

# Revealing Investor Motivation in Making Investment Decisions in the Capital Market

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## Abstrak

Penelitian ini bertujuan untuk mengetahui lebih dalam apa yang menjadi pertimbangan investor dalam mengambil keputusan berinvestasi di Pasar Modal Indonesia. Penelitian ini menggunakan metode kualitatif merujuk pada paradigma interpretif dengan menggunakan pendekatan fenomenologi. Hasil penelitian ini menunjukkan bahwa setiap informan memiliki pertimbangan yang berbeda-beda dalam mengambil keputusan untuk berinvestasi. Ada yang menyukai risiko dan ada yang tidak menyukai risiko. Hal ini dapat dilihat dari hasil wawancara dengan para informan, ada yang menggunakan informasi akuntansi (analisis fundamental) dan ada yang menggunakan informasi berdasarkan fluktuasi harga saham dengan melihat kondisi lingkungan bisnis (analisis teknikal).

**Kata kunci:** Investasi, Pasar Modal

## Abstract

This study aims to find out more deeply what investors consider in making investment decisions in the Indonesian Capital Market. The research method used in this study is a qualitative method through an interpretive paradigm using a phenomenological approach. The results of this study indicate that each informant has different considerations in making decisions to invest. Some like risk and some don't like risk. This can be seen from the results of interviews with informants, some use accounting information (fundamental analysis) and some use information based on stock price fluctuations by looking at the conditions of the business environment (technical analysis).

**Keywords:** Investment, Capital Market

### 1. Introduction

Along with the development of the times, it is undeniable that economic conditions in the current digital era cannot be separated from the role of the capital market. An increasingly competitive business environment causes companies to need to innovate according to the demands of the times. Therefore, the Company is competing to find funding through the capital

market so that the country's economic activities continue to advance and develop so that they can compete at the international level. The capital market is a means for companies that need capital and people who want to get a number of benefits from investing (Darmawan et al., 2019; Malik, 2017; Mega & Semara, 2015).

For an investor, investing in the Capital Market is one way to earn income independently. Especially to maintain financial stability in the future. However, investing in the Capital Market does not mean that it does not contain risks (Saraswati & Wirakusuma, 2018). Therefore, investors need to consider the possible risks that will be accepted for the investment choices taken (Bakhri et al., 2020). In this case, financial behavior has an important role for investors in making a decision. This is intended to study the behavior of investors in determining the investment to be selected.

In the Capital Market, there are various kinds of investments offered. For example, investing in the financial sector which consists of stocks, mutual funds, gold, property, savings, deposits, etc. (Hartono, 2018). Of these financial instruments, stocks are one of the most sought after by potential investors because they offer high returns but also carry high risks. Investors' decisions affect the level of profit to be received. Therefore, investors need to make rational considerations in accordance with the desired expectations (Rudiwantoro, 2018). In addition, accounting information is also a basis for decision making. Realizing the importance of obtaining adequate information, investors can use various analyzes such as fundamental analysis and technical analysis as the basis for making appropriate investment decisions.

## 2. Method

This research is qualitative research using an interpretive paradigm through a phenomenological approach. The interpretive paradigm is an attempt to find an explanation of a social or cultural event or event in a place based on one's experience (Djasuli, 2017; Rahardjo, 2018). The phenomenological approach is used to find out more deeply about an event that is experienced or something that is a person's life experience and how to deal with these problems and how they view the reality of life they face (Djasuli, 2017). This research was conducted in the city of Makassar, South Sulawesi, which is a province in Indonesia. Researchers chose students, private employees and brokers as informants in this study.

**Table 1. List of Informants**

No	Informants Name	Status
1	Abdul Fattah	Student
2	Toufiq Ahmad	Employee
3	Kahfi	Broker

The data sources used are primary data sources and secondary data. Primary data was obtained through interviews with informants and conducting a survey on the object under study. Meanwhile, secondary data was obtained through data from a number of sources, both the internet and print media, which were related to this research. The data collection technique used is by doing (Sugiyono, 2017):

- 1) Interview. In this case, the type of interview used is in-depth interviews with informants. The questions given will develop according to the answers given.
- 2) Observation. This is done by looking at the use of trading applications used by informants to invest.
- 3) Documentation. This is done by searching for information through the IDX's official website and journals related to the object under study.

## 3. Result

Basically, the main purpose of investing is to get the maximum profit. However, investors realize that behind the profits there are risks that must also be prepared to be faced. As with investing in stocks, not all stocks can promise the returns expected by investors. They need to make the right considerations to choose the stock to buy. In this case, the greater the expected return, the greater the risk that will be faced. Therefore, it is necessary to do an analysis so as not to make the wrong decision to invest. There are two types of analysis commonly used by investors, namely Fundamental analysis and technical analysis. Fundamental analysis is a way to assess company performance through company financial information. Meanwhile, technical analysis is a method used to view historical

company data such as data on the movement of a company's shares.

Based on the results of interviews with the three informants, different results were obtained on what was considered in making investment decisions. From the first informant, Abdul Fattah stated that investing is done to achieve *financial freedom*. This has been realized since the informant was in high school (SMA). Investing is considered important because it is considered the first step to a financially prosperous life in the future. By participating in investing, we play a role in building the country's economy. To achieve this *financial freedom*, an investor must have good knowledge about investing so as not to make a wrong decision that will have fatal consequences. Before investing, an investor needs to be aware of the risks that will be faced. There is no guarantee of the amount of profit that will be obtained from time to time because at any time there can be losses. Risks like this can occur due to inflation, interest rates and so on. In this case, the first informant is the type of investor who likes risk because if a stock has a high risk then *return* the promised is also high. However, to minimize risk, in this case the first informant chose to use fundamental analysis. Accounting information is used as the basis for decision making, although not all ratios are used. For informants, looking at *Earning Per Share (EPS)* and *Price Book Value (PBV)* is sufficient to represent the required financial information.

The results of the interview with the second informant, Toufiq Ahmad stated that the purpose of investing is to avoid inflation. The informant hopes that the salary received from the company where he works will grow, so when the informant finds out about investing in the Capital Market, he then decides to invest in shares. This is considered safer because it provides adequate protection against inflation compared to bonds and deposits. The lack of domestic investors is also a consideration for the second informant to invest. Even though they only invest a little, at least the informants feel they have helped the country's economy. If investors have a good understanding of investment and have the ability to minimize risk, then this will have a good impact on the country's economy. Like any business, investment also needs a strategy for careful

planning because fluctuations in the Capital Market are unpredictable. Therefore, investors need to be careful. Responding to the risks that could occur, the second informant has often faced these things, however, the *returns* obtained are still higher than the losses they have received. The analysis used by the second informant is technical analysis. By looking at the conditions or market conditions that caused the stock price to fall, this situation will be an opportunity for investors to buy the stock and when the price moves up, this is a good opportunity to sell the stock so that will be obtained *capital gain*. It is undeniable that technical analysis is more risky than fundamental analysis because it may not match predictions. One way that can be done is to diversify shares, forming a portfolio. This is done so that if one of the shares suffers a loss, at least there are other shares that do not lose so as to minimize the level of risk faced by investors.

The results of the interview with the third informant, Mr. Kahfi stated that investment is a first step towards prosperity in the future. By investing, the existing funds can grow so that later they can be used to buy a house or as preparation for marriage. Mr. Kahfi's statement is similar to the statement given by the first informant, namely investing as a preparation of funds for the future. However, the third informant does not like risk in contrast to the first informant who likes risk. Staying flexible, which means that even if you don't like risk, it doesn't mean being too risk averse but trying to control risk. Meanwhile, for the actual analysis selection, there is no need to compare because the two analyzes have their respective places because they both provide benefits and risks. Everything, depending on investors are more inclined to short-term investment or long-term investment. If investors choose to use fundamental analysis, then this method is suitable for investors who want to invest long-term even though it takes a long time to enjoy the level of *return*. Meanwhile, if you choose technical analysis, this method is suitable for a trader who likes short-term investments. The advantage is that investors can receive *returns* in a short time. In this case, the third informant uses fundamental analysis by looking at *ROA*, *ROE*, and *NPM*.

#### 4. Conclusions

Basically, investments are made to obtain a number of benefits. However, the size of the profit received by an investor depends on the type of stock and the percentage of share ownership owned. Investment is not always related to profit but there are risks that must always be faced because risk is unpredictable. Aware of this, each investor has different motivations in deciding to invest. As has been stated by the three informants in this study.

a) Informant I: stated that the investment was made to be more financially independent and to achieve prosperity in the future, although he was aware of the risks that would be faced. As an investor, he likes risk because he thinks it is *high risk, high return*. To minimize the risk of informants using fundamental analysis, namely analysis by looking at the financial information of companies *EPS* and *PBV* to assess the company's prospects in the future.

b) Informant II: stated that investments were made to avoid inflation. The informant tries to make the salary he gets from where he works can grow to produce something even bigger. In addition, investing has played a role in improving the country's economy. For the informants, risks are common. Therefore, the informants diversify their shares to minimize the risks that may be faced in the future by using technical analysis.

c) Informant III: stated that the investment was made to buy a house and as preparation for marriage. In this case, the informant does not like risk but does not avoid risk. Informants still try to control risks such as stock price fluctuations that often occur. This is done by conducting a fundamental analysis.

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