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Financial Literacy and Market Discipline on Investment Decisions in The Indonesian Stock Investor Community

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Abstract– This study examines the effect of financial literacy and market discipline on investment decisions in a community of Indonesian Stock Investors. The research method used was the descriptive analysis method. The population in this study were members of the Indonesian Stock Investor community, with a sample of 98 respondents who were selected using a simple random sampling technique. The analysis techniques used in this study were validity and reliability testing, multiple regression analysis, and hypothesis testing using SPSS software. The results show that financial literacy affects investment decisions in the Indonesian Stock Investor community. Besides, this study found that there is an influence of market discipline on investment decisions in the Indonesian Stock Investor community. Also, there is an influence of financial literacy and market discipline on investment decisions in the Indonesian Stock Investor community.

Keywords: Market Discipline; Investation decision; Financial Literacy
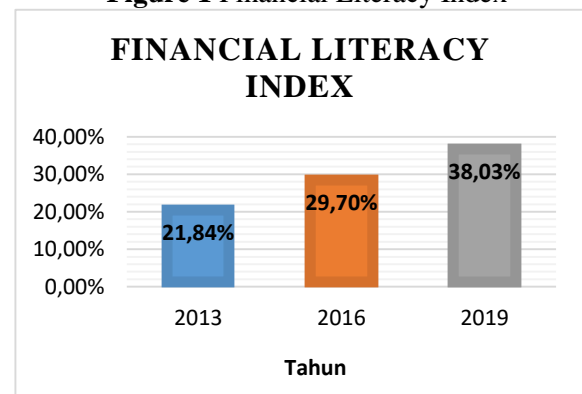
I. INTRODUCTION

The Financial Services Authority (OJK) explained to Market Bisnis.com that the current condition of the Indonesian capital market is stable and shows a positive trend. OJK observes that there is a tendency for capital market interest to improve. The number of new issuers taking the floor on the Indonesia Stock Exchange (IDX) in 2020 continues to grow and has reached 32 issuers.

The capital market in Indonesia is an essential factor in developing the national economy because many industries and companies have used the capital market as a medium to absorb investments to strengthen their financial position [1].

In the investment world, a plan is necessary. The main thing in managing finances is investment planning. A suitable investment will provide sustainable profits. In addition, the investment decisions made will be more accurate and can avoid losses. Planning to invest requires someone to have good financial knowledge or financial literacy and to have the right and clear direction in making decisions [2]

In the research of Sobaya et al. (2016), some Indonesians tend to waste because they need the knowledge and concepts of sound financial planning. The Financial Services Authority (OJK) defines financial literacy as an attitude and behavior to improve the quality of decision-making and financial management influenced by knowledge, skills, and beliefs to achieve prosperity[3].

Figure 1 Financial Literacy Index

Source: 2020 National Financial Literacy and Inclusion Survey Booklet

The Indonesian Financial Literacy Index per province in the National Financial Literacy and Inclusion Survey, conducted by OJK from 2016 to 2019, has increased. This increase is in line with the role of OJK, which continues to encourage the growth of the financial services sector in Indonesia. Likewise, in 2020, the number of investors continued to increase. The Indonesia Stock Exchange (IDX) noted the addition of more than 1 million Single Investor Identification (SID) stocks, mutual funds, and bonds, in which the total number of investors has reached 3.5 million.

Market discipline is one of the three pillars of improving banking, financial security, and soundness [4]. Regulatory oversight processes and minimum capital standards are the other two pillars. Market discipline aims to encourage the role of market players to participate in supervising the company. This study

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aims to provide sufficient information to the public regarding the company's condition so that market participants can assess the company's state through analysis of this information.

Based on the description above, this study aims to explain the effect of Financial Literacy and Market Discipline on Investment Decisions In the Indonesian Stock Investor Community[5].

II. LITERATURE REVIEW

Increasing the stock price is one way to increase the company's value. A high bidding value can make the market believe in the company's performance and prospects in the future [6]. The higher the stock price, the more investors believe in the company's performance. It is simply because it reflects how to prosper the shareholders. Thus, investors benefit from the investment results can be achieved.

In a capital market, individuals or businesses with excess funds can invest in securities issuers offer [7]. Good financial literacy is needed for a business substance to make the right investment choice. Huston (2010) explains that financial literacy is a component of human capital used in economic activities to increase the efficiency of consumption utilization[8]. Someone with financial literacy and the knowledge and ability to apply his knowledge will not show behavior or increase in economic well-being caused by other influences (behavioral/cognitive biases, self-control problems, family, community).

According to Nisa & Zulaika (2017), investors will consider several factors before investing, such as the company's financial statements, reputation, and position in the industry, the ability of investors to determine economic criteria, considering the company as a national or international company, and the recommendations and advice from people familiar with investment matters [9]. Lubis (2016) states that investment decision-making is strongly influenced by information obtained and investor knowledge regarding investment [10]. In stock investment decisions, investor behavior is projected by the investor's desire to choose stocks. The desire or intention of investors is reflected in the estimated stock returns, which are calculated using various information. The information that the investors have will motivate them to make a decision. Investment decisions are measured by the rate of return (return), risk, and time.

Apart from assisting investors in making investment decisions, company financial information helps market participants apply market discipline. Market discipline can only work if adequate information is available to market participants [11]. Stephanou (2010) developed a market discipline framework with four parameters [12]:

1. Information and Disclosure.
   Before investing their capital, investors must know that the investment institution has the quality and performance for several accounting years obtained from its financial statements.
2. Market participants.
   Investors need to know the parties involved in their investment institution.
3. Disciplinary mechanisms.
   Investors need to know the means of investment institutions when changes in the internal and external environment occur.
4. Internal governance.
   Investors need to know that their investment institutions follow the rules set by regulations regarding management and remuneration for managers.

III. RESEARCH METHODS

This study uses a descriptive quantitative method because there are variables examined for relationships, and this study aims to present a structured, factual, and accurate picture of the facts and the relationship between the variables studied, namely the effect of financial literacy and market discipline on investment decisions.

Based on the information obtained, there were 5,426 Indonesian Stock Investor community members as of September 2021. With a margin of error of 10%, the calculations using the Slovin formula show that the required sample size in this study is 98 members of the Indonesian Stock Investor community. The sampling technique in this study was simple random sampling. The simple random sampling method is a sampling technique that provides equal opportunities for each element of the population.

A multiple linear regression analysis model explains the relationship and the size of influence the independent variables have on the dependent variable.

IV. RESULTS AND DISCUSSION

The t-test tests the effect of each independent variable on the dependent variable. The t-test was

carried out with SPSS IBM 23 software. The hypothesis (H1 and H2) is accepted if the probability (significant value) is < 0.05 or t-count > t-table and vice versa [13]. The results of the t-test in this study can be seen in Table 4.1 below:

Table 4.1 Multiple Linear Regression Test Results (t-Test)

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	29.554	2.820		10.479	.000
	Financial Literacy	-.253	.064	-.421	-3.960	.000
	Market Discipline	.248	.085	.311	2.928	.004

a. Dependent Variable: Investment Decisions
Source: SPSS Output Version 23, Processed in 2021

$$Y = a + b_1 X_1 + b_2 X_2$$
$$Y = 29{,}554 + (-0{,}253)X_1 + 0{,}248X_2$$

A constant value of 29.554 means that if Financial Literacy (X1) and Market Discipline (X2) are zero, then the magnitude of the investment decision is 29.554. This shows that the investment decision will be higher if it is supported by other factors or variables not examined in this study. The coefficient of the Financial Literacy variable (X1) is negative at -0.253, or if Financial Literacy increases by 1% (for example), the decrease in the level of Investment Decision will be 25.3%. The results of the F test in this study can be seen in Table 4.2 below:

Table 4.2 Multiple Linear Regression Test Results (F-Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	215.744	2	107.872	8.615	.000[b]
	Residual	1189.572	95	12.522		
	Total	1405.316	97			

a. Dependent Variable: Investment Decisions
b. Predictors: (Constant), Market Discipline, Financial Literacy
Source: SPSS Output Version 23, Processed in 2021

From the F test table, the calculated F value is 8.615, with a significance of 0.000. This study used a significance of 5% and a degree of freedom (df) of (k-1) = 2 and (n-3) = 95 to obtain an F table of 3.09. Thus, it can be seen that F count > F table (8.615 > 3.09) with a smaller significance than Alpha (0.000 <0.05). This shows that Financial Literacy and Market Discipline both influence Investment Decisions.

The coefficient of determination (R^2) essentially measures to what extent the model can explain the variation of the dependent variable [13]. The research on the coefficient of determination that has been carried out can be seen in Table 4.3 below:

Table 4.3 Determination Coefficient Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. The error in the Estimate
1	.392[a]	.154	.136	3.53862

a. Predictors: (Constant), Market Discipline, Financial Literacy
Source: SPSS Output Version 23, Processed in 2021

Based on Table 4.3 above, the Adjusted R Square is 0.136 or 13.6%. This shows that the percentage of the influence of all independent variables (Financial Literacy and Market Discipline) on the dependent variable (Investment Decision) is 13.6%. At the same time, the remaining 86.4% (100% - 13.6% = 86.4%) is influenced or explained by other variables (epsilon) which are not included in this study.

The Effect of Financial Literacy on Investment Decisions

Based on Table 4.1, partial hypothesis testing obtained a t-value of 3.690 > t-table 1.661 with a significance value of 0.000 <0.05. Then, it can be interpreted that H0 is rejected, and Ha is accepted. Viewed from the B value, a value of -0.253 is obtained. Thus, financial literacy negatively affects investment decisions. This study's results align with research conducted by Irjayanti & Lestari (2017), which shows that financial literacy negatively influences investment decision-making. Investors with high knowledge do not necessarily dare to choose risky investments such as investing in the capital market. Investment decisions are influenced by investor behavior factors, where there are barriers to someone joining the capital market, namely psychological barriers, risk-averse behavior, and people uncomfortable with high-risk investment choices. According to Hasanah et al. (2019), the emergence of new investors in Indonesia is due to the circulation of learning communities that provide education about stock investment; some influencers are experts in stock investment providing education on social media voluntarily through their uploads. Even though they have a reasonable goal of increasing the number of investors in Indonesia, many decide to become investors for fear of being left behind, thus making people only become investors with the bandwagon factor without being balanced with knowledge. This is also known as the bandwagon effect. The bandwagon effect is a psychological

phenomenon when someone does something because others do it without being based on their beliefs [14].

The Effect of Market Discipline on Investment Decisions

Based on Table 4.1, partial hypothesis testing obtained t count 2.928 > t table 1.661 with a significance value of 0.004 <0.05, so the first hypothesis (H0) was rejected. Then when viewed from the value of B, a value of 0.248 is obtained. This means that market discipline has a positive effect on investment decisions. He then obtained a significant value that was smaller than alpha 0.05. In other words, the higher the market discipline Indonesian Stock Investor community members possess, the higher their investment decisions will be. Market discipline plays a role in improving the investment decisions of Indonesian Stock Investor members. With market discipline, Indonesian Stock Investor members can respond to signals from companies regarding the disclosure of information submitted. Soma (2017) states that market discipline can be interpreted as a mechanism for monitoring and taking action to secure the funds invested by considering conditions, the surrounding environment, and the company's steps. Market discipline shows that when a company is performing well, the company will give a signal by providing quality information that shows its high performance to the market.

Stephen (2010) states that one of the market discipline frameworks is information and disclosure, whereby adequate, timely, consistent, and reliable information helps investors make investment choices. According to Aqidah (2017), in addition to helping someone make investment decisions, information related to company activities and risks can make it easier for market participants, especially investors, to apply market discipline by supervising the company. From the available information, a decision-making model is formed through investment appraisal criteria allowing investors to choose the best investment among the available alternatives.

The Effect of Financial Literacy and Market Discipline on Investment Decisions

Based on Table 4.2, it can be seen that the results of the F test show a calculated F value of 8.615 with a significance value of 0.000. This study used a significance of 5% and a degree of freedom (df) of (k-1) = 2 and (n-3) = 95 to obtain an F table of 3.09. Thus, the calculated F value > F table is 8.615 > 3.09 with a smaller significance value than Alpha, 0.000 <0.05. This shows that the independent variables simultaneously influence the dependent variable. Any changes in the independent variables, namely financial literacy and market discipline, simultaneously affect investment decisions. Then the magnitude of the Adjusted R Square (Coefficient of Determination) is 0.136 or 13.6% (in Table 4.3), indicating that the percentage contribution of the influence of all independent variables, namely Financial Literacy (X1) and Market Discipline (X2) on the dependent variable, namely Investment Decision (Y) was 13.6%. At the same time, the remaining 86.4% (100% - 13.6%) is influenced or explained by other factors beyond this discussion. Investors will conduct research before investing, such as studying financial reports, company performance, risks, portfolios, economic conditions, and so on [15]. Investment decisions will be better if there is knowledge of finance or what is commonly called financial literacy. Financial literacy is an integral part of one's life because financial literacy is a valuable tool for making informed financial decisions [3]. Upadana & Herawati (2020) state that investment decisions based on sound financial literacy can help a person deal with various existing risks. So financial decision-making for investment activities will be significantly influenced by the investor's financial knowledge and the information obtained.

V. CONCLUSION

Financial literacy has a negative effect on investment decisions. This is because someone with high financial literacy does not necessarily dare to invest in the capital market because of the risk-averse factor. Market discipline has a positive effect on investment decisions. This shows that an information object by the company can signal to capital market participants which companies have good performance and companies that take too high a risk so that market participants, especially investors, can apply market discipline. Financial literacy and market discipline simultaneously influence investment decisions. This means that several factors, such as financial literacy and market discipline influence investment decisions. So that with a high level of financial knowledge, investors as capital market participants can apply market discipline and make appropriate and profitable investment decisions.

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Keyword: Market Discipline; Investation decision; Financial Literacy

I. INTRODUCTION

Pendahuluan memaparkan tentang latar belakang masalah, motivasi penelitian, rumusan masalah (berisi pertanyaan-pertanyaan tentang hubungan antarvariabel), dan tujuan penelitian. Pendahuluan ditulis dalam bentuk paragraf mengalir dan hindari sub-sub di dalam pendahuluan.

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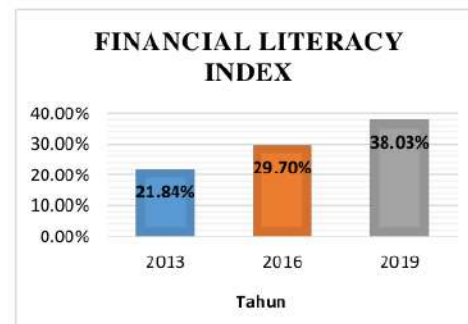

Figure 1 Financial Literacy Index

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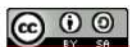
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A multiple linear regression analysis models explains the relationship and how much influence the independent variables have on the dependent variable.

IV.   RESULTS AND DISCUSSION

The t test is used to test the effect of each independent variable on the dependent variable. The t test was carried out with SPSS IBM 23 software. The hypothesis (H1 and H2) is accepted if the probability (significant value) is <0.05 or t count > t table and vice versa (Ghozali, 2016:97). The results of the t test in this study can be seen in table 4.1 below:

Table 4.1 Multiple Linear Regression Test Results (t-Test)

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		
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a. Dependent Variable: Investment Decisions
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The coefficient of determination (R2) essentially measures how far the model is able to explain the variation of the dependent variable (Ghozali, 2016: 95). From the research on the coefficient of determination that has been carried out can be seen in table 4.3 below:

Table 4.3 Determination Coefficient Results

Model Summary

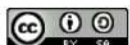| Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
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The Effect of Financial Literacy on Investment Decisions

Based on Table 4.1, partial hypothesis testing obtained a t value of 3.690 > t table 1.661 with a significance value of 0.000 <0.05. Then it can be interpreted that H0 is rejected and Ha is accepted.

Then, when viewed from the B value, a value of -0.253 is obtained; thus, Financial Literacy negatively affects Investment Decisions.This study's results align with research conducted by Irjayanti & Lestari (2017), which shows that financial literacy negatively influences investment decision-making. Investors with high knowledge do not necessarily dare to choose risky investments such as investing in the capital market. Investment decisions are influenced by investor behavior factors, where there are barriers to someone joining the capital market, namely psychological barriers, risk-averse behavior, and people uncomfortable with high-risk investment choices.According to Hasanah et al. (2019), the emergence of new investors in Indonesia is due to the circulation of learning communities that provide education about stock investment; some influencers are experts in stock investment providing education on social media voluntarily through their uploads. Even though they have a reasonable goal of increasing the number of investors in Indonesia, many decide to become investors for fear of being left behind, thus making people only become investors with the bandwagon factor without being balanced with knowledge. This is also known as the bandwagon effect. The bandwagon effect is a psychological phenomenon when someone does something because other people do it without being based on their own belief (Linda & Bloom, 2017).

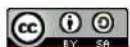### The Effect of Market Discipline on Investment Decisions

Based on Table 4.1, partial hypothesis testing obtained t count 2.928 > t table 1.661 with a significance value of 0.004 <0.05, so the first hypothesis (H0) was rejected. Then when viewed from the value of B, a value of 0.248 is obtained. This means that market discipline has a positive effect on investment decisions. He then obtained a significance value that was smaller than alpha 0.05. In other words, the higher the market discipline possessed by Indonesian Stock Investor community members, the higher their investment decisions will be.Market discipline plays a role in improving the investment decisions of Indonesian Stock Investor members. With market discipline, Indonesian Stock Investor members can respond to signals from companies regarding the disclosure of information submitted. Soma (2017) states that market discipline can be interpreted as a mechanism for monitoring and taking action to secure the funds invested by considering conditions, the surrounding environment, and the company's steps. Market discipline shows that when a company is

performing well, the company will give a signal by providing quality information that shows its high performance to the market.

Stephen (2010) states that one of the market discipline frameworks is information and disclosure, whereby adequate, timely, consistent, and reliable information helps investors make investment choices. According to Aqidah (2017), in addition to helping someone make investment decisions, information related to activities and risks taken by companies can make it easier for market participants, especially investors, to apply market discipline by supervising the company. From the available information, a decision-making model is formed through investment appraisal criteria that allows investors to choose the best investment among the available investment alternatives.

The Effect of Financial Literacy and Market Discipline on Investment Decisions

Based on table 4.2, it can be seen that the results of the F test show a calculated F value of 8.615 with a significance value of 0.000. This study used a significance of 5% and a degree of freedom (df) of (k-1) = 2 and (n-3) = 95 to obtain an F table of 3.09. Thus, the calculated F value > F table is 8.615 > 3.09 with a smaller significance value than Alpha, namely 0.000 <0.05. This shows that the independent variables simultaneously influence the dependent variable. Any changes in the independent variables, namely financial literacy and market discipline, simultaneously affect investment decisions.Then the magnitude of the Adjusted R Square (Coefficient of Determination) is 0.136 or 13.6% (in Table 4.3), indicating that the percentage contribution of the influence of all independent variables, namely Financial Literacy (X1) and Market Discipline (X2) on the dependent variable, namely Investment Decision (Y) was 13.6%. At the same time, the remaining 86.4% (100% - 13.6%) is influenced or explained by other factors beyond this discussion.Investors will conduct research before deciding to invest, such as studying financial reports, company performance, risks, portfolios, economic conditions, and so on (Nandar et al., 2018). Investment decisions will be better if there is knowledge of finance what is commonly called financial literacy. Financial literacy is an integral part of one's life because financial literacy is a valuable tool for making informed financial decisions (Soraya & Lutfiati, 2020). Upadana & Herawati (2020) state that investment decisions based on sound financial literacy can help a person deal with various existing risks. So financial decision-making for investment activities will be
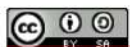
significantly influenced by the investor's financial knowledge and the information obtained.
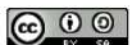
V. CONLUSION

Financial literacy has a negative effect on investment decisions. This is because someone who has high financial literacy does not necessarily have the courage to decide to invest in the capital market because of the risk averse factor. Market discipline has a positive effect on investment decisions. This shows that an information object by the company can provide a signal to capital market participants, which companies have good performance and companies that take too high a risk, so that market discipline can be applied by market participants, especially investors. Financial literacy and market discipline simultaneously influence investment decisions. This means that investment decisions are influenced by several factors such as the level of financial literacy and market discipline. So that with a high level of financial knowledge investors as capital market participants can apply market discipline and make appropriate and profitable investment decisions.

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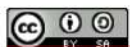Opportunities. United Kingdom: Emerald Group Publishing Limited. https://doi.org/https://doi.org/10.1108/978178560 682

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Financial Literacy and Market Discipline On Investment Decisions In The Indonesian Stock Investor Community

Abstract– This study examines the effect of financial literacy and market discipline on investment decisions in a community called Indonesian Stock Investors. The research method used is the descriptive analysis method. The population in this study were members of the Indonesian Stock Investor community, with a sample of 98 respondents who were selected using a simple random sampling technique. The analysis technique used in this study is validity and reliability testing, multiple regression analysis and hypothesis testing using SPSS software. Based on the study's results shows that 1) financial literacy affects investment decisions in the Indonesian Stock Investor community. 2) There is an influence of market discipline on investment decisions in the Indonesian Stock Investor community. 3) There is an influence of financial literacy and market discipline on investment decisions in the Indonesian Stock Investor community.
Keyword: Market Discipline; Investation decision; Financial Literacy

I. INTRODUCTION

Pendahuluan memaparkan tentang latar belakang masalah, motivasi penelitian, rumusan masalah (berisi pertanyaan-pertanyaan tentang hubungan antarvariabel), dan tujuan penelitian. Pendahuluan ditulis dalam bentuk paragraf mengalir dan hindari sub-sub di dalam pendahuluan.

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The Financial Services Authority (OJK) explained to Market Bisnis.com that the current condition of the Indonesian capital market tends to be stable and shows a positive trend. OJK observes that there is a tendency for capital market interest to improve. The number of new issuers taking the floor on the Indonesia Stock Exchange (IDX) in 2020 continues to grow and has reached 32 issuers.

With this, the capital market in Indonesia is an essential factor in developing the national economy because many industries and companies have used the capital market as a medium to absorb investments that can strengthen their financial position.

In the investment world, a plan is needed. The main thing in managing finances is investment planning because of choosing.

A suitable investment will provide sustainable profits. In addition, the investment decisions made will be more mature and can avoid losses. When planning to make an investment, that person must have good financial knowledge or financial literacy to have the right and clear direction in making decisions (Putri & Rahyuda, 2017).

In the research of Sobaya et al. (2016), it is said that some Indonesians tend to waste because they need the knowledge and concepts of sound financial planning. The Financial Services Authority (OJK) defines financial literacy as an attitude and behaviour to improve the quality of decision-making and

financial management influenced by knowledge, skills and beliefs to achieve prosperity.

FINANCIAL LITERACY INDEX

Figure 1 Financial Literacy Index
Source: 2020 National Financial Literacy and Inclusion Survey Booklet

The Indonesian Financial Literacy Index per province in the National Financial Literacy and Inclusion Survey conducted by OJK from 2016 to 2019 has increased. This increase is in line with the role of OJK, which continues to encourage the growth of the financial services sector in Indonesia. Likewise, in 2020 the number of investors continued to increase. The Indonesia Stock Exchange (IDX) noted the addition of more than 1 million Single Investor Identification (SID) stocks, mutual funds and bonds, where the total number of investors has reached 3.5 million.

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Market discipline is one of the three pillars of improving banking, financial security, and soundness (Basel Committee on Banking Supervision, 2011). Regulatory oversight processes and minimum capital standards are the other two pillars. Market discipline

aims to encourage the role of market players to participate in supervising the company. The purpose of this study, sufficient information must be available to the public regarding the condition of the company and market participants can assess the company's state through analysis of this information.

Based on the description above, this study aims to explain the effect of Financial Literacy and Market Discipline on Investment Decisions In the Indonesian Stock Investor Community.

II. LITERATURE REVIEW

Increasing the stock price is one way to increase the company's value. A high bidding value can make the market believe in the company's performance and prospects in the future (Rudangga & Sudiarta, 2016). The higher the stock price, the more investors believe in the company's performance because that's where it reflects how it tries to prosper its shareholders. So that investors benefit from the investment results can be achieved.

With a capital market, individuals or businesses with excess funds can invest in securities offered by issuers (Sunariyah, 2011:5). Good financial literacy is needed for a business substance to make the right investment choice. Huston (2010) explains that financial literacy is a component of human capital used in economic activities to increase the efficiency of consumption utilization. Someone with financial literacy, i.e. has the knowledge and ability to apply his knowledge, will not show behaviour or increase in economic well-being caused by other influences (behavioural/cognitive biases, self-control problems, family, community, etc.).

According to Nisa & Zulaika (2017), investors will consider several factors before investing, such as all information about the company's financial statements, company information related to the company's reputation and position in the industry, the ability of investors to determine economic criteria, considering the company is a national or international company—the recommendations and advice from people familiar with investment matters. Lubis (2016) states that investment decision-making is strongly influenced by information obtained and investor knowledge regarding investment. In stock investment decisions, investor behaviour   projected by the investor's desire to choose stocks. The desire or intention of investors is reflected in the estimated stock

returns, which are calculated using various information. Meaning itself grows because of information that motivates investors to make a decision.

Investment decisions are measured by the rate of return (return), risk and time.

Apart from assisting investors in making investment decisions, company financial information helps market participants apply market discipline. Market discipline can only work if adequate information is available to market participants (Rae, 2008: 159). Stephanou (2010) developed a market discipline framework with four parameters, namely:

1. Information and Disclosure. Before investing their capital, investors must know that the investment institution has the quality and performance for several accounting years obtained from its financial statements.
2. Market participants. Investors need to know the parties involved in their investment institution.
3. Disciplinary mechanisms. Investors need to know the means carried out by investment institutions when changes in the internal and external environment occur.
4. Internal governance. Investors need to know that their investment institutions follow the rules set by regulations regarding management and remuneration for managers.

III. RESEARCH METHODS

This study uses a descriptive quantitative method because there are variables that will be examined for relationships, and the aim is to present a structured, factual, and accurate picture of the facts and the relationship between the variables studied, namely the effect of financial literacy and market discipline on investment decisions.

Based on the information obtained, there were 5,426 Indonesian Stock Investor community members as of September 2021. Then with a margin of error of 10%, The calculations using the Slovin formula show that the required sample size in this study is 98 members of the Indonesian Stock Investor community. The sampling technique in this study was simple random sampling. The simple random sampling method, which is part of probability sampling, is a sampling technique that provides equal opportunities for each element of the population.

A multiple linear regression analysis models explains the relationship and how much influence the independent variables have on the dependent variable.

IV. RESULTS AND DISCUSSION

The t test is used to test the effect of each independent variable on the dependent variable. The t test was carried out with SPSS IBM 23 software. The hypothesis (H1 and H2) is accepted if the probability (significant value) is <0.05 or t count > t table and vice versa (Ghozali, 2016:97). The results of the t test in this study can be seen in table 4.1 below:

Table 4.1 Multiple Linear Regression Test Results (t-Test)

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	29.554	2.820		10.479	.000
	Financial Literacy	-.253	.064	-.421	-3.960	.000
	Market Discipline	.248	.085	.311	2.928	.004

a. Dependent Variable: Investment Decisions
Source: SPSS Output Version 23, Processed in 2021

$$Y = a + b_1 X_1 + b_2 X_2$$
$$Y = 29,554 + (-0,253)X_1 + 0,248X_2$$

A constant value of 29.554 means that if Financial Literacy (X1) and Market Discipline (X2) are zero, then the magnitude of the investment decision is 29.554. This shows that the investment decision will be higher if it is supported by other factors or variables not examined in this study. The coefficient of the Financial Literacy variable (X1) is negative by -0.253, or if Financial Literacy increases by 1% (for example), it will be followed by a decrease in the level of Investment Decision by 25.3%. The results of the F test in this study can be seen in table 4.2 below:

Table 4.2 Multiple Linear Regression Test Results (F-Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	215.744	2	107.872	8.615	.000[b]
	Residual	1189.572	95	12.522		
	Total	1405.316	97			

a. Dependent Variable: Investment Decisions
b. Predictors: (Constant), Market Discipline, Financial Literacy
Source: SPSS Output Version 23, Processed in 2021

From the F test table it can be seen that the calculated F value is 8.615 with a significance of 0.000. In this study used a significance of 5% and a degree of freedom (df) of (k-1) = 2 and (n-3) = 95 to obtain an F table of 3.09. Thus it can be seen that F count > F table (8.615 > 3.09) with a smaller significance than Alpha (0.000 <0.05). This shows that Financial Literacy and Market Discipline both influence Investment Decisions.

The coefficient of determination (R2) essentially measures how far the model is able to explain the variation of the dependent variable (Ghozali, 2016: 95). From the research on the coefficient of determination that has been carried out can be seen in table 4.3 below:

Table 4.3 Determination Coefficient Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.392[a]	.154	.136	3.53862

a. Predictors: (Constant), Market Discipline, Financial Literacy
Source: SPSS Output Version 23, Processed in 2021

Based on Table 4.3 above, it can be seen that the Adjusted R Square is 0.136 or 13.6%. This shows that the percentage of the influence of all independent variables (Financial Literacy and Market Discipline) on the dependent variable (Investment Decision) is 13.6%. At the same time, the remaining 86.4% (100% - 13.6% = 86.4%) is influenced or explained by other variables (epsilon) which are not included in this study.

The Effect of Financial Literacy on Investment Decisions

Based on Table 4.1, partial hypothesis testing obtained a t value of 3.690 > t table 1.661 with a significance value of 0.000 <0.05. Then it can be interpreted that H0 is rejected and Ha is accepted. Then, when viewed from the B value, a value of -0.253 is obtained; thus, Financial Literacy negatively affects Investment Decisions. This study's results align with research conducted by Irjayanti & Lestari (2017), which shows that financial literacy negatively influences investment decision-making. Investors with high knowledge do not necessarily dare to choose risky investments such as investing in the capital market.

Commented [U3]: Harap perhatikan struktur penulisan

Investment decisions are influenced by investor behavior factors, where there are barriers to someone joining the capital market, namely psychological barriers, risk-averse behavior, and people uncomfortable with high-risk investment choices.According to Hasanah et al. (2019), the emergence of new investors in Indonesia is due to the circulation of learning communities that provide education about stock investment; some influencers are experts in stock investment providing education on social media voluntarily through their uploads. Even though they have a reasonable goal of increasing the number of investors in Indonesia, many decide to become investors for fear of being left behind, thus making people only become investors with the bandwagon factor without being balanced with knowledge. This is also known as the bandwagon effect. The bandwagon effect is a psychological phenomenon when someone does something because other people do it without being based on their own beliefs (Linda & Bloom, 2017).

The Effect of Market Discipline on Investment Decisions

Based on Table 4.1, partial hypothesis testing obtained t count 2.928 > t table 1.661 with a significance value of 0.004 <0.05, so the first hypothesis (H0) was rejected. Then when viewed from the value of B, a value of 0.248 is obtained. This means that market discipline has a positive effect on investment decisions. He then obtained a significance value that was smaller than alpha 0.05. In other words, the higher the market discipline possessed by Indonesian Stock Investor community members, the higher their investment decisions will be.Market discipline plays a role in improving the investment decisions of Indonesian Stock Investor members. With market discipline, Indonesian Stock Investor members can respond to signals from companies regarding the disclosure of information submitted. Soma (2017) states that market discipline can be interpreted as a mechanism for monitoring and taking action to secure the funds invested by considering conditions, the surrounding environment, and the company's steps. Market discipline shows that when a company is performing well, the company will give a signal by providing quality information that shows its high performance to the market.

Stephen (2010) states that one of the market discipline frameworks is information and disclosure, whereby adequate, timely, consistent, and reliable information helps investors make investment choices. According to Aqidah (2017), in addition to helping someone make investment decisions, information related to activities and risks taken by companies can make it easier for market participants, especially investors, to apply market discipline by supervising the company. From the available information, a decision-making model is formed through investment appraisal criteria that allows investors to choose the best investment among the available investment alternatives.

The Effect of Financial Literacy and Market Discipline on Investment Decisions

Based on table 4.2, it can be seen that the results of the F test show a calculated F value of 8.615 with a significance value of 0.000. This study used a significance of 5% and a degree of freedom (df) of (k-1) = 2 and (n-3) = 95 to obtain an F table of 3.09. Thus, the calculated F value > F table is 8.615 > 3.09 with a smaller significance value than Alpha, namely 0.000 <0.05. This shows that the independent variables simultaneously influence the dependent variable. Any changes in the independent variables, namely financial literacy and market discipline, simultaneously affect investment decisions.Then the magnitude of the Adjusted R Square (Coefficient of Determination) is 0.136 or 13.6% (in Table 4.3), indicating that the percentage contribution of the influence of all independent variables, namely Financial Literacy (X1) and Market Discipline (X2) on the dependent variable, namely Investment Decision (Y) was 13.6%. At the same time, the remaining 86.4% (100% - 13.6%) is influenced or explained by other factors beyond this discussion.Investors will conduct research before deciding to invest, such as studying financial reports, company performance, risks, portfolios, economic conditions, and so on (Nandar et al., 2018). Investment decisions will be better if there is knowledge of finance or what is commonly called financial literacy. Financial literacy is an integral part of one's life because financial literacy is a valuable tool for making informed financial decisions (Soraya & Lutfiati, 2020). Upadana & Herawati (2020) state that investment decisions based on sound financial literacy can help a person deal with various existing risks. So financial decision-making for investment activities will be significantly influenced by the investor's financial knowledge and the information obtained.

V. CONLUSION

Financial literacy has a negative effect on investment decisions. This is because someone who has high financial literacy does not necessarily have the courage to decide to invest in the capital market

because of the risk averse factor. Market discipline has a positive effect on investment decisions. This shows that an information object by the company can provide a signal to capital market participants, which companies have good performance and companies that take too high a risk, so that market discipline can be applied by market participants, especially investors. Financial literacy and market discipline simultaneously influence investment decisions. This means that investment decisions are influenced by several factors such as the level of financial literacy and market discipline. So that with a high level of financial knowledge investors as capital market participants can apply market discipline and make appropriate and profitable investment decisions.

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Submission Title: Financial Literacy and Market Discipline On Investment Decisions In The Indonesian Stock Investor Community

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Financial Literacy and Market Discipline on Investment Decisions in The Indonesian Stock Investor Community

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Abstract– This study examines the effect of financial literacy and market discipline on investment decisions in a community of Indonesian Stock Investors. The research method used was the descriptive analysis method. The population in this study were members of the Indonesian Stock Investor community, with a sample of 98 respondents who were selected using a simple random sampling technique. The analysis techniques used in this study were validity and reliability testing, multiple regression analysis, and hypothesis testing using SPSS software. The results show that financial literacy affects investment decisions in the Indonesian Stock Investor community. Besides, this study found that there is an influence of market discipline on investment decisions in the Indonesian Stock Investor community. Also, there is an influence of financial literacy and market discipline on investment decisions in the Indonesian Stock Investor community.

Keywords: Market Discipline; Investation decision; Financial Literacy
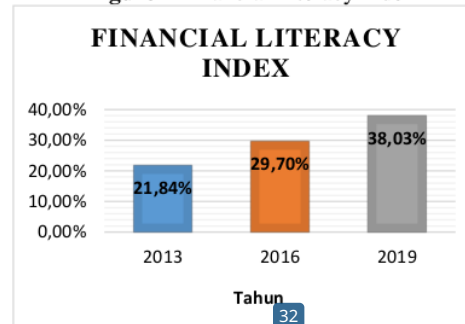
I. INTRODUCTION

The Financial Services Authority (OJK) explained to Market Bisnis.com that the current condition of the Indonesian capital market is stable and shows a positive trend. OJK observes that there is a tendency for capital market interest to improve. The number of new issuers taking the floor on the Indonesia Stock Exchange (IDX) in 2020 continues to grow and has reached 32 issuers.

The capital market in Indonesia is an essential factor in developing the national economy because many industries and companies have used the capital market as a medium to absorb investments to strengthen their financial position [1].

In the investment world, a plan is necessary. The main thing in managing finances is investment planning. A suitable investment will provide sustainable profits. In addition, the investment decisions made will be more accurate and can avoid losses. Planning to invest requires someone to have good financial knowledge or financial literacy and to have the right and clear direction in making decisions [2]

In the research of Sobaya et al. (2016), some Indonesians tend to waste because they need the knowledge and concepts of sound financial planning. The Financial Services Authority (OJK) defines financial literacy as an attitude and behavior to improve the quality of decision-making and financial management influenced by knowledge, skills, and beliefs to achieve prosperity[3].

Figure 1 Financial Literacy Index

Source: 2020 National Financial Literacy and Inclusion Survey Booklet

The Indonesian Financial Literacy Index per province in the National Financial Literacy and Inclusion Survey, conducted by OJK from 2016 to 2019, has increased. This increase is in line with the role of OJK, which continues to encourage the growth of the financial services sector in Indonesia. Likewise, in 2020, the number of investors continued to increase. The Indonesia Stock Exchange (IDX) noted the addition of more than 1 million Single Investor Identification (SID) stocks, mutual funds, and bonds, in which the total number of investors has reached 3.5 million.

Market discipline is one of the three pillars of improving banking, financial security, and soundness [4]. Regulatory oversight processes and minimum capital standards are the other two pillars. Market discipline aims to encourage the role of market players to participate in supervising the company. This study

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aims to provide sufficient information to the public regarding the company's condition so that market participants can assess the company's state through analysis of this information.

Based on the description above, this study aims to explain the effect of Financial Literacy and Market Discipline on Investment Decisions In the Indonesian Stock Investor Community[5].

II. LITERATURE REVIEW

Increasing the stock price is one way to increase the company's value. A high bidding value can make the market believe in the company's performance and prospects in the future [3]. The higher the stock price, the more investors believe in the company's performance. It is simply because it reflects how to prosper the shareholders. Thus, investors benefit from the investment results can be achieved.

In a capital market, individuals or businesses with excess funds can invest in securities issuers offer [7]. Good financial literacy is needed for a business substance to make the right investment choice. Huston (2010) explains that financial literacy is a component of human capital used in economic activities to increase the efficiency of consumption utilization[8]. Someone with financial literacy and the knowledge and ability to apply his knowledge will not show behavior or increase economic well-being caused by other influences (behavioral/cognitive biases, self-control problems, family, community).

According to Nisa & Zulaika (2017), investors will consider several factors before investing, such as the company's financial statements, reputation, and position in the industry, the ability of investors to determine economic criteria, considering the company as a national or international company, and the recommendations and advice from people familiar with investment matters [9]. Lubis (2016) states that investment decision-making is strongly influenced by information obtained and investor knowledge regarding investment [10]. In stock investment decisions, investor behavior is projected by the investor's desire to choose stocks. The desire or intention of investors is reflected in the estimated stock returns, which are calculated using various information. The information that the investors have will motivate them to make a decision. Investment decisions are measured by the rate of return (return), risk, and time.

Apart from assisting investors in making investment decisions, company financial information helps market participants apply market discipline. Market discipline can only work if adequate information is available to market participants [11]. Stephanou (2010) developed a market discipline framework with four parameters [12]:

1. Information and Disclosure.
   Before investing their capital, investors must know that the investment institution has the quality and performance for several accounting years obtained from its financial statements.
2. Market participants.
   Investors need to know the parties involved in their investment institution.
3. Disciplinary mechanisms.
   Investors need to know the means of investment institutions when changes in the internal and external environment occur.
4. Internal governance.
   Investors need to know that their investment institutions follow the rules set by regulations regarding management and remuneration for managers.

III. RESEARCH METHODS

This study uses a descriptive quantitative method because there are variables examined for relationships, and this study aims to present a structured, factual, and accurate picture of the facts and the relationship between the variables studied, namely the effect of financial literacy and market discipline on investment decisions.

Based on the information obtained, there were 5,426 Indonesian Stock Investor community members as of September 2021. With a margin of error of 10%, the calculations using the Slovin formula show that the required sample size in this study is 98 members of the Indonesian Stock Investor community. The sampling technique in this study was simple random sampling. The simple random sampling method is a sampling technique that provides equal opportunities for each element in the population.

A multiple linear regression analysis model explains the relationship and the size of influence the independent variables have on the dependent variable.

IV. RESULTS AND DISCUSSION

The t-test tests the effect of each independent variable on the dependent variable. The t-test was

carried out with SPSS IBM 23 software. The hypothesis (H1 and H2) is accepted if the probability (significant value is < 0.05 or t-count > t-table and vice versa [13]. The results of the t-test in this study can be seen in Table 4.1 below:

Table 4.1 Multiple Linear Regression Test Results (t-Test)

Coefficients

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	29.554	2.820		10.479	.000
	Financial Literacy	-.253	.064	-.421	-3.960	.000
	Market Discipline	.248	.085	.311	2.928	.004

a. Dependent Variable: Investment Decisions
Source: SPSS Output Version 23, Processed in 2021

$$Y = a + b_1X_1 + b_2X_2$$
$$Y = 29,554 + (-0,253)X_1 + 0,248X_2$$

A constant value of 29.554 means that if Financial Literacy (X1) and Market Discipline (X2) are zero, then the magnitude of the investment decision is 29.554. This shows that the investment decision will be higher if it is supported by other factors or variables not examined in this study. The coefficient of the Financial Literacy variable (X1) is negative at -0.253, or if Financial Literacy increases by 1% (for example), the decrease in the level of Investment Decision will be 25.3%. The results of the F test in this study can be seen in Table 4.2 below:

Table 4.2 Multiple Linear Regression Test Results (F-Test)

ANOVAᵃ

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	215.744	2	107.872	8.615	.000ᵇ
	Residual	1189.572	95	12.522		
	Total	1405.316	97			

a. Dependent Variable: Investment Decisions
b. Predictors: (Constant), Market Discipline, Financial Literacy
Source: SPSS Output Version 23, Processed in 2021

From the F test table, the calculated F value is 8.615, with a significance of 0.000. This study used a significance of 5% and a degree of freedom (df) of (k-1) = 2 and (n-3) = 95 to obtain an F table of 3.09. Thus, it can be seen that F count > F table (8.615 > 3.09) with a smaller significance than Alpha (0.000 <0.05). This shows that Financial Literacy and Market Discipline both influence Investment Decisions.

The coefficient of determination (R2) essentially measures to what extent the model can explain the variation of the dependent variable [13]. The research on the coefficient of determination that has been carried out can be seen in Table 4.3 below:

Table 4.3 Determination Coefficient Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. The error in the Estimate
1	.392ᵃ	.154	.136	3.53862

a. Predictors: (Constant), Market Discipline, Financial Literacy
Source: SPSS Output Version 23, Processed in 2021

Based on Table 4.3 above, the Adjusted R Square is 0.136 or 13.6%. This shows that the percentage of the influence of all independent variables (Financial Literacy and Market Discipline) on the dependent variable (Investment Decision) is 13.6%. At the same time, the remaining 86.4% (100% - 13.6% = 86.4%) is influenced or explained by other variables (epsilon) which are not included in this study.

The Effect of Financial Literacy on Investment Decisions

Based on Table 4.1, partial hypothesis testing obtained a t-value of 3.690 > t-table 1.661 with a significance value of 0.000 <0.05. Then, it can be interpreted that H0 is rejected, and Ha is accepted. Viewed from the B value, a value of -0.253 is obtained. Thus, financial literacy negatively affects investment decisions. This study's results align with research conducted by Irjayanti & Lestari (2017), which shows that financial literacy negatively influences investment decision-making. Investors with high knowledge do not necessarily dare to choose risky investments such as investing in the capital market. Investment decisions are influenced by investor behavior factors, where there are barriers to someone joining the capital market, namely psychological barriers, risk-averse behavior, and people uncomfortable with high-risk investment choices. According to Hasanah et al. (2019), the emergence of new investors in Indonesia is due to the circulation of learning communities that provide education about stock investment; some influencers are experts in stock investment providing education on social media voluntarily through their uploads. Even though they have a reasonable goal of increasing the number of investors in Indonesia, many decide to become investors for fear of being left behind, thus making people only become investors with the bandwagon factor without being balanced with knowledge. This is also known as the bandwagon effect. The bandwagon effect is a psychological

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phenomenon when someone does something because others do it without being based on their beliefs [14].

The Effect of Market Discipline on Investment Decisions

Based on Table 4.1, partial hypothesis testing obtained t count 2.928 > t table 1.661 with a significance value of 0.004 <0.05, so the first hypothesis (H0) was rejected. Then when viewed from the value of B, a value of 0.248 is obtained. This means that market discipline has a positive effect on investment decisions. He then obtained a significant value that was smaller than alpha 0.05. In other words, the higher the market discipline Indonesian Stock Investor community members assess, the higher their investment decisions will be. Market discipline plays a role in improving the investment decisions of Indonesian Stock Investor members. With market discipline, Indonesian Stock Investor members can respond to signals from companies regarding the disclosure of information submitted. Soma (2017) states that market discipline can be interpreted as a mechanism for monitoring and taking action to secure the funds invested by considering conditions, the surrounding environment, and the company's steps. Market discipline shows that when a company is performing well, the company will give a signal by providing quality information that shows its high performance to the market.

Stephen (2010) states that one of the market discipline frameworks is information and disclosure, whereby adequate, timely, consistent, and reliable information helps investors make investment choices. According to Aqidah (2017), in addition to helping someone make investment decisions, information related to company activities and risks can make it easier for market participants, especially investors, to apply market discipline by supervising the company. From the available information, a decision-making model is formed through investment appraisal criteria allowing investors to choose the best investment among the available alternatives.

The Effect of Financial Literacy and Market Discipline on Investment Decisions

Based on Table 4.2, it can be seen that the results of the F test show a calculated F value of 8.615 with a significance value of 0.000. This study used a significance of 5% and a degree of freedom (df) of (k-1) = 2 and (n-3) = 95 to obtain an F table of 3.09. Thus, the calculated F value > F table is 8.615 > 3.09 with a smaller significance value than Alpha, 0.000 <0.05. This shows that the independent variables simultaneously influence the dependent variable. Any changes in the independent variables, namely financial literacy and market discipline, simultaneously affect investment decisions. Then the magnitude of the Adjusted R Square (Coefficient of Determination) is 0.136 or 13.6% (in Table 4.3), indicating that the percentage contribution of the influence of all independent variables, namely Financial Literacy (X1) and Market Discipline (X2) on the dependent variable, namely Investment Decision (Y) was 13.6%. At the same time, the remaining 86.4% (100% - 13.6%) is influenced or explained by other factors beyond this discussion. Investors will conduct research before investing, such as studying financial reports, company performance, risks, portfolios, economic conditions, and so on [15]. Investment decisions will be better if there is knowledge of finance or what is commonly called financial literacy. Financial literacy is an integral part of one's life because financial literacy is a valuable tool for making informed financial decisions [3]. Upadana & Herawati (2020) state that investment decisions based on sound financial literacy can help a person deal with various existing risks. So financial decision-making for investment activities will be significantly influenced by the investor's financial knowledge and the information obtained.

V. CONCLUSION

Financial literacy has a negative effect on investment decisions. This is because someone with high financial literacy does not necessarily dare to invest in the capital market because of the risk-averse factor. Market discipline has a positive effect on investment decisions. This shows that an information object by the company can signal to capital market participants which companies have good performance and companies that take too high a risk so that market participants, especially investors, can apply market discipline. Financial literacy and market discipline simultaneously influence investment decisions. This means that several factors, such as financial literacy and market discipline influence investment decisions. So that with a high level of financial knowledge, investors as capital market participants can apply market discipline and make appropriate and profitable investment decisions.

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