

CHAPTER 1

INTRODUCTION

1.1 General Description of Research Objects

Within the area of educational studies, Yogyakarta stands out as a fascinating subject for research because it encapsulates a one-of-a-kind combination of academic importance, historical relevance, and cultural wealth. University of Atmajaya Yogyakarta is one of university that place in Yogyakarta, Indonesia. Atmajaya University was established in 1965 and has played pivotal role in educational institutions in Yogyakarta (UAJY, 2011). The university's establishment aligns with the broader narrative of post-independence Indonesia, where there was a concerted effort to build and strengthen educational institutions to meet the growing demand for higher education.

The early years of the university were marked by a commitment to creating a conducive learning environment, attracting qualified faculty, and developing a curriculum that reflects both global academic standards and the cultural context of Indonesia (UAJY, 2011). There have been major contributions made by Atma Jaya Yogyakarta to the fields of education and society in Yogyakarta and outside of the city. Individuals who have gone on to achieve success in a variety of disciplines and who have made good contributions to their communities and the nation have been generated by this institution.

University of Atmajaya Yogyakarta consist of 6 faculty such as Business and Economy faculty, Law faculty, Engineering faculty, Social and Politics faculty, Techno biology faculty, and Industrial Technology faculty (UAJY, 2024). The total number of students in Atmajaya university is around 11.000 students including Bachelor study program, Magister study program, and Doctoral study program (ayokuliah.id, 2024).

1.2 Research Background

Hedonism is a view of life which states that the pleasure of enjoying everything is the goal of human life in this world (Saputro, 2023). This type of behaviour can be found in every line of society in Indonesia. A real example in the

society is corruptors. There are so many cases about corruption in Indonesia and Ministry of Finance believe that hedonism is one of many factors that encourages corruption in Indonesia (Saputro, 2023). Hedonism already infiltrated the life of Indonesia society even for the youngsters.

One of biggest city in Indonesia is Yogyakarta. Yogyakarta consist of 4.126.444 citizens (Badan Pusat Statistik, 2024). As we know that hedonism already threaten our society in every line including students. Yogyakarta is one of favourite destination for college students and the current active students in Yogyakarta is 147.127 (Bappeda DIY, 2024). There are a lot of signs that hedonism already infiltrated among students and a lot of studies about hedonism among students in Indonesia.

The most vulnerable generation to get the exposure of hedonism is young generation or students. Younger generation tend to have comfortable, luxurious, and self-sufficient life without too much effort (SMP Negeri 8 Surakarta, 2019). This is the main reason why hedonism is increasing among younger generation. Hedonistic behavior can be detrimental to the educational system, particularly higher education. If this kind of behaviour started to infiltrate inside the campus environment, it will be dangerous for our future generation (Melati, 2022).

We know that Yogyakarta is a special city that have a big environment of education especially for higher education, that is why Yogyakarta city called as “Kota Pelajar” or cities of education. In Yogyakarta, there are a lot of universities such as Gajah Mada University, Duta Wacana, UPN, and Atmajaya Yogyakarta. So, Yogyakarta have a lot of students in higher education.

As mention above, students tend to have comfortable and luxurious life. This is the main reason why hedonism occur and the culture about consumerism also have a big impact. The environment of the person has the same impact if all of their friends implement this type of behaviour. Students who are influenced by consumerist culture, they will find it difficult to escape from the influence of their friends who have the same consumerist behaviour and they will slowly lose their ability to think, reasoning, and analysis (Melati, 2022).

There are a lot of factors that cause the hedonism appeared. The factors such as low self-awareness, families, and environment (Sahabat Pegadaian, 2023). The

biggest factors that can influenced someone is our self-awareness. If we don't have enough self-awareness about hedonism, our financial management and financial orientation will be in danger. Financial management plays pivotal role in person life. If someone implement hedonism in their life, their expenses will be out of the limit (Sahabat Pegadaian, 2023). Financial orientation also plays a big role because hedonist cannot differentiate which is more important (Sahabat Pegadaian, 2023).

There are also some ways to prevent or reduce hedonism in our daily life. For example, we can change our consumptive habits into more productive habits, we need to manage our cash flows and we can do some investment in order to gain some profit from it (Sahabat Pegadaian, 2023). It is so much better to spend our money on investment rather than on something that only give us some temporary pleasure.

Before we do some investment, we need to decide what type of investment we want to take. That is why it is important to know our investment decision. Numerous elements, such as individual preferences, market conditions, and financial objectives, all have a role in determining the way in which these selections are made (Wisnu Putra & Eurelia Wayan, 2023). The process of allocating resources to various assets or securities with the goal of earning returns is what is involved in the decision-making process of investments (Singla & Hiray, 2019).

This is the data for investment in Indonesia:

Table 1.1 Data Investment in Indonesia

38 Province	Investment Realization of Domestic Investment by Province (Investment) (Billions of Rupiah)		
	2021	2022	2023
ACEH	7904,7	4424,2	8883,3
SUMATERA UTARA	18484,5	22789,2	21574
SUMATERA BARAT	4183,7	2559,8	4488,2
RIAU	24997,8	43062	48243,3
JAMBI	6204,2	8882,7	8939
SUMATERA SELATAN	16266,9	23526	25602,4
BENGKULU	4923,5	6957,3	7218,7
LAMPUNG	10513,2	5809,2	7625,8
KEP. BANGKA BELITUNG	3677,4	6309	7961,4
KEP. RIAU	9768,7	4817,4	8856,6
DKI JAKARTA	54708,2	89223,6	95202,1
JAWA BARAT	59948,5	80808,3	88012,9
JAWA TENGAH	31311,2	24992,3	32987,2
DI YOGYAKARTA	2761,3	2275	5015,5
JAWA TIMUR	52552,2	65355,9	74937,4
BANTEN	25989,5	31283,9	37971,7
BALI	6355,2	6002,1	6950,8
NUSA TENGGARA BARAT	9090,5	11031,5	30766,2
NUSA TENGGARA TIMUR	3742,6	3459,3	3407,2

KALIMANTAN BARAT	10773,4	9382,9	14892
KALIMANTAN TENGAH	6359,8	6556,8	8779,5
KALIMANTAN SELATAN	11003,9	12310,4	14909,4
KALIMANTAN TIMUR	30297,4	39595,6	52171,7
KALIMANTAN UTARA	3792,5	7526,4	8199,1
SULAWESI UTARA	3480	5042,1	7698,2
SULAWESI TENGAH	3012,3	3758,6	4772,5
SULAWESI SELATAN	12075,4	7528	11468,3
SULAWESI TENGGARA	4334,2	7596	7734,6
GORONTALO	1004,3	1113,5	3960,1
SULAWESI BARAT	395,3	1313,3	2011,1
MALUKU	2939,7	611	1904,5
MALUKU UTARA	2665,3	3414,9	6901
PAPUA BARAT	635,6	2139,1	1261,9
PAPUA BARAT DAYA	-	-	1708,7
PAPUA	910,8	1311,8	1174,1
PAPUA SELATAN	-	-	152,5
PAPUA TENGAH	-	-	458,8
PAPUA PEGUNUNGAN	-	-	121,8
INDONESIA	447063,6	552769	674923,4

Source: (bps.id, 2023)

From the data that shown above, we know that the number of investments in Indonesia is increasing every year. Our president, Mr. Jokowi Widodo believe that we need to maintain the level of investment in Indonesia because investment is the key of positive economy growth (Setkab, 2023). From the data above, we can see that Yogyakarta investment is not that much, compared to another provinces.

Arief Hidayat said in Harian Jogja post that the reason why investment in Yogyakarta considered low because of the government of Yogyakarta province have not create a new investment sector for example in Gunungkidul and Bantul (Herlambang Jati Kusumo, 2019). If the government created a new investment sector in Yogyakarta, surely the amount of investment will increase because Yogyakarta have a lot of potential.

Behavioural finance is a field within the realm of finance that investigates the impact of psychological elements on the process of making financial decisions (Almansour et al., 2023). Investors may not consistently exhibit rational and logical behaviour, and the decision-making process for investors is far more intricate than solely focusing on maximising utility. Consequently, individual human values do indeed influence investing choices (Singla & Hiray, 2019). Risk perception and risk tolerance are fundamental ideas in the field of behavioural finance, having significant impact on the investment behaviours of both individuals and institutions (Almansour et al., 2023).

Risk perception is a function of the consequences and the uncertainty of gain or loss from a transaction (Wisnu Putra & Eurelia Wayan, 2023). Perception is the assessment of a level of risk which usually involves an understanding of the situation. It plays a crucial role in shaping human behavior, influencing choices in various domains, including finance, health, and everyday life. If you want to increase your interest in investment, you need to increase your level of risk perception of finance (Kumala et al., 2023). Especially if you're a student, you need to know what is your level of risk perception because this is the only way you can determine how far you can take risk. Not only risk perception, risk tolerance is also important for your investment decision (Baruah & Parikh, 2018)

Risk tolerance is a term widely used in the personal financial planning industry to refer to an investor's attitude towards risk. The definition of risk

tolerance can be mentioned as the amount of uncertainty or investment return volatility that an investor is willing to accept when making a financial decision Investment Decision (Baruah & Parikh, 2018).It is vital to have a thorough understanding of the individual's risk tolerance. Younger investors tend to have more risk tolerance rather than older investors. From the previous research of Mitali Baruah and Abhishek Kiritkumar Parikh, they found that undergraduates students more likely to do some “heavy” investment (Baruah & Parikh, 2018).That is why we need to know our limit about investment risk tolerance.

The purpose of this research is to investigate the intricate relationship that exists between risk perception, risk tolerance, and investment decision-making. More specifically, the objective is to investigate the hedonistic tendencies of students attending Atma Jaya Yogyakarta. Specifically, the purpose of this research is to evaluate the impact that individual risk perceptions, tolerance levels, and the interaction between these characteristics have on the investment decisions that students make, with a specific emphasis on hedonistic desires.

With the phenomenon above, the writer chooses “The Impact of Risk Perception and Risk Tolerance on Investments Decision Among the Students of Universitas Atmajaya Yogyakarta” as the title of this research.

1.3 Research Question

For reaching your financial goals and ensuring your future, it is essential to make intelligent judgments regarding investments. Acquiring an understanding of the fundamentals of sound investing decision-making can have a big impact on financial performance, regardless of whether they are an experienced investor or just a beginner in investment career. Performing exhaustive research is the first and most important step that must be taken before making any kind of investment. Having this knowledge involves having an awareness of the investment opportunity, the dangers that relate to it, the potential returns, and how it fits into entire financial strategy.

It is also essential to evaluate the level of comfort with risk. In terms of risk, every investor has a particular level of comfort that they are comfortable with. It is necessary to have a solid understanding of the amount of emotional and financial

risk that can be manage to construct a portfolio that is in harmony with the personality and objectives.

Evaluating the perception of risk is a crucial element in making good investing choices. Gaining insight into individuals' perception and reaction to risk can have a substantial influence on their investing strategy and future financial results. Consideration of the potential drawbacks of an investment is one method that can be utilized in the process of evaluating risk perception. As part of this process, an analysis of the possibility of loss and the potential magnitude of losses is carried out. Investments that are believed to have a higher level of risk typically have the potential to yield larger returns; nevertheless, they also come with a greater danger of incurring a loss. On the other hand, investments that are thought to have a lower risk may offer greater stability without the possibility for higher profits. From the formulation of the problem above, research question was made:

1. Does the perception of risk have an impact on investment decisions among the students of Universitas Atmajaya?
2. Does the tolerance of risk have an impact on investment decisions among the students of Universitas Atmajaya?

1.4 Objective of The Research

The objective of the study are as follows:

1. To find the impact of risk perception on investment decisions among the students of Universitas Atmajaya Yogyakarta.
2. To find the impact of risk tolerance on investment decision among the students of Universitas Atmajaya Yogyakarta.

1.5 Scope of The Research

The writer put some limitations in this research to be more concentrated on the problem and content inside this research. The limitations are:

1. The measurement of Risk Perception will be represented by subjective knowledge of the respondents.

2. The measurement of Risk Tolerance will be represented by subjective knowledge of the respondents.
3. The respondent of this research will be limited to active students of Universitas Atmajaya Yogyakarta only.
4. The respondents do not must have experience on investment.

1.6 Benefit for the Writer

This research can make the writer understand more about how important risk perception and risk tolerance on investment decision. The writer hopes that this study can give more insight about the importance of risk perception and risk tolerance so that the writer knowledge will increase after finishing this research.

1.7 Benefit for the Reader

The writer wish that this research can give more insight into the readers' financial knowledge about how important risk tolerance and risk perception on investment decision also the writer wish that the quality of readers' life will be better after reading this research.

1.8 Benefit for Financial Theory

By conducting this research, the writer can contribute new insights and knowledge to the field of finance, specifically regarding the influence of risk perception and risk tolerance on investment decisions among university students. Also, the writer wish that this research can attract more researchers to make some research about risk perception and risk tolerance on investment decision to give more clear insight in the field of finance.

1.9 Research Outline

CHAPTER I: INTRODUCTION

The first chapter give a general description about the research consist of general description of the subject, research background, research question, benefit for the writer, benefit for the reader, benefit for financial theory, and research outline.

CHAPTER II: LITERATURE REVIEW

This chapter describe the theory behind the research, previous research, framework of the research, and hypothesis development.

CHAPTER III: RESEARCH METHODOLOGY

This chapter explains the sampling method for the research also the sample of the research, data of the research, and data collecting method.

CHAPTER IV: DATA ANALYSIS

This chapter describes the analysis of the data, demographic information of the respondents, and testing the hypotheses.

CHAPTER V: CONCLUSION

This chapter explains the research conclusion, limitations of the research, and implications of the research.

