

# Individual investors' behavior in decision making on securities investment in Indonesia Stock Exchange (ISE)

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## ABSTRACT

*This study tests the benefits of investment in financial information, sophisticated and rational attitude, and risk preferences of investors on utility maximization in investment decision-making process. This study is clear causality with the survey on the opinions, attitudes, experiences, or characteristics of the study individual subjects. Time dimension is one shot study on 182 investors. Data analysis was done using Structural Equation Modeling (SEM) with AMOS program. It shows that the benefits of financial information does not affect the investment intentions; Subjective norms positively affect the investment intentions; Subjective norms have positive influence on belief revision; usefulness of accounting information has positive influence on the perception of systemic risk; positive belief revision affects investment intentions, and systematic risk perception negatively affect the investment intentions. They become sophisticated investors and irrational because it does not utilize the information in the financial statements of the stock investment decisions. They risk averter because when they have a positive attitude towards risk stocks, investors avoid acting in investment intentions.*

## ABSTRAK

*Tujuan penelitian ini menguji manfaat investasi dalam informasi keuangan, sikap canggih dan rasional, dan preferensi risiko investor pada maksimisasi utilitas dalam proses pengambilan keputusan investasi. Penelitian ini adalah kausalitas jelas dengan survei pada pendapat, sikap, pengalaman, atau karakteristik subyek penelitian secara individual. Dimensi waktu adalah one shot study pada 182 investors. Analisis data menggunakan Structural Equation Modeling (SEM) dengan program AMOS. Hasil penelitian menunjukkan bahwa manfaat informasi keuangan tidak berpengaruh pada niat investasi; norma subyektif positif mempengaruhi niat investasi; norma subyektif berpengaruh positif terhadap revisi keyakinan; kegunaan informasi akuntansi berpengaruh positif terhadap persepsi risiko sistematis; revisi keyakinan positif mempengaruhi niat investasi, dan persepsi risiko sistematis berpengaruh negatif terhadap niat investasi. Mereka menjadi investor canggih dan tidak rasional karena tidak memanfaatkan informasi dalam laporan keuangan keputusan investasi saham. Mereka risk averter karena ketika memiliki sikap positif terhadap risiko saham emiten, investor menghindari bertindak dalam niat investasi.*

## 1. INTRODUCTION

Investment on securities in the stock market is influenced by some factors such as information, risk, politics, security, issues, rumors, policy, global markets, news, as well as consideration of market belief in doing investing or investment intention. The goal of such action is to maximize the utility. Thus, intention

to do investment shows an assessment of the company (the value of the firm) which is reflected in the stock price. For example, when the stock price increases, the issuer is deemed to have good performance and prospects. It implies that the investors get a capital gain when the shares are sold, or held for getting dividends, or both (Arrozi 2011).

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Concern about the issue of investment reflects the attention to the information in the interpretation of information for decision making. For investors, information that serves as a stimulus signals (Hogg and Cooper 2007) affects cognitive processes because they inform the company's financial performance, prospects of the company, uncertainty, expected values, and facilities management responsibilities to stakeholders (Scott 2011). Through understanding the information processing center as referred to a cognitive mental process, it tends to create investment (Arrozi and Septyanto 2012). Thus, the information signal can be considered good news or bad news. The representation of good news and the bad news perception is a form of expected values (returns) and risk and shows attention of investors in the determination of investment decision.

It has been noted that investors respond to the financial statement information but have limited cognitive ability to interpret the information that investors receive. In this case, they act so naive, irrational, and unsophisticated (Arrozi 2009). Therefore, they tend to base on rumors, issues, speculative, and behave mass behavior, impulsivity, loss-control, and impatience (Arrozi 2012; Arrozi et al. 2014). Due to the above problem, it can lead to consequences, namely: a) Investors make the wrong decision so that the stock in question incorrectly assessed and market often seems to get lost (fooled) by the information that must be interpreted; b) The misleading investors change and adjust to beliefs the initial values that are already expected to interpret information; c) Making investor behavior more impulsive so that many investment decisions have high risk. This is because of the perception of the object that is interpreted to be a misinterpretation; d) Investors behave as profit-taking to pay attention to capital gains. This process shows that short-term investors like investment, speculative behavior, as well as actively pursuing a strategy by taking into account factors such as macro issues, rumors, politics, conspiracy, insider trading, regulatory, market anomalies, and others.

The purpose of this study is to assess the investor's intention to invest in a sophisticated and rational utility maximizing.

## 2. THEORETICAL FRAMEWORK AND HYPOTHESIS

### Theory of Intent to Behave (Theory of Reasoned Action)

Theory of Reasoned Action (Theory of Intention to Behave) was formerly developed by Fishbein and Ajzen (1975) explaining that the behavior is done

because the individual has the intention to do so, and related to the activities carried out on their own (volitional). Volitional behavior is based on the assumption; first, humans do things in a way that makes sense. Second, humans consider all information. Third, explicitly or implicitly take into account the implications of human actions investors. Intention to act is a function of two basic determinants, which relates to personal and other factors related to social influence.

The outline of the concept of reasoned action is divided into three relationships, first, the relationship with attitudes beliefs. Beliefs affect attitudes as positive or negative effect of knowledge, attitudes toward action means is formed of knowledge. The implication is that an attitude can be positive or negative depending on the components that make up the knowledge of being obedient. Secondly, it deals with the relationship between normative beliefs and subjective norm. Normative beliefs came make someone act or behave related to his component of knowledge, and the views of others which affect the life of someone else.

Subjective norm is an action against a person's decision after considering the views of others towards an action. Third, it concerns the relationship between attitude and subjective norm towards intention to behave. In this case, intention to perform an action depends on the intention to perform an action, and the intention is formed of attitudes toward an action and subjective norms against an action.

Theory of intention to behave is referred to Fishbein and Ajzen (1975). It was stated that the intention according to a person's behavior which is influenced by two factors, namely attitude and subjective norm behavior. Therefore, it is still widely open for the construction of behavioral development. Individual behavior is indirectly influenced by external variables. This also interacts with environmental factors in determining behavior. The external variables are demographics, personality characteristics, beliefs about the object, the attitude toward the object, task characteristics, and situational.

The attitudes interact with each other is related to the beliefs in certain object that is stock or shares. Shares are classified such as assets which are in the risky market environment. This predicts individual behavior for being more complex and it also presents a great opportunity to develop a model construction in the theory of reasons. This is due to the fact that behavior has become the individual characters, such as environmental factors, perception, information, demographics, values, beliefs considerations, etc. into the model of intention to behave.

The study by Arrozi and Septyanto (2011) on the determinants of stock investments shows that investors tend to rely on long-term profitability. This factor rests on the characteristics of the securities that are risky instruments with market risk. The next deciding factor is the rapid gains in the short term, following the advice of people / friends, as well as having the authority in possession. It is proved that the subjective norm that relied on a friend's suggestion indicates that no major sequence in shares investment discretion.

### **Intention to Invest**

Consumption and investment are related activities. Delayed current consumption can be interpreted as an investment for future consumption and individual consumption to get satisfaction. Investors invest their money to improve its utility in the form of financial welfare. The process shows how the investor should make an investment in securities, the securities selected what, how much of the investment, and when the investment will be carried out (Arrozi 2012).

The investment objectives can be stated in both the return and risk. In this condition, risk preferences should be considered in the investment process. This is due to the fact that the funds invested affect the expected returns and risks covered. A model of assumptions about investor preferences (Markowitz 1952; Scott 2011) is based solely on expected return and risk of portfolios that assume investors to have the same utility function. Another model is the value of the portfolio with the smallest risk for a certain expected return.

Studies by Arrozi and Septyanto (2011) on the preferences of investors indicate that preference returns desired by investors are dividends and capital gains. In such instances, return is based on the choice of investment securities that have superior stock category, good performance, stable profitability, and high liquidity. Besides that, the investment decision-making model with negative framing specifically also indicates that investors in the Indonesia Stock Exchange tend to be risk neutral preferences to maximize their utility. Evidence supports that there is a tendency of investors would be indifference on an investment that is fair.

An attitude that belongs to one of the market participants in the capital markets is the intention to invest. Intention to invest is a cognitive process to estimate the risk and return. The form of this attitude is supported by three factors, first, determination: the motivation, intentions, and strong purpose. Second, self discipline: knowing what and

when to do something. Third, it is fighting: work hard, work smart, and time management. Process intention to invest requires a high capability for market participants related to the ability of individuals in the cognitive, affective, and a connotation referred to such as processing of financial and non-financial information, the application of investment knowledge of the fundamental and technical aspects, changes in investment preferences, perceptions of risk and return, investment and learning process (Nofsinger 2005).

The above concept is related to the investment objectives of the investment strategy selected market participants desired to return, so the cognitive processes will vary among market participants in determining the appropriate investment strategy. This variation is caused market participants have different preferences based on return and risk. The implication of market participants have an option like returns in the form of dividends, capital gains, or both dividends and capital gains. Market participants will have different preferences and utilities for the above attitude.

Intention to invest requires knowledge of specific analyzes to be sure about the stock performance to be selected in the overall stock investment (Nofsinger 2005; Altman 2006). Knowledge analysis for intention to invest is specifically in the analysis phase including the following: First, fundamental analysis and industry. Fundamental analysis is an analysis of the issuer's financial performance is assuming the value of the firm; the value of the company is shown or reflected in the price of securities. Second, it concerns economic analysis and technical analysis.

The analysis is based on the movement of stocks selected candidates. The purpose of the analysis to get estimates of return and risk calculation of stocks selected candidates. The result of the analysis is used to decide on the choice of candidate stocks with the highest return on risk-free asset return. Third, it deals with portfolio analysis. The process of formation of portfolio based on investor preferences are divided into categories of risk averter, risk seekers, as well as risk neutral. An attitude toward preference is to determine the ease of acceptance of risk in meeting the recommendation to investors and other market participants. Thus, the ease of acceptance of risk has implications for investor returns subjectively desired.

### **Risk perception**

Perception is an individual view to understand the object or event through their senses derived from the

experience of objects or events to infer information and interpret messages. Subjective perceptions and situational are possibly related to the activity of having differences with the other individual's perception of the same object (Dictionary of Indonesian 2008; Robbins 2008). Investment risk has a sense, i.e. the deviation from the expected profit existence uncertainty means investors will get a return in the future as yet unknown value (Hartono 2008).

Types of investment risks are grouped into two major groups (Jones 2006), first, systematic risk or systematic risk or undiversified risk; Market risk cannot be eliminated through diversification of the portfolio. For example, a sharp rise in inflation, recession, can raise interest rates, and economic cycles. Secondly, risk is not systematic or unsystematic risk or diversifiable risk; Specific risks for companies that include policy and strategic decisions, operations, and finance. These risks differ between the various companies that focus on the specific impact on certain stocks or sectors. Example, government regulations prohibit the export or import of cement that affect the stock price which produces cement, property, or other products that use cement materials.

### Hypothesis Testing

In reference to the theoretical and empirical bases, the proposed hypotheses are as follows:

- H1: The benefit of financial information affects the belief revision.
- H2: The benefit of financial information affects the perception of unsystematic risk.
- H3: The benefit of financial information affects the intention to invest.
- H4: Perception of unsystematic risk affects the intention to invest
- H5: Subjective norm affects belief revision.
- H6: Subjective norm affects the intention to invest.
- H7: Revision beliefs to affect the investment intentions.

## 3. RESEARCH METHOD

### Design and Type of the Research

This study is a causal-explanatory approach, explaining the phenomenon of investment decision, using primary data. The time dimension is a one shot study in which the data were collected by survey from investors with their opinions, attitudes, and experience in making investment decisions. The unit of analysis is the individual investor.

### Population, Sample and Sampling Technique

The population consists of individual investors

who invest in the Stock Exchange. As referred to Hair et al. (2010), a large sample is 5-10 x number of variables or the maximum estimate likelihood estimation (MLE) between 100 and 200. The sample size was determined based on the MLE is 135 sampling technique using simple random sampling, in which each individual investor has an equal probability to be selected as the sample.

### Technique of Analysis

Data were analyzed using the Structural Equation Model (SEM) with the AMOS program to test hypotheses 1 through 7 of this technique is appropriate when used to describe the relationship analysis of a series of stages through the analysis of path (line).

### Operational Definition and Measurement of the Variables

#### Benefits of Accounting Information

The benefit of accounting information is the degree of having positive or negative effect which is determined directly by the analysts' belief. It is the effects on the quality of information that is useful in decision making. This is measured by researchers as developed from the SAK (IAI 2012), Ho and Wong (2005), and (Arrozi et al. 2014). The benefit of accounting information is identified in 5 latent variables and 15 measured variables, as the following.

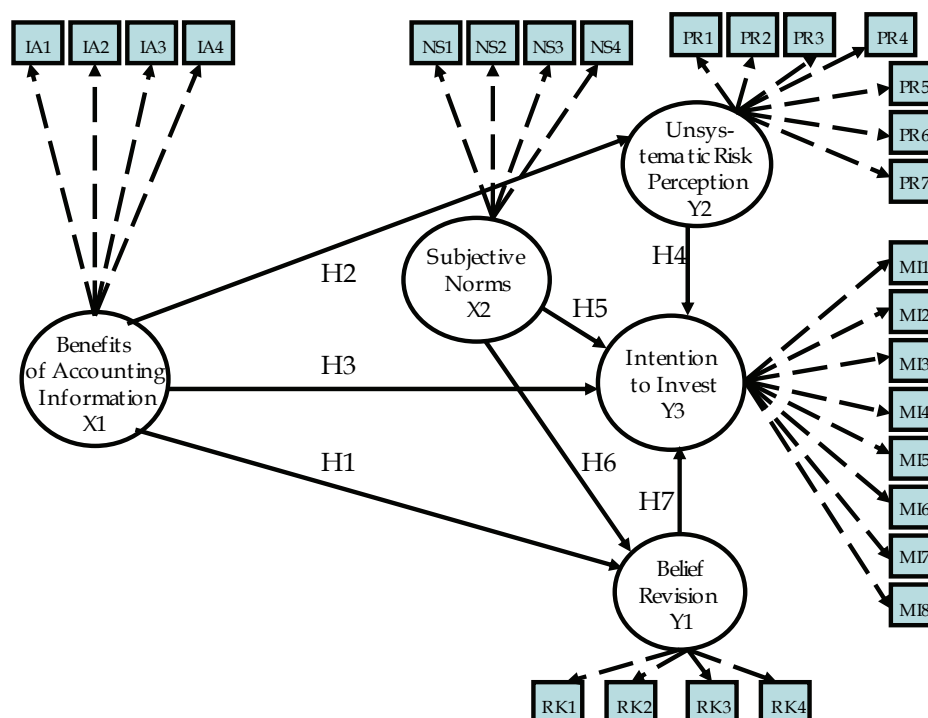
1. Relevance (IA1) consists of three indicators, i.e. predictive, feedback, and on time.
2. Reliability (IA2) consists of three indicators, which can be checked / testability, Accuracy symbolization, and neutrality.
3. Quality of Secondary (IA3) consists of three indicators, namely Comparative, Consistency, and easy to understand.
4. Limitation (IA4) consists of two indicators, namely the costs and benefits; and Materiality.
5. Performance (IA5) consists of two indicators, namely short-term performance, and prospects.

The Instrument of benefits of accounting information is developed by Likert scale, measuring the usefulness of information as in score 1. It shows that the accounting information is not very helpful, as well as in score 5 which shows that the accounting information is very helpful.

### Unsystematic Risk Perception

Unsystematic risk perception is the belief which analysts regard it as the financial statement items that happen to be considered a potential loss of yield. Its instrument consists of 7 indicators as developed

**Figure 1**  
**Research Model**



from Koonce et al. (2004) and Arrozi (2012), namely: financial statements show the financial difficulties (RU1. This, concerns the financial condition of the company (RU2), financial condition that cannot be controlled (RU3), the relationship with the timing of the financial risk (RU4), the probability of economic loss financial statements (RU5), loss I predicted would happen to the company (RU6), and there is company's financial risk (RU7).

Unsystematic risk instrument is measured by using a Likert scale in which that in score 1 indicating extremely risky, and score 5 showing very risky.

### Belief Revision

Belief revision is the change in the initial belief (anchor) into a new belief (adjustment) due to securities analysts that acquires new information as good news or bad news. This measurement was developed from Scott (2011) which consists of 6 indicators: earnings brought news (RK1), the return brings information content (RK2), dividend brings news (RK3), dividends carry information content (RK4), the performance of Price Earnings Ratio contains positive information (RK5), and encourages a change candidate performance (RK6). The measurement of belief revision is done using a Likert scale. This scale ranges from 1 which shows very unsure and 5 which shows very confident.

### Subjective Norms

Subjective norm is the analyst's perception about the strength of the effect of opinion. It affects the people around him. They are experts in the field of financial investment that motivates him to decide investment. The variable of subjective norms is developed from Chow and Chan (2008) with 4 indicators, namely: Effect of observer (NS1), Effect of friend (NS2), the influence of mass media (NS3), and Influence regulator (NS4)

The instrument of subjective norms is done using a Likert scale that measures the strength of normative belief to comply with the investment decision. The answer provided was not encouraging start from (1) up to very encouraging (5).

### Intention to Invest

Investment intention is a desire to buy stocks directly determined by the belief of investors who own the stock return estimate. The instrument used to measure investment intentions is developed from Arrozi et al (2009) which consists of 8 variables measured (indicators), namely: the desire to have stocks with high returns, the blue chips have the desire, the desire for information about the stock you want, the desire own shares at any price, the desire to change and revise stock performance, the desire to know how the new investment, the desire to be responsive to changes in stock prices,

**Table 1**  
**Distribution of Questionnaire Returned**

Description	Total
Number delivered	200 exemplars
Questionnaires returned	162 exemplars
Percentage returned	0 %
Questioners used	135 exemplars
Percentage used	83 %

Source: Processed data by researcher (2013)

**Table 2**  
**Demography of Research Respondents**

Description	Total
Age of respondents	
20 – 25 years	10.7 %
26 – 30 years	40.5 %
31 – 35 years	14.9 %
36 – 40 years	14.9 %
41 – 45 years	8.6 %
46 – 50 years	10.6 %
Total	100.0 %
Gender	
Male	76.6 %
Female	23.4 %
Total	100.0 %
Formal Education	
D3 (3-year college study)	4.3 %
S1 (undergraduate)	72.4 %
S2 (Master)	21.3 %
S3 (Doctoral)	2.1 %
Total	100.0 %
Period of Investment in Capital Market	
1 – 5 years	65.8 %
6 – 10 years	21.5 %
11 – 15 years	2.1 %
16 – 20 years	10.6 %
21 – 25 years	-
Total	100.0 %
Investor category	
Fundamental	13.0 %
Technical	81.0 %
Both of them	6.0 %
Total	100.0 %

Source: Processed data (2013).

**Table 3**  
**Results of Variable Reliability and Validity Test**

Variables	Reliabilities	Validities
Benefits of Accounting Information	0.847	0.832
Subjective norms	0.718	0.851
Belief revision	0.828	0.882
Risk Perception Unsystematic	0.796	0.849
Intent to invest	0.788	0.816

Source: Processed data (2013).

and the desire to be responsive to changes in market interest rates.

Investment intentions instrument developed using a Likert scale of 1 to 5. Respondents were

asked to respond to alternative answers provided and they did not start from intend (1) to very much intent (5).

### Research Model

Research model in this study can be drawn in Figure 1.

## 4. DATA ANALYSIS AND DISCUSSION

### Descriptive Analysis

#### Characteristics of the Respondents

As in Table 2, the investor demography shows the highest characteristics: age 26-30; male gender; S1; investing 1-5 years old; and technical categories of investors.

#### Test of Reliability and Validity

Cronbach alpha reliability test is done with a value between 0.718 and 0.847. It has a value above 0.60. It implies the study variables were reliable (Hair et al. 2010). While testing the validity using factor analysis with a MSA value between 0.816 and 0.882 which has a value above 0.50 thus concluded a valid study variable. The result of testing the reliability and validity of the study variables are shown in Table 3.

#### Test of Conformance Model (Goodness-of-fit Test)

The test of the model on SEM is intended to look at the suitability of the model. Test results Goodness-of-fit test are presented in Table 4. It is known that 8 criteria to assess the feasibility of a model are fulfilled. For that reason, our model does not need to be modified because there is a fit between the model and the data.

#### Hypothesis Testing

The SEM analysis shows the test of H1 through H9. Hypothesis 2, 4, 5, 6, and 7 are all accepted because they have significance under 0:05. Yet, hypotheses 1 and 3 are rejected because they have significance on the 0.05 level. All these evidences are presented in Table 5.

### Discussion

For hypothesis 1, it concerns the effect of financial information on the benefits of belief revision. It indicates that the benefits of financial information on the belief revision does not affect directly and positively. This suggests that accounting information is not helpful in decision making because the signal of information cannot make the investors to change the belief that have been held previously.

The previous belief was based on the financial

**Table 4**  
**Conformance Index of Structural Equation Model (SEM)**

Criteria	Cut of Value	Calculation Results	Description
Chi-Square ( $X^2$ )	Expected small	322.554	$X^2$ with df = 200 is 218
Significance of Probability	$\geq 0.05$	0.0958	Good
RMSEA	$\leq 0.08$	0.029	Good
GFI	$\geq 0.90$	0.906	Good
AGFI	$\geq 0.90$	0.881	Marginal – Good
CMIN/DF	$\leq 2.00$	1.084	Good
TLI	$\geq 0.95$	0.985	Good
CFI	$\geq 0.95$	0.987	Good

Source: Processed data (2013).

**Table 5**  
**Parameter of Structural Model Estimation**

Variables	Estimate	S.E.	C.R.	Prob.	Hypotheses	Description
Benefit of Information → Belief revision	0.364	0.059	1.183	0.295	H1	Not sig.
Benefit of Information → Risk Perception	0.233	0.056	4.190	0.000	H2	Sig.
Benefit of Information → Intent to Invest	0.261	0.089	0.942	0.136	H3	Not sig.
Risk perception → Intent to invest	-0.442	0.131	-3.389	0.001	H4	Sig.
Subjective norms → Intent to invest	0.767	0.384	1.999	0.046	H5	Sig.
Subjective Norms → Belief Revision	0.740	0.330	2.245	0.025	H6	Sig.
Belief Revision → Intent to invest	0.217	0.106	2.046	0.041	H7	Sig.

Source: Processed data (2013).

information about the issuer of shares available in the market. At the time of publication of the financial statements, investors do not read, examine, analyze, and interpret financial statements if the signal has good news or bad news. These results do not provide change prior belief that the financial statements do not provide benefits. From this evidence, hypothesis 1 is not accepted.

For the test of Hypothesis 2, it deals with the effect of financial information on the benefits of risk perception. It indicates that the benefit of financial information has a positive influence on risk perception. It implies that accounting information is useful in providing information signal good news or bad news about the financial condition of the company if the signal good news shows that financial conditions are not at risk (good) and signal bad news about the financial condition is very risky.

It provides a view that fundamentally share price in the stock market can also provide unique information towards the risk of the issuer's shares. Therefore, investors can provide an increase (rating) of the stock and this makes them able to diversify stock. The results of the analysis of the financial statements provide information about the financial risk signals in the form of bad news. Due to this fact, hypothesis 2 is accepted.

The test of Hypothesis 3 is the effect of financial information on the benefits of investment intentions. It shows that the benefit of financial informa-

tion has no effect on the investment intentions. This means that the financial statements are not useful in determining the stock investment decisions. Investment influenced investment strategy because it shows the return desired by the perpetrator and the perpetrator varies between one to the other actors in determining the right type of investment strategy.

The above variation is due to subjectivity of return preferences. Thus, there are players who prefer dividends, or capital gains, or the emphasis on both dividends and capital gains, as well as please the authority ownership. This preference can be changed because of their belief, views of others, personal attitude, and various considerations. One of the considerations is the information with its benefit of financial statement information as primarily benefits. The degree of the returns promised and future prospects of the issuer can occur. Actors who have subjectivity dividend return on the offender can receive the benefit of the results of performance stock trading transactions. Yet, investors prefer capital gains, the capital gains will be realized when the stock trades by comparing the purchase price to the sale price. Information gives a small portion of information content and information does not provide financial benefits to profit based on subjectivity.

The next is the test of Hypothesis 4, the effect of perceived risk on the investment intentions. It shows

that the perception of risk negatively affects the investment intentions. This means that the higher the risk perception of investors towards stocks, the lower the investment intentions of investors to make a specialization of the stock. Thus, investors have the intention to reposition the stock and make the selection according to the preference shares.

The above behavior indicates that the stock is a financial asset at risk and how to minimize risk in the stock investment through portfolio diversification and shaping it in an optimal portfolio. The relationship between the 2 variables is that the investor behavior in decision-making is influenced by the perception of risk regarding the potential negative items contained in the financial statements.

As due to the market efficiency, the risk information is reflected in the stock price changes. The implication would affect cognitive investors in making investment decisions stock. Share decision making depends on acceptance of risk and risk preferences. Investors who have a preference risk seekers tend to accept substantial risk in decision-making but should be balanced with the expectations of a large return. This happens because investors as a proxy for investor wanting a great compensation when they will suffer losses in the future. This is true for investors who have the opposite preference and risk neutral risk averter is taking option with a low risk or high certainty of outcome. The influence of risk perception on investment intentions in this study proved to be significant.

The test of Hypothesis 5 concerns the effect of subjective norms on investment intentions.

It indicates that subjective norms positively affect the investment intentions. Attitudes toward securities investment decision can be positive because it is formed from the experience and knowledge of the investor as well as the experiences of others who can change direction due to the influence of people such as friends, observers, and regulators. If the attitude of investors toward is in a positive decision (in the sense of investors supporting securities investments) while their friends do not support his position, then the investor intentions can change contradictory.

The above finding is not consistent with the study of Tan and Teo (2000) who there is no effect between subjective norms on intention. This is due to the relationship seen only from the influence of any personal (friends, colleagues, and family) and do not see from external influences. A Study by Hsu and Chiu (2004) shows the external government has no influence on the intention to charge taxes electronically (e-filing). The reason is that

subjective norm as expected has no effect in the form of interest behave as more individuals to adopt by imitating (mimetic).

The test of Hypothesis 6 is dealt with the effect of subjective norm on belief revision.

It shows that subjective norms positively affect the belief revision. It means that investors' perception of personal information from the external originally can change the belief about stock investment. Investors previously had an initial belief about the performance of securities of return and risk that have been held and managed in a portfolio of securities. Such a belief is based on the available information in the market. However, their beliefs are not the same anyway.

The phenomenon above is due to their different ways in getting information and their ability to interpret the information. Because getting information from friends, colleagues, and observers as well as issues and rumors. They will be more informed about the performance behavior of the stock. For the investors, such information is a signal that serves as a stimulus that affects cognitive processes in problem recognition in which it also depends on the belief formed by investors. The belief can determine behavior in decision-making for investors to interpret and analyze the information signal further information to determine when this is a signal that is valid and reliable. Therefore, investors are irrational and unsophisticated.

The test of Hypothesis 7 is related to the effect of belief revision to investment intentions. It shows that the belief revision positively affects the investment intentions. This shows investors' perception of financial and non-financial information that is motivated to change the initial belief about the repositioning of stock selection. Investors had previously had initial beliefs about the performance of securities of return and risk that have been held and managed in a portfolio of securities.

That belief is based on information available in the market but each investor's beliefs are not the same. This is due to different investors in getting information and the ability to interpret the information. After the publication of information as well as financial statements and financial performance information contained in the financial statements, investors will become more informed with the financial performance figures. For investors, financial and non-financial information is a signal that serves as a stimulus that affects cognitive processes in problem recognition through financial statements as well as depending on beliefs formed by investors.



Their belief determines behavior of decision-making for investors to interpret and analyze the information signal further information to determine if this is a signal that is valid and reliable. Therefore, investors should use the critical analyzes of the financial and non-financial information to make investment decisions based on information share. The implication, investors will revise their initial belief for each issuer.

The indirect effect occurs between the latent exogenous variables, namely the benefits of accounting information and subjective norm with belief revision intervening endogenous variables and risk perception. The indirect effect of endogenous latent variables exogenous on the endogenous variables is through intervening. This variable has the ability to change the course of the coefficient and the significance level of the effect or relationship when there are one or more variables included in the model. Indirect effect of accounting information on the benefits of investment intentions through the mediation of belief revision is equal to 0.151.

On the contrary, the indirect effect of accounting information on the benefits of investment intentions through the mediation of the perception of risk is equal to 0.151. The effect of mediation on the two variables above is positive. Thus, the mediating variable of risk perception and belief revision has a function as a variable that heightens the direct effect.

The indirect effect of subjective norm on the intention of investment through the mediation of belief revision is equal to 0.167. Based on the results, it can be concluded that the biggest indirect effect is generated by subjective norms on investment intentions when mediated by belief revision which is of 0.167.

## 5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

In general, this study provides evidence of accepting the effect as stated in that is hypothesis 2 the benefit of financial information towards belief revision; hypothesis 4 risk perception towards intention to invest ,hypothesis 5 subjective norms towards belief revision, hypothesis 6 subjective norm towards intention to invest, and hypothesis 7 belief revision toward intention to invest.

This study rejects hypothesis 1 the effect of financial information toward belief revision, and hypothesis 3 the effect of financial information towards intention top invest. There is an impact of subjective norm toward intention to invest. Thus,

the behavior of investors in Indonesia is more like encouragement from the people around him to invest and imitate the behavior of others to get n approval. It also develops the theory of reasoned action to perform variable decomposition of the unsystematic risk perception attitude and belief revision. For that reason, the general theory can be made specifically with intention to investment theory.

The finding also indicates that investors are unsophisticated and irrational because they do not use financial information in making investment decisions in stock. The stock investment is investment in the prospect that these prospects will be read on the financial performance of a company's financial statements. In addition, investors are also risk averter because when they have a positive attitude towards risk of the issuer's shares, they tend to avoid investment.

It can be recommended that behavioral research on the stock market require market timing, momentum, and market conditions of being both bullish and bearish. Therefore, it is necessary to get information and a better explanation of the behavior of the users. In addition, for the development of the concept, it requires additional variables such as investment motives, type of decision, interest in investment, investment planning and control, risk control, in the fear attitude, and attitude in being greedy.

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