Financial Literacy's Effect on Student Investement Decision Making

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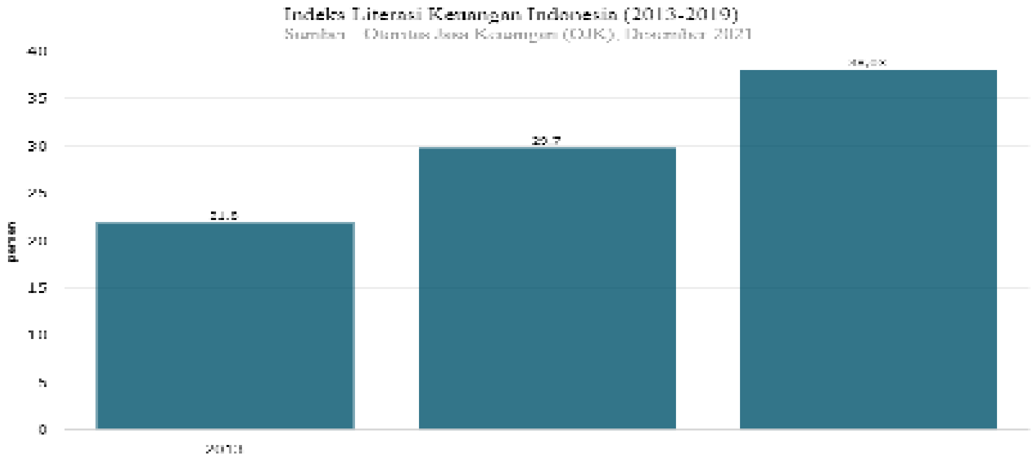
Abstract
Due to a lack of information and the emotional aspect of decision making, many students still do not grasp how to invest effectively and correctly. Students may be drawn to investing by seductive forms of investment that provide significant returns in a relatively short period of time. The goal of this study was to evaluate and analyse the impact of financial literacy on student investment decisions. This research is a descriptive, associative, and comparative study with a quantitative approach in which data is collected, processed, presented, and analysed statistically and descriptively. The study was conducted on students who were not majoring in economics to determine financial literacy obtained during the study year. The survey was administered to individuals with financial literacy knowledge levels of Well literate, Sufficient literate, Less literate, and Not literate. In this study, the purposive sampling strategy was used. Based on the results of SPSS 25 computations, a significance value of 0.000 < 0.05 is known, showing that financial literacy effects student investment decision making.

Keywords: *Decision, Financial, Investment Literacy.*

A. Introduction

In the age of the Fourth Industrial Revolution, many students have realized the need of investing to prepare for the future. The threat of a global recession can inspire students to manage their money carefully. Student financial management knowledge needs to be expanded because not all studentswho know about financial management can use it appropriately and accurately in investing. Several factors must be considered while making investing decisions, including the risks and advantages. Education in the context of increasing public finances is urgently needed because, according to an OJK survey conducted in 2013, the level of financial literacy of the Indonesian population is divided into four categories: 1. well literate (21.84%), 2. sufficient literate (75.69%), 3. less literate (2.06%), and 4. not literate (0.41%). Even while financial literacy remained relatively low in 2019, there was a rise of 38.03% in 2019. Financial literacy also assesses the appropriate amount of knowledge, attitudes, and behaviour when using financial products and services (Kusnandar, 2022).



Students should be prepared with financial literacy through workshops, outreach, or seminars that can supplement their knowledge of investment. The Centre for Indonesian Policy Studies (CIPS) discovered that, from 2018 to 2020, Financial Services Institutions held over 4,000 financial literacy programmes as required by the Financial Services Authority (Enim et al., 2022). It is envisaged that the enormous variety of educational programmes offered by OJK will help students and society in general gain insight into making investment decisions and financial management. Financial management for investment is mostly done by students who are just starting to manage their finances on their own. Students aim to enhance their funds by investing because the sources of funds gained from their parents are still limited. When investing, there are several forms of investment goods, each with its own set of risks and advantages, including as gold, deposits, stocks, mutual funds, bonds, SUN, property, company, and others (Inggrid Tan, 2009). Because investment is a long-term need, all students, including those who are not economics majors, can plan for it. Investment decisions for students must be supported by someone who is financially educated and possesses four skills: knowing credit, understanding savings and investment, and insurance (Herawati & Dewi, 2020).

B. Literature Review

Financial Literacy

The initial stage for someone before investing must know about finance. Someone who has good financial literacy can plan and manage their finances to avoid risks and maximize their profits well too (Rachmawati et al., 2022). According to the Indonesian Financial Services Authorization, financial literacy is described as information, skills, and beliefs that impact attitudes and behaviours in order to improve decision-making and financial management quality in order to achieve prosperity (OJK, 2017). According to the OECD, "Financial literacy is combination of awareness, knowledge, skill, attitude and behaviours necessary to make sound financial decisions and ultimately achieve individual financial wellbeing" as stated by Atkinson and Messy (2018). In general, "financial literacy" is defined as "the knowledge, skills, attitudes, and behaviours required to make sound financial decisions and, ultimately, achieve individual financial well-being"(Gunawan et al., 2021). According to an OJK survey conducted in 2013, the Indonesian population's financial literacy is divided into four categories:

1. Financially literate, which implies knowing and believing in financial service institutions and financial service products, including characteristics, benefits, and hazards, rights and obligations related to financial products and services, and abilities in using financial products and services.
2. Adequately literate, with understanding and trust in financial service institutions and financial products and services, including characteristics, benefits, and dangers, as well as rights and obligations linked to financial products and services.
3. Illiterate in terms of financial institutions, financial products, and financial services.
4. Lack of literacy, lack of understanding, trust and skill in financial service organisations, financial products and services.

Factors Influencing Financial Literacy According to a National Survey of Financial Literacy and Financial Inclusion, the following factors can influence one's level of financial literacy (Sri & Hati, 2021):

1. Education The higher a person's educational level, the greater his or her financial

literacy.

2. Social Classification The higher the social strata of society, the higher the level of literacy.
3. The social strata are classified based on their monthly per capita expenditure.
4. Age Classification The higher the degree of literacy, which is impacted by the level of thecommunity's attitude, the older the age of the community group.

Student pocket money might be collected from parents or close relatives. Student income might be derived from parents, scholarships, businesses, or the consequences of employment. Pocket money is typically supplied for the goals and demands of student living throughout the study term. Yamauchi and Templer indicated in Zahriyan (2016) that there are five characteristics of money attitudes:

1. Power-prestige, which is understood by money as a source of power, desiring status, a weapon to acquire recognition from other individuals, competitiveness, and ownership of luxury goods.
2. Retention period, when money is a significant aspect in life that must be managed effectively for the benefit of the future by meticulous and careful forethought while spending it.
3. Distrust, money can be a source of mistrust and induce doubt and distrust in decision makingwhen used.
4. Quality, where money is a symbol of success or a mark of quality that represents one'saccomplishments.
5. Anxiety, in which money is described as a source of anxiety that might generate stress for thepossessor.

Investation Decision

Running a business cannot be separated from continuous financial management. Financial planning is one of the financial management that must be carried out by an entrepreneur or business actor (Indra Rachmawati et al., 2022). Investment is defined as the action of spending or expenditure by investors on capital goods and production equipment with the goal of boosting the economy's ability to generate goods and services (Sadono, 2016). Pewrito et al., 2020 define an investment decision as a policy made on many investment possibilities with the anticipation of future earnings. Making an investment decision necessitates careful examination of numerous indications that can be utilized to determine the optimal investment selection. Investment decisions are influenced by five indications in investing: investment security, investment risk, investment return, time value of money, and liquidity level. Using these variables, investors can select the best investment option from among the available options (Ni Made D Y R P, 2017). The greater pupils' understanding and skill to manage finances, the wiser their financial decisions will be (Laily, 2016). Investment decisions are policies made on two or more investment possibilities in the goal of gaining benefits in the future (Perwito et al., 2020).

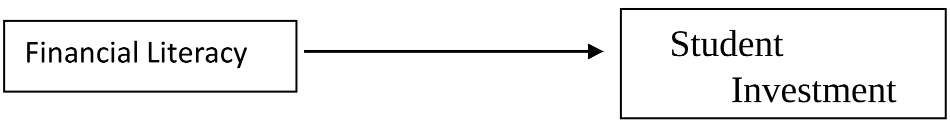
Hypothesis

The following study hypothesis is based on the conceptual framework defined and stated above: Investment decisions can be influenced by financial literacy

C. Research Method

This is a descriptive research with a quantitative method in which data is collected, processed, presented, and analysed quantitatively and descriptively. Purposive sampling was used for the sampling approach, in which samples were taken with specific considerations. This procedure is used to obtain a sample that is appropriate for the investigation. This study employs quantitative research methodologies to examine the impact of the independent variables (X), Financial Literacy, and (Y), Student Investment Decision Making.

A research design that will be employed is as follows:



Questionnaires were used to collect data, and simple linear regression was used to analyse the data. The hypothesis was investigated using numerous linear regression tests and several t-tests. The SPSS application version 25 was used by the researchers to process the data.

D. Results and Discussion

The research findings were derived from the responses of 39 students who completed questionnaires. This study included students who did not major in economics. The majority of the students in this study were health majors. In this study, male students made up 18% of the total number of respondents, while female students made up 32%. The ages of the students range from 18 to 41 years old. A 41-year-old student is a transfer student advancing from Diploma to Bachelor Degree.

Student money can come from a variety of sources, including parents, scholarships, and the profits from their own business or employment. Based on the questionnaire completed by students with a monthly income of 500,000, there were 22 students (56%), 13 students (33%) with a monthly income of 500,000 - 750,000, and 4 students (10%) with a monthly income of 750,000 - 1,000,000. Student interest in gold, deposits, savings, equities, and mutual funds remains high, whereas existing questionnaires show minimal interest in bonds. Rice farms and goat rearing are two more investment options for students. According to the investment student questionnaire, deposits were chosen by 1 student (3%), whereas gold was chosen by 11 students (28%). Other investment alternatives include mutual funds for 2 students (5%), equities for 6 students (15%), savings for 17 students (44%), rice fields for 1 student, and goats for 1 student.

Tabel. 1. Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.631[a]	.398	.382	3.02985	.398	24.471	1	37	.000	2.002

a. Predictors: (Constant), X

b. Dependent Variable: Y

Based on the findings in the table above, it is possible to conclude that financial literacy has a 39.8% favourable influence on investing decisions. This financial literacy has a significant impact on students' investment decisions. Students who reply are students who are not majoring in economics and have limited knowledge of financial literacy. The financial literacy acquired by students in this study effects investing decisions. The majority of investments made by students are in the form of low-risk savings.

Tabel. 2. Coefficients

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	15.074	3.194		4.719	.000
	X	.477	.096	.631	4.947	.000

a. Dependent Variable: Y

Based on the results of the table above, it is known that the significant value is 0.000 < 0.05, implying that financial literacy has an effect on investment decision making. Financial Literacy can influence Investment Decisions, according to the research hypothesis, therefore Ha: b1 ≠ 0. There is a considerable impact of Financial Literacy on investment decisions. As a result, it is possible to conclude that financial literacy characteristics influence investment decision making.

E. Conclusion

Due to the findings, students prefer to invest in the form of savings. Students prefer saving as much as 44% of the time since it is thought to be the least risky and easiest to perform. The second most popular option among students, according to 28% of those polled, is investing in gold.

Financial literacy influences students' investment decisions. The presence of a significance value of 0.000 0.05 demonstrates this. According to the study's findings, financial literacy can offer students the confidence to make sound investing decisions.

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