

# The Influence of Personality Traits and Decision Making Style on Investment Decisions of Capital Market Investors in Bandar Lampung

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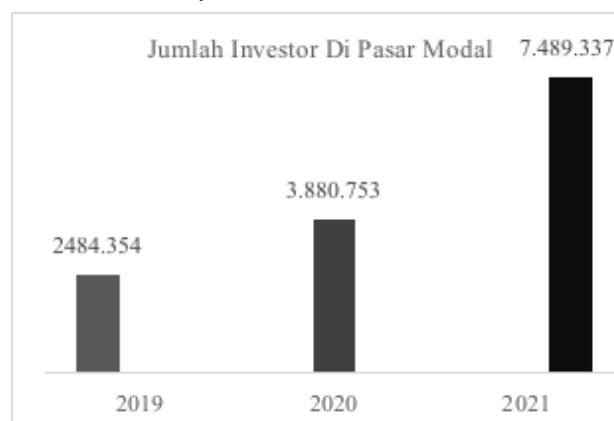
**Abstract**—Investor behavior is one of the factors that influence stock trading transactions. Investor behavior is based on the theory of financial behavior explaining the understanding of investors' reasoning patterns in the emotional aspect and the extent to which these aspects can influence investors in the decision-making process. In previous studies personality Traits can increase the tendency of investors to seek deeper information for investment decisions, sput it out decision-making style take effect significantly and relevant to investment decisions Especially investors with a decision-making style that looks rationally and interdependently. This study aims to determine the impact of personality traits and decision-making styles on investment decisions of capital market investors in Bandar Lampung. The sampling method used in this study was non-probability sampling using a purposive sampling technique with a total of 100 respondents. Data collection methods are questionnaires or interviews and Data analysis in this study uses Multiple Linear Regression.

**Keywords**— *Personality traits, Decision making style, Financial behavior, Investment decisions (key words)*

## I. INTRODUCTION

The development of the capital market increased rapidly during the 2019 COVID pandemic, which can be seen from the data recorded at the Indonesian Central Securities Depository (KSEI), which shows the growth of investors in the capital market during 2019-2021 rose to 149.2% percent per December 2021. With the number of investors according to single investor identification (SID) Demographic data based on the Lampung province, there are a total of 126,689 individual investors with data sharing, for shares as much as 34.84%, then mutual funds as much as 61.31% and SBN as much as 3.85%. (Capital

Market Statistics August 2021 by the Financial Services Authority).



Source :Public Statistics December 2021 By KSEI

An increase in investors occurs during the pandemic COVID-19 with decreasing activities outside the home, it seems that people are doing positive things, namely investing in the capital market, especially for the younger generation, this can be seen through KSEI data as of December 2021 which states that ages under 30 years have a percentage of 60.02, Ages 31-40 years with a percentage of 21.46%, at the age of 41-50 years by 10.45%, at the age of 51-60 years by 5.16% and over 60 years by 2.91%.

In the beginning, investors did not only use investment when making investments to estimate of the prospects for investment instruments, but psychological factors have taken part in determining the investment. The existence of these psychological factors affects the investment and the results to be achieved. Therefore, investment analysis that uses

psychology and financial science is known as behavior or Behavior Finance.

According to [1] An individual in decision-making behavior according to psychology. Risk-taking decision-making can be viewed as a choice between prospects' or gambles. One of the psychology sciences or factors that become one of the studies in the field of psychology is personality, more specific personality traits.

According to [2] personality traits can increase the tendency of investors to seek deeper information for investment decisions because investors more rational in taking investment decisions and don't tend to just hear the opinions of others.

In addition to personality traits, other factors are one aspect of behavior, namely decision-making style. In general, the individual processes investment decisions by identifying two patterns of behavior, namely rational and irrational styles.

## II. EASE OF USE

### A. Financial Behavior Theory

Finance Behavior theory provides a structured approach to behavioral finance and explains how individual investors form portfolios, how managers make corporate financial decisions, and how prices reflect systematic biases [3]. Behavioral finance combines psychology and economics to find the underlying reasons for irrational solutions to investment spending, loans, and savings. Behavioral finance goes against one of the assumptions of conventional finance, which states that humans are rational and make all financial decisions after careful consideration of all issues.

Behavioral finance tries to explain and increase understanding of investors' reasoning patterns in the emotional aspect and the extent to which these aspects can influence investors in the decision-making process [4]. When making investment decisions, individuals are dominated by the expected utility theory. Expected utility theory is a theory in determining decisions that contain risks and aim to achieve maximum results [5].

### B. Personality Traits

The Big five-factor personality model is currently one of the most common approaches to personality traits namely the Big Five Personalities. According to [6] there are two models most widely used in personality measurement, namely 16 Personality Factors (16PF) by Cattell (1970) and Big Five by Goldberg (1990).

On this research uses 16PF model developed by Cattell (1970) by identifying five major factors, namely:

1. *Extroversion*,
2. *anxiety*,
3. *Tough-Mindedness*,
4. *Independence*, and
5. *Self-Control*.

According to [7] that extroversion is able to strengthen the relationship between the frequency of information acquisition, and trading or investment frequency (trading frequency).

Anxiety focuses on the ability to manage rigidity and worry, Willingness to acceptance of Tough-Mindedness is too low to describe four different aspects of openness to experiences (feelings, ideas, approaches, and people). Furthermore, Self-Control encompasses the entire domain of human methods of self-control, whereas Independence is organized around the traits of domination and assertiveness.

### C. Decision Making Style

Decision-Making Style is a cognitive process that combines the mental activities of perception, information processing, making judgments, and problem-solving. The well-validated categories include the five decision-making styles stated by Scott (1995), namely Rational, Intuitive, Spontaneous, Dependent, and Avoidant.

Specifically, Rational is a logical approach to structured decision-making by cross-checking information sources to ensure that the information is factual and correct before making a decision. Intuitive is described as a tendency to rely on intuition, feelings, and sensations or rely on instincts.

Dependent is expressed by the need for the help and support of others so as to require the help of others in making important decisions.

Avoidant shown by attempts to delay and avoid spontaneous decisions characterized by a tendency to make decisions impulsively [6].

### D. Investment Decisions

Investment is a process for stakeholders to invest more funds to earn a return tall one. Investment decisions must be considered in the future before starting to invest in order to minimize investment risk and will get a large rate of return in the future.

According to [2] that investment decisions are based on several paths that can be chosen in taking the best action in accordance with its objectives.

#### E. Previous Research

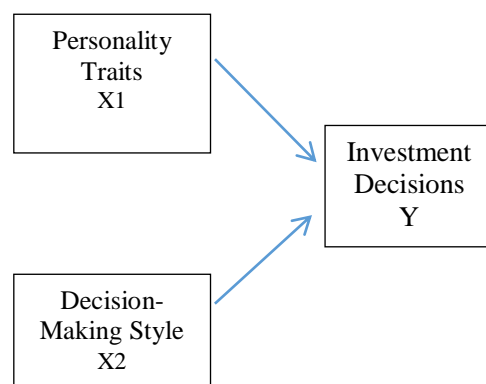
Name/Year	Title	Results
Elisa Gambetti, Fiorella Giusberti (2019) [6]	Personality, decision-making styles and investments	The results showed that the personal traits variable had a positive effect and the decision making style variable with rational and dependent style indicators had a positive effectsignificant.
Helena and indra widjaja (2020) [2]	The influence of big five personality on investment decision on a peer to peer lending company	The research results show thatpersonality traitscan influence investors in making decisions.
Terecia Anabell Makangiras and Khairina Natsir(2020) [8]	The Influence of Personality Traits, Demographic Factors and Risk Taking Attitude on Investment Decisions in Micro, Small and Medium Enterprises	The results of the study show that personality traits have an effectsignificanton investment decisions of micro, small and medium entrepreneurs.
M.Tauni, MA Majeed and SS Mirza (2018) [9]	Moderating influence of advisor personality on the association between financial advice and investor stock trading behavior	The results of the study show that the financial advise variable has a positive effect because individual investors prefer to trade after consulting a financial advisor and moderating personality traits variables that have a slight effect are anxiety and extraversion, which tend to be

		anxious, influenced by external influences and unstable emotions thereby increasing the frequency of trading.
Elisa Gambetti, Fiorella Giusberti, Micaela Maria Zucchelli, Raffaella Nori (2022)	Default Rules In Investment Decision-Making : Traits Anxiety And Decision-Making Styles	The results of the study show that individual spontaneous and intuitive positive effect with investment decision, trait anxiety and avoidant decisions making-styles has little effect with investment and no effect that significant by testing with different conditions.

#### F. Schematic Framework

Based on the description above, the variables used in this study are the Influence of Personality Traits and Decision Making Style on InvestmenDecisions of Capital Market Investors in Bandar Lampung.

Based on the theoretical basis above, a framework of thought can be drawn up as follows:



Figur. 1. Framework Decision Making

### III. METHODOLOGY

#### A. Types of research

The type of research used in this research is quantitative research with an associative approach. [10] states that quantitative research is a scientific method with research data in the form of numbers and analysis using statistics. The associative problem formulation is a research problem formulation that asks about the relationship between two or more variables where the Independent Variable are Personality Traits (X1), Decision-Making Style (X2), and Dependent Variable is an Investment Decision (Y).

#### B. Data Retrieval Method

In this study, the data collection procedure used was the questionnaire method. According to [10] Questionnaire is a technique of collecting data by giving written questions to informants. The questionnaire used by researchers in this study is an assessment based on the Likert scale.

#### C. Data collection

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Tabel 1. Weight

Answer	Weight
Strongly agree	5
Agree	4
Neutral Or Undefined	3
Don't agree	2
Strongly Disagree	1

#### D. Population & Sample

##### 1. Population

According to [11] population is a combination of all elements in the form of events, things, or people who have certain similar characteristics that are of concern to researchers for research. Research taken in this population of investors recorded in the Financial Services Authority, Single Investor Identification (SID) is 52,614 people.

##### 2. Sample

According to [11] The sample is a subset of the population, the subset is formed as a representative of the population because it is not possible for us to examine all members of the population. Samples were taken using the method of purposive sampling and calculated using the slovin approach formula:

$$n = \frac{N}{1 + N(e)^2}$$

Information :

n = Number of Samples

N = Total population

e = percentage error (1%, 5%, or 10%)

Based on the formula above, the number of samples is:

$$n = \frac{52.614}{1 + 52.614(0.1)^2}$$

Based on these calculations, the number of samples obtained is 99.8 or as many as 100 respondents with the following criteria:

- Domiciled in Bandar Lampung
- People who are already earning
- Productive age, 17-64 years
- Invest for more than 3 months

##### E. Hypothesis Development

1. Effect of *Personality Traits*(X1) on Investment Decisions (Y) of Capital Market Investors in Bandar Lampung

Personality Traits have a significant effect on the dependent variable, namely Investment Decisions. This is supported by research by [8] the results of this study state that individual investment decisions are influenced by personality traits. This is also supported by research [2], where personality traits increase the tendency of investors to seek deeper information for investment decisions.

**H1**= Personality Traits (X1) suspected significant influence on Investment Decision(Y) of Capital market investors in Bandar Lampung.

2. Effect of Decision Making Style (X2) on Investment Decision (Y) of Capital Market Investors in Bandar Lampung

Decision-Making Style has a significant effect on the dependent variable, namely Investment Decision. This is supported by research [6], which states that Decision Making has a positive and relevant effect on investment decisions. Especially investors who have a decision-making style that sees rationality and interdependence.

**H2** = Decision Making Style (X2) has a significant effect on Investment Decision (Y) capital market investors in Bandar Lampung.

## F. Data analysis method

### 1. Descriptive statistics

According to [12] Descriptive statistics is a method of organizing and analyzing quantitative data, in order to obtain an orderly picture of activity.

In descriptive statistics can find the strength of the relationship between variables through correlation analysis and predictions with regression analysis [10].

### 2. Multiple Linear Regression Analysis

Multiple linear regression analysis was carried out with the aim of knowing the direction of the influence of the independent variable on the dependent variable, whether the effect was positive or negative. The multiple linear regression equation according to [12] is:

$$ID = a + b_1PT + b_2DMS + e$$

Information:

ID = Investment Decision

a = Constant

b = Coefficient

PT = Personality Traits

DMS = Decision-Making Style

e = Error

### 3. Hypothesis testing

#### a. Determination Coefficient Test (R2)

This coefficient is used to describe the ability of the model to explain the variations that occur in the dependent variable. The coefficient of determination is shown by the R-Square lift in the summary model generated by the program [11]. The value of the coefficient of determination is obtained by the formula:

$$R^2 = (TSS - SSE) / TSS = SSR / TSS$$

Information :

TSS = Total Sum Square

SSE = Sum Square of Error

SSR = Sum Square of Regression

#### b. Model Feasibility Test (F Test)

This test was conducted to find out whether the model being analyzed has a high level of feasibility, namely whether the variables used in the model can explain the phenomenon being analyzed [11].

The F value can be calculated using the following formula:

$$F = \frac{R^2/k}{(1 - R^2)/(n - k - 1)}$$

Information :

F = F value

R2 = Coefficient of Determination

n = Number of Data

k = Number of Independent Variables

#### c. Partial Test (T Test)

This test was conducted to determine whether the model regression coefficient is significant or not zero [11]. This test is run on tests that produce t-counts from the following formula:

$$T - \text{Hitung} = \frac{b_i}{S_{b_i}} = \frac{r\sqrt{n - k - 1}}{\sqrt{1 - r^2}}$$

Information :

r = Correlation Coefficient

k = Number of Independent Variables

n = Number of data

b<sub>i</sub> = Regression Coefficient i

S<sub>b<sub>i</sub></sub> = Standard Error Variable i

## IV. ANALYSIS AND DISCUSSION

The following is the measurement of the independent variable and the dependent variable to be measured in this study as follows :

### 1. Personality Traits (X1)

No	Statement	SD	DG	U	AG	SA
1	Investment decisions depend on personality type					
2	Prefer to seek personal stock information or other people's advice					
3	Anxiety levels are high when stock prices do not match expectations					
4	Spontaneous in investment decisions					
5	Trusting news from others without validating it					

### 2. Decision Making Style

No	Statement	SD	DG	U	AG	SA
1	Analyze issuers before investing					
2	Like to delay					

	or avoid investing					
3	Rely on instinct, intuition or feelings in investing					
4	Tendency to make decisions impulsively					
5	Requires input or direction from others in making investment decisions					

### 3. Investment Decisions

No	Statement	SD	DG	U	AG	SA
1	Personally choose to benefit.					
2	Able to analyze stocks in terms of risk and profit.					
3	Have experience in capital market transactions					
4	Requires analysis from third parties or others					
5	Able to make rational or irrational investment decisions					

## V. ANALYSIS PLANNING

In the research results, there has been a measurement that can be obtained from the data collected to determine whether there is influence from personality traits and decision making-style on the investment decisions of capital market investors in Bandar Lampung City.

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