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THE EFFECT OF FINANCIAL LITERACY ON INVESTMENT DECISION WITH MOTIVATION AS AN INTERVENING VARIABLE

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Abstract

Objective: This study aims to determine the effect of financial literacy on student investment decisions with motivation as the psychological content of students in deciding to invest as an implementation of the campus curriculum, especially in the Faculty of Islamic Economics and Business. **Research Design & Methods:** a quantitative study with a population of students at the Islamic Faculty of Economics and Business in Madura. Data was collected via google form and offline dissemination by obtaining 168 respondents. Processing primary data using statistical analysis techniques Package for Social Science (SPSS) with multiple regression analysis methods, path analysis and sobel test. **Findings:** that financial literacy has a positive and significant effect on motivation. Furthermore, financial literacy and motivation indirectly have a positive and significant effect on investment decisions. In addition, the results of this study indicate that motivation is able to mediate financial literacy on investment decisions of Islamic Economics and Business Faculty students in Madura with a significant influence. **Implications & Recommendations:** : this research is expected to be used as one of the considerations for students in managing finances, by means of which students can have good financial literacy, interest in investment and be motivated to invest. **Contribution & Value Added:** this research is the first attempt to examine the effect of financial literacy on investment decisions with motivation as a psychological content. The results of this study indicate that motivation is able to mediate financial literacy on the investment decisions of Islamic Economics and Business Faculty students in Madura with a significant influence.

Keywords: Financial Literacy, Investment Decisions, Motivation.

1. INTRODUCTION

Investment is a way for someone to place assets in certain sectors at this time by way of cooperation, where this is done in order to obtain results that can be enjoyed in the future (Malik, 2017). Investment can be interpreted as an allocation of funds to an instrument with the hope of obtaining returns in the future (Samsul, 2006). Investment is basically collaboration between various parties for mutually beneficial

cooperation. In this case the entrepreneur sells the business idea, the time and energy to manage the funds owned by the investor become an enterprise, in other words the investor hands over the funds to be managed (Zaky Fahma, n.d.). Investments that are considered worldly safe may not necessarily save the perpetrators spiritually. This means that investments are legalized or permitted by positive law, but may or may not be permitted by Islamic law due to violations of Islamic law, such as gharar maisir and others. So that investment that is justified is investment with the aim of obtaining profit sharing for the future with the provisions of Islamic law and the absence of elements of usury (Syahrul & Nur Dinah, n.d.).

Investment decisions are influenced by several factors, including financial literacy as a form of self-reflection of their level of education. So that the level of financial literacy can motivate investors towards investment decisions of an investor (Ajzen, 2005).

There are three factors that determine an individual's intention (motivation) to perform a behavior in the theory of planned behavior. These factors are attitudes towards a behavior, subjective norms and perceptions of control behavior (Ajzen, 2005). The results of the study provide regarding the application of Theory of Planned Behavior in influencing investment intentions, indicating that attitudes towards behavior, perceived behavioral control and subjective norms have a positive and significant effect on the intention of the younger generation to invest in stocks in the capital market (Nyoman Trisna, n.d.).

Hogarth stated that people who have a higher level of financial literacy tend to be better at managing finances, including investing in various types of financial products . The existence of financial literacy will help individuals in motivating short-term financial decisions both for consumption and saving as well as long-term financial decisions such as investment. The investment decision itself is a matter of how to manage finances (in this study each individual) by allocating part of the funds for investment in order to obtain profit sharing in the future (Sutrisno, 2012).

The Financial Literacy Around The World Report which interprets the results of The S&P Global FinLit Survey shows that low-income countries tend to have lower levels of financial literacy when compared to high-income countries. In addition, there are still gaps and low levels of financial literacy among women, low-income people and people with low education (Klapper et al., 2014).

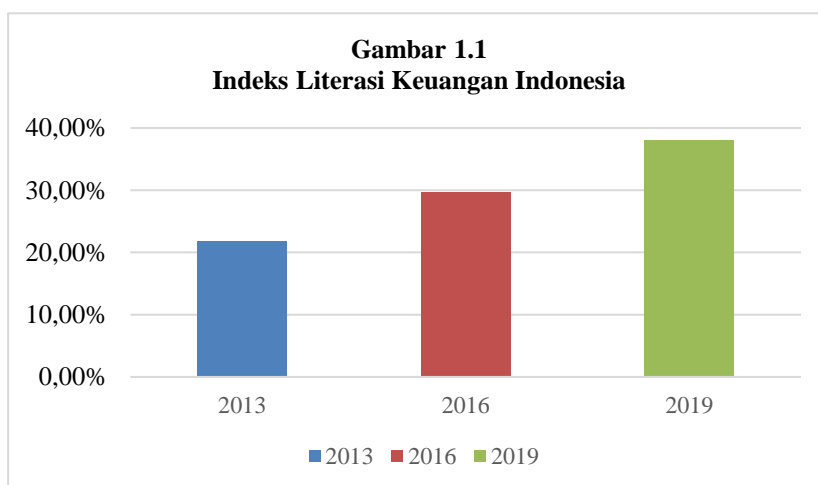


Figure 1.1 states that the level of financial literacy in Indonesia is still relatively low on 50%, which is below the achievement, but there needs to be an appreciation for the increase from 2013 to 2019 38,03% and the financial inclusion index 76,19% (Keuangan, 2017). Otoritas Jasa Keuangan (OJK) conducted a survey in each

province in Indonesia in 2019, the East Java province has a financial literacy index above the national average, namely 48,95%. However, this figure is still relatively low because there are still many people who only know about the financial services industry, such as banks, which are used as places for savings and loans. Even though the fact is that banks are financial institutions with several products besides savings but also as a means of investment. Low financial literacy in East Java is at risk of money fraud.

2. METHODS

The research method used is quantitative research. This type of research with explanatory research is research with the aim of examining the hypothesized relationship between variables. In this type of research, the hypothesis will be tested for validity and to find out whether a variable is associated or not with other variables, or a variable can be influenced or not by other variables (Mulyadi, 2011).

The population is 5.355 student used in this study were all students of the Faculty of Islamic Economics and Business at Higher Education in Madura, namely Trunojoyo Madura University, Madura State Institute of Islamic Religion, Al-Amien Prenduan Islamic Education Institute, Nazhatut Thullab Islamic Institute, and Annuqayah Institute of Islamic Sciences(PDDikti, n.d.). The sampling technique used is non-probability sampling with a purposive sampling method with the aim that the samples tested are in accordance with predetermined criteria (Sugiyono, 2008).

Analysis of the data used with the analysis of two path models, one of which uses path analysis. Path analysis is a follow-up analysis and development of regression analysis because path analysis cannot determine causal relationships and cannot be used as a substitute. This technique is used to test the contribution shown by the path coefficients in each path diagram of the causal relationship between variables X and Z and their effect on Y. Hypothesis testing in path analysis tests uses a procedure developed by Sobel and usually known as the Sobel test.

3. FINDING

Financial Literacy on motivation

Table 1
Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | Collinearity Statistics | | |
|-------|-----------------------------|------------|---------------------------|------|--------|-------------------------|-------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF | |
| 1 | (Constant) | 12.629 | 1.122 | | 11.253 | .000 | | |
| | Literasi Keuangan | .339 | .022 | .773 | 15.686 | .000 | 1.000 | 1.000 |

a. Dependent Variable: Motivasi

Source : Ouput SPSS,2022



Based on these results, it can be seen that the financial literacy variable has a regression coefficient value of 0.209 which is positive and has a tcount value of 6.206 > ttable 1.984 and has a significant value of 0.000 < 0.05, which means that financial literacy has a positive and significant influence on decisions invest.

Financial literacy on investment decisions

Table 2
Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | Collinearity Statistics | |
|-------|-----------------------------|------------|---------------------------|------|-------|-------------------------|------|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 6.338 | 1.478 | | 4.287 | .000 | |
| | Literasi Keuangan | .209 | .034 | .503 | 6.206 | .000 | .403 |
| | Motivasi | .276 | .077 | .291 | 3.586 | .000 | .403 |

a. Dependent Variable: Keputusan Berinvestasi

Source : Ouput SPSS,2022

Furthermore, based on these results, it can be seen that the motivation variable has a regression coefficient value of 0.276 which is positive and has a tcount value of 3.586 > ttable 1.984 and has a significant value of 0.000 < 0.05, which means that motivation has a positive and significant influence on investment decisions .

Table 3

Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .773 ^a | .597 | .595 | 2.20579 |

a. Predictors: (Constant), Literasi Keuangan

b. Dependent Variable: Motivasi

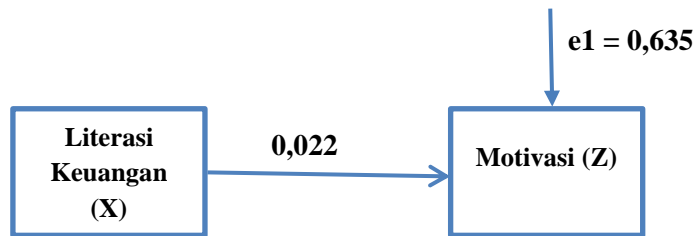
Source : Ouput SPSS,2022



Referring to the regression model I output, it is known that the R'Square value in the Model Summary table is 0.595, this shows that the contribution of X (financial

literacy) to Z (motivation) is 59.5% while the remaining 40.3% is the contribution of other variables not included in the study. Furthermore, to get the value of e_1 can be found by using the formula $e_1 = \sqrt{1 - 0.597} = 0.635$. Thus the image of the Model I path diagram is as follows:

Figure 1. Model Jalur I

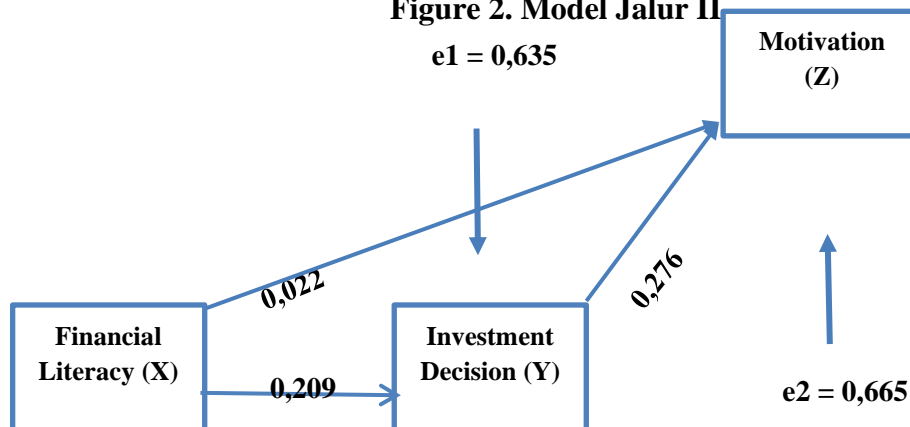


Source : Ouput SPSS,2022

Motivation to Mediate Financial Literacy on Investment Decisions

Referring to the output of the Model II regression, it is known that the value of R'Square in the Model Summary table is 0.558, this shows that the contribution of the influence of X (financial literacy) and Z (motivation) on Y (investment decision) of 55.8%, while the remaining 44.2% is contributed by other variables not included in the study. Furthermore, to get the value of e_2 can be found by using the formula $e_2 = \sqrt{1 - 0.558} = 0.665$. Thus the model II path diagram is as follows:

Figure 2. Model Jalur II



Source : Ouput SPSS,2022

The results of the path diagram above show that Financial Literacy (X) can have a direct effect on investment decisions (Y) and can also have an indirect effect, namely from Financial Literacy (X) to Motivation (Z) then to Investment Decisions (Y). The magnitude of the direct effect is 0.209, while the magnitude of the indirect effect must be calculated with the indirect coefficient, namely: $(0.022) \times (0.276) = 0.006$ and the total effect obtained is: $0.209 + 0.006 = 0.215$.

The mediating effect shown by the multiplication of the coefficient ($p_2 \times p_3$) of 0.006 is significant or not (Ghozali, 2021), can be done with the Sobel test procedure as follows:

$$\begin{aligned}
Sp_{2p3} &= \sqrt{p_{3^2} \cdot Sp_{2^2} + p_{2^2} \cdot Sp_{3^2} + Sp_{2^2} \cdot Sp_{3^2}} \\
&= \sqrt{(0,276)^2 \cdot (0,077)^2 + (0,339)^2 \cdot (0,022)^2} \\
&\quad + (0,077)^2 \cdot (0,022)^2 \\
&= \sqrt{0,00045 + 0,000055 + 0,000003} = 0,0225
\end{aligned}$$

Based on the results of this sp_{2p3} , it can be calculated the statistical t value of the effect of mediation with the following formula:

$$t = \frac{p_{2p3}}{Sp_{2p3}} = \frac{0,0935}{0,0225} = 4,166$$

Therefore the tcount value is $4.166 > t_{table} 1.984$ with a significant level of mediation coefficient of 0.006, it can be concluded that motivation (Z) can mediate Financial Literacy (X) on Investment Decisions (Y).

4. DISCUSSION

Financial Literacy on Motivation

If someone has better financial literacy, they will have good investment motivation. Which means that the higher the financial knowledge and the ability to implement aspects of financial literacy, one of which is knowledge about finance which includes income, expenses, savings, loans and investments, the better knowledge about finance will produce that motivates someone to behave financially. Vice versa, it can be said that the lower a person's basic financial literacy level, the more ineffective financial management behavior will be. Investment motivation is what determines a person's decision to do or not to do a behavior. There are four factors that determine a person's motivation to perform a behavior in entrepreneurship theory. These factors are the environment, sociological factors, capital and resource availability factors and personal focus (Nelda, 2019).

The dominant factor causing significant results is personal focus. Someone who is knowledgeable will have a better locus of control than a non-knowledgeable non-investor, which means they have a stronger desire to invest than those who do not have good financial literacy. The results obtained are in line with Gilang Bayu Pradana's research which obtained the results that financial literacy in hypotheses one, two and three is accepted, so that financial literacy can influence increasing student motivation in entrepreneurship (Pradana, 2021).

Finance Literature Against Investment Decisions

Based on the Coefficients output, the tcount $6,206 > t_{table} 1,984$ value of the table is obtained and has a significant value $0,000 < 0,05$ of the size and $\beta = 0,209$ the positive value, that financial literacy has a significant positive impact on investment decisions. The higher the FEBI students financial literature in Madura, the better the investment decisions are made. Instead, the lower the FEBI students financial literature in Madura, the worse the investment decision was made.

Knowledge of how to manage finance is one of the main factors in making investment decisions. With adequate financial knowledge, students are able to analyze the return, risk, and time on the investment that will be taken so that the investment decisions produced are maximized. The factor that affects FEBI students' investment decisions in Madura is general knowledge of finance, savings and loans, insurance, and investment.

Based on the results of the dissemination of cohesion, the most influential indicator is the general knowledge indicator of finance and investment. This is proven by the value of the answer to questions about public knowledge about finance and investment at the highest score.



So it can be concluded that the more general knowledge students have about finance and the higher the knowledge and interest students have about investment, the better the student's investment decisions. On the other hand, the worse the students' general knowledge of finance and knowledge and interest in investment activities, the worse the investment decisions will be made. Results coincide with the beautiful studies of Mutiara and Efantri Agustia that the financial literacy has a significant and positive impact on the decision to invest in PKK mothers in Jambi (Mutiara & Agustian, 2020). In addition, a study carried out by Faridhatun Faidah that financial literacy can have a positive impact on the investment decision of FEBI students at the Holy Muria University (Faidah, 2019).

Motivation to Mediate Financial Literacy Against Investment Decisions

Based on the results of path analysis and the Sobel test, the t_{count} is $4.166 > t_{table} 1.984$ with a significant level of mediation coefficient of 0.006 , it can be concluded that motivation (Z) can mediate Financial Literacy (X) on Investment Decisions (Y). This means that financial literacy can indirectly influence student decisions in investing through motivational variables as mediation. If someone has motivation, then financial literacy can be implemented as an investment decision. So if someone has good financial literacy, he will also be good at managing his finances (deciding to invest). Judging from the respondents answers to the questionnaire statements, the majority answered strongly agree and agreed that respondents would manage finances well in order to increase savings or investment contributions, they would act economically and would only buy goods according to their needs by delaying buying goods that were only satisfying desire. This proves that respondents have good financial literacy with good motivation to act in deciding to invest as a long-term need. Financial literacy has a positive effect on student investment motivation. In this study, high financial literacy creates great motivation as an investor. In higher education, choosing a specific major helps someone choose a better career path. Investment learning provided by the campus, especially at the Faculty of Islamic Economics and Business in the form of curriculum materials and lecture materials helps students in generating motivation in investing.

Motivation on Investment Decisions

Based on the results of the t-test, that t_{count} is $3.586 > t_{table} 1.984$ and has a significant value of $0.000 < 0.05$ is positive, which means that Motivation (Z) has a positive and significant effect on Student Investment Decisions (Y). This means that if someone has the motivation, in financial planning it will realize the student's decision to invest well.

The research obtained is in line with Diah Mita Sugiyanti's research which obtained the result that investment motivation has a significant and positive effect on investment decisions in deposit customers of BPR Syariah Barokah Dana Sejahtera (BDS) Yogyakarta (Sugiyanti, 2019). In addition, research conducted by Ichwan Baggus Airlangga and Utin Mardiana found that investment motivation can have a positive effect on the investment decisions of FE students Yos Soedarso Surabaya (Airlangga, 2020).

5. CONCLUSION

First, based on the output coefficients, it can be concluded that financial literacy has a positive and significant effect on motivation, so H1 is accepted. This shows that financial literacy is a factor that can shape a person's motivation in managing finances, because motivation has both intensity and direction so that the likelihood of behavior appearing can be measured and the direction of behavior can be predicted. second, based on the results of the t-test it can be concluded that literacy has a significant and



positive effect on student investment decisions, then H2 is rejected. This shows that with high financial literacy, someone can manage finances well, so that they will allocate their funds for investment. based on the results of path analysis and the Sobel test, it can be concluded that motivation can mediate financial literacy on student investment decisions, then H3 is accepted. This shows that if motivation is able to mediate financial literacy on investment decisions, then the results show that t count is greater than t table based on the results of the Sobel test calculations. Finally, based on the results of the t-test it can be concluded that motivation has a positive and significant effect on student investment decisions, so H4 is accepted.

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