indonesian market. To reduce the impact, the OJK seeks to increase the number of local investors too so that whenever there are turmoil in other countries, the Indonesian stock market is not affected too much. Also, it is important that the Indonesian stock market is not left to be controlled by foreign investors.

Some of the policies pursued by the OJK to further increase the number of domestic investors are, among others, to conduct seminars and workshops with the aim to increase public knowledge about the capital market in Indonesia. Besides that, OJK is making it increasingly easier for people to sign up to be an investor. Quite an

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"extreme" step taken by OJK is to divide or split an existing investment lot into 100 small lots. With this policy, more "middle class" people are expected to be able to involve in stock market investment.

With more modest price per lot, even the students are able to make investment as the prices of shares now are more affordable. With this situation, the OJK is now getting closer to the world of academia. The OJK is increasingly more active in conducting seminars and invite the students to become new investors. It is therefore interesting for researchers to see how students make trades in the stock market given their knowledge about the stock market is still fairly minimal. Do they buy in accordance with the state of the market or just chimed in for buying stock? This study is interested to address this question.

The research questions are, therefore:

1. How the student investors making an investment decision?
2. Is the student investors use fundamental analysis to make an investment?

The purpose of this research is to study the behaviour of the student-investors in making investment decisions; therefore, this study may be useful for three parties; student-investors, brokers, and academics. (1) Student Investors: With these results, it can gain knowledge about investor behaviour of students; (2) Broker: Investors can determine the pattern of behaviour of students in making investments; (3) Academics: Can increase knowledge, and as a reference for similar studies.

2. THEORETICAL BACKGROUND

Investment

Investment is defined by Graham (2008) as an action through a thorough analysis, promises safety of principal and providing adequate profits, while an act that does not meet these requirements are speculative action. Pranoto (2010) classifies investors into two categories; long-term investors and short-term investors. Long-term investors usually invest in the stock of a company to obtain the distribution of corporate earnings results, or often called the dividend. While short-term investors do trades or sell stocks just to get the difference between sales and profits. Short-term investors just want to get the gain from the buying and selling of stocks of companies with just a little attention to fundamental analysis of companies.

Investor Behaviour

Theory intention to the behaviour (Fishbein & Ajzen, 1975) and expressed the intention to base a person's behaviour is influenced by two factors, namely the attitude of behaviour and subjective norm. So it is still wide open for construction development in specific behaviours. Individual behaviour indirectly influenced by external variables which then interacts also with environmental factors in determining behaviour. External variables are demographic, personality characteristics, beliefs about the object, the attitude towards the object, task characteristics, and situational. The attitude interact with each other. Attitudes and beliefs toward the object of this research is stock. Stocks belonging to the risky assets and are at risk market environment. This is what makes prediction of an individual's behaviour is more complex and presents a great opportunity to develop the construction of the model in theory the reason for this behaviour by entering individual characters, such as: environmental factors, perception, information, demographics, values, beliefs considerations, etc. another into the model intention to behave.

Investor behaviour in making investment decisions are influenced by various considerations and decisions can be caused by time, knowledge, memory and attention are limited so that the capacity to process information is limited. Bias factor could very much encourages investors to only pay attention to the factors that are clear and easy to see, then invest in the scope of the "radar" has. Investors are more willing to accept more risk to avoid losses than to realize gains (Sukamulja, 2005).

Sondak and Tyler (2003) conducted a study on the effect of global economic, political and psychological factors influencing investment decisions. Their study proves that psychological factors are more dominant in influencing investor decision-making and influence the expectations of profit. The better an investor psychology level then he will be bolder in making the decision to buy or sell stocks, so that the fundamental analysis and information circulated into the second determinant factor after the investor psychological factors.

Arrozi and Septyanto (2011) suggests that investors relied on long-term gains. This factor rests on the characteristics of the securities that are risky instruments with market risk. The next deciding factor is the rapid gains in the short term, following the advice of people / friends, as well as having the authority in possession.

This proves that subjective norms that relied on the advice of friends showed no major sequence in consideration of a stock investment.

Investments and Investment Decisions

Investments can be defined as an activity to put some funds in one or more of an asset for a certain period with the hope to earn income or increase in value of investments. Purpose investors investing activities was to seek (gain) income or return on investment (return) to be received in the future (Puspitaningtyas & Kurniawan, 2012).

Investment decision is an important factor in the finance function, that the value of the company is solely determined by the investment decision. The statement implies that the investment decision is important, because in order to achieve the company's goals is to maximize wealth of shareholders will only be generated through investment activities of the company (Hidayat, 2010).

Investment is the placement of the funds at this time in hopes of making a profit in the future (Halim, 2005). So that in making an investment decision, investors need information that are important factors as the basis for determining the investment option. From the information available, then form a decision-making model in the form of investment appraisal criteria to allow investors to choose the best investment among investment alternatives available (Pranoto, 2010).

Purchase of stocks is one of the investment activities, because stocks can provide income in the form of dividends and the value can be expected to increase in the future. The return on investment in stocks can be a capital gain and dividend yield. The return on investment is an indicator to improve the welfare of investors. Investor expectation from making the investment is to obtain returns that are profuse with a certain risk level from time to time (Puspitaningtyas, 2012). Investors are very concerned to consider all the information it receives in making investment decisions, so he is not wrong in investing money and can get a rate of return / return is that as expected.

Source of information comes from the company (insider information) is important information that should be considered by investors in processing information, the information of the company to be very valuable before the information is published officially by the management (Harris, 2003). People who get the information from the need to immediately take a stand on the information received (Harris, 2003).

Investors make investment decisions based on the cognitive and emotional reasons (Sukamulja, 2004). By the time the investors make investment decisions they argue that they get the right information when developing a lot of noise in the market so that investors make transactions on the grounds of personal satisfaction with the consequences if the correct decision will bring satisfaction and if the wrong decision bringing regret (Sukamulja, 2004).

3. RESEARCH METHODOLOGY

This study aims to determine the behaviour of students in making an investment decision. Does the student-investors buy one of the listed stocks are in accordance with some analysis and information? Or, are they just went along with other investors in buying stocks? This study refers to a previous study conducted by Pranoto (2010), which was also conducted to determine the behaviour of investors in making investment decisions.

Population and Sample

In this study, the authors define the sample selection using purposive random sampling method means that the sampled investors are investors who meet certain criteria. The criteria include:

1. Noted as an active investor in the Stock Exchange
2. Investors are listed as active student at the Widayatama University.
3. It did opening an account at a brokerage.

Data Types and Sources of Data

The data used in this study are primary data in the form of a questionnaire given to investors who are still active as a student at the Widayatama University.

Research Variables

The variables in this study were student-investor behaviour. Researchers tested whether the student investors in making investment decisions in accordance with the analysis or just follow the other investors in the market. So variables for this study were:

1. Student-investors are investors who are still a student and already bought the transaction to buy or sell stocks. In this study the sample consists of students who are taking classes at the Widyatama University. Variable investors-students are independent variables.
2. The investment decision is a decision to invest are supported by information available in the market such as the rumours and news, and other information that is believed to influence the stock price

Time and Place of the Research

Research conducted at the University students of Widyatama Bandung listed as an investor in Indonesia Stock Exchange, where the student data has been summarized in Widyatama University.

Data Collection

The data consist of primary data, which is the primary data obtained through distributing questionnaires to the respondents.

Data Analysis

The method used to answer the problem was analysed with a questionnaire. Analysis of the questionnaire was conducted to determine the behaviour of the student investors in making an investment decision. Analysis of the questionnaire was conducted using bivariate correlation analysis and reliability. Reliability testing with regard to the value cronbach alpha > 0.8 (Widhiarso, 2008).

Questionnaire on behaviour of student-investors behaviour in this study consists of the following sections:

- a. The identity of the respondents.
- b. Investor behaviour of students in selecting stocks.
- c. Rumours and news.

The questionnaire is designed using a Likert scale with choices consist of Strongly Agree, Agree, Disagree and Strongly Disagree for all sections except in the part of respondent's identity which is in the form of a column where options can be chosen by the respondent. The questionnaire were analysed for respondent's identity using mathematical grouping based on the variables listed above. The identity of respondents is important to ensure that the respondent is appropriate for the purpose of the research. Questionnaires investor behaviour of students in selecting stocks, rumours and news carried by the Likert scale with choices Strongly Agree, Agree, Disagree, Strongly Disagree. Analysis of the questionnaire done by scoring 5 for Strongly agree, 4 to Agree, 2 for disagree and 1 for strongly disagree. Analysis of the questionnaire performed using analysis of reliability and validity testing (Pranoto, 2010).

Analysis of the behaviour of investors

One of the requirements for the investment decision is the availability of information. The problems usually occur when there is not all information that is relevant to the interests and objectives of each investor are available. While investors are required to be able to make decisions quickly and precisely because, in case of late or wrong in taking decisions that will result in losing the opportunity to obtain the expected profit. That is why investors need to analyse the information in the decision making process (Puspitaningtyas, 2014). This study uses variable information that is related to the news and rumours. News and rumours are referred to in this research is the news and rumours associated with the companies that sell their stocks. News and rumours are obtained either through electronic media such as the television or obtained on the internet. While other media to get news and rumours are obtained through newspapers, either in the form of news in newspapers or magazines, both in the country and in foreign countries.

For data processing, the researchers used a questionnaire using a Likert scale of 1 (one) to 5 (five). The results of the questionnaire data were processed using statistical tools with linear regression method. Linear regression methods were used in this study according to the following equation (Sugiyono, 2009):

$$Y = a + bX$$

where,

Y: the dependent variable investment decision

X: independent variable rumours and news

4. DISCUSSION

This section explains the results of research that includes validity test and reliability of research and testing the hypotheses.

Reliability test results

Reliability tests performed to see Cronbach's coefficient alpha or alpha. Alpha coefficient varies from 0 to 1, because a measurement item said to be reliable if r_{count} is bigger than r_{table} .

This study uses 83 respondents (sample) from investors student population Widyatama 104 students. From the number of samples tested using Cronbach's alpha reliability obtain results as:

Table 1. Reliability Statistics

Cronbach's Alpha	N of Items
.242	23

The results of the questionnaire reliability test results obtained value of Cronbach's alpha of r_{count} value of 0.242 > r_{table} value of 0.213. Thus the instrument to measure student investor behaviour towards making an investment decision can be expressed reliably.

Validity Test Results

In this paper, the validity of which is used is the construct validity of which is a type of construct validity questioned whether accurately measured by the indicators. Construct validity was measured by the coefficient of correlation between the scores of each indicator / item question with a total score / factor. In this study valid whether the items seen from the level of significance.

Table. 2 Validity Test

Item	Statistics Analysis	Significance	Item	Statistics Analysis	Significance
item_1	Pearson Correlation	.546**	item_13	Pearson Correlation	.780**
item_2	Pearson Correlation	.635**	item_14	Pearson Correlation	-.277*
item_3	Pearson Correlation	.418**	item_15	Pearson Correlation	0.057
item_4	Pearson Correlation	.246*	item_16	Pearson Correlation	0.058
item_5	Pearson Correlation	0.153	item_17	Pearson Correlation	-0.167
item_6	Pearson Correlation	-0.098	item_18	Pearson Correlation	0.084
item_7	Pearson Correlation	0.166	item_19	Pearson Correlation	.497**
item_8	Pearson Correlation	.363**	item_20	Pearson Correlation	.326**
item_9	Pearson Correlation	-0.02	item_21	Pearson Correlation	.539**
item_10	Pearson Correlation	.397**	item_22	Pearson Correlation	0.215
item_11	Pearson Correlation	0.108	item_23	Pearson Correlation	-0.211
item_12	Pearson Correlation	.610**			

Validity of test results is known that as many as 9 items questions variables X and Y 3 items can be declared valid question. These results are found by comparing the r_{count} compared with r_{table} 0.21. In Table 2 above, items of questions 1, 2, 3, 8, 10, 12, 13, 19, 20, and 21 is significant at the 1% significance level. As for the question items 4 and 14 is significant at the 5% significance level. Thus the instrument to measure student attitudes toward decisions investors can invest as much as 12 items declared valid question. As for the question invalid item removed from the questionnaire.

Correlation Regression

Simple linear regression analysis is a linear relationship between the independent variable (X) with the dependent variable (Y). This analysis to determine the direction of the relationship between investor behaviour of students with investment decisions whether positive or negative, and to predict the value of the relationship stretcher. Here are the results obtained regression equation:

$$Y = 1.67 + 0.278X$$

where,

Y = the behaviour of student investors
X = decision to invest

Table 3. Regression Analysis: Y versus X

Predictor	Coef	SE Coef	T	P	VIF
Constant	1,673	1,956	0,86	0,395	
X	0,27787	0,05495	5,06	0,000	1,000
S = 1,14042		R-Sq = 24,0%		R-Sq(adj) = 23,1%	
PRESS = 111,904		R-Sq(pred) = 19,26%			

From the results of simple regression correlation can be seen in Table 3, where it can be shown a significance level of 0.000. These results indicate that the investor students having a behaviour to invest which significantly positive towards making investment decisions. The constant of 1.67 mean that if the rumours and news value is 0 (zero) or not gain information related to rumours and news, investors will still invest with confidence in themselves with a confidence level of 1.67. Variable regression coefficient rumours and news (X) equal to 0.278 mean that if the investor gain the rumours and news information as much as 1 (one), then the student investor confidence will increase by 0.278. The coefficient is positive it means there is a positive relationship between rumour and news information with the decision to invest, the more information about the rumours and news that will increase the confidence of investors to purchase stocks as investment transactions.

5. CONCLUSIONS

The conclusions obtained from this study are related to rumours and news information has positive influence on the investment decisions of student investors. The more the information about rumours is obtained, the more it will increase the investor's confidence. So it can be concluded that the behaviour of students-investors in making investment decisions follows the same basic theory as used by investors who are already well experienced in the exchange transactions.

The results of this study indicate that although students investors in fundamental and technical knowledge is still lacking when compared to investors who are already actively conducting transactions on the trading market, but students investors also follow the information in the form of rumours and news in convincing them in making investment decisions. In other words, student investors in decision-making also keep abreast of news and rumours are believed to change the stock price of a company.

There are two limitation of the study that we want to highlight. Firstly, the sample used in this study using a sample of student investors from one university, so further research is expected to be able to use the samples from several different universities. It was meant to be assured that the results obtained are truly representative of the behaviour of all student investors. Secondly, variable used in this study uses only independent variable in the form of rumours and news without inserting other variables. So, further research is expected to also include other variables to assess the influence of investment decisions by student investors.

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