

# Factors that Influence Investors in Investing Stock with Investment Interest as Mediating Variable in Indonesian Capital Market

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## Abstract

*This study aims to examine empirically the effect of investment return, annual report information, and investment risk, either partially or simultaneously to investment decision with investment interest as a mediating variable in the Indonesian capital market. Data sourced from questionnaires that are distributed and filled by people who have become stock investors in the capital market. The total sample is 454 respondents. The process of data analysis is a reliability and validity test, descriptive statistics analysis, model testing, and hypothesis testing analysis. The test is performed by using Structural Equation Models. The tool used is AMOS version 24 and SPSS version 25. The results showed that investment return, annual report information, and investment risk simultaneously affect investment decision with investment interest as a mediating variable. But partially, only investment risk that has no effect on investment interest. Meanwhile, the investment return and annual report information have an effect on investment interest and investment interest has an effect on investment decision.*

**Keyword:** Investment Return, Annual Report Information, Investment Risk, Investment Interest, Investment Decision.

## Introduction

In 2018, the world economy was not stable because of the trade war between America and China, America and Turkey, the battle between America and North Korea, and the impact on the crisis in Turkey, Venezuela, and Argentina. The condition has an impact on the depreciation of the world's currency against the US Dollar. The depreciated currency certainly has an influence on the capital market index in the world.

The Rupiah exchange rate had a negative effect on the Composite Stock Price Index <sup>[16]</sup>. The Composite Stock Price Index is a series of historical information regarding price movements of joint stock, up to a certain date and reflects a value that serves as a measure of the performance of a joint stock on the stock exchange <sup>[38]</sup>. The information shown by the Composite Stock Price Index at any time is a description of the general market situation or to indicate whether the stock price has increased or decreased in that country. The increase or decrease in the Composite Stock Price Index can also be reflected in the movement of economic and political phenomena that occur <sup>[11]</sup>.

Data obtained from Yahoo Finance on October 8, 2018, on a Year to Date average capital market index worldwide decreased. The Hang Seng Index (Hong Kong) decreased by -14.13%. The Shanghai (China) index decreased by -18.87%. The Straits Times Index (Singapore) decreased by -7.11%. The FTSE (London) index decreased by -4.55%. The Xetra Dax Index (Frankfurt) decreased by -6.48%. If we have seen the economic conditions and capital market indices throughout the world, what about Indonesia's macroeconomic conditions?

Measurement of macro analysis in a country's economy is Gross Domestic Product (GDP) <sup>[21]</sup>. Indonesia's GDP in the second quarter of 2018 was 5.27%, an increase from the second quarter of 2017 of 5.01% (Indonesian Central Statistics Agency). Indonesia's inflation rate in September 2018 tends to be low and stable, which is 2.88% (Indonesian Central Statistics Agency, 2018). Indonesian interest rate, BI 7-day repo rate, has increased 5 times from January 2018 to September 2018 to 5.75%. This is done so that the Rupiah does not depreciate further against the US Dollar. In addition, the level of foreign investment in Indonesia declined in the second quarter of 2018 by Rp.95.7 trillion from the previous Rp109.9 trillion (Investment Coordinating Board, 2018), but in the last 5 years still shows an increasing trend. The Rupiah exchange rate against the dollar depreciates by 12.03% in Year to Date. In the scope of the capital market, the Indonesian Composite Stock Price Index on 8 October 2018 decreased by -8.28% in Year to Date, but still recorded an increase of 17.72% in the last 3 years. With the increase in the index over the past 3 years, certainly, it must be followed by the growth of investors in the Indonesian capital market.

The growth of investors in the Indonesian capital market as an alternative to investing in the community is considered quite good. In 2015, investors listed on the capital market reached 433,607, an increase of 19% compared to the previous year which was recorded at only 364,465 investors<sup>[19]</sup>. The latest data in July 2018 shows that the total investors in the Indonesian capital market amounted to 1,360,000 (Indonesia Stock Exchange, 2018). That is, it increased by 213.6% over the past 3 years. The increase in the number of investors is the result of efforts made by the Indonesia Stock Exchange, the Indonesian Central Securities Depository, the Indonesian Clearing, and Guarantee Corporation, and the Financial Services Authority. As well as, support and cooperation from securities companies, academics, and companies. However, when compared to the Indonesian Statistics Agency's data in 2017, Indonesia's population reaches 262 million in 2017 and the ratio of Indonesian investors is only 0.52%. The low number of investors is caused by the lack of public knowledge about investing in the capital market.

Therefore, the Indonesia Stock Exchange intensively introduced the program "Yuk Nabung Saham". This program is a campaign that invites Indonesian people to invest in the capital market through "share-saving". Only with an initial capital of Rp100,000 per month, the public can buy shares through a securities company. The "Yuk Nabung Saham" campaign aims to increase public awareness to invest in the capital market by buying stocks regularly and periodically. For people who want to participate in stock saving activities, the public is required to open a securities account at a securities company. After the securities account is finished, the public can deposit funds regularly, or use the "auto-transfer" facility in each predetermined period and then buy shares on a regular basis.

The Indonesia Stock Exchange also tried to educate, provide training and invite people to invest in the capital market. Success can be measured by the quality of the training provided<sup>[39]</sup>. One of the efforts is to organize a Capital Market School (SPM). The event is intended for prospective investors who want to learn about how to invest in the capital market in depth and SPM is divided into 2 levels, level 1 and level 2. For level 1, participants are usually taught about the fundamentals of investing, investment instruments, investment benefits and risks, and the structure of the Indonesian capital market. As for level 2, participants are taught about the analysis, namely fundamental analysis, and technical analysis. Now, to join SPM, potential investors are required to open an investment account in a securities company. This is done so that potential investors can practice their theory and directly buy shares of a company. Not only that, but the Indonesia Stock Exchange also held several other educational events, such as Investor Summit & Capital Market Expo, Investival, Yuk Nabung Saham Expo, Public Expose, Company Visit, Mutual Funds Expo, and Seminars.

From the investor side, the capital market provides an alternative for investors to invest both in the short and long term, which in general will cause investors to be interested in investing their funds. Shares are equity instruments, namely a sign of participation or ownership of a person or business entity in a limited company<sup>[9]</sup>.

Investment is a term related to finance and economics. The term is related to the accumulation of an asset in the hope that it will benefit in the future<sup>[31]</sup>. Before knowing the existence of investment, there are many people who only set aside their money in the form of savings, but as time goes by, people begin to abandon the ancient method and replace it with, buying stocks, bonds, gold, mutual funds, which if they provide promising benefits in the future. Not only people who have worked can invest, but students can also invest in stocks. Students really need to be guided to get to know investments earlier, so they are not consumptive and start preparing themselves for future financial freedom<sup>[45]</sup>.

Before investing in an investment instrument, investors must know and learn everything related to an investment. Some things allegedly affect one's interest in investing in the capital market, namely the investment return, annual report information, and investment risk about the capital market. So, if someone is interested in investing, it is expected to decide whether to invest or not.

Investors' preference in investing is closely related to each investor's profile of returns and risks. Return and risk in stock investment are two things that cannot be separated<sup>[24]</sup>. Return and risk have a positive relationship, the greater the risk that must be borne, the greater the return that must be compensated<sup>[14]</sup>. In fact, investment returns can be one of the benchmarks for investment interest. Several studies have been carried out state that investment returns have a positive influence on investment interest<sup>[17][30][43]</sup>. Other studies state that perception of risk is one of the factors that most influence investment interest<sup>[3][20][46]</sup>.

Not return and risk, annual report information is also important in investing. In this case, it is to make investment decisions<sup>[25]</sup>. Information on annual financial statements contains several important items, such as financial position reports, income statements, cash flow statements, notes to financial statements, capital change reports, management reports, company strategies, and other information. The analysis of financial statements from the annual report information is very important in investment decisions<sup>[23]</sup>.

This paper focuses on the effect of investment return, annual report information, and investment risk, either partially or simultaneously to investment decision with investment interest as a mediating variable in the Indonesian capital market.

## Literature Review

### Investment Decision

The investment decision is a policy or decision taken to invest in one or more assets to gain profits in the future or the problem of how financial managers must allocate funds into forms of investment that will bring profits in the future. Briefly, the

investment decision is the use of long-term funds. Investment decision making is a policy taken to invest in one or more assets that generate profits in the future <sup>[2]</sup>.

### **Investment Interest**

According to Winkel (1983), interest is a tendency that persists in the subject to feel happy and interested in a particular field or thing and feel happy working in that field <sup>[43]</sup>. Someone who is interested in investing activities such as buying shares, bonds, mutual funds or investing through money markets such as deposits or checking accounts will not know despair and continue to enjoy these activities, even by itself, he will seek as much information as possible without relying on others <sup>[22]</sup>.

### **Investment Return**

Return is the result obtained by an investment <sup>[14]</sup>. Returns can be in the form of realized returns that have already occurred and return of expectations that have not yet occurred, but which are expected to occur in the future. Definition of perception of perceived return on results arising from an investment. Then, what is no less interesting in an investment is a company that has a high level of profit, with a low level of risk <sup>[10]</sup>.

### **Annual Report Information**

Useful accounting information must have relevant and reliable information quality <sup>[34]</sup>, has value in increasing knowledge, adding confidence about profitability, the realization of expectations in conditions of uncertainty, and changing decisions or behavior of users <sup>[41]</sup>.

### **Investment Risk**

Risk is the level of potential loss that can arise because the profits obtained are not in accordance with the expected benefits. Every investment will definitely bear the risk. Risk is a possible difference between the actual return received and the expected return, the greater the likelihood of the difference, meaning the greater the risk of the investment <sup>[42]</sup>. Investment in the capital market cannot be separated between return and level of risk, because the higher the return that will be obtained in the investment, the risk faced will also be higher <sup>[35]</sup>.

### **Previous Studies**

Marleni (2017) conducts research that aims to provide empirical evidence of the influence of investment knowledge, investment benefits, perceptions of minimal capital, returns and pocket money on investment interest in students in the capital market, with a sample of 205 student respondents from the economic faculty of Putra Indonesia University YPTK Padang. The research method used is a multiple linear regression model. The variables used are investment interest as the dependent variable, and investment knowledge, investment benefit, minimum capital perception, return, pocket money as the independent variable. The results of this study indicate that investment knowledge, minimum capital perception, return, and pocket money affect investment interest. While investment benefit does not affect investment interest.

Susilowati (2017) conducts research that aims to find out what factors underlie student interest to invest in the Islamic capital market, with a sample of 140 student respondents from the Faculty of Economics and Islamic Business Surakarta State Islamic Institute (FEBI-IAIN). The research method used is using factor analysis test techniques. The variables used are investment interest as the dependent variable, and quality of capital market training, risk perception, security and physical risk perception, return perception, impact of capital market training, training instructors, risk perception of performance and purchasing power, spiritual profit perception, capital market training facilities, perception of material benefits, price perception, and minimum investment capital as the independent variable. The results of this study indicate that all of these variables have an influence on investment interest.

Pajar (2017) conducts research that aims to find out empirical evidence of investment motivation and investment knowledge on investment interest in the capital market for students of the Faculty of Economics, Yogyakarta State University, with a sample of 100 student respondents from Bachelor Degree program in Accounting study program, Economics Faculty of Yogyakarta State University, and has passed the Portfolio Theory course. The research method used is simple and multiple linear regression models. The variables used are investment interest as the dependent variable, and investment motivation, investment knowledge as the independent variable. The results of this study indicate that investment knowledge and investment motivation affect investment interest.

Chambali (2010) conducts research that aims to analyze the interrelationship between risk factors and Islamic product attributes that influence the interest of the community to invest Sukuk SR001 and to find out the attractiveness of BSM in selling Sukuk SR001 according to the investor's perspective, with a sample of 41 respondents. The research method used is multiple linear regression analysis. The variables used are investment interest as the dependent variable, and investment risk, Islamic instrument attributes as the independent variable. The results of this study indicate that investment risk and Islamic instrument attributes affect investment interest.

Hermawati, et al. (2018) conducts research that aims to examine whether there is influence between investment benefits, minimum investment capital, investment motivation, investment returns, and educational investment education on

student investment interest in the capital market, with a sample of 100 student respondents. The research method used is multiple linear regression analysis. The variables used are investment interest as the dependent variable, and investment benefit, minimum investment capital, investment motivation, investment return, educational learning as the independent variable. The results of this study indicate that investment return and educational learning affect investment interest. While, investment benefit, minimum investment capital, and investment motivation do not affect investment interest.

Raditya, et al. (2014) conducts research that aims to test an effect of the existence of minimum investment funds, return and perception of risk to the interest of investment with the use of moderating variables, with a sample of 252 respondents. The research method used is a moderated regression analysis. The variables used are investment interest as the dependent variable, and minimum investment fund, return, perception of risk as to the independent variable, and also wage as moderating variable. The results of this study indicate that perception of risk and return affect investment interest. While the minimum investment fund does not affect investment interest. Wage could not be a moderating variable.

## Research Methodology

Data sourced from questionnaires that are distributed and filled by people who have become stock investors in the capital market. The total sample is 454 respondents. The process of data analysis is a reliability and validity test, descriptive statistics analysis, model testing, and hypothesis testing analysis. The test is performed by using Structural Equation Models. The tool used is AMOS version 24 and SPSS version 25. The independent variables are investment return, annual report information, and investment risk. The intervening variable is investment interest and the dependent variable is an investment decision.

### The Effect of Investment Return on Investment Interest

Return is one of the factors that motivate investors to invest because it can clearly illustrate price changes. Returns and risks in investing have a positive relationship, namely the higher the risk, the higher the expected return. Risk is often associated with deviations or deviations from the expected outcome that is expected<sup>[14]</sup>.

The results of research conducted by Raditya, et al. (2014) and Tandio (2016) show the results that returns affect student interest in investment. This result is consistent with the return and risk theory which states that the greater the return obtained the greater the interest of student investment. This research is also supported by Khoirunnisa (2017), proving that expected returns have a positive effect on student investment interest. However, Riyadi (2016) shows the results that return does not affect student interest in investment. This is not in line with the return and risk theory. Therefore, the hypothesis is formulated as follows.

H1: Investment Return Affect Investment Interest

### The Effect of Annual Report Information on Investment Interest

The perception of investors about the company's ability influences investor's decisions to invest. Financial information can only useful if a well understood published financial statement is the information source that is most directly related to the items of interest to both existing and potential investors<sup>[27]</sup>. Annual reports and interviews with company officials were the most important sources of financial information in assessing the firm's value and therefore informing investment decision or equity selection process<sup>[7]</sup>. The satisfaction of needs of the various users of accounting information as contained in the annual report can be accepted as the objective of financial statement<sup>[25]</sup>. This objective of information is emphasized by the various accounting principles because investors and creditors use them in making rational investment and credit decisions.

Financial statement analysis from annual report information is the single most important statement in investment decision making<sup>[23]</sup>. The study concludes that a combined 82% of the investment decision making is based on financial statements analysis as indicated in the measure of association, while 18% can be said to go to other factors.

H2: Annual Report Information Affect Investment Interest

### The Effect of Investment Risk on Investment Interest

Risk is a factor that is usually feared by everyone, including investors. No one likes risk. The only difference is how much everyone is able to accept risk. Some are only able to accept the low risk, but there are also those who are able or ready to bear high risks. Just counting returns is not enough, risk must also be taken into account<sup>[14]</sup>. Risk is one of the factors of trade-off that must be considered in investment (another factor is return). Likewise, as in the research of Yuwono (2011), finding perceptions of risk is one of the factors that most influence investment interest. Therefore, the hypothesis is formulated as follows.

H3: Investment Risk Affect Investment Interest

### The Effect of Investment Interest on Investment Decision

Interest is often used as a reference in taking individual decisions especially related to issues of pleasure, work, hobbies, and others. In general, interest will encourage someone to take steps or decisions that can provide support for what they

are interested in [26]. With investors who are interested in investing in the capital market, it is expected to make an investment decision, whether to buy securities or not.

H4: Investment Interest Affect Investment Decision

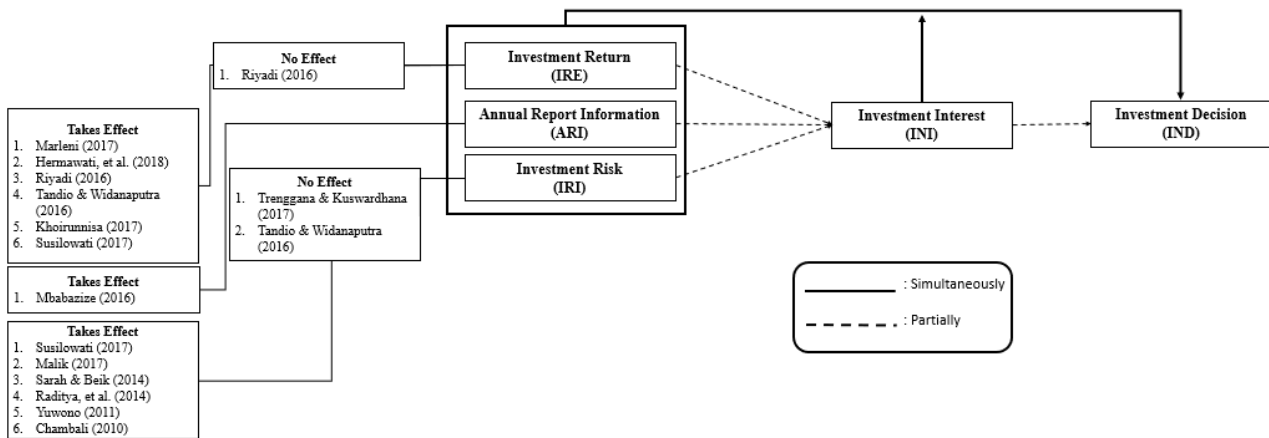


Fig 1: Research Framework

## Results and Discussion

### Validity and Reliability Test

Validity test is a test that is used to show the extent to which the measuring instrument used in measuring what is measured. Reliability is a tool for measuring a questionnaire which is an indicator of variables or constructs [8]. In the table below, it can be seen that all statement items have a validity coefficient greater than r-critical 0.3. So, these items are worthy of being used as a measurement tool in research. For reliability test, it can be seen that the value of Cronbach Alphas is greater than 0.6. These results can be concluded that all research instruments can be declared reliable/reliable and can be used for further analysis.

Table: Validity and Reliability Test

Variable	Item	Validity	Reliability
Investment Return (IRE)	IRE1 – IRE4	0.731 – 0.768	0.839
Annual Report Information (ARI)	ARI1 – ARI5	0.411 – 0.836	
Investment Risk (IRI)	IRI1 – IRI5	0.577 – 0.767	
Investment Interest (INI)	INI1 – INI3	0.648 – 0.717	
Investment Decision (IND)	IND1 – IND5	0.613 – 0.828	

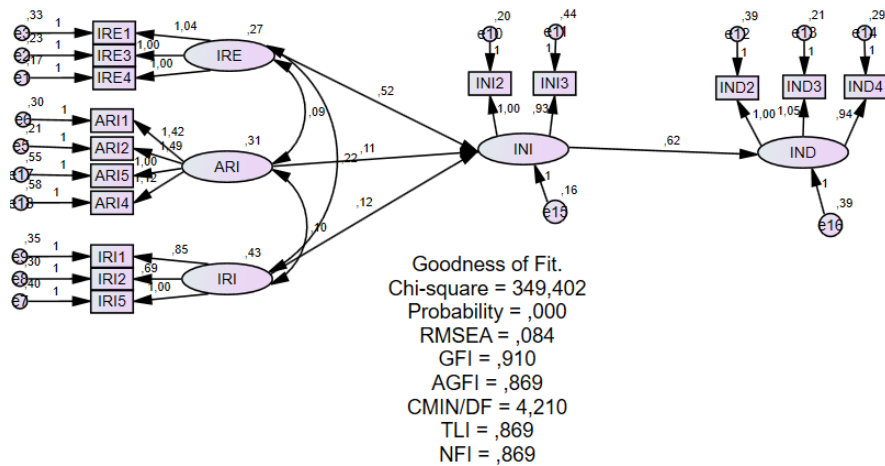
Source: Data Processed, 2019

### Descriptive Analysis

Based on the data, 70.5% of respondents are men and 29.5% are women. The last education of respondents is 48.5% (Student College), 43.8% (Bachelor Degree), and 7.5% (Master Degree). The majority of respondent's job is student for 41.2%, 31.1% (private employees), 6.6% (entrepreneur), 5.9% (government employees), and 15.2% (others). The age of respondent is 89.2% (15 – 35 years old), 9.9% (36 – 50 years old), and 0.9% (50 years old above). The investment period of respondents is 59.7% (1 – 5 years), 34.1% (1 year below), and 6.2% (5 years above). For the community, 71.8% of respondents have a community and 28.2% of respondents do not have community. The investment capital of respondents is 46.3% (Rp100.000 – Rp1.000.000), 33.9% (Rp5.000.000 above), and 19.8% (Rp1.000.000 – Rp5.000.000). The group of investment companies is 48.2% for bluechip stocks, 45.8% (second liner stocks), and 5.9% (third liner stocks).

### Confirmatory Factor Analysis of Full Model

The following is the model of the Structural Equation Model and the results of the Goodness of Fit in this study.



Source: Data Processed, 2019

Fig 2: Confirmatory Factor Analysis of Full Model

Table: Confirmatory Analysis – Goodness of Fit

Goodness of Fit	Cut Off Value	Model Test Results	Criteria
Chi-square	Small expected value	349.402	Not good
Significance Prob.	≥ 0.05	0.000	Not good
RMSEA	< 0.05 – 0.08	0.084	Not good
GFI	≥ 0.90	0.910	Good
AGFI	≥ 0.80	0.869	Good
CMIN/DF	≤ 2 or ≤ 5	4.210	Good
TLI	≥ 0.90	0.869	Marginal
NFI	≥ 0.90	0.869	Marginal

Source: Data Processed, 2019

In large samples, there is a Chi-square tendency which will always be significant [8]. Therefore, a significant Chi-square value is recommended to be ignored and see other Goodness of Fit sizes. Marginal value is the condition of the suitability of the measurement model below the absolute fit and incremental fit size criteria, but it can still be continued on further analysis because it is close to the good fit criteria (Seguro, 2008) [6]. So, the model above can be used as a model in this study.

**Evaluation of Goodness Fit Criteria**

*Sample Size*

The minimum sample of the SEM-Amos program with the maximum likelihood estimation technique is that some researchers have a view of the size of the research sample. If using SEM analysis, the sample must be between 100-200 or at least five times the indicator [32][44]. Total sample must be more than 200 if the variables in the model are more than 6 [18]. The sample used in this study amounted to 454. So, the sample size in this study has met the minimum requirements of SEM.

*Outliers*

Based on the univariate outlier test using Z-score analysis, there are some data that indicate univariate outliers. So, after the data indicated that the outliers are deleted, then there are no more univariate outliers and the total sample becomes 390.

Furthermore, multivariate outliers test using the Mahalanobis Distance test, with a degree of freedom of 83 and a probability level of 0.05 resulting in a Chi-square value of 105.27. So, there is no data indicated outliers. However, the values of p1 and p2 from each data are still below 0.05, so there are still outliers of data. After the outlier data is deleted, there is no more outlier and the total sample become 314.

*Multicollinearity and Singularity*

Multicollinearity and singularity tests using determinant covariance matrix. Based on processed data, the covariance matrix determinant of sample is 0,000. If there is a high multicollinearity disturbance, the AMOS program will give a signal warning [5]. Because in the testing process there is no warning signal, the data does not occur multicollinearity and singularity.

*Normality*

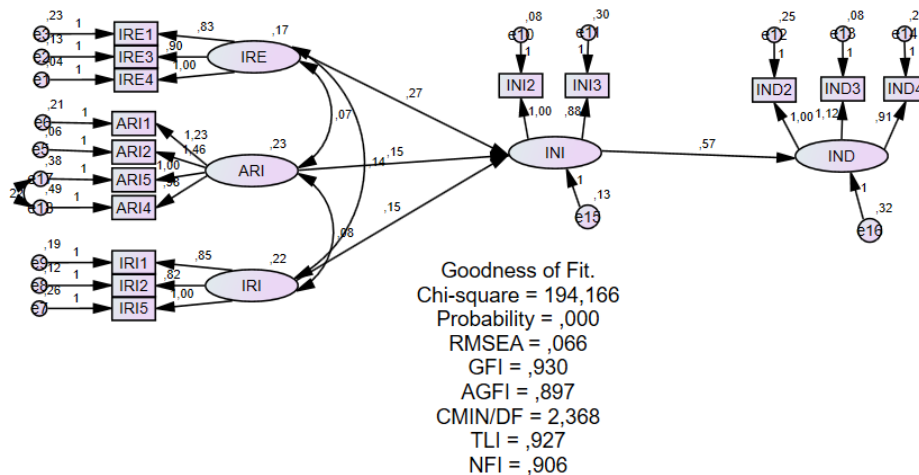
The normality test in this study uses the value of skewness and kurtosis, and the critical value of both. The value must be between -2.58 to 2.58. After the data is processed, there is no skewness and kurtosis value that exceeds  $\pm 2.58$  and the multivariate value is 2.099. So, the data in this study are normal.

**Model Interpretation and Modification**

One tool to make a model good one way is through a modification index. This index can be a guideline for modifying the model by paying attention to the Modification Index (MI) the biggest value and the strong theoretical foundation that was chosen to be correlated. After being tested with the modification index, there is a very large M.I value which is at ARI4 and ARI5 of 79.56. So, the error or variable must be combined. The following is the analysis.

The relationship between Good Corporate Governance (ARI5) with Vision, Mission and Corporate Strategy (ARI4). The company's vision, mission, and strategy are clearly one of the company's efforts to achieve good governance. Good governance is the administration of government based on the principle of maximum participation of all stakeholders, rule of law, transparency, responsiveness, consensus orientation, fairness and fairness, efficiency and effectiveness, accountability and strategic vision [28]. According to the National Committee on Governance (2006), one of the five principles of GCG is transparency [1]. In his explanation of the basic guidelines for the principle of transparency, it is written that the information that must be disclosed is one of the company's vision, mission, goals, and strategies. This is also supported by the research of Hasan et al. (2016) who stated that in order to achieve the vision and mission, each hospital must implement Good Corporate Governance.

After the error has been combined, there is a significant change in the Goodness of Fit model. The following is the final model produced.



*Fig 3: Final Model of Structural Equation model*

*Table: Goodness of Fit – Final Model*

Goodness of Fit	Cut Off Value	Model Test Results	Criteria
Chi-square	Small expected value	194.166	Not good
Significance Prob.	$\geq 0.05$	0.000	Not good
RMSEA	$< 0.05 - 0.08$	0.066	Good
GFI	$\geq 0.90$	0.930	Good
AGFI	$\geq 0.80$	0.897	Good
CMIN/DF	$\leq 2$ or $\leq 5$	2.368	Good
TLI	$\geq 0.90$	0.927	Good
NFI	$\geq 0.90$	0.906	Good

Source: Data Processed, 2019

**Hypothesis Testing**

The process of hypothesis testing is carried out by analyzing the value of Critical Ratio (C.R) and Probability (P) compared to the statistical constraints that are implied, namely above 2 for the C.R value and below 0.05 for the P value [5].

*Table: Hypothesis Testing Result*

Variable	Estimate	S.E.	C.R.	Prob.	Hyp.	Information
INI <= IRE	0.268	0.118	2.264	0.024	H1	Significant
INI <= ARI	0.153	0.062	2.473	0.013	H2	Significant
INI <= IRI	0.153	0.110	1.390	0.165	H3	Not Significant
IND <= INI	0.571	0.117	4.883	***	H4	Significant

Source: Data Processed, 2019

## Discussion

### H1: Investment Return Affect Investment Interest

Based on the table above, the probability is 0.024 and the correlation is 0.268. It indicates that the investment return has a positive effect on investment interest. This is because the relationship of return to investment interest is in accordance with the theory of return and investment risk which states that the greater the return obtained, the greater the investor's interest in investing and vice versa. So that, the main objective of investors to buy shares is to get dividends or share of profits divided and capital gains obtained from the increase in stock prices in this study the period of time respondents get capital gains of less than one year. In fact, the Indonesian Composite Stock Price Index in the last 20 years (1998 - 2017) earned returns per year of 20%, even exceeding deposits (one year) and bonds (10-year tenor) which only amounted to 1.1% and 8.17% per January 10, 2019.

This research is in line with Marleni (2017), Hermawati et al. (2018), Riyadi (2016), Tandio and Widanaputra (2016), Khoirunnisa (2017), and Susilowati (2017) which states that an investment return has an effect on investment interest.

### H2: Annual Report Information Affect Investment Interest

Based on the table above, the probability is 0.013 and the correlation is 0.153. It indicates that annual report information has a positive effect on investment interest. This is in line with existing theories where before investing, we should know the financial performance of a company. One to see the performance of a company is to analyze annual reports or company financial statements. Lots of information is listed in it, such as financial position reports, capital change reports, income statements, cash flow reports, management reports, strategies, notes to financial statements, and others. With the information of the annual report, both prospective investors and investors can analyze the financial performance of a company. If investors have found a good company, the management is good, their financial performance is healthy and growing, then investors will be interested in investing in the company.

The core of financial analysis and investment decision making is the company's financial information <sup>[15]</sup>. In investment decision making, there is much information that stakeholders can use to make the move. Stakeholders can use their just experience in dealing with the company to invest, interest and long-term plans of the investor, management quality information, the constitution of the board of directors as well as the way people management issues are done in an organization <sup>[29]</sup>. The use of financial information is popular because financial statements do contain valuable information that is key to determine profitable investments. Such information includes; return on equity, return on assets, asset-liability ratios, liquidity ratios, debt to equity ratios, etc. Such information shows clearly, whether the company is performing or not <sup>[23]</sup>.

This study is in line with Patrick et al. (2017), Suh (2017), Kaddumi (2017), and Mbabazize (2016) which state that financial and annual report information has an important role in investment decisions and indirectly influence investment interest.

### H3: Investment Risk Affect Investment Interest

Based on the table above, the probability is 0.165 and the correlation is 0.153. It indicates that investment risk does not have an effect on investment interest. This is because investment risk is not a very important indicator, because respondents already understand the capital market. This is also because the average age of respondents is 15-35 years, where at that age not too many consider many factors in investing <sup>[4]</sup>. The fact that stock investment does not have a big risk because for the past 20 years the Indonesian Composite Stock Price Index has an average return per year of 20%, provided that investments are long-term, buy shares regularly per month, and are invested in companies that have good and healthy financial performance. The public has ignored risk factors as an important consideration for investing shares in the capital market <sup>[43]</sup>.

The results of this study are in line with Trenggana and Kuswardhana (2017), and Tandio and Widanaputra (2016) which states that investment risk does not affect investment interest. However, it is not in line with Susilowati's research (2017), Malik (2017), Sarah and Beik (2014), Raditya et al. (2014), Yuwono (2011), and Chambali (2010) which states that investment risk affects investment interest.

### H4: Investment Interest Affect Investment Decision

Based on the table above, the probability is 0.000 and the correlation is 0.571. It indicates that investment interest has a positive effect on investment decision. Interest is often used as a reference in taking individual decisions especially related to issues of pleasure, work, hobbies, and others. Generally, interest will encourage someone to take steps or decisions that can



provide support for what they are interested in <sup>[26]</sup>. Investment interest is defined as the desire to invest. One way to attract public interest in investment is to disseminate investment in the capital market <sup>[13]</sup>. In fact, Indonesia Stock Exchange has held many events such as the Capital Market School, seminars, Investor Summit and Capital Market Expo, and other events aimed at attracting the public to invest in the Indonesian capital market. If prospective investors are interested in stock investment, they cannot directly buy a stock but must open an investment account in a securities company. After opening an investment account, investors can immediately make a decision to buy shares.

This research is supported by Sulistyowati's research (2015) which suggests that investment interest has a significant effect on investment decisions.

## Conclusion and Recommendation

Based on the hypothesis testing that has been done, it could be concluded as follows.

1. Investment return has a positive effect on investment interest. The relationship of return to investment interest is in accordance with the theory of return and investment risk which states that the greater the return obtained, the greater the investor's interest in investing and vice versa.
2. Annual report information has a positive effect on investment interest. With the information of the annual report, both prospective investors and investors can analyze the financial performance of a company. If investors have found a good company, the management is good, their financial performance is healthy and growing, then investors will be interested in investing in the company.
3. Investment risk has no effect on investment interest. Investment risk is not a very important indicator, because respondents already understand the capital market. The fact that stock investment does not have a big risk because for the past 20 years the Indonesian Composite Stock Price Index has an average return per year of 20%, provided that investments are long-term, buy shares regularly per month, and are invested in companies that have good and healthy financial performance.
4. Investment interest has a positive effect on investment decision. Interest is often used as a reference in taking individual decisions especially related to issues of pleasure, work, hobbies, and others. Investment interest is defined as the desire to invest.

Based on the research results and conclusions described above, it can be submitted suggestions for future research as follows.

1. Future research can use more samples.
2. Future research is expected to use more of other independent variables and more precise, so it will possibly result in a greater effect on investment interest and investment decision.

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