Factors Affecting East Java Students Investment Interest in the Capital Market

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ABSTRACT

The increasing number of capital market investors in recent years, dominated by Generation Z and millennials, indicates the public's awareness of the importance of investing and the high interest of Indonesian society in investing in the Indonesian capital market. The study aimed to determine the effect of investment knowledge, minimum investment capital, risk perception, and social media influencers on the investment interest of students from East Java in the capital market. The research employed a quantitative research approach with primary data obtained through a questionnaire. The sample used in this study consisted of 400 students. The data analysis method used was Structural Equation Model-Partial Least Square (SEM-PLS) using SmartPLS software version 3. The research results indicated that investment knowledge, minimum investment capital, and social media influencers had a positive effect on the investment interest of students from East Java in the capital market. However, risk perception did not have a significant effect on the investment interest of students from East Java in the capital market.

Keywords : Investment Interest; Investment Knowledge; Minimum Investment Capital; Risk Perception; Social Media Influencer.

I. INTRODUCTION

The rapid development of technology and communication in Indonesia has brought various benefits, particularly in the business and investment sectors. One popular form of investment among the public is investing in the capital market (Suyanti & Hadi, 2019). The number of investors in the capital market has experienced a significant increase in recent years, as evidenced by the growth of Single Investor Identification (SID) released by the Kustodian Sentral Efek Indonesia (KSEI) in late December 2022, indicating a continuous annual growth of domestic investors in the Indonesian capital market (KSEI, 2022).

According to the KSEI, the number of capital market investors in East Java significantly increased to 1.360.011 SID in 2022, marking a 36,47% increase from the previous 996.574 SID at the end of 2021. This increase could have been further optimized, considering that in 2022, the population of East Java was approximately 41,15 million people, with a productive age group of 28,93 million people (70,32%) (BPS Jatim, 2022).

Basic investment knowledge is crucial for prospective investors. This is aimed at protecting investors from risky investments, fraudulent investment companies, herd mentality, and irrational investment practices. According to the attitude towards behavior in the theory of planned behavior, investment knowledge will consciously encourage investment activities. Previous research examining the variable of investment knowledge has yielded different results. Research conducted by Wibowo & Purwohandoko (2018) showed that investment knowledge positively effects students' investment interest. However, in research by Isticharoh & Kardoyo (2020), it was found that investment knowledge does not affect students' investment interests.

Investment requires funds as capital, and the minimum amount varies depending on the securities company. The minimum capital required to open an investment account is currently affordable, with an initial capital of only Rp 100,000 being sufficient to create an account. This affordable minimum capital helps students develop investment habits, which positively impact the present and future. This aligns with the perceived behavioral control in the theory of planned behavior, which refers to the ease of performing a behavior. The results of previous research conducted by Pangestu & Bagana (2022) showed that the minimum investment capital does not affect investment interest. However, in the research by Wibowo & Purwohandoko (2018), investment interest was effected by the minimum investment capital policy.

The fear of investment risks often acts as a barrier for students to start investing (Wahyuningtyas et al., 2022). Each person has different risk perceptions. Investing in the capital market is inevitably associated with risks, and the more risks taken, the potential for higher returns. In a study by Ardiana et al. (2020), it was found that risk perception has a positive effect on investment interest. However, in a study by Trisnatio & Pustikaningsih (2017), risk perception had a negative effect on students' investment interest.

The increase in investors in the capital market, dominated by Generation Z and Millennials, is closely related to the effect of social media. As Generation Z and Millennials become more active on social media platforms, the BEI has sought to attract social media influencers to encourage the general public, especially Generation Z and Millennials, to invest. This aligns with the subjective norm in the theory of planned behavior, where others can effect interest. In this case, investment interest is effected by influencers. In a study by Ulmi et al. (2022), it was found that social media influencers positively effect students' investment interest. However, in a study by Putra & Qodary (2021), where the research showed that social media influencers have a negative impact on investment interest.

Considering the increasing number of investors in the capital market in East Java, which is still not optimal when compared to the population of East Java, and the

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inconsistent findings from previous research, it becomes the basis for conducting further research on the factors influencing students' interest in investing in the capital market. The objective of this research was to determine the effect of investment knowledge, minimum investment capital, risk perception, and social media influencers on students' investment interest in the capital market.

II. RESEARCH METHOD

This research used a quantitative research design with primary data obtained through a questionnaire. The population of this research consisted of active students from the Faculty of Economics and Business at both Public and Private Universities in East Java. The sampling technique used was purposive sampling, and the sample size for this research was 400 students. Data analysis was conducted using the Structural Equation Model-Partial Least Squares (SEM-PLS) technique using SmartPLS version 3.2.9 software.

III. RESULTS AND DISCUSSION

Convergent validity was assessed using the average variance extracted (AVE) and loading factors. AVE values > 0,5, and loading factors > 0,7 were considered valid. However, according to Hair et al. (2014), a loading factor of 0,50 was already deemed acceptable.

Table 1. Loadings Factors and AVE Value

	Loading Factors	AVE
X1.1	0.739	
X1.2	0.740	0.573
X1.3	0.782	
X1.4	0.765	
X2.1	0.729	
X2.2	0.766	
X2.3	0.723	0.539
X2.4	0.725	
X2.5	0.726	
X3.1	0.719	
X3.2	0.798	
X3.3	0.744	0.553
X3.4	0.732	
X3.5	0.722	
X4.1	0.709	
X4.2	0.834	
X4.3	0.770	
X4.4	0.829	
X4.5	0.841	0.663
X4.6	0.837	
X4.7	0.835	
X4.8	0.833	
X4.9	0.830	
Y.1	0.686	
Y.2	0.700	
Y.3	0.675	
Y.4	0.730	0.501
Y.5	0.706	
Y.6	0.749	
Y.7	0.707	

Source: Primary data processed, 2023

Table 1 presented the results of the outer loadings, which exceeded 0,5, and the AVE values, which surpassed 0,5. Therefore, the convergent validity criteria in this research model were met.

According to Hair et al. (2014), discriminant validity can be assessed based on the Fornell-Larcker criterion and cross-loading values.

Table 2. Fornell-Larcker Criterion

	X1	X2	X3	X4	Y
X1	**0.757**				

X2	0.651	**0.734**			
X3	0.317	0.570	**0.743**		
X4	0.274	0.351	0.355	**0.814**	
Y	0.636	0.616	0.401	0.466	**0.708**

Source: Primary data processed, 2023

Image 1. Cross Loading Value

	X1	X2	X3	X4	Y
X1.1	**0.739**	0.539	0.204	0.224	0.478
X1.2	**0.740**	0.490	0.264	0.175	0.459
X1.3	**0.782**	0.498	0.237	0.306	0.536
X1.4	**0.765**	0.444	0.259	0.105	0.445
X2.1	0.485	**0.729**	0.401	0.247	0.447
X2.2	0.564	**0.766**	0.390	0.260	0.498
X2.3	0.472	**0.723**	0.375	0.215	0.419
X2.4	0.438	**0.725**	0.452	0.271	0.444
X2.5	0.423	**0.726**	0.477	0.292	0.448
X3.1	0.401	0.531	**0.719**	0.247	0.399
X3.2	0.264	0.423	**0.798**	0.239	0.298
X3.3	0.182	0.408	**0.744**	0.278	0.242
X3.4	0.133	0.351	**0.732**	0.253	0.235
X3.5	0.085	0.336	**0.722**	0.316	0.248
X4.1	0.299	0.383	0.337	**0.709**	0.403
X4.2	0.220	0.301	0.295	**0.834**	0.361
X4.3	0.234	0.302	0.250	**0.770**	0.372
X4.4	0.204	0.295	0.306	**0.829**	0.398
X4.5	0.239	0.294	0.312	**0.841**	0.417
X4.6	0.229	0.253	0.261	**0.837**	0.383
X4.7	0.164	0.223	0.270	**0.835**	0.340
X4.8	0.192	0.236	0.246	**0.833**	0.347
X4.9	0.207	0.259	0.308	**0.830**	0.370
Y.1	0.496	0.489	0.316	0.352	**0.686**
Y.2	0.538	0.479	0.244	0.223	**0.700**
Y.3	0.339	0.388	0.271	0.380	**0.675**
Y.4	0.376	0.382	0.252	0.352	**0.730**
Y.5	0.448	0.410	0.273	0.357	**0.706**
Y.6	0.459	0.433	0.289	0.353	**0.749**
Y.7	0.465	0.452	0.332	0.299	**0.707**

Source: Primary data processed, 2023

Table 2 and Image 1 showed that the square root of the AVE for each construct was greater than the correlations with other constructs. The cross-loading values indicated that the correlations of each indicator with its own construct were higher than those with other constructs. Therefore, it can be concluded that the criteria for discriminant validity in this research model were met.

Table 3. Reliability Test

Variable	*Cronbach's Alpha*	*Composite Reliability*
X1	0.752	0.843
X2	0.786	0.854
X3	0.803	0.860
X4	0.936	0.946
Y	0.834	0.875

Source: Primary data processed, 2023

Table 3 presented the results of the reliability test, showing that Cronbach's alpha values were > 0,70 and the composite reliability values were > 0,6. Therefore, the research model was considered reliable.

Table 4. R-Square Test

	R Square	R Square Adjusted
Y	0.538	0.533

Source: Primary data processed, 2023

The results of the R-Square test in Table 4 revealed that the adjusted R-Square value was 0,533. This indicates that the variable independent collectively accounted for 53,3% in the variable dependent. The remaining 46,7% of the variance was effected by other variables not investigated in this study. Therefore, it can be concluded that the research model in this study is considered to have a moderate level of explanatory power.

Table 5. Hypothesis

Variable	Original Sample	T Statistics	P Values
X1 -> Y	0.392	7.490	0.000
X2 -> Y	0.245	4.335	0.000
X3 -> Y	0.046	0.952	0.171

X4 -> Y	0.256	5.524	0.000

Source: Primary data processed, 2023

Based on the hypothesis test results, it was found that investment knowledge had a positive effect on investment interest. This was evident from the t-statistic value of 7.490, which was greater than 1,96, and the p-value of 0,000, which was less than 0,05. The path coefficient indicated a positive direction of 39,2%, and its effect was the most dominant compared to other exogenous variables in this research. These results indicated that the better the investment knowledge of students, the higher their interest in investing in the capital market. These findings aligned with the research conducted by Patma et al. (2021) and Wibowo & Purwohandoko (2018). The results of the loading factor analysis show that one of the indicators related to investment courses obtained during lectures, gets high results compared to other indicators. This shows that investment-related courses that students receive in lectures can increase students' interest in understanding types of investment before investing in the Capital Market. This study aligns with the attitude toward behavior construct in the Theory of Planned Behavior (TPB). Attitude towards behavior is determined by beliefs about the outcomes of a behavior, whether positive or negative (Gunanti & Mahyuni, 2022). In investing, attitudes towards behavior are very important in increasing interest in investing. This is relevant to investment knowledge, as students with good investment knowledge will have confidence in using and managing their finances wisely. Therefore, students will be more confident in investing in the capital market if they possess good investment knowledge.

Based on the hypothesis test results, it was found that minimum investment capital had a positive effect on investment interest. This was evident from the t-statistic value of 4,335, which was greater than 1,96. And the p-value of 0,000, which was less than 0,05. The path coefficient indicated that the minimum investment capital variable had a positive effect of 24,5% on students' investment interest in the capital market. This indicated that the more affordable the minimum capital required for investment, the higher the interest of individuals in investing in the capital market. These findings were consistent with the research conducted by Fauzianti & Retnosari (2022) and Burhanudin et al. (2021). The results of this research were further supported by the association with the perceived behavioral control construct in the Theory of Planned Behavior (TPB). This research explained that a supporting factor for investment interest in the capital market was the affordability of the minimum investment capital, which provided various benefits for students. These benefits included enabling students to plan their finances wisely for the future. Additionally, students could also obtain passive income and future returns on investment.

Based on the hypothesis test results, it was found that risk perception did not have effect on investment interest. This was observed from the t-statistic value of 0,952, which was less than 1,96, and the p-value of 0,171, which was greater than 0,05. The path coefficient indicated that the risk perception variable had only a small influence of 4,6% on the investment interest variable. These results indicated that students' attitudes towards risk did not have an impact on their investment interest in the capital market. These findings aligned with the research conducted Nurmalia et al. (2021) and Listyani et al. (2019). These results contrasted with the perceived behavioral control construct in the Theory of Planned Behavior (TPB). These results contrasted with the perceived behavioral control construct in the TPB. According to TPB, perceived behavioral control was a function based on an individual's beliefs about the presence or absence of factors that facilitated or hindered their behavior (Gunanti & Mahyuni, 2022). This research explained that the inhibiting factor, which was the risk borne by students in investing, did not affect their investment interest in the capital market. In other words, students disregarded risk perception before investing in the capital market. This could be understood because the respondents in this study belonged to Generation Z and Millennials, who were always up to date with trends that emerged on social media, such as investing in the capital market. As a result, many of them ended up investing driven by FOMO (Fear of Missing Out), disregarding investment risks, or even lacking awareness of their own risk profiles.

Based on the hypothesis test results, it was found that social media influencers had a positive effect on investment interest. This was evident from the t-statistic value of 5,524, which was greater than 1,96. And the p-value of 0,000, which was less than 0,05. The path coefficient indicated that the social media influencer variable had a positive effect of 25,6% on the investment interest variable. These findings explained that the higher the level of trust that students had in influencers who were experts in the field of investment, the more it would increase their interest in investing in the capital market. These results were consistent with the research conducted Ulmi et al. (2022). The research findings were also supported by the association with the subjective norm construct in the Theory of Planned Behavior (TPB), which emphasized the perception of social pressure to perform or not perform a behavior. This explained that the more influential the subjective norm, in this case, the influencers providing support or encouragement to invest, the higher the interest of individuals in investing in the capital market.

IV. CONCLUSION

In conclusion, based on the analysis and discussion conducted, it can be concluded that investment knowledge, minimum investment capital, and social media influencer have a positive effect on the investment interest of students in East Java in the capital market. On the other hand, risk perception does not have an effect on the investment interest of students in East Java in the capital market.

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