Strengthening The Strategy of Local Product in The Border Region: Opportunity and Challenges of The ASEAN Economic Community 2015

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THE ROLE OF INVESTMENT INSTITUTION IN CREATING VALUE TRUST TO PUSH UPSELLING

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ABSTRAK

Investment companies are faced with a pattern of high consumerism in Indonesia. Therefore it is difficult for companies to attract investing interest. Apart from that, companies are too faced with trust issue where investors choose to invest their fund in various investment companies (investment diversification) to avoid huge risk. This term is known as "Don’t put all your eggs in one basket." Upselling as a part of the investment loyalty program serves as a hope for further development. Thus, high effort is needed to gain investors’ trust. Companies, with the help of investment consultants, socialize investment industry development information sustainably. However, is it true that upselling is determined by the role of investment consultant? Therefore, a comprehensive research involving other variable that can determine upselling occurrence is needed.

Research method used in this research is associative with path analysis tool. Data used in this research is primary data obtained through questionnaire spread with a total of 102 respondents.

The result of this research shows that Investment Institutions and consultants affect investment value trust visibly and simultaneously. Trust towards investment value impacts on additional investment in the same company.

Keywords: Investment Institution, Consultant, Value Trust, Upselling
THE ROLE OF INVESTMENT INSTITUTION IN CREATING VALUE TRUST TO PUSH UPSELLING

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Investment companies are faced with a pattern of high consumerism in Indonesia. Therefore it is difficult for companies to attract investing interest. Apart from that, companies are too faced with trust issue where investors choose to invest their fund in various investment companies (investment diversification) to avoid huge risk. This term is known as "Don’t put all your eggs in one basket." Upselling as a part of the investment loyalty program serves as a hope for further development. Thus, high effort is needed to gain investors’ trust. Companies, with the help og investment consultants, socialize investment industry development information sustainably. However, is it true that upselling is determined by the role of investment consultant? Therefore, a comprehensive research involving other variable that can determine upselling occurrence is needed.

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Keywords: Investment Institution, Consultant, Value Trust, Upselling

Background of Study
The fundamental reason of an investor to buy shares or to invest his/her fund on share investment is to gain profit. Share investment in capital market is a type of investment with considerably high risk. Due to this, investor planning to invest his/her fund or invest through ownership or company stock buying needs to consider various factors and information influencing share price fluctuation.

(Tandeliin, 2001, Dwiridhotjahjono, 2006) Siegel 1991 in his research claimed that there is a strong relationship between share price and macro economic performance and found evidences that share price changes always occur before changes in macro economic variables. This statement shows evidence on how difficult it is for lay investors to know symptoms in share value increase or decrease because they happen before the general symptom in macro economy. Therefore it needs accurate information from the right person.

The right person is a very valuable asset for companies (Lovelock, 2011, p313). Good service is judged on how far employees are able to deliver information and to master their individual fields. Apart from that, they who are outside the companies also have strong roles. An expert in the field is considered able to give inputs or accurate information determining high level of trust towards an investment service company share value fluctuation.

Research Question
1. How is the role of Investment Institution and Consultant towards Investor trust in Investment values?

2. How is the impact of investment value trust on upselling?

3. Does the role of investment institution and consultant determine the level of investor's trust so it has an impact on upselling?

**Literature Review**

An investment institution clearly has performance clauses in operating. The role of investment institution can be measured with the trust towards financial investment expertise, positive assurance, better management, collateral takeover policies, financial institutions activity focus, adaptation/ restructurization, having the force of law, completeness of information, ability of evaluation on guarantee, ability to manage the economy when value fluctuation occurs (Musa, 2003; p138). Performance of investment institutions has been the concern of investors because clearly good performance will reduce investment risk. It is realized that security investment has a very high risk.

To reduce risk, investor should cooperate with skilled financial manager who has long track record. (Pilon, 2011). Experienced managers will surely be more trustworthy, especially those with licenses and awards surely have proven expertise. A consultant is expected to be able to give relevant information to customers and encourage service buying (Kim, 1999). The role of consultant here is not only to help investors conducting the valuation on investment but also to encourage buying process or investment addition. Investment addition shows high level of trust towards investment value.
Trust is a strong business foundation. Without trust, there will never be any business transaction. It is clear that trust is the moving engine of business. Trust can be built by fulfilling promises consistently. In general, investment institutions offer promises on consistent raise in investment value. Investment value can be in the form of profit from activities of that company (dividend) or from the share price itself (capital gain). High investment value will create enthusiasm in investors to raise their investment nominal.

According to Kim and Kim (1999), determining upselling requires a the same product or service repurchase on the same company and there is a long term close relationship so customers feels the comfort in purchasing.

The Literature Review then strengthens the idea to a research framework.

![Diagram](image)

**Figure 1: Framework**

**Methodology**

The method used in this study were (1) this study is associative research (2) the method used is survey research, (3) units of analysis are Investor individual, (4) the dimensions of the research is cross sectional, (5) sampling method is simple random sampling (6) the analytical
techniques of path analysis (Path Analysis). (6) the number of respondents are 102 investors on PT. MPAM.

Findings

The Role of Investment Institution and Consultant in determining investment value trust is tested simultaneously and partially as follow:

Sub-structure 1 Model as seen in the following figure:

![Figure 2. Sub-structure 1 with Path Coefficient](image)

Sub-structure 1 Structural Equation:

\[ Y = \rho_x y X_1 + \rho_x y X_2 + \rho_{y \varepsilon_1} \]

\[ Y = 0.102 X_1 + 0.199 X_2 + 0.950 \varepsilon_1 \text{ where } R^2 = 0.050 \]

Can be interpreted from the sub-structure 1 structure that:

- Investment Value Trust (Y) is influenced by Investment Institution (X1) and Investment Consultant (X2) simultaneously in the amount of 5% and the rest in the amount of 95% is
influenced by other variables beyond this research. Research result shows that the role of both variables is very low and further research on other investment value trust determinant variables, e.g. investor economy of scale, needs to be conducted. Investor with high income usually is not afraid with upcoming investment risk so he/she can trust an investment value based on his/her intuition.

The Role of Investment Institution, Consultant and value trust on determining upselling tested simultaneously and partially as follow:

<table>
<thead>
<tr>
<th>Influence Between Variables</th>
<th>Path Coefficient (beta)</th>
<th>Sig Value</th>
<th>Test Result</th>
<th>Determination Coefficient</th>
<th>Other Variable Coefficients (pze2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1 to Z</td>
<td>0.064</td>
<td>0.474</td>
<td>Ho accepted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X2 to Z</td>
<td>0.464</td>
<td>0.000</td>
<td>Ho rejected</td>
<td>0.225 = 22.5%</td>
<td>0.881</td>
</tr>
<tr>
<td>Y to Z</td>
<td>0.245</td>
<td>0.023</td>
<td>Ho accepted</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 1. Model 1 Sub-structure 2 with Path Coefficient

Analysis proves that there is a non-significant path coefficient, which is the Role of Investment Institution (X1) in creating value trust. Then the model is repaired with trimming method by taking out non-significant variables from the analysis, then is retested without variable X1.
<table>
<thead>
<tr>
<th>Influence Between Variables</th>
<th>Path Coefficient (beta)</th>
<th>Sig Value</th>
<th>Test Result</th>
<th>Determination Coefficient</th>
<th>Other Variable Coefficients (p&lt;0.02)</th>
</tr>
</thead>
<tbody>
<tr>
<td>X2 to Z</td>
<td>0.460</td>
<td>0.000</td>
<td>Ho rejected</td>
<td>0.246 = 24.6%</td>
<td>0.868</td>
</tr>
<tr>
<td>Y to Z</td>
<td>0.144</td>
<td>0.031</td>
<td>Ho rejected</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Tabel 2. Model 2 Sub-structure 2 Path Coefficient Result

So the whole causal influence of Investment Institution (X1), Consultant (X2) towards Investment Value Trust (Y) and its impact on Upselling (Z) after conducting trimming in a complete structure model as follow:

![Diagram](image)

Figure 3. The Empirical Causal Relationship of Variable X1, X2 and Y towards Z after Trimming
Table 3. Summary of Empirical Causal Relationship of Variable X1, X2, and Y towards Z

<table>
<thead>
<tr>
<th>Variable Influence</th>
<th>Causal Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Path Coefficient</td>
</tr>
<tr>
<td>X1 to Y</td>
<td>0.102</td>
</tr>
<tr>
<td>X2 to Y</td>
<td>0.199</td>
</tr>
<tr>
<td>Y to Z</td>
<td>0.144</td>
</tr>
<tr>
<td>X1 to Z</td>
<td>-</td>
</tr>
<tr>
<td>X2 to Z</td>
<td>-</td>
</tr>
<tr>
<td>ε1</td>
<td>0.868</td>
</tr>
<tr>
<td>ε2</td>
<td>0.950</td>
</tr>
<tr>
<td>X2 and X1</td>
<td></td>
</tr>
</tbody>
</table>
1. Investment Institution Contribution towards Trust is in the amount of $(0.102)^2 \times 100\% = 1.04\%$, Consultant Contribution towards trust is in the amount of $(0.199)^2 \times 100\% = 3.96\%$ while the amount of Investment Institution and Consultant Performance Simultaneous Contribution that directly affect trust is 5% and the other 95% is affected by other factors outside this research.

2. The amount of Investment Consultant Contribution towards Upselling is $(0.475)^2 \times 100\% = 22.5\%$ and the amount of Trust Contribution towards Upselling is $(0.144)^2 \times 100\% = 2.1\%$. Indirect influence of Investment Consultant (X2) towards Upselling (Z) through Investment Value Trust (Y) is in the amount of $(0.460) + (0.199) \times (0.144) = 0.488$. Therefore the total influence of X2 towards Z is 0.488.

Conclusion

Investment Institution and Consultant partially and simultaneously affect the investment value trust though it is low. Therefore, further research involving other variables as determining presumptions of investment value trust is needed. Investor trust on investment value has a low influence on upselling /investment addition in the same company. Therefore, further research involving other variables as presumptions of upselling raise stimulus is needed. Consultant directly and indirectly can create upselling through value trust. Upselling is created due to the presence of consultant and this means that consultant is sufficiently significant to help investment institution in growing upselling. Consultants have become very valuable to determine investors' upselling in Indonesia.
REFERENCE


