

DETERMINANTS OF INVESTMENT DECISION MAKING BEHAVIOR (Empirical Study on MSMEs in Semarang City)

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ABSTRACT

The purpose of this study was to determine the effect of financial attitudes, financial literacy and locus of control on investment decisions. This research is a quantitative study with a sample of 112 micro, small and medium enterprises (MSMEs) in Semarang City. The data analysis model used is multiple linear regression. The results of the study show that financial attitudes, financial literacy, and locus of control have a positive effect on investment decisions. The implication of this study is that MSME owners in Semarang City are expected to be well planned and structured in managing their finances, increasing investment information, and preparing budgets appropriately.

Keywords: Financial Attitude; Financial Literacy; Locus of Control; Investment Decision.

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INTRODUCTION

The development of technology and information today causes some people to have a consumptive nature which causes them to forget the importance of investing . Investment is a greater benefit that will be obtained in the future at the expense of the present (Tandelilin, 2017). Safryani et al., (2020) stated that investing is expected to improve their welfare in the future. Investment is an activity to add capital either directly or indirectly with the assumption that in the future you will get a profit from the investment that has been made. In investing activities, of course, you will get two things, on the one hand you will be able to provide profits, but on the other hand you can also experience losses. Therefore, every investment must be fully aware when making a decision to invest (Hesniati & Hendy, 2021).

Investment decisions as a matter of how a individuals must allocate funds into forms of investment that will be able to bring benefits in the future (Sutrisno, 2014). Investment decision is a person's decision in allocating held funds into financial assets. At the time of making the decision to invest, of course, one must be careful and must be carefully considered, this is so that there are no mistakes in making decisions and losses in investing. Therefore, an investor must have skills and sharpness in making investment decisions. Everyone's investment decision making is different, because many factors influence it , one of which is financial behavior. The financial behavior in question includes the attitude of financial literacy and locus of control.

An understanding of financial attitudes can help a person to understand what is believed about the relationship between that person and money. Someone who has a rational attitude towards finances and is more confident in terms of financial knowledge has an effect on more profitable financial behavior. Therefore, the better the financial attitude of a person, the higher the level of their financial behavior in making decisions to invest (Aminatuzzahra', 2014).

Financial literacy is about the whole process of how individuals can manage their finances by using their knowledge of finance itself (Kumar, at al., 2017). Financial literacy has a very important role in managing financial and investment decisions. High financial literacy will lead to good investment decisions (Khairiyati & Krisnawati, 2019).

The next factor besides financial attitude and financial literacy, which can influence a person's decision to invest is the person's locus of control. Locus of control is a person's perspective on an event whether someone can control the events that occur or not. Locus of Control is one of the factors that will determine how an individual behaves. Someone with an internal locus of control will have more confidence in himself and believe that everything that happens depends on himself. In someone who has an external locus of control, he will believe that all events depend on destiny and the surrounding environment. Therefore, someone who has a locus of control is more willing to take risks to invest (Ariani et al., 2016).

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Research on investment decisions has actually been done a lot but the results are still inconsistent. Aminatuzzahra' (2014), Fitriarianti (2018), Hesniati & Hendy (2021), and Lindananty & Angelina (2021) which state that financial attitudes have a positive and significant effect on investment decisions, in contrast to the results of research from Bastari (2020) which states that financial attitudes negative and insignificant effect on investment decisions. The results of research from Fitriarianti (2018), Khairiyati & Krisnawati (2019), Safryani et al., (2020), and Lindananty & Angelina (2021) which state that financial literacy has a positive and significant effect on investment decisions, but differs from the results of Ariani et al. al., (2016) and Bastari (2020) which state that financial literacy has a negative and insignificant effect on investment decisions. Another difference is seen from the results of research by Ariani et al., (2016) which states that Locus of control has a positive and significant effect on investment decisions, but it is different from the results of Bastari's research (2020) which states that Locus of control has a positive but not significant effect on investment decisions. Aminatuzzahra' (2014), Fitriarianti (2018), Hesniati & Hendy (2021), and Lindananty & Angelina (2021) which state that financial attitudes have a positive and significant effect on investment decisions, in contrast to the results of research from Bastari (2020) which states that financial attitudes negative and insignificant effect on investment decisions. The results of research from Fitriarianti (2018), Khairiyati & Krisnawati (2019), Safryani et al., (2020), and Lindananty & Angelina (2021) which state that financial literacy has a positive and significant effect on investment decisions, but differs from the results of Ariani et al. al., (2016) and Bastari (2020) which state that financial literacy has a negative and insignificant effect on investment decisions. Another difference is seen from the results of Ariani et al., (2016) which states that Locus of control has a positive and significant effect on investment decisions, but it is different from the results of Bastari's research (2020) which states that locus of control has a positive but not significant effect on investment decisions.

Based on some of these studies, the authors are interested in conducting research in SMEs where the owner is also the manager of the company. The purpose of this study was to determine the effect of financial attitudes, financial literacy and locus of control on investment decisions.

LITERATURE REVIEW

The Effect of Financial Attitude on Investment Decisions

Financial attitude will be able to help a person to understand what is believed about his relationship with money. A good financial attitude begins with applying a good financial

attitude, such as a financial planning attitude to achieve short-term and long-term goals. The medium for achieving these goals can be through savings, investment or allocation funds. Therefore, with a good financial attitude management, it can make a person not easily trapped in unlimited desire behavior.

The theory of behavioral financial perspective in financial decision makers neurologically tends to incorporate influence (emotions) into the decision-making process. The better a person's attitude or financial metal, the better in making investment decisions. This is supported by the results of Aminatuzzahra' (2014) research which states that the better a person's financial attitude will increase the decision to invest. This is reinforced by the results of research by Fitriarianti (2018), Hesniati & Hendy (2021), and Lindananty & Angelina (2021) which state that a person's better financial attitude can have a positive influence on increasing investment decisions. From this description, the proposed hypothesis is:

H1: Financial attitude has a significant positive effect on investment decisions.

The Effect of Financial Literacy on Investment Decisions

Financial literacy shows the form of a person's ability to manage their funds so that they can develop and live more prosperously in the future. Financial literacy is used to find out services, institutions and financial service products, and also about efforts to improve one's welfare through changes related to one's financial behavior. Every individual wants a better life in the future , so financial literacy plays an important role in making one's financial decisions to be more responsible in managing the money they have.

Someone with a high level of financial literacy will have the potential to provide higher productivity values, and will think more about managing their finances for future provisions. The relationship between financial literacy and investment decisions is that the higher the level of financial literacy, individuals will choose to invest. This is supported by the results of Fitriarianti's research (2018) which states that the higher a person's financial literacy, the positive impact on investment decisions. This is also further strengthened by the results of research by Khairiyati & Krisnawati (2019), Safryani et al., (2020), and Lindananty & Angelina (2021) which state that the higher a person's financial literacy, the positive impact on investment decisions. From this description, the proposed hypothesis is:

H2: Financial literacy has a significant positive effect on investment decisions.

The Effect of Locus of Control on Investment Decisions

Locus of control shows a person's perspective on an event, namely whether the event can be influenced by the action in question or not. Locus of control is one of the factors that determine how an individual behaves. Every investor who already has the confidence to control all events that occur, in this case related to investment decisions. Everyone's self-confidence is certainly different from each other, especially in terms of seeing and believing that something that happens is within the control of the individual, when a person is able to handle problems in everyday life, he will have the ability to handle everyday problems.

The effect of internal locus of control on investment decisions is that the higher the level of a person's internal locus of control, they tend to be more confident in choosing to invest. This means that someone who already has high confidence, then they have the right to make investment decisions based on consideration of the risks and returns received. This is supported by the results of research conducted by Ariani et al., (2016) which states that the higher the level of locus of control a person has, the positive impact on increasing investment decisions. From this description, the proposed hypothesis is:

H3: Locus of control has a significant positive effect on investment decisions.

The research framework is described in Figure 1.

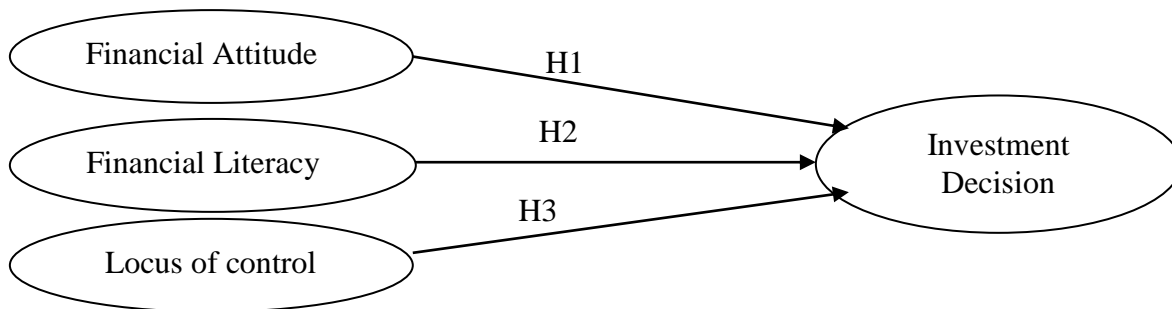


Figure 1. Conceptual Framework

RESEARCH METHODS

Samples

The population in this study was all MSMEs in the city of Semarang with an unknown number. The number of samples in this study was 112, this is based on the opinion of Hair et al. (2010) that if the population is unknown, the number of samples used in the study is five to ten times the number of empirical indicators. The number of indicators is 16 so the number of samples is 16 X 7 as many as 112 samples. The sampling technique in this study used convenience sampling. The distribution of the questionnaires was delivered directly to the owners of MSMEs. Of the 112 questionnaires returned 107 which can be processed as many as 100.

Measurement

Financial attitudes are measured by adopting Humaira & Sagoro (2018), namely orientation towards personal finance, debt philosophy, financial security, and assessing personal finances. Financial literacy was measured by adopting Lindananty & Angelina (2021) consisting of basic financial knowledge, money management, credit management, savings and investment, and risk management. Locus of control adopted from Bastari (2020) with indicators of financial decision-making ability, individual ability to handle financial problems, confidence in one's own abilities, and individual ability to take control in life. Finally, for investment decisions adopted from Tandelilin (2017), namely the rate of return obtained, the risk accepted when investing, and the value of money in the future. The choice of answers to the questionnaire was measured by a Likert scale from 1 to strongly disagree to 5 to strongly agree.

Data Analysis

The data from the distribution of the questionnaires were analyzed by using the reliability validity test, classical assumption test, and multiple linear regressions. The regression analysis model is expressed in the following equation:

$$Y = a + B_1 X_1 + B_2 X_2 + B_3 X_3 + e \dots\dots\dots (1)$$

Note: Y: Investment decision; a: Constant; B1, B2, B3: Regression coefficient value; X₁: Financial attitude; X₂: Financial literacy; X₃: Locus of control; e : error.

RESULT AND DISCUSSION

Results

This study tested the validity of the variable indicator using the Pearson Product Moment correlation. The result show that correlation value of 0.504 to 0.895 is greater than r table 0.374, so it can be concluded that the data is valid. The results of the reliability test are in the number 0.715 to 0.792, which is greater than 0.7, this indicates that all variables used are reliable.

Table 1 shows the results of the Kolmogorov-Smirnov test, the magnitude of the significance value is $0.084 > 0.05$. It can be concluded if the data distribution in the resulting linear regression model has been normally distributed. Table 2 shows that from the results of the multicollinearity test, each variable of financial attitude, financial literacy, and locus of control has a tolerance value greater than 0.10, and the Variance Inflation Factor (VIF) value is smaller than 10. This means that there is no correlation between the independent variables included in the linear regression model. Table 3 shows the results of the Glejser test that the significance value of the financial attitude, financial literacy, and locus of control variables is greater than 0.05, so it can be concluded that there is no heteroscedasticity.

The results of multiple linear analysis using the SPSS version 22 program are described in Table 4. Based on the results of the regression analysis in Table 4 above, the regression equation model obtained is as follows:

$$Y = -0.675 + 0.262 X_1 + 0.252 X_2 + 0.244 X_3 \dots\dots\dots (2)$$

Based on Table 4, it can be explained that the significance value of all hypotheses is below 0.05 so that H1, H2, and H3 are declared accepted. Financial attitude has a positive and significant effect on investment decisions, meaning that the better the financial attitude, the better investment decisions. Financial literacy has a positive and significant effect on investment decisions, meaning that the better financial literacy, the better investment decisions. Locus of control has a positive and significant effect on investment decisions, meaning that the higher the locus of control, the better the investment decisions.

Table 1. Normality Test Results

N		100
Normal Parameters ^{a,b}	mean	0.0000000
	Std. Deviation	0.92785316
Most Extreme Differences	Absolute	0.083
	Positive	0.053
	negative	-0.083
Test Statistics		0.083
asymp . Sig. (2-tailed)		0.084 ^c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Table 2. Multicollinearity Test Results

Independent Variable	Tolerance	Variance Inflation Factor
Financial Attitude	0.586	1.706
Financial Literacy	0.464	2.154
Locus of Control	0.695	1.439

Table 3. Heteroscedasticity Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	1,796	0.662		2,714	0.008
	Financial Attitude	-0.027	0.041	-0.085	-0.663	0.509
	Financial Literacy	0.053	0.040	0.193	1.340	0.183
	Locus of Control	-0.107	0.039	-0.121	-1.728	0.101

a. Dependent Variable: ABS_Regression

Table 4. Multiple Linear Regression Analysis Results

Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	-0.675	1.120		-0.602	0.548
	Financial Attitude	0.262	0.070	0.311	3.738	0.000
	Financial Literacy	0.252	0.067	0.351	3.754	0.000
	Locus of Control	0.244	0.066	0.281	3.676	0.000

a. Dependent Variable: Investment Decision

Discussion

The results of the analysis show that financial attitudes have a positive and significant effect on investment decisions. This means that the better the views, opinions, or assessments of MSME owners regarding the management of financial resources, the investment decisions of MSME owners in Semarang City will increase. These results indicate that the attitude towards finances owned by MSME owners will be a factor that has an important role in improving investment decisions of MSME owners in Semarang City. These results indicate that the attitude of MSME owners towards financial management makes them prefer to invest. These results also show that in financial decision-making behavior neurologically tends to incorporate emotions or attitudes in the decision-making process. Because the better the financial attitude and mentality of a person, the higher their behavior in making decisions to invest.

These results also show that better financial attitudes as measured by indicators of orientation to personal finance, debt philosophy, financial security, and assessing personal finances can be a form of consideration in measuring the financial attitudes of MSME owners in Semarang City. From the results of the descriptive analysis, it shows that the financial attitude of the MSME owners in the city of Semarang is good considering the high value and many respondents who gave agreeable responses to the statement submitted. This of course will have an impact on increasing the behavior of the MSME owners in making decisions to invest. These results support the results of research conducted by Aminatuzzahra' (2014) which states that financial attitudes have a positive and significant effect on investment decisions. These results also support the results of research by Fitriarianti (2018), Hesniati & Hendy (2021), and Lindananty & Angelina (2021) which state that financial attitudes have a positive effect on investment decisions.

The results of the analysis show that financial literacy has a positive and significant effect on investment decisions. This means that the better the combination of knowledge, skills, and abilities possessed by MSME owners regarding financial management, the investment decisions of MSME owners in Semarang City will increase. These results indicate that financial literacy owned by MSME owners will be a factor that has the most important role in improving investment decisions of MSME owners in Semarang City, considering its most dominant influence. This indicates that if the MSME owners have good financial literacy, especially regarding the basic understanding of personal finance, knowledge of credit and debt, knowledge of savings and investment and knowledge of risk and interest rates, it has an influence on individuals to invest. The existence of financial literacy owned by MSME owners in Semarang City is able to grow their desire to manage their money better, one of which is by investing the money in savings, vehicles, land, or houses so that one day they will have a better life.

These results also show that better financial literacy as measured by indicators of basic financial knowledge, money management, credit management, savings and investment, and risk management can be taken into consideration for assessing financial literacy owned by MSME owners in Semarang City. The results of the descriptive analysis show that the financial literacy of the MSME owners gets a high score and many respond agreeably to the statement submitted. The high financial literacy of MSME owners in Semarang City certainly affects their behavior in making decisions to invest. These results have supported the results of research conducted by Fitriarianti (2018) which states that financial literacy has a positive and significant effect on investment decisions. These results also support the results of Khairiyati & Krisnawati (2019), Safryani et al., (2020), Rizaldy et al., (2020) and Lindananty & Angelina (2021) which state that financial literacy has a positive and significant effect on investment decisions. However, this contradicts the results of his research (Ademola, at al, 2019) which states that financial literacy has no effect on investment decisions

The results of the analysis conducted indicate that the locus of control has a positive and significant effect on investment decisions. This means that the higher the level of confidence of the MSME owners in dealing with financial management problems, the investment decisions of the MSME owners in the city of Semarang will increase. These results indicate that the locus of control from within the MSME owners will be a factor that has an important role in improving investment decisions of the MSME owners in the City of Semarang. These results indicate that MSME owners who have a higher perception of self-control will be more likely to choose investments, especially in real assets. MSME owners who have a high level of locus of control will make them more daring in making decisions to invest. This is because in investing, a person will need self-confidence, especially confidence in his ability to overcome everything, so that having confidence in this ability makes people more confident to invest for good finances in the future.

These results also show that the better the locus of control as measured by indicators of financial decision-making ability, individual ability to handle financial problems, confidence in one's own abilities, and individual ability to take control in life can be taken into consideration in assessing the level of locus of control from the owner of the Semarang City MSME.

CONCLUSION AND RECOMMENDATION

Conclusion

Financial attitude has a positive and significant effect on investment decisions. This means that the better the views, opinions, or assessments of MSME owners regarding the management of financial resources, the investment decisions of MSME owners in Semarang City will increase. Financial literacy has a positive and significant effect on investment decisions. This means that the better the combination of knowledge, skills, and abilities of MSME owners regarding financial management, the investment decisions of MSME owners in Semarang City will increase. Locus of control has a positive and significant effect on investment decisions. This means that the higher the level of confidence of the MSME owners in dealing with financial management problems, the investment decisions of the MSME owners in Semarang City will increase.

Recommendation

Based on the results of this study , the suggestions for research are that MSME owners in the city of Semarang are expected to improve financial attitudes, especially with regard to increasing their orientation towards personal finance, considering that this indicator received the lowest response and still received disagreeable responses from respondents, so it needs to be improved. For example, by determining future goals, checking current costs and compiling

the costs that have been spent properly, saving money, monitoring future financial plans, preparing a monthly budget according to needs, so that financial management will be more planned. and structured.

MSME owners in the city of Semarang are expected to improve their financial literacy, especially with regard to increasing basic financial knowledge and knowledge about savings and investment considering that both indicators get low scores and there are still disapproving responses from respondents. For example, it can be done by starting to read books or financial information, and never ignore interest, credit, or payment methods. MSME owners are also expected to be given information about savings and investment, information about the benefits of saving and the benefits of investing so that they will understand better and will be more interested in investing.

MSME owners in Semarang City are expected to be able to improve their locus of control, especially with regard to improving financial decision-making abilities, as well as increasing individual abilities in dealing with financial problems. This is because the two indicators received the lowest ratings and there were still those who did not agree with the statements submitted. For example, by starting to define the financial problems faced, evaluating these problems, wanting to collect information about financial problems, looking for alternatives to be taken. Increasing the ability to handle financial problems can also be done by preparing the right budget, changing bad habits, namely the culture of unimportant consumptive activities, preparing reserve funds.

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