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Original Article

Big Five Personality On Investment Decision: A Study On Peer-to-Peer Lending Companies In Indonesia

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Abstract: *The personality traits of an investor that affect their decision to invest will be covered in this study. Making decisions about investments is an important process. Using the Big Five personality traits—conscientiousness, neuroticism, agreeableness, extraversion, and openness to experience—this study investigates the personality characteristics that impact investment decisions in Indonesian peer-to-peer lending organizations. A questionnaire was used to collect data from 64 investors who had invested in Indonesian peer-to-peer lending organizations. According to the findings of the hypothesis testing, openness to experience has a considerable influence on investment decision-making, as does conscientiousness and agreeableness. However, it has been found that there is no significant influence of extraversion on investment decision-making and of neuroticism on investment decision-making.*

Keywords*: Investment Decision, Peer-To-Peer Lending, Openness To Experience, Conscientiousness, Extraversion, Agreeableness, And Neuroticism.*

I. INTRODUCTION

Investment means to place a certain amount of money with the aim that the money will generate higher income (Smart, Gitman; Joehnk, 2014). The purpose of investment is to get more profit (Widjaja, 2014). Many factors influence investors in making investment decisions. Those factors consist of excess funds, knowledge in the field of investment, personality traits, and the influence of family and friends.

In this era, technology plays the biggest role, which has brought a big impact in all sectors, one of which is the economic sector. The presence of this technology makes it easier for all forms of transactions to be more efficient and effective. Financial technology (FinTech) has become a new trend in Indonesia. Fintech is one of the developments in financial services. Fintech in Indonesia is governed by two major entities: "Bank Indonesia" and "Otoritas Jasa Keuangan." "Bank Indonesia" is Indonesia's central bank, and "Otoritas Jasa Keuangan" is its financial services regulator. One of Fintech's products is peer-to-peer lending. Indonesia has a significant market potential for peer-to-peer financing. Peer-to-peer lending is a platform that links lenders with borrowers. Peer-to-peer lending is one approach for improving people's access to financial goods, facilitating transactions, and increasing financial literacy.

An SME is a productive business owned by individuals or business entities that fulfil the requirements for microbusiness (Law on SMEs, No. 20, 2008). SMEs play a task in improving the economy both in terms of employment and/or in the number of businesses and contributing to Gross Domestic Product (GDP). The low productivity of SMEs makes it difficult to access banking or other financial institutions for their capital sources. Because most SMEs are considered to have no access to the bank, or, in other words, it is difficult to get loans from banks, and banks tend to pay more attention to corporate credit. (Chandra, 2019; Widjaja et al, 2020).

Capital is the main obstacle because of the low percentage ability of MSMEs to access capital. The presence of FinTech has the potential to provide SMEs with solutions to their capital problems by bringing up opportunities to access finance through alternative financing, namely peer-to-peer lending services. The advantage of peer-to-peer lending services is that it gathers borrowers and lenders, and the process of implementing agreements is carried out digitally so that the peer-to-peer lending service meets the needs of funds efficiently and effectively.

FinTech gives lenders the ability to fund more readily. Peer-to-peer lending funding procedures only require an ID card, a smartphone, and a bank account. You must also study how to invest in a peer-to-peer lending platform and understand the dangers associated so that you may make intelligent decisions that will lower the failure risk. Funding peer-to-peer lending businesses also offers benefits over conventional financial institutions, such as enabling lenders to obtain better interest rates.

However, in addition to the advantages of peer-to-peer lending, there is also a disadvantage, which is that there are no institutions that legally guarantee funding from lenders (Ferdiani, 2019).

Various characteristics can influence financing decision-making, including the big five personality traits of openness to experience, agreeableness, extraversion, conscientiousness, and neuroticism. The study's goal was to see how the Big Five personalities influenced investment decisions in Indonesian peer-to-peer lending organizations.

II. LITERATURE REVIEW

Investing is a procedure by which lenders put their spare funds to earn big returns. (Widjaja, 2011). According to Smriti (2015), investment decision-making is based on several options to choose from, taking the best action in accordance with its objectives.

According to Cattel (as quoted from Engler, 2009), the Big Five personality is an individual's personality, which determines how individuals deal with situations that occur to them. McCrae and Costa (as quoted from Feist & Feist, 2009) describe the big five personality, also known as the five factors model, as a dimension of individual differences that tends to show consistent actions, feelings, and thought patterns. Feist and Feist's (2009) big five is one of the personalities that can be explaining about individual behavior. The Big Five personality traits include five dimensions: openness to experience, agreeableness, extraversion, conscientiousness, and neuroticism.

Openness to experience is the personality trait of someone interested in new things and wanting to learn new things. Someone with this personality will be obsessed with new things that have not been done by the individual (Costa & McCrae, 1992). In a study of Tehran investors conducted by Sadi et al. (2011), It was discovered that there is a direct relationship between openness to experience, overconfidence, and hindsight bias, as well as a reverse relationship between openness and availability bias. According to research, being open to new experiences influences long-term investment (Mayfield et al., 2008). Nga and Yien (2013) discovered a substantial influence between openness and cognitive bias.

Conscientiousness is the personality of someone very careful in doing something new or full of consideration in making a decision (Costa & McCrae, 1992). Extraversion is associated with a person's comfort level in interacting with others (Costa & McCrae, 1992). A study has found a significant negative correlation between conscientiousness and dutifulness and randomness bias (Sadi et al., 2011). In a Generation Y study conducted by Nga and Yien (2013), there is a positive correlation between conscientiousness and risk aversion.

Extraversion is an individual known as a hard worker who is easily motivated, ambitious, easy to make friends with, easily challenged, and easily bored (Friedman & Schustack, 2006). A study done by Sadi et al. (2011) found a substantial positive connection between extraversion and "hindsight bias". Dewberry et al. (2013) discovered a substantial negative relationship between decision-making skills.

Agreeableness is characterized by a tendency to be more submissive and/or in agreement with others and a personality type that avoids conflict. It has been determined that there is a considerable beneficial association between socially responsible investment.

Neuroticism is a person's personality when dealing with stress or emotion; the good aspect of neuroticism, also known as emotional stability, is that an individual with emotional stability prefers to remain calm when confronted with a crisis. Individuals who are easily nervous and lack confidence, wrath, and fear are considered to have negative neuroticism traits (Costa & McCrae, 1992). "A study discovered a link between randomness and neuroticism, hindsight, and availability bias" (Sadi et al., 2011). Dewberry et al. (2013) discovered a substantial negative.

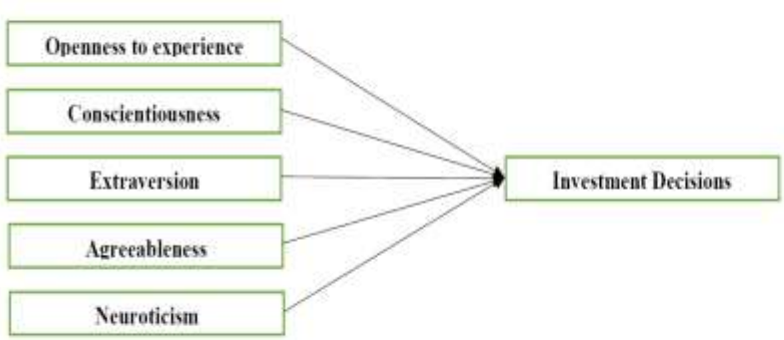

Figure 1: Conceptual Framework

III. RESEARCH METHODOLOGY

In this research, the main data were obtained by researchers through a questionnaire distributed to respondents in Indonesia through a Google Form. These data were collected from February 2, 2020, until May 15, 2020. The study's population consists of investors who have committed funds to Indonesian peer-to-peer lending organizations. In this research, a five-point Likert scale was used, spanning from 1 (strongly disagree) to 5 (strongly agree).

Researchers choose to use the non-probability sampling method. The technique used in this study method is convenience sampling, which is one of the techniques of non-probability sampling with sampling based on the availability of elements and ease of getting. The number of questionnaires distributed to 67 respondents consisted of 3 invalid questionnaires from respondents, and the valid questionnaires were 64 respondents. A valid questionnaire will be used in data analysis.

In this study, the data analysis method used is multiple linear regression analysis to provide a clear description of the correlation between independent variables and the dependent variable with the stages of descriptive statistical tests, outlier tests, reliability and validity tests, classic assumption tests (Normality Test, Heteroskedasticity Test, and Multicollinearity Test), and regression tests (coefficient of determination test (R2), F test and t-test,).

IV. RESULT AND DISCUSSION

A) Descriptive Statistics

The findings of the descriptive analysis of the respondents' profiles are seen in Table 1 below:

Table 1: Respondents' Profiles

Sex	**Quantity**	**Percentage**
Male	30 Respondents	46,9%
Female	34 Respondents	53.1%
Age	**Quantity**	**Percentage**
18 - 25 Year Old	53 respondents	82,8%
26 - 40 Year Old	11 respondents	17,2%
Income (IDR)	**Quantity**	**Percentage**
< 3 Mio	20 respondents	31,3%
3 - 5 Mio	12 respondents	18,8%
5 - 8 Mio	9 respondents	14,1%
> 8 Mio	23 respondents	35,9%
Occupation	**Quantity**	**Percentage**
Employee	33 respondents	51,6%
Entrepreneur	12 respondents	18,8%
Unemployment	19 respondents	29,7%

B) Outlier Test

An outlier test was used to test whether, in the data processed, there is data that deviates or not. Outlier testing was carried out on 64 respondents who became the study sample. Based on the outlier test with the casewise diagnosis method, there are 2 observations that have a casewise diagnosis value of more than 2.5. Outlier data was released in this study. The remaining sample data of 62 samples will be used for further testing.

C) Validity Test and Reliability Test

Reliability and validity tests are used to ensure that data is reliable and valid. According to the validity test results, 24 indicators were pronounced valid because the Pearson value was higher than 0.3. The reliability test demonstrates that all of the question variables evaluated are reliable, with a Cronbach's alpha value higher than 0.06.

D) Classical Assumption Test

The traditional assumption test comprises three tests: normality, multicollinearity, and heteroskedasticity. Based on the normality test given in the normal probability plot graph (Figure 2), the data distribution points spread and follow the direction of the diagonal line ("which is the normal distribution line"). As a result, the data can be determined to have a normal distribution. According to the multicollinearity test shown in Table 2, the variables ("openness to experience, conscientiousness, extraversion, agreeableness, and neuroticism") have a tolerance value higher than 0.10 and a VIF value under 10. These findings show that the model of regression does not account for multicollinearities among independent variables. Figure 3 illustrates the heteroskedasticity test, which reveals that the dots scatter above and below 0 and do not form regular patterns. As a result, we can conclude that this study model is not heteroskedastic.

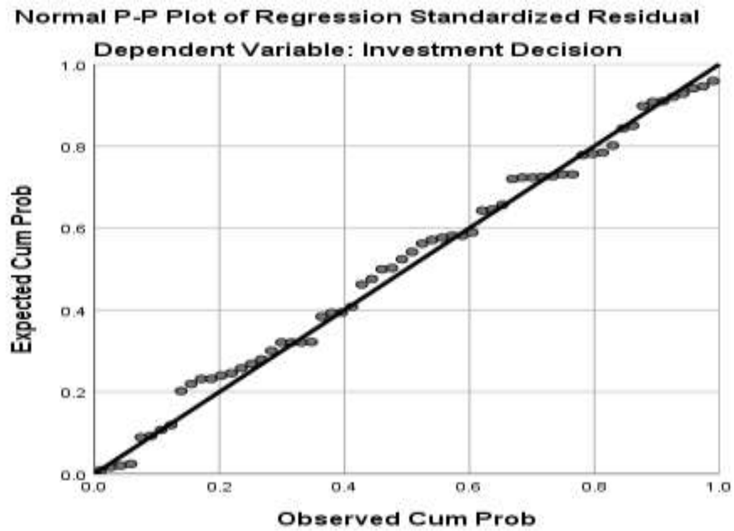

Figure 2: Normal P-P Plot of Regression

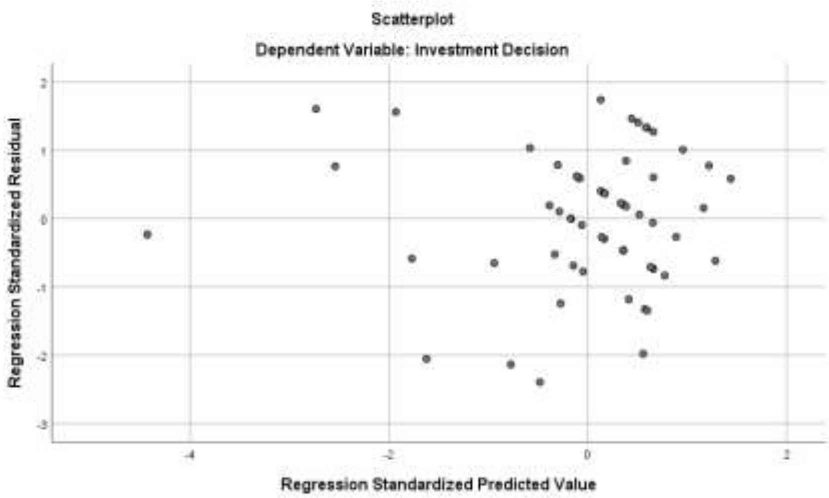

Figure 3: Scatter Plot

Table 2: Multicollinearities

Variable	Tolerance	VIF	Explanation
Openness to Experience	0,361	2,768	Doesn't occur multicollinearities
Conscientiousness	0,697	1,434	Doesn't occur multicollinearities
Extraversion	0,524	1,909	Doesn't occur multicollinearities
Agreeableness	0,410	2,439	Doesn't occur multicollinearities
Neuroticism	0,839	1,193	Doesn't occur multicollinearities

E) Hypothesis Testing

The t-test, F-test, and coefficient of determination (R2) are used to examine hypotheses. The F test yielded a significant figure of 0.000. As a result, it is possible to conclude that the variables "openness to experience, conscientiousness, extraversion, agreeableness, and neuroticism" all have a substantial effect on peer-to-peer loan investment decisions. Based on the t-test shows that the variables openness to experience, consensus, and agreeableness have a significant influence on investment decisions with a significance value <0.05. While the extraversion and neuroticism variables have a significance value of more than 0.05, it is concluded that they do not have a significant influence on investment decisions. According to the R2 test, the adjusted r square value is 0.679, indicating that 67.9% of the variables "openness to experience, conscientiousness, extraversion, agreeableness, and neuroticism" may explain the investment choice variables in a peer-to-peer lending organization. The rest of 32.1% is explained by factors other than those included in this regression model.

V. CONCLUSION

Based on the findings of the data analysis that has been done, the authors conclude that openness to experience, conscientiousness, and agreeableness can influence investors in making investment decisions in peer-to-peer lending organizations. An investor with an openness to experience personality will be encouraged to accept unconventional rules of thumb that have been determined in an investment decision. The findings of this research are compatible with previous studies by Sadi et al. (2011) and Nga and Yien (2013). Conscientiousness can affect investment decisions. This is because people with a conscientious personality are more careful while making decisions. Individuals will perform a survey of peer-to-peer lending organizations before deciding to finance, as they cannot accept high-risk investments. This study's findings are congruent with those of Sadi et al. (2011) and Nga and Yien (2013), who found that risk assessment requires knowledge and abilities in financial analysis, as well as projected returns. Investors must make rational decisions to achieve financial goals. Investors with agreeable personalities can influence investment decision-making. This is because investors can accept uncertainty when choosing socially responsible investments. The findings of this study are consistent with the study by Nga and Yien (2013). Extraversion and neuroticism do not affect investors when making investment decisions. The findings of this research are consistent with the study by Nga and Yien (2013).

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