CHAPTER I

INTRODUCTION

1.1 Background

Humans are believed to be rational decision-makers and historical evidence proves significant heterogeneity between individuals in terms of investment decision making. Humans make every type of decision with the help of reason, knowledge, and experience, so Humans can plan some alternative situations to be faced.

Investment decision represent an important part of an individual's life. Understanding how individuals make investment decision is very important. The decision someone makes today will determine how tomorrow is going to be. Individuals involved in making investment decision every day is indeed an interesting topic to pay attention to, the investment decision someone makes today will be a determinant of profit or loss of their investment at a later date.

Investment decision have a complex process that includes the analysis of several factors and various steps. Investment decision consist of personal resources and technical factors. Factors that influence financial decision making by individuals such as gender, age, education, income portfolio, risk perception, and others. Investment decision making is the process of selecting certain financial alternatives from evaluating several Investment products (Fachrudin et al. 2017).

The majority of investors in the United States chose to allocate their finances to stock investment products as investment products of interest, especially among those with smaller portfolios of less than $ 50,000. Mutual funds are more attractive to people in the United States who have a portfolio of more than $ 50,000 because to join a mutual fund there requires more funds than stocks. People in the United States also believe that past investment performance is a good indicator of future results, and less than a third know that the main

Advantage of the mutual fund index is that people in the United States generally have lower costs and expenses than funds that are managed in a way active. (Judy, et al 2019)

In each Investment decision, it is very important to have a financial goal. Men and women certainly make investment decision, but women's decision-making strategies are different from men's decision strategies and also greatly affect investment and investment decision. Usually, women groups are relatively low-risk takers compared to men (Hussain, et al. 2015). In oman country in the middle east men and women are independent of each other in the clarity of Investment goals, risk aversion and appetite and overconfidence of investors tends to be similar concerning the main financial goals, the reaction of market information and vulnerability towards group behavior (Jamil and khan, 2016).

Interesting facts such as women are more aware to manage their finances better, less able to take decision on the spot in a short time, less aggressive, and can be easily influenced and do not have good leadership and intellectual abilities compared to men (Hussain, et al. 2015). But in this era of globalization, any gender can obtain information and knowledge to find out matters relating to Investment products, and make investment decision based on information and knowledge obtained (Fachrudin, et al. 2017), there will be differences in the method of processing the information obtained, there are many factors that will make a difference in making investment decision, one of them is gender.

The motivating factors of highly educated women to act as decision-makers include, among others, the obligation and sense of responsibility of women for the role as a wife so that women can act as decision-makers in the family. And economic contribution in the family also greatly influences the involvement of women in family decision making such as in the allocation of household finances. Society considers highly educated women to have a high position in their social life, and women's work in the public sector Will affect family decision making, not only in the domestic sphere. (Setiawati, et al. 2017).

Every investor tries to get the maximum return and lowest risk possible. Risk avoidance is one of the basic strategies in investment decision. But investors are also prepared to take higher risks and therefore have a large risk appetite if investors strongly consider a large return on investment options. A key part of risk management is making decision. The power of risk management lies in the ability of the risk manager to make good decision. Risk management decision making is selecting the best alternatives or ranking the alternatives for a specific risk management goal. For example, identifying risks face is risk management (Rabihah, 2013).

Every investment has its intensity of risk associated with it. To relish more returns, one has to accept more risk. Generally, women tend to have the safety of the principal with fewer returns. In the current scenario, women accept to take a risk with the help of financial advisors to earn more returns. Most investors tend to avoid analyzing the market information and follow other investors in the market to earn better returns which are followed mutually by both men and women investors. (Jamil & khan, 2016). In Oman, the level of risk appetite was different between men and women. Male investors are ready to take more risks. Female investors are generally more "conservative" in taking risks when making investment decision. (Jamil & khan, 2016).

There are differences in risk-taking capacity between men and women in the Andhra Pradesh state of India in their choice of investment path. Women there prefer risk-free investments, whereas men prefer risky investments. Female investors tend to show less confidence in their investment decision and therefore have a lower level of satisfaction. (D. Srijanani et al, 2018). Self-confidence also affects how a person makes investment decision. Male investors have overconfidence compared to female investors. Women lack confidence about their decision after controlling for factors such as age, experience, education, Knowledge, and asset ownership (d. Srijanani, et al. 2018). Overconfidence is an excessive feeling of confidence. Overconfident investors, overestimate their knowledge, underestimate risk, and overestimate the ability to control what happens. But several studies have also found that gender does not affect overconfidence. Age, experience, past performance, and literacy understanding also influence a person's level of self-confidence (Fachrudin, et al. 2017). Not infrequently also someone who is too confident ignores some important things in Investment decision making so doing wrong and lead to losses.

There are various kinds of things that affect the level of confidence in Investment decision making, in India the level of overconfidence increases along with the increasing experience of investors in investing, education of an investor, and independence of investors (Mishra, & Mary 2015). But there are doubts about the good level of such self-confidence The danger of overconfidence is that it makes one vulnerable to making mistakes in investing. Overconfidence tends to make investors less than appropriately cautious in our investment decision. Many of these mistakes stem from an illusion of knowledge and/or an illusion of control, and if investors have a low level of self-confidence, it will result in an investor not making investment decision or making decision with anxiety and doubt. In turkey, Excessive confidence bias also can lead to the short-term debt being preferred over long-term debt. The low level of overconfidence of company managers and/or investors is revealed by misrepresenting their investment project. (Tekin, 2018)

Financial literacy also has a great influence on financial decision making, a good understanding of literacy can give someone self-control so that somehow the level of risk and self-confidence will not be a problem if someone has good financial literacy. Internal factors that influence financial behavior are cognitive abilities and psychological factors, while external factors include social and economic conditions. The theory of planned behavior states that financial knowledge interacts with attitudes of financial behavior, subjective norms, and perceptions to stimulate financial behavior. Financial literacy is demonstrated

Through financial knowledge and the ability to use financial knowledge gained to improve one's well-being. The characteristics of financial literacy are strongly linked to cognitive abilities (Mudzingiri, et al., 2018). The 2014 standard & poor's global financial literacy survey shows that, worldwide, thanks to financial literacy people know the least amount of risk and risk diversification (Klapper, et al., 2015).

Of the ten European countries selected by the Allianz survey, literacy on financial risk perceptions was very low in all countries. Of these ten countries Austria, Germany, and Switzerland which are the three best-performing countries in terms of financial knowledge, less than 20% of people from these three countries have a good understanding of risk knowledge and risk diversification (Allianz, 2017).

Financial literacy correlates in ways expected with other conditions. For example, people in Sweden, who have experienced pension privatization, have a better understanding of risk diversification than people in Russia and East Germany, where people have less exposure to the stock market (Lusardi, 2019).

Individual investment decision based on traditional financial theory are closely related to rational investors and market efficiency. However, since the 1980s some researchers have found that there are anomalies about hypotheses regarding market efficiency in traditional financial theory because of irrational investors who act on emotions and psychological factors (Bramante & hakim, 2017).

Many internal and external factors influence an individual's financial behavior. One internal factor that influences financial behavior is personality. Personality is a relatively permanent form of individual thoughts, emotions, motives, and behavior. Several dimensions related to personality have been revealed by researchers. Five strong factors are based on adjectives in the dictionary and suggest that personality research can be arranged within the framework of these five strong factors (Ozer & Mutlu, 2019).

The personality theory most commonly used in analyzing personal financial behavior is the "big five personality model" proposed by a well-known psychologist, Lewis Goldberg. The personality theory model of the big five personality traits model consists of 5 key dimensions, namely openness to experience, conscientiousness, extraversion, agreeableness, and neuroticism. The big five theory as first introduced by Lewis R. Goldberg in 1981. As many as 77% of the influence of personal investors' financial planning is influenced by the investor's self.

There is a combination of demographic factors, personal characteristics, markets, and other related factors in investors that influence their investment decision. Individual personality characteristics influence expenditure, investment management, and risk tolerance. Extraversion, conscientiousness, and openness to experience personality will tend to choose investment instruments with a high level of risk, while personalities with agreeableness and neuroticism will tend to choose low-risk investment instruments. (Bramante & hakim, 2017).

When women mostly relied solely on the income of their partners, women used to save money to meet emergencies and for future activities. But there is a change in today's modern world where women are better educated, more workable, and know women have started to make their own investment decision. Women no longer reject various financial claims offered by financial institutions (Jamil, & khan 2016). Women's participation in all fields paves the way for economic growth. Increased levels of education, employment opportunities, and income levels make women interested in using various financial products such as investing or insuring (Mahalakshmi & Anuradha, 2018).

In the United States in recent year's women of all ages have been more involved in financial decision-making than ever before. 41% of women in the United States make their own investment decision. The majority of these women

Are single or divorced and are in long-term relationships and making investment decision for households (Ameriprise financial, 2014).

Women's participation in all fields paves the way for economic growth. Increased levels of education, employment opportunities, and income levels make women interested in using various financial products such as investing or insuring (Mahalakshmi & Anuradha 2018).

Traditionally, having the right to make investment decision but in the present age, it can be illustrated that the main part of investment decision is being made by women. Many researchers have discovered the fact that investment decision are related to the demographic and psychographic perceptions of users of financial products. Culture is also one of the important aspects that also influence women's investment decision making processes (Sharma, et al. 2017).

Women as financial management decision-makers are divided into two categories namely, women as "full" decision-makers (wife control) and women as "not full" decision-makers. Of the two categories, only a small proportion of women fully participate as financial management decision-makers in their families. Women participate fully as decision-makers in terms of relatively small expenditure, such as kitchen shopping, and are limited to daily food and drink costs and not in terms of deciding on large amounts of financial expenditure (Fatimah Zahrah, 2015).

In making investment decision, men and women have their interests in investing. Men tend to invest the second income while women use more investment for long-term savings and certain needs, so there are differences in making decision between the 2, men tend to be more reckless and prioritize large returns on their investment while women are more prioritize certainty and safety in their investments so that women are less at risk.

The majority of women are believed to be financial controllers at the family level so that women have better financial literacy and this is very

Profitable in making their financial decision to be more rational and focused, better women's financial literacy makes them more stable in making decision so that trust excessive self does not have much impact on women.

Financial markets in Indonesia are currently still in development. According to the third national financial literacy survey (SNLIK) conducted by the financial services authority (OJK) in 2019, the financial literacy index in Indonesia reached 38.03% and the financial inclusion index in Indonesia 76.19%. When compared with the results of the 2016 OJK survey showed increases such as financial literacy index 29.7% and financial inclusion index 67.8%. If we pay attention to the last 3 years we can see an increase in public financial understanding (literacy) of 8.33% and an increase in access to financial product's and service's (financial inclusion) of 8.39%.

But Indonesia's literacy rate is still low when compared to neighboring countries. According to katadata.co.id, in its article which was released on 01/28 2020, the level of financial inclusion in Malaysia has reached 85%. And the level of financial inclusion in Thailand reached 82%. However, the Indonesian financial market is still interesting to study because it is still developing significantly and there is always an improvement in every financial sector by the government or authorized institutions.

From the data above we can also see that the level of literacy and financial inclusion in Indonesia has a considerable distance which can be indicated by users of financial products in Indonesia not understanding the products they use. It becomes interesting to examine how Indonesians especially women make investment decision while the level of knowledge of financial products used is still low and what influences Indonesians to make investment decision.

The results of the national financial literacy survey (SNLIK) in 2019 by the financial services authority (OJK) also showed that based on gender the literacy index and financial inclusion of women were 36.13% and 75.15%. This

Figure is lower when compared with men, which are 39.94% and 77.24%. However, literacy and inclusion rates between women and men are almost the same so that women have their share in the development of the financial industry and the financial industry must have their strategies to attract users of women's financial products whose number is potentially quite profitable almost close to the number of users of male financial products

Based on the case and the explanation above, the researcher wants to try to find out whether the true level of risk, level of self-confidence, financial literacy, and personality traits will have an impact on financial decision making for women in Indonesia. Because today many women want to try new financial products to make alternatives for their income and savings.

This research will be a useful study for users of financial products to be wiser and more focused on using financial products, especially for women users of financial products, and for financial product providers to market their products to the right people.

Several previous researchers have conducted research related to this research, such as Hussain et al (2015) with the title Impact of Women Behavior on Financial Decision Making, Sharma et al (2017) with the title Market Research on Factors Influencing Women's Preferences In Investment Decision Making in Singapore, Fachrudin et al (2017) with the title Are Men or Women More Overconfident in Investment Decision Making ?, D. Srijanani & T. Vijaya (2018) with the title A Study on The Impact of Gender in Investment Decision, Jawaheer & Manual (2016) with the title Gender Differences in Investment Decision Making Among the Working Classes of Mauritius, Jamil & Khan (2016) with the title Does Gender Difference Impact Investment Decision? Evidence from Oman. However, research on how women make financial decision-making is rarely examined especially for countries with developing financial industries such as Indonesia.

Therefore, this study seeks to identify, analyze, and describe variables in the form of risk perceptions, self-confidence level, financial literacy, and personality traits that influence the willingness for women to make Investment decision making which will be the topic of this research, with the title:

"the effect of risk perception, level of confidence, financial literacy and personality traits on women's investment decision making"

1.2 Problem Statement

Researchers believe that it is important to understand the effect of risk levels, self-confidence, financial literacy and personality traits on women's Investment decision making.

Therefore, researchers hypothesized 4 research questions to analyze this problem:

a) How does the level of risk affect women's Investment decision making?

b) How does the level of confidence affect women's Investment decision making?

c) How does financial literacy affect women's Investment decision making? And

d) How does personality traits affect women's Investment decision making?

1.3 Objectives Of The Research

Based on the problem identification, the objectives of the research :

a) To investigate the level of risk affecting women's Investment decision making

b) To analyze the level of confidence influencing women's Investment decision making

c) To investigate financial literacy affecting women's investment decision making and

d) To analyze personality traits affecting women's investment decision making

1.4 Contributions Of The Research

1.4.1 Theoretical Contribution

This research aims to provide information about the factors that influence woman Investment decision making in order to help investors and other Investment product user to be success in their investment. This could also help government institution and other private institution providing information about woman investment decision making and could be undertaken for future research.

1.4.2 Practical Contribution

The result of this study could give an impact on investors activities and provide knowledge about factors that influence woman Investment decision making in order to increase personal investment performance. This study can be used by investors to improve investment practices to be more rational and appropriate in choosing the desired Investment products and by providers of Investment products for the sale of their Investment products to be targeted to users or buyers who need and can understand the types of users, especially women users.

1.5 Scope Of The Research

1.4.1 Theoretical Scope

The theoretical scope of this research will be focusing on the five variables which are level of risk, level of confidence, financial literacy, personality traits, and Investment decision making for women.

1.4.2 Contextual Scope

The contextual scope of this research will be focusing on woman in Padang who already used Investment product and ever experienced use financial product in Padang.

1.6 Research Outlines

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

Chapter I	contains about the background to the research, problem statement, objectives of research, the contribution of research, and outline of research.
Chapter II	this chapter contains the literature, theory, last research related to this research. This chapter also contains the theoretical framework of this research.
Chapter III	this chapter contains the explanation about research method which are research design, population, and source of the sample, type of data and variable measurement, research variables, operational definition, data analysis, test of instrumental, structural model test, and hypothesis testing.
Chapter IV	this chapter contains the explanation about result and consist of the characteristic of respondent, descriptive analysis, structural measurement of the

influence of consumer trust towards purchase intentions of electronic retailing.

Chapter V — this chapter explains about conclusion of research, simplification, limitation, and recommendation further research.