International Journal of Marketing and Digital Creative, Vol. 1 No. 1 (2023)
https://doi.org/10.31098/ijmadic.v1i1.1458

Check for updates

Research Paper

Market Discipline and Its Impact on Investment Intention: An Analysis of Information and Disclosure Factors

A. Mukti Soma[1*], Rizka Merryanti[2]
[1, 2] Universitas Teknologi Muhammadiyah Jakarta, Indonesia

Received: Dec 26, 2022	Revised: January 29, 2023	Accepted: March 25, 2023	Online: March 31, 2023

Abstract

This study aims to measure the effect of market discipline on investment intentions, using the Theory of Planned Behavior (TPB) and focusing on the information and reporting aspects, such as financial and accounting reports, statements from auditors, and disclosures. Non-Probability Sampling was used to survey 300 respondents, and the smartPLS application was used for data analysis. The findings reveal that investors' understanding of market discipline in information and disclosure aspects influenced their investment intention and disciplined excessive risk- taking behavior. However, this study is limited to a specific set of indicators and does not cover all aspects of market discipline, making it unique from previous studies.

Keywords: *Market discipline, Information and disclosure, Investment Intention.*

INTRODUCTION

The financial services industry is rapidly evolving, leading to changes in the financial market conditions. Therefore, it is essential to understand financial fundamentals related to major modern financial stocks, as it enables individuals to use financial tools and products optimally and make informed decisions for their well-being (Mandell, 2007). ASIC (2013) states that financial literacy is necessary to make better financial decisions and receive more benefits. Financial literacy comprises awareness, knowledge, skills, attitudes, and behaviors necessary for making appropriate financial decisions and achieving individual financial well-being (Atkinson, 2012).

Managing limited financial resources is critical to ensure that financial users always feel sufficient, grateful, and not lacking (Saddique, 2016). Investment invitations are increasingly widespread, and people are deceived by fraudulent investments promising big and fast profits. As a result, it is necessary to understand financial literacy to engage in investment activities successfully. Lusardi and Mitchell (2007) define financial literacy as a general understanding of financial management and attitudes towards finance aimed at achieving prosperity.

Social media provides platforms for investment education and procedures, including Instagram, WhatsApp Group Shares, Telegram Group shares, and others (Cahyono, 2016). With the advancement of technology, investing in stocks, which was once challenging, is now easy for people to learn and invest in various types of investment. Investment intention demonstrates the desire to receive information about the investment type, including profits, losses, and investment returns, and is likely to result in taking action to achieve investment goals.

The growing number of illegal investment companies taking advantage of public ignorance indicates low financial literacy, lack of awareness, and the lure of instant results (CNBC Indonesia). Technological developments have introduced new instruments for investment that require investors to understand them properly.

Copyright Holder:
© Mukti and Rizka. (2023)
Corresponding author's email: rizkamerr@gmail.com
This Article is Licensed Under:

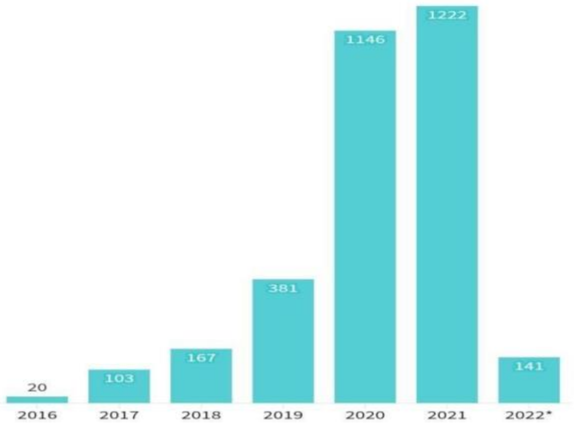


Figure 1. Graph of Number of Blocked Fake Investment Content
Source: Ministry of Communication and Information (10 Mar 2022)

The chairman of the Financial Services Authority (OJK) Investment Alert Task Force, Tongam L. Tobing, has stated that the rise of fraudulent investments can be observed from two perspectives. Firstly, from the supply side of fraudulent investments, due to technological advancements, there are numerous easy ways to market this fraud in various forms through social media, websites, and applications. Secondly, the demand for fraudulent investments is still present in the community. "There are still a lot of people who are tempted by high yields and immediately participate. Therefore, it is necessary to increase financial product literacy in the community," Tongam explained.

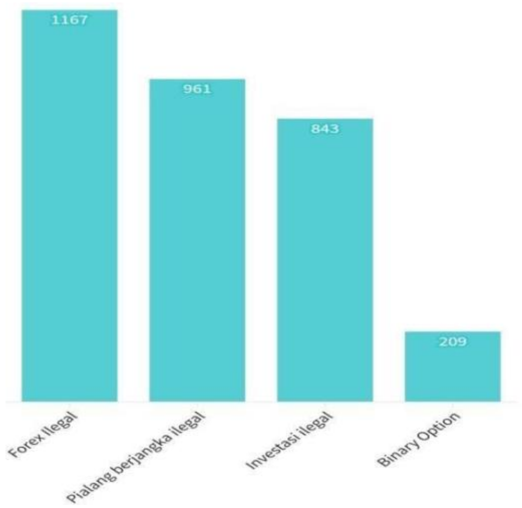


Figure 2. Graph of Blocked Investment Content Types Source: Ministry of Communication and Information (10 Mar 2022)

The issue of fraudulent investments has persisted throughout history, and unfortunately, it still plagues our society today. In 1968, for example, a company collected funds from 6,000 people with a total value of Rp. 900 million, promising customers 17.5 percent interest per year under the pretext that the money would be used as the construction company's capital. However, the customers never received their returns.

To prevent such cases from happening in the future, it is crucial to increase financial literacy and market discipline. This would strengthen the investment and capital climate, and support the government's efforts to improve economic conditions and maintain financial system stability. Market discipline has been a topic of research in the financial sector since the 1970s (Flannery, 2001). Previous studies have examined the ability of market discipline to regulate financial services in the banking sector, including Mertinez-Peria and Schmukler (2001) and King (2008). This research aims to explore market discipline in investment more broadly, beyond just the banking and capital markets.

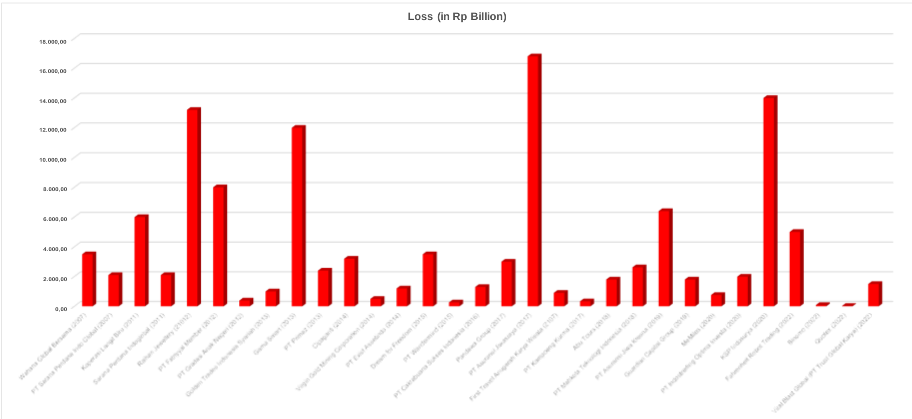


Figure 3. Some Losses due to Fraudulent Investment in Indonesia
Sources: internet

Figure 3. shows how massive and repeated the occurrence of investment failures is. Investors and potential investors don't seem to have learned from investment failures in previous years, so it seems as if investing is just a gamble. Ajzen (1985) in Theory of Reasoned and Action explains that a person's behavior is determined by an intention. This intention is determined by 3 (three) things: behavior, subjective norms, and behavior control (Ajzen, 1985). We use this approach to assess the intentions of investors and potential investors in investing.

This phenomenon encourages our interest to research and make several research questions as follows:

1. Does the availability of financial and accounting reports at investment institutions affect investment intentions?
2. Does the availability of external auditors at investment institutions affect investment intentions?
3. Does the availability of prudent disclosure affect investment intention?
4. Does the availability of credit rating agencies at investment institutions affect investment intentions?
5. Does the availability of research and media analysis at investment institutions affect investment intentions?

LITERATURE REVIEW

Investment

Singh (2014) mentioned that Investment is planned commitment of funds from a person's savings into different outlets with the expectation of safe, stable and fare return. Investment is the commitment of funds with a long-term time framework, the objective being additional income to regular receipts and growth in the value of funds of an investor. Investment involves 'waiting' for a future reward in terms of income through regular interest, dividends, premiums, or appreciation in the value of the principal capital.

Kengatharan (2019) Investment decisions affect many aspects of a company's operations, the consequences of which have a significant impact on its survival, profitability and growth. Investment decisions have generally been assumed to depend on several factors, such as market characteristics, behavioral factors and individual risk profiles, in addition to general accounting information. Individual investors need to identify the factors that influence their investment decisions, which most investors struggle to identify in order to make effective investment decisions. All investors who invest, the stick serves the same purpose to obtain capital gains, positive difference from selling price. Stock Purchase Price and Cash Dividends accepted by a publisher for a company exploitation too. if the price sell for less than purchase price the investor suffers a loss(loss capital). If that's not the purpose. At the same time, investors also have goals. Different investments long-term benefits short-term and long-term benefits (Kusuma, 2020). Allow investment trusts managed by individual pension participants. Participants can explore different investment strategies and choose a portfolio that suits their time horizon and risk tolerance change.

However, individual management can have negative effects individual. Allocations to short-term bond assets may be overly conservative.percentage of portfolios that disagree with expert opinion on optimal mix of fixed income portfolios (P. Hanz, David, John, 1996) Ochoa 2002 defines investment law as the cost of acquiring property or assets to generate income. capital spending. Sornarajah defines investment as transfer of tangible or intangible property from the state to others for the purpose of using them to ensure the prosperity of this country. Under the full or partial control of the owner of the asset. Also, an investment as an investment of money or capital in a company or project for the purpose of making a profit.

Interest / Intention

Interest is a person's affective tendency to make activity choices, individual conditions that can change a person's interests, so that it can be said that interest is unstable in nature (Yuliati, 2011). Attitude theory, namely Theory of Reasoned Action developed by Triwijayati and Koesworo, reveals the desire to act because of a specific desire to behave (Kusmawati, 2011). This also means that someone who has an interest in investing is most likely to take actions that can achieve his desire to invest.

According to Khairani (2017) interest is basically a cause and effect of experience. One of the factors that influence interest is the inner urge factor, namely that stimuli that come from the environment or scope that are in accordance with one's wants or needs will easily generate interest. Interest has a very big influence on the activities carried out. Factors that support the development of interest are internal and external factors.

An investment activist is always actively seeking information and learning about the desired investment. Investors try to spend time and learn more about investing or try to invest now and even increase their share of the investment. Brotoharjoso (2001) explains that this research establishes intention which is assumed to be able to describe the motivational factors that have an impact on his behavior, while intention shows how strong a person is willing to try, how far he is going to do it. This intention is a behavioral disposition, until it arrives at the right time and situation then there will be a change in intention into action. Likewise, research (Dharmmesta, 1998) also revealed that intention acts as a catcher or intermediary between these factors in a behavior.

Intention investment is a desire or desire strong for someone learn all about it with investment to the stage practice, namely investing. Investment intention goals gradually to be able to build up people's motivation for change save to invest (Pajar & Pustikaningsih, 2017). According to Tandio & Widanaputra (2016) interest is a continuous tendency to be happy and interested in a certain field, interest can be increased by providing opportunities one learns about the things they want.

Investment interest individual propensity to invest for acquisition purposes benefits in the future

(Sriatun & Indarto, 2017) Interest object investing in individuals motivates them to act, support for investment activities such as participation in investment training, registration with the investment group and finally make the investment. individually know how to plan activities that support investment interest (Dewi, 2021) Market Discipline.

Market Discipline can be defined in several ways. The first relates market discipline to the classical conditions for perfect markets including perfect information and competition, lack of agency problems and absence of outside influence. However, these "perfect" conditions are rarely found in most markets in the real world, even in unregulated markets. In the same way agency costs arise for all companies, both regulated and unregulated. It is very difficult to attribute failures to corporate governance as reflected in recent accounting scandals or other corporate scandals, taking into account the fact that these companies are already regulated. This does not mean that we say there is a lack of corporate governance as measured by members of the independent commissioners or audit committee, this is also not a problem for financial institutions, but it is more correct to say that financial institutions also experience problems like other companies.

Market discipline is only one aspect. Competition and discipline in the capitalist mode of production. Now let's set different levels of competition for individual capitals (or "pieces" of capital in general). Let us always bear in mind that such competition between capital always leads to competition among workers. Competition among capitals must be understood as competition to see which capital makes the best use of workers and/or appropriate value by making citizens, consumers or nature. (Harvie, 2019)

Lane (1992) defines market discipline as "financial markets providing signals that direct borrowers to behave in a manner consistent with their solvency conditions". This market discipline signal can be carried out by depositors, debt-holders, and equity-holders. Stephanou (2010) defines market discipline as a mechanism in which market participants monitor and discipline excessive risk-taking behavior by banks. Berger (1991) describes market discipline in the banking world as a situation in which private sector participants (bondholders, shareholders, rating agencies, and depositors) face costs that are positively related to bank risk and react on the basis of costs. the cost of this risk.

Based on the definition of market discipline that has been put forward, it can be interpreted as a mechanism for monitoring and taking action to secure the funds invested by taking into account the conditions, the surrounding environment and the steps that may be taken by the investment institution. Market discipline can be understood in the context of the general principal-agent problem. The depositing customer (as the principal) wants to ensure that the bank (as the agent) maintains his assets, namely his savings. Depositors monitor and respond to increased bank risk. The response to this increased risk is carried out through a price approach (by increasing deposit interest), and/or a quantity approach (by withdrawing funds) (Levy-Yeyati, et. al., 2004).

Acharya, Warburton, Joe (2016) Market Discipline defines the presence of implicit government guarantees in the prices of unsecured debt of large financial institutions. The existence of guarantees should weaken the market discipline of large financial institutions. Consistent with our findings on bond spread risk sensitivity, we document that larger financial institutions can take more leverage and take on more risk.

According to Milios John, describing market discipline in terms of financial markets creates a structure for monitoring effectiveness. A kind of control over individual capital, that is, the movement of capital. A company that fails to create favorable conditions for exploiting its labor force. You can quickly find "market trust".

Market discipline can also be understood from signaling theory which shows that when banks (as companies) perform well, banks will give signs (signals) by providing quality information that shows their high performance to the market. Disclosure of information conveyed to the market is expected to encourage the market to discipline management (Ariffin, Archer and Lin, 2005).

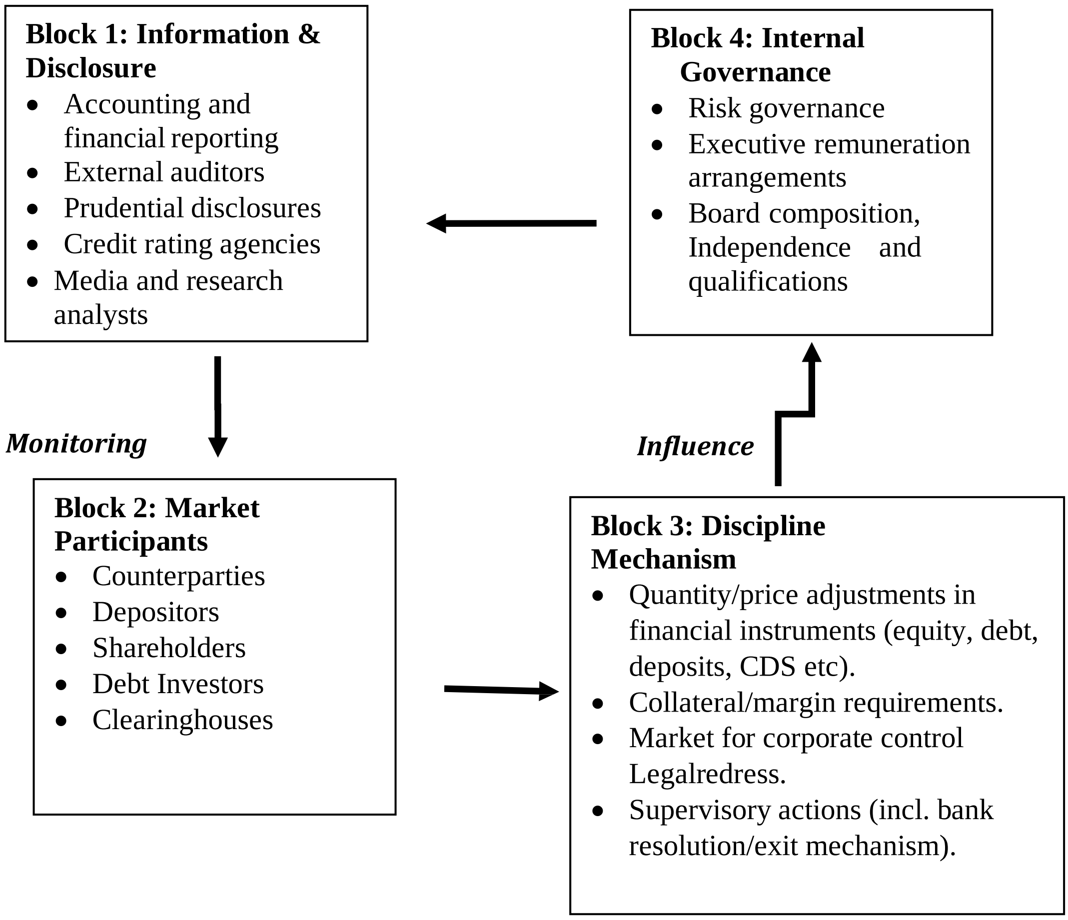


Figure 4. Market Discipline Building Block
Sources: Stephanou, 2010

Theory of Planned Behaviour (TPB)

Theory of Planned Behavior (TPB) is an extension of Theory of Reasoned Action (TRA). In the explanation of TRA, one's intention towards behavior is formed by two main factors, namely attitude toward the behavior and subjective norms (Fishbein, 1975) while in TPB one more factor is added, namely perceived behavioral control (Ajzen, 1991).

TPB consists of the following three factors:

1. Attitude towards behavior
   Attitude is not behavior, but attitude is a willingness to act that leads to behavior (Lubis, 2010). People do something based on their feelings about the behavior. A positive attitude towards behavior is what the individual chooses to behave in his life. Therefore attitude is a vehicle in guiding an individual to behavior.
2. Perceived control of behavior
   In behavior, a person cannot fully control his behavior under individual control, or in circumstances that can be the other way around where a person can control his behavior under individual control. Individual control over their behavior is based on several factors, namely internal and external factors. Internal factors come from within the individual, such as skills, desires, knowledge and others. External factors arise from the environment around the individual.Perceived behavioral control is how a person understands that the behavior he shows

is the resultof control exercised by himself.

3. Subjective Norms

   A person behaves in a certain way if the people he considers important in his life can accept his behavior and accept what he does. Thus, normative beliefs produce awareness of pressure from the social environment (*subjective norms*).

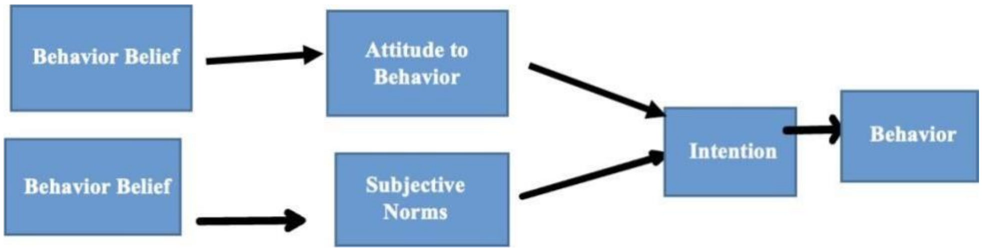


Figure 5. Theory of Behavior Planned (TPB)

Based on background and literature review, we propose following hypotheses:

1. H1 The availability of Financial and Accounting Reporting affects Investment Intentions
2. H2 The availability of reports from external auditor affects investment intention
3. H3 The availability of prudent disclosure affects investment intention
4. H4 The availability of reports from credit rating agencies affects investment intentions
5. H5 The availability of reports from Research and Media Analysis affects InvestmentIntention

RESEARCH METHOD

The method used for sampling in this study is NonProbability Sampling using convenience sampling technique. Data collection technique is to use a questionnaire distributed to the research object (respondents). According to Hair, Anderson, Tatham, & Black, (2010) if the sample size is too large it will be difficult to obtain a suitable model, and it is recommended that an appropriate sample size be between 100-200 respondents so that estimation interpretation can be used with the Structural Equation Model (SEM). The population used is an infinite population or unlimited population, that is, the number of members does not allow researchers to calculate the total population as a whole, so the population is not known for certain (Hendryadi, 2015).

Research Design

This study uses primary data. This data was obtained using a survey method by distributing questionnaires to the respondents. This survey technique was carried out as a primary data search step based on individual opinion. The methodology used is a quantitative method. In this study, there are independent variables affecting the dependent variable, or in other words, we are trying to see a causal relationship between the independent and dependent variables.

Definition and Operationalization of Research Variables

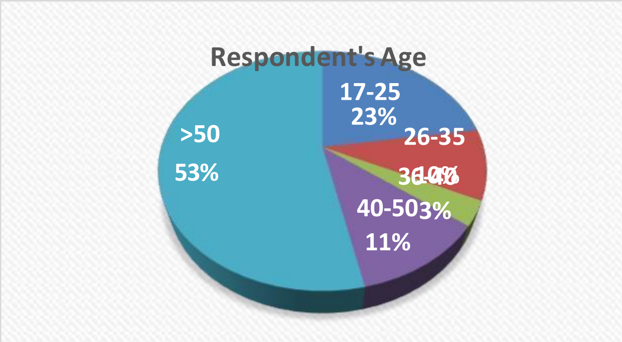
No	Variables	Variable's Definition	Indicators	References
1	**Information & Disclosures**	Availability of information needed by the public that is sufficient, consistent, timely and reliable regarding the financial performance and risk exposure of investment institutions	- Availability of Financial and Accounting Reports - Availability of reports from the External Auditor - Availability of prudential disclosure - Availability of reports from credit rating agencies - Availability of reports from research and media analysis	Stephanou (2010)
2	**Investment Intentions**	Shows that one can achieve his financial goals through investing.	- Interest to invest - Looking for investment related information - Keeping track of investment developments - Receiving investment offers well	Carl Safran dan Sukardi (2003)

RESULTS AND DISCUSSION

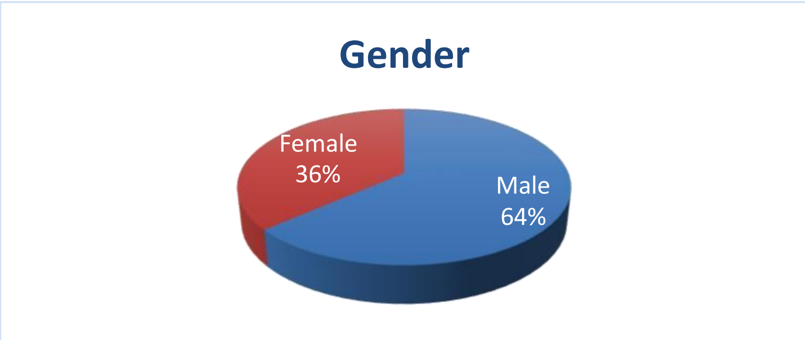
Data – Respondents

Total number of respondents are 337 investors and potential investors from West Java and Jakarta that can be grouped as following:

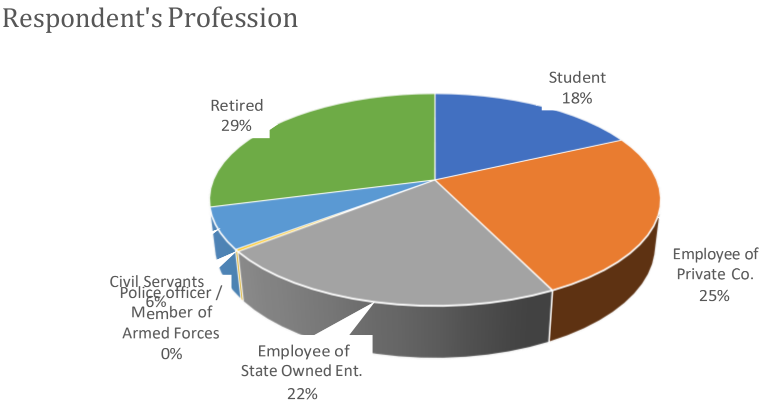
a. Respondents by age



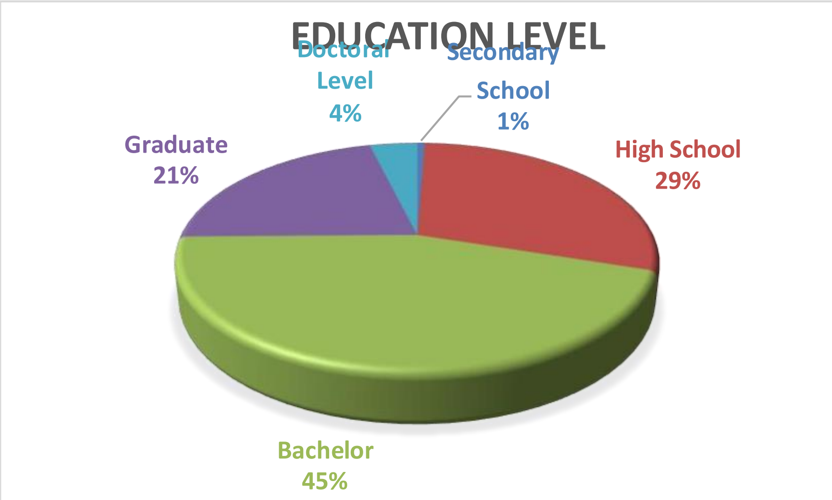
b. Respondents by gender



c. Respondents by profession



d. Respondents by educational level

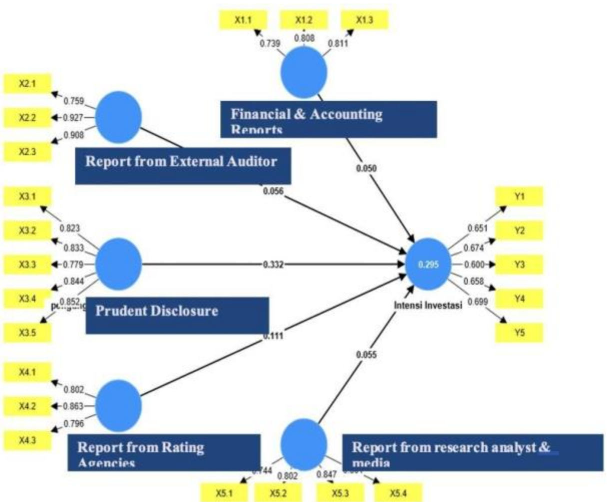


FINDINGS AND DISCUSSION

Hypothesis testing is conducted by looking at the P value with a significance level of 0.05. The following is the result of measuring the significance value and the relationship diagram of each variable.

Hypotheses		Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T statistic (O/STDEV)	P values
H1	The availability of Financial Reporting andAccounting affects Investment Intentions	0.155	0.154	0.011	14.570	0.000
H2	The availability of reports from external auditor affects investment intention	0.213	0.213	0.008	28.157	0.000
H3	The availability of prudent disclosure affects investment intention	0.354	0.354	0.012	28.498	0.000
H4	The availability of reports from credit Rating agencies affects investment intentions	0.188	0.188	0.008	22.907	0.000
H5	The availability of report from Research and Media Analysis affects Investment Intention	0.243	0.243	0.016	14.860	0.000

Figure 6. P Value Research Path Diagram
Source: Result of SmartPLS



CONCLUSIONS

In conclusion, this study shows that the availability of financial and accounting reports, reports from external auditors, careful disclosure, reports from credit rating agencies, and reports from research and media analysts have a significant positive effect on investment intentions. Financial reports help reduce information asymmetry and increase investment efficiency. Reports from external auditors ensure the fairness of financial statements, while careful disclosure attracts more attention from investors. Credit rating agencies provide information on creditworthiness and ability to repay debt obligations. Reports from research and media analysts can be submitted more quickly and easily, saving costs and expanding disclosure. The findings of this study support previous research and highlight the importance of various reports in investment decision-making.

LIMITATION & FURTHER RESEARCH

This research is limited to observing data on the application of market discipline in the information and disclosure aspects, including the availability of financial and accounting reports, reports from external auditors, prudential disclosures, and reports from credit rating agencies, as well as statements from research analysts and media. However, market discipline encompasses several other aspects, which were not covered in this study. Additionally, the study was conducted in a specific context, and the results may not be generalizable to other settings. The sample size of the study was also relatively small, which may limit the statistical power of the findings. Therefore, future research can explore other aspects of market discipline and conduct studies in different contexts with a larger sample size to improve the generalizability of the findings.

REFERENCES

Ajzen, I. (1985). A comparison of the theory of planned behavior and the theory of reasoned action. *Personality and Social Psychology Bulletin*, *18*(1), 3–9. Asny, M. D. (2019). Pengaruh pengetahuan investasi, modal minimal dan uang saku terhadap minat mahasiswa berinvestasi di pasar modal syariah. In *Carbohydrate Polymers* (Vol. 6, Issue 1).

Atkinson, C. (2012). General anti-avoidance rules: Exploring the balance between the taxpayer's need for certainty and the government's need to prevent tax avoidance. *Journal of Australian Taxation*, *14*(1), 1–56.

Bongini, P., & Cucinelli, D. (2019). University students and retirement planning: never too early. *International Journal of Bank Marketing*, *37*(3), 775–797. https://doi.org/10.1108/IJBM-03-2018-0066

Cahyono, A. S. (2016). Pengaruh media sosial terhadap perubahan sosial masyarakat di Indonesia. *Publiciana*, *9*(1), 140–157.

Desinta, N. W. (n.d.). *Pengaruh Pengetahuan dan Persepsi Return Terhadap Minat Berinvestasi Saham Syariah, Studi Pada Mahasiswa MLKS-Manajemen Dakwah 2017-2019 UIN Syarif Hidayatullah Jakarta*. Fakultas Dakwah dan Ilmu Komunikasi UIN Syarif Hidayatullah Jakarta.

Dewi, L. G. K., Latrini, M. Y., & Penindra, I. M. D. B. (2021). Risk Perception, Gender, dan Pengetahuan Investasi, pada Niat Berinvestasi. *E-Jurnal Akuntansi*, *31*(11), 2912. https://doi.org/10.24843/eja.2021.v31.i11.p18

Fishbein, A. and. (1975). *Ajzen and Fishbein's" theory of reasoned action": A critical assessment.*

Flannery, M. J. (2001). The faces of "market discipline." *Journal of Financial Services Research*,*20*(2–3), 107–119.

Harvie, D. (2019). (Big) Society and (Market) Discipline: Social Investment and the Financialisation of Social Reproduction. *Historical Materialism*, *27*(1), 92–124. https://doi.org/10.1163/1569206X-00001573

Hinz, R. P., McCarthy, D. D., & Turner, J. A. (1997). Are Women Conservative Investors? Gender Differences in Participant-Directed Pension Investments. *Positioning Pensions for the Twenty-First Century*, *1996*, 91–103.

Indah, L., Sari, N., Suaryana, I. G. N. A., Ekonomi, F., & Udayana, U. (2014). Pengaruh Kualitas Laporan Keuangan pada Efisiensi Investasi Perusahaan Pertambangan. *E-Jurnal Akuntansi Universitas Udayana*, *3*(8), 524–537.

Kengatharan, L. (2019). Factors Influencing Investment Decisions in Stock Market: Evidencefrom Individual Investors in the Northern Province of Sri Lanka. *1st Asia Pacific Symposium on Academic Research (APSAR- 2019)*, 1–17.

Kusuma, A. (2020). Growth Opportunity and Financial Performance: The Moderating Role of Intellectual Capital. *3rd Asia Pacific Management Research Conference (APMRC 2019)*, 57–60.

Kweon, H.-J., & Suh, B.-C. (2013). Acid-sensing ion channels (ASICs): therapeutic targets for neurological diseases and their regulation. *BMB Reports*, *46*(6), 295.

Luh Lia Maharani, & I Ketut Yudana Adi. (2021). Pengaruh Kualitas Informasi Akuntansi, Persepsi Kontrol Perilaku, Dan Pengetahuan Investasi Terhadap Intensi Investor Dalam Pemilihan Saham Di Gi-Bei Universitas Triatma Mulya. *Journal Research of Accounting*, *3*(1), 39–52. https://doi.org/10.51713/jarac.v3i1.43

Lusardi, A., & Mitchell, O. S. (2007). Baby boomer retirement security: The roles of planning, financial literacy, and housing wealth. *Journal of Monetary Economics*, *54*(1), 205–224.

Mandell, L., & Klein, L. S. (2007). Motivation and financial literacy. *Financial Services Review*, *16*(2), 105.

Milios, J., & Sotiropoulos, D. P. (2009). Financialization: Market Discipline or Capital Discipline? *Rethinking Imperialism*, 167–183. https://doi.org/10.1057/9780230250642_10

Nurul, M., & Hamidah, H. (2021). Makna Investasi Berdasarkan Mental Accounting Dan Gender. *Jurnal Akuntansi Multiparadigma*, *12*(2), 285–311. https://doi.org/10.21776/ub.jamal.2021.12.2.17

Saddique, F. A., Zahoor, A. F., Yousaf, M., Irfan, M., Ahmad, M., Mansha, A., Khan, Z. A., & Naqvi, S. A. R. (2016). Synthetic approaches towards the synthesis of beta-blockers (betaxolol, metoprolol, sotalol, and timolol). *Turkish Journal of Chemistry*, *40*(2), 193–224.

Singh, P. (2014). *Investment Management (As per New Syllabus (CBCS) for*. www.himpub.com

Siregar, S. (2017). Perspektif Hukum Islam Mengenai Mekanisme Manipulasi Pasar Dalam Transaksi Saham di Pasar Modal. *Yurisprudentia*, *3*(2), 70–80.

Stephanou, C. (2010). Rethinking market discipline in banking. *World Bank*, *March*. http://library1.nida.ac.th/worldbankf/fulltext/wps05227.pdf

Suryani, S., & Hendryadi, H. (2015). A developing model of relationship among servicequality, consumer satisfaction, loyalty and word of mouth in Islamic Banking. *Al-Iqtishad Journal of Islamic Economics*, *7*(1), 45–58.

White, L. J. (2013). Credit rating agencies: An overview. *Annual Review of Financial Economics*, *5*, 93–122. https://doi.org/10.1146/annurev-financial-110112-120942

Widanaputra, A. A. G. P. (2016). Pengaruh pelatihan pasar modal, return, persepsi risiko, gender, dan kemajuan teknologi pada minat investasi mahasiswa. *E-Jurnal Akuntansi*, *16*(3), 2316–2341.

Yuliati, L. (2011). Faktor-faktor yang mempengaruhi minat masyarakat berinvestasi sukuk. *Walisongo: Jurnal Penelitian Sosial Keagamaan*, *19*(1), 103–126.