Determinants of Financial Behavior in Young Investors' Islamic Stock Investment Decisions in Indonesia

Zainal Abidin[1,2], Haris Maupa[1], Syamsu Alam[1], Muhammad Sobarsyah[1]

[1] *Faculty of Economics and Business of Hasanuddin University, Indonesia.*
[2] *Faculty of Economics and Business of University of Moslem Maros, Indonesia.*
Corresponding Author: Zainal Abidin

ABSTRACT: This study aims to analyze: (1) The Heuristic effect on Islamic stock investment decisions, (2). The effect of herding on sharih stock investment decisions, (3). The effect of prospects on Islamic stock investment decisions. This research was conducted in 6 (six) big cities in Indonesia, which is a country with the largest Muslim population in the world, the number of samples in this study were 141 investors who were young investors aged 17 to 25 yearsold. This study used a quantitative descriptive research method using SPSS version 25 analysis tool. Results: (1). Heuristics have a positive and significant effect on Islamic stock investment decisions, (2) Herding has a positive but not significant effect on investment decisions, (3) Prospects have a positive but not significant effect on Islamic stock investment decisions.

KEYWORDS: Financial Behavior, Investment Decision, Islamic Stock.

I. INTRODUCTION

The development of Islamic stocks in Indonesia as one of the Islamic financial instruments is no less rapid when compared to Islamic banking in Indonesia. The development and growth of sharia securities transactions on the capital market continues to increase amid the booming growth of sharia economic activities in general in Indonesia (Hanif, 2012). The development of Islamic stocks in Indonesia is quite fast, seen from the development of the composite stock index and market capitalization. This cannot be separated from the financial behavior of the Indonesian people who have begun to look to investment in the Islamic stock sector, this cannot be separated because Indonesia is a country with the largest Muslim population in the world with a total of 207 million people and the Islamic stock system is easier than conventional stocks.

Behavioral finance is a study of the influence of psychology on behavior (Sewell, 2010). "Behavioral finance is a part of behavioral economics, a branch of finance with the help of theories from other behavioral sciences, in particular psychology and sociology, trying to find and explain phenomena inconsistent with the paradigm of the expected use of wealth and narrowly defined rational behavior. economics is largely experimental in nature, using research methods rarely applied in the traditional mainstream financial literature (Frankfurther and McGoun: 2002). Behavioral finance as the study of how humans interpret and act on information to make informed investment decisions (Linter, 1998). that behavioral finance seeks to understand and predict the systematic financial market implications of psychological decision-making processes (Olsen, 1998). Behavioral finance is interesting because it helps explain why and how markets may be inefficient. Finance takes into account the human factor, through perception, self-evaluation and emotional elements, involved in making investment decisions.

Financial behavior has evolved on several basic aspects apart from psychology. Since being coined by Daniel Kahneman and Amos Tversky who are the Father of Financial Behavior who are also Nobel laureates in economics in 2002.Where in the 1960s, Kahneman and Tversky focused on various research paths and gathered in the 1970s to create what became a benchmark in the field. To explain the irrational behavior of investors in financial markets, behavioral economists draw on knowledge of human cognitive behavior theory from psychology, sociology, and anthropology. Two main theories are discussed: Prospect Theory and Heuristics (Subash, 2012). When studying the concept of behavioral finance, the behavioral aspects of psychology and sociology are integral catalysts and one must have a basic understanding of the concepts of psychology, sociology, and finance to become acquainted with the concept of behavioral finance as a whole (Ricciardi and Simon, 2000). Psychology is a pillar of Behavioral Finance. The foundation of financial behavior, sociology, is often overlooked, but it is very important when individuals interact in markets, particularly financial markets. Until now it was implicitly assumed that individual decisions were made without any interaction and resolved without the influence of other individuals. However, particularly actions on financial markets are not carried out separately, but are often and largely influenced socially. The interdisciplinary approach of Behavioral Finance is to integrate behavioral aspects of psychology and sociology. The uniqueness of Behavioral Finance lies in the

integration and foundation of different fields of scientific research (Schindler, 2007). So an important aspect in the contemporary behavioral financial revolution is how to integrate psychology, sociology and finance into behavioral finance.

II.   LITERATUR REVIEW

2.1.   Behavioral Finance

Behavioral finance is the study of how psychology affects finances. Psychology is the basis for human desires, goals, and motivations, and is also the basis for various human errors that stem from the illusion of perception, overconfidence, too much reliance on rules of thumb, and emotions. Mistakes and bias cut across the entire financial landscape, affecting individual investors, institutional investors, analysts, strategists, brokers, portfolio managers, options traders, currency traders, futures traders, plan sponsors, financial executives, and financial observers in the media (Shefrin: 2002). Behavioral finance is a science that studies how humans react and react to information in an effort to make decisions (Said:2020). Financial behavior is a psychological application for finance (Pompain: 2006). Financial behavior is just a moderate approach to studying financial markets (Thaler: 1999). Financial behavior is the study of the influence of psychology on the behavior of financial practitioners and its subsequent effects on the market. Financial behavior is very attractive because it helps explain why and how markets may be inefficient (Sewel: 2010). Behavioral finance also studies the application of psychology to finance, with a focus on individual-level cognitive biases. the sources of valuation and decision bias, how to influence trade and market prices, the role of arbitration and the flow of wealth between more rational and less rational investors, how companies exploit inefficient prices and wrong judgments and the effects of managerial bias judgment (Hirshleifer: 2015).

Behavioral Finance represents a relatively new approach to Financial theory, at least in part in response to the difficulties traditional paradigms have of explaining empirically proven effects. In a broader sense, certain observable phenomena can be better understood by imperfect models of rational behavior. Specifically, this approach analyzes what happens when one of the two or both fundamental assumptions of an individual's rational behavior is relaxed. In one type of Behavioral Finance model, the individual cannot properly update beliefs. In other types of models, Bayes' law is correctly applied; However, making decisions that are normatively incompatible with the notion of expected utility is subjective (Schinder: 2007). Behavioral finance will continue to expand, in at least two ways. First, the range of psychological complexities included will be extended beyond the realm of judgment and decision making. Issues like emotions are of course important in understanding how markets work. Second, the emphasis on asset prices (and most of the equity prices) is likely to diminish due to studying other securities markets that use behavioral tools (Thaler: 2005).

Financial Behavior tries to explain and increase understanding of investors' thinking patterns, including the emotional processes involved and the extent to which they influence the decision-making process. Basically, behavioral finance seeks to explain the what, why, and how of finance and investing, from a human perspective. There is much debate about the definition and true validity of behavioral finance as the field itself is still developing and refining itself. This evolutionary process continues to occur because many researchers have various academic and professional specialties (Ricciardi & Simon: 2000). Behavioral finance assumes investors use some combination of traditional finance and psychological bias when making investment decisions. Rather than suggesting how investors should make decisions, it seeks to explain why those decisions are made. Behavioral finance can be divided into two general categories: micro and macro. Microbehavioral finance is concerned with describing individual decision-making processes. It attempts to explain why individuals deviate from traditional financial theory. Macro behavioral finance focuses on explaining how and why markets diverge from what is called efficient in traditional finance (Kaplan: 2011).

2.2.   Investment Decision

Investment decision making is the process of choosing the best alternative among a number of alternatives. This decision has come out after proper evaluation of all alternatives. Decision making is the most complex and challenging activity of investors. Every investor is different from the others in all aspects due to various factors such as demographic factors, socioeconomic background, education level, gender, age, and race (Chaudhary, 2013). Making investment decisions is a matter of making decisions about resource allocation (Bower: 1986). Investment decisions lie on the continuum that exists between risk and return. It is therefore important for entrepreneurs and business executives to strike a balance between risk and return. (Ebeneszer, et., Al: 2016).

In taking action, the theories that can underlie these actions are: Theory of Reasoned Action. The theory of reasoned action combines cognitive, affective, and conative components. In addition, it must measure subjective norms that influence a person's intention to act before measuring the level of his intention. Subjective norms are the person's feelings about what is relevant to others (eg, family, friends, roommates, co-workers) of the contemplated person's actions. That is, whether it supports the anticipated action or not. His consideration of

the opinions of others is his subjective norm. Two factors underlie subjective norms: normative beliefs that an individual attributes to relevant others, and an individual's motivation to comply with the preferences of relevant others. To understand subjective norms correctly, both factors must be measured (Schiffman & Wisenblit: 2015).

2.3. Islamic Stock

Principles of Sharia in the Capital Market are principles of Islamic law in Sharia Activities in the Capital Market based on the fatwa of the National Sharia Council - Indonesian Ulama Council, as long as the fatwa in question does not contradict the Financial Services Authority Regulations concerning the Application of Sharia Principles in the Capital Market and / or other Financial Services Authority Regulations. which is based on the fatwa of the National Sharia Council - Indonesian Ulema Council. Not all companies listed on the Indonesia Stock Exchange are companies that can issue Islamic shares. Companies that can issue Islamic shares are companies whose articles of association state the activities and types of business as well as how to manage their business based on Sharia Principles in the Capital Market (OJK: 2015).

Based on the regulation of the Financial Services Authority Number: 15 / POJK.04 / 2015, Sharia Securities are Securities as referred to in the Law on Capital Market and its implementing regulations which:
1. Contract, management methods, business activities;
2. Assets that form the basis of the contract, management methods, business activities; and / or
3. Assets related to the said Securities and the issuer are not against the Sharia Principles in the Capital Market.

Sharia Shares is proof of ownership of a company that meets the following criteria:
1. The type of business, goods, services provided and the contract as well as the management method of the Issuer or Public Company that issues Sharia Securities must not conflict with Sharia Principles.
2. Types of business activities that are contrary to Sharia Principles include:
a. Gambling and games classified as gambling or trading are prohibited;
b. Conventional financial institutions (ribawi), including conventional banking and insurance;
c. Producers, distributors, and traders of food and beverages that are haram; and
d. Producers, distributors, and / or providers of goods or services that destroy morals and are harmful.
e. Investing in Issuers (companies) which at the time of the transaction the level (ratio) of the company's debt to Ribawi financial institutions is more dominant than their capital;
2. Issuers or Public Companies intending to issue Sharia Securities are required to sign and comply with the terms of the contract in accordance with sharia for the issued Sharia Securities.
3. Issuers or Public Companies that issue Sharia Securities are required to ensure that their business activities comply with Sharia principles and have a Shariah Compliance Officer.

In the event that an Issuer or Public Company that issues Sharia Securities at any time does not meet the requirements mentioned above, the Securities issued by itself are no longer a Sharia Securities.

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2. Types of business activities that are contrary to Sharia Principles include:
a. Gambling and games that are classified as banned gambling or trading;
b. Conventional financial institutions (ribawi), including conventional banking and insurance;
c. Producers, distributors and traders of illegal food and beverages; and
d. Producers, distributors and / or providers of goods or services that destroy morals and are harmful.
e. Investing in Issuers (companies) which at the time of the transaction, the level (nisbah) of the company's debt to Ribawi financial institutions is more dominant than their capital;
3. Issuers or Public Companies intending to issue Sharia Securities are required to sign and comply with the terms of the contract in accordance with sharia for the issued Sharia Securities.
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2.4. Conseptual Framework

Conceptual framework is a form of framework of thinking that can be used as an approach in solving problems. Usually this research framework uses a scientific approach and shows the relationship between variables in the analysis process.
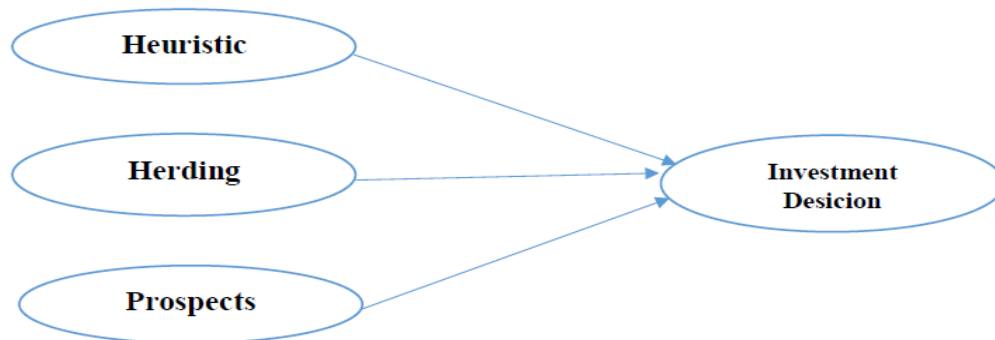
The hypothesis that was built was:

H1. = *Heuristic* influences investment decision

H2 = *Heuristic* influences investment decision

H3 = *Heuristic* influences investment decision

III.   RESEARCH METHOD

3.1. Research Design

The research design is an explanatory research which originates in the research object, namely Islamic stock investors spread across 6 cities in Indonesia using a questionnaire as a data collection technique by providing a set of questions or written questions to respondents to be answered. This method was chosen because it is an efficient data collection technique (Sugiyono, 2002).

3.2. Location and Date Research

This research is located in 6 (six) major cities in Indonesia, namely Jakarta, Surabaya, Makassar, Medan, Pontianak and Timika.

3.3. Population and Sample

The populations in this study were all 44,000 Islamic stock investors listed on the Indonesia Stock Exchange, with a sample of 141 young investors using the Slovin technique with an age range of 17 to 25 years (17-25 years).

3.4. Data Collection Method

To obtain data in this study, several data collection techniques were used as follows:

1. Observation

Observation or observation is one method of collecting data when making a scientific paper. Nawawi and Martini stated that observation is an observation as well as a systematic recording of the elements that appear in a symptom or symptoms that appear in an object of research.

2. Documentation

Documents are records of events that have passed. Documents can be in the form of writings, pictures, or monumental works of a person. Documents in the form of writing, for example, diaries, life histories, stories, biographies, regulations, policies. Documents in the form of images, for example photos, live pictures, sketches and others. Documents in the form of works include art, which can be in the form of pictures, sculptures, films, and so on. Document study is a complement to the use of observation and interview methods in qualitative research.

3. Interview

Esterberg (2002) defines the interview as follows: "a meeting of two pesons to exchange information and idea through question and responses, resulting in communication and join consruktion of meaning about a particular topic". An interview is a meeting of two people to exchange information and ideas through question and answer, so that meaning can be constructed in a particular topic.

4. Questionnaires

According to Sugiyono (2011), a questionnaire or questionnaire is a data collection technique that is carried out by giving a set of questions or written statements to respondents to answer. The questionnaire is an efficient data

collection technique if the researcher knows exactly what variables to measure and what cannot be expected from the respondent.

3.5.   Data Analysis
To solve the main problems faced in this study, the analysis method is used, namely descriptive analysis is an analysis that describes the responses of respondents. This study uses an analytical tool, namely SPPS software version 25.

IV.   RESULT AND DISCUSSION

4.1.   The characteristics of respondents
To make it easier to identify respondents in this study, an overview of the characteristics of respondents is needed. The description of the characteristics of respondents in this study is

Table 1. Characteristics of Respondents to young investors in Indonesia

Characteristics of Respondents	Number of people)	Percentage (%)
Domicile		
Jakarta	22	15.6
Makassar	45	31.9
Medan	37	26.2
Pontianak	9	6.4
Surabaya	25	17.7
Timika	3	2.1
amount	141	100.0
Age		
17-25 years old	141	100.0
amount	141	100.0
Education		
Bachelor	50	35.5
Diploma	8	5.7
High Sch	81	57.4
Magister	2	1.4
amount	141	100.0
Gender		
Female	44	31.2
Male	97	68.8
amount	141	100.0

Source: Data processed (2020)

4.2.   Research Intrusment Test
From the results of the validity test, all statements from the research variables stated that the validity was because the calculated r value was greater than the r table value (r count> r table value). Whereas for testing the reliability of all variables were declared realistic because the cronbach's alpha value of all the variables that had been tested was above 0.60, it can be concluded that all variables in this study were declared reliable.

4.3.   Hypothesis testing
Hypothesis testing in this study uses multiple linear regression analysis techniques. The selection of the technique is based on the research objective, which is to determine the effect of more than one independent variable on the dependent variable using interval scale data. Based on the calculation of multiple linear regression, the results obtained as shown in Table 2 below:

Table 2. Multiple Linear Test Results Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	3.261	.401	
	Heuristic	.237	.092	.297
	Herding	.047	.091	.060
	Prospects	.092	.089	.117

a. Dependent Variable: Investment Decision

From the results of the regression calculations the equation can be:

The regression equation is: Y = 3.261 + 0.237 X1 + 0.047 X2 + 0.092 X3 + e

Where

X1 = Heuristic

x2 = Herding

X3 = Prospects

Y = Investment Decision

e = 5% error rate

Based on table 2, the a value is 3.261, this means that if the heuristic (X1), herding (X2) and prospects (X3) are 0, the investment decision value is 3.261. The value of 0.237 means that the heuristic effect is positive, which indicates that every one unit increase of the heuristic will increase by 0.237 of the value of the investment decision. The value of 0.047 means that herding has a positive effect, which indicates that every one unit increase in the herding value will increase by 0.047 from the value of the investment decision. The value of 0.092 means that the prospects have a positive effect, which indicates that every one-unit increase in the prospects will increase by 0.092 of the value of the investment decision.

4.4. Hypothesis testing (t Test)

The t test is used to determine the effect of each variable, namely communication and motivation and work discipline partially affect employee performance. Testing is done by looking at the level of significance (P value). If the significance level resulting from the calculation is below 0.05, the hypothesis is accepted, on the contrary, if the significance level of the tcount is greater than 0.05, the hypothesis is rejected. The results of the t test calculation can be seen in the following table:

Table 3. Results of the t test calculation Investment Decision (Y) as Dependent variable Coefficients[a]

Model		t	Sig.	Result
1	(Constant)	8.123	.000	
	Heuristic	2.581	.011	Significant
	Herding	.518	.606	Not significant
	Prospects	1.031	.304	Not significant

Source: Processed Data (2020)

Based on table 3, it can be seen that the results of hypothesis testing regarding heuristics have a tcount = 2.581 with a significance level of 0.030. The value of t is greater than t table of 1.655 (2.581> 1.655) and the significant level is less than 0.05, which means that heuritic has a significant effect on investment decisions.

The herding variable has a tcount = 0.518 with a significance level of 0.606. The t-count value is smaller than the t-table of 1.655 (0.518 <1.655) and the significant level is greater than 0.05, which means that herding has no significant effect on investment decisions.

The prospects variable has a tcount = 1.031 with a significance level of 0.304. The t-count value is smaller than t-table of 1.655 (1.031 <1.655) and the significant level is greater than 0.05, which means that prospects do not have a significant effect on investment decisions.

4.5. Simultaneous Testing (F Test)

The f test is used to determine the effect of variables simultaneously, namely communication and motivation and work discipline simultaneously affect employee performance. Testing is done by comparing the value of Fcount and Ftable. If the value of Fcount is greater than Ftable, it will have a significant effect on the dependent variable. The results of the f test calculations can be seen in the following table:

Table 4. Test Calculation Results of Investment Decisions as Dependent Variables ANOVA[a]

Model		F	Sig.		Result
1	Regression	10.433	.000[b]		Significant
	Residual				
	Total				

a. Dependent Variable: Investment Decision
b. Predictors: (Constant), Prospects, Herding, Heuristic
   Source: processed Data (2020)

Based on table 4, it can be seen that the results of statistical calculations show that the value of Fcount = 10.433> Ftable = 2.670 using a significance limit of 0.05, so from the table above it is obtained a significance value less than 0.05, this can be concluded that heuristic, herding and propecst has a simultaneous (simultaneous) influence on investment decisions.

4.6. Coefficient of Determination (R^2)

The results of the determination test using the SPSS 25 software are as follows:

Table 5 Results of the Influence of Independent Variables Coefficients[a]

Model	R	R Square	Adjusted R Square
1	.431[a]	.186	.168

a. Predictors: (Constant), Prospects, Herding, Heuristic
b. Dependent Variable: Investment Decision

Based on Table 5, it can be concluded that heuristic, herding and propecst have an effect of 43.1% on investment decisions, while 56.9% are influenced by other variables not studied. Because the R Square value is above 5%, it can be concluded that the ability of the independent variable to explain the dependent variation is very good.

V. CONCLUSION

This study aims to analyze the influence of heuristics, herding and prospects on the investment decisions of young investors in Islamic stocks in Indonesia. Based on the results and discussion in this study, it can be concluded that:
1. Heuristic has a positive and significant effect on investment decisions of young investors in Islamic stocks in Indonesia.
2. Herding has a positive but not significant effect on the investment decisions of young investors in Islamic stocks in Indonesia.
3. Heuristic has a positive but not significant effect on investment decisions of young investors in Islamic stocks in Indonesia.

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Corresponding Author: Zainal Abidin
[1] Faculty of Economics and Business of Hasanuddin University, Indonesia.