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INVESTMENT DECISION FACTORS

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ABSTRACT

Financial literacy is a basic principle in making decisions in financial management. Without adequate financial literacy, students will easily be exposed to fraud so that this becomes a character in financial behavior in order to make decisions, both short-term and long-term, one of which is the decision to invest. The purpose of this study was to determine the effect of financial literacy and personal income on investment decisions. Data collection was carried out by survey using a questionnaire given to 75 respondents. The results of this study indicate that financial literacy partially has no significant effect on Financial Behavior, this can be interpreted under financial literacy is a way of understanding financial materials and components while behavior is the process of implementing financial attitudes in making decisions. Financial Literacy partially has a significant effect on Investing Decisions, Personal Income partially has no significant effect on Financial Behavior, Personal Income partially has a significant effect on Investing Decisions, Financial Behavior partially has no significant effect on Investing Decisions.

Keywords: financial literacy, personal income, financial behaviour, investment decision

ABSTRAK

Tujuan penelitian ini adalah untuk mengetahui Pengaruh Literasi Keuangan dan Pendapatan Pribadi Terhadap Keputusan Berinvestasi. Pengumpulan data dilakukan dengan survei menggunakan kuisioner yang diberikan kepada 75 responden. Alat analisis yang digunakan adalah Smart PLS 2. Hasil penelitian ini menunjukkan bahwa Literasi Keuangan secara parsial tidak memiliki pengaruh yang signifikan terhadap Perilaku Keuangan, Literasi Keuangan secara parsial memiliki pengaruh yang signifikan terhadap Keputusan Berinvestasi, Pendapatan Pribadi secara parsial tidak memiliki pengaruh yang signifikan terhadap Perilaku Keuangan, Pendapatan Pribadi secara parsial memiliki pengaruh yang signifikan terhadap Keputusan Berinvestasi, Perilaku Keuangan secara parsial tidak memiliki pengaruh yang signifikan terhadap Keputusan Berinvestasi

Kata Kunci: literasi keuangan, pendapatan pribadi, perilaku keuangan, keputusan investasi

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INTRODUCTION

Covid-19 is a virus outbreak that is a problem throughout the world which has become a global problem. Especially in Indonesia, the Covid-19 virus has a direct and indirect impact on all human activities. One of them is in the economic and social aspects where sudden changes in lifestyle make many people uncomfortable and unprepared to adapt. The Indonesian government made efforts in the form of Work from Home (WFH) to Large-Scale Social Restrictions so that all economic activities were forced to stop and some people also experienced a decrease in income due to sudden termination of employment. The Covid-19 pandemic also creates uncertainty about the future and economic instability often occurs, causing panic and anxiety in some people.

At the same time, many people complain that they don't have an emergency fund and only recently realised the importance of investing. Seeing this condition, not a few influencers introduce how important it is to invest and spread it on various social media platforms that they have. According to (Suparyanto and Rosad, 2022) With the current technological advances, everything can be reached easily through social media. Hearing experiences from others can also determine our steps in starting to invest, one of which is through influencers in the investment sector who can motivate and make investment trends among young people (Sisri, 2021).

Based on survey data published by (APJII), social media users are dominated by young people with the highest percentage of users aged 13-18 years and the second highest percentage of users aged 19-34 years.

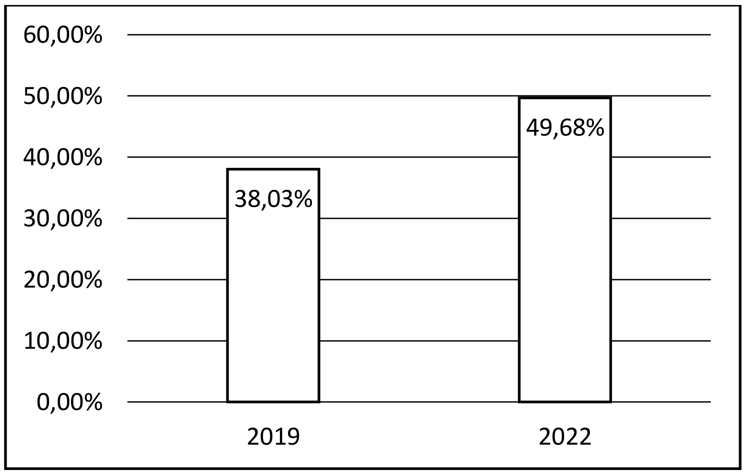
Table. 1 Percentage Level of Social Media Users in Indonesia by Age

Age	Percentage
5-12 years	62,43%
13-18 years	99,16%
19-34 years	98,64%
35-54 years	87,3%
>55 years	51,73%

Source: APJII, 2021

Based on the data above, it shows that Indonesian teenagers use the internet the most compared to parents. One of the young people who are easily influenced by trends on social media is university students. Students are one of the teenagers who are sensitive to current technological developments, easy access to social media and also make students have an interest in investing in the capital market. In addition, the popularity of investment can certainly grab the attention of young people to invest. However, young people including students are inseparable from the target of investment fraud. This is mostly because they are easily tempted by the promotion of a large enough return and only try without being equipped with sufficient knowledge.

The National Literacy Survey conducted by the Financial Services Authority in 2021 provides a condition that the financial literacy of the Indonesian people is only around 49.68%, which means that there are still 50% of Indonesians who are categorised as well literate.



Grapich. 1 Comparison of Financial Literacy Index 2019-2022
Source: OJK, 2021

According to Suparyanto and Rosad (2022), the most important factor influencing individuals in making investment decisions is financial literacy. Financial literacy is a basic principle in making decisions in financial management. Without adequate financial literacy, students will easily be exposed to fraud. Research conducted by (Munawar et al., 2020) entitled The Effect of Financial Literacy and Demographic Factors on Investing Decision Making (Survey of STIE Wikara Students) which shows that the financial literacy variable has a significant effect on investment decisions. However, this is inversely proportional to research (Sun & Lestari, 2022) entitled Analysis of the Effect of Financial Literacy, Investment Knowledge, Investment Motivation and Income on Investment Decisions in Communities in Batam which shows that financial literacy variables do not have a positive effect on investment decisions.

Another factor that influences investment decisions is income. Where income is income or money received by a person and company in the form of salaries, wages, interest rents, and profits including various benefits, such as health and pensions. Previous research conducted by (Sandra et al., 2016) entitled The Effect of Customer Income and Education on Customer Interest in Gold Investment at BCM KC Warung Buncit which shows that the income variable has a positive effect on investment decisions. However, this is not the same as research conducted by (Safitri & D, 2021) entitled The effect of herding, income and age on investment decisions in gold which shows that the income variable has a significant negative effect on investment decisions.

Financial behaviour is also one of the factors in making a student's investment decision. Where according to (Lindananty & Angelina, 2021) financial behaviour studies how financial knowledge or literacy can influence financial decisions in financial behaviour. As with the research conducted by (Upadana & Herawati, 2020) entitled The Effect of Financial Literacy and Financial Behaviour on Student Investment Decisions which shows that financial behaviour variables have a positive and significant effect on financial behaviour. However, it is not in line with research conducted by (Safryani et al., 2020) entitled Analysis of Financial Literacy, Financial Behaviour, and Income on Investment Decisions which shows that financial behaviour variables have no effect on investment decisions.

THEORETICAL REVIEW AND HYPOTHESIS

Theory of Financial Behavioral

Financial behavioural is a psychological theory that tries to study emotions and cognitive errors that can have an impact on a person's behaviour. Good financial management behaviour includes 5 components, namely setting aside funds for family and self, saving, planning how to use money for future needs, making monthly payments on time, and the ability to use money as needed.

According to (Rahmayanti, 2019) argues that through financial management, a person's financial behaviour is interrelated with their financial responsibility. Because this study shows that when financial knowledge is assessed objectively and subjectively, it shows in general if the person has a poor perception of their own ability level.

Financial Literacy

Financial literacy is a basic need for every individual to avoid financial problems that may occur in the future. Financial difficulties are not only a function of income alone (low income), financial difficulties can also arise if there are mistakes in financial management, such as mistakes in using credit, and the absence of financial planning. It is further explained that financial literacy, together with reading and maths skills, is the key to becoming a smart consumer.

Financial literacy can also be associated as a measurement of a person's understanding of financial concepts, and has the ability and confidence to manage personal finances through appropriate short-term decision making (Mandagie, 2020). Financial planning includes awareness and knowledge of financial instruments and their applications in business and life.

Personal Income

Income according to economics is the maximum value that can be consumed by a person in a period while expecting the same situation at the end of the period as the original situation. This definition focuses on the total quantitative expenditure on consumption during one period. In other words, income is the sum of the assets at the beginning of the period plus all the results obtained during the period, not just what is consumed.

Income is the amount of income received by members of society for a certain period of time as a reward for the factors of production that they contribute in participating in shaping the national product. According to income or income is money received by a person and company in the form of salaries, wages, interest rents, and profits including various benefits, such as health and pensions.

Investment Decision

Investment Decision is a decision in allocating or placing a certain amount of funds into a certain type of investment, it can also be said to be a step chosen by investors in their capital investment activities based on their considerations and experience. Investment decisions have a long-term time dimension, so the decisions taken must be well considered.

Investment Decision is a policy or decision taken to place capital in one or more assets to obtain future profits or the problem of how one should allocate funds into forms of investment that will be able to bring profits in the future (Financial Services Authority, 2016). In short, investment decisions are the use of funds that are long-term in nature. Whenever someone decides not to spend all of his current income, then that person is faced with an investment decision (Ernitawati, 2020).

Financial Behaviour

Financial behaviour is the result of the structure of various sciences, the first scientific structure is psychology which analyses the processes of behaviour and thought, how these psychological processes are influenced by the physical, external human environment. The second scientific structure is finance, including the form of the financial system, the distribution and use of resources.

According to Safura Azizah (2020) financial behaviour relates to how a person treats, manages, and uses the financial resources available to him. Individuals who have responsible financial behaviour tend to be effective in using their money, such as making budgets, saving money, controlling spending, investing, and paying obligations on time. In carrying out this management process in financial behaviour it is not easy to carry it out in everyday life because there are several systematic steps that must be followed. So after knowing the basis of financial behaviour, so we will know that everything must begin with thinking first before acting. From there, wise and responsible financial behaviour will be created.

RESEARCH METHODS

Research Approach

In conducting a study, it is very necessary to do research planning so that the research carried out can run well and systematically (Marpaung, 2022). The type of research used in this research is descriptive quantitative research, namely research that is then processed and analysed to draw conclusions, meaning that the research conducted is research that emphasises its analysis on numerical data (numbers) processed using this research method, a significant relationship between the variables studied will be obtained.

Population and Sampling Technique

The sample population of this study were overseas students in the city of Surabaya. In this study, data collection was carried out by distributing questionnaires to respondents or what can be called the accidential sampling method, in which researchers usually distribute questionnaires containing questions covering the variables under study. The use of questionnaires aims to obtain the information needed and support research. The level of agreement generally has a very positive to very negative statement and is divided into an assessment score with a linkert scale.

Insturmen Variabel Penelitian

Tabel. 3 Table Instrumen Penelitian

Variabel	Indikator Skala
Financial Literacy (X1)	1. General Financial Knowledge 2. Budgeting 3. Savings 4. Investment
Income (X2)	1. Income from parents 2. Income from scholarship 3. Income from work
Investment Decision (Y)	1. Overconvidence 2. Risk Tolerance 3. Investment selection
Financial Behaviour (Z)	1. Paying bills on time 2. Making a budget 3. Recording expenses and spending 4. Provide funds for unexpected expenses 5. Saving Money

Source: PLS 2.0, 2023

Data Analysis Technique

The measurement scale chosen by the research is closely related to the data analysis method used by the researcher to analyse the data that has been collected including its testing. The data analysis technique used is the Partial Least Square (PLS) method. PLS analysis is an analysis that determines the cause-and-effect relationship (Ghozali, 2016). The data used in PLS does not have to meet the requirements of normative data assumptions, thus PLS makes allowances for data that does not contribute normally. The purpose of PLS analysis is to help researchers for prediction purposes (Ghozali, 2016).

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RESEARCH RESULTS AND DISCUSSION

Research Results

Based on the results of the tests carried out, there are several questionnaire items that are invalid because they do not meet the standard Factor Loading limit. In the Financial Literacy, Financial Behaviour and Investment Decision constructs, there is one item each that is invalid. Furthermore, retesting there is validity so that all indicator item values are above the standard factor loading value above> 0.7 so that it is said to be valid.

Validity Test

Table. 4 Measurement Model - Validity

	X1_LK	X2_PP	Y_KI	Z_PK
X1-A	0,825752			
X1-B	0,886807			
X1-C	0,869364			
X2-A		0,794237		
X2-B		0,815295		
X2-C		0,834856		
Y-B			0,971573	
Y-C			0,966463	
Z-A				0,879322
Z-B				0,872306
Z-C				0,883381
Z-D				0,912088

Source: PLS 2.0, 2023

Based on the table above, it can be seen that in the Financial Literacy variable indicator, there are 3 indicators that have a loading factor above 0.7, namely LK_X1 A of 0.825752 LK_X1-B of 0.886807 and LK_X1-C of 0.869364. In the Personal Income variable indicator, there are 3 indicators that have a loading factor above 0.7, namely PP_X2-A of 0.794237 PP_X2-B of 0.815295 PP_X2-C of 0.834856 In the variable indicator on Investment Decisions, there are 2 indicators that have a loading factor above 0.7, namely KI_Y-B of 0.971573 KI_Y-C of 0.966463 And for the variable indicator on Financial Behaviour, there are 4 indicators that have a loading factor above 0.7, namely PK_Z-A of 0.879322. PK_Z-B of 0.872306 PK_Z-C of 0.883381 and PK_Z-D of 0.912088.

Reliability Test

Table. 5 Measurement Model - Reliability

	Cronbachs Alpha
X1_FL	0,828325
X2_ID	0,752407
Y_ID	0,935147
Z_FB	0,909558

	Composite Reliability
X1_FL	0,895742
X2_IN	0,855712
Y_ID	0,968542
Z_FB	0,936466

Source: PLS 2.0, 2023

The Cronbach Alpha test results for the Financial Literacy (LK)_X1 indicator are 0.828325. Personal Income (PP)_X2 is 0.752407. Investment Decision (KI)_Y of 0.935147. Financial Behaviour (PK)_Z is 0.909558. and for the Composite Reability test results the Financial Literacy indicator (LK)_X1 is 0.895742. Personal Income (PP)_X2 is 0.855712. Investment Decision (KI)_Y of 0.968542. Financial Behaviour (PK)_Z is 0.936466.

Inner Model Test Results

Table. 6 R-Square

	R Square
X1_FL	
X2_IN	
Y_ID	0,198503
Z_FB	0,625139

Source: PLS 2.0, 2023

Judging from the R. Square value, the Investment Decision variable (Y) is 0.198503 = 19.85% and the Financial Behaviour variable (Z) is 0.625139 = 62.51% by the Financial Literacy variable (X1), the Personal Income variable (X2) and is influenced by other indicators that have fallen when testing the validity and reliability values.

Estimation

The estimated value of the path coefficient between constructs must have a significant value. The significance of the relationship can be obtained with the Bootstapping procedure, the resulting value is the t-count value which is then compared to the t-table. If the t-count value> t-table at the significance level.

Table. 7 Structural Model

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (|O/STERR|)
X1_FL -> Y_ID	0,181	0,285	0,402	0,402	0,449
X1_FL -> Z_FB	0,511	0,491	0,209	0,209	2,440
X2_IN -> Y_ID	0,254	0,217	0,374	0,374	0,680
X2_IN -> Z_FB	0,401	0,456	0,190	0,190	2,099
Z_FB -> Y_ID	0,651	0,640	0,560	0,560	1,163

Source: PLS 2.0, 2023

The estimated path coefficients between constructs must have a significant value. The significance of the relationship can be obtained by the Bootstapping procedure, the resulting value is the t-count value which is then compared to the t-table. If the t-count value> t-table (1.96) then the estimated path coefficient value is significant.

Based on the table of Financial Literacy on Investing Decisions t-count 0.449807 < t-table 1.96 which means there is no significant influence between the Financial Literacy variable on Investment Decisions. For the Financial Literacy variable on Financial Behaviour t-count 2.440261 > t-table (1.96) which means that there is a significant influence between the Financial Literacy variable on Financial Behaviour. For the variable Personal Income on Investment Decisions t-count 0.680505 < t table (1.96) which means that there is no significant influence between Personal Income on Investment Decisions. For the variable Personal Income on Financial Behaviour t-count 2.099731> t table (1.96) which means there is a significant influence between Personal Income on Financial Behaviour. For the Financial Behaviour variable on Investment Decisions t-count 1.163042 < t table (1.96) which means that there is no significant influence between Financial Behaviour on Investment Decisions.

Discussion

Financial Literacy Has No Significant Effect on Investment Decisions.

Based on hypothesis testing, it is concluded that financial literacy is not significant to investment decisions. Based on the estimation table shows that the effect of financial literacy on investment decisions is significant with a t-statistic of 0.449807. That way for a student, financial literacy is something that cannot influence him in making investment decisions, and there may be other variables that can influence investment decisions.

Financial Literacy Has a Significant Effect on Financial Behaviour

Based on hypothesis testing, it is concluded that financial literacy has significance on financial behaviour. Based on the estimation table shows that the effect of financial literacy on financial behaviour is significant with a t-statistic of 2.440261. With good and high financial literacy, it will have a good effect on financial behaviour because a person's understanding of financial management is not enough to have healthy financial behaviour. This is because a person's need for a lifestyle will make him ignore any understanding of financial management. A person's understanding of financial management must be accompanied by a simple lifestyle, where he is able to identify between his needs and desires.

Personal Income Has No Significant Effect on Investment Decisions

Based on hypothesis testing, it is concluded that Personal Income has no significant effect on Investment Decisions. Based on the estimation table shows that the effect of Personal Income on Investment Decisions is significant with a t-statistic of 0.680505. That way for a student, personal income is something that cannot influence him in making investment decisions, and it is possible that there are other indicators that can affect personal income on investment decisions.

Personal Income Has a Significant Effect on Financial Behaviour

Based on hypothesis testing, it is concluded that Personal Income has significance on Financial Behaviour. Based on the estimation table shows that the effect of Personal Income on Financial Behaviour is significant with a t-statistic of 2.099731. This shows that students who have an appropriate income even more than their needs will have more opportunities to plan their finances for a wiser future in financial behaviour and be more responsible in deciding their finances in their daily lives.

Financial Behaviour Has No Significant Effect on Investment Decisions

Based on hypothesis testing, it is concluded that Financial Behavior has no significant effect on Investment Decisions. Based on the estimation table, it shows that the effect of Financial Behavior on Investment Decisions is significant with t count of 1.163042. This means that in this case the indicators contained in financial behavior do not contribute in their role to influence a student's investment decision. insignificant meaning can be interpreted that the results of this study have a tendency for respondents' behavior in managing finances to still think more about consumptive needs compared to investing so that they still do not think about future conditions but think more about current conditions with information patterns that are profitable for them without thinking about the risks that will occur in the future.

CONCLUSION

Based on the results of data processing and interpretation described in this study, it can be concluded that:

1. Financial Literacy partially does not have a significant influence on Financial Behaviour
2. Financial Literacy partially has a significant influence on Investing Decisions
3. Personal Income partially does not have a significant influence on Financial Behaviour
4. Personal Income partially has a significant influence on Investing Decisions
5. Financial Behaviour partially does not have a significant influence on Investment Decisions.

Based on the conclusions above, the first, third and fifth hypotheses are rejected. While the second and fourth hypotheses are accepted which means that Financial Literacy and Personal Income affect Investment Decisions.

Suggestions

After conducting the research, the researcher realized that several aspects of this study were still imperfect. Due to the limited number of respondents in overseas students, this is due to many factors, one of which is that overseas students do not live with their main family, then the demographic mapping of migrants in the study is not explained in detail so that it still needs follow-up or deepening in this matter in the future, it is hoped that further research can increase the number of respondents in order to produce more optimal research and conduct research again by testing the significance of different variables in order to expand the research object. And again, when sampling was hampered by respondents' time adjustments when distributing the questionnaires.

Limitations

This study still has shortcomings and limitations faced by researchers, namely the scope of research is very narrow so that it has not been able to generalise the need for answers from a large or infinite population.

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