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ANALYSIS OF THE INFLUENCE OF FINANCIAL TECHNOLOGY ON THE INVESTMENT DECISIONS

Satrio Vigo, Lecturer of Business Administration
STIAMI Institute, Indonesia

Bestari Mohamad Fidelio Omar
Bina Nusantara University, Indonesia

Chairani Ridfa*, Lecturer of Business Administration
STIAMI Institute, Indonesia

*E-mail: chairaniridfa@gmail.com
ORCID: 0000-0002-3369-7217

ABSTRACT
Financial freedom is now the goal of human life. The view of success can be achieved if humans have reached the point of independence in their finances. This makes people be required to be good at saving and controlling their finances in conditions of high consumerism culture. One way that the community can take to achieve this goal is to invest in financial instruments that are now growing a lot. One of them is Peer to Peer (P2P) lending in financial technology. This study was aimed at analyzing the effect of financial technology on people's decisions to invest. The methods used are descriptive analysis and logistic regression. The results of the statistical test were the coefficient value of 0.179 with a T value of 2.587 and a P-value of 0.010. The coefficient value of 0.179 means that if the Financial Technology increased by 1 point, the probability of an investment decision would increase by 0.179 and vice versa. The T-value of 2.587 was more than the T-table (1.96) and the P-value (0.010) was less than 0.05, so the alternative hypothesis (H^1) was accepted. Therefore, it means that Financial Technology had a positive and significant impact on investment decisions.

KEY WORDS
Financial freedom, global investment, retail investment, stock exchange, peer to peer lending, financial technology.

Nationally, since the mid of September 2021, the condition of the Indonesian economy, especially the investment climate, is slowly starting to improve. There are several influencing factors, such as the enactment of the Omnibus Law in 2020, which makes it easier for Global or Foreign Investment to enter Indonesia. As the existence of the regulation of Indonesian Government Number 5 of 2021 regarding the implementation of risk-based business licensing, it makes it easier for foreign investors to carry out investment activities in Indonesia. Several sectors that have the flexibility to accept foreign cooperation and investment, such as industry, production, logistics and distribution, energy, technology development, health, finance, tourism, education, and other economic sectors (Indonesian Ministry of Foreign Affairs, 2021).

In terms of retail investment, the capital market area has received fresh air of new hope from investors. Reported from the online media *Investor.id*, Indonesia is starting to enter a new phase in the economic recovery after the acceleration of vaccination, which is accompanied by positive policies from the government of the Republic of Indonesia during the Covid-19 pandemic. Indonesia's economic growth in the third quarter of 2021 reached 3.51% year-on-year (YoY), continued to improve from previous conditions, showed a positive trend, and was able to contribute approximately Rp. 1,200 trillion for economic development. This can be seen from the significant increase, especially in retail investors, both in the number of new investors and the value of transactions on the Indonesia Stock Exchange since the previous year 2020. Referring to the data from the Indonesian Central Securities Depository (KSEI), currently, the number of retail investors in the capital market has reached more than 6.7 million people, of which more than 3 million or around 45.7% are stock investors, or jumped nearly 200% since the Covid-19 pandemic entered Indonesia until this news was released in December 2021 yesterday (*Investor. id* & Fadillah, 2021; *Pasardana. id*, 2021).

In addition, along with the increasing development of the world of digital technology, including in the financial sector (such as financial technology), it has encouraged the growth of the number of retail investors in the Indonesian capital market. This is also driven by increased public awareness of investment. Based on data from the Indonesia Stock Exchange (IDX) data as of October 14, 2021, the number of investors has grown by 489 percent to reach 6.5 million investors compared to the end of 2017 which was still at 1.12 million (*Pasardana.id*, 2021).

According to several sources of information, the development and application of digital instruments in the world of finance and investment in Indonesia have had a significant impact, especially on increasing the number of retail investors in the country. In addition, the high public interests in the investment and the pandemic factor have encouraged more people to invest, especially using digital technology and financial technology. The companies engaged in financial technology ranging from payment solutions, digital wallets, securities, peer-to-peer lending, even banking, and so on are also required to always innovate and strive to provide quality products and services, as well as maintain good corporate governance and professional investment fund management process. In addition, education related to investment that is clear, transparent, and comprehensive needs to be optimized to maintain the interest in millennial investment in the capital market. Given the current demography; productive groups especially the millennial group and Y and Z generations are the group that has a large number (*Pasardana. id*, 2021).

In the financial sector, humans or people are said to be successful and achieve happiness if they have achieved financial independence. Here is in the sense that money is no longer used as the goal of life. All activities and life decisions are no longer solely aimed at money, but money is seen as a means to achieve a more essential goal. Money is no longer controlling a person's life, but people control money. An individual process that regulates and manages his finances for future consideration and planning to meet current future needs is called Financial Experience (Nuryasman MN, 2020) . Some recent cases were found such as the culture of high consumerism, high prices of necessities, uncontrolled finances, less income with high spending, etc. Moreover, the tendency of the community to have a culture of saving is less. Prices are also increasing without being matched by the ability to increase adequate income, so managing family finances wisely is very important (Yulianti & Silvy, 2013) . Then, the financial experience will help individuals to determine the use of patterns that will be used in managing their finances.

There is a way to both save money well and expect a profit in the future at the same time. It is by having an investment (Deviyanti et al., 2017) . According to Fahmi (2012), there are two types of investment; real investment and financial investment. First, it is a real investment where the investment can be seen physically or tangible such as gold, houses, land, etc. Second, financial investments are investments that are in the forms that cannot be seen physically and it is likely being implemented on the money market, capital market, futures market, and fintech. According to the Regulation of *Bank Indonesia,* Number 19/12/PBI/2017 concerning the Implementation of Financial Technology, Peer to Peer (P2P) lending, is an example of implementing Financial Technology (Fintech) in the form of information technology-based lending and borrowing services (Bank Indonesia Regulation, 2017) . The P2P lending industry provides a platform for lenders and borrowers without using bank financial institutions as intermediaries. To become a lender or commonly called an investor in P2P lending , it just needs personal data and has funds in a practical way which is online (Syarfi & Asandimitra, 2020) .

Technology Acceptance Model (TAM) is a model originally proposed by Davis and has become the most widely used model to explain user acceptance of new technologies. TAM is developed from the Theory of Reasoned Action and provides a basis for tracking how external variables influence beliefs, attitudes, and intentions to use new technologies. This model has been used to predict acceptance of new IT and has reliably proven in explaining acceptance behavior in several areas of information systems (Wu et al., 2011) . In TAM, there are several indicators as follows. First, ‘Perceived Usefulness’ is the extent to which a person believes that using technology will improve the performance of his job. Second, ‘Perceived Ease of Use’ means an individual's belief that using an information technology system will not be a hassle or require great effort when it is used (free of effort) (Yani et al., 2018) . Third, ‘Perceived Risk’ is defined as consumers' predictions about the potential uncertainty of online transactions. In the past, Perceived Risk (PR) was primarily perceived as a fraud and a quality of the product. Now, Perceived Risk (PR) refers to certain types of financial, product performance, social, psychological, physical, and time risks when consumers make online transactions (Traveloka et. al., 2016) . Last, ‘Behavioral Intention to Use’ reflects someone willing to try and is motivated to perform the behavior (Rashed & Santos, 2014) .

According to *Kamus Besar Bahasa Indonesia*, investment is a form of investing stock or money in a company container or business project to make a profit (*Kamus Besar Bahasa Indonesia*, 2012-2021). Some examples of investments can be in the form of goods such as gold, land/ ground, property, or securities such as bonds, shares, mutual funds, *Sukuk*, and so on. Investment can also be interpreted as holding back current desires that are stored to be developed with the main purpose of investing being to get profits in the future.

Investment is an activity to put or invest a certain amount of money or capital within a certain period (can be quite long), with the hope of obtaining profits or profits in the future. Investment can be regarded as the first step in building the economy. There are various kinds of benefits that can be obtained from investment, such as minimize the risk of debt, have an additional income, build a life in the future, and build a happy family life. To get the benefits of investing, there are various types of investments, such as investments in gold, property (houses, land, shop houses, apartments, etc.), securities such as deposits, bonds, mutual funds, stocks, and *so on* (Danareksa. co.id, 2019).

Nowadays, people generally want to do investment activities because they want to get a fairly high return or interest. Return or profit can be obtained from capital gains or dividends. However, from the other side, investment also contains risks. Risk comes from an external or internal company. Initially, investments were made by business people, entrepreneurs, and people with investment interests (Wibowo & Purwohandoko, 2019). In the modern era like now (in 2021), sometimes the investment is associated with fraudulent investments, actually fraudulent investments are carried out by a certain person or entity by carrying out certain modes to benefit from the investment practices carried out. The Investment Alert Task Force (*Satgas*) formed by the Financial Services Authority provides guidance to the public and potential investors to always be aware of several characteristics of fraudulent investments such as the absence of official permits according to applicable laws such as business entities, *SIUP*, *CV*, *PT*, *TDP*, not to mention fake investments that offer High Return (Big Profit), Free Risk (No Risk), High Incentive, Unfair, Big Promise, and Guarantee (Pardiansyah, 2017).

Based on the results of research conducted by Ni Made Dwiyana Rasuma Putri and Henny Rahyuda in the journal with the theme "The Effect of Financial Literacy Levels and Sociodemographic Factors on Individual Investment Decision Behavior" the level of financial literacy has a positive influence on the behavior of a person's decision to invest (Putri & Rahyuda, 2017). Therefore, to be able to develop the economy of Indonesia in the future, the millennial generation and the generation after it should be willing to take the time to learn about financial literacy to avoid debt and fraudulent investments. Because by making good and right investments, it can have a positive effect and can provide personal and family happiness in the future.

METHODS OF RESEARCH

This was quantitative research. The sampling technique used was purposive sampling, to pay attention to the proportion of categories in the population of the study. The sampling was based on the people who used fintech, so the sample was obtained as many as 346 respondents. The methods for data collection were questionnaires and a literature study. Then, the data collected were analyzed by using the analysis of the Structure Equation Model Partial Least Square (SEM-PLS). It was by using a tool in the form of SmartPLS Version 3.2.9 software.

RESULTS AND DISCUSSION

Based on the research data that has been obtained, it can be seen that the characteristics of the respondents include sex, age, place of residence, marital status, number of children who are married or divorced, education, occupation, smartphone OS, and income. The following will describe the characteristics of each respondent.

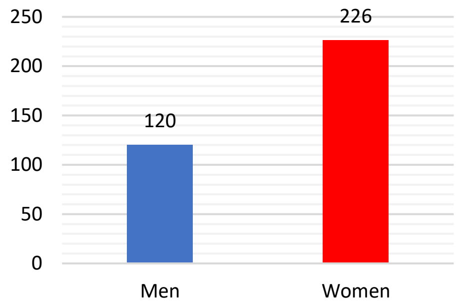

Figure 1 – Respondent's Sex

Based on the figure, it shows that among the 346 respondents, 65.3% of the total respondents were female and 34.7% of the other respondents were male. The majority were female investors, because women are more able to be careful in making decisions compared to men. Moreover, female investors are also more able to make accurate decisions compared to male investors. These symptoms indicated that the female investors are more optimal in utilizing existing information (Rahadjeng, 2011) .

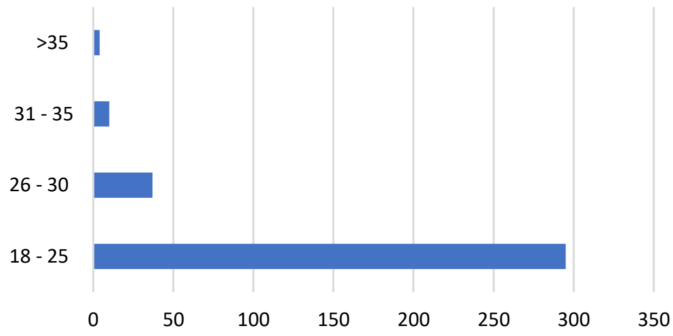

Figure 2 – Respondent's Age

Based on the figure above, it is known that from 346 respondents, 85.3% of all respondents were aged 18 to 25 years, 10.7% of respondents were aged 26 to 30 years, 2.9% of respondents were aged 31 to 35 years, and 1.2% other respondents were with age over 40 years. Age is a limitation or level of life-size that affects a person's physical condition. The older a person is, the more risk-averse is in making investment decisions, and vice versa. In deciding to invest in financial technology, the age group was dominated by 18-25 years old's people. This condition shows that the millennial generation has a large enough interest in investing compared to other generations. They use the information and knowledge they have when making investment decisions. Based on the 2017 Global Investor Study, it shows that the older generation has a higher tendency to invest their disposable income insecurities than the millennial generation and they tend to be more willing to take risks (Hati & Harefa, 2019). Then, the difference in interest in investing can be seen if it was categorized based on the age of the respondent.

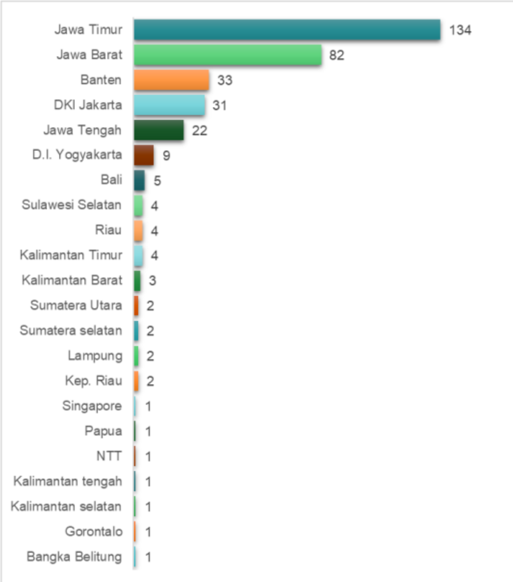

Figure 3 – Respondent's Residence

Based on the figure, it can be seen that from a total of 346 respondents, 38.7% of all respondents live in East Java, 23.7% of respondents live in West Java, 9.5% of respondents live in Banten, 9.0% of respondents live in DKI Jakarta, 6.4% of respondents live in Central Java, and 2.6% of respondents live in DI Yogyakarta. For respondents who live outside Java, it can be seen as follows: 1.4% of respondents live in Bali; 1.2% of respondents live in Riau, East Kalimantan, and South Sulawesi; 0.9% of respondents live in West Kalimantan; respectively -0.6% of respondents live in North Sumatra, Riau Islands, South Sumatra, and Lampung, and 0.3% each of them lives in Bangka Belitung, Central Kalimantan, South Kalimantan, Gorontalo, NTT, and Papua.

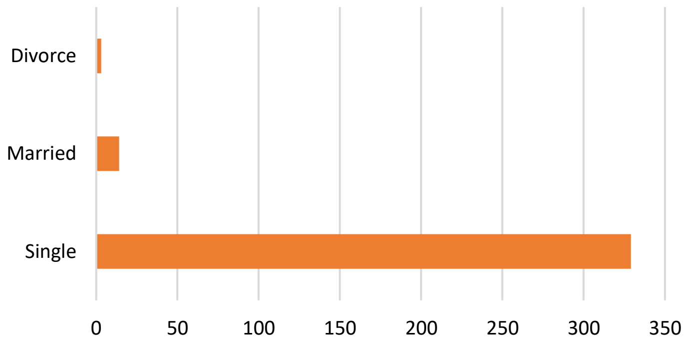

Figure 4 – Respondent's Marital Status

There are 0.3% of respondents who live in Singapore. People in big cities tend to have easier access to information about the investment they will choose. This relates to financial literacy as well as the level of education in the individual's neighborhood. Financial literacy influences the decision to invest. One way to improve financial literacy, especially for millennials and evenly distributed in all parts of Indonesia, is to make a lot of socialization related to financial literacy for millennials and gen Z. Thus, they can get to know more about the financial sub-sector and investment requirements before making investment decisions. This socialization can be done in schools. Also, the financial institutions can work together with the campuses, hold public lectures/ webinars, or collaborate with the independent campus program which is currently in the process of being developed; so it can include financial literacy courses for students (Chairani et. al., 2021).

Based on the figure, it is known that from 346 respondents, at most 95.1% of all respondents had unmarried marital status, 4.0% of respondents were married, and there are 0.9% of other respondents had divorced marital status (alive/dead). Investors who were married with many family members usually consider the needs of the family first compared to the investors who were not married. It can be concluded that by having many family members, investors must spend more money for living expenses, education, and others, so the money set aside for investment was also not too much (Puspitasari, 2014) .

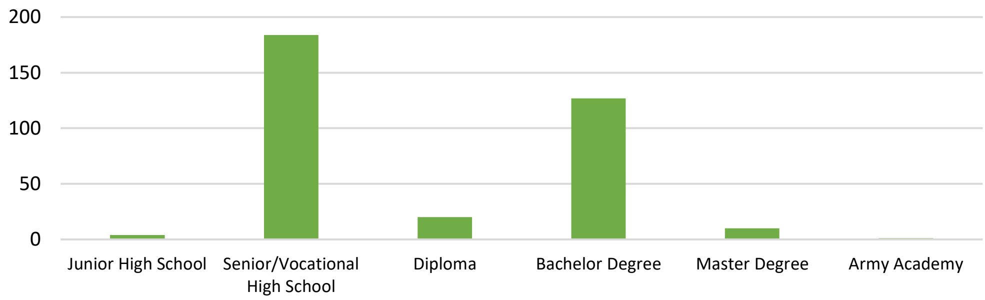

Figure 5 – Respondent's Education

Based on the figure, it is known that from 346 respondents, 53.2% of all respondents were graduated from high /vocational school, 36.7% of respondents were from an undergraduate degree, 5.8% of respondents were from diploma degree, 2.9% of respondents were from the master degree, 1.2% of respondents were from junior high school degree, and 0.3 % of other respondents with Army Academy degree. The pandemic condition currently being faced by people in Indonesia has affected the number of high school/vocational high school graduates who wanted to directly continue their education to the college level.

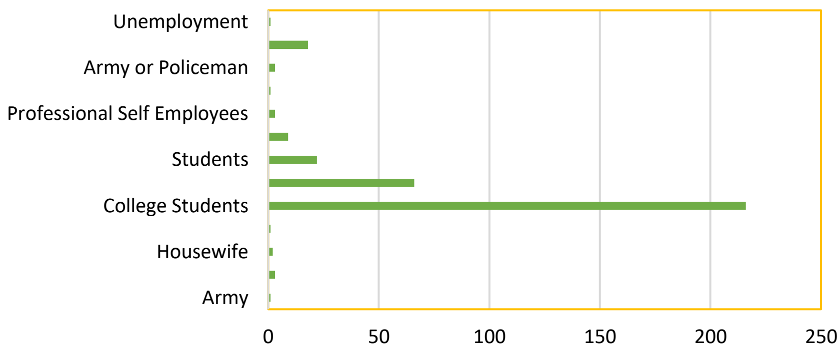

Figure 6 – Respondent's Profession

Thus, if it is related to the age of the respondents who were dominant in making investment decisions in P2P Lending products, it would be following high school/ vocational graduates who have increased but were more daring to make investment decisions. Based on the previous research, education was very important in determining the type of investment. A high level of education would help a person in accumulating personal wealth and understanding how to manage their wealth. The higher the level of education, the wider the knowledge, especially in financial matters. Moreover, they understood very well how to make decisions to invest in managing family finances (Rachmalita Sari, 2017) .

Based on the figure, it is known that from 346 respondents, 62.4% of all respondents' job were college students, 19.1% of respondents were private employees, 6.4% of respondents were students, 5.2% of respondents were entrepreneurs, 2.6% respondents were civil servants or BUMN employees, each 0.9% of respondents with jobs as TNI/POLRI, professional self-employees , and freelancers, 0.6% of respondents were housewives, each 0.3% of respondents were as AKABRI students, job seekers, and Labor Contract Employees; and there are 0.3% of respondents who have not worked yet. The large number of students who invested was related to their age and also their ability to obtain information. In addition, the peer group of college students and friends around them also accelerated and strengthened them to try to start investing. Bad peer influence would have a bad impact on a person's saving behavior as nowadays the majority of millennial generations always followed the trends of their friends and influence each other (Octaviyanti & Silvy, 2019).

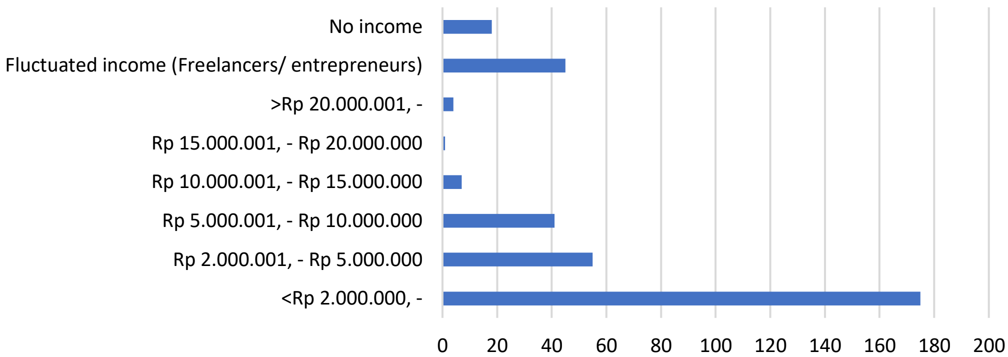

Figure 7 – Respondent's Income

Based on the figure above, it shows that from 346 respondents, mostly 50.6% of all respondents had incomes less than 2 million rupiah, 15.9% of respondents had income between 2 million to 5 million rupiahs, 11.8% of respondents had income between 5 million to 10 million rupiahs, 2.0% of respondents had income between 10 million to 15 million rupiahs, 0.3% of respondents had income between 15 million to 20 million rupiahs, and 1.2% of respondents had income above 20 million rupiahs. There were 13.0% of respondents with uncertain or fluctuating income (such as Freelance/ Entrepreneurs), and there had 5.2% of other respondents who did not have income.

Testing the PLS hypothesis was by using the bootstrapping method with a subsample of 300 and an alpha significance level of 5%. The results of testing the hypothesis were presented in the following table.

Table 1 – Results of Hypothesis Testing

Hypothesis	Variable Effect	Coefficient	P Values	Note
H1	Financial Technology → Investment Decision	0.179	0.010	Reject H_0

The statistical hypotheses used to answer the hypotheses in the research were as follows:

- H0: $\beta_i = 0$ (There was no significant effect between the exogenous variables on the endogenous variables);
- Ha: $\beta_i \neq 0$ (There was a significant effect between the exogenous variables on the endogenous variables).

The statistical hypothesis testing was based on the statistic of T-test and P-value with the criteria that if the T-value was more than the T-table (1.96) or the P-value was less than alpha (0.05), and then the alternative hypothesis was accepted. This means that there was a significant influence between the exogenous variables on the endogenous variables. The statistical results above could be interpreted as follows. Hypothesis 1 explains that it was suspected that Financial Technology had a significant effect on the Investment Decision. The results of the test statistic obtained a coefficient value of 0.179 with a T value of 2.587 and a P-value of 0.010. The coefficient value of 0.179 means that if Financial Technology increased by 1 point, the probability of an investment decision would increase by 0.179 and vice versa. The T-value of 2.587 was more than the T-table (1.96) and the P-value (0.010) was less than 0.05, so the alternative hypothesis (H1) was accepted. In conclusion, it means that Financial Technology had a positive and significant impact on investment decisions.

CONCLUSION

The recent high culture of consumerism and almost all the prices of necessities are creeping up have caused people to be required to be wiser in managing their finances (Yulianti & Silvy, 2013) . Peer to Peer (P2P) lending is an option to become a profitable investment product to help the economy. The decision to invest based on this research through the Technology Acceptance Model (TAM) factor showed the results that Financial Technology influenced on people's decisions to invest. The trust factor strengthened the reason why people choose one of the many Financial Technology companies that had Peer to Peer (P2P) lending as their investment product.

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