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THE RISK PHENOMENON OF INVESTING IN CAPITAL MARKET (INDIVIDUAL BROKER PERCEPTION)

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ABSTRACT

This exploratory study is concerned with phenomenon of the risk of investing in capital market, which is often distressing and being perceived negatively by public/investors. Intentionally, it's establishing the main reasons for the public lack of interest toward capital market investment products. The understanding of professional perception in capital market such as broker relies on the phenomenon of risk of investing in capital market had been proposed of this study. Therefore, phenomenology research approach is chosen to reveal participant perception based on participant's experiences through in depth interview technique. The result of this exploratory suggests that trust may become one of key element to change public's perception, which very often already negative toward capital market. Investors need security assurance toward the investment fund; the broker must be able to assure the trust that has been given by the investor through the verification of the broker's capabilities and knowledge.

Key words: *Capital Market, Investment, Risk Phenomenon, Perception, Trust.*

FENOMENA RISIKO INVESTASI DI PASAR MODAL (PERSEPSI PRIBADI PIALANG)

ABSTRAK

Studi eksplorasi ini terkait dengan fenomena risiko investasi di pasar modal yang sering memprihatinkan dan dipersepsikan negatif oleh publik atau investor. Tujuannya adalah menetapkan alasan utama kurangnya minat publik terhadap produk investasi pasar modal. Pemahaman persepsi profesional di pasar modal seperti pialang bergantung pada fenomena risiko investasi di pasar modal yang telah diusulkan dalam penelitian ini. Oleh karena itu, pendekatan penelitian fenomenologi dipilih untuk mengungkapkan persepsi peserta penelitian berdasarkan pengalamannya melalui teknik in depth interview. Hasil eksplorasi ini menunjukkan kepercayaan yang mungkin menjadi salah satu elemen kunci untuk mengubah persepsi publik, yang sering negatif terhadap pasar modal. Investor membutuhkan jaminan keamanan atas dana investasi mereka, pialang harus mampu menjamin kepercayaan yang telah diberikan oleh investor melalui verifikasi kemampuan dan pengetahuan dari pialang.

Kata Kunci: *Capital Market, Investment, Risk Phenomenon, Perception, Trust.*

INTRODUCTION

In global era, the role of capital market in supporting national economy is increasingly important when viewed from its contribution in national gross domestic product and as a company's fund source. Besides, it can also contribute to an investment media for investor. As mentioned by Santosa (2010),

> "The role of capital market in global economy is more significant especially related to capital flow and Indonesian economic growth. Indonesian economic growth needs a lot of funding and investment. Moreover, it also needs to compete in regional and global markets. The main role of capital market is to accommodate investment fund from local and foreign investors, and to channel the fund needed by the issuers to develop and to expand their business in real sector. Investment fund is obtained from capital market trading activities as investment instruments, such as stocks, bonds, derivative (right issue, warrant, option, etc)."

Capital market as one of the investment media is able to answer the needs of company in obtaining fund and to answer the needs of investor through providing investment instruments with various return and risk rates.

Warsono (2010) stated that with the increasing rate of education, richness, and public mobility, the needs of various investment instruments are also increasing. The public needs for investment in national economic growth, opens a big opportunity for the development of capital market. The stabilization in Indonesian economy in global economic difficulties has increased the Gross Domestic Product. It's shown by the growth of Indonesian national gross domestic product Quarter 2 (Q2) 2012 toward Quarter 2 (Q2) 2011 increases 6.4% that it's will support capital market development (Herdiyan et al. 2012).

In reality, Indonesian capital market s does not yet get positive acknowledgement from public even tough national economic is in a quite remarkable condition. It is reflected by the minimum amount of domestic investor in Indonesian capital market, which reaches only 0.2% of total population. It is in contrast with other countries, such as Singapore that reaches 30% and Malaysia that reaches 12.8% of total population (Koran Sindo 2012). The number of domestic investors in Indonesian capital market which is only 0.2% is much lower than the number of people who invest their funds in banking products that reaches 42% of total population. Both of these conditions show that public interest toward capital market investment product is still low; hence capital market's contribution toward national economic growth has not been maximized.

The lack of public interest toward capital market products is caused by the lack of knowledge toward capital market products. The lack of public's knowledge often causes public negative perception toward capital market. There are some capital market products with various characteristics, however public often knows only about stock. Stock is a capital market product that is mostly attracting public because it offers the highest return rate, however it also have the highest risk rate compared with other investment products (BEI 2012).

Stock offers the highest return rate with the highest risk rate compared to other investment products, because the mechanism of stock price formation is determined freely by the supply and demand movement in capital market every day, which is influenced by various factors, such as regional and global economic and politic condition. Therefore, various stories of investor failure due to the drop in stock price is not uncommon to hear, especially during Indonesian monetary crisis in 1998, despite the success stories of investors who became rich due to stock are also have a large number.

Stock risk phenomenon that threatens the investor has been attached in public mindset as being stated by Tilson (2005) in Triono (2010) that the investor will feel even hurt when experiencing loss rather than gaining in the same amounts. And the disappointment felt by the investor experiencing loss can be doubled in depth rather than gaining in the same amounts. Public's fear in dealing with risk pressure in one of these capital market products has formed negative public perception toward capital market and has caused public's distrust toward capital market hence they will not open themselves to know more about capital market in a more detail.

Santoso (2011) review a public negative perception phenomenon stating that capital market is a variety of gambling that variety has plated to be source of big loss. Murwani (2012) stated that the average return on stock investment capable to reach above 15% per year and even still be higher than the return of other financial investment products, but can not attract publics/investor to take advantage of capital market products as their investment option. Furthermore, Murwani (2012) explains that the other developed countries, capital market product especially stocks is a major investment option for investors, and even become part of the long-term financial planning, such as for the preparation of the pension fund. By contrast, in Indonesia, the majority of investors are still afraid to put their money in capital market products because of the investment risk in capital market is considered so high.

Beside, the fact about the lack of public's interest in capital market is also explained by Yanukrisna (2012), today, most people still do not fully understand the stock market. As a result, many investors invest their funds outside the stock market, such as through savings and deposits. In fact, the stock market is an alternative solution to invest better than banking products. Many products alternative investments are offered in the capital market include stocks and bonds yielding a more attractive than deposits. Unfortunately, it is not fully understood by the public and business especially fearing risks of investment in the stock market, although in fact it can be managed.

This condition shows that education plays an important role for investors to know about capital market properly. Publics should be able to obtain the appropriate information and education about capital market especially stock market, therefore people can understand the nature of capital market products, especially the risk profile of each product in order to be able to take the decision to invest in the stock market or not.

Due to the importance of capital market as a profitable investment media for investors, it's interesting in conducting research on the risk of investing in capital market phenomenon, especially toward the stock product that causes the lack of public interest on this investment media, from the professional in capital market especially individual broker. Individual broker is a professional in capital market who has a main role as a capital market trading mediator, especially stock in the stock exchange. Broker is the only member of capital market who has a main responsibility to communicate with the investor and to directly deal with the capital market reality every day. Broker has real knowledge and experience about the capital market condition, especially stock exchange in Indonesia.

Broker's role is important for the investor, especially for investing on the stock, as in coherence with the result of research done by Nagy and Obenberger (1994) and Toral (2002) that point out one of the main factors that influence on a person's investment decision is an advocate recommendation. The advocate recommendation explains that an investor in deciding his investment option needs a professional, therefore there will be no worries in deciding the investment during a poor market condition. The information consists of broker's recommendation, friend's recommendation, and family's advice (Nagy and Obenberger 1994).

Therefore, there are two mains research questions of this study namely: (1) How is the perception about the risk of investing in capital market phenomenon that is often negatively perceived by public or the investor? (2) How is the way to convince the investor through the perception?

The aim of the study is to reveal broker perception toward the risk of investing in capital market phenomenon as reflected in broker's attitude in dealing with public negative perception when the broker needs to assure the investor candidate to invest in capital market. The real broker's role as a professional in capital market is truly needed to alter public perception toward the risk of investing in stock phenomenon that directly impacts on the increasing public trust and interest to invest in capital market. Then, public can take so many advantages such a high returns of capital market products, especially stocks.

The study design uses phenomenology approach to understand broker's experience who directly deals with risk pressure that attached on the stocks, that creates broker perception toward that risk phenomenon. This study is expected to constitute to the literature for public to understand investment condition in capital market in detail, so that public will not trapped in negative issues. Moreover, this study is expected to contribute to education sector, especially in economic faculty to balance the theoretical knowledge of capital market as given as an education for learners and public. At last, the result of this research is expected to be an additional knowledge for public in general who are interested in investing in capital market.

THEORETICAL FRAMEWORK

There are various way to alter the public negative perception of capital market that will be explain in this section, based on the developing theory. The main focus to answer the problem in this research is the way to understand broker's perception of the risk phenomenon that describes the real condition of Indonesia capital market. Broker's perception as a credible education will be use to alter the public negative issues and perception about investing in capital market, then the only way to transfer broker's perception to public is get public trust to invest their fund in capital market. It's important to understand broker's perception about the real condition of risk phenomenon to convince public in order to they can get the information and knowledge about risk phenomenon in capital market truly.

Sunaryo (2004) described that an individual's life, since he/she was born, could not be separated from interactions with physical and social environment. In these interactions, an individual perceives stimuli from both inside and outside. The stimuli can be categorized into two types; physical stimuli, which come from the environment, and the second one is the emotional stimuli, which come from inside of each individual, in the form of predisposition, such as expectation, motivation, and learning based on personal experiences in the past. The combination of both stimuli results on a personal description called as perception (Simamora 2012).

Public negative perception toward capital market emerges due to various factors' influence. One of them is the risk of investing in capital market phenomenon, which becomes the main concern of the investor. The risk of investing in capital market phenomenon becomes public concern due to numbers of failure stories of investor, which are caused by the unstable movement of stock price and the stock price that can be easily drop when the national and even global condition is unstable. The loss risk also haunts the stock investor because the movement of stock price in stock exchange cannot be predicted accurately, especially when a big player involves in stirring the market. This investment phenomenon causes public to feel dangerous when they put their fund in the form of stock rather than in the other form of financial investment instruments. The high risk of stock investment creates negative perception in public that the form of investment is gambling; therefore it is unsafe to be an investment media although the profit is also very prestigious.

Risk is perceived from the possibility of getting potential loss, dangerous, and crime that is related to special activity (Ricciardi 2004). Fogus & Malamed (1967) in Williamson & Weyman (2005) argues that the risk perception is an observation process done by sensory capabilities to see and to feel dangerous. Booterill & Mazur (2004) states that personal experience, memory, and other factors influence the way public perceive risk. Based on the result of study done by Krech (1962), a person's perception toward an object that is similar can be different due to the frame of reference influence, which is the frame of knowledge possessed and gained from education and reading material, and field of experience influence gained from an individual's personal experience, including also of his environmental condition.

Someone who has decided to be a broker in capital market of course has a different perception with the investor or public in viewing about the existence of investment risk, as a broker profession shows that he is a person who has a perception that he can persuade the investor that the investment risk, which is attached on capital market product, is something unimaginable and can be dealt with, consequently the investor is willing to invest in capital marker. The different perception among two individuals who have different act in the investment, the broker and the investor, has clearly shown that the different factors attached in each individual, such as experience and knowledge can develop different perception toward one similar object.

The important point in the risk perception can be defined as awareness process, personality characteristics, or a behavior (Williamson & Weyman 2005). This process is a basic process, which is done by someone to take a decision, whether the decision is dangerous or not. The result of this process is implemented in a behavior toward the dealing situation (Williamson & Weyman 2005). Negative public perception toward capital market is reflected in public behavior that tends to avoid and to feel disinterested toward capital market. This condition encourages the broker's role emerges to share his perception about the risk of investing in capital market as his profession requires him to sell the products. A positive broker perception is reflected toward optimistic broker attitude toward the capital marker development.

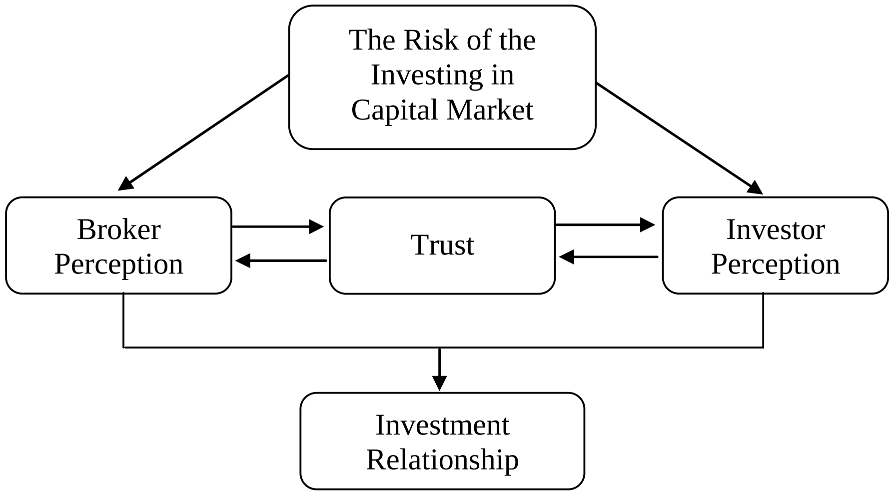
Brokers as capital market's practitioners have to be able to transfer their perception to public in their effort in increasing the amount of investors in capital market. This transfer process will not happen if there is no trust developed between both sides. Trust is a form of emotions that should be developed between two parties when they want to transfer some ideas to make one side is willing to accept the other's ideas and to act as it is expected based on both willingness. It is in line with Barnes's statement (2003):

> "Trust incorporates someone's willing to act in a certain way as a belief that his partner will provide what he is expected and a hope that generally possessed by someone that other person's words, promises, or declarations can be trusted."

Public need a security assurance toward fund they invest, in consequent they can be spared from any risks, especially loss. This security assurance requires the investor's trust toward the investment product and also the broker as a professional, which can be assessed capable to deal with the risk pressure of the investment product. The investor needs a professional broker's role that has special capabilities on his field, especially the stock exchange analysis capability, as his partner to decide investment steps in the unpredictable market, which full of risks.

Trust, in general, is perceived as a basic element to a relationship success (Barnes 2003). Trust is the one element to deciding the relationship success between the broker and the investor. It wills involve both side emotions to decide an investment decision either to purchase or to sell the possessed stocks in the right moment. Therefore the investor can be spared from any risks, it is needed a relationship of trust from the inves-

Figure 1
Research Framework



Source: Adopted from Barnes (2003).

tor and the broker. In contrast, the broker must be able to prove his perception in the form of real behavior to assure the trust given by the investor.

The trust involves the readiness to take part in risks, and the trust involves the security feeling and belief to the partner (Barnes 2003). According to Shaw (2002), factors to build trust consist of ongoing situation, past experience, and company's credibility. The investor's trust is similar to the customer's trust as defined by Mowen & Minor (2002: p. 312) as the following

> "All knowledge possessed by a customer and all conclusion made by a customer about the object, attribute, and function. What is meant by object here is in the form of product, person, company, and anything where a person puts his trust and attitude."

Essentially, a customer's trust emerges from a quite long developing process, that both sides trust each other. If a trust emerges between a customer and a company, the company will not so difficult to keep the customer (Shabazz 2008).

Pradana (2003) explains that there is only a key to build the customer's trust that is an approach. There are several proximity points that must be built between the company and the customer, which are the physical proximity that is materialized in the communication of delivering opinion and information needed by the customer, then the intellectual proximity that is the understanding condition between the company and the customer, also the emotional proximity that is materialized in the form of liking each other, willing to help each other, and sincerity to respect both interest.

Trust theory is a theory used to analyze the research data to obtain the result of the research about the role of the trust bond between the investor and the broker through the transfer of broker perception toward the risk of investing in capital market phenomenon that often be the biggest fear of the investor, until the investor is willing to invest his fund in capital market products, such as stock. Figure 1 is the research framework for describing this study design.

RESEARCH METHOD

This study is designed using qualitative research approach with phenomenology research strategy. According to Ghana (1999), qualitative approach is characterized by the researcher's aim to comprehend phenomena without using any quantification, or because the phenomena cannot be measured accurately. The phenomenology research strategy is explained by Littlejohn (2005), as

> "Phenomenology is an approach that assumes that a phenomenon is not an in-

dependent reality. The existing phenomenon is an object full of transcendental meanings. Social environment, where people live, is an inter-subjective thing and meaningful. Therefore, the understood phenomenon is a reflection of transcendental experience and a comprehension of meanings."

Based on this theory, it means that the research aims to learn experiences from the participant's perspective or here is the individual stock broker in Malang, as the subject of the research, in viewing the risk of investing in capital market phenomenon, which becomes the main problem in this research.

The subject of the research becomes the main source of data, which generally called as the participant (Creswell 1994). In phenomenology study, a good participant's criterion is all individuals studied represent who have experienced the phenomenon (Creswell 1998). So, an appropriate participant for this study is someone who has experiences and capable of articulate each of his experience and view about the things being asked by the researcher. In this case, they are stock brokers, who have professional certification called Wakil Perantara Pedagang Efek (WPPPE) certificate or not. The chosen brokers must have experiences in dealing with the investor and Indonesian capital market.

Malang is one of the destinations for socializing Indonesia Stock Exchange (IDX) because it has a high potential of small and medium scale industries (Hulu 2011). Therefore, Malang is chosen as the capital market socialization destination in 2011. Nowadays, there are 14 securities companies in Malang with 3 to 5 total brokers in each company. The total participants for this research are 9, representing both private and public securities companies.

As in phenomenology tradition as stated by Creswell (1998), in a phenomenological study, the process of collecting information involves primarily in depth interviews. So, in this research, in depth interview is the main source of data collection. The researcher employed in depth interview to record and to comprehend all the participant's understanding and experience about the existing phenomenon because the direct approach is capable to be done. The result of the interview is recorded in the tape recorder. The qualitative data required for this study are the written of the interview result between the researcher and the participant and the related written document. The objective or aspect of this study is the risk of investing in capital market phenomenon.

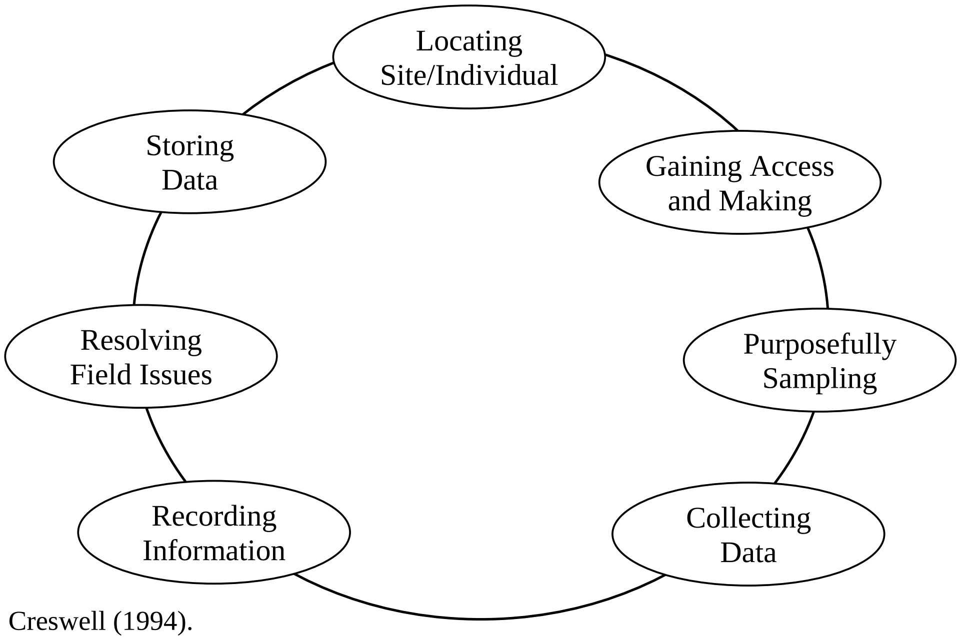
The data collection process is started from deciding the location of the individual brokers in Malang, building an access and rapport (building relation) for developing comfort ability during the interview with the participant, and choosing sampling purposively, which are 9 brokers that are perceived as fulfilling the researcher's need to give justification. The implementation of data collection is from the field through interviewing process, information note-taking, solving field issues, then keeping the data to be analyzed further and returning back to the earlier process (Creswell 1994). The diagram of the data collection in the field can be seen in Figure 2.

After obtaining all the required data, the researcher will employ data analysis technique in coherence with the guidance stated by Miles & Huberman (1992) qualitative data consist of 3 phases of data: data reduction, data presentation, and data inference or verification. The diagram of the data collection process is as the following.

Figure 3 can be explained briefly as follows: The data reduction covers selecting, focusing the attention to the simplification, abstraction and transformation of rough data that emerge from the written notes in the field.

The reduction is not only done when the research is finished, yet it also happens continuously during the research. With this method, it is possible to find out double reality from the data, making the relations between the researcher and the informant becomes explicit, whether or not the transfer to

Figure 2
Data Collection Activities Diagram



Source: Creswell (1994).

the other background can be done. The reduction is done by making the summary of the data, exploring the findings resulted from interview with the informant and literature study, and then making cluster or formulating a memo as the basic of data information presentation and further analysis. After analyzing the data, the in depth interpretation about the relations between the theory and reality is conducted. Here, the informant's direct quotations are also included. This analysis is useful to comprehend more the research problem.

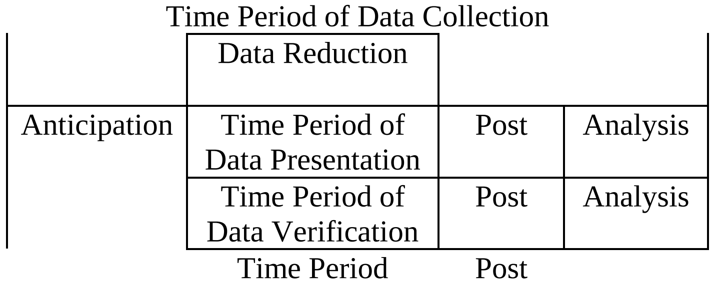
The next step is the data presentation, which is organizing the information become a statement until it can be used to conclude and to take action. The qualitative data are presented in the form of narrative text, which in the beginning they are spread out based on sources, and then they are classified into the issue and need. The aim is to systemize and simplify various information to be more simple, selective and configurative form of unity until it can be understood easier. At the end, with this process, the researcher can comprehend the existing matters in the current research period. In the beginning, the inference is still loose, and then it becomes more specify and rooted. The loose inference, which is taken in the data reduction stage, is summarized again in the presentation stage and finally it becomes final in the inference stage.

The data analysis process uses inductive method. That is the reason for this research does not prove the hypothesis, however it is in the form of abstraction formulation based on parts that have been collected and clustered. The analysis is started when the data collection is intensively done after leaving the field. The data analysis is started with interpreting the various data from various sources, and then the data reduction is employed by making abstraction until the data becomes pieces of information. After that, they are presented and finally they are verified to test the validity. According to Moleong (2011), the qualitative data must follow 4 validity criteria as trustworthy, credibility, dependency and accountability, which can be tested through several methods, including member checking, as it is used by the researcher.

DATA ANALYSIS AND DISCUSSION

The participant in this study are 9 stock brokers in Malang, consisting of 5 male and 4 female, who comes from 3 different securi-

Figure 3
Data Analysis Stages



Source: Miles & Huberman (1992).

Table 1
Participant's Data

No	Initial	Gender	Age (Years)	Experience as a Stock Broker (Years)
1	A	Male	40	4
2	B	Male	37	4
3	C	Male	25	1
4	D	Male	28	1
5	E	Male	32	5
6	F	Female	43	15
7	G	Female	37	5
8	H	Female	31	3
9	I	Female	27	12

ties company both public and private securities company in Malang (see Table 1). Unfortunately, Participant's names are not mentioned due to the agreement with all participants.

Each product in the capital market has its own risk profile, such as bond has the lowest risk rate because it gives fixed income, whereas mutual fund has mutual balance between the risk and return, which can be consisted of stock, bond, and money market securities. Stock is the highest risk securities; therefore it is common if public have a negative perception toward capital market that is identical with stock. Stock value depends on the market movement that vulnerable to issue and news, not to mention when there is a big investor involving in stirring certain stock price that can make public feel the higher risk of thread. It is in coherence with Williamson & Weyman's statement (2005) about the sensitivity of a person in feeling a dangerous will develop his perception toward the existing risk.

Mr. B explained about the uncertainty condition in the capital market which increase investor's fears of the risk of investing in capital market especially in the stock market, as stated below

"The stock market is identical with opportunity and timing in the moment of the trade in securities, however there is definitely will create a gap profits. For example, the good sort for investor is important to know when to get in and out; when to wait and when to exit a trade such securities primarily in the stock market. "

A good moment to take action to sell or buy a stock in the stock market does not occur anytime; therefore investors must have clear standards and limits on their expected return in order to avoid price fluctuations that can cause losses.

Based on the interviewing result, all brokers explain that they have different opinions and perceptions with public perception that emerges about the risk phenomenon. The brokers said that each risk can be spared and overcome, depends on capabilities, knowledge, and experiences possessed to overcome it, as it is explained by Mrs. F participant who gave her perception below

"As brokers, of course, we have to master 3 stock analysis techniques. Fundamental is a method to analyze a company's health. Technical is used to analyze whether the stock we purchase is expensive or not, and whether it is enough expensive or not when we sell it, by using the graphic in the various systems that depends on their function. And behavior is used to analyze public transaction activity, for example in Eid day, what kinds of stock is being traded, and for each stock and in each event, there will be a transaction pattern, which is developed. So, stock investment is really not a gambling because if it is gambling, it does not use this analysis. Through the analysis, we can predict whether the stock price will rise or fall, so it is not a gambling."

Besides the capabilities gained from knowledge and experience in market, the other factor that develops positive broker perception toward the loss risk thread is a stable national economic condition. This is up to the condition that can make them more positive toward the healthy market movement,. This is unlike what happened when Indonesia experienced monetary crisis in 1998 that caused so many loss for the investor. The broker is convinced that in the loss experience, there are always underlying causes, and according to the broker, these causes that should be addressed and overcome with certain strategies. It is also explained by Mr. C as in the following

"Public perception toward the loss risk in stock is, according to me, because they are less educated that they think that stock is a gambling since if they listen about the investor who had experienced loss, there is always a cause. It can be that the investor is loss because he is wrong in taking the decision to sell or to purchase a stock, as if when he purchases stock in technical that shows that the price is already expensive, or playing in the wrong stock that it has a bigger potential to get loss compared to blue chip or second layer stock. Next, there is an investor who is traumatic toward what happened in 1998 whereas Indonesian economic nowadays is in a good condition and development. So, according to me, the stock risk thread is indeed big, but there are also many methods and strategies to overcome and to minimize the risk, especially because the broker indeed has to master 3 stock analysis techniques, so at least I can predict what will happen although it cannot be exactly accurate. For example, when the stock price is able to be predicted will drop, rather than experiencing loss, we cut the loss firstly, then we purchase it again in the less expensive price, and then we sell."

This statement is also supported by Mr. E who explained as in the following

"In fact the stock investment is only a matter of time frame, the price will always rise and fall, but in each stock price, there is a history. In the meaning that the stock price that is fall will also rise someday, just need to wait for the time, whether it is slow or fast, and it is also influenced by whether the stock trading is liquid or not, that is why the 3 kind of analysis techniques have to be combined, for example, if I will have a blue chip or second layer stock and the most important thing is liquid, so we can also sell it because it is actively traded. And what if an investor perceives the loss thread or risk that attaches in the stock depends on the investment aim and the investor's emotion. For example, when the stock price drop in 1998, people became emotional and wanted to release the stock, as a result the loss really happened, what if it was hold up. Although the time was longer, but if the investment fund was really purely used for the investment, we just need to wait rather than truly experiencing loss.

Both of the above opinions support Krech's statement (1962) who stated that the difference between broker perception and public perception in viewing the same phenomenon can happen due to the existence of internal factors, such as knowledge and experience, also external factors, such as the environment condition that is different between both sides.

According to the broker, the investment aim determination and the desired return rate hold an important role in the success of someone's investment. An investor who based his investment on emotion is definitely closer to the risk thread compared to those whose investment decision is based on an adequate analysis, and has been considering about how big the risk that is miss, yet still can be tolerated by the investor. It is explained by Mrs. I who stated

"The investor must not be greedy for the profit. Since the beginning when I handle an investor, firstly I emphasize about the loss and profit possibility that can be obtained by the investor. I prefer if my investor has his own individual profit percentage target that he wants to achieve after seeing today's capital market condition for sure. So, as long as the rising movement of the stock price has achieved the target, the stock can be sold to gain profit, and also how much percentage of falling price that he can tolerate. If the investor has his own target and he can really hold on the target, he will be able to invest wisely."

Mr. C insisted that

"It's impossible for investor not to face the risk of loss in their investment, but the broker should provide input on how to look at the loss, which is important to set the right time to sell their securities. "

Therefore, Mr. B stated that

"It's important for investors to be aware that they entered into a risky investment such as stocks from the beginning, which means that there is a chance to make profit and loss. But the term of loss must be defined carefully by the investor. If investors do not sell their stocks when the price is going down, then the loss possibility is unrealized. Investors still hold the stocks, and there are opportunities for the price to increase again. Stock's price is definitely up and down anyway; therefore investors must be careful in choosing a qualified stock in as their investment product."

In essence, the individual broker explained that education and a good understanding of the risk profile and investment conditions in the capital markets, in particular stock, must be owned by investors so that they are able to wisely maximize their expected return and minimize the risks of their investments. Therefore Mrs. H said that

"The most important key for investors are to be well-informed about the return and risks of their securities, so they could have their own standards of profit and loss which can be tolerated by each investor."

As a result, a broker that has learned the stock analysis technique in particular can perceive that the loss risk can be avoided with various methods.

However, all the possessed capabilities and perception optimism will not attract public or investor's interest about the offered product, including the trust toward broker's profile that eventually will assist the investor. As it is told by Mrs. F who explained the important role of trust in capital market investment, as in the following

"Knowledge can be possessed by everyone; it is easy to be learned. But if we cannot control the investor's emotion, we cannot succeed. It is useless if we have the knowledge, but it cannot be used to handle the investor's emotion. As a broker, he has to have a determined reason and strong belief about his decision and analysis that he has made. The key is the broker must not be unsure because the investor will be easily influenced. If the broker is unsure, the investor will not believe on our credibility, so how can the investor believe on what we are saying. If the investor does not believe on us, he will not see on our products mainly because we have already been doubted on whether we are able to assure the fund security or not."

Other method in building the investor's trust is explained by B as in the following

"Usually if we handle the prospective inves-

tor who is not really trust with our product, mostly about stock, I will show the stock price history chart. For example, we take 10 blue chip stocks, just compare the lowest and the highest price, and how long does it take to achieve it. Then, we calculate the return percentage. Talking with the real evidence, it is the most accurate method to convince the investor."

The proximity is also the key element, as it is stated by Pradana (2003) that in order to build investor's trust, the salesperson must establish proximity physically, intellectually, and emotionally. It is also proven by broker's statement describing that by becoming friend and by being closed to the investor will make us easy to gain the investor's trust. The following is the explanation coming from Mr. D who stated that

"Usually I ask the investor to firstly visit my office, to have a direct observation on the stock price movement through our trading system. So, I want him to get a brief description because in order to decide a stock investment is not easy. Thus, I prefer if my investors know well about his investment environment, including the profit and loss possibility."

The same method is also stated by Mrs. F as described in the following

"The key is we must be patient in handling people, we must listen rather than talk a lot because by listening, we can get what is needed and wanted by them. During the time, we take the opportunity to give accurate perceptions until they believe on us."

Mr. E insisted that

"To obtain investor loyalty was only a matter of trust. To gain investor's trust is related to how we develop and maintain our communication, and most importantly, we must continue to develop our analytical skills to provide the best services in managing investor's funds. "

Broker's arguments and statements about their approach method in developing the investor's trust are in line with Barnes (2003)'s trust theory explaining that the trust incorporates someone's willing to act in a certain way as a belief that his partner will provide what he is expected. It is similar to broker's explanation stating that the thing that can make the investor to believe is when the investor understands the reality through broker's explanation about products and capital market condition based on the existing evidences, such as the positive stock performance, and the implementation of stock analysis technique by a reliable broker as it is explained by Mr. C as in the following

"If there is an investor who is difficult to be assured, I suggest him to do stock trading simulation. I provide him with some prospective stocks and I ask him to see whether my analysis is proven or not."

Besides the investor's need on the assurance of broker's capabilities in proving his statement, education also takes a significant role in building the investor's trust toward the product and capital market condition, as it is stated by the brokers. It is in accordance with Mowen & Minor (2012) about the customer's trust.

Broker also mentions that the stable Indonesian economic condition today, which provides a bigger opportunity for the capital market development, becomes an important point to help the broker to convince the investor, as it is stated by Shaw (2012) about the factors influence someone's belief. It is similar to the investor's past experience, indicating that it is a way more difficult to gain trust for the investor who has ever experienced loss in the past compared with the inexperienced investor, as it is explained by Mr. C in the following

"For the investor who has ever experienced loss in the past, I will discuss about his experience and try to provide solution to avoid the same loss because there is usually something wrong with the investment strategy that it resulted on loss. Usually using this approach to this type of investor makes him changing his mind and starting to invest again."

Mrs. G also provides statement that supports Shaw (2002)'s theory indicating that the company's credibility also takes a role in gaining the consumer's trust or in this case is the investor. Here is the statement:

"Securities Company's profile is also important in assuring the investor's fund security because there are also some securities companies that fall down and cannot return their investor's fund."

Investor's trust in investing in capital market will give a positive impact for their fund's maximization. However, actually, there are investors who are deciding not to invest their funds in the stock market because of personal reasons.

CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

Based on the above analysis and discussion, it can be described that the phenomenon of the risks of investing in the capital market, there will be some investors who certainly consider that the profile of capital market products is not in accordance with their character. However, the possibilities in increasing the number of domestic investors in Indonesia capital market is widely open as stated by some participants, that public's negative perception can be anticipated and eliminated by building trust between the professional (individual broker) and investors. The minimum number of investors in Indonesia is not only due to the lack of public's knowledge that causes a paranoia and negative perception in the public mindset. Investor's fear of the risk of investing in capital market can be overcome when investors gain enough information and education.

It is the trust that plays significance role in determining someone's investment decision because the investment decision incorporates investor's fund that will be trusted to a certain company in the form of a certain product. Here, the brokers plays their role in assisting the investors with all of their capabilities and experiences to handle any possible risks, therefore the brokers will be able to convince the investor that the chosen investment product can provide benefit and security assurance toward the investment fund.

An Individual broker is required to increase his/her analysis capability that has become a main point for gaining the investor's trust because the investor needs real evidence for any positive perceptions delivered by the broker about capital market products, especially stock. Therefore, it is important for a broker to be able to employ all of his/her experiences and knowledge as a preparation for understanding the investors' need and consideration, therefore the broker can provide appropriate inputs to each individual investor in any conditions to build the investor's trust toward capital market products.

Despite this study is rich and elaborative for the phenomenon chosen it can also explore issues of this study. In fact, this exploratory study has some limitations. At least there are three limitations in this study. First limitation is in accessing information. Limitation of time for doing interview process which is due to busy work as a broker; and hard to choose individual broker as participant, mostly brokers reluctant to be key informants

Second limitation is created by the current state of the study; it means this study only conducted in one city, Malang, East Java. The different conditions of research field may cause some different results of this study. Third limitation is concerned on selected of research methodology. This is exploratory study with qualitative approach; it means the results of this study cannot be generalized. It is focuses on specific issues in the particular situations, with the deeply root of theoretical concept. Hence, this study only brought particular problem solving.

Finally, considering the limitation further studies should focus on risk phenomenon of investing in capital market which is needed. At least, it's needed for next studies to describe the phenomenon of the risks of investing in the capital market based on the perception of other parties such as investors.

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