FACTORS AFFECTING INVESTMENT DECISION MAKING OF INSTITUTIONAL INVESTOR

Abstract

This study aims to analyse the relation of financial behaviour's on investment decision making in Batam city institutional investors. The importance of financial behaviour, the uncertainty of capital market information makes investors use information obtained for better result investment, but there is a different scenario to gain that result.

The study gathered responses from 80 investors in Batam insurance, banking, finance and securities companies by applying purposive sampling techniques. Data analysis used descriptive statistical analysis and partial least square structural equation model (PLS-SEM). Test the causality relationship between latent variables through the structural model or inner model after testing the validity and reliability through the evaluation of the measurement model or outer model.

The results showed that heuristic, risk aversion, financial tools and firm level corporate governance factors had a significant effect on investment decision making. However, Batam city institutional investors partially heuristic found no effect on investment decision making concluded that respondents had a tendency to take rational actions in assessing information. Investors were also found not risk averse towards investment decision making. While firm level corporate governance and financial tools have a significant effect on investment decision making. This makes financial tools formulated the investment decisions through fundamental analysis and the level of corporate governance investors are able to provide value to shareholders. Capital markets always reflect information, which may have a positive or negative effect.

Keywords: Indonesian capital market, institutional investor, partial least square structural equation model, behavioral finance, corporate governance.