

The Effect of Return Expectation, Motivation, Perceived Value of Risk and Technological Progress on Investment Decision in Sharia Peer to Peer Lending

Abdul Manap
Prodi Manajemen, Universitas Jayabaya, Indonesia
hamanap.joyo@gmail.com

Yusmita Hawari
Prodi Manajemen, Universitas Jayabaya, Indonesia
hawariyusmita@gmail.com

Andriani Lubis
Prodi Manajemen, Universitas Jayabaya, Indonesia
andrianilubis60@yahoo.com

Eddy Sukandar
Prodi Manajemen, Universitas Jayabaya, Indonesia
sukandareddy@gmail.com

Arko Pujadi
Prodi Manajemen, Universitas Jayabaya, Indonesia
arkopujadi@yahoo.com

Article's history:

Received 10 Februari 2023; *Received in revised form* 20 Februari 2023; *Accepted* 22 Februari 2023; *Published* 1 April 2023. All rights reserved to the Lembaga Otonom Lembaga Informasi dan Riset Indonesia (KITA INFO dan Riset).

Suggested Citation:

Manap, A., Hawari, Y., Lubis, A., Sukandar, E., & Pujadi, A. (2023). The Effect of Return Expectation, Motivation, Perceived Value of Risk and Technological Progress on Investment Decision in Sharia Peer to Peer Lending. *JEMSI (Jurnal Ekonomi, Manajemen, Dan Akuntansi)*, 9 (2), 232-237. <https://doi.org/10.35870/jemsi.v9i2.955>

Abstract:

The purpose of this research is to test and analyze the effect of perceived risk on investment decisions in Islamic peer to peer lending, test and analyze the effect of expected returns on investment decisions in Islamic peer to peer lending, test and analyze behavioral motivation on investment decisions in peer to peer sharia lending, examines and analyzes the effect of technological advances on investment decisions in sharia peer to peer lending and analyzes the simultaneous influence of perceived risk, expected return, behavioral motivation and technological advances on investment decisions in sharia peer to peer lending. This study was concluded that the higher the risk received, the greater the investment decision. This is because the sample of respondents in this study already has sufficient knowledge about investment, where to obtain high returns must be accompanied by high risks as well. In addition, the behavioral motivation variable also influences the investment decision variable significantly. The reason for this could be that the respondents in this study felt more confident if they knew that their company's reputation was good and would have more confidence in the information and recommendations provided by other parties as a basis for making investment decisions.

Keywords: peer to peer lending, expected returns, behavioral motivation, investment, sharia

INTRODUCTION

Welfare is a condition that indicates that the community is prosperous with the fulfillment of material and social needs. Welfare is a person's sense of serenity due to the fulfillment of physical and spiritual needs of life, external well-being is based on universal standards concerning health, clothing, food and shelter (economic and social welfare), while inner well-being concerns one's intellectual, emotional and spiritual perceptions. Indonesia is a developing country, which is planning changes in a just and prosperous society, materially and spiritually to solve

social problems which are increasing day by day. To achieve this goal, it is necessary to implement economic development that shows harmony, harmony and balance of the elements of equity in development and economic growth (Ansofino, 2016).

According to data released by the Central Bureau of Statistics, Indonesia's economic growth rate in 2021 has decreased from 5.17% to 5.02%. From these data, the decline in Indonesia's economic growth rate in 2021 is due to the slow progress of Fixed Gross Capital Formation (PMBT) or investment. Investment is a form of investment activity in a company with the hope of getting the desired return. In 2021, PMBT will only grow by 4.45%. This figure decreased from 2020 which reached 6.67%. So that in 2021, PMBT's contribution to economic growth is only 1.47%, which is lower than the previous year which reached 2.17%. The slowdown in PMBT figures is in line with the decline in Indonesia's investment competitiveness on the world stage. According to data contained in the Global Competitiveness Report 2021 published by the World Economic Forum, Indonesia ranks 50th out of 144 countries, down 5 ranks from last year's 45th. According to the National Development Planning Agency or BAPPENAS which is the result of an interview with CNBC Indonesia, The decline in Indonesia's rating was due to the regulation on investment licensing in Indonesia which was too complicated and this resulted in less attractiveness for investors to invest in Indonesia due to the difficulty of regulations being implemented in the country. Apart from these factors, another thing that affects the small growth in investment figures in Indonesia is due to the lack of public knowledge of the uses of investment. Indonesian people tend to prefer deposit products such as savings to store their assets rather than putting the excess funds into productive funds. Even though there are currently many types of investment instruments available that can be utilized by the community. One of them is becoming an investor in a peer to peer lending company (Asrori, 2020).

Peer to peer lending is a product of technology-based financial services or what we usually call financial technology (fintech). This fintech peer to peer lending system is a pattern of interaction between borrowers or borrowers and loan providers or lenders or investors whose transactions are carried out online. This not only facilitates borrowers for their funding needs, but also provides facilities for investors to turn their funds into productive funds (Jogiyanto, 2014). To carry out this activity, borrowers and investors need to create an account at this fintech peer to peer lending. The presence of this peer to peer lending service certainly answers the problems that are often experienced by the public when using conventional banking financial services where the process takes a long time and is quite a complicated process. So with this peer to peer lending service, people can transact easily and quickly, especially in lending and borrowing funds. Another advantage of this peer to peer lending service is that it provides loans with a small nominal and without collateral which is very profitable for borrowers and also has a fairly high rate of return for investors. This is of course a distinct advantage that peer to peer lending has compared to the banking industry. However, this does not necessarily make this peer to peer lending service an enemy or competitor of the banking industry (Astri, 2019).

Precisely this peer to peer lending service helps reach people who are not reached by the banking industry (unbankable). In addition to the risk of default, there are also security risks that must be faced by investors. Many illegal fintech lending companies misuse customer data by spreading the customer's personal data to many people. This affects the stigma of legal peer to peer lending companies in the eyes of the public. Not to mention the many online crimes such as wiretapping, burglary or even cybercrime which have also made users of fintech lending services nervous, especially investors or lenders who place their funds there. In addition to the risk aspect that investors should pay attention to, the return aspect should also be a basic investment consideration. Return is the level of profit expected by investors for the placement of their funds. This peer to peer lending company is an instrument that offers a high rate of return. However, this rate of return has decreased, accompanied by an increase in the rate of default or default. According to fintech lending statistics released by the OJK as of May 2020, the 90-day TKB (Success Rate) figure touched 94.90%, which means the TWP (Wan Achievement Level) number touched 5.10%. Referring to the element of uncertainty that is owned by the investment world, investors should pay close attention to the overall profile of the company they are investing in. Investors can easily analyze the performance of the investment company they want to target by looking at its financial statements. Because in the financial statements there are real and valid numbers. But apart from that, the psychological aspect (behavioral motivation) of investors also contributes to influencing the investment decisions they make. It is undeniable that investors also have limited cognitive abilities in interpreting the information they receive (Eka, 2013).

As a result, investors sometimes behave irrationally on the basis of judgments that deviate far from the assumptions of rationality. In addition to these psychological aspects, investment decisions are also made from

the results of social interaction from the environment, relatives, and so on, so that the potential influence of the socio-cultural environment can affect investment decisions. It is undeniable that current technological developments and advances play a role in driving the growth of a country, including the world of the financial sector. Thus, this financial technology was born. The public can easily access these fintech financial services from their devices such as smartphones or laptops that are connected to the internet. This also applies to peer to peer lending financial services. The availability of facilities and infrastructure or facilities for fintech financial services should further increase the public's desire to know more about it and even to be directly involved in it. However, current technological developments and advances are not accompanied by increased knowledge or financial literacy of the Indonesian people. Based on the third National Financial Literacy Survey (SNLIK) conducted by the Financial Services Authority (OJK) in 2021, the financial literacy index only touched 38.03%. That means when referring to the data released by the 2015 SUPAS (Inter-Census Population Survey) regarding the projected population in Indonesia in 2021, which amounts to approximately 277 million people, this means that only around 101 million people have financial knowledge or literacy. The purpose of this research is to test and analyze the effect of perceived risk on investment decisions in Islamic peer to peer lending, test and analyze the effect of expected returns on investment decisions in Islamic peer to peer lending, test and analyze behavioral motivation on investment decisions in peer to peer sharia lending, examines and analyzes the effect of technological advances on investment decisions in sharia peer to peer lending and analyzes the simultaneous influence of perceived risk, expected return, behavioral motivation and technological advances on investment decisions in sharia peer to peer lending (Fatihudin, 2017).

LITERATURE REVIEW

Risk Perception

Prospect theory is a theory that underlies decision making in certain circumstances even though the final result cannot be predicted. Prospect theory justifies that individuals do not always act in accordance with financial information and knowledge in making investment decisions, but individuals refer to other things such as psychological aspects that have an impact on irrational decision making. Prospect theory explains that the risk perception variable is a bias in determining investment decisions. Perception of risk consists of two words, namely perception and risk. In terms of terminology, the notion of perception is a direct response from an absorption or process of someone knowing several things through sensing (Asrori, 2020: 50). Another opinion says that perception is a process of becoming aware of some of the stimuli that are around us; or neurological process when a sensory stimulus is received, known and recognized as simple meaning; or a term commonly used to describe sensory control over something as complex as behavior that is inferred from other behaviors; or a hypothetical internal event that has an erratic nature, but which is controlled mostly by external stimuli (sometimes influenced by variables such as habits and drives). In the investment world, investors certainly want a return or profit on their investment funds in the future. This future profit is a compensation for the investment time and risk. However, future profits reflect expectations that may not be realized. From this aspect of uncertainty, investors should pay attention to the risk aspects of the investment funds they place. Investment risk can be interpreted as the possibility of a difference between the actual return and the expected return. Specifically, it refers to the possibility of realizing an actual return that is lower than the expected minimum return (Firmansyah, 2018).

Return Expectation

In the context of investment management, return is defined as the level of return on investment. The investor's expected return on the investment made is compensation for the opportunity cost and the risk of decreased purchasing power due to the influence of inflation. Return is also interpreted as the profit obtained from companies, individuals and institutions from the investment policies made. Of course, this is one of the considerations for investors in placing their funds. Expected return is the rate of return or profit expected by investors in the future. This is of course in accordance with the main objective of investment, which is to place funds in an investment instrument to become productive funds in order to gain profits in the future (Hantono, 2018).

Motivation

In investing, investors need information which is important factors as a basis for investment decisions. Where is the attitude of investors in investing to maximize investor wealth by avoiding risks (economic factors) and investment decisions based on investor psychology (behavioral motivations). Behavioral motivation is making investment decisions based on psychology or objects trusted by investors. Based on the classification of Nagy & Obenberger (1994) in Kusumawati (2013: 30-35), behavioral motivations include self image/firm image coincidence, social relevance, advocate recommendation, and personal financial needs (Iman, 2004).

Technology Advancement

Henslin explained that the term technology can cover two things, first, technology refers to equipment, namely the elements used to complete tasks. Technology refers to equipment as simple as a comb to as complex as a computer. Second, the skills or procedures required to make and use the equipment. Technology in this case does not only refer to the procedures required to make combs and computers, but also includes procedures for producing an acceptable hairdo, or for accessing the Internet. technology is a scientific method to achieve practical goals; applied science or it can also be translated as a whole means to provide goods needed for the continuity and comfort of human life. Currently we are familiar with information technology and communication technology (ICT). Information technology includes all matters related to processes, the use of tools as tools, manipulation and management of information. While communication technology is everything related to the use of tools to process and transfer data from one device to another (Jusuf, 2018).

METHOD

Sampling in this study was carried out using a purposive sampling method, namely taking information sources based on predetermined intentions or goals. In this study the researcher determined the criteria for respondents as follows: 1) Investors or sharia peer to peer lending lenders who have placed their funds or provided financing on sharia peer to peer lending platforms, 2) Investors or sharia peer to peer lending lenders who are domiciled in the area Greater Jakarta. The reason for determining the sample criteria is that it is adjusted to the area of residence of the researcher for the sake of convenience and efficiency of research, and the provinces of DKI Jakarta, West Java and Banten are included in the top 5 provinces with the largest number of lender or investor accounts besides East Java and Central Java.

Roscoe in (Sugiyono, 2005: 102) provides suggestions for sample size in research that an appropriate sample in research is 30 to 500 respondents. Based on the approach above and the limitations of the researchers and technical considerations in the field, the sample for this study was determined as many as 80 respondents who were investors who had provided financing on the sharia peer to peer lending platform. Primary data in this study will be obtained from the answers to the list of statements regarding each variable, namely perceived risk, expected return, behavioral motivation, technological progress and investment decisions which will be described in the questionnaire. In this study, the object of research is investors or lenders who invest in sharia peer to peer lending who are domiciled in the Greater Jakarta area. The Likert scale uses several questions to measure individual behavior by responding to 5 point choices on each question, namely Strongly Agree (SS), Agree (S), Neutral (N), Disagree (TS), and Strongly Disagree (STS). , and will be given a weight of 5 for the highest point of choice and 1 for the lowest and vice versa.

CASE STUDIES

This study shows that there is a positive and significant influence between risk perception variables on investment decisions partially. Obtained a significance value of $0.047 < 0.05$ and proven by statistical test t where t count (2.017) $>$ t table (1.992) so that it can be concluded that H_{a1} in this study is accepted and H_{01} is rejected. From the findings above, it can be concluded that the risk perception variable influences investment decisions in sharia peer to peer lending. Thus, it can be interpreted that the level of risk that is owned by sharia peer to peer lending such as the existence of certain risks that cannot be avoided, losses to be experienced, security in investing, whether customer data is maintained or not and the amount of uncertainty in investing in peer to peer Sharia peer lending influences investors' decisions in investing in Islamic peer to peer lending. This is because

the research respondents feel that the risks posed by sharia peer to peer lending are an important factor in their investment decisions, so that investors will try to minimize the risks that can occur.

This study shows that there is no influence between the expected return variable on investment decisions partially. Obtained a significance value of $0.503 > 0.05$ and proven by statistical test t where t count (0.673) $<$ t table (1.992) so that it can be concluded that H_02 in this study is accepted and H_{a2} is rejected. From the findings above, it can be concluded that the expected return variable has no effect on investment decisions in sharia peer to peer lending. Thus, it can be interpreted that the high or low level of return expectations owned by sharia peer to peer lending investors such as interest in the returns generated, attractive and competitive investment returns and levels of profit that are appropriate or proportional to the risk do not affect investment decisions in peer to peer sharia lending. This is because there are some research respondents who are disappointed with the rate of return they get or experience problems in getting the return either late from the due date or even not getting any return at all. So this affects the expectations of investors that the rate of return on investment in sharia peer to peer lending is not worth the risk. This study shows that there is a positive and significant influence between behavioral motivation variables on investment decisions partially. Obtained a significance value of $0.023 < 0.05$ and proven by statistical test t where t count (2.319) $>$ t table (1.992) so it can be concluded that H_{a3} is accepted and H_03 is rejected. From the findings above, it can be concluded that the variable behavioral motivation has a positive and significant effect on investment decisions in Islamic peer to peer lending. Thus, it can be interpreted that the level of reputation and ethics of sharia peer to peer lending companies as well as recommendations and opinions from friends or family influence investors' decisions in investing in sharia peer to peer lending. This is because the research respondents feel that the company's reputation is important and is a factor that should be considered before investing. Recommendations and opinions from those closest to them also influence their investment decisions.

This study shows that there is no partial influence between technological progress variables on investment decisions. Obtained a significance value of $0.438 > 0.05$. and proven by statistical test t where t count (0.780) $<$ t table (1.992) so it can be concluded that H_04 is accepted and H_{a4} is rejected. From the findings above, it can be concluded that the variable technological progress has no effect on investment decisions in sharia peer to peer lending partially. Thus, it can be interpreted that there are technological advancements that aim to make it easier and provide comfort for its users does not affect investors' decisions in investing in sharia peer to peer lending. This is because some of the research respondents felt that the technology applied in the sharia peer to peer lending platform was not entirely easy and comfortable to use. Based on the results of the F test, the value obtained is 4.964 , while the F table value is 2.49 . So, it can be seen that the calculated F value (4.964) $>$ F table (2.49) with a significance level of 0.001 is less than 0.05 . So it can be concluded that the variables of risk perception, expected return, behavioral motivation and technological advances simultaneously or together have a positive and significant influence on investment decisions in Islamic peer to peer lending. The four independent variables have a single entity that can influence investor decisions in investing in sharia peer to peer lending. If one of the four independent variables decreases or decreases, investment decisions in sharia peer to peer lending will also decrease or decrease.

CONCLUSION

From the research study above, it can be concluded that the higher the risk received, the greater the investment decision. This is because the sample of respondents in this study already has sufficient knowledge about investment, where to obtain high returns must be accompanied by high risks as well. In addition, the behavioral motivation variable also influences the investment decision variable significantly. The reason for this could be that the respondents in this study felt more confident if they knew that their company's reputation was good and would have more confidence in the information and recommendations provided by other parties as a basis for making investment decisions.

While the other two variables, namely return expectations and technological advances, have no significant effect on investment decision variables. Answers from research respondents indicate that they have ignored the expected return factor and technological progress as important considerations for investing in sharia peer to peer lending. Referring to the investment theory in which investors will pay attention to aspects of the return on their investment, in this study the results were obtained that investors' expectations of getting the desired return turned out to be inversely proportional to the reality at the end. Some of the respondents in this study found it difficult to

get a return on their investment, either from borrowers' constraints or from the sharia peer to peer lending platform itself. As for the availability of technological facilities and infrastructure provided by the company, some respondents also experienced difficulties in using existing applications or sites. Considering that sharia peer to peer lending is a financial service that moves online, the convenience and comfort of users must be the company's top priority in procuring its services.

REFERENCES

- Ansofino, J. Y. (2016). *Textbook of Econometrics*. Yogyakarta: Deepublish.
- Asrori. (2020). *Educational Psychology Multidisciplinary Approach*. Purwokerto: CV. Pena Persada.
- Astri, R. A. S. (2019). *Fintech: Financial System Innovation in the Digital Age*. Jakarta: Yayasan Kita Menulis.
- Eka, A. A. W. (2013). *Consumunity Marketing: Community-Based Marketing Strategy*. Jakarta Selatan: Prasetya Mulya Publishing.
- Fatihudin, D. (2017). *A Practical Guide to Financial Planning for Investing in Capital Markets, Money Markets and Forex*. Surabaya: UM Surabaya Publishing.
- Firmansyah, M. A. (2018). *Consumer Behavior (Attitude And Marketing)*. Yogyakarta: Deepublish.
- Hantono. (2018). *Concept of Financial Statement Analysis with Ratio Approach and SPSS*. Yogyakarta: Deepublish.
- Iman, N. (2004). *Money-Raising Tips in Troubled Times: Investments For Beginners*. Jakarta: PT. Elex Media Komputindo.
- Jusuf, D. I. (2018). *Consumer Behavior in the Age of Online Business*. Yogyakarta: CV. ANDI OFFSET.
- Jogiyanto, H. (2014). *Portfolio Theory and Investment Analysis*. Yogyakarta : BPF.