Decision Making Bought Stock Reviewed From Behavior and Consumer Motivation

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Abstract
In this article that will be discussed is the investor's decision to buy a stock that uses consumer behavior and motivation in buying an item, but special discussion times into the purchase of stock units as a means of investment. The main principle in trading is that capital markets are always efficient. This principle is also known as: "Market Action Discounts Everything." All things that affect market movements, both corporate fundamentals, politics, natural disasters, and psychological factors of market participants, have been reflected in the movement of stock prices. In this principle, all matters relating to the market, both rational and irrational, will affect stock prices. This principle puts stock prices above everything else. In addition to Technical Analysis, investors can also use the Fundamental Analysis approach that uses financial statement data as a basis for calculating the fairness of the price of a stock. Fundamental Analysis can also be combined with Technical Analysis by investors in making decisions to buy a stock or even more than two shares to form a stock portfolio.

Keyword: Decision Making, Stock Buying, Behavior, Consumer Motivation
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1. INTRODUCTION

Stock Buying Decision Making "is reviewed in terms of" consumer behaviour and motivation in buying " As it is generally known that stock is one of the instruments to invest. For ordinary people, of course stock instruments are risky investment instruments, but for people who are familiar with the nature and characteristics of stock instruments, there are many opportunities that can be taken from the volatility of stock prices and the accuracy of choosing those stocks.

Based on the tendency of consumers to choose a product or service to buy, then there are some things we can learn from consumer behaviour in making decisions to buy (Balsara, Chen, and Zheng. 2009). In choosing stocks, consumers can use two approaches: (i). Approach through Fundamental analysis, namely the approach by analyzing the financial ratios of an issuer / company. (ii). Approach through technical analysis, namely the approach by analyzing stock movements on the chart for several periods. Consumers or often referred to as potential investors or investors really expect a number in a certain percentage to be a target of the profits that investors want to achieve in investing.

2. LITERATURE REVIEW

Each consumer has a different background, and each is influenced by the background and socio-cultural environment as well as the level of economic stability and education. There are 2 (two) motivational points in consumer behaviour and motivation where both pay attention to real weaknesses in standard economic theory in their decision making (Bessembinder, and Chan; 1998). Sometimes consumers take decisions that are inconsistent and cannot make decisions until the decision is considered good or even bad choice (Brock, Lakonishok, and LeBaron; 1992; Thapa, and Poshakwale; 2010).

In various situations, consumers must take a position to decide whether to buy or not to buy, sometimes that is difficult for them to do. In standard economic theory says that consumers choose goods to be consumed with the consideration that the goods or services that provide the most benefits, and benefits are the most from various alternative choices that can be chosen (Cajueiro, and Tabak; 2006; Yu., Nartea, Gan, and Yao. 2013 ).

The economic behavior of consumers uses experimental data in his theory but in standard economic theory often uses the real world in his theory. In the theory of behavior and consumer motivation, there is the term "Incoherent Choices" where consumers must take decisions to choose but do not have relevant information so that sometimes the choices taken are often not appropriate or sometimes consumers choose not to make choices (Chang, Metghalchi, and Chan; 2006; Chong, Cheng, and Wong; 2010).

There are two effects that are often experienced by consumers in making choices in their behaviour and motivation to make decisions: (i). Endowment Effect is a condition in which consumers usually view the price / value of an item as greater because the item is his property, whereas many others actually see the price / value of the item lower. (ii). Default Effect is a condition where consumers tend to dislike making choices and are actually trapped in the wrong choice due to the many alternative choices (Ülkü and Prodan; 2013; Zhou, and Zhou. 2009).

Another thing that often happens to consumers is with what is known as Narrow Framing where consumers when making certain choices tend to consider items in the same category and do not select items in other categories (Shynkevich; 2016; Taylor; 2000). Example: An investor who only chooses only construction shares such as ADHI, WIKA, WSKT, PTPP, and also supporting construction shares such as Semen shares without realizing that their stock portfolios are all 90% filled by construction stocks.

This can occur due to Narrow Framing where the investor has focused his mind, and his desire is only to buy shares based on construction, for whatever reason they are buying those
shares (Chen, Huang, and Lai; 2011; Shamsuddin, and Kim; 2010). However, the way presentations of each company in selling products or services can also influence consumers in making decisions (Chen, and Li. 2006; Shynkevich; 2017). An example in a stock is that every chart displayed in a chart or chart will make investors interested in buying the stock without further understanding the meaning of the movement of the stock chart displayed.

*Chart BBCA shares (Bank Central Asia)*

There are 2 common mistakes that commonly occur: (i). The Hot Hand Fallacy; This error is caused by the belief that frequent events have a high probability of subsequent events. Example: if there is one stock that continues to rise, the trend then investors believe that the stock will continue to rise.; (ii). The Gambler’s Fallacy; This error is caused by the belief that events that have often occurred have a low probability of the next event. Example: Investors always see if there is a stock that has experienced a decline in technical experience to be rebound on the next few days.

3. RESULT AND DISCUSSION

3.1. Decision to Buy Shares as an Investment Facility

Stock is one of the investment instruments that can provide profits above the income from deposit interest but at the same time with the risk. Stock investors usually already know the risks and opportunities that exist in choosing stocks as a means of investment. There are several reasons investors choose stocks as a means of investment: (i). Stocks provide a higher return than bonds and deposits as well as the risks; (ii). More liquid shares to be immediately disbursed compared to holding property assets and depots which all have limited time and space; (iii). Stocks provide many options to invest, (iv). Stocks can be learned from the pattern of movement if investors want to better understand the stock. (V). Stocks can be used as a business to create additional income as well as primary income for an investor.

There are investors who are successful in making shares as a means of investment, but there are also investors who have problems with the shares that are their investment choices. Investors have many considerations in making decisions to buy a stock. Some considerations used are being able to see charts or graphs known as Technical Analysis. Technical Analysis is used to determine the price movement of a stock by looking at previous movement patterns. By looking at the movements on the chart, investors can make a decision, whether to buy or not a stock.

In addition to Technical Analysis, investors can also use the Fundamental Analysis approach that uses financial statement data as a basis for calculating the fairness of the price of a stock. Fundamental Analysis can also be combined with Technical Analysis by investors in making decisions to buy a stock or even more than two shares to form a stock portfolio.
The fair price of a stock is certainly a consideration for an investor in assessing whether or not he will buy the shares. There are several approaches that can be used to calculate the fair price of a stock, but now investors can use various sources to obtain such information through Google or ask the securities company that provides the information. But what often happens is that investors ignore important information that should be used as a reference in making a decision to buy a stock.

3.2. Decision to Buy Shares Affected by Behaviour and Motivation

Consumer behaviour in choosing products turns out; there are "Incoherent Choices." If investors choose stocks, the decision is often based on the Incoherent Choices, as investors prefer stocks that are considered to experience a reversal or "rebound" even though this is not based on an adequate analysis, simply because there is no choice can be taken by investors.

With other behaviours where investors behave with the term "Default Effect" when choosing to make a decision to buy a stock where there are so many choices of stock recommendations that investors tend not to choose the given stock recommendations but instead take stock of options that have no basis or reason for consideration the right to decide to buy these shares.

By studying two common mistakes that are often done by investors, then we can better learn our reasons for buying a stock. By mastering several stock analyses, both technical analysis and fundamental analysis, investors can avoid mistakes in making decisions to buy shares. Stock is a good investment prospect if investors are able to avoid buying shares with the wrong behaviour where investors must look further and wider than just carrying out their behaviour in buying driven by wrong motivation. Some approaches that can be combined by investors with good behaviour and motivation and mastering stock analysis both by using technical and fundamental, investors can maximize results in managing their stock portfolio.

With the term Patience and Discipline, investors can manage emotions and also a good "money management" to manage their stock portfolio. Buying shares is different from buying another product or service because there are risk factors in this stock investment product. Investors who have a "Risk Profile" which is a Risk Taker category that is usually suitable or can accept the risk of buying shares.

3.3. Daily stock price method

Although exchanges always provide wide opportunities and often also provide opportunities several times to buy shares of certain companies, but to get optimal results in investing in the stock market must be followed by the time and the right purchase price. One way to be able to buy certain stocks with the right time is to prepare in advance to examine stocks that will be our investment target. In a daily stock price, this information can be seen in the daily report on the stock approaching buy price or the possibility that you also already have a list of certain shares that are targeted for investment. Preparing means doing homework in investigating the fundamentals of the intended stock.

The purchase price method can be different for each investor. Each method must have its own advantages, and it will very likely work differently for each investor. The most important issue for us is which method is the most running for us for a long period of time - and certainly produces a predetermined investment gain. In a daily stock price report, the purchase price of a particular stock has become a part that can be seen every day. In its implementation, you live, and I choose which stocks have the best fundamentals and make investment decisions.

Talking about the right time, make sure the stock movement indicator - in this case the stock index - must be in an up trend. If all the rules and indicators that occur have led to the investment corridor that we have set, but we are still delaying in making investment decisions.
- either because of doubts, too long delay, too long to find a comparison, or because they are not sure of the decision that has been made - the occurrence of "leftovers" is very likely to occur. What I mean by the condition of "leftovers" is a condition where in our minds, there is a question, "Why do we not make stock purchase decisions the other day?" Try the X shares that I bought at that time, surely I have got a good profit in other words.

Some time ago, I listened to a seminar, where the speaker jokingly asked, "Why do dogs like bones?" Actually, maybe the dog prefers the meat, but because the meat has become the food of his employer and usually the "leftovers" are only bones, then one- the only food available is always the bone. Over time, the dog likes bones ... in my opinion, makes sense. Though maybe if allowed to choose may be the dog prefers meat rather than bone.

In terms of investment, I think we will both choose to have made a decision to buy certain shares and have made an investment return, rather than choosing a condition where we expect to buy certain shares and hope that we have already made investment returns from investments that have been done some time ago - condition of "leftovers."

The stock exchange will never provide benefits for things that have already been done. Stock markets will only open opportunities to provide benefits to investors who have made investment decisions. Maybe the next question is, "But investing in stocks contains the risk of loss, so they don't dare to take investment decisions." The answer is that there will certainly be risks ... so it must be faced & always have cut loss rules. "Remaining" conditions may also occur if we invest in stocks that are already too well known to many people and have been too much touted in the mass media - as I discussed in the previous article on Lemming Factor. The only thing that can avoid the condition of "leftovers" is doing investment homework, believing in rules that have been made and acting to make investment decisions - in many cases investment decisions do not need to be rushed.

Evaluating stocks that have reached purchase prices a few days earlier to see investment opportunities in buying shares. Because often these stocks only experience temporary pressure and then prepare for the next increase. Again, the fundamental conditions and conditions of the exchange play an important role. In the daily report, there are two tables that inform stock purchase prices, New Buying Price - the purchase price of a recent stock - and the Buying Range - stocks that are still in the price range after passing a period of approximately 10 days after the purchase price appear.

4. CONCLUSION
Every consumer has a unique level of each and has a style in making decisions with the motivation and behaviour of each. Consumer behaviour that reflects the condition of a consumer is influenced by their educational, family and socio-cultural backgrounds. In stock investments, investors must pay attention to risks in making decisions to buy, besides their behaviour and motivation in buying. Investors should pay attention to the risks they will face and how to mitigate these risks. Finally, whatever is taken by consumers will have an impact on the consumers themselves.

References


