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Investment Interest Driver: Does Risk Perception & Locus Of Control Explain College Students' Investment Interest?

Wuryan Andayani[1*], M. Aliif Ibnu Surasantika[2]
[1,2] Accounting, Universitas Brawijaya Malang
Email: modernaliif@gmail.com

Abstract

This study examines the influence of risk perception and locus of control on college students' investment interest within the behavioral finance framework. Although the number of investors in Indonesia has increased significantly, investment participation among young individuals remains relatively low. Therefore, understanding psychological factors influencing students' investment interest becomes important. This research uses a quantitative explanatory approach with primary data collected through questionnaires distributed to 385 accounting students from the Faculty of Economics and Business, Brawijaya University. The sampling technique used purposive sampling, and the data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The results indicate that risk perception and locus of control have a positive and significant effect on investment interest. Locus of control shows a stronger influence compared to risk perception. These findings highlight the importance of psychological factors in encouraging students' participation in investment activities.

Keywords: ***Investment Interest, Risk Perception, Locus Of Control, Behavioral Finance***

INTRODUCTION

The Indonesian government has increasingly encouraged public participation in investment activities following the COVID-19 pandemic to support economic stability (Rizani et al., 2024). These efforts have contributed to significant growth in the number of capital market investors, increasing from 7.4 million Single Investor Identification (SID) accounts in 2021 to 17 million in 2025 (PT Bursa Efek Indonesia, 2025). Nevertheless, compared to Indonesia's productive-age population, investment participation remains relatively low at approximately 8.54% (Badan Pusat Statistik, 2025). This condition indicates that many individuals still depend primarily on active income rather than long-term investment activities

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From a macroeconomic perspective, low investment participation may hinder economic growth because investment plays a crucial role in national development (Universitas Esa Unggul, 2024). In this context, university students represent a potential group of future investors due to their educational background and familiarity with digital financial platforms. However, investment decisions are often influenced not only by rational financial considerations but also by psychological factors.

Behavioral finance theory explains that financial decisions are shaped by psychological aspects and cognitive biases. One important factor is locus of control, which refers to an individual's belief regarding whether outcomes are influenced by personal effort or external factors. Individuals with a strong internal locus of control tend to be more confident in making investment decisions. Another important factor is risk perception, defined as an individual's subjective assessment of uncertainty and potential financial loss associated with investment activities. High perceived risk may discourage individuals from investing despite potential returns.

Previous studies have examined locus of control and risk perception separately in relation to investment behavior. However, limited research integrates both variables within the behavioral finance framework, particularly among accounting students. Accounting students are considered an appropriate research population because they possess relatively strong financial knowledge, yet many still hesitate to invest. This indicates that psychological factors may remain influential even among financially literate individuals. Therefore, this study aims to examine the influence of locus of control and risk perception on college students' investment interest.

This study seeks to answer the following research questions: (1) Does locus of control positively influence investment interest? and (2) Does risk perception positively influence investment interest? The findings are expected to contribute to the behavioral finance literature and provide practical insights for educational institutions and financial practitioners in encouraging investment participation among young adults

LITERATURE REVIEW

Behavioral Finance

Behavioral finance is an interdisciplinary approach that integrates psychological factors into financial decision-making. Unlike traditional finance theory, which assumes that individuals behave rationally, behavioral finance argues that financial decisions are often influenced by emotions, cognitive biases, and subjective judgments. The development of behavioral finance is closely associated with Prospect Theory proposed by Daniel Kahneman and Amos Tversky, which explains that individuals tend to perceive losses more strongly

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than equivalent gains. This tendency influences investor behavior and may reduce willingness to engage in investment activities. Behavioral finance also emphasizes that financial behavior is shaped by psychological constructs such as locus of control and risk perception. These factors influence how individuals evaluate uncertainty, assess financial opportunities, and make investment decisions. Therefore, behavioral finance provides the main theoretical foundation for explaining investment interest in this study.

Locus of Control

Locus of control refers to an individual's belief regarding whether outcomes are influenced by personal effort or external factors. The concept, introduced by Julian Rotter, is generally divided into internal and external locus of control. Individuals with an internal locus of control believe that outcomes are primarily determined by their own abilities and decisions, while individuals with an external locus of control tend to attribute outcomes to luck, fate, or external conditions. Within the behavioral finance perspective, individuals with a stronger internal locus of control are generally more confident in managing financial decisions and investment risks. This confidence may encourage proactive financial behavior and increase investment interest. Conversely, individuals with an external locus of control may perceive investment outcomes as less controllable, reducing their willingness to invest.

Risk Perception

Risk perception refers to an individual's subjective assessment of uncertainty and potential financial loss associated with investment activities. In behavioral finance, risk is not evaluated solely through objective probability but is also influenced by emotions, prior experience, and cognitive bias. Consequently, individuals facing the same investment opportunity may perceive risk differently. Individuals who perceive investment as highly risky are more likely to avoid investment activities due to fear of loss. Conversely, individuals who perceive risk as manageable tend to demonstrate greater confidence in investing. Therefore, risk perception is considered an important determinant of investment interest.

Investment Interest

Investment interest refers to an individual's willingness and tendency to participate in investment activities. It reflects not only the desire to invest but also the effort to seek information and understand investment mechanisms before making financial decisions. Within the behavioral finance framework, investment interest is influenced not only by financial knowledge but also by psychological factors. Students with a strong internal locus

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of control tend to have greater confidence in making investment decisions, while students with high perceived risk may demonstrate hesitation toward investing. Therefore, psychological factors play an important role in shaping investment interest among university students.

Framework Conceptual

Based on review the literature above , then writer describe framework conceptual from study This as following

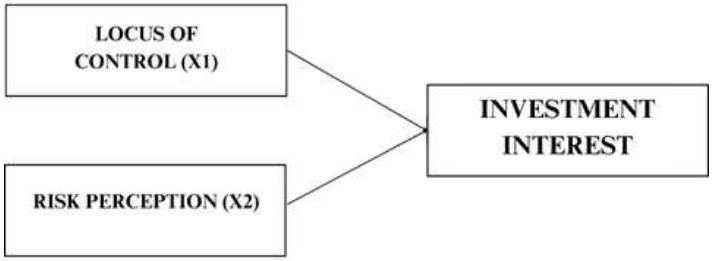


Figure 1. Framework Conceptual

Hypothesis Study

H1: Risk perception positively influences investment interest.
H2: Locus of control positively influences investment interest.

RESEARCH METHODOLOGY

Types of research

This type of research is explanatory research using a quantitative approach. Explanatory research aims to explain the cause-and-effect relationship between independent and dependent variables. Through a quantitative approach, data is collected in a measurable manner using research instruments in the form of questionnaires. The results of the research are then analyzed using statistical techniques to test the formulated hypotheses.

RESULTS AND DISCUSSION

A total of 385 Accounting students from the Faculty of Economics and Business, Brawijaya University participated in this study. The respondents consisted of 193 male students (50.1%) and 192 female students (49.9%). The measurement model evaluation

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showed that all indicators met the validity and reliability criteria. All loading factor values exceeded 0.70 and all Average Variance Extracted (AVE) values were above 0.50, indicating satisfactory convergent validity. In addition, Cronbach's Alpha and Composite Reliability values for all variables exceeded 0.70, confirming the reliability of the constructs. The structural model evaluation showed an R-Square value of 0.686 for Investment Interest, indicating that Risk Perception and Locus of Control explained 68.6% of the variance in Investment Interest. Hypothesis testing revealed that Risk Perception had a positive and significant effect on Investment Interest ($\beta = 0.248$; $p < 0.05$). This finding indicates that students who perceive investment risk as manageable tend to demonstrate higher interest in investing. From the behavioral finance perspective, individuals are more willing to participate in investment activities when uncertainty is perceived as controllable rather than threatening. This result supports Prospect Theory, which explains that financial decisions are influenced by how individuals perceive gains and losses.

Furthermore, Locus of Control also had a positive and significant effect on Investment Interest ($\beta = 0.610$; $p < 0.05$). This result indicates that students with a stronger internal locus of control tend to have greater confidence in managing investment decisions and financial risks. Compared to Risk Perception, Locus of Control demonstrated a stronger influence on Investment Interest, suggesting that self-confidence and personal beliefs play a crucial role in shaping students' investment behavior. Overall, these findings indicate that psychological factors significantly influence investment interest among accounting students. Financial knowledge alone may not be sufficient to encourage investment participation, as psychological readiness and confidence also contribute to students' willingness to invest..

CONCLUSION

This study examined the influence of Risk Perception and Locus of Control on Investment Interest among Accounting students at the Faculty of Economics and Business, Brawijaya University. The results indicate that both variables have a positive and significant effect on Investment Interest. Risk Perception positively influences students' willingness to invest, suggesting that individuals who perceive investment risk as manageable tend to demonstrate higher investment interest. In addition, Locus of Control showed a stronger positive effect, indicating that students with greater confidence in their ability to control financial outcomes are more likely to participate in investment activities. The structural model evaluation showed that Risk Perception and Locus of Control explained 68.6% of the variance in Investment Interest, indicating that psychological factors play an important role in shaping students' investment behavior within the Behavioral Finance framework.

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This study is limited to accounting students at one university and only examines two independent variables. Therefore, future research is recommended to expand the research population and incorporate additional variables such as financial literacy, financial self-efficacy, investment experience, and social influence to provide a more comprehensive understanding of investment interest. Practically, the findings suggest that universities and financial institutions should not only improve students' financial literacy but also strengthen psychological readiness and confidence in investment decision-making through financial education programs, seminars, and investment training activities.

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