

## **The effect of behavioral motivation and accounting information on stock investment decision making**

**Eni Duwita Sigalingging**

Faculty of Bussines, Universitas Mikroskil

E- mail: eniduita@gmail.com

### ***Abstract***

*The purpose of this study was to analyze how much positive and significant influence the influence of Self-image/ firm image, Social relevance, Advocate recommendation, Personal financial needs and Accounting information in making stock investment decisions. This type of research is causality research. The population is retail investors taken from the existing securities market in Indonesia. The sample of this research data is 50 samples. The data analysis method is SEM-PLS. The results showed that accounting information, self-image/firm, social relevance, advocate recommendations and personal financial needs had a significant positive effect on stock investment decisions. This means that the higher the level of self-confidence, self/firm image, social relevance, Advocate recommendations and one's personal financial needs, the higher that person is in making stock investment decisions.*

**Keywords :** Behavioral motivation; accounting information; Investation decision

**JEL Classification :**

### **1. INTRODUCTION**

The capital market is a meeting place for investors as investors and issuers as those who need funds. Stock investment is known as the most popular investment because it provides tempting returns, but has a considerable risk compared to other investment instruments, therefore stock investment is referred to as high risk-high return. Behavioral motivation is an important part of the investment decision-making process, because it affects investors' ability to make investment decisions. The process of making investment decisions is influenced by psychological aspects of investors. This can cause bias in making investment decisions. Decision making is a process of selecting the best alternative from a number of available alternatives under the influence of a complex situation. Investment decision making will be greatly influenced by the information received, as well as the investor's level of ability and knowledge about investment. Behavioral motivation includes factors of Self Image / Firm-Image Coincidence, Social Relevance, Advocate Recommendations, and Personal Financial Needs. Self-image/firm image has no effect on investment decision making. This is different according to (Manurung, 2020) who says that self-image/firm image has a positive and significant effect on stock investment decisions. Social relevance is information on the existence of company shares on the stock exchange and social responsibility of the company in the form of stock positions on the stock exchange. Social relevance that is directed to the external community is more visible and more positively appreciated by investors so that it shows a positive and significant relationship to investment decisions. Social relevance matters negative on investment decision making. Advocate recommendation is information through other groups regarding investment. In general, often a person's investment decisions rely on the advice of stockbrokers, friends and family. However, it differs from Kusumawati (2013) who says that when making investment decisions, the factors of the advocate recommendation are not considered by investors. Investment decision making is also influenced by accounting information. Accounting information is information about the company's financial reports. Such

as company capacity track record reports, information on the company's overall financial reports, reports on the development of company acquisitions, reports on the development of company profits, and company stock prices.

The problem with this research is that, from the background of the existing problems, the authors formulate the problem whether self-image/firm image, social relevance, advocate recommendation, personal financial needs, and accounting information influence investment decision making. share? (1) To analyze how much positive and significant influence the influence of Self-image/ firm image, Social relevance, Advocate recommendation, Personal financial needs and Accounting information in making stock investment decisions (2) assisting investors in making stock investment decisions, Investors can consider company reputation (market leader), share position on the stock exchange, recommendations from trusted parties and analysis, target return on investment made.

## **2. LITERATURE REVIEW**

The first models of how humans make decisions are called classical decision theories (Sternberg, 2008). The decision-making model emerged in the 20th century which is called homo economicus. This model assumes three things. First, make fully informed decisions regarding all possible options for their decisions. Second, they are very sensitive to subtle distinctions among decision options. Third, they are fully rational regarding the choice of options (Slovic, 1990).

*Behavioral motivation* is to make investment decisions based on psychology or objects trusted by investors (Kusumawati, 2013). According to Kusumawati (2013), behavioral motivation consists of factors of self-image/firm image, social relevance, advocate recommendation, and personal financial needs. In this study, all behavioral motivation factors were used.

Self Image/Firm-Image Coincidence is information related to the assessment of the company, including information about the company's reputation, the company's position in the industry, including market leaders or market followers, new comers, estimates of company products and services, knowing company ethics, values company stock in the past (Nagy and Obenberger, 1994)

*Social Relevance* concerning information on the existence of company shares on the stock exchange and corporate social responsibility, which includes information on the position of shares in shares listed on the stock exchange including blue chip or second liner stocks, types of investments that operate in the local area, types of investments that operate in international area, and the company's concern for the environment (Corporate Social Responsibility) (Nagy and Obenberger, 1994). Social relevance can be in the form of investments that move at national and international levels as well as corporate social responsibility (Kusumawati, 2013)

*Advocate Recommendations* where information sources can build ideas and understanding based on the recommendations that have been given by taking into account the permanent interest in the results of the investor's main activities. Such information includes recommendations from brokerage houses, recommendations from individual stockbrokers, and (recommendations from friends or co-workers). (Elsheikh, 2017 & Akbar et al., 2016)

Personal Financial Needs This type of information is obtained based on investor experience in viewing investment value and calculating consumption spending as a truly independent person, which includes information about the target return on investment to meet

personal finances, estimated funds for investment, diversification desires, reviewing portfolio performance. shares owned in the past, see other investment alternatives besides those that have been owned by comparing investment alternatives other than stocks, for example bonds, gold, deposits, and others (Nagy and Obenberger, 1994)

*Accounting information* become a material consideration for investors in making investment decisions, by identifying the prospects of the company in the future, then making a decision whether to continue or stop the flow of investment and to find out the value of the company (Wediawati and Yuliana, 2011). Information about financial reports is easy to obtain and can be useful in assessing the condition and profitability of the company so that it is still a consideration for making investment decisions (Christanti & Mahastanti 2011). If investors have a high level of accounting information, investors will pay more attention to the prospects and value of the company to be invested in making investment decisions (Christanti and Mahastanti, 2011).

### 3. RESEARCH METHOD

The type of research used is causality research, namely research that aims to determine the effect of two or more variables. The research approach used in this study is a quantitative approach. The population of this study are respondents who already have experience investing in the Indonesia Stock Exchange. The population of this research is retail investors taken from the securities market in Medan. The sample of this research data is 50 samples. Data collection by conducting a questionnaire with Google Form. The data analysis method of this research is SEM (Structural Equation Modeling) or Structural Equation Model with the PLS program.

#### Research Hypothesis

- H1:** *Accounting Information* influential positive on stock investment decision making
- H2:** Self-image/Firm image has a positive effect on share investment decision making
- H3 :** *Social Relevance* influential positive to stock investment decision making
- H4 :** *Advocate Recommendations* influential positive to stock investment decision making
- H5:** *Personal Financial Needs* positive effect on stock investment decision making

### 4. RESULTS AND ANALYSIS

The characteristics of the respondents show that the majority of respondents are 21 years old. Respondents tend to be female. Respondents have carried out investment activities for > 6 months by trading > 3 times as shown in the percentage, which is 100%. Most of the respondents in this study came from Medan Tuntungan and Medan Selayang.

**Table 1. Results of Average Variance Extracted (AVE) and Square Root of AVE**

Variable	Average Variance Extracted(AVE)	square root AVE
Accounting Information	0.728	0.853

Self-image / assertive image	0.683	0.826
Social relevance	0.641	0.801
Recommendation advocate	0.678	0.823
Personal financial needs	0.661	0.813
Stock investment decisions	0.613	0.783

**Table 2. Reliability (CR) and Cronbach's Alpha (CA)**

Reliability Compo	sit Variable	Alpha Cronbach
Accounting Information	0.914	0.875
Self-image / assertive image	0.928	0.907
Social relevance	0.877	0.814
Recommendation advocate	0.893	0.840
Need personal finance	0.886	0.829
Stock investment decisions	0.888	0.842

Based on table 1, the results of data processing show that the R-Square value for Stock Investment Decisions is 0.783, meaning that 78.3% of variations or changes in stock investment decisions are influenced by Self-image/firm image, Social relevance, Advocate Recommendations, Personal financial needs, while the remaining 21.7 % explained by other reasons. Based on this, the results of calculating R2 show that R2 in the stock investment decision variable is good.

**Table 3. Path Coefficient Analysis**

	<i>Original Sample (O)</i>	<i>Sample el Flat-average (M)</i>	<i>Standard Deviasi (STDEV)</i>	<i>ik statistics Q( O/S TDE V )</i>	<i>P value</i>
Accounting Information – Stock Investment Decisions	0.127	0.126	0.044	2,887	0.004
<i>Self-image/ Firm image – Stock investment decisions</i>	0.172	0.174	0.051	3,344	0.001
Social relevance – Stock investment decisions	0.142	0.137	0.071	2.006	0.045
Advocate recommendations – Stock Investment Decisions	0.136	0.140	0.065	2.109	0.035
<i>Personal Financial Needs -Stock investment decisions</i>	0.170	0.172	0.044	3,875	0.000

**H1: Accounting information influences stock investment decision making**

Based on table 3, H1 has a t-statistical value of 2.887 which means  $> 1.96$ . So, with  $H_0$  this is accepted, which means that accounting information has a positive and significant effect on stock investment decisions. This means that changes in the value of accounting information have a direct effect on changes in stock investment decisions, or in other words, if accounting information increases, there will be an increase in the level of stock investment decisions and has a statistically significant effect. Based on The results of data processing with Smart PLS version 3.0 show that the path coefficient value of accounting information on stock investment decisions is 0.127, which means that accounting information has a positive relationship with investment decisions on the Indonesia Stock Exchange (IDX). Tanusdjaja (2018) states that the level of trading activity of an investor is influenced by the excessive level of investor confidence. The more overconfident investors are, the more often they trade. Overconfidence has a positive correlation with participation in the stock market, whereas people who lack confidence tend not to participate (Xia et al., 2013). Kartini & Nugraha (2015) argues that if a person has a higher level of self-confidence, it will cause the individual to think more about his skills thinking that he can earn increased income. Conversely, if investors are less confident, it can have an impact on individual tendencies to underestimate existing risks. A high level of confidence will influence investors to be more courageous in making decisions.

**H2: Self-image/firm image has a positive effect on stock investment decision making**

Based on table 3, H2 has a t-statistic value of 3.344 which means  $> 1.96$ . With this H2 is accepted, which means Self-image/firm image has a positive and significant effect on stock investment decisions. This means that changes in the value of self-image/firm image have a direct effect on changes in stock investment decisions, or in other words if self-image/firm image increases, there will be an increase in the level of stock investment. decision and statistically has a significant effect. Based on the results of data processing using SmartPLS version 3.0, it is known that the path coefficient value of self-image/company image on stock investment decisions is 0.172, which means that self-image/company image has a positive relationship with investment decisions. on the Indonesia Stock Exchange (IDX).

Investors who have a high level of self-image/company image will make their own assessment of whether the company is feasible or not to be used as a place to invest (Christanti & Mahastanti, 2011). Self-image/company image such as company status in the industry, reputation of company shareholders, and feelings of satisfaction with company products & services are factor that influence investment decisions (Ahmad, 2017).

The results of this study are in line with the results of research conducted by Akbar et al. (2016) which shows that self-image/company image has a significant positive effect on investment decisions. Meanwhile, the research results of Rakhmatulloh & Asandhimitra (2019) show that self-image/company image has no effect on investment decisions.

**H3: *Relevance*      *social influence on stock investment decision making***

Based on table 3, H3 has a t-statistic value of 2.006 which means  $> 1.96$ . With this H3 is accepted which means that social relevance has a positive and significant effect on stock investment decisions. This means that changes in the value of social relevance have a direct effect on changes in stock investment decisions, or in other words if social relevance increases, there will be an increase in the level of stock investment decisions and has a statistically significant effect. Based on the results of data processing with SmartPLS version 3.0 it is known that the path coefficient value of social relevance to stock investment decisions is 0.142, which means that social relevance has a positive relationship with investment decisions on the Indonesia Stock Exchange (IDX).

The results of this study are supported by research results from Rakhmatulloh & Asandhimitra (2019) which states that social relevance influences investment decisions. This is because investors in making investment decisions always pay attention to the position of the company's shares in the capital market. This shows that investors pay more attention to whether the companies they invest in are blue chips or second liner stocks which are likely to increase profit levels in the future. In addition, investors also pay attention to corporate social responsibility towards the environment which is more visible and is valued more positively by investors. The results of this study are also in line with the research of Ulinuha et al. (2020) which states that social relevance is an indicator to generate perceptions by novice investors. So that it will affect novice investors in making decisions to buy shares.

**H4: *Advocates' recommendations affect decision making*      *investmentshare***

Based on table 3, Previously, H4 had a t-statistic value of 2.109 which means  $> 1.96$ . H4 is hereby accepted, which means that the Advocate's recommendation has a positive and significant effect on stock investment decisions. It means      change the value of Advocate recommendations has a direct effect on changes in stock investment decisions, or in other words if Advocate recommendations increase, there will be an increase in the level of stock investment decisions and has a statistically significant effect. Based on the results of data processing with SmartPLS version 3.0 it is known that the path coefficient value of Advocate recommendations on stock investment decisions is 0.136, which means that Advocate recommendations have a positive relationship with investment decisions on the Indonesia Stock Exchange (IDX). In the research by Akbar et al. (2016), most investors' decisions depend on recommendations from stockbrokers, colleagues, friends, and family. The reason is that investors believe that brokers have far more accurate information about stock investment opportunities (Ahmad, 2017). The results of this study are in line with research conducted by Akbar et al. (2016) revealed      positive significant relationship between advocate recommendations, suggesting that individual investor decisions are strongly influenced by broker advice. Sometimes investors make decisions based on the opinions of family and friends.

### **H5: Personal financial needs affect stock investment decision making**

Based on table 3, H5 has a t-statistic value of 3.875 which means  $> 1.96$ . With this H5 is accepted, which means that personal financial needs have a positive and significant effect on stock investment decisions. This means that changes in the value of personal financial needs have a direct effect on changes in stock investment decisions, or in other words if personal financial needs increase, there will be an increase in the level of stock investment decisions and have a statistically significant effect. Based on the results of data processing with SmartPLS version 3.0 it is known that the path coefficient value of personal financial needs for stock investment decisions is 0.170, which means that personal financial needs have a positive relationship with investment decisions on the Indonesia Stock Exchange (IDX). personal financial needs, relating to the ability to choose and manage investment activities with personal consumption needs. Flexibility in managing investments and choosing between various terms and investment opportunities allows to take advantage of and benefit from a fast-paced investment environment as well as unpredictable investment options. (Elsheikh, 2017). The results of this study are in line with research conducted by Kusumawati (2013). This is because investors feel that estimating the target return from the investment in shares that can meet their personal needs is something that is important to do. Investors tend to prioritize the results or profits they will get in the future. Meanwhile, the results of research by Akbar et al. (2016) found no evidence of a relationship between personal financial needs and investment decisions.

### **5. CONCLUSION**

Based on the explanation of the research results, it can be concluded that Accounting Information, Self-image/firm, Social relevance, Advocate Recommendations and Personal financial needs have a significant positive effect on stock investment decisions. This means that the higher the level of self-confidence, self/firm image, social relevance, Advocate recommendations and one's personal financial needs, the higher the person in making stock investment decisions.

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