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Intention to Invest Based on Investors Financial Literacy and Perceptual Antecedent: Evidence in Indonesia

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Abstract

This research aims to examine the factors that influence intentions to invest. Determining investor intentions uses the Theory of Planned Behavior (TPB). Behavioural theory is one of the factors that influence intentions to invest. Previous studies have shown different results about intentions to invest. Therefore, this study reveals more closely related factors affecting investors' intention to invest based on attitude, financial literacy, and perceptual antecedents. The respondents of this study were Surabaya stock investors, with 100 respondents. The sampling technique uses snowball sampling—data analysis techniques using Partial Least Square. The results showed that financial literacy did not affect attitude towards the brand, perceived risk had no effect on attitude towards the brand, perceived risk had a negative effect on perceived return, the perceived Trust had no effect on attitude toward the brand, perceived Trust did not affect perceived risk, the perceived Trust did not affect effect on perceived return, the perceived return has a positive impact on attitude towards the brand, brand familiarity has a positive impact on attitude towards the brand, brand familiarity does not affect perceived risk, brand familiarity has a positive effect on perceived Trust. Attitude towards the brand positively impacts the intention to invest in stock investors in Surabaya.

Keywords: Attitude, Financial Literacy, Intention to Invest, Perceptual Antecedents

Introduction

Intention to invest in the Indonesian capital market from year to year shows a significant increase. The number of investors referring to Single Investor Identification (SID) at the end of 2012, the number of SIDs recorded at KSEI only reached 281,256. In contrast, at the end of July 2018, it had reached 1,369,810, or an increase of 387% (KSEI, 2018). Investment in the capital market, especially stock investment in Indonesia, is one of the alternative investments in demand by the public.

The high number of investors in Indonesia is influenced by factors that determine an investor's interest in determining investment decisions. The increased interest in investment in the community has attracted previous researchers to examine the factors that influence the intention to invest.

Intention to invest is a cognitive process for estimating risk and return. This form of attitude is supported by three factors, namely: first, determination: the existence of motivation, intention, and vital goals. Second, self-discipline: knowing what and when to do something. Third, fighting: hard work, innovative work, and time management. The intention to invest process requires high capabilities for market players related to individual abilities in cognitive and affective aspects such as: processing financial and non-financial information, applying investment knowledge from fundamental and technical aspects, changing investment preferences, risk perception and return, and learning the investment process (Nofsinger, 2005).

The investment objectives of the investment strategy are chosen by market participants for the desired return so that cognitive processes will vary between market participants in determining the right investment strategy. This variation is due to market participants having different preferences based on return and risk. The implication is that market participants choose to like returns in dividends, capital gains, or both dividends and capital gains. Market participants will have different preferences and utilities for the above attitude. Intention to invest requires special analytical knowledge to be confident about the stock's performance to be selected in the overall stock investment (Nofsinger, 2005).

Research relating to the behaviour of capital market investors shows that psychological biases often influence trading decisions. Many individual investors still pay attention to emotional elements such as attitude and brand familiarity. This study accommodates the limitations of (Ali, 2011) study, which states that researchers should further look into investment interest in paying attention to financial literacy. Financial literacy is also referred to as financial knowledge (financial knowledge). Financial literacy is a person's understanding and knowledge of basic financial concepts and the ability to use them to plan and manage their financial decisions (Hogarth & Hilgert, 2002). An investor who has a rational attitude can be reflected in one investment decision-making based on financial literacy owned (Ariani, 2015). (Rasuma Putri & Rahyuda, 2017) state that financial literacy variables' influence is directly proportional to individual investment decisions. The higher the level of financial literacy, the better the decision to invest, affecting the investment interest.

Nevertheless, according to (Al-Tamimi & Kalli, 2009), financial literacy has a negative effect on investor decision-making in the UAE. (Fitriarianti, 2018); (Pradhana, 2018) also showed other results, stating that financial literacy had no significant relationship with investment interests. Based on this background, this study aims to analyze the factors that influence the intention to invest in stock investors in Surabaya. Specifically, the objectives of this research are:

- The effect of financial literacy on attitude towards the brand on stock investors
- The effect of perceived risk on the attitude towards the brand on stock investors
- The effect of perceived risk on the perceived return on stock investors
- The effect of perceived trust on attitude toward the brand in stock investors
- The effect of perceived trust on the perceived risk of stock investors
- The effect of perceived trust on the perceived return of stock investors
- The effect of perceived return on the attitude towards the brand on stock investors
- The effect of brand familiarity on attitude towards the brand on stock investors
- The effect of brand familiarity on the perceived risk of stock investors
- The effect of brand familiarity on the perceived trust of stock investors

- The effect of attitude towards the brand on the intention to invest in stock investors

Literature Review and Hypotheses Development

Financial Literacy

Financial literacy, similar to financial knowledge or financial literacy, is an understanding and knowledge of someone about basic concepts and the ability to use them to plan and manage their financial decisions (Hogarth & Hilgert, 2002). (Remund, 2010) states that financial literacy can be interpreted as a person's competence in understanding and managing money. Literacy consists of two parts, namely the conceptual and operational definitions.

Perceived Trust

The term trust is associated with 'trust' in the form of a 'tendency' of consumers to depend on vendors (Gurviez & Korchia, 2003). Based on their characteristics, each consumer has a unique desire to depend on others (Mcknight & Chervany, 2002). 'Perceive trust' is also described as a "rational assessment of reliability" (Araújo et al., 2002) and "general morality" (Granovetter, 1985) because decision making is also influenced by 'the rules and norms of society. For this study, 'disposition to believe' refers to the personal characteristics that generally tend to trust others.

Perceived Risk

Many researchers have ignored the role of risk perception, perhaps because of the complex nature of Trust and risk (Gefen et al., 2003). Research on Trust and E-commerce shows that increasing Trust reduces trustee risk perceptions and influences their attitude toward trustees, which, in turn, influences willingness to buy (Jarvenpaa et al., 2000). Risk management views risk as related to the cost of the return, where Trust and risk are like a reflection and with an estimated inverse relationship (Grandison & Sloman, 2003; Johnson & Kaye, 2009).

Perceived Returns

Companies with good historical revenues are a healthy choice compared to companies with volatile historical returns. When investors have determined that the company has had a satisfactory return in the past, they will likely feel that this trend will last in the future. In other words, one can see this situation as an investor who has achieved cognitive or evaluative Trust. Cognitive Trust is mainly related to perceptions of competence and reliability of providers, where perceptions of competence are defined by past performance (Olsen, 2008). Investors tend to perceive historical returns to survive in the future. Therefore, they evaluate the financial performance of the last few years and anticipate the possibility of a future return of the company. Because individual investors cannot properly consider such returns, their perceptions of corporate returns may play a more significant role, or their evaluations make them shape these perceptions.

Attitude toward Brand

The attitude of individual investors towards stock trading activities can occur very strongly because they have to make decisions to achieve the desired level of financial stability. In contrast, the recommendations and behaviour of family and colleagues in stock trading can form subjective norms'. In addition, the conceptualization of 'perceived behavioural control' as an antecedent to 'intention' in TPB is an individual's perception of the ease of carrying out certain behaviours.

Brand Familiarity

Brands are usually associated with names or logos such as symbols, trademarks and package designs that distinguish them from competitors (Berry, 2000). The company name is essential for investor evaluation because of the antecedent of consumer attitudes towards a brand. In the context of investment, investors tend to invest in companies they know.

Intention to Invest

Intentions are constructs of attitudes based on intrinsic values and play an essential role in predicting the future behaviour of individuals (Angelle, 2006). According to (Ajzen, 1991) an individual's future behaviour can be predicted by their intentions because the intention is the first step for the following pattern of behaviour. This theory proposes that individual attitudes toward behaviour, subjective norms, and perceived control influence intention (Ajzen, 1991).This theory provides a model that can predict a person's behaviour through an intention that is defined as an individual's perception of the likelihood of performing a behaviour (Ajzen & Fishbein, 1980).

Research Hypothesis

H1 = financial literacy affects attitude towards the brand on stock investors in Surabaya.
H2 = perceived risk affects the attitude towards the brand on stock investors in Surabaya.
H3 = perceived risk affects the perceived return on stock investors in Surabaya.
H4 = perceived trust influences attitude toward the brand in stock investors in Surabaya.
H5 = perceived trust affects the perceived risk of stock investors in Surabaya.
H6 = perceived trust affects the perceived return of stock investors in Surabaya.
H7 = perceived return affects the attitude towards the brand on stock investors in Surabaya.
H8 = brand familiarity influences attitude towards the brand on stock investors in Surabaya
H9 = brand familiarity affects the perceived risk of stock investors in Surabaya.
H10 = brand familiarity affects the perceived Trust of stock investors in Surabaya.
H11 = attitude towards brand affects the intention to invest in stock investors in Surabaya.

Research Method

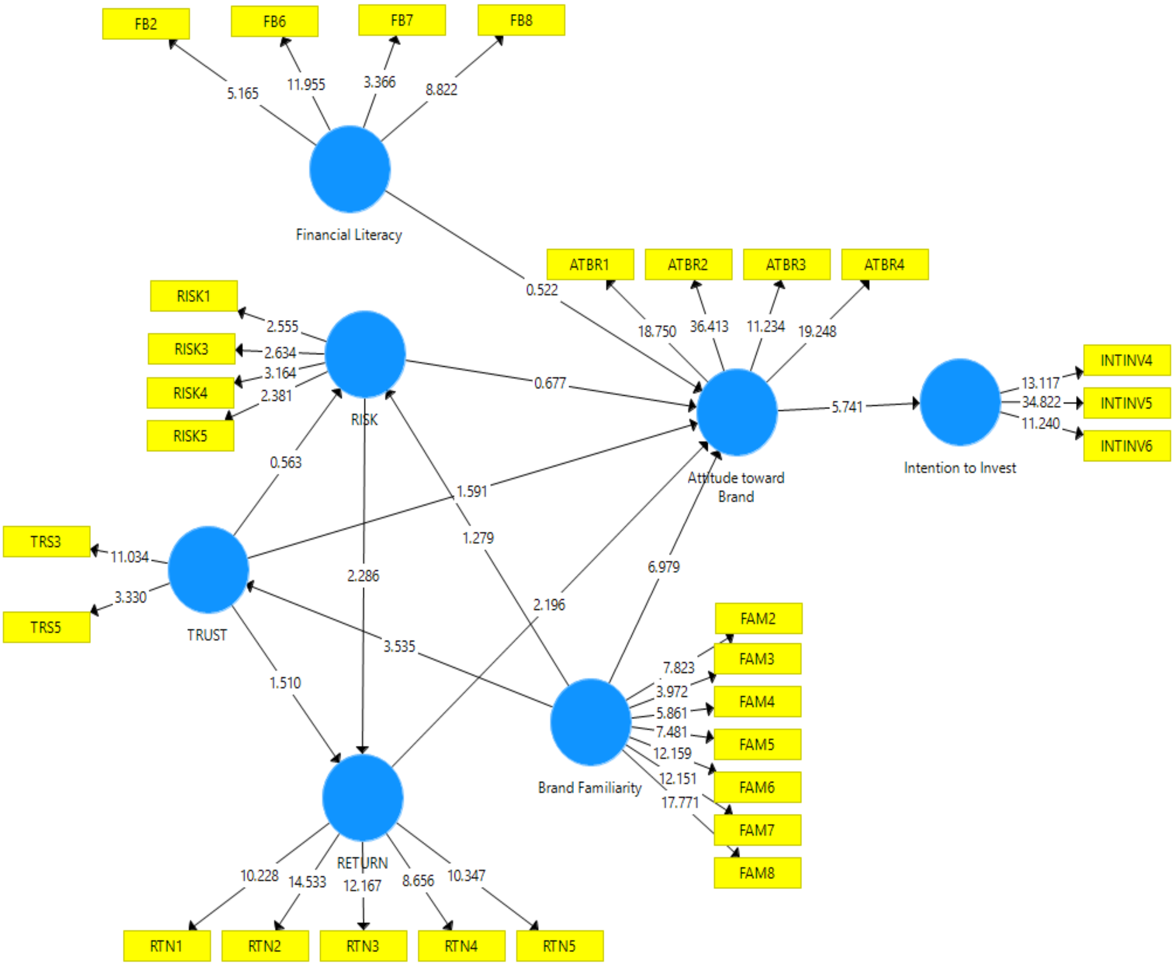
This research is causality research that seeks a causal relationship between variables. Respondents in this study are stock investors who are members of 5 Investment Galleries in Surabaya, with 100 investors. The variables in this study consist of 3, namely; (1) independent variable, (2) dependent variable, and (3) intervening variable. This study has three independent variables: financial literacy, perceived Trust, perceived risk, perceived return, and brand familiarity. Intervening variables are attitudes toward the brand, and the dependent variable is the intention to invest. Data collection used questionnaires online and offline. The data analysis technique used partial least square.

Results and Discussion

The validity and reliability test results stated that the data is valid and reliable. The following are the results of the hypothesis test:

	Original sample	Sample Mean	Standart Deviation	T Statistic	P Values
Attitude toward Brand→Intention to Invest	0.569	0.571	0.099	5.741	0.000
Brand Familiarity→ Attitude toward Brand	0.642	0.636	0.092	6.979	0.000
Brand Familiarity→RISK	-0.199	-0.207	0.156	1.279	0.201
Brand Familiarity→TRUST	0.308	0.318	0.087	3.535	0.000
Financial Literacy→Attitude toward Brand	0.036	0.033	0.068	0.522	0.602
Return → Attitude toward Brand	0.198	0.216	0.090	2.196	0.029
RISK→ Attitude toward Brand	-0.057	-0.057	0.084	0.677	0.499
RISK→Return	-0.329	-0.344	0.144	2.286	0.023
Trust→ Attitude toward Brand	-0.106	-0.113	0.066	1.591	0.113
Trust→Return	0.184	0.194	0.122	1.510	0.132
Trust→Risk	0.101	0.095	0.179	0.563	0.574

Table 1. Path Coefficient



The Influence of Financial Literacy on Attitude towards the Brand on Stock Investors in Surabaya

This research shows that financial literacy does not affect attitude towards the brand. Even novice investors in Surabaya have high or low levels of financial literacy, which will not affect their attitude towards the brand.

Financial literacy is to as financial knowledge or financial literacy. It is how deep one's understanding and knowledge of basic financial concepts and the ability to use them in planning and managing their financial decisions (Hogarth & Hilgert, 2002; Remund, 2010). Financial literacy based on the OECD approach is more comprehensive by looking at three financial dimensions: financial knowledge, financial attitude, and financial behaviour (OECD, 2011).

Based on the characteristics of respondents, who are all beginner stock investors, they are currently studying in tertiary institutions. They all received investment material and capital markets through the capital market school program at the Investment Gallery of their respective colleges. Educational material in the Capital Market School program generally contains capital market knowledge, investment instruments and analysis in making stock purchase decisions. Therefore, they should already have adequate financial knowledge. However, the financial knowledge and investment in the capital market that they learned turned out not to be the primary basis for making investment decisions.

Attitude toward the brand is an evaluation action in the minds of consumers about the brand (Mitchell and Olson, 1981) where this evaluation is a psychological evaluation of an object, measured by its attributes (Shamim & Butt, 2013) which refers to the attitude shown by consumers towards the brand-specific (De Chernatony & Dall'Olmo Riley, 1998). The attitude taken by consumers towards a brand is based on the assessment, Trust, and feelings of consumers towards the brand until, in the end, he will sort the brand into a fun brand and an unpleasant brand. According to (Hess & Story, 2005), all consumers have an emotional preference toward a particular company or brand.

Based on the facts, if someone has a high level of financial literacy, he will ideally try to find as much information about the type of investment suitable for him by comparing information about securities companies (Hilgert et al., 2003). Still, they are forced to follow policies in their tertiary institutions to open a securities account following the partners in the Investment Gallery of their respective tertiary institutions. The policies of each university will undoubtedly limit the flexibility of these novice investors in choosing securities companies based on brand familiarity, making them unable to show attitudes towards the authentic brand. The emotional level of respondents on the brand that is expected to appear can not be seen as accurate.

The effect of perceived risk on attitude towards the brand on stock investors in Surabaya

The test results show that perceived risk does not affect the attitude toward the brand. This finding contradicts (Ali, 2011), which found that perceived risk positively affects attitude toward the brand.

In making investment decisions, there are considerations of personal risk and return actions commonly used by novice investors who have a relatively small investment portfolio compared to professional investors (Ricciardi, 2004). In investing, earnings volatility usually measures risk stocks, including standard and beta deviations. Rational investors can measure the level of risk appropriately to make an investment decision then. So it will tend to avoid risks. Company risk can also spread through word of mouth. Peers and family are also known as the primary source of information for investors (Mayer et al., 1995).The effect of word of mouth is more substantial in spreading corporate communication, both positive and negative information. Information disseminated by other investors will be compared with the company's achievements, as seen in the company's financial statements. It will form a positive attitude towards the company's brand.

However, the results of this study perceived risk can not form a positive attitude towards a brand. Likely due to several factors, including the level of the perceived risk of respondents is still in the moderate category. So investors are not too fond of risk (in a neutral position). So following the investment concept of high-risk, high return, the level of profits obtained by investors is also not too high so that it does not affect the attitude of investors towards certain brands of their stock investments.

The Effect of Perceived Risk on Perceived Return on Stock Investors in Surabaya

The test results show that the perceived risk affects the perceived return on stock investors in Surabaya. They are viewed from the direction of influence, which is negative, meaning that the higher the perceived risk, the lower the level of perceived return from investors, and vice versa.

This finding is inversely proportional to the investment concept, namely high-risk, high return. The higher the level of risk that investors are willing to accept, the higher the level of benefits obtained. However, this finding aligns with the behavioural finance literature, showing that the relationship between risk and return received by investors is inversely proportional (Ricciardi, 2007). In line with this, (Ali, 2011) also found evidence that perceived risk has a negative effect on perceived return.

The Effect of Perceived Trust on Attitude toward Brand on Stock Investors in Surabaya

The results showed that the perceived Trust does not affect the attitude toward the brand. This finding supports the results of (Ali, 2011). Perceived Trust can be interpreted as "the willingness of parties to be vulnerable to the actions of other parties" (Mayer et al., 1995). In this situation, shareholders trust the management team appointed to run the company as owners of the company. When management interests differ from shareholders, agency problems tend to occur, which requires companies to incur costs (agency costs) to align the interests of both parties. Suppose it turns out the company manager cannot run the company following the owner's interests. In that case, most likely, investors do not trust the company's management and consider investing in the company will be very risky.

Affective Trust is shown when trusted parties, including management and Directors, have demonstrated fairness and integrity. The company's reputation is also strengthened when investors have a high level of Trust. (Siegrist & Cvetkovich, 2000) assert that cognitive Trust is usually given greater weight than affective Trust when specific hazards (such as financial losses) that are evaluated are familiar to trustees (e.g. investors).

Perceived Trust does not affect the attitude toward the brand is likely caused because the respondents in this study have a moderate category of perceived Trust. Respondents do not believe in the company's performance, so it can not produce a good attitude towards the company's brand where the investment is. Another possibility is that the respondents in this study are novice investors who do not have enough experience in investing in shares. Hence, respondents' Trust in the company is also not optimal.

The Effect of Perceived Trust on Perceived Risk on Stock Investors in Surabaya

The results of this study stated that perceived Trust does not affect perceived risk. Market investors believe or not that the stock investment instrument will not involve the perceived risk. Trust is a critical element of social capital, and it influences company performance, satisfaction, competitive advantage and other economic outcomes such as transaction costs and reduction in search costs. In different contexts, most research on Trust focuses on technological issues related to privacy and security (Dwyer et al., 2007).

Risk is a negative consequence that must be accepted due to uncertainty in making decisions (Wanda, 2018).The amount of risk perceived depends on the consumer being specific. High risk will limit consumer choice. When risk perception becomes high, there is motivation to avoid using products/services or minimize risk by searching and evaluating pre-purchase alternatives in the decision-making stage.

From some literature reviews, Trust cannot influence investors on investment choices in stocks with risks. The risk of every investment must be there, but when investors already trust to invest in shares, then any risk that occurs will undoubtedly be accepted. Investors have considered this because investors will experience uncertainty in investment if they ignore existing risks.

The Effect of Perceived Trust on Perceived Return on Stock Investors in Surabaya

The test results show that perceived Trust does not affect the perceived return. Trust can be defined as the willingness of one party to be vulnerable to the actions of another party (Ali, 2011). Shareholders as company owners put their Trust in the management team appointed to run the company. When the established management differs from the shareholders, agency problems tend to occur, causing shareholders to bear some agency costs such as manager salaries with special incentives and appointing a board of directors to oversee management implementation. However, even the existence of a board of directors is subject to conflicting objectives because the appointed directors can erroneously assume the interests of shareholders. Investors may not trust management and the board of directors when this happens and consider investing in the company very risky. Investors tend to perceive historical returns to survive in the future. Therefore, they evaluate the financial performance of the last few years and anticipate the possibility of a company's return in the future (Ali, 2011). Because individual investors cannot generally evaluate such returns properly, their perceptions of corporate returns may play a more significant role. Their evaluations make them shape these perceptions and will be why Trust does not affect the return.

The Effect of Perceived Return on Attitude towards the Brand on Stock Investors in Surabaya

The test results show that perceived return has a significant positive effect on attitude towards the brand. The higher the level of profits obtained by investors, the investor's attitude toward the company's brand is getting stronger. The results of this study support the findings of (Ali, 2011). Returns obtained by companies and investors can spread through word of mouth. Peers and family are also known as the primary source of information for investors (Mayer et al., 1995). The effect of word of mouth is more substantial in spreading corporate communication, both positive and negative information. Information disseminated by other investors will be compared with the company's achievements, as seen in the company's financial statements. So with a high return, a positive attitude towards the company's brand will be formed. This result is also supported by the distribution of respondents 'answers which shows that the level of respondents' perceived return is high, so it has a positive effect on attitude towards the brand.

The Influence of Brand Familiarity on Attitude towards the Brand on Stock Investors in Surabaya

The test results show that brand familiarity has a significant positive effect on attitude towards the brand. The results of this study support the findings of (Ali, 2011). The higher the level of brand familiarity, the investor's attitude toward the company's brand is getting stronger. Brand familiarity usually shows that consumers become familiar with the brand either through personal experience (Alba and Hutchinson, 1987; Arens et al., 2012), word of mouth from family and friends (Trusov et al., 2009) or through regular marketing communication (Alba and Hutchinson, 1987; Arens et al., 2012). The company's name is essential for investor evaluation, and this is due to the antecedents of consumer attitudes towards a brand. In the context of investment, investors tend to invest in companies they know. Thamaraiselvan and Raja (2008) also stated that a well-known brand would act as a risk reduction and increase the likelihood of buying a new product.

The Influence of Brand Familiarity on Perceived Risk on Stock Investors in Surabaya

This research results that brand familiarity does not affect perceived risk. Even novice investors in Surabaya have high or low brand familiarity; it will not affect perceived risk. This research contradicts Laroche et al (1996); Surjaatmadja and Purnawan (2018), which show that brand familiarity influences perceived risk.

Brand familiarity of a securities company can influence investors' risk perceptions because they use company-specific information to build their expectations about risk and return (Huang, Schrank, and Dubinsky, 2004). Consumers become familiar with a brand through ad exposure and promotion, in-store product display, testing, purchasing, consumption, and online/offline communication referrals (Alba & Hutchinson, 1987). Therefore, knowing the name of a security company and investment product is very important because it shows the stock's type, market, and other specific characteristics. Usually, consumers will become familiar with a particular brand through personal experience (Alba and Hutchinson, 1987),

The respondents of this study are investors in Surabaya who have securities accounts and are affiliated with the Investment Gallery in Surabaya. Students who can be called beginner stock majority investors are still laymen in investing stocks. These new investors will open a securities account managed by their respective Investment Gallery partners, where each Investment Gallery will partner with a securities company. This single partner will make novice investors have no choice or other alternative to determine the option of a securities company that will manage their securities accounts.

Previous research says that brand familiarity is related to the visual or mental impression of a product/brand or consumer experience, which shapes the attitude of consumers to feel whether they feel benefited or unfavourable towards a brand and their willingness to buy (Laroche et al., 1996; Wang et al., 2013). These novice investors often do not have sufficient experience to judge and have a visual and mental impression of a brand, making the brand not yet thoroughly familiar with the brands of securities companies that will manage their securities accounts.

In the context of investment, investors tend to invest in companies they know. The company's name is essential for investor evaluation, and this is due to the antecedents of consumer attitudes towards a brand. Brand familiarity usually shows that consumers become familiar with the brand either through personal experience (Alba & Hutchinson, 1987), word of mouth from family and friends (Trusov et al., 2009) or through regular marketing communication (Alba & Hutchinson, 1987).

These novice investors usually open a securities account that is carried out because the tertiary institution they are studying holds a Capital Market School, which is automatically followed by a mass securities account opening program with a minimum number of participants of 25 people. Investors are still not familiar with securities companies but are forced to open a securities account at the Investment Gallery's securities company partner at their same college. Therefore, they have never consumed the product directly before, so they lack knowledge or information about the brand. Even though these novice investors have the experiences they have received for a brand, this will contribute to building a high level of brand knowledge (Campbell & Keller, 2003), and influencing the level of perceived risk; and feel confident in the attributes and benefits of the product so that they consider fewer risks (Laroche et al., 1996; Park & Stoel, 2005).

Perceived risk, in this case, relates to a situation where investors must face the uncertainty of profitable and unprofitable investment returns (Stone & Gronhaug, 1993; Sheau-Fen et al., 2012). Novice investors with different levels of brand familiarity cause them to have different levels of perceived risk among respondents, making one doubtful and reducing purchase intentions. This reduced purchase intention is also supported by the number of novice investors who open securities accounts is not comparable to novice investors who actively carry out stock transactions.

The Influence of Brand Familiarity on Perceived Trust in Stock Investors in Surabaya

The test results show that brand familiarity has a significant positive effect on perceived Trust. This finding is in line with (Ali, 2011). The more familiar investors are with a particular company's brand, the level of Trust in the investment of shares in the company will also increase.

In the context of investment, investors tend to invest in companies they know. The company's name is essential for investor evaluation, and this is due to the antecedents of consumer attitudes towards a brand. Brand familiarity usually shows that consumers become familiar with the brand either through personal experience (Alba & Hutchinson, 1987), word of mouth from family and friends (Trusov et al., 2009) or through regular marketing communication (Alba & Hutchinson, 1987).

Effect of Attitude towards Brand on Intention to Invest in Stock Investors in Surabaya

The test results show that the attitude towards the brand has a significant positive effect on the intention to invest. The higher investors' perspective toward a particular company's stock brand will increase investment intentions in these shares. This finding is also in line with (Ali, 2011).

Attitude toward the brand is an evaluation action in the minds of consumers about the brand (Mitchell and Olson: 1981) where this evaluation is a psychological evaluation of an object, measured by its attributes (Shamim & Butt, 2013) which refers to the attitude shown by consumers towards the brand-specific (De Chernatony & Dall'Olmo Riley, 1998). The attitude taken by consumers towards a brand is based on the assessment, Trust, and feelings of consumers towards the brand until, in the end, he will sort the brand into a fun brand and an unpleasant brand. Investors who have determined their attitude towards a brand will encourage to invest in companies with that brand.

Conclussion

The results showed that financial literacy did not affect attitude towards the brand, perceived risk had no effect on attitude towards the brand, perceived risk had a negative effect on perceived return, the perceived Trust had no effect on attitude toward the brand, perceived Trust had no impact on perceived risk, the perceived Trust did not affect effect on perceived return, the perceived return has a positive effect on attitude towards the brand, brand familiarity has a positive impact on attitude towards the brand, brand familiarity does not affect perceived risk, brand familiarity has a positive effect on perceived Trust. Attitude towards the brand positively impacts intention to invest in stock investors in Surabaya. Recommendations for future researchers should use non-beginner investors who have advanced in stock investing. For better results, researchers then need to consider using experimental analysis.

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