

# CHAPTER I

## INTRODUCTION

### 1.1 Research Background

Investment is an activity that is very liked and loved by the people in all countries, including Indonesia. Investment provide a real opportunity for the people to fix their financial condition or to increase their income. On the other hand, the source of income from investment is also quite promising. Because currently there are quite a lot of investments that offer a high return. Investment is also more profitable when compared to ordinary saving such as in bank, cooperative, and so on. With investment, the people can be prepared if something unexpected happen in the future. Now, all activities regarding investment can be done in the capital market.

Increasing investment activity in the capital market will ensure the continuity of economic development, absorb labor, and reduce poverty, so as to improve the welfare of society. According to Tandio & Widanaputra (2016), there are two prevailing paradigms about investment in society, which are investment is considered a desire and investment is considered a need. First, investment is considered a desire when someone has excess money, then the money will be kept as saving rather than used for investment. The owner of the money will only use the money for investment purpose when the owner has an interest in channeling it into financial instruments such as stock, bonds, mutual fund, and others. Second, investment is considered a need when someone who has excess money, then the money will be directly used for investment purpose rather than for saving. Along with the time, the majority of our society has started to realize the benefit of investment. In this era, someone's thinking is not only concerned with living at this time but also thinking about the continuation of life in the future. Inflation is one of unexpected things that make someone need investment. The Central Statistic Agency (BPS) recorded that the Consumer Price Index (CPI) in 2021 saw an increase in inflation which was 1.87% compared to inflation in 2020 which was 1.68% (Limanseto, 2022).

Although it was increased, this inflation is still relatively low and relatively controlled compared to several countries which continue to experience increases. However, it is possible that inflation will be more increase this year or in the next few years. In other words, investment is one way to anticipate that thing happening in the future.

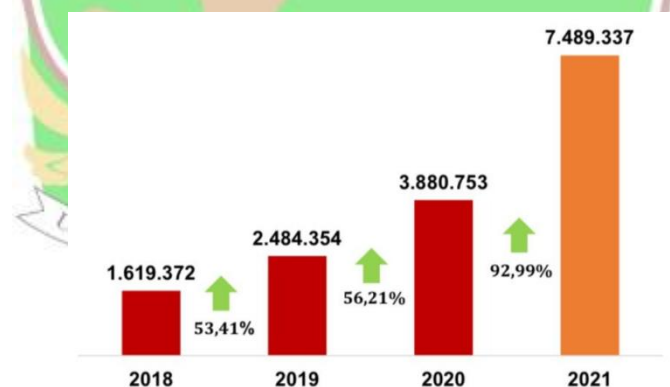
Basically, all investment options have opportunities of profit on the one side and risk or loss on another side. But, stock investment in the capital market (especially the domestic capital market) has more value beside it is very easy to transact, very liquid and has minimal capital. The more value is that by increasing domestic stock ownership, the majority of Indonesia's vital sectors will be owned by the people itself. According to the Indonesia Stock Exchange (IDX) in 2021, domestic investor dominate the growth of the Indonesian capital market. This is because many companies in Indonesia that already Go Public. The large number of companies that already Go Public or Initial Public Offering (IPO) is one of the reasons that make people start to enter the world of investment in the capital market. According to Peter Salim in his book with the title “The Contemporary English-Indonesian Dictionary”, the second edition, explain that Go Public is offering stock for sale to the public for the first time (Pasaribu, 2019). Go Public is one of the ways used by company to obtain fund by offering and selling to release right for stock with payment. Based on data from the IDX in 2021, there were 766 Indonesian companies that had successfully Go Public. Even so, many companies will not have a significant effect on increasing the number of investors, awareness of investment itself should also increase within the society.

According to the Deputy Governor of Bank Indonesia (BI) Destry Damayanti in investor.id, assessing the positive impact of the arrival of the Covid-19 pandemic as an “ease of transformation” for the Indonesian people, namely by restricting mobility, changing people's behavior from consumptive to saving by trying to invest, so that it can encourage the acceleration of the digital financial economy (Pangastuti, 2021). The change of people's

behavior is reflected in the increasing number of investors in the Indonesian capital market during the pandemic. This increase does not only come from working people or people in the adult age category but also from the young age category. Economist of the Institute for Development of Economics and Finance (INDEF) Aviliani in [cnindonesia.com](http://cnindonesia.com), said that millennials are actively investing in two instruments, one of which is stock during the Covid-19 pandemic due to limited shopping activity with the policy of the Enforcement of Restriction on Community Activities (PPKM) which limit the mobility and activity of the society (Primadhyta, 2021). This is a good thing for the continuation of Indonesia's economic growth in the future because trying to invest in the capital market is starting to attract the interest of the young generations.

Based on data obtained from the Indonesian Central Securities Depository (KSEI) in the last few years, the number of investors in the capital market has increased during Covid-19 pandemic, as can be seen through the following bar chart:

**Figure 1.1 The Number of Investors in The Capital Market**



*Source: [www.ksei.co.id](http://www.ksei.co.id)*

On the bar chart in 2021, there has been a significant increase with the total number of investors around 7.4 millions Single Investor Identification (SID) or an increase of 92.9% compared to 2020's achievement around 3.8 millions SID. From the age clarification, around 2.6 millions SID is the number of young investors who have age under 40 years old and around 731

thousand SID is the number of young investors who have an age range of 18-25 years old (Ulya, 2021). In other words, the number of investors in the capital market increased significantly on that year, including from the young generations. One of the factors that potentially has increased it is capital market training, because having the knowledge about investment is a must-have before make an investment in the capital market.

An individual certainly already have the basic knowledge about investment in the capital market, which means doing research first before making it. But that's not enough, advice and recommendations from experienced people in the investment field will be very helpful in increasing knowledge of investment in the capital market, in this case it can be obtained through educational programs in the capital market. The IDX in collaboration with KSEI & securities companies began to organize various educational programs such as talk show, workshop, seminars both offline and online (webinar), and Capital Market School (SPM) (Negara & Febrianto, 2020). SPM itself has been opened since 2006 which can be followed for free either online or by visiting IDX representative office. Therefore, educational programs that serve to increase an individual's knowledge regarding investment in the capital market is one form of capital market training's development.

Beside capital market training, an individual should have special skills in examining and understanding market condition, so that individual can know what decision to choose so as not to suffer loss (Negara & Febrianto, 2020). Return is what an individual's want and expect. Basically the purpose of an individual to invest because want to get a high return or in sync with the expectation of the fund that have been invested. The return can be capital gain and dividend. An individual will get capital gain depending on the movement of stock price in the capital market, which is from the positive difference between the selling price of stock and the buying price of stock. Meanwhile, dividend will be obtained by an individual depend on the profit that generated by the related company. Dividend is a form of increasing stockholder

wealth. An individual will be very happy if get higher investment return from time to time. However, only considering about the return factor in investment is not enough, an individual also have to consider about the risk factor contained in investment activity. Risk is something that is not expected by an individual in investment activity. Risk is a possibility that will happen when the amount of return does not match expectation or different from what is expected. An individual have the potential to suffer loss if not careful in transacting stock in the capital market. Risk and return are two things that cannot be separated because the consideration of an investment is a trade-off of these two factors. In other words, the higher risk to be taken the higher return to be obtained and the lower risk to be taken the lower return to be obtained.

In the digital era, everything can be more practical, including make an investment. Rapid technological advances is a driving factor in increasing investment activities in Indonesia. Online trading facility can be obtained from securities companies or brokers and professional stock applications such as Indo Premier Online Technology (IPOT), Mirae Asset Security, BNI Security, Mandiri Security, MNC security, Bibit, Bareksa, Stockbit, RTI Business, and Ajaib which can make it easier for an individual to make stock transaction anywhere and anytime by using device that can access the internet such as smartphone, tablet, laptop or computer. These stock transaction applications have many functions such as to access information on financial report, information related to the capital market, and information on the latest news about issuer, macroeconomic, the IDX, and so on. Therefore, technological advances have a good impact on the financial sector, especially in investment, which make it easier for the user (potential investor) to collect information, analyze, and to the stage of buying and selling stock in the capital market. The potential investor in question is from the young generations who are dominant and active in using gadget in this era.

Student is one of the young generations who have potential to become an investor in the capital market. Student is considered to have a high intellectual level, smart in thinking, and

planning in action. Critical thinking, acting quickly and appropriately is a natural trait that tend to exist in every students, which is complementary principle. In other words, student is a good potential to be targeted as capital market investor (Nustini et al., 2021). In general, an student who interested to make an investment in the capital market certainly already learned about investment, such as expectation in calculating the return that will be obtained and the risk that will be faced in every investment activities. It can be obtained by student in university with investment course or another course that related with investment in the capital market. Not only that, the establishment of the Stock Exchange Corner or now known as the Indonesian Stock Exchange Investment Gallery (GIBEI) in university is also step from the IDX in disseminating information by socializing the capital market. GIBEI is a 3 in 1 concept which is a collaboration between IDX, university, and securities companies. The existence of GIBEI is expected to be able to introduce the capital market not only in theory but also in practice to the academic, especially for student (Nustini et al., 2021). Now, IDX has established many GIBEI in each of its representative offices, one of which is at the IDX representative office in West Sumatra.

The IDX representative office in West Sumatra noted that there were already 10 securities companies and 10 GIBEI which has spread in several locations in the province. Beside that, the IDX representative office in West Sumatra recorded the total number of investors in the capital market in 2021 was around 102 thousands SID or an increase of 93.4% compared to 2020's achievement was around 23 thousands SID. Based on that the data, around 80% is from the young generations. According to Early Saputra (Head of IDX Representative for West Sumatra), increasing number of investors in the capital market from this province because of the active participation of the young generations who have a high interest in investment, so that making buying and selling transaction in the capital market continue to increase. One of the young generations is student who have an age range of 18-25 years old (Yolandha, 2021).

Universitas Andalas itself has two GIBEI, one of which is located in the Library of Universitas Andalas from Campus I Limau Manis that can provide education regarding investment in the capital market to undergraduate student, especially in stock. The establishment of GIBEI is to provide continuing education for undergraduate student who want to enter the world of investment in the capital market and to build a solid trading psychology, so that student have strong confidence when entering it. The reasons for choosing a case study of Undergraduate Student of Economics and Business Faculty is because undergraduate student from this faculty can be said familiar with all things about investment in the capital market. The existence of GIBEI in the library of campus, there are courses that related with investment in the capital market in each department in this faculty, and there are seminars both offline and online (webinar), workshops, talk shows, and trainings regarding investment in the capital market which can be a point of growth the interest of undergraduate student from this faculty to invest in the capital market.

Referring to previous researches, journals, and books, this research propose four factors that can potentially affect investment interest in the capital market. The researcher want to find out whether these factors affect the investment interest of undergraduate student, especially Undergraduate Student of Economics and Business Faculty, Universitas Andalas. Based on the description above, the researcher want to do research with the title **“The Influence of Capital Market Training, Return & Risk Perceptions, and Technology Advances on Investment Interest in The Capital Market (A Case Study : Undergraduate Student of Economics and Business Faculty, Universitas Andalas)”**.

## **1.2 Problem Statement**

In this research there are several statements of the problem are as follow:

- 1) Does capital market training affect the investment interest of Undergraduate Student of Economics and Business Faculty, Universitas Andalas in the capital market?

- 2) Does return perception affect the investment interest of Undergraduate Student of Economics and Business Faculty, Universitas Andalas in the capital market?
- 3) Does risk perception affect the investment interest of Undergraduate Student of Economics and Business Faculty, Universitas Andalas in the capital market?
- 4) Does technology advances affect the investment interest of Undergraduate Student of Economics and Business Faculty, Universitas Andalas in the capital market?

### **1.3 Research Objective**

Based on the problem statements, the research objectives are as follow:

- 1) To determine the affect of capital market training on the investment interest of Undergraduate Student of Economics and Business Faculty, Universitas Andalas in the capital market.
- 2) To determine the affect of return perception on the investment interest of Undergraduate Student of Economics and Business Faculty, Universitas Andalas in the capital market.
- 3) To determine the affect of risk perception on the investment interest of Undergraduate Student of Economics and Business Faculty, Universitas Andalas in the capital market.
- 4) To determine the affect of technology advances on the investment interest of Undergraduate Student of Economics and Business Faculty, Universitas Andalas in the capital market.

### **1.4 Research Benefit**

Some of the expected benefits of this research can be formulated are as follow:

- 1) For Researcher

The result of this research is expected to increase knowledge and understanding of the factors that influence on investment interest in the capital market, especially in several things, such as capital market training, return perception, risk perception, and



technology advances. Then, the result of this research can be a reference for further research that may want to use the title that's still related to this research.

## 2) For Academic

The result of this research is expected to contribute to the development of theory about the influence of capital market training, return perception, risk perception, and technology advances on investment interest in the capital market.

### **1.5 The Scope of Research**

In conducting this research purpose to determine the factors that influence investment interest. The variables are capital market training, return perception, risk perception, and technology advances. The scope of this research is Undergraduate Student of Economics and Business Faculty, Universitas Andalas Batch 2018, 2019, 2020, and 2021 from Campus I Limau Manis who's still actively in studying by taking sample using a questionnaire.

### **1.6 Outline of Research**

In order to make it easier and moderate the forwarding of content, this research is divided into five chapters are as follow:

#### **CHAPTER I : INTRODUCTION**

This chapter includes background, problem statement, research objective, research benefit, research scope, and end with outline of research.

#### **CHAPTER II : LITERARTURE REVIEW**

This chapter include theory and concept, previous research, hypothesis development, and framework.

#### **CHAPTER III : RESEARCH METHODOLOGY**

This chapter discusses the research design, population and sample, type and data source, data collection technique, operational variable and variable measurement, data analysis technique, and hypothesis testing.

## **CHAPTER IV : RESULT AND DISCUSSION**

This chapter discusses the result of the process of distributing research questionnaire, general descriptive respondent, and data analysis used to prove the hypothesis.

## **CHAPTER V : CONCLUSION**

This chapter includes the conclusion, the implication, the limitation, and the suggestion of research.

