Behavioral Accounting on The Level of Student Understanding in Making Investment Decisions

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Abstract. This research is entitled Behavioral Accounting on the level of student understanding in making investment decisions.With many investment facilities aimed at students, this study aims to 1) examine the effect of financial attitudes on students^ understanding levels in making investment decisions, 2) examine the effect of risk preference on students^ understanding levels in making investment decisions, 3) examine the effect of financial attitudes risk preference on the level of understanding of students in making decisions to invest. This study was conducted using a survey method on students who have passed behavioral accounting and the capital market using the Purposive Sampling technique.. The study results are that risk preference significantly influences investment decision-making with a t-statistic value of 5.796 > 1.196, and financial attitudes also have a significant influence with a t-statistic value of 4.163 > 1.196. Furthermore, risk preferences and financial attitudes show a significant influence. On Investment Decision Making with a p-value of 0.000 (<0.05).

Keywords: Financial Attitude, Risk Preference, Investment Rate Understanding.

1 Introduction

Accounting does not only talk about numbers and information but also the behavior of the presenters of financial statements [1]. Accounting is a system for generating financial information that is used by users in the business decision-making process. The purpose of the information is to provide guidance in selecting the best course of action for allocating scarce resources to business and economic activities.

Behavioral accounting emphasizes the consideration and decision making of accountants and auditors, Behavioral accounting is needed in decision making in the accounting system. Behavioral accounting is a sub-discipline of accounting that involves aspects of human behavior related to the decision-making process [2]. The role of behavioral accounting is how a manager or management team or accountant makes decisions, how their attitudes towards

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certain situations are, so that in the end they are able to determine whether a decision is taken or not. Accounting students who have studied behavioral accounting means that they have learned how a decision is taken, one of which is a decision related to investment. This researcher wants to know how accounting students who have studied behavioral accounting make a decision, in this case an investment decision in terms of financial attitude variables and investment risk preferences. Students who are prospective accountants and practitioners in the company will also be faced with the situation of making decisions related to accounting, in this case related to making decisions about how they manage money through investment. One of the intelligences that must be possessed by modern humans is financial intelligence, namely intelligence in managing personal financial assets. By applying the right way of financial management, individuals including students are expected to get the maximum benefit from the money they have.

The public and the use of investment products are still relatively low and occupy the lowest position among 5 other financial service industries in Indonesia [3]. Based on research conducted by the Financial Services Authority (OJK) shows that the level of public understanding of banks reaches 21.8%, then insurance is 17.08%, pawnshops are 14.85%, financing is 9.8%, pension funds are 7.13% and investment in the capital market occupies the lowest position at 3.79% . Lack of understanding and information is the main factor that causes capital market investment in Indonesia to be less advanced [4].

Referring to the background of the problems above, this study formulates the following problems:

RQ1 : How does financial attitude affect the level of understanding of students in making investment decisions.

RQ2 : How does Preference (Risk preference) influence onstudents' level of understanding in making investment decisions.

RQ3 : How Financial Attitudes and Preferences Affect Risk to the level of understanding in decision-making FE Unimed students;

2. Theoritical Framework

2.1. Investment Understanding Level

The level of understanding Investment is a process of understanding, how to study well so that you understand and know a lot about something related to investment including internal factors or external factors and being able to understand and practice directly in the real world. An understanding of investment is very important, therefore, before investing, investors should first understand the important terms in investing in terms of dividends, capital gains, capital losses, stock splits, online trading, remote trading, regular markets, cash markets, and so on. negotiation market.

2.2. Financial Attitude and Risk Preference

Financial attitude is a pattern of how a person is disciplined in managing money. In addition, financial attitudes will provide a correct view of how to respond to a stimulus to spend money [5].

From the explanation above, if students have a good financial attitude, it will be easy for students to direct and manage their finances and will be better in making decisions related to their finances and will think about deciding to invest so that in the end they will understand which investment decisions to make. to be selected. H1: Financial Attitude affects the level of understanding of students in making investment decisions . Risk preference is the tendency of

an individual to choose risky options [6]. It can also be interpreted that risk preference is the attitude of decision makers or investors to a risk.
Risk is indeed feared or avoided by most people, feared by investors and potential investors. Nobody likes risk. It's just how the risk that might be obtained can be minimized. Some are able to accept a low risk, and some are ready to take a high risk. Investor behavior in decision making is influenced by risk preferences regarding the negative potential that might occur. Understanding to make investment-related decisions depends on the attitude of risk acceptance and risk preferences. The more daring and understanding to distinguish the types of risk, the more it will affect the understanding of things that might happen in investment and will be able to make decisions to invest. Based on this, the hypothesis for this variable is: H2: Risk preferences affect the level of understanding of students in making investment decisions.
Financial attitudes and risk preferences will ultimately affect the investment decisions of potential investors, in this case students, where if students have good financial attitudes, they are able to manage their money, set aside some for investment and dare to accept risk, students will make decisions to invest independently. Therefore, it is suspected that there is an influence of financial attitudes and risk preferences on the level of understanding of students in making investment decisions. H3: Attitudes and Risk Preferences affect the level of understanding of students in making investment decisions.

2.3. Theory of Planned Behavior (TPB)

Theory of planned behavior (TPB) [7] suggests that behavior is caused by several factors. These factors are attitude, subjective norms, behavioral control, and intentions or intentions.. In the theory of planned behavior there is an attitude toward behavior factor that influences behavior, this factor is included in the internal factor in this study, attitude is represented by financial attitude.

2.4. Attribution Theory

According to [8], this theory is explained when someone observes individual behavior towards a risk. Where in this study a person's behavior in making investment decisions can avoid the occurrence of risk. This theory is also relevant to explain a person's financial behavior in managing finances.

2.5 Prospect Theory

According to Kahneman & Tversky [9] who put forward prospect theory. Prospect theory begins with an analysis of individual behavior in making economic decisions between two choices. Prospect theory focuses on how a decision is made. Prospect theory explains how a person (investor)

3. Method

The population of this research is accounting students in Semester 6 at the Faculty of Economics, State University of Medan which consists of 176 students from the Department of Accounting and Accounting Education who have taken courses in capital markets and behavioral accounting. The sampling technique used is purposive sampling. Determination of the number of samples for the analysis of the Structural Equation Model (SEM) using the formula for the number of indicators x5 to 10 [10]. And the number of indicators used in this study is 22, so the minimum sample for this study is 110 samples (22 indicators x 5). The

sample category is accounting students who have passed the courses in Behavioral Accounting and Student Capital Markets

Table 1. Demography of Sample

	N	%
Gender		
Man	18	12.5%
Woman	92	87.5%
Total	**110**	**100.00%**
Age		
18	2	1.4%
19	24	16.7%
20	45	54.9%
21	32	22.2%
22	7	4.9%
Total	**110**	**100.00%**

The construct validity test was carried out in 3 stages, namely convergent validity, discriminant validity and reliability tests. This test is intended to ensure that the instrument used is valid and reliable in translating the phenomenon to be studied. An instrument is said to be valid if it is able to measure its objective in a real or correct way [11]. To calculate convergent validity, Confirmatory Factor Analysis (CFA) is used using the help of smart PLS 3.0 software. Observations were made on the loading factor value and the t-count value from the CFA calculation. The observed variable is declared valid if it has a standardized loading factor > 0.7 and a t-count value > 1.96 [12].
Then, the reliability test is used to test the consistency of a measurement. High reliability indicates that the indicators have high consistency in measuring their latent construct [13]. The reliability test in this study used Cronbach's alpha test and construct reliability test.

3.1.Structural Model Testing

Structural equation model estimation technique in this study uses Maximum Likelihood Estimation (MLE). MLE is a flexible approach for parameter estimation in terms of parameter values with the best possibility to get the best model fit [17], The significance of the effect will be reviewed from the p-value with a critical point <0.05 (α= 5%)

4. Result And Discussion

The researcher tested the construct validity by cross-loading to measure convergent validity, Root of AVE and correlation matrix to measure discriminant validity, and Cronbach's .The results of the cross loading measurement are presented in Table 5.2. The results of cross loading show that each loading has a score > 0.7, and there is no loading that has a score < 0.7 Convergent validity in this study was carried out by checking the value of factor loading and extract mean variance (AVE). The load factor indicates that all potential configurations must be higher than 0.5. The results showed that the total factor loading value was greater than 0.50. After obtaining convergent validity, this study tested the discriminatory validity and showed that each configuration was completely different from the others[14]. All of these are higher than the subcondition correlation coefficient, which indicates that each configuration meets the criteria for discriminant validity. In the last section of construct validity, this study tested the reliability of the data using Cronbach's alpha and Composite Reliability. Internal

data reliability consistency requires at least 0.6 for both Cronbach and composite reliability scores [15]. The lowest Cronbach's alpha value for each variable in this study was more than 0.80. as presented in table 4

Table 2 Results of Discriminant Reliability and Validity

Construct	Cronbach's Alpha (α)	Composite Reliability	Average Variance Extracted (AVE)	Investment decision making (PKI)	Risk Preference (PR)	Financial Attitude (SK)
Investment decision making	0.964	0.969	0.777	0.882		
risk preference	0.929	0.943	0.705	0.911	0.84	
Financial attitude	0.948	0.958	0.793	0.898	0.915	0.891

Structural model testing is carried out using the SmartPLS 3.0 application. Structural model testing is carried out to determine the coefficient of causality between constructs. Risk preference shows a significant influence on investment decision making with a t-statistic value of 5.796. The t-statistic figures above are significant indicators of t-statistics, namely > 1.96. An understanding of risk preferences will make prospective student investors influence their investment decisions. The results of this study are in line with research that risk preferences affect investment decisions [16] and [17].

Then the financial attitude also has a significant effect with a t-statistic value of 4.163. The t-statistic figures above are significant indicators of t-statistics > 1.96. Financial attitude has a significant positive effect on students' understanding in making investment decisions. According to Roob and Woodyard, 2011: 66, The better a person's attitude and enthusiasm, the better his financial behavior in making investment decisions. A person's finances or financial attitude helps him determine his attitude and behavior towards financial matters, especially when making decisions related to the type of investment.

Table 3 Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Risk preference -> investment decision making	0.551	0.547	0.095	5.796	0.000
Financial attitude -> investment decision making	0.394	0.399	0.095	4.163	0.000

Furthermore, risk preferences and financial attitudes show a significant influence on investment decision making at = 5% with a p-value of 0.000 (<0.05). This finding is important because risk preferences and financial attitudes have a far-reaching impact on investment decision making. As stated in previous research [18] that investor behavior in decision making is influenced by risk preferences regarding the negative potential that occurs.

This is also in line with the research presented [19] which states that financial attitudes can be measured by the ability of investors to manage their finances, the desire to add financial insight, and others.

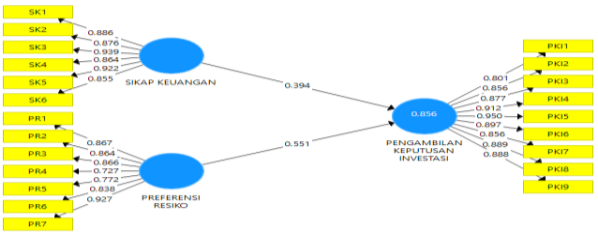

Figure 1. Structural Model Test Result

5. Conclusions

This study aims to examine the effect of attitudes and risk preferences on the level of understanding of students in making investment decisions. In the Faculty of Economics, Department of Accounting. Respondents in this study amounted to 170 accounting students semester 6 (Six) who have studied behavioral accounting (Behavioral Accounting) and Capital Markets. The characteristics of the majority of respondents are women aged 17-22 years. The tests carried out in this study were testing the validity and reliability of the data as well as the measurement of the structural model and testing the hypothesis by using the Smart PLS 3.0 test tool. This research is part of behavioral accounting research which wants to test and see how accounting students' attitudes regarding investment are. How they make decisions, one of which is investment decisions.

The results of this study indicate that financial attitudes have a positive and significant effect on the level of student understanding in making investment decisions.. Next, risk preference also shows a significant positive effect on the level of student understanding in making investment decisions. This means that if students are able to understand the risks involved in investing, they will also understand what investment decisions they will choose.

This research is expected to be able to become additional knowledge of how students behave towards investment decision making and become a recommendation for behavioral accounting learning as an effort to improve the ability of accounting students in making decisions because accounting students are prospective practitioners in the world of work who will later make various kinds of decisions. important decisions in the business world.

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