Volume: 8 Issues: 55 Special Issue [August, 2023] pp. 244 - 252
Journal of Islamic, Social, Economics and Development (JISED)
eISSN: 0128-1755
Journal website: www.jised.com
DOI: 10.55573/JISED.085524

INTENTION TO MEDIATE THE RELATIONSHIP BETWEEN FINANCIAL ADVISORS' RECOMMENDATIONS AND STUDENT INVESTOR'S INVESTMENT DECISIONS

Alistraja Dison Silalahi [1*]
Sriwardany [2]
Shita Tiara [3]
Vivi Nadila [4]
Riska Ananda Putri [5]

[1] Universitas Muslim Nusantara Al-Washliyah, Email: alistraja.disonsilalahi@gmail.com
*Corresponding author
[2] Universitas Muslim Nusantara Al-Washliyah, Email: sriwardany115@gmail.com
[3] Universitas Muslim Nusantara Al-Washliyah, Email: shitatiara201@gmail.com
[4] Universitas Muslim Nusantara Al-Washliyah, Email: vivinadila01@gmail.com
[5] Universitas Muslim Nusantara Al-Washliyah, Email: riskaanandaputri676@gmail.com

Article history

Received date	**:**	11-6-2023
Revised date	**:**	12-6-2023
Accepted date	**:**	25-7-2023
Published date	**:**	15-8-2023

To cite this document:
Silalahi, A. D., Sriwardany, Shita Tiara, Viva Nadila, & Riska Ananda Putri. (2023). Intention to mediate the relationship between financial advisors' recommendations and student investor's investment decisions. *Journal of Islamic, Social, Economics and Development (JISED)*, 8 (55), 244 – 252.

Abstract: *This study aims to find and analyze the effect of financial advisor recommendations on investment decisions of student investors in Medan with the intention of acting as a mediator. This research is a quantitative research with an explanatory research model, with primary data. Data collection techniques using a questionnaire. The data analysis technique is statistical analysis based on partial least squares. The results of the study found that the recommendations of financial advisors have a positive effect on investment decisions and the intention to mediate the effect of recommendations of financial advisors on investment decisions.*

Keywords: *: Investor Intentions, Financial Advisor Recommendations, Investment Decisions*

Volume: 8 Issues: 55 Special Issue [August, 2023] pp. 244 - 252
Journal of Islamic, Social, Economics and Development (JISED)
eISSN: 0128-1755
Journal website: www.jised.com
DOI: 10.55573/JISED.085524

Introduction

The national economic recovery in 2022 is moving forward as an effort to start recovering from the impact of the Covid 19 pandemic, economic fundamentals are encouraged and tend to strengthen as indicated by the positive moving stock price index, the inflation rate is around 2% plus minus 1%, the rupiah exchange rate against the United States dollar is at range of IDR 13,500-IDR 15,000. The benchmark rate is around 3%-4% and the index line is in the range of 0.384-0.387, the interest rate is relatively low at 3.5%. Indonesia's GDP per capita has also returned above $ 4,000 or has started to recover since 2021. With the increase in commodity prices, Indonesia's macroeconomic perspective is in an economic recovery cycle that is attractive for investors seeking growth amid the trend of global economic normalization. As Indonesia's economic conditions improve, it can be seen that the number of investors has also increased, the number of Indonesian capital market investors has increased to 8.3 million at the end of the first quarter of 2022. This achievement has increased 12.13% from the position at the end of 2021, the financial industry sector is the most popular choice Most investors 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. The industrial sector, whose shares are mostly owned by young people, on average has a large capitalization value, so that fundamental factors are considered by young people in determining their choice of stock (KSEI, 2022).

Investment is an activity of placing funds in one or more than one asset for a certain period, is an expenditure at the present time to buy real assets with the hope of obtaining future profits (Halim, 2005), thus whenever someone decides not to spend all current income, he is faced with investment decisions (Tandelilin, 2017), Investments are made for welfare, to get a more decent life in the future. In investing, investors must understand the basics of investment decisions and how to organize investment decision process activities. The return on investment is the main reason people invest (Silalahi. A. D, 2021). This research is very important to do, decision making is a very difficult thing to do, choosing various alternatives to take advantage of an opportunity. In making investment decisions, investors are required to have the ability to analyze the recommendations given by financial advisors. Investors need quality information, quality information is the basis for decision making. Quality information will help investors from information asymmetry problems. This study will analyze whether the investment decisions of student investors are influenced by the recommendations of financial advisors and whether the intention is able to mediate the effect.

Literature review

In principle, this research was conducted to prove by direct observation or survey and literature. The theory underlying this research is: *Agency Theory*, *Theory of Reasoned Action*, *Signaling Theory*, *Asymmetry Information Theory dan Prospect.* Decision making is often defined as the process of choosing among various alternative actions that affect the future. (Dewi, 2017). According to Kahneman and Tversky (1979) a decision is defined as an action or option among which to choose, consequences of actions and conditional probabilities or contingencies associated with the outcomes of actions. In general, many things are considered by investors in making investment decisions. The investment decision in question is in the form of a decision to buy, sell, or retain ownership of the shares (Vyas, 2012). Quershi (2012) explained that making investment decisions in the stock market is very difficult and critical, moreover you have to have good insight and understanding. Farooq and Sajid (2015) argue that making investment decisions is a difficult task. Investors must have analytical skills and be wise in

Volume: 8 Issues: 55 Special Issue [August, 2023] pp. 244 - 252
Journal of Islamic, Social, Economics and Development (JISED)
eISSN: 0128-1755
Journal website: www.jised.com
DOI: 10.55573/JISED.085524

making investment decisions. According to Putra (2016) there are 2 (two) investor attitudes in making investment decisions, namely rational and irrational attitudes. A rational attitude is the attitude of someone who thinks using common sense while an irrational attitude is the attitude of someone's thinking that is not based on common sense. However, behavioral finance believes that investors will act irrationally in the stock market.

Planned behavior theory (TPB) explains 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). Someone who has a positive attitude towards investing in stocks, gets support from people around him and there is a perception of ease because there are no obstacles to investing in stocks, so one's intention to invest in stocks will be even higher. Attitude towards behavior is a tendency to respond to things that are liked or disliked in an object, person, institution or event (Ajzen, 1991). Attitude towards behavior is considered as the first variable that influences behavioral intention. When an individual appreciates the positives of an action, then he has the will to perform certain actions. Views about a behavior are influenced by beliefs (behavioral beliefs) as a result of the behavior performed. Individual beliefs include strength beliefs and outcome evaluations. Views on behavior are believed to have a direct impact on the will to behave which is then affiliated with perceived behavioral control and subjective norms (Ajzen, 1991).

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, whereas investor intentions will be low if they perceive investing in stocks will provide losses. A financial advisor is a professional who helps people manage their finances by advising them on a variety of financial issues such as investments, insurance, mortgages, college savings, estate planning, taxes and retirement, depending on client requests. An investment advisor is a person or certain party who gives advice regarding the purchase or sale of securities to other parties. Tandelilin (2017) so that an investment advisor can be said to be a person or group who makes investment recommendations or conducts securities analysis in return for a fee, either through direct management of customer assets or through written publications or investment advisors in the form of individual institutions that provide various advice and opinions of issuers. or prospective issuers related to securities. Kerl and Walter (2007) explain that the recommendations of financial advisors affect the affective reactions of investors in making investment decisions, Sultana (2012), Faries et al, (2014), Shafi (2014), Silalahi, A.D, et al (2022) identified advisory recommendations financial statements consisting of recommendations from brokers, family and friends as characteristics of internal pressure and external influences can affect investment decisions. Kelly et al, (2008) investors who are less experienced in investing rely on the results of financial advisor analysis, the analysis recommendations made by financial advisors influence investors' investment decisions.

Methods

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 investment decisions of student investors in Medan with the intention of acting as a mediator. 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

Volume: 8 Issues: 55 Special Issue [August, 2023] pp. 244 - 252
Journal of Islamic, Social, Economics and Development (JISED)
eISSN: 0128-1755
Journal website: www.jised.com
DOI: 10.55573/JISED.085524

questionnaire data with the measurement technique used, namely the Likert Scale technique. (Sugiyono, 2016).

Results

Table 1: Path Coefficient and P-Value (Direct Effect Significance Test)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Financial Advisor Recommendation (X) -> Investment Decision (Y)	0,301	0,301	0,089	3,400	0,001
Financial Advisor Recommendation (X) -> Investor Intention (M)	0,412	0,412	0,164	2,503	0,012
Investor Intention (M) -> Investment Decision (Y)	0,576	0,576	0,092	6,268	0,000

Source: Research Data Processing Results (2022)

Based on the results in Table 1. the results are:
1. Recommendations from Financial Advisors (X) have a positive effect on Investment Decisions (Y) with a path coefficient value of 0.301 and are significant with a P-Values of 0.001 <0.05.
2. Recommendations from Financial Advisors (X) have a positive effect on Investor Intentions (M) with a path coefficient value of 0.412 and are significant with a P-Values of 0.012 <0.05.
3. Investor intention (M) has a positive effect on Investment Decision (Y) with a path coefficient value of 0.576 and is significant with a P-Values of 0.000 <0.05.Untuk melihat koefisien determinasi dibawah ini disajikan hasil nilai koefisien determinasi (*r-square*).

Tabel 2: Determination Coefficient Value

Variabel Laten Dependen	R Square	R Square Adjusted
Investation decision (Y)	0.635	0.632

Source: Research Data Processing Results (2020)

The coefficient of determination for the latent variable Investment Decision (Y) is 0.635, which means that Financial Advisory Recommendations (X) and Investor Intentions (Y1) can influence Investment Decisions (Y) by 63.5%.

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.

Indirect Influence Significance Test (*Indirrect Effect*)

Below are presented the results of the path coefficient and the significance test of the direct indirect effect.

Volume: 8 Issues: 55 Special Issue [August, 2023] pp. 244 - 252
Journal of Islamic, Social, Economics and Development (JISED)
eISSN: 0128-1755
Journal website: www.jised.com
DOI: 10.55573/JISED.085524

Table 3. Path Coefficient and P-Value
(Test of Significance of Indirect Effect)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Financial Advisor Recommendation (X) -> Investor Intention (M) -> Investment Decision (Y)	0.237	0.237	0.101	2.352	0.019

Source: Research Data Processing Results (2022)

The indirect effect of Financial Advisor Recommendations (X) on Investment Decisions (Y), through Investor Intention (M) is 0.237 and significant with a P-Values of 0.019 <0.05. In other words, Investor Intention (M) significantly mediates the relationship between Financial Advisor Recommendations (X) and Investment Decisions (Y).

Discussion

Explanation of Discussion 1

Effect of Financial Advisor Recommendations on Investor Intentions

Recommendations given by financial advisors are able to influence investors' intention 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 driving desire from an investor to invest. There is an intention that grows from investors as an impact of information from recommendations related to market conditions and companies that have good and bad prospects are used as choices that arouse investors' intentions. 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.

Explanation of Discussion 2

The Effect of Investor Intentions on Investment Decisions

When making investment decisions and when investing, investors must have strong intentions and self-commitment. This triggers how investors will try their best to be able to make the investment decisions they choose, commit themselves, create a sense of responsibility and encouragement to invest. Intention greatly influences investment decisions because to start making investment decisions starts from the desire or genuine desire of investors to invest, intention is reflected in the extent to which investors try hard and are serious about investing. A positive attitude that arises from within and confidence in the decisions taken will provide high support for investor intentions, investors who have a positive attitude towards stock investment will also provide positive support in making investment decisions. Investor intention will encourage investors to make investment decisions. The stronger the intention of investors, the greater the chance that investors will make investment decisions. The positive response from investors towards their own intention to invest in stocks is because of the accuracy and reliability of the information they obtain. One of the methods used by investors is through fundamental analysis to determine the performance and prospects of companies and investors make stock selection based on rationality. This process requires deliberation and

Volume: 8 Issues: 55 Special Issue [August, 2023] pp. 244 - 252
Journal of Islamic, Social, Economics and Development (JISED)
eISSN: 0128-1755
Journal website: www.jised.com
DOI: 10.55573/JISED.085524

thought, and investors will manifest in action which is an investment decision. This is consistent with the theory of reasoned action proposed by Fishbein and Ajzen.

Explanation of Discussion 3

Financial Advisor Recommendations affect Investment Decisions

Recommendations made by financial advisors (financial advisors) are used as material for consideration and reference by investors which benefits professionals who help someone to manage their finances by providing advice on various financial issues such as investment, insurance, mortgages, college savings, housing planning, taxes and pensions, the benefits are felt by investors. Recommendations of financial advisers influence investors' affective reactions in making investment decisions (Kerl and Walter, 2007). Sultana (2012), Faries et al, (2014), Shafi (2014) identified recommendations of financial advisors consisting of recommendations from brokers, family and friends as characteristics of internal pressure and external influences that can influence investment decisions. Not all investors have experience, especially in this study, many students are still novice investors, so reviews and information related to stock performance are still needed. In line with that, it can be explained that investors who are less experienced in investing rely on the analysis results of investment advisors, financial advisers, and the guidance of family and friends. Analytical recommendations made by financial advisers influence investors' investment decisions, of course, up to date recommendations. The results of this study are not in line with previous research which states that investors believe in their own ability to analyze and study information available on the market, although on the one hand there are also investors relying on the results of analysis in the media. The recommendations of financial advisors are not of concern to investors, this is because the information from the recommendations of financial advisers is not updated, the recommendations they provide are not trusted, investors trust the financial report information issued by the company (Silalahi, A.D, 2021).

Explanation of Discussion 4

Investor Intentions Mediate the Relationship Between Financial Advisory Recommendations Against Investment Decisions

Recommendations from financial advisers have an indirect effect on investment decisions, this is because investors' intentions to invest by searching, analyzing, studying financial information issued by companies are taken into consideration by investors in determining investment decisions. Intention to invest as someone's genuine desire to invest, so that from the intention it can be seen how and to what extent an investor is trying hard to invest. In Planned behavior theory one's intention to behave will be higher supported by a positive attitude and the perceived ease of action. Intention is a measure of seriousness in investing, seriousness is a measure of investment success. Strong intentions within oneself will encourage the desire to know and responsiveness to stock investment by studying and paying attention to the financial information of a business entity that will be used by investors as a basis for making an investment decision. Information received by investors, of course, with the quality or information content that is useful and valuable is very important in making investment decisions. (Adhikara, 2014; Anggraiawan, 2017). Information from financial advisors presented in the media or directly requested by investors is analyzed by investors, selected for consideration in decision making, only relevant financial information is used as a decision in investing (Lubis, 2010). The intention to seek information from various media, brokers, friends regarding useful and valuable investments will provide additional knowledge for investors in

Volume: 8 Issues: 55 Special Issue [August, 2023] pp. 244 - 252
Journal of Islamic, Social, Economics and Development (JISED)
eISSN: 0128-1755
Journal website: www.jised.com
DOI: 10.55573/JISED.085524

making investment decisions whether past, present or future. Increase investor confidence in opportunities to seek the possibility of investment realization in times of uncertainty, the level of return on stocks invested, consideration of fundamental and technical factors in investment decisions.

Implications

This research provides a novelty that is important to pay attention to in making investment decisions, where investment decisions are difficult decisions, decisions that require consideration and choice in determining alternatives as a basis for strengthening individual investor investment decisions in the form of the importance of the characteristics of analysis and recommendations of financial advisors to be used as information, namely ease of use. It is understood that information will encourage a high intention to look for reputable stocks which is certainly a reason for making investment decisions for investors. The results of this study prove that the Theory of Reasoned Action is able to explain that investment behavior will change as changes in investors' intentions in making investment decisions.

Conclusion

Based on the analysis of the results of data processing and the connection with theory, it can be concluded in this research as follows::

1. Recommendations of financial advisors have a positive effect on investor intentions. 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 affect the intention to own reputable stocks, revisions to owned shares, and responsiveness to price changes.
2. Recommendations of financial advisors have a positive effect on investment decisions. Financial recommendations and advice are used by student investors as material for consideration in making investor investment decisions in predicting investment returns, investment experience, investment insights, risk preferences, stock return rates and trading volume of shares.
3. Investor intention has a positive effect on investment decisions, indicating that for investment decision making in carrying out investments whether to buy sell maintain investors must have strong intentions and self-commitment.
4. There is an indirect effect of financial advisor recommendations on investment decisions, through investor intentions. In other words, investor intention significantly mediates the relationship between financial advisory recommendations and investment decisions. Intentions in the form of the desire to own reputable stocks, revise owned shares, responsiveness to price changes appear as a result of the latest information in the form of financial analysis circulating in the market, and this information is used as material for consideration in making investment decisions for student investors.

Acknowledgments

Acknowledgments to the Chancellor of UMN Al Washliyah, Head of LPPM UMN Al Washliyah and the entire research team who have assisted in carrying out this research, so that this research was completed.

Volume: 8 Issues: 55 Special Issue [August, 2023] pp. 244 - 252
Journal of Islamic, Social, Economics and Development (JISED)
eISSN: 0128-1755
Journal website: www.jised.com
DOI: 10.55573/JISED.085524

References

Ajzen, I. (1991). The Theory Of Planned Behavior (P. A. . Lange, A. .Krunglanski, & E. . Higgins (ed.)).

Ajzen, I., & Fishbein, M. (2005). The influence of attitudes on behavior. The handbook of attitudes, 173, 221.

Adhikara, A., Nur Diana Maslichah. (2014). Manfaat Informasi Akuntansi Dalam Intensi Pemilihan Saham Di Bursa Efek Indonesia. *SNA 17 Mataram, Lombok 24-27 September 2014.*

Anggraiawan, A., Irvan, Deannes Isynuwardhana, Dewa Putra Krishna Mahardika. (2017). Determinan Perilaku Investor Individu Dalam Pengambilan Keputusan Investasi Saham Pada Investor yang Terdaftar di GI-BEI Telkom University. *e-Proceeding of Management*, *4*(1), 369-376.

Dewi, N. N. S. R. T., Komang Fridagustina Adnantara, Gde Herry Sugiarto Asana. (2017). Modal Investasi Awal dan Persepsi Risiko dalam Keputusan Berinvestasi. *Ilmiah Akuntansi*, *2*(2), 173-190.

Faries, Ime Dwi Putri, Njo Anastasia, dan Gesti Memarista. 2014. Pengaruh Pengamatan Informasi terhadap Frekuensi *Trading Online* Saham. *FINESTA*

Farooq, Aisha dan Sajid, Muhammad (2015). *Factors Affecting Investment Decision Making: Evidence from Equity Fund Managers and Individual Investors in Pakistan*. Research Jurnal of Finance and Accounting ISSN 2222 – 1697 (Paper) ISSN 2222 – 2847 (Online) Vol. 6, No. 9, Hal 135 – 141.

Halim, A. (2005). *Analisis Investasi* (2 ed.). Jakarta: Salemba Empat.

Kahneman, Daniel dan Amos Tversky. 1979. Prospect Theory: An Analysis of Decision Under Risk. Econometrica, vol. 47, pp.263-291.

Kerl, A.; Walter, A. (2007): Market responses to buy recommendations issued by personal finance magazines: Effects of information, price-pressure, and company characteristics, in: *Review of Finance*, Vol. 11, No. 1, p. 117–141.

KSEI, (2022). *"Pertumbuhan jumlah investor saham menjadi salah satu tanda pencapaian pasar modal Indonesia'* Juli. IDX Jakarta.

Lubis, A. I. (2010). *Akuntansi Keprilakuan* (Krista Ed. 2 ed.). Jakarta: Salemba Empat.

Putra *et al.* (2016). Pengaruh Tingkat Literasi Keuangan,*experienced regret*, dan *risk tolerance* pada pemilihan jenis investasi. Journal of Business and Banking ISSN 2088-7841 Volume 5 Number 2 November 2015 – April 2016 pp. 271 – 2

Quershi, Salam Ali (2012). *Measuring Validity of the Determinants of Investment Decision Making. International Journal.* Department of Business Administration, Allama Iqbal Open University, Islamabad, Pakistan

Silalahi, A.D, *et al* (2022), *Rekomendasi Penasehat Keuangan Terhadap Keputusan Investasi Investor Mahasiswa di Kota Medan dengan Niat Sebagai Pemediasi dan Literasi Keuangan Sebagai Pemoderasi. (*Penelitian Dana Internal Fakultas Ekonomi, Universitas Muslim Nusantara Al Washliyah Medan).

Silalahi, A.D. (2021). *Pengaruh Informasi Keuangan dan Non Keuangan Terhadap Keputusan Investasi Investor Individu dengan Niat Sebagai Pemediasi Dan Rekomendasi Penasehat Keuangan Sebagai Pemoderasi Pada Bursa Efek Indonesia.*(Disertasi Doktor Ilmu Akuntansi, Universitas Sumatera Utara).

Sultana, S. T., S Pardhasaradhi. (2012). An Empirical Analysis of Factors Influencing Indian Individual Equity Investors' Decision Making and Behavior. *European Journal of Business and Management, 4*(18), 50-61.

Volume: 8 Issues: 55 Special Issue [August, 2023] pp. 244 - 252
Journal of Islamic, Social, Economics and Development (JISED)
eISSN: 0128-1755
Journal website: www.jised.com
DOI: 10.55573/JISED.085524

Shafi, M. (2014). Determinant Influencing Individual Investor Behavior in Stock Market : A Cross Country Research Survey. *Arabian Journal of Business and Management Review, 2*(1), 60-71.

Sugiyono. (2016). *Metodelogi Penelitian Bisnis*. Bandung: Alfabeta.

Tandelilin, E. (2017). *Pasar Modal, Manajemen Portofolio & Investsi* (Vol. 1): PT Kanisius.

Vyas, Ravi (2012) Mutual Fund Investor's Behaviour And Perception In Indore City. Researchers World, Vol. 3, No. 3, hal. 67-75.