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The Influence of Financial Advisor's Recommendations on Student Investor's Intention with Financial Literacy as a Moderation

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ABSTRACT

This study aims to find and analyze the effect of financial advisor recommendations on the intention of student investors in Medan with financial literacy as a moderator. This research is a quantitative research with an explanatory research model, with primary data. Data collection techniques using questionnaires. The data analysis technique is statistical analysis based on partial least squares. The results of the study found that financial advisor recommendations have a positive effect on investor intentions and financial literacy does not moderate the effect of financial advisor recommendations on investor intentions.

Keywords: Investor Intentions, Financial Advisor Recommendations, Financial Literacy.

INTRODUCTION

After the Covid 19 pandemic, as Indonesia's economic conditions improved, it was seen that the number of investors was increasing, the number of Indonesian capital market investors increased to 8.3 million at the end of the first quarter of 2022. This achievement increased 12.13% from the position at the end of 2021, sector the financial industry is the biggest choice for investors who come from Gen Z, or the age group with an age range below 26 years. the Indonesian stock market is still dominated by local investors from millennials and generation Z, which account for around 80%. Young people are getting smarter in determining their investments, including capital market investments. Industrial sectors whose shares are owned by young people on average have a large capitalization value, so that fundamental factors are considered by young people in determining their choice of stock (KSEI, IDX, 2022). To accommodate the role of young people in investing, the government is trying to optimize the digitization of various features and services of the Indonesia Stock Exchange, online trading applications, as well as massive education through social media, social media influencers, communities, and Capital Market School (SPM) classes which are held regularly. online.

The high dominance of millennial investors is a question of what drives their intention to invest. Sang, (2018) states that individual investors' investment intentions are influenced by investors' knowledge of investments. The intention to invest in stocks can be interpreted as someone's desire or sincerity to invest in stocks. From intention, it can be seen how and to what extent a person tries hard and is serious about investing. Phan (2014); Septyanto (2013); Sondari (2015); Dewi (2017); explains that the investment intention of individual investors is influenced by their attitude towards investment, subjective norms and perceived behavioral control. Njuguna, (2016) shows that subjective investment knowledge, compatibility of expected investment values, perceived behavioral control have a positive and statistically significant effect on individual investors' investment intentions. The individual's intention to act is influenced by social conditions and internal factors. In the theory of planned behavior, there are three factors that can influence an individual's intention to behave (investment), namely attitudes, subjective norms and perceived behavioral control (Ajzen, 1991). Before starting to invest, apart from analyzing information, students will also use subjective norms, namely individual attitudes related to how to deal with the investment risks they bear, as well as behavioral control, namely individual understanding related to investment and financial literacy which influences the intention to invest.

This research is very important to do, investor intentions are very difficult to see, intention as an action in obtaining investment-related information, looking for alternatives to take advantage of an opportunity. This study will analyze whether student investor intentions are influenced by financial advisor recommendations and whether financial literacy can moderate the effect.

METHOD

The type of research used is explanatory research, with a quantitative approach, collecting data using a questionnaire with a total of 240 student respondents. This study examines the effect of financial advisor recommendations on investor intentions in Medan with financial literacy as a moderator. Sampling was carried out using non-random sampling, namely snowball sampling. This study used Partial Least Square (PLS) analysis based on the SEM application with the help of SmartPLS software, while the research instrument used questionnaire data with the measurement technique used, namely the Likert Scale technique. (Sugiyono, 2016).

RESULT AND DISCUSSION

Table 1. Validity Testing based on Factor Loading

Pernyataan	RPK (X)	NI(Y)	LK (M)
RPK1	**0.931**		
RPK2	**0.942**		
RPK3	**0.947**		
RPK4	**0.947**		
RPK5	**0.950**		
RPK6	**0.966**		
RPK7	**0.953**		
RPK8	**0.952**		
RPK9	**0.961**		
RPK10	**0.957**		
RPK11	**0.953**		
RPK12	**0.949**		
NI1		**0.927**	
NI2		**0.932**	
NI3		**0.957**	
NI4		**0.952**	
NI5		**0.959**	
NI6		**0.962**	
NI7		**0.939**	
LK1			**0.934**
LK2			**0.934**
LK3			**0.945**
LK4			**0.949**
LK5			**0.970**
LK6			**0,956**
LK7			**0.948**
LK8			**0.956**
LK9			**0.956**
LK10			**0.942**

Source: Research Data Processing Results (2022

Based on the validity test of the loading factor above, all outer loading values are > 0.7, which means that they have met the validity requirements based on the loading value. This means that all indicators meet convergent validity or all construct indicators are valid.

Table 2. Based On Validity Testing Average Variance Extracted (AVE)

Konstruk	**Average Variance Extracted (AVE)**
Financial Advisor Recommendations	**0.905**
Investor Intention	**0.897**
Financial Literacy	**0.899**

Source: Research Data Processing Results (2022)

Based on table 2 shows the magnitude of the AVE value of each variable. The AVE value is a value indicating that all indicators have become good comparisons for their latent variables. The expected AVE value is >0.5. By looking at the AVE value calculation data where all values are > 0.5, it can be stated that discriminant validity is considered feasible. The recommended AVE value is above 0.5 (Mahfud and Ratmono, 2013:67). It is known that all AVE values are > 0.5, which means that they have met the validity requirements based on AVE. Furthermore, reliability testing is carried out based on the composite reliability (CR) value.

Table 3. Reliability Testing based on Composite Reliability (CR)

Konstruk	**Composite Reliability**
Financial Advisor Recommendations	**0.991**
Investor Intention	**0.984**
Financial Literacy	**0.989**

Source: Research Data Processing Results (2022)

In addition to the construct validity test, a construct reliability test was carried out which was measured by two criteria, namely composite reliability and Cronbach alpha from the indicator block that measures the construct. The recommended composite reliability value is above 0.7 (Mahfud and Ratmono, 2013:67). It is known that all composite reliability values are > 0.7, which means that they have met the reliability requirements based on composite reliability. Furthermore, reliability testing was carried out based on the Cronbach's alpha (CA) value.

Table 4. Reliability Testing based on Cronbach's Alpha (CA)

Konstruk	**Cronbach's Alpha**
Financial Advisor Recommendations	**0.991**
Investor Intention	**0.981**
Financial Literacy	**0.987**

Source: Research Data Processing Results (2022)

The recommended composite reliability value is above 0.7 (Mahfud and Ratmono, 2013:67). It is known that all composite reliability values are > 0.7, which means that they have met the reliability requirements based on Cronbach's alpha.

Table 5. Discriminant Validity Testing

Konstruk	Financial Advisor Recommendations	Investor Intention	Financial Literacy
Financial Advisor Recommendations	0.952		
Investor Intention	0.627	0.947	
Financial Literacy	0.635	0.760	0.942

Source: Research Data Processing Results (2022)

In testing discriminant validity, the AVE square root value of a latent variable is compared with the correlation value between that latent variable and other latent variables. It is known that the AVE square root value for each latent variable is greater than the correlation value between the latent variable and other latent variables. So it is concluded that it meets the requirements of discriminant validity.

The table below presents the results of the path coefficient and the significance test of the direct effect.

Table 6. Path Coefficient Value and P-Value
(Direct Effect Significance Test)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Financial Advisor Recommendations (X) -> Investor Intention (Y)	0,412	0,412	0,164	2,503	0,012
Financial Literacy (M) -> Investor Intention (Y)	0,084	0,087	0,196	0,428	0,668

Source: Research Data Processing Results (2020)

Based on the results in table 6, the results are obtained:

1. Recommendations from Financial Advisors (X) have a positive effect on Investor Intentions (Y) with a path coefficient value of 0.412 and are significant with a P-Values of 0.012 <0.05.
2. Financial Literacy (M) has no effect on Investor Intention (Y1) with a path coefficient value of 0.087 and is significant with a P-Values of 0.668 > 0.05.

To see the coefficient of determination below, the results of the coefficient of determination (r-square) are presented.

Table 7. Determination Coefficient Value

Variabel Laten Dependen	R Square	R Square Adjusted
Niat Investor (Y1)	0.400	0.392

Source: Research Data Processing Results (2020)

Based on Table 7, it is known:

⇨ The coefficient of determination for the latent variable Investor Intention (Y1) is 0.400, which means that Financial Advisory Recommendations (X) can influence Investor Intention (Y1) by 40%.

The structural model is evaluated using R-square for the dependent construct, with an R2 criterion of 0.67; 0.33; and 0.19 which identifies that the model is good, moderate and weak.

Next, a moderation test is carried out, namely testing whether Financial Literacy (M) is significant in moderating the influence of Financial Advisory Recommendations (X) on Investor Intentions (Y).

Table 8. Financial Literacy Test (M) in Moderating Financial Advisory Recommendations (X) on Investor Intentions (Y)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Financial Advisor Recommendation (X) -> Investor Intention (Y)	0,412	0,412	0,164	2,503	0,012
Financial Literacy (M) -> Investor Intention (Y)	0,084	0,087	0,196	0,428	0,668
Financial Advisor Recommendation (X) Financial Literacy (M) Investor Intention (Y1) -> Investor Intention (Y)	-0.124	-0.120	0.070	1.762	0.078

Source: Research Data Processing Results (2020)

Based on the results of the moderation test in table 8, it is known that the P-Values XMY -> Investor Intention (Y) is 0.078 > 0.05, so Financial Literacy (M) is not significant in moderating the influence of Financial Advisor Recommendations (X) on Investor Intentions (Y).

DISCUSSION

Explanation of Discussion 1

Financial Advisor Recommendations have an effect on Investor Intentions with a path coefficient value of 0.412 and significant with a P-Values of 0.012 <0.05, this shows that recommendations given by financial advisers are able to influence investors' intentions to invest. Intention is considered as a phenomenon that shows investor interest in investment, intention as an action arrangement that is carried out as an opportunity that is realized in the form of action or in other words a desire that encourages an investor to invest. There is an intention that grows from investors as an impact of information and recommendations related to market conditions and companies that have good and bad prospects are used as choices that arouse investors' intentions. Broker recommendations where they provide explanations and advice as well as analysis of stocks that provide benefits that can be seen in various media and news stories raise investors' intention to invest. Investors benefit from investment advisers, providing advice regarding buying or selling securities to investors, making investment recommendations or conducting securities analysis through written publications of various advice and opinions from issuers or prospective issuers relating to securities.

Explanation of Discussion 2

Financial literacy has no effect on investor intentions with a path coefficient value of 0.087 and a significance with a P-Values of 0.668 > 0.05, this shows that financial literacy which is knowledge, skills and beliefs does not affect attitudes and behavior to improve the quality of decision making and management finances in order to achieve prosperity. Intention is a psychological phenomenon that shows a focus of interest in a particular object due to a feeling of happiness, intention as a regulation of action which, if there is a suitable time and opportunity, will be realized in the form of action. Investor intention is defined as the desire or sincerity of a person to take investment actions. From intention, it can be seen how and to what extent a person tries hard and is serious about investing. The ability to manage financial information owned by investors does not necessarily foster an intention to buy, sell or revise their share ownership. In the theory of Planned Behavior Theory (TPB) it is explained that attitude towards behavior is an important factor that can predict an action, although it is necessary to consider a person's attitude in testing subjective norms and measuring the person's perceived behavioral control. If there is a positive attitude, support from people around and there is a perception of ease because there are no barriers to behavior, then one's intention to behave will be higher (Ajzen, 2005). In the context of this study, individual investors will want to invest in stocks if they have positive beliefs that investing in stocks is a profitable activity for them, conversely, investor intentions will be low if they perceive investing in stocks will provide losses, it can be said skills in reading and analyzing as well as managing finances not as a factor that can foster investors' intention to invest.

Explanation of Discussion 3

Based on the results of the moderation test, it is known that the P-Values is 0.078 > 0.05, so financial advisor literacy is not significant in moderating the effect of financial advisor recommendations on investor intentions. This indicates that financial literacy does not moderate the effect of financial advisor recommendations on investor intentions. Financial literacy is not a concern or in other words financial literacy is not able to clarify the effect of financial recommendations on the investment intentions of individual investors in Medan. Individual investors with investment intentions who earnestly seek and study information obtained from financial advisers in the course of their investment activities. Investors in this case are beginners as students who have no experience studying information in the form of company reputation, business ethics, company advantages, business models, innovation and product security information owned by companies as an analysis of investment recommendations provided by investment advisors, media and brokers. Financial advisor recommendations affect investment intentions, company competitiveness, the company's ability to face challenges, make the company more resilient in carrying out its business and the company's ability to create and innovate is of great concern to investors in Medan. In general, the recommendations of financial advisors play a large role in influencing individual investors' intentions to invest. Financial advisor recommendations influence investors' desire to choose reputable stocks. Existing information encourages investors to be interested in paying attention and analyzing it for the purpose of increasing the performance of the shares owned by investors. This is in line with what was conveyed by Abreau and

Mendes, 2012 which states that individual investors invest more often when they collect information from professional sources, they consider the credibility of information collected in depth in the form of stock market analysis conducted by financial advisors justified by individual investors. student investors in Medan, those with minimal ability to analyze and collect financial and non-financial information from sources in the company, the credibility and quality of non-financial information informed by the company is more of a concern to investors plus the reviews given by advisors finances further strengthen their decision.

IMPLICATIONS

The results of this study indicate that the characteristics of intention in the form of a strong desire to find reputable stocks, the effort to learn new ways of investing and the desire to be responsive to stock prices are the dominant desires carried out by student investors while financial literacy has no effect on growing investor intentions. This shows that student investors are less able to analyze their own stock performance and have less knowledge about investment strategies and portfolios as well as market conditions, resulting in a low number of investors trading on the stock exchange. Investors who actively trade are very few compared to the number of existing investors. Based on this research, arguments are developed which can be said to be a novelty in this research for the development of investment decision theory in which the characteristics of financial advisor recommendations are that they are easy to understand as information, when associated with Theory of Reasoned Action, there is investor confidence in information with the ability it has to generate intention in carrying out actions, namely making investment decisions. If it is associated with agency theory where the information and recommendations presented are used by investors and company management, they become obligations as a responsibility to shareholders as the principal. The results of this study also show the novelty in the development of investment decision theory that it is said that literacy is a skill and ability to manage investors' finances that does not necessarily affect investors' intentions.

CONCLUSION

Financial advisor recommendations have a positive effect on investor intentions so that the hypothesis which states that financial advisor recommendations have an effect on investor intentions is acceptable. This shows that the recommendations of available financial advisors are of high quality, easy to understand, can be checked and are able to provide predictions that influence the intention to own reputable stocks, revisions to shares held, and responsiveness to price changes. Financial literacy has no effect on investor intention, this shows that the hypothesis stating that financial literacy has an effect on investor intention is unacceptable. The skills and abilities in managing and making decisions related to financial resources owned by investors do not necessarily bring out or give rise to intentions in students to invest, intentions are psychological conditions that arise as a result of opportunities aimed at and a desire to invest. Financial literacy does not moderate the effect of financial advisor recommendations on investor intentions. Financial literacy is not a concern or in other words financial literacy is not able to clarify the effect of financial recommendations to foster individual investor intentions.

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