

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Background of The Study**

The Indonesia Stock Exchange (IDX), as the manager of securities trading in Indonesia, continues to make efforts to increase public investment in the capital market. One of them is to increase the number of Customer Fund Account Administrator banks (RDN Bank). The addition of Customer Fund Account Bank Administrator (RDN Bank) is a product that facilitates investors to purchase products - capital, shares of issuers and mutual funds - through banks. (IDX, 2021). In addition to the inclusion of Bank RDN, there is a program launched by the director of PT KSEI President (Depository Securities of the Indonesian Central) where IDX will present the program "Let us Save Stock". This program is a campaign to encourage Indonesian people to invest in the capital market through "sharing". Under this program, people can buy stocks through investment firms with as little as IDR 100,000. This program aims to increase the public's awareness of investing in the capital market by buying shares regularly and at regular intervals. The program requires the public to open a securities account with a securities firm. They then deposit money on a regular basis or use the "automatic transfer" option during each specified period and then buy shares on a regular basis.

To support the "Let us Save Shares" program, PT KSEI has conducted a socialization and education program on investing in the capital market, especially for students, as students are future assets that will fill the financial industry in the capital market or as potential investors. In addition to the socialization and education programs for students, IDX has increased the number of investment galleries by 364 galleries in 2018. By increasing the number of investment galleries, it hopes to attract more new issuers and increase the number of investors in the capital market and make it easier for students to invest in the capital market. The IDX investment gallery is a form of cooperation between IDX, universities and

investment firms. We hope that through this investment gallery we can introduce the capital market not only from a theoretical perspective but also from a practical one. (BEI, 2017)

Meanwhile, the number of investors will continue to grow in the future, according to the President Director of PT KSEI. Along with the increasing public knowledge about the capital market and a number of amenities provided by the authorities and service providers for transactions. According to the Chairman of Indonesian Investment Managers Association (AMII), Edward P. Lubis, one of the efforts of investment managers to increase the number of investors is the development of electronic trading and cooperation with self-regulatory organizations (SROs), which should significantly increase the number of investors. In addition to these efforts, investment managers continue to conduct various socialization activities at all levels of the Company to improve investment literacy.

<b>Year</b>	<b>Number of Investors/Person in Capital Market</b>
2018	1,619,372
2019	2,484,354
2020	3,880,753
2021	4,515,103

*Table 1. 1 The Growth of Investors in Indonesia*

Table 1.1 shows that the number of investors has increased every year from 2018 to 2021. This may indicate that the increase in the number of investors indeed indicates that the Indonesian population is increasingly interested in investing in the capital market. (KSEI, 2021)

## **1.2 Problem Statements**

Basically, students have an interest in investing in the capital market. However, there are still many obstacles to overcome, especially for inexperienced investors if they do not properly understand the procedures for investing or do not know what risks investors face. Basic investment knowledge is the most important thing potential investors need to know. This is to protect investors from irrational investment practices (gambling), a culture of followership, fraud, and the risk of losses when investing in the capital market, such as equity investment instruments. Sufficient knowledge, experience and business acumen are required to analyze which investments will be in demand. (Fitriani, n.d.)

Considering the existing problems, the researcher is interested in studying 4 (four) variables, namely pocket money, investment benefits, investment motivation, and investment knowledge, to find out whether these variables have an impact on whether students invest in the capital market. Therefore, the researcher chose the research title "Literacy Among University and Polytechnic Students: In South Sumatera".

## **1.3 Research Objective and Questions**

### **1.3.1 Research Questions**

Based on the background that has been presented, several formulations of the problem can be formulated as follows:

RQ 1: Does pocket money affect student investment literacy in the capital market?

RQ 2: Does motivation affect student investment literacy in the capital market?

RQ 3: Does knowledge affect student investment literacy in the capital market?

RQ 4: Does the benefits affect student investment literacy in the capital market?

### **1.3.2 Research Objectives**

Based on the problem formulated above, the objectives of this study are:

1. To find out whether pocket money influences students' willingness to invest in the capital market.
2. To find out whether motivation has an influence on students' investment ability in the capital market.
3. To investigate the influence of knowledge on students' investment ability in the capital market.
4. To study the influence of utility on students' investment ability in the capital market.
5. To find out whether the return, pocket money, motivation, knowledge and benefits have an influence on students' investment ability in the capital market.

### **1.4 Significant of Study**

In this context, the aim of this study is to develop and compare a model for assessing student investment literacy. A model that integrates knowledge, benefits, motivation and pocket money is used for this purpose. After that, the model is estimated, and many comparative tests are run.

### **1.5 Thesis Organisation**

The remainder of this paper is organised as follows: Section 2 presents the theoretical and empirical literature on investment literacy among University and Polytechnic students. Section 3 presents the methodology of the study.

### **1.6 Scope and Limitations of Research**

This study looks at the investment literacy of university and polytechnic students in South Sumatra, with a focus on investment literacy on their investment returns. The student sample will be selected from South Sumatra to represent the population. As a result, the results do not fully reflect the actual level of investment.