

ANALYZING FACTORS INFLUENCING INVESTMENT INTENTION IN DIGITAL STARTUP: INVESTOR'S PERSPECTIVE

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Abstract. *The digital explosion over the past decade has lowered the barrier to startups creation, yet investors remain cautious in allocating their funds. Despite growing enthusiasm for startup investments, investors only directing their capital into credible potential startups. This study aims to understand primary factors influencing investment interest in digital startup in Indonesia by examining the driving elements impacting investor's intention, adopting Theory Planned Behaviors (TPB) as a theoretical foundation. Data were collected through online survey of 20 respondents, then analyzed using Multiple Linear Regression analysis to evaluate the impact of variables; perception of risk, expected return, information transparency, policy support, and trust along with proven business model and industry potential to investment intention of the investors. The findings reveal strong founders, economic sectors growth, and information transparency improves perceived trust and enhance funding intention. In contrast, perceived risk prevents the investment propensity. However, external factors such as policy direction and public perception, showed limited impact. The results are aligned with Theory of Planned Behavior (TPB), that attitude, subjective norms, and perceived behavioral control positively influence investment intention. This study contributes investment behavior literature and provides practical insights to startups, investors, and policymakers in fostering the Indonesian digital startup ecosystem.*

Keywords: *investment intention, digital startup, investor behavior, risk perception.*

INTRODUCTION

The rapid growth of digital startup in the last decade, has created new investment opportunities, particularly for IT-based startups that offer digital based products or services, have become the major focus of investors due to their scalability and high growth potential (Lamine et al., 2023). However, only a small fraction have managed to get funding and continue to grow (Nambisan et al., 2019). This phenomenon shows that investors make decisions based on some specific criteria. Numerous predecessor studies reveal influencing factors in investment decisions in the context of digital investment, such as financial literacy, technological ease, minimum capital, rate of return, and trust in digital platforms. These studies generally focus on retail investors, students, or the younger generation as research subjects (Putri & Ratnawati, 2024);(Widiastiti & Yudiantara, 2023). For instance, Putri et al. (2024) reported that financial literacy and technological advances, positively influence students' investment attitude on digital platforms whereas Widiastiti & Yudiantara (2023) highlighted the roles of initial capital, expected return on investment, cutting-edge technology, and the impact of influencers (Key Opinion Leader) on investment decision-making by Gen Z.

Although studies discussed general context of retail investors is extensive, studies focusing specifically on professional investors' perspectives toward digital startups remain limited. Investors such as angel investors and venture capitalist typically conduct a thorough evaluation comprises financial, technology, teams, business models, market potential, and regulatory aspect. Most prior studies investigate investment behavior from the perspective of retail investors or non-professional individuals, particularly within the context of digital investment platforms and fintech. However, large-scale funding decisions for digital startups are predominantly driven by professional investors, such as angel investors and venture capitalists who employ far more complex and multidimensional evaluation frameworks (Drover et al., 2017; Gompers et al., 2020). Nevertheless, there is still a lack of research that explicitly analyzes the investment intentions and decision-making processes of

professional investors toward digital startups, particularly in developing countries such as Indonesia.

Moreover, previous research has tended to emphasize individual-level investor factors (e.g., financial literacy, attitudes, and risk perception) as well as the technical characteristics of digital platforms. In contrast, internal startup attributes such as the quality of the founding team, technological readiness, digital business models, and market potential are often discussed only partially or descriptively. As a result, there remains a significant gap in the literature regarding the development of an empirical model that simultaneously integrates internal startup factors, external market conditions, and investor characteristics in explaining investment intentions in digital startups. Based on this gap, this study aims to identify the main factors that influence investors' interest in funding digital startups in Indonesia. In addition, the study seeks to analyze how these factors shape and affect the investment decision-making process. The findings are expected to provide theoretical contribution digital entrepreneurship field as well as offering practical guidance for startups in developing effective funding strategies to further supporting the growth of Indonesia's digital startup ecosystem.

Therefore, based on the background explained above, the research questions of this study are as follows:

1. What is the most dominant factor in formulating investor's willingness to fund digital startup from their perspective?
2. What are the key factors influencing investor willingness to invest on digital startups?
3. To what extent do startup team's quality, business model, market potential, investor criteria, financial gain, risk and uncertainty, transparency, and regulatory and startup ecosystem affect investor interest?

LITERATURE REVIEW

Intention to invest is the tendency or interest of an individual or institution to invest capital with expectation of turning a profit. Within context of digital startups, investment interest can be influenced by the perceived risk, Return of investment, team credibility, and the proposed business model (Monica Salsabila et al., 2025). Investment interest represents an individual's psychological readiness or cognitive disposition to make financial decisions, such as investing in stocks, bonds, or startup ventures. The Theory of Planned Behavior (TPB) developed by Ajzen (1991), is one of the theories that provides theoretical basis for explaining such intentions. TPB posits that behavioral intention is determined by three antecedents: attitude toward the behavior, subjective norms, and perceived behavioral control. *Attitude* reflects an individual's evaluative judgment positive or negative toward engaging in investment activities; *subjective norms* denote perceived social pressures to perform or avoid the behavior; and *perceived behavioral control* captures the individual's perception of their capability and opportunity to execute the investment decision.

Several studies have conducted Theory of Planned Behavior (TPB) (Ajzen, 1991) within investment contexts. Citra Sondari & Sudarsono, (2015) for instance, found that both *attitude toward behavior* and *subjective norms* significantly affect the investment interest of Indonesian investors in the stock market, whereas *perceived behavioral control* showed no significant effect. Meanwhile, (Aprayuda & Misra, 2020) revealed that investment knowledge positively affects the young investor's willingness to invest; however, social environmental factors failed to stimulate investment intention. These findings suggest that cognitive and informational factors may play a more decisive role than social influences in shaping investment interest, particularly among emerging investor groups.

The perceptions of risk and return, particularly in high-risk instruments such as digital startups are important to determine the investment wiliness particularly in high-risk instrument such as digital startup. Digital startup investments are generally characterized by substantial uncertainty, arising from business sustainability, technological feasibility, and market dynamics. According to (Barberis

et al., 2018), investors tend to evaluate investment opportunities based on the trade-off between expected returns and perceived risks. In the context of digital startups, risk perceptions are often more pronounced than in conventional financial instruments (Block et al., 2019). This suggests that even when investors hold favorable attitudes toward an investment, their actual intention may weaken if the perceived risk is excessively high.

Furthermore, founder credibility and the quality of the business model constitute key factors influencing investment intention in digital startups. A study by (Ahlers et al., 2014) demonstrates that management team characteristics such as competence, experience, and track record play a significant role in shaping investor trust, particularly during early-stage financing. From a TPB perspective, founder credibility can reinforce positive attitudes and enhance perceived behavioral control, as investors become more confident in the startup's ability to manage capital effectively and achieve its business objectives. Consequently, non-financial factors are increasingly salient in investment decision-making within the digital economy.

In addition to individual-level factors, financial literacy and access to digital information also influence investment intention, particularly among younger investor cohorts. Lusardi & Mitchell, (2014) argue that higher levels of financial literacy are positively associated with individuals' readiness to engage in complex investment decisions. Within the digital startup context, understanding technological fundamentals, digital business models, and alternative financing mechanisms such as equity crowdfunding becomes a crucial component of perceived behavioral control. Recent evidence from Indonesia by (Aprayuda & Misra, 2020) indicates that digital financial literacy has a significant effect on investment intention toward technology-based startups. These findings further reinforce the applicability of TPB by incorporating a contextual dimension related to investors' digital capabilities.

Determinant factors of investment intention in digital startup

This study utilizes variables from Drover et al (2017), as follows:

- a) Startup's Founder's quality
 - b) Market potential
 - c) Business model
 - d) Return on investment (ROI)
 - e) Risk and uncertainty
 - f) Information transparency
- Startup Ecosystem and regulator.

RESEARCH METHODS

Research Type

This study adopts a quantitative descriptive and explanatory approach. Online questioner on digital startup investors was employed to collect the data

Population and Sample

- a. Population: Investors who have invested in digital startups in Indonesia.
- b. Sample: Purposive sampling was used to determine suitable investors from angel investor, venture capital, and crowdfunding institution such as Angel Investment Network Indonesia, East Ventures, etc. Purposive sampling is a non-probability sampling technique where researchers select respondents or participants based on specific considerations and criteria relevant to the objectives of the study. According to (Memon et al., 2025), purposive sampling is a sample determination technique with certain considerations. This technique is used frequently on qualitative research where the selection of informants is done deliberately, due to the knowledge they possessed in the research problem being studied

1. Data collection technique

- a) Instrument: online questionnaire using a five-point Likert scale (1–5).

- b) Measurement item: The questionnaire items were developed based on key variables relevant to investment interest, including team quality, business model, expected return, risk, information transparency, etc.
- 2. Research variable
 Dependent variable: Investment intention
 Independent variable:
 - a) Startup team quality
 - b) Market potential
 - c) Business model
 - d) Investment risk
 - e) Expected return
 - f) Social factor/reference
 - g) Ease access to information
- 3. Data analysis technique
 - a) Validity and Reliability Testing
 - b) Multiple Linear Regression Analysis
- 4. Data analysis tools
 Data analysis was performed using SPSS and smartPLS
 Based on consideration and assumption above, the variables and indicators are as followed:

Table 1. Research Variable dan indikator

No	Variable	Indicator	Reference
1	Founders' quality	Experience, Commitment, cohesion, vision	(Drover et al., 2017)
2	Market Potential	Market size, market growth, consumer need	(Picken, 2017)
3	Business model	income clarity, scalability, inovasion	(Latif & Widodoatmodjo, 2024)
4	Investment risk	uncertainty, volatility, potential loss	Ajzen (1991); (Dyfa Pratama et al., 2024)
5	Expected return	Potensial profit, ROI, startup valuation	(Sari et al., 2025)
6	Information Transparency	Finacial report, strategy transparancy, legal validity	(Widiastiti & Yudiantara, 2023)
7	Support from ecosystem/Regulasi	Government investment, law support, access to technology	(Mengyao Wang ^{1, 2, *} , Xiaohong Wang ¹ , 2019)
8	Social Influence /Reference	Recommendation, founder reputation, media, influencer	Ajzen (1991)
9	Investment Intention	Intention, readiness, commitmen to invest within a year	(Ajzen, 1991)

Source: Results of Researcher's Data Processing (2025)

RESEARCH RESULTS

Based on survey conducted among 20 active investors, the average scores for each variable were obtained using a Likert scale of 1–5.

Table 2. Average Variable Scores

Variable	Mean	Interpretation
Founders' quality	4.5	Highly influential
Market Potential	4.3	Highly influential
Business model	4.0	influential
Investment risk	2.8	Slightly inhibiting
Expected return	3.9	Moderately Influential
Information Transparency	4.2	Highly influential
Support from ecosystem/Regulasi	3.7	Moderately Influential
Social influence /Reference	3.1	Neutral
Investment intention (dependent variable)	4.0	High (intent to invest)

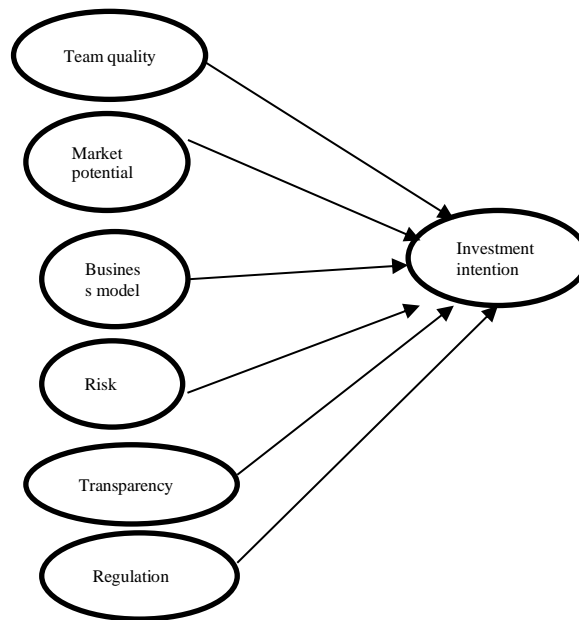
Source: Results of Researcher's Data Processing (2025)

According to Table 2, which presents the mean scores for each variable, several notable patterns emerge. Five variables record relatively high mean values of 4.0 or above, namely founder team quality, market potential, information transparency, business model quality, and investment intention. These results indicate that respondents generally hold favorable perceptions of these dimensions when evaluating digital startup investments. Three variables fall within the moderate range, with mean scores between 3.0 and 3.9: social influence/reference, ecosystem and regulatory support, and expected return. This suggests that while these factors are considered relevant by investors, their influence is perceived as less pronounced compared to internal startup characteristics. In contrast, only one variable investment risk exhibits a mean score below 3.0, indicating that respondents perceive a relatively high level of risk associated with digital startup investments. This finding reinforces the high-uncertainty nature of startup investing and suggests that perceived risk remains a salient concern despite positive evaluations of other investment determinants.

Multiple Linear Regression Analysis

Model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_7 X_7 + \epsilon$$



Picture 1: Research Model

Source:

with:

- **Y:** Investment Intention
- **X1:** Team Quality
- **X2:** Market Potential
- **X3:** Business model
- **X4:** Risk
- **X5:** Return
- **X6:** Transparency
- **X7:** Regulation

Findings β and significancy:

Tabel 3. β values and significancy

Variable	coefisien (β)	Significane (p-value)	Interpretation
Team quality	0.38	0.001 (***)	Most influential
Market potential	0.26	0.005 (***)	Strong effect
Business model	0.18	0.021 (**)	Moderate effect
Investment risk	-0.14	0.030 (**)	Significant negative effect

Expected return	0.16	0.045 (*)	Moderately influential
Transparency	0.22	0.010 (**)	Strong effect
Regulation	0.11	0.074 (+)	insignificant

Source: Results of Researcher's Data Processing (2025)

Legend:

*** P < 1%

** P < 5%

* P < 0.10 10%

(+) insignificant with slight trend

Table 3 indicates that founder team quality exhibits the highest standardized beta coefficient, suggesting that it has the strongest influence on investment intention among the variables examined. In contrast, the regulatory environment shows a relatively small beta coefficient, implying a weak and potentially insignificant effect on investors' investment intentions. Notably, investment risk demonstrates a statistically significant negative effect on investment intention. This finding indicates that higher perceived investment risk is associated with lower investment intention, underscoring the deterrent role of risk in the context of digital startup investments.

CONCLUSION

This study aims to identify and analyze the factors influencing investment interest in digital startups from the perspective of investor in Indonesia, based on Theory Planned Behaviors (TPB). Finding from quantitative approach and multiple linier regression analysis method reveals that, internal factors such as information transparency, market potential, and founders team quality, significantly influence investment interests. These results suggest that investors are inclined to prioritize fundamental factors that signal startup's trustworthiness and credibility. Trust in founders, market clarity, information transparency, and scalability serve as primary indicators that constitute the perceived value of a startup.

Government regulations were found insignificant in creating conducive investment environment. It can be explained through contextual consideration from professional investors such as angel investors and venture capitalists' perspective, often perceive regulation as a baseline or hygiene factor, rather than a decisive determinant of investment decisions. If regulatory frameworks do not impose direct legal constraints, they tend to be taken for granted and thus exert limited influence on behavioral intention. Within the Theory of Planned Behavior (TPB), such institutional conditions function as background factors rather than salient subjective norms that directly shape intention (Ajzen, 1991). Result from this study shows that investors place greater emphasis on startup-specific signals, particularly founder quality, technological capability, scalability, and market traction, when operating in high-uncertainty environments such as digital startups. Compared to these internal attributes, regulatory considerations provide weaker informational value and therefore have a smaller marginal effect on investment intention.

From the context of Indonesia as a developing economy, regulatory environments governing digital businesses are often evolving, fragmented, and inconsistently enforced. Institutional theory suggests that when formal rules lack predictability or enforcement credibility, their role as decision-making signals diminishes. Under such conditions, regulation may be perceived as neutral or uncertain rather than enabling or restrictive, leading to statistically insignificant empirical effects. Finding from the analysis confirmed that perceived risk significantly inhibiting investment decision

making, demonstrating that perceived control behavior from TPB could influence individual willingness to act. High perceived risk, particularly on regulatory uncertainty, inconsistent team performance, and unproven business model, could diminish investor intention even when the potential ROI appears to be attractive. Thus, Startup ability to manage and communicate risk effectively to prospective investor is crucial for converting intention into actual investment behavior.

Theoretically, these findings reinforce and extend the application of TPB on digital startup investment in Indonesia. A positive attitude toward startups reflected in team quality and market potential alongside subjective norms from peer or community references among investors, and perceived behavioral control on perceived risk and information transparency were all relevant in explaining variations in investment interest. Additional variables such as financial literacy, expected return, and higher levels of transparency introduce a distinctive Indonesian perspective as a digitally emerging economy, reflecting a rational investment trend. This contributes to the broader literature on investment behavior in developing countries, which remains relatively underexplored in global studies.

From a practical perspective, the results offer several important implications for startups, investors, and policymakers within Indonesia's digital startup ecosystem.

- a) For startups, the findings highlight the importance of building a credible, experienced, and cohesive founding team; presenting accurate and transparent information; and demonstrating a sound understanding of target markets. A solid founding team reflects managerial quality and execution capability, directly influencing perceived risk and long-term viability. Moreover, startups should develop realistic and transparent financial and market projections to strengthen investor trust and reduce uncertainty in feasibility assessments.
- b) For investors, both individual and institutional, the study asserts the need for a balanced evaluation framework that integrates internal factors (team quality, business model, transparency) and external factors (market potential, regulatory conditions). A data-driven and rational approach to investment is essential to minimize bias and improve the effectiveness of capital allocation. Amid macroeconomic uncertainty and varying startup quality, investors should go beyond market trends or social references and perform systematic due diligence.
- c) For policymakers and regulators, while the findings did not emphasize the necessity of information systems and governance mechanisms within Indonesia's national digital startup ecosystem. But good governance and strong regulation should still be imposed. These includes the creation of an open, verified, and integrated startup performance evaluation platform linked to funding networks. By providing credible information access, the government can enhance transparency and investor confidence, fostering a healthier and more inclusive investment climate. Furthermore, supportive policies such as simplified licensing procedures, fiscal incentives, and strengthened incubation and acceleration programs are critical to enhance the competitiveness of Indonesian startups in the global market.

Overall, the results highlight that founding team quality remains the most crucial determinant of investment interest, followed by market potential and information transparency. Conversely, investment risk exerts a significant negative effect on investor interest, indicating that high default risk, regulatory uncertainty, and poor historical performance may deter investors intention. Although returns and business models remain relevant, external factors such as regulation and social reference were found to have no significant impact. Taken together, these insights emphasize that investment in digital startups in Indonesia is primarily driven by rational, credibility-based factors, rather than by social or speculative influences.

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