The Influence of Investment Profitability and Investment Risk on Individual Investment Decisions

Bagas Firmansyah *1
Mohammad Fajar Saputra[2]
Hanif Dwi Hastungkara[3]
Maria Yovita R. Pandin[4]

[1,2,3,4]Department of Accounting, Economics and Business Faculty,
University of 17 August 1945 Surabaya
*e-mail: 1222100057@email.untag-sby.ac.id[1], 1222100162@email.untag-sby.ac.id[2],
1222100171@email.untag-sby.ac.id[3], yovita_87@untag-sby.ac.id[4]

Abstract
Investment is one way to gain profits and increase wealth, research on understanding investment risks to individual investments is very important to understand. Research on Understanding Investment Risk in Individual Investments aims to determine the extent to which individuals understand investment risk, as well as how investment risk influences individual investment decisions. The results obtained show that understanding investment risks has a very positive influence on individual investment decisions in order to get the desired results.

Keywords: *Investment Risk, Investment Decision, Investment Return*

INTRODUCTION

Investment has become one of the most useful methods of allocating funds and is considered the most effective for achieving financial goals in the future because Indonesian people are now more aware of the importance of investing and often choose it with the hope of getting maximum profits in the future. (Tandio & A. A. G. P. Widanaputra, 2016).

The definition of investment states that one of the goals of investment is to improve the welfare of investors both now and in the future. Investments can also improve future welfare and help anticipate annual inflation.(Dharma & Djohan, 2015)

According to (Prihatin, 2022) Investment, it is the placement of funds in one or more assets over a certain period with the hope of making a profit or increasing the value of the investment. Investing is one way to gain profit and wealth, and research into the investment risks of individual investments is essential to understand.

However, one must understand the risks associated with investing before doing so. Risks associated with investments can include market risk, credit risk, liquidity risk, operational risk and reputation risk. Therefore, it is important for people to understand the risks associated with investing before committing to it. (MUTAFARIDA, 2022).

According to (Haugen & Branch, 1977) individual investment, investment is made by individuals to obtain profits. Individual types of investments can be stocks, bonds, mutual funds, property, etc., but most people do not understand the risks associated with their types of investments, so they can experience large losses.

According to (Bone & Saputra, 2019) previous studies, it shows that most people do not understand investment risks well. A study conducted by Bank Indonesia showed that only around 30% of people surveyed understood investment risks well, indicating that there are still many people who do not understand investment risks well and that there needs to be additional education about it.

In addition, previous research has sho (Notoatmodjo, 2018)wn that investment risk elements influence the investment decisions made by people. A study conducted by the Financial Services Authority found that these elements have a significant influence on the investment decisions made by people, indicating that it is important for people to understand investment risks before making an investment.

Research on Understanding Investment Risks in Individual Investments aims to determine the extent to which individuals understand investment risks and how investment risks influence individual investment decisions. This research also aims to provide recommendations to individuals on how to manage their investment risks. (Bone & Saputra, 2019). According to (Nurfadilah, Ika, & Ida, 2022) Investment, it always faces the risk of uncertainty because expenditure is made now but the benefits will be received at a later date.

In this research, all people who invest in Indonesia will be asked to act as respondents. The data collected will be analyzed using statistical techniques to determine the extent to which people understand investment risks and how it influences their decisions to invest.

It is hoped that the results of this research will increase knowledge and investment practices in Indonesia. It is hoped that the results will also help society and individuals make smarter investment decisions and manage investment risks.

Formulation of the problem
1. Do investment profits influence individual investment decision making?
2. Does investment risk influence individual investment decision making?

Research purposes
1. To find out how investment profits influence individual investment decision making
2. To find out how investment risk influences individual investment decision making

LITERATURE REVIEW
Investment Risk

According to (Sitanggang, 2015) Risk, it is the possible difference between the actual return received and the expected return. The greater the possible difference, the greater the investment risk." Risk is often associated with irregularities or deviations from the outcomes received and those expected. Risk as the variability of returns to the expected return. To calculate risk, the method that is widely used is standard deviation, which measures the absolute deviation of values that have occurred with the expected value.

Investment Profits

Return is the level of profit obtained by investors for their capital investment. KBBI states that Return is Profit. Meanwhile, Return in the sense of the term can be interpreted as the profit obtained by an individual, company or institution from the results of investment activities that have been carried out. According to the main reason someone invests is to make a profit. According to (Ro'fati & Rahayuningsih, 2023) Return and risk, there is a positive relationship, meaning that the higher the risk, the higher the expected return.

Investation decision

An investment decision is a decision to invest capital in one or more assets to gain profits in the future. Apart from that, investment decisions also include the issue of how financial managers should allocate funds for investments that can generate profits in the future. (Bahri, 2017).

In short, investment decisions involve spending funds over a long period of time. The expected future level of profit from an investment will be influenced and supported by the form, type and composition of the investment. So, investments will contain risks or uncertainties. These investment results and risks will influence the achievement of company goals, policies and values. Opportunity cost in making investment decisions is the income or cost savings that are sacrificed because of choosing a particular alternative.

CONCEPTUAL FRAMEWORK

In this research, the conceptual framework is a collection of theories that can help explain how variables relate to each other (Notoatmodjo, 2018)
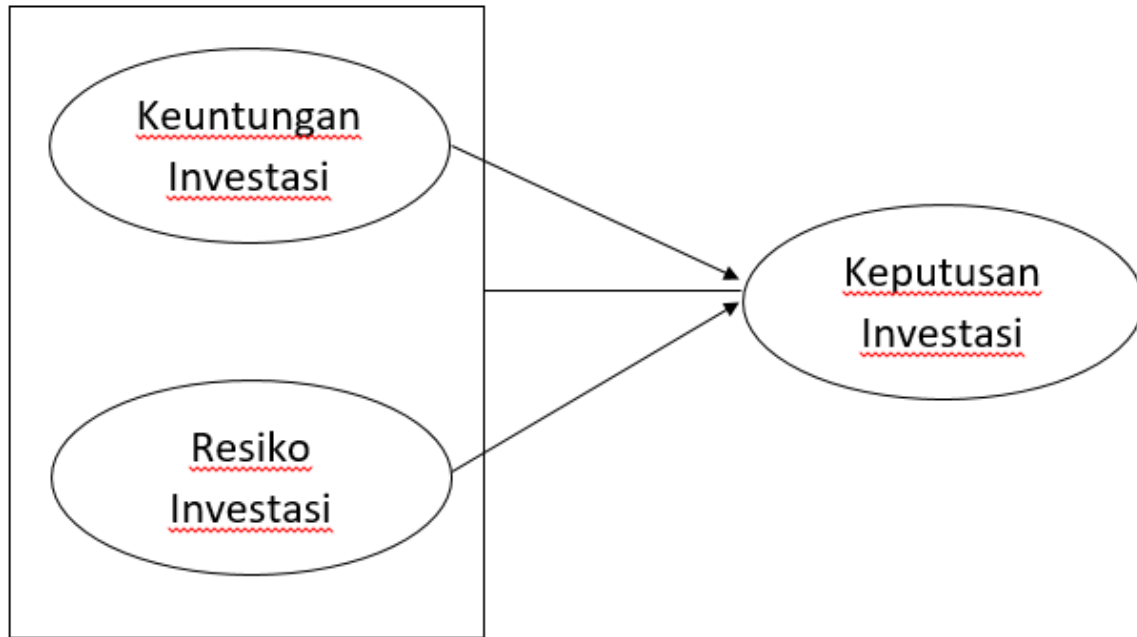
Figure 1 Conceptual Framework

Hypothesis
1. Indicators contained in investment profits become factors in making individual investment decisions.
2. Indicators contained in investment risk become factors in making individual investment decisions.

Hypothesis
1. Investment profits have an influence on individual investment decision making
2. Investment risk has an influence on individual investment decision making

RESEARCH METHODS
  a. **Researcher Design**
        According to (Soerjopranoto, 2008) stating that. The conceptual framework is about how theories relate to the research variables you want to study, namely the independent variable and the dependent variable.
        This research uses quantitative methods because the research problem is clear, we want to get extensive information from the population, and we want to test a hypothesis. This research also uses casual research with the aim of exploring.
  b. **Place and time of research**
        The object of this research is 30 types of company shares that have stable profits or are usually called *blue chips* and are registered on www.idx.com . This research was conducted over a period of one month, namely from September to October 2023.
  c. **Data Type**
        According to (Sugiyono, 2018) historical reports compiled in unpublished archives, or data obtained indirectly or through other parties is called secondary data. The data source used in this research is secondary data.
  d. **Data source**
        According to (Kasiram & Idris, 1937) quantitative research, it begins with studying theory, hypotheses, research design, determining the subject, collecting data, processing data, analyzing data, and finally drawing conclusions.

In this research, financial ratio data and individual index data were obtained from financial reports on 30 types of shares of companies that have stable profits or commonly called *blue chips* which are listed on the Indonesian Stock Exchange (BEI) via the Digital Statistics website of the Indonesian Stock Exchange, namely www.idx.co .id .

e. **Population and Sample**

According to (Sugiyono, 2018)states that population is a generalized area consisting of subjects or objects with certain quantities and features that are chosen by researchers to study and then draw conclusions. The sample is part of the number and characteristics possessed by the population.

The population in this study is a list of companies operating in the financial sector industry which are listed on the Indonesian stock exchange and the samples taken were 30 shares of companies which have stable profits or what are usually called *blue chips* which are listed on the Indonesian stock exchange.

f. **Data collection technique**

The data collection technique in this research will be data collection that has been carried out according to what is needed. In analyzing the data that has been collected and making it easier to read and explain, the analysis stages are used, namely: financial data, financial ratios and individual indices. which has been published through the official website of the Indonesian stock exchange, namely www.idx.co.id and other official websites.

RESULTS AND DISCUSSION
Test the Research Model

In this research, limiting factor loadings are used to reflect indicators based on the relationship between the score of each item and the construct score. The measurement scale is considered sufficient at a loading value of 0.5 so that the measurement scale does not meet the requirements for dropping. Figure 2 shows the model test results. The statistical test for the relationship between variables requires a significance level of 95% ($\alpha = 0.05$), and the t-table value for the alternative hypothesis is 1.96.
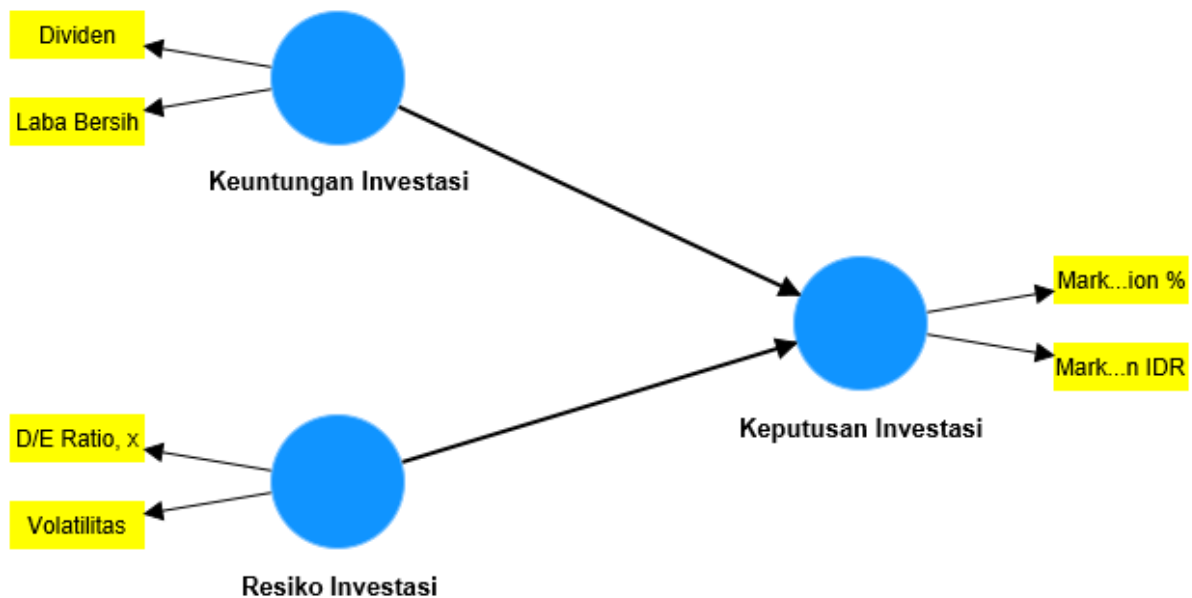
Source: Processed Data
Figure 2 Structural Model Test Results (Inner Model)

Validity and Reliability Test
Outer Loading

Table 1. Validity and Reliability Test

	Keputusan Investasi	Keuntungan Investasi	Resiko Investasi
D/E Ratio, x			0.839
Dividen		0.609	
Laba Bersih		0.946	
Market Capitalization %	0.911		
Market Capitalization IDR	0.946		
Volatilitas			0.935

It is known that the value of the indicator above is above the value of 0.5, which means the data used is valid.

Construct Reliability and Validity

Table 2. Construct Reliability and Validity

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Keputusan Investasi	0.842	0.876	0.926	0.862
Keuntungan Investasi	0.485	0.749	0.767	0.633
Resiko Investasi	0.743	0.840	0.882	0.789

The value of *Cronbach's alpha* for investment decisions is 0.842 and investment risk is 0.743, which is above the value of 0.7 and is good. Meanwhile, the investment profit of 0.485 is below the value of 0.7 and is not good.

The value of *the Composite Reliability* of investment decisions is 0.926, the investment profit is 0.767 and the investment risk is 0.882, which is above the value of 0.7 and the variable is reliable.

The value of *the Average Variance Extracted* is an investment decision worth 0.862, an investment profit worth 0.633 and an investment risk of 0.789, where the value is above the value of 0.5, which means good convergent validity has been met or shows that the construct can explain the variation in the items.

Bootstrapping

Table 3. Bootstraping

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Keuntungan Investasi -> Keputusan Investasi	0.658	0.711	0.281	2.338	0.019
Resiko Investasi -> Keputusan Investasi	0.275	0.239	0.283	0.972	0.331

The parameter coefficient for the investment profit variable on investment decisions is 0.658, which means that there is a significant positive influence of investment profits on investment decisions or it can be interpreted that the higher the value of investment profits, the expected results in individual investment choices will also increase.

The small parameter coefficient for the investment risk variable on investment decisions is 0.275, which means that there is a significant negative influence of investment risk on investment decisions or it can be interpreted that the higher the investment risk value, the expected results in individual investment choices become their own considerations in investing.

A unit increase in X1 will increase Y by 65.8%. Based on calculations using bootstrapping and resampling, the test results for the estimated coefficient of So the p value is 0.019 < 0.05 so the hypothesis can be accepted or which means the influence of investment risk on individual investment decisions is meaningful or statistically significant.

A unit increase in X2 will increase Y by 27.5%. Based on calculations using bootstrapping and resampling, the test results for the estimated coefficient of So the p value is 0.331 > 0.05 so the hypothesis cannot be accepted or which means the influence of investment risk on individual investment decisions is not meaningful or statistically significant.

CONCLUSION

Based on the results of the analysis using the bootstrap method, it can be concluded that the influence of investment profits and investment risk on individual investment decisions is significant. Changes in investment returns and investment risks have the potential to influence individual investment decisions. The higher the investment profit value, the expected results in individual investment selection will increase.

SUGGESTION

1. Before making individual investment decisions, it would be good to know the investment profits that are likely to be obtained first.
2. Before making individual investment decisions, it would be good to pay attention to investment risks first.
3. Don't be easily attracted by stock promotions circulating on the internet, but it is necessary to assess the investment risks that will be accepted in the future.

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