

# The Effect of Socialization and Knowledge of Interest in Investing in the Capital Market

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**Abstract**—The capital market in Indonesia has a large role in the country's economy. The ease of investing in the capital market is not necessarily demanded by all people, this is evident that investors in the capital market are still quite low when compared to the total population of Indonesia, which is only 0.4% of the total population of Indonesia, amounting to 250 million people. Meanwhile, in the city of Cirebon the number of capital market investors in the city of Cirebon is around 0.025% of the total population of 500 thousand people. Therefore, the low investment interest in Cirebon City is supposed to be an effort to increase investment interest. The method in this service is included in quantitative research using an independent survey. The results showed that socialization and knowledge had a positive and significant effect on interest investing in capital market.

**Keywords:** interesting, knowledge, socialization, stocks

## I. INTRODUCTION

The capital market in Indonesia has a large role in the country's economy. With the capital market, investors as parties who have excess funds can invest their funds in various securities in the hope of getting a return. While companies as parties who need funds can use these funds to develop their projects. With alternative funding from the capital market, a company can operate and develop its business, and the government can finance its various activities thereby increasing the country's economic activities and the prosperity of the wider community. The ease of investing in the capital market is not necessarily demanded by all members of the community, this is evident that investors in the capital market are still quite low when compared to the high population of Indonesia, which is around 258,704,900 inhabitants [1] and only a part of it becomes investors in the capital market, which is around 1,000,289 investors. This is very ironic, the population of Indonesia is so high, and with the type of investment that is so easy but the interest of people who invest in the capital market is still very low, especially people who are in the regions [2], including in the city of Cirebon. Cirebon City is one of the cities in the province of West Java, with a population of 388,854 people, around 0.82% of the population in West Java which is 47,379,400 inhabitants which is the province with the highest population in Indonesia. The number of capital market investors in the city of Cirebon is around 1,200 investors, around 0.025% of the total population of the city of Cirebon.

Based on the background of the problem, the focus of the problem in this study was identified as follows:

The low number of factors in the community (socialization, and knowledge) results in low public interest in investing in the capital market, so it is suspected that efforts need to be made to increase public interest in order to invest in the capital market, including through intensive and massive socialization [3]. This is expected to be able to boost people's interest in investing in the capital market.

Based on the background and identification of the problems above, it can be formulated several problems to be investigated, namely 1) Does the socialization of the capital market affect the interest in investing in the capital market. 2) Does knowledge about the capital market affect the interest in investing in the capital market. 3) Does socialization and knowledge with simultan influence the interest in investing in the capital market.

## II. RESEARCH METHODS

The research method used in this study is a survey method that aims to obtain information and interpretation the relationships between variables that have been determined. The survey research method makes it possible to do a type of explanatory research (Explanatory research) which aims to explain the causal relationship between variables through hypothesis testing. Population and Sample In this study, the population is the city of Cirebon, which is around 388,854 inhabitants. Meanwhile, the sample used in this study is the people of Cirebon City who are in five districts. namely: Kesambi, Harjamukti, Lemahwungkuk, Pekalipan and Kejaksan.

Based on the Slovin formula, the number of samples 100 respondent, where:  $N = 388,854$  people,  $e^2 = 10\%$  (0.1). The following are sample details in each sub-district as in Table 1:

TABLE I. NUMBER OF RESPONDENTS IN CIREBON CITY

Districts	Number of Respondents
Harjamukti	35
Lemahwungkuk	18
Pekalipan	10
Kesambi	23
Kejaksan	14
Total	100

The Result of data processing 2018

This study uses quantitative analysis from primary data taken directly by surveyors. The following are the stages of data analysis used in this study, namely:

Validity test is used to measure the validity or validity of a questionnaire. A questionnaire is said to be valid if the questions and questionnaire are able to reveal something that will be measured by the questionnaire [4]. A question item is declared valid if the correlation coefficient  $\alpha < 0.05$ . Conversely, invalid, will not be included in testing the research hypothesis. Furthermore, the statement items that are considered valid are tested for reliability

Reliability test is a tool to measure a questionnaire which is an indicator of a variable. A questionnaire is said to be reliable if the answer to the question is consistent or stable from time to time(4). An item is said to be reliable if the Cronbach Alpha value  $> 0.7$ .

Multiple Regression Analysis with Classic assumption test which includes normality test, heteroscedasticity test, autocorrelation test, multicollinearity test. All Test classic assumptions must be fulfilled all. Simultaneous Test (F Test) Partial Test (T Test) Coefficient of Determination (R<sup>2</sup>).

**III. RESULTS AND DISCUSSION**

Based on the results of statistical data processing regarding the instrument reliability test, it can be seen the results of the instrument validity test in the table below:

TABLE II. VALIDITY TEST RESULT

Item	tot_s	tot_p	tot_m
S1	.939**	.602**	.530**
S2	.947**	.612**	.470**
P1	.560**	.862**	.575**
P2	.569**	.859**	.477**
P3	.512**	.828**	.466**
M1	.497**	.499**	.837**
M2	.432**	.549**	.862**
M3	.353**	.472**	.841**
M4	.524**	.517**	.887**

The Result of SPSS processing 2019

Based on table 2, it shows that all variables of socialization, Knowledge and interests have a significant correlation. This is indicated by the r count greater than r table (0.196). Thus, all variables are declared valid. Next, a reliability test will be conducted.

The instrument reliability test results can be seen in the table below:

TABLE III. RELIABILITY TEST RESULTS

Cronbach's Alpha	N of Items
.898	9

The Result of SPSS processing 2019

Based on the reliability test results it shows that the Cronbach alpha value is 0.898. the variable is declared reliable if the Cronbach alpha value is greater than 0.7. Thus, these variables are declared reliable.

The test results regarding the correlation coefficient and the coefficient of determination are shown in the following model summary table:

TABLE IV. MULTIPLE REGRESSION RESULT

Model	B	t	sig	VIF
(Constant)	2.454	1.233	0.221	1.769
tot_s	0.559	1.988	0.05	1.725
tot_p	0.657	4.192	0	1.014

The Result of SPSS processing 2019

Base on Table 4, It shows that multicollinearity assumptions are met. This is indicated by the proven value of VIF  $< 10$ . The VIF value of the socialization variable, Knowledge, Income, Age ranges from 1.014 to 1.769. thus, the classic assumptions for multicollinearity are fulfilled. In table 4.3, the regression equation can also be taken as follows:  $Y = 2,454 + 0.559 \text{ socialization} + 0.657 \text{ knowledge}$

Then value of  $a = 2,454$ , meaning that if the socialization variable, knowledge, income and permanent age or value of 0, then the average interest of 2,454 (scale 1-5).

$b_1 = 0.559$  means that if the variable of knowledge, income and permanent age then, if the socialization variable increases by 1 unit, it will increase the variable of interest by 0.559 (scale 1-5).

$b_2 = 0.657$  means that if the variable of socialization, income and permanent age, if the knowledge variable increases by 1 unit, it will increase the variable of interest by 0.657 (scale 1-5) In table 4, it can also be seen partially testing parameters using the T test. It is found that the socialization, knowledge have a significant partial effect on interest in investing in the capital market. This can be seen because it has a p-value  $\leq \alpha = 0.05$ . It is the same as research from [5-7].

TABLE V. NORMALITY TEST

N		Unstandardized Residual
		100
Normal Parameters <sup>a,b</sup>	Mean	0.00E+00
	Std. Deviation	2.42707064
Most Extreme Differences	Absolute	0.09
	Positive	0.09
	Negative	-0.084
Kolmogorov-Smirnov Z		0.902
Asymp. Sig. (2-tailed)		0.391

The Result of SPSS processing 2019

Based on table 5, it shows that the p-value (Asymp. Sig.) is 0.391. This p-value has a value greater than  $\alpha = 0.05$ . Thus, the Classical Assumptions related to the normality test for multiple regression residuals are fulfilled.

TABLE VI. HETEROSCEDASTICITY TEST

ANOVA <sup>a</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	9.069	4	2.267	.833	.507 <sup>b</sup>
Residual	258.546	95	2.722		
Total	267.615	99			

a. Dependent Variable: abs\_res  
b. Predictors: (Constant), knowledge,socialization

The Result of SPSS processing 2019

Heteroscedasticity test in this study uses a formal test using the park test. The park test is conducted by regressing the absolute residual regression with the independent variables. According to table 6, it can be seen that the p-value is  $0.507 > \alpha = 0.05$ . Thus, the results of the heteroscedasticities test were fulfilled.

It also shows that the financial literacy and awareness related to various financial instruments can help an investor to take a valid informed decision [8].

TABLE VII. MODEL SUMMARY

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Durbin-Watson
1	.650 <sup>a</sup>	.423	.399	2.158

a. Predictors: (Constant), tot\_p, tot\_s  
b. Dependent Variable: tot\_m

The Result of SPSS processing 2019

Autocorrelation testing is performed using the Watson durbin test. Criteria for the decision of the Durbin Watson test can be seen in table 7. According to table 7, the DW value is 2.158, while according to the Watson durbin table the value of  $du = 1,759$  is obtained,  $4-du = 2,241$ . Thus, it is in the interval  $du < DW < 4-du$ , so it not autocorrelation. Furthermore, the autocorrelation assumption test was fulfilled well.

Next in table 7, there is a coefficient of determination that shows the size of the accuracy of a regression model. Obtained a coefficient of determination (R<sup>2</sup>) of 0.423. This value can be interpreted as an explanation of the variable of interest (Y) which can be explained by the variable Socialization, Knowledge (X1, X2) of 42.3%. The remaining 57.7% of interest variables can be explained by other variables besides X1, X2.

TABLE VIII. F TEST (ANOVA)

ANOVA <sup>a</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	427.333	4	106.833	17.403	.000 <sup>b</sup>
Residual	583.177	95	6.139		
Total	1010.510	99			

a. Dependent Variable: tot\_m  
b. Predictors: (Constant), knowledge,socialization

The Result of SPSS processing 2019

Base on table 8, it shows that the p-value of  $0.000 < \alpha = 5\%$ , so that it can be said that the Variable Socialization, Knowledge simultaneously influence the variable interest in investing in the capital market.

#### IV. CONCLUSIONS

Based on what has been stated above, the conclusions and implications are:

- The socialization variable about the capital market has a significant effect on investment interest in the capital market. The influence of the socialization variable can increase interest in investing in the capital market 0.559 times, with (scale of intervals 1-5).
- Variable knowledge about the capital market significantly influence investment interest in the capital market. The value of the influence of the knowledge variable is 0.657 times interested in investing in the capital market, with (interval scale 1-5).

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