

The Role of Financial Attitude in Entrepreneurship Student Investing Behavior

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ABSTRACT

Entrepreneurs save cash as savings to use it as reserve funds and business investment funds in the future. To generate additional income from cash, entrepreneurs can invest these assets in other liquid assets such as shares. Currently, the awareness to invest in shares in Indonesia is increasing. This research purpose is to determine the role of the financial attitude in entrepreneurship students investing behavior. This research tried to prove a connection between financial attitude with student intention to invest their reserve fund in shares. The study took a sample of 100 entrepreneurial students. The data was drawn from April to May 2021 and processed using the statistical programs AMOS to verify the research hypothesis.

Keywords: *financial attitude, investment, entrepreneur, shares.*

1. INTRODUCTION

Individuals with poor financial attitudes usually have poor financial behavior as well. This kind of individual is used to spending without thinking about the budget or the savings [1]. This poor financial behavior can be caused by the inability to manage finances and the consumptive spending patterns [2].

To maintain sustainability, business owners must have an excellent financial attitude. Entrepreneurs must be able to manage their finances and be wise in managing income and expenses. Excess funds that are owed must be saved or invested so the funds can be used later for their business continuity. When a company needs funds to develop its business, entrepreneurs can choose internal and external sources. Internally, the company can get funds from company profits. Companies can also take advantage of accounts receivables and account payables to get additional internal funds. Meanwhile, from external sources, the company can get funds from debt or additional capital from investors. Many entrepreneurs choose to grow their businesses using funds obtained from internal companies. The main reason is to maintain ownership of the company.

In recording business finances, cash is recorded in the cash account. Sometimes entrepreneurs save money

as reserve funds or business investment funds in the future. The Covid-19 pandemic has directly or indirectly slowed down the economy. This pandemic causes many entrepreneurs to resist their desire to invest. Their excess funds are stored in cash. They can place that money in other liquid assets such as securities. By changing the type of asset, the company can benefit from capital gains and dividends from other companies with good prospects [3, 4].

Unfortunately, a lot of data shows that the Indonesian people's interest in investing in stocks is still low. According to Sujanto, Director of Otoritas Jasa Keuangan/ OJK (Investment Management of the Financial Services Authority), the ratio of investors in Indonesia has only reached 0.8 percent of the total population. While in other countries, the proportion reaches 20 percent of the total population [5]. However, the number of investors in the Indonesian capital market continues to increase from year to year, according to Supranoto Prajogo, Director of PT. Kustodian Sentral Efek Indonesia / KSEI (The Indonesian Central Securities Depository) as of January 31, 2021, Indonesian capital market investors reached 4.2 million, increasing 8.83 percent from the previous month. Furthermore, it is known that 48.14 percent of these investors are only high school graduates. This phenomenon is happening, possibly because of the

vigorous socialization of the stock exchange at the university level. Based on the data, it is known that 54.79 percent of investors are under 30 years old [6].

At the beginning of the COVID-19 pandemic, the capital market in Indonesia was in a bleak period. However, over time, the condition of the capital market has improved. Even this pandemic condition opens up opportunities and gives easiness for companies to engage in IPOs (Indonesia Public Offering). Companies nowadays can participate in e-IPO (Electronic Indonesia Public Offering). Companies can also take chances from an increase in the number of investors during the pandemic. Based on data, the number of investors during the pandemic increased rapidly. It raises more than 50% compared to 2019 [7]. This condition is supported by digitalization in the capital market, especially for opening investment accounts. Digital platforms are considered capable of attracting young investors. This type of platform is in line with the characteristics of the young investors.

Before investing in stocks, investors must first open a Customer Fund Account or commonly called RDN (Rekening Dana Nasabah). This account serves as a reservoir of funds used for transactions. This account is opened by a securities brokerage agency appointed by the Indonesia Stock Exchange. Several steps must be prepared to open an RDN account. Investors must first prepare their identity and NPWP (tax identity). Then choose an intermediary trade agency. Choose securities that have a securities trading brokerage license from the OJK. Fill in the form provided by the intermediary agency. After the account is opened, potential investors can make an initial deposit. The initial deposit amount is adjusted to the terms and conditions of each intermediary institution. Currently, all these activities can be done online [8]. This convenience is expected to play a role in increasing the number of investors in Indonesia.

The facility provided by financial regulators to invest in the capital market opens opportunities for entrepreneurs to transfer their savings balances to another liquid asset that is more productive. By depositing funds in the capital market, entrepreneurs get the chance to take advantage of capital gains and dividends. Capital gains are profits derived from changes in stock prices [9], while dividends are a portion or part of the company's profits distributed to investors [10]. By changing the form of savings, entrepreneurs have the opportunity to get other income from their savings.

This research aims to determine how financial attitude affects the interest of entrepreneurial students to invest in stocks. Saving behavior becomes a moderator variable between financial attitude variables and student interest in investing in stocks. This relationship is reinforced by the increasing interest of the younger

generation to save their funds in the capital market. An excellent financial attitude makes individuals able to manage their finances well. This attitude encourages someone to save or to have a saving behavior. Stocks are a form of saving that entrepreneurship students as young entrepreneurs can choose to put their exceed funds.

The research survey was conducted on 100 entrepreneurial students. The data were collected through online questionnaires using standardized questions that were assessed on a Likert scale of 1-5. The study was conducted in April and May 2021. The data were then tested and processed using the SMART PLS statistical software.

A. Financial Attitude

According to Mien and Thao, financial attitude is an attitude that shapes an individual's behavior in financial management, such as investing, saving, and spending [11]. Furthermore, Potrich also stated that financial attitude is a response to statements "like" or "dislike," also to messages "useful" or "useless," which is related to a person's behavior in managing his or her finances [12]. The definition is also used by Sugiyanto in his research [13].

Many factors shape the financial attitude of a person. According to Furnham, a person's attitude in using money is considered complex and varied. Many variables influence these attitudes, such as gender, age, education, and beliefs. Furnham's research also found that personality and psychological conditions also affected attitudes in using money [14]. This research then became the basis of other studies on financial attitudes [15]–[17].

B. Saving Behavior

Financial behavior, according to Potrich, is an action that reflects the good behavior of a person in managing his or her finances based on financial goals and awareness [12]. Furthermore, Sugiyanto also explained that financial behavior describes the responsibility of individuals in managing their finances by using the resources they have to meet their personal needs and fulfill their desires [13]. A good attitude affects positive behavior. This positive attitude also affects financial management, including saving, investing, and spending control [11].

Saving behavior as a form of financial behavior is also influenced by financial attitude. This statement is in line with the research of Stromback et al. They examined the effects of psychological characteristics such as self-control on the saving behavior of individuals [18]. From the results of his research, it was known that individuals who had good self-control were better at setting aside their salaries for savings. They had good financial behavior. They were not too worried

about financial conditions, and they feel secure about their current and future financial situations.

C. Investment Management

According to Sunaryo, investment management is the process of managing funds or assets owned by a person to make a profit [19]. To obtain profits and reduce risk, funds or assets held should be managed in several forms of investment called a portfolio. According to Maginn et al., there are three essential elements that a person goes through to manage a portfolio of assets. Those three elements include the planning, execution, and feedback processes [20].

The planning process involves several stages: identifying goals and recognizing investor limits, setting investment policies, estimating expectations from the capital market, and finally designing an asset allocation strategy.

In the execution process, the designed portfolio strategy which formed previously is implemented. Fund owners have the flexibility to choose a portfolio pair that is considered optimal. There are times when the selected investment portfolio is not the same as the portfolio strategy that has been set. It happens because changes in the market are very fast, so the owner of the fund must be able to seize opportunities and calculate the risks faced to maintain a maximum option of the portfolio so it can provide maximum profit

Feedback and control are essential elements needed to achieve goals when running a business. There are two main crucial points in this feedback stage. The first is monitoring and rebalancing. The second is evaluating the business performance [20].

Stocks are one form of investment that a person can choose to save their funds. Due to its nature which is easy to convert into cash, shares are classified as liquid assets [21]. This reason causes someone to keep their funds in the form of shares. The risk of holding assets in the form of shares is relatively high, but it can generate significant profits. Investors can reduce the risk by buying shares from stable companies and diversifying [22].

2. METHODS

Research data were collected by distributing online questionnaires with standard and structured questions using a Likert scale of 1-5 to the research sample. The sampling technique used was purposive sampling. The sample was entrepreneurial students who own and run a business. The questionnaires were distributed from April to May 2021. From the results of distributing the questionnaires, 100 samples were obtained. The data was then processed using SMART PLS statistical software.

The research framework is illustrated in Figure 1. Financial attitude is the attitude of a person who influences one's decisions in managing their assets [11]. This attitude is formed from many factors so that it is considered complex and diverse [14]. This financial attitude affects financial behavior. Talwar et al. explained that financial attitude was an antecedent of financial behavior. In their research, Tawlar et al. explained how the five dimensions of financial attitude affected retail investors [23]. One form of financial behavior is a person's decision to make savings [18].



Figure 1. Research Frameworks

3. RESULTS AND DISCUSSION

Entrepreneurs are individuals who have an attitude. This attitude forms behavior. This behavior is related to how a person makes savings, investments, and spending [11]. Entrepreneurs can choose various types of savings in current assets, one of which is in shares. Shares are easy to convert into cash and generate profits, either in the form of capital gains or dividends. Based on these reasons, the hypotheses of this study are:

H1: Financial attitude affects the saving behavior of entrepreneurial students.

H2: Financial attitude affects the intention of entrepreneurial students to keep their assets in shares.

H3: Saving behavior affects the intention of entrepreneurial students to save their assets in shares.

H4: Saving behavior mediates the effect of financial attitude on the intention of entrepreneurial students to save their assets in shares.

The SMART PLS statistical program was used to process research data to test the research hypothesis. Figure 2 shows the construction results of the research variables, where X1 symbolizes financial attitude, X2 illustrates saving behavior, and Y represents the intention of entrepreneurial students to save their assets in shares.

Table 1 shows the R-square value of the research variables. The R-square value of saving behavior (X2) is 15.1%, while the R-square value of entrepreneurial students' intention in saving their assets in shares (Y) is 10.4%. This figure shows that the effect of the financial attitude variable (X1) on saving behavior is only 15.1%.

There are 84.9% other variables that affect the saving behavior of students. Meanwhile, entrepreneurial students' financial attitude and saving behavior variables only affect 10.4% of students' intention in saving their assets in shares. In other words, there are 89.6% of different variables affect student intention in saving their funds in shares. Research diagram show by Figure 2

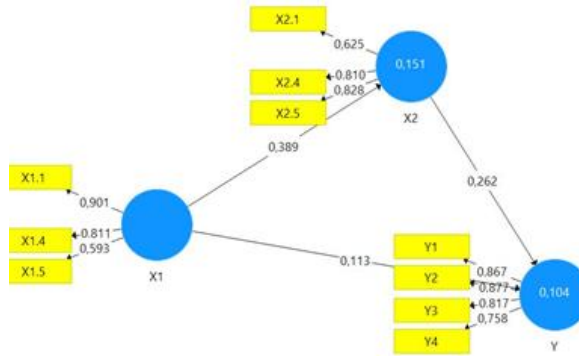


Figure 2. Research Diagram

This research found that students with an excellent financial attitude do not always have saving habits. From the interview conducted, it can be concluded that several causes lead to this phenomenon. Most of the students are not yet financially independent. Their business just began to run, so it has not been able to generate a significant profit yet. In the end, the funds available for savings are limited. Business funds are usually directly rotated to purchase inventory to increase sales. Limited income and savings cause the low desire to invest in other assets. It may have different findings if the research is carried out on other objects that are financially established as Robb et al. suggested that both objective and subjective knowledge influenced financial behavior [24].

R - Square value show by Table 1 as a follow:

Table 1. R- Square Value

	R Square	R Square Adjusted
X2	0,151	0,143
Y	0,104	0,086

Table 2 describes the results of hypothesis testing from this research. This study used a significance level of 95%. The research hypothesis will be accepted if the P-value is less than 0.05%. From the data processing results, X1 is considered to affect X2. It has a P-value of 0.00. Thus, the first research hypothesis (H1) is accepted. It turns out that financial attitude affects the saving behavior of students. The effect of X2 on Y is also considered significant, meaning that the third hypothesis (H3) is accepted. Saving behavior affects students' interest in investing their funds in shares. Judging from the positive value of the original sample,

the effect given by X1 to X2 and X2 to Y is positive or unidirectional. However, it turns out that X1 does not directly influence Y. In conclusion, financial attitude does not significantly affect students' intention to save their assets in shares. The second research hypothesis (H2) is rejected. The indirect effect of the X2 variable from the data processing results can also be concluded. The P-value of the impact of X1 on Y through X2 is 0.071. Thus, the fourth research hypothesis (H4) is rejected. The mediation of saving behavior on the influence of financial attitudes on the intention of entrepreneurial students to keep their assets in shares is considered insignificant.

The result of hypothesis testing path coefficients mean, STDEV, T- Value and P-Value show by Table 2. as a follow:

Table 2. Path Coefficients

	Original Sample (O)	Sample Mean (M)	STDEV	T Statistic (O / STDEV)	P Value
X1 → X2	0,389	0,402	0,098	3,974	0,000
X1 → Y	0,113	0,120	0,123	0,922	0,357
X2 → Y	0,262	0,259	0,128	2,047	0,041

The result of total indirect effects Mean, STDEV, T- Value and P-Value show by Table 3 as a follow :

Table 3. Total Indirect Effect

	Original Sample (O)	Sample Mean (M)	STDEV	T Statistic (O / STDEV)	P Value
X1 → X2					
X1 → Y	0,102	0,102	0,056	1,809	0,071
X2 → Y					

Several points can be concluded from the data processing result. A financial attitude is considered capable of influencing a person's decision to have savings. An excellent financial attitude encourages an individual to set aside their funds as savings. However, this attitude does not necessarily affect their interest in keeping their funds in stocks. Many reasons might cause this, such as inadequate knowledge about stock investment, the risk of the Indonesian capital market, which is considered high, or the existence of other types

of assets that are deemed to be able to generate better returns than stocks.

4. CONCLUSIONS

Entrepreneurship students as business owners must be able to manage their finances. They must be wise in managing income and expenses, or in other words, they must have an excellent financial attitude. Entrepreneurs with an incredible financial attitude can set aside their profits in the form of savings that can be used later to expand their business. COVID 19 initially hit the capital market, it has recently caused the growth of the capital market investors. Based on the survey results, most investors in the capital market are the younger generation. Based on the phenomenon that occurred, this research tried to seek how financial attitude affects the intention of entrepreneurial students to invest in stocks. From the study results, the R-square value of saving behavior and students' interest in saving their assets in shares was considered low. Financial attitude affected saving behavior, and saving behavior affected students' interest in saving their assets in shares. However, financial attitude did not have a direct influence on student interest in investing in stocks. In addition, saving behavior variable mediation on the influence of financial attitudes on students' intention in investing in stocks was also considered insignificant.

Based on the result of the interviews with students, it can be concluded that there are several causes of the low saving habits of entrepreneurial students. Most of the students were not yet financially independent. Their business only began to start, and it has not been able to generate a significant profit yet. In the end, the funds they could provide for savings were limited. Business funds are usually directly rotated to purchase inventory to increase revenue. Other reasons that may cause the insignificant effect of financial attitude on intention in shares investment were inadequate knowledge about shares investment, the risk of the Indonesian capital market, which was considered high, or the existence of other types of assets that were deemed to be able to generate better returns than stocks.

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