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THE INVESTOR'S INVESTMENT DECISIONS ON INDONESIAN MUTUAL FUNDS DURING COVID-19 PANDEMIC

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Abstract :

Purpose – The purpose of this paper is to focus on the role of risk tolerance as the mediator of accounting information, advocate recommendation, and financial knowledge towards investment decisions on Indonesia mutual funds during Covid-19 pandemic.
Design/methodology/approach – This study uses quantitative method with primary data. A 28 items instrument was distribute to various social media such as Telegram, Instagram, Line, and Whatsapp by Google Form. The independent variables were accounting information, advocate recommendation, and financial knowledge. The dependent variables were risk tolerance and investment decisions . This research gathers 338 respondents. Finally, the data analysis use PLS-SEM in the SmartPLS 3.0 application to examine the purpose of this paper.
Findings – Risk tolerance does not mediate independent variables (accounting information, advocate recommendation, and financial knowledge) towards investment decisions on Indonesia mutual funds during Covid-19 pandemic. However, Investment decisions is being directly influenced by Financial Knowledge, Risk Tolerance, Accounting Information and Advocate Recommendation.
Originality/value – Author believes that this is the first study, which applies accounting information, advocate recommendation toward investment decisions with risk tolerance as the mediator on Indonesia mutual funds during Covid-19 pandemic.

Keywords – Accounting Information, Advocate Recommendation, Financial Knowledge, Risk Tolerance, Investment decisions

Introduction

In early 2020, many Indonesian investors were interested in investing in the capital market (Ramli, 2020). The investors, especially mutual fund have grown significantly in the last two years by 85.24 % (or 1.77 million) (D. S. Ariyanti, 2019). Interestingly, 70% of the investors are below 40 years old (D. S. Ariyanti, 2019). According to Utami (2020), investing in mutual funds is another investment alternative during the Covid-19 pandemic. The mutual fund is managed by professional fund manager has advanced knowledge and experience (Simamora, 2020). It also minimizes the risk level of investors because the investors can choose the product based on their risk profile (Utami, 2020). Moreover, the inherent risks of mutual funds could be managed by assigning a risk profile of individual investors (Safitri, 2020).

During the uncertainty, investors take advantage of the financial market declining (Prima, 2020). The financial market declining in 2020 because of the negative sentiment of a trade war betweenaaaaaa the United States and China, coupled with the Covid-19 pandemic in China

(Audriene, 2020). The investors invest in various investment products because of low prices and higher returns (Prima, 2020). According to Tari (2020), the performance of the money market and fixed income mutual funds consistently positive. The money market fund has deposits as its asset, and the fixed income fund has bonds as its assets (Tari, 2020). On the other hand, equity funds with stock as their asset experienced negative returns during the Covid-19 pandemic (Wareza, 2020).

The International Monetary Fund (IMF) predicts that the global economy will fall three percent due to a trade war between the United States and China (Alika, 2019). The effect of these events indirectly affects other countries, including Indonesia (Rudiyanto, 2019). The Indonesian government provides monetary, fiscal, and financial services policies to reduce the economy slowing down (Purwanto, 2020). For the monetary policy, Bank Indonesia (BI) reduced the benchmark interest rate by 75 basis points or 0.75 percent from 6 percent to 5.25 percent in 2019 (Yadika, 2019). Also, the Central Bank Governor in different countries uses monetary policy to respond to the global economic downturn (Santoso, 2019).

The declining performance of the financial market in Indonesia impacts the financial industry, such as the banking and capital market (Sidik, 2019). At the end of December 2019, the net asset value (NAV) or asset under management (AUM) of the mutual fund increased slightly from 0.1 percent to IDR 544.95 trillion from the previous month (Arief, 2020). The decline in mutual funds continued to the end of March 2020, and assets under management (AUM) declined 13.49 percent become IDR 460.31 trillion compared to last year (Aldin, 2020). Aldin (2020) mentions that the decline is dominated by equity funds with a value IDR 44.47 trillion or 32.56 percent.

Financial markets throughout the Covid-19 pandemic create fear among investors to transfer to low-risk assets (Laucereno, 2020). Rudiyanto (2019) explains that the event will only affect the habits of mutual fund investors in the capital market. The investors make shifting behavior, transferred their investment from aggressive into conservative (Saleh, 2020). Investors are encouraged to update their asset allocation to fix income-based mutual funds instead of equity mutual funds while waiting for the pandemic situation (Wareza, 2020). The mutual finds investors switch their investment from volatile to stable by their knowledge (Sugianto, 2020b). According to Tim Bisnis Indonesia (2020), investors are difficult to communicate with their advisor, e.g., financial advisory company Jouska that limits communication with their customers. Moreover, investors diversify their portfolios to deal with the influence of market volatility through the uncertainty phase by themself (Laucereno, 2020).

According to Keerthika and Suresh (2019), the psychological behavior of investors has a relationship with an investment decisions . It is explained that while investor changes their investment pattern from physical gold to Exchange Traded Fund (ETF) gold (Keerthika & Suresh, 2019). Market conditions, both uptrend and downtrend, influence the behavior of the investor to make investment decisions (Wijayanti et al., 2019). According to Wijayanti et al. (2019), the investors are aggressive while the market in an upward tendency, and the investors do not do anything in a downtrend market. However, the gap in the age of investors does not influence their behavior while determining portfolio management (Keerthika & Suresh, 2019). In another study (Lee et al., 2019), mentioned that a culture of a country could influences the behavior of the investor during the financial market uncertainty, especially in mutual funds

The research by Ko (2019) discusses accounting information and advocate recommendation as the factor become the factor influence behavior of investors in the investment decisions . Meanwhile, Ademola et al. (2019) believe that financial knowledge triggers investor behavior while making an investment decisions . Some researchers also discuss the role of accounting information by Christoffersen and Stæhr (2019), advocate recommendation by Baeckstrom et al. (2019), and financial knowledge by Samanez-Larkin et al. (2020) become a driven for

investor behavior to determine their risk tolerance level. Furthermore, according to Kusumanigrum et al. (2019), risk tolerance becomes the mediator to connect the factors that influence investor behavior toward investment decisions . However, the researchers do not explore mutual funds, especially during market uncertainty. So, it has become a new problem in this research.

The researcher finds it is essential to explore the driven factor of investor behaviour during uncertainty in the Covid-19 pandemic in Indonesia. The concept of this research convinces that accounting information, advocate recommendation, and financial knowledge as independent variables affect investment decisions by risk tolerance as a mediating variable. Also, this study examines accounting information, advocate recommendation, and financial knowledge towards investment decisions . This research finds out several aspects through the following questions. Does accounting information influence risk tolerance? Does advocate recommendation influence risk tolerance? Does financial knowledge influence risk tolerance? Does accounting information influence investment decisions ? Does advocate recommendation influence investment decisions ? Does financial knowledge influence investment decisions ? Does risk tolerance influence investment decisions ?

2 Literature Review

2.1 Investment decisions

Rational investors make investment decisions to accomplish excellent returns (Metawa et al., 2019). Investors carry out a decision after making an investment analysis and find the best results (Ko, 2019). Furthermore, investments decision is made by investors to receive profits in both long-term and short-term periods (Kusumanigrum et al., 2019).

In Indonesia, investing activities today is easy because the investors can invest their money in various investment product with only IDR 100,000 (F. Ariyanti, 2020). The six popular products for investment are deposits, State retail bonds (ORI), mutual funds, shares, gold or precious metals, and property (Simamora, 2020). During uncertain market conditions, investors prefer secure investments (low risk) as their majority assets, such as money market funds (Sugianto,2020a).

Decision making has a vital role for the investor because it influences their financial plans (Ko, 2019). Following Metawa et al. (2019), investors generally behave irrationally and emotionally when financial markets fluctuate. In contrast, fund managers manage investor funds rationally and logically. Besides, investors involve various considerations to determine optimal investment decisions (Kusumanigrum et al., 2019).

A study at the Yangon Stock Exchange mentions the investors consider their investment decisions from the market characteristic and risk profile of the investors (Ko, 2019). Thus, Ko (2019) believes the accounting information and advocate recommendation as to the measurement of investment decisions . Besides accounting information and advocate recommendation, Hamza and Arif (2019) suggest that neutral information, personal financial needs, and self or firm image become the measurement. It is essential to understand the investor circumstance based on the country (W. Sun et al., 2019).

2.2 Risk Tolerance

Risk tolerance is defined as an investor capability to accept the maximum level of loss in investing (Jain & Kesari, 2020). Risk tolerance includes the amount of risky asset allocation taken by investors in a portfolio (Baeckstrom et al., 2019). Investors, including fund managers in general, take a certain level of risks while making investment decisions in their portfolio (Kusumanigrum et al., 2019).

The desire risk tolerance level of an investor will match based on their wealth (Baeckstrom et al., 2019). Afterward, investors, including fund managers, will decide the goals and returns of the investment following their current risk tolerance level (Kusumanigrum et al., 2019).
A study about financial risk tolerance in India examines self-esteem, personality (risk-taker or risk-averse), and sensation seeking (Patel & Dave, 2019). According to Ferreira and Dickason-Koekemoer (2019), the risk can be measured as take substantial, above average, in the average, and will not take any risk in investment. The risk tolerance of an investor can be assessed by the asset allocation and cash holding of the investor (Baeckstrom et al., 2019).

2.3 Accounting Information
According to S. Sun et al. (2019), accounting information contains the company's financial statements that comply with applicable accounting standards. The historical data are useful for the investor to forecast the company projection in the next several years (Ko, 2019). The accounting information is particularly crucial for fund managers in deciding which stock to put in for a mutual fund. Thus, mutual funds investors pay attention to the historical performance of prospective funds. Accounting information includes the company's complete performance in terms of profits, costs, budgeting, and strategy in the management division (Olanrewaju & Jugu, 2019).

The item can measure the accounting variable in the reporting, such a return, earning projection, and historical data (Ko, 2019). According to Hamza and Arif (2019), the technical analysis, past performance, and expected bonus shares could be used to measure accounting information. The assessment of accounting information can be in the form of verbal, numerical, and pictorial (Esch et al., 2019).

2.4 Advocate Recommendation
Advocate recommendations refer to information from experts or non-experts that influence investors' considerations in investment (Ko, 2019). The opinions provided by financial advisors to the investor while managing an investor's portfolio can be considered as advocate recommendations (Baeckstrom et al., 2019). The investor needs financial advice to reduce their biases during an erratic financial market (Amaral & Kolsarici, 2020).
In advocate recommendation, Ko (2019) use the advice from friends or co-workers as the measurement. Meanwhile, Sharma and Kota (2019) use family as the measurement in their research. Furthermore, the broker, financial advisor, and analyst recommendation or opinion can be used to assess advocate recommendation (Hamza & Arif, 2019).

2.5 Financial Knowledge
Investors use basics level both of economics and finance in their decision-making process can be classified as financial knowledge (Chen & Garad, 2018). According to Lee et al. (2019), financial knowledge is related to an investor's skill and ability when managing efficient cash flow in investments, loans, and pension savings. Thus, financial knowledge is used by investors and fund managers to balance the level of financial risk versus the return in their portfolio (O'Connor, 2018).
The financial knowledge can be measured by the knowledge of investors in risk diversification, inflation, numeracy (interest), and compound interest (Akhtar & Das, 2019). According to Yahaya et al. (2019), financial knowledge can be measured in three categories: low, moderate, and high knowledge. The study in Nigeria provides the Financial concept, mental model, source of financing, and financial matters as the measurement as financial knowledge (Ademola et al., 2019).

2.6 Hypothesis Development
A study in the banking sector in the United States showed company historical data influences risk tolerance to an investor (Clark, 2019). Research among Muslim Advisor in Malaysia confirms the content of the balance sheet influence the client risk tolerance (Abdullah, 2018).

Furthermore, a study in publicly traded United States companies validates investors will adjust their risk tolerance level based on company earning forecast (Ittner & Michels, 2017).
H1: Accounting information influences risk tolerance

Research confirms that advocate recommendations influence risk tolerance among investors in Germany (Wahl & Kirchler, 2020). According to surveys in the US, UK, Australia, and New Zealand by Hartnett et al. (2019), risk tolerance is also influenced by financial advice. Research in South Africa shows that advocate recommendations significantly influence risk tolerance (Mabalane et al., 2019).
H2: Advocate recommendation influences risk tolerance

A study conducted in the Netherlands validates financial knowledge that significantly influences risk tolerance (Magendans et al., 2017). A survey conducted by the Survey of Consumer Finance (SCF) among American households indicates that financial knowledge influences risk tolerance (Wang, 2019). Research involving customers from various banks in Pakistan shows that financial knowledge influences risk tolerance (Sadiq & Akhtar, 2019).
H3: Financial Knowledge influence Risk Tolerance

Research conducted by Roychowdhury et al. (2019) in the United States and by Esch et al. (2019) in Germany found that accounting information affects investor investment decisions . Furthermore, most fund manager begins their search for the perfect stock to put in the pool of mutual funds based on the financial statement released by publicly traded companies. According to Tunji et al. (2020), accounting information influences investment decisions , but it is not significant in manufacturing companies in Nigeria.
H4: Accounting information influences investment decisions

Research conducted among the family at the Delhi NCR region in India shows advice from their spouse influence the investment decisions (Sharma & Kota, 2019). A household discusses the finance matter to get their satisfaction (Yap et al., 2018). Furthermore, a study among investor in National Capital Region Philippine confirm friend's advice influence the investment decisions (Dhingra & Bhattacharjee, 2019). According to Lu et al. (2019), the investment advisor provides advice for investors to invest their money. Their advice may invest in the stock, fixed income, or mutual funds. In conclusion, advocate recommendations influence investment decisions .
H5: Advocate recommendation influences investment decisions

Research among individual investors in Chennai City, India, shows financial knowledge influence investment decisions (Silvester et al., 2020). An investor may invest in a stock, fixed income, or mutual fund based on his/her level of financial knowledge. A study in South Lebanon confirms that financial knowledge influences investor decision making (Alaaraj & Bakri, 2020). Furthermore, the research among Information Technology Professional in Chandigarh, Mohali, and Panchkula validate financial knowledge influence their investment decisions (Madaan & Singh, 2020).
H6: Financial knowledge influences investment decisions

A study among investors in South Africa supports risk tolerance, which significantly influences investment decisions (Ferreira & Dickason-Koekemoer, 2019). In contrast, research conducted in Indonesia found that risk tolerance does not affect the investment decisions of Surabaya State University students (Kusumanigrum et al., 2019). Another study conducted in the State of Punjab, India, confirmed that risk tolerance affects investment decisions (Raheja & Dhiman, 2019). In summary, two studies that prove risk tolerance affects investment decisions while research in Indonesia finds the opposite.
H7: Risk tolerance influences investment decisions

2.7 Theoretical Framework

This study explores investment decisions for the investors, specifically in mutual fund area. In-addition, this study discussed the relationship between accounting information, advocate recommendations, and financial knowledge on risk tolerance towards investment decisions . The dependent variable in this study is investment decisions and risk tolerance, while accounting information, advocate recommendations, and financial knowledge becomes independent variables. The details of the framework are as follows in Figure 1 Theoretical Framework.

2.8 Research Gap

This research focuses on hypothesis where accounting information influences investment decisions in investment activities such as mutual funds with risk tolerance as an intermediary. According to research conducted by Ko (2019) on the Yangon Stock Exchange, accounting information influences investment decisions. However, it has not shown any effect of accounting information on risk tolerance while investors purchase mutual funds. Another research found that forecast earnings of a company in the future associate with investor risk tolerance (Christoffersen & Stæhr, 2019). Also, this research examines advocate recommendations and financial knowledge toward investment decisions through risk tolerance as an intermediary. This hypothesis is supported by research among UK investors, proving that investors with financial advice receive a higher risk tolerance level (Baeckstrom, Marsh, & Silvester, 2019). Meanwhile, the INRA Investor Education Foundation and the National Institute prove that financial knowledge influences risk tolerance (Samanez-Larkin et al., 2020).

Also, a research conducted in Indonesia has not yet proven risk tolerance to be an intermediary of investment literacy and investment experience on investment decisions, particularly for mutual funds (Kusumanigrum, Isbanah, & Paramita, 2019). This framework is convinced that risk tolerance is a mediator of accounting information, advocate recommendation, and financial knowledge on investment decisions in mutual funds. Also, a study in Saudi Arabia and Jordan states that risk tolerance affects investment decisions (Salem, 2019). Besides, this research examines accounting information, advocate recommendation, and financial knowledge towards investment decisions in the mutual fund. It was proven by Ko (2019) that accounting information and advocate recommendations influence investment decisions. A study in Nigeria confirms financial knowledge influence investment decision (Ademola, Musa, & Innocent, 2019).

3. Research Methodology

3.1 Research Context

The theoretical framework is made to cover the research gap in this research. This study focuses on the hypothesis where accounting information, advocate recommendation, and financial knowledge influences investment decisions s with risk tolerance as a mediating variable. The gap of this research is in the mutual funds market during the Covid-19 pandemic in Indonesia. According to research conducted by Ko (2019) on the Yangon Stock Exchange, accounting information influences investment decisions . However, it has not shown any effect of accounting information on risk tolerance while investors purchase mutual funds. Another research found that forecast earnings of a company in the future associate with investor risk tolerance (Christoffersen & Stæhr, 2019). Also, this research examines advocate recommendations and financial knowledge toward investment decisions through risk tolerance as an intermediary. This hypothesis is supported by research among UK investors, proving that investors with financial advice receive a higher risk tolerance level (Baeckstrom et al., 2019).

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3.2 Data collection and sample

The online surveys is conducted during the Covid-19 pandemic. Only about 338 appropriately respondents pass the screening questions. The assessment of a construct in PLS-SEM does not require a minimum sample size (Hair et al., 2017). However, according to Barclay et al. (1995) and Hair et al. (2017), the minimum sample size can be ten times from total indicator in a construct. This research has five variables with 28 indicators overall, and this research supposes to have at least 280 samples. So, this research fulfills the minimum required sample data.

Following Blair et al. (2019), a quantitative method is an appropriate method to solve effect-causes in a research framework. This research performs non-probability sampling to gather data on the population. Non-probability sampling methods means that elements in the population have a non-similar probability of being picked as sample subjects (Sekaran & Bougie, 2016). Furthermore, this research performs a purposive sampling method, specifically judgment sampling. This sampling limits respondents with particular criteria that provide information for researchers (Sekaran & Bougie, 2016). Data analysis in this study will use Partial Least Square - Structural Equation Modeling (PLS-SEM) in the SmartPLS 3.0 application. In specific, the researchers use it for research to predict or explain the hypotheses (Ghasemy et al., 2020). Before evaluating the effect-cause relationship of the model, PLS-SEM must comply with reliability and validity (Ghasemy et al., 2020).

The table 1 showed the summarized correspondent of the survey. During the survey respondent were asked about gender, age, educational background, occupational, monthly income and how long they have been investing.

3.3 Data Analysis

3.3.1 Validity and Reliability

Validity and reliability are essential for research because they show the results of the sample (Khan, 2020). Following Khan (2020), excellent samples will result in excellent output to solve research. According to Kante et al. (2018), validity consists of content validity and constructs validity. There are two types of construct validity, such as convergent and divergent validity (Kante et al., 2018). An excellent model must assess indicators such as reliability, convergent validity, and discriminant validity (Sarstedt & Cheah, 2019). According to Hair et al. (2017) and Ghasemy et al. (2020), convergent validity can be assessed using the average variance extracted (AVE). The AVE value must be greater than 0.5 (Hair et al., 2017; Ghasemy et al., 2020)). A value of 0.50 of AVE or more indicates that the model explains at least 50 percent of the item variance (Hair et al., 2019).

Outer loading is the relationship between constructs and indicators of the lantern variable for reflective constructs (Hair et al., 2017). According to Hair et al. (2017) and Ghasemy et al. (2020), the value of outer loading must be greater than 0.7. However, the amount of outer loading between 0.4 to 0.7 is acceptable. It is must be a consideration while the indicator removal only for increasing the value of AVE (Hair et al., 2017). According to Hair et al. (2017), the researcher can use two indicators for each lantern variable. However, it is recommended to use not more than two lantern variables and must use ten times of sample rule. Further, the constructed assessment is preferable to use more than three or for indicators for each lantern variable (Hair et al., 2017). The decision concerning removing the indicator can follow the outer loading above 0.5 as the minimum value (Hassan & Shamsudin, 2019). Furthermore, the HTMT

(heterotrait-monotrait ratio) is used to assess discriminant validity (Kante et al., 2018). Researchers could choose the confidence level of HTMT lower than 0.90 or 0.85 (Hair et al., 2019).

According to Pal et al. (2020), a reliability test will use composite reliability (CR) or Cronbach's alpha. The boundaries are Cronbach's alpha, believe if all indicators have the same reliable and tend to underestimate the internal consistency reliability (Hair et al., 2017). According to Hair et al. (2017), the researcher is recommended to choose composite reliability (CR) as an indicator in their research. Thus, this research will use CR to assess the internal consistency of this construct. Composite reliability (CR) is used to measure the internal consistency reliability (Hair et al., 2017). The value of composite security (CR) must result in a range of 0.7 to 0.95 (Ghasemy et al., 2020). According to (Hair et al., 2017), it is better to use composite reliability (CR) to measure the internal consistency reliability due to the limitation of Cronbach's alpha. A value higher than 0.95 becomes problematic because it declines the construct validity value (Hair et al., 2019).

3.5.2 Goodness of Fit

Besides focusing on predictive interactions using PLS-SEM, the theory testing, and the results must be validated (Hair et al., 2019). Thus, the goodness of fit (GoF) is an index to verify that the model adequately explains the overall data (Yahaya et al., 2019). Following Hair et al. (2017), goodness of fit (GoF) criteria for PLS-SEM can be assessed through the root standard square residual (SRMR). The model mentioned being suitable if the value of SRMR is close to zero (Hair et al., 2017). However, the model is considered ideal if the value of SRMR is below 0.10 or 0.09 (Nazari & Far, 2019).

3.5.3 Hypothesis Testing

Hypothesis testing is the researcher's action to test the assumptions that have been made statistically (Majaski, 2020). Hypothesis testing can be done after the data comply with the minimum validity and reliability test (Kante et al., 2018). According to Majaski (2020), Hypothesis testing is used by researchers to calculate the likelihood of a hypothesis by using sample data. P-value can be criteria to measure the level of trust and significance of a model (Hair et al., 2017). Besides, the Coefficient of determination (R^2) able to use as criteria to evaluate the model (Ghasemy et al., 2020).

The coefficient of determination (R^2) measures the strength of exogenous constructs to explain the number of variants in the endogenous construct, both directly and indirectly (Ghasemy et al., 2020). Generally, R^2 is in the range of 0 up to 1, where more significant numbers provide excellent predictive rates (Juma & Tjahyanto, 2019). According to Chin (1998) and Umrani et al. (2018), values of 0.60, 0.33, and 0.19 respectively can be assessed as substantial, moderate, and weak.

Path coefficient analysis evaluates the strength and significance of a variable relationship (Ahmad et al., 2019). Path coefficient and P-value can result in the bootstrapping process (Yahaya et al., 2019). The model considers as significant if the P-value level is below 0.05 or at a considerable level below 5 percent (Juma & Tjahyanto, 2019). In brief, this research P-value complies with a significant standard below 5 percent.

4. Research findings

4.1 Validity and Reliability Test

This research will measure the outer loading and Average Variance Extracted (AVE); it is constructed through Smart PLS 3.2.9. The Outer Loading and AVE test are implemented as measurement indicators of convergent validity. Before performing the validity and reliability testing, the researcher will run the test for the outer loading. The following are Table 2 Outer Loading.

The majority of the outer loading in this research has a value above 0.6 and passed the recommended minimum level, which is 0.5. However, the value above 0.4 is still accepted with a particular consideration. This research also deleted some indicators to obtain the best result. According to Hair et al. (2017), the indicator must be removed if the value of the outer loading

below 0.40. The variable Financial Knowledge is accepted in this research for two reasons. The first reason, it is recommended not to use more than two lantern variables, which has two indicators. This construct only has one lantern variable that has two indicators. The second reason is that this construct must follow the ten times sample rule. There are 28 statements in total and must have 280 minimum sample. In this research, there are 338 samples used, and it follows the recommendation. In brief, this construct pass the validity and reliability test.

The result of the AVE test in Table 3 Average Variance Extracted passes the minimum value above 0.5. The indicator RT5 is accepted in this research because the lantern variable Risk Tolerance passes the minimum value of AVE, which is 0.506. The Highest AVE in table 4.8 is Financial Knowledge, with a value of 0.664. The rest of the variable has a value between 0.5 and 0.6 for its AVE. This value means that all variables in this construct can explain 50 to 69 percent variance.

Table 4 shows the Heterotrait-Monotrait Ratio indicating for the discriminant test. The HTMT ratio is significant because all of the results are below 0.85. Thus, this construct does not face the discriminant validity test.

In this study, the researchers use composite reliability (CR) as the internal consistency measurement. The result of the CR test in Table 5 is above 0.7, where the Advocate value (0.821) is the higher value. The result of CR must be between 0.7 and 0.95 to make sure this construct is reliable. In brief, the result matches the directions. Thus, this construct does not face a problem with composite Reliability.

4.2 Goodness of Fit

The goodness of fit is performed in this research to measure if the model can explain the overall data. SRMR or standardized root mean square residual can be used as the model fit measurement when implementing PLS (Kante et al., 2018) The researcher uses SRMR to assess the construct. The following are Table 6 that will show the result of the SRMR test of this research.

To get a suitable model, the value of SRMR must be closest to zero. The maximum amount of SRMR is not exceeding 0.10. The SRMR test result of this model is 0.096. It means this construct fit, and this construct does not face any problem with SRMR. Therefore, the goodness of fit in this research verifies that the model adequately explains the overall data.

4.3 Hypothesis Testing

Hypotheses testing is conducted after the validity and reliability test has been passed. The function of validity and reliability to measure how reliable the data and model fit in this construct. In this part, hypothesis testing is performed to accept or reject the hypothesis base on the variable. The researcher conducted the hypothesis through bootstrapping in Smart PLS to evaluate Structural Equation Model (SEM) method. The result of hypothesis testing is presented in Table 7 Hypothesis Testing.

In brief, all respondents in this study have four supported hypotheses and three not supported hypotheses. Based on table 7 the four supported hypotheses that are supported are: Accounting Information towards Investment decisions , Advocate Recommendation towards Investment decisions , Financial Knowledge towards Investment decisions and Financial Knowledge towards Risk Tolerance

Furthermore, this construct will assess the power of the R square value. The coefficient of determination (R^2) is used to measure the strength of the endogenous construct while explaining the exogenous constructs (Hair et al., 2019). In simply, coefficient of determination (R^2), directly and indirectly, will measure the variance as the power of the independent variable while explaining the dependent variable (Ghasemy et al., 2020). According to Hair et al. (2019), an excellent explanatory power will have the R Square value close to 1. The result of R-Value in this research is showing in table 4. There are no definite rules for acceptable R Square because it depends on the context of the research and the complexity of the models (Hair et al., 2017). In general, according to Chin (1998) and Umrani et al. (2018), the researcher considers the values of 0.60, 0.33, and 0.19, respectively, can be assessed as substantial, moderate, and weak.

4.4 Discussion

The result of overall respondents this research shows that Risk Tolerance does not influence the Investment decisions . The respondents do not take a higher risk tolerance level while making the investment decisions on mutual funds in Indonesia, especially during Covid-19 pandemic. The finding is similar to a study conducted among college students in Universitas Negeri Surabaya. The risk tolerance does not influence investment decisions because the investors uncomfortable with the investment (Kusumanigrum et al., 2019). The result of the questionnaire is that investors prefer to keep their money in fixed income mutual funds rather than equity mutual funds. The respondent also believes their initial investment is important than profit. The reason for these findings is that investors in Indonesia lack experience in investing. The result most of the respondents in the questionnaire have experienced less than one year. It is supported by a study in India by among respondent with more than five years of experience validate Risk Tolerance significantly influence Investment decisions (Raheja & Dhiman, 2019). According to Raheja & Dhiman (2019), an investor with experience takes more risks. Thus the respondent who lacks experience is not willing to take any risk in their portfolio.

The next hypothesis shows that Accounting Information does not influence Risk Tolerance. Accounting information consists of the historical performance of mutual funds, which is mutual funds prospectus. The respondents who read about accounting information do not guarantee if the accounting information will influence their risk tolerance. Interestingly, the previous study among investors in the United States proves that accounting information influences risk tolerance (Clark, 2019). Where accounting information influences risk tolerance, the investor will adjust their asset allocation based on their risk tolerance level (Abdullah, 2018). The study is not significant because the respondents do not fit their asset allocation based on their risk. So, the respondents adjust their asset allocation or shifting behavior is to wait during the uncertainty in the Covid-19 pandemic. It is supported by Wareza (2020), reminds the investors regarding their risk tolerance level. Thus the respondents in this study do not adjust their asset allocation depend on risk profile.

In this research, hypothesis 2 about Advocate Recommendation influences Risk Tolerance and is not supported because Advocate Recommendation does not affect the Risk Tolerance of the investor. The term advocate recommendation refers to expert and non- expert, including friends, financial advisor, family, independent analyst, and brokerage house. The study among Germany Investor by Wahl and Kirchler (2020) and South Africa by Mabalane et al. (2019) show that advocate recommendation influences risk tolerance. According to Mabalane et al. (2019), the advocate recommendation must provide suitable risk tolerance for the investors. Investors consider expert opinion rather than their feeling and knowledge while determining their risk tolerance level toward risky assets (Baeckstrom et al., 2019). Recent evidence in Indonesia proves the investors lack trust in their financial advisor because the advice is not suitable for their level of risk accepted (Gumilar, 2020). Many financial advisors do not have a license from OJK, even though a license is essential (Tim Bisnis Indonesia, 2020). The investor believes in their feeling. They are confident while determining their risk tolerance level without the advice of a financial advisor. In this case, the respondents do not find suitable for their advocate recommendation to determine their risk tolerance level.

Hypothesis 3 is supported. The results show that Financial Knowledge influence Risk Tolerance. The respondents have the skill and ability to determine their risk profile. It is showed by their knowledge about the risk tolerance level. The knowledge of the respondents in the interest rate influences their willingness for high-risk investment. As a result, the respondents put their money in fixed-income mutual funds rather than equity mutual funds. The investors must know their risk profile before investing in mutual funds because the type of mutual fund is design for a certain level of risk profile (Safitri, 2020). The millennial investors that know the investment will prefer investment as a new lifestyle (Kusuma, 2020). The previous study in the Netherlands by Magendans et al. (2017) and in Pakistan by Sadiq and Akhtar (2019) confirms the financial knowledge influences risk tolerance. Thus, the respondents believe they know to determine their risk profile.

The Accounting Information that influences Investment decisions is supported as hypothesis 4 in this research. It means the respondents decide based on the historical performance of mutual

funds on the mutual fund prospectus. The respondents make a detailed analysis of the mutual funds based on the prospectus of mutual funds. The Accounting Information becomes the consideration of their risk profile. According to Esch et al. (2019), the high quality of Accounting Information will create sustainable investment decisions . Thus, it may result in an excellent outcome for investors (Esch et al., 2019). The availability of the report encourages the investor to choose the best investment option for their portfolio (Ko, 2019). A recent study among investors in the United States by Roychowdhury et al. (2019) and in Germany by Esch et al. (2019) confirms that accounting information influences investment decisions . In brief, the respondents consider the accounting information before making investment decisions in mutual funds.

This research also found that Advocate Recommendation influences Investment decisions , hypothesis 5 is supported. The results show that investors will consider Advocate Recommendation as their Investment decisions . The respondents pay attention to an expert or an unexpert opinion about mutual funds. At the same time, they study the mutual fund in online sources. Emotion plays an essential role while the investor makes an investment decisions (Dhingra & Bhattacharjee, 2019). According to Dhingra and Bhattacharjee (2019), investors tend to trust any financial recommendation from the figure whom they are admired. As a result, they are comfortable with that recommendation. The previous study in Delhi by Sharma and Kota (2019) confirms that household investors rely on their spouses while making an investment decisions . A survey among investors in Yangon validates that advocate recommendations influence investment decisions (Ko, 2019). In brief, the respondents in this research comfortable with the advice from whom they are admired.

Financial Knowledge influence Investment decisions are supported in this research. The respondents make investment decisions based on their Financial Knowledge. The similar result from a study conducted among individual investor in Chennai by Silvester et al. (2020) and in Southern Lebanon by Alaaraj and Bakri (2020) also confirms financial knowledge influence investment decisions . According to Silvester et al. (2020), investors with better financial knowledge have more awareness about an investment product. Therefore, this result indicates the investors have awareness about investment products with their impact on their investment decisions . In conclusion, the respondents aware and know the investment.

According to Silvester et al. (2020), investors with better financial knowledge have more awareness about an investment product. In conclusion, the respondents of this research are aware and know the investment based on the p-value in table 7.

5 Conclusion

5.1 Hypothesis answers

The main objective of this research is to answer the seven research questions as the hypothesis. The researcher conducts several tests before running the hypothesis testing

The answer to these seven hypotheses is in the following. The first hypothesis that accounting information does not influence risk tolerance. The second hypothesis that advocate recommendation does not influence risk tolerance. The third hypothesis that financial knowledge influences risk tolerance. The fourth hypothesis that accounting information influence investment decisions , the fifth hypothesis that the advocate recommendation influences investment decisions , and the sixth hypothesis that financial knowledge to influence investment decisions . Finally, risk tolerance does not influence an investment decisions as to the seventh hypothesis.

In general conclusion, the researcher finds that risk tolerance does not mediate accounting information, advocate recommendation, and financial knowledge toward investment decisions . The accounting information, advocate recommendation, and financial knowledge influence investment decisions . Also, the accounting information and advocate recommendation do not influence risk tolerance, but only financial knowledge influence risk tolerance.

5.2. Limitations and future direction

At the end of the research, the researcher recommends future research about the mutual fund in Indonesia. This research is conducting during the uncertainty Covid-19 pandemic. According to Maulana (2020), market movement is in uncertainty, which means there is no bearish

(declining) or bullish (increasing) trend in the market. Hopefully, the next study can research a reasonable market condition. Also, the next research must use other variables. In addition, future research should could include more experienced investors. As the experience of the investor increase they are more willing to take more riskier investment (Dhingra & Bhattacharjee, 2019)

As a result of this research, the government can lend more support to the mutual fund investor. Investors are still lack of knowledge, and they have less experience in investing. The government can increase the quality of current education, especially for mutual fund class. As stated by The Indonesia Capital Market Institute (TICMI) which supports the government to provide more capital market education (Caesario, 2018). The government, through the Indonesia Stock Exchange (IDX), can improve the quality of investors by the new campaign program. The program can focus on improving investor knowledge outside the class. Also, the government provides a strict supervisor to the advisory company through the Financial Service Authority (OJK). Hopefully, the investors trust the government role in the capital market, especially mutual funds.

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Tables

Table 1 Demographic data

Characteristics	Options	Frequency	(%)
Gender	Male	188	55.6%
	Female	150	44.4%
Monthly Income	< IDR 3,000,000	151	44.7%
	IDR 3,000,001 - 5,000,000	85	25.1%
	IDR 5,000,001 - 10,000,000	68	20.1%
	IDR 10,000,001	34	10.1%
How long have you been investing?	Below 1 Year	177	52.4%
Educational Level	1 - 3 Years	115	34.0%
	Above 3 Years	46	13.6%

Table 2 Outer Loading

	Accounting Information	Advocate Recommendation	Financial Knowledge	Investment decisions	Risk Tolerance
AI1	**0.816**				
AI3	**0.695**				
AI5	**0.625**				
AR2		**0.716**			
AR3		**0.780**			
AR4		**0.686**			
AR6		**0.741**			
FK3			**0.808**		
FK4			**0.821**		
ID1				**0.764**	
ID2				**0.742**	
ID3				**0.788**	
ID4				**0.611**	
RT1					**0.732**
RT3					**0.876**
RT5					**0.465**

Table 3 Average Variance Extracted

	Average Variance Extracted (AVE)
Accounting Information	0.514
Advocate Recommendation	0.535
Financial Knowledge	0.664
Investment decisions	0.532
Risk Tolerance	0.506

Table 4 Heterotrait-Monotrait Ratio

	Accounting Information	Advocate Recommendation	Financial Knowledge	Investment decisions	Risk Tolerance
Accounting Information					
Advocate Recommendation	0.509				
Financial Knowledge	0.625	0.561			
Investment decisions	0.767	0.713	0.650		
Risk Tolerance	0.428	0.374	0.599	0.365	

Table 5 Reliability Test

	Composite Reliability
Accounting Information	0.758
Advocate Recommendation	0.821
Financial Knowledge	0.798
Investment decisions	0.818
Risk Tolerance	0.744

Table 6 Model Fit

	Saturated Model	Estimated Model
SRMR	0.096	0.096

Table 7 Hypothesis Testing

Hypothesis	Overall Respondents	
	P Values	**Conclusion**
Accounting Information -> Investment decisions	**0.000**	Supported
Accounting Information -> Risk Tolerance	**0.054**	Not Supported
Advocate Recommendation -> Investment decisions	**0.000**	Supported
Advocate Recommendation -> Risk Tolerance	**0.059**	Not Supported
Financial Knowledge -> Investment decisions	**0.006**	Supported
Financial Knowledge -> Risk Tolerance	**0.001**	Supported
Risk Tolerance -> Investment decisions	**0.872**	Not Supported

Table 8 R Square

	R Square
Investment decisions	0.403
Risk Tolerance	0.161

Figure

Figure 1 Theoretical Framework

