The Role of Financial Literacy on Investment Interest

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Abstract. Based on the National Financial Literacy Survey (SNLKI), the level of financial literacy of the Indonesian people in 2022 is at 49.68%. This has become a serious problem with the rise of fraud in financial services, especially in investment services where there are 144 illegal investment platforms that have the potential to cause losses with one of the fraud cases experienced by students at Bogor Agricultural University. Therefore, this study aims to determine and analyze the level of financial literacy and investment interest and the role of financial literacy on investment interest with a case study of students in Bandung City. The sample used in this study amounted to 110 respondents. The data analysis technique used in this research is descriptive statistics, simple linear regression analysis. The results of this study indicate that the average level of financial literacy of students in Bandung City has a high predicate, with the lowest value in the indicator of basic financial knowledge and financial management of 79% and with the highest value in the savings and investment indicator of 84%. Based on the average level of investment interest, it has a medium predicate, with the lowest value being in the indicator of participation in investment seminars and training of 2.85 and the highest value in the indicator of willingness to study investment with a value of 3.1. Based on the results of simple linear regression analysis, the equation Y = 2.962 + 0.379x is obtained, which can be interpreted that the constant value is negative, namely -2.962, which means that if financial literacy is constant or equal to (0), investment interest will decrease. The regression coefficient value of financial literacy is 0.379, which means that financial literacy has a positive influence on investment interest. Efforts to increase financial literacy and investment interest can be done by attending technical guidance on the portal provided by the Financial Services Authority and can be assisted by higher education stakeholders by realizing activities around financial literacy and investment.

Keywords: Finance, Literacy, Investment

1 Introduction

The economy of the Indonesian people who were previously affected by the COVID 19 pandemic has slowly begun to experience a fairly good increase. Quoted from the data (Central Bureau of Statistics, 2022), Indonesia's economic growth in 2022 grew by 5.31% compared to the achievement in the previous year which only experienced a growth of 3.70%. The increase in welfare should be directly proportional to the increase in financial literacy so that people are able to manage their personal finances effectively. if people do not have good enough financial literacy, it will have an impact on several crucial things such as the lack of financial planning, people do not have financial goals, and poor financial management.[1]

Financial literacy is defined as essential knowledge for every individual. With adequate mastery of financial literacy, a person will be able to manage finances effectively. Financial education will help improve the financial literacy of the community and improve the quality of financial decision-making and better management of individual finances[2]. The discussion on financial literacy and financial inclusion also became one of the topics of discussion in the G20 presidency held in Indonesia. The discussion focused on accelerating financial inclusion among women, youth, and micro businesses. To achieve good financial inclusion, there are four strategic steps that can be taken, the first is to accelerate transformation and digitization in the financial sector so as to provide access and convenience for the community, the second is by diversifying digital-based financial products so as to make it easier for people to obtain financial services, and the third is by increasing the capabilities of vulnerable groups such as women, youth and micro-enterprises.. Quoted from the publication of the Population Census (Central Bureau of Statistics, 2021) Indonesia will enter the peak phase of the demographic bonus between 2020-2035. Demographic bonus itself can be interpreted as an increase in the number of productive age population that ranges from 16 - 65 years old. To realize a positive impact in the financial sector, this demographic bonus must be aligned with an increase in financial literacy and inclusion so that it will realize consistent economic growth as discussed in the G20 presidency. If this surge in productive age is not accompanied by an increase in financial literacy, it will cause losses to the community, because the lack of understanding of financial literacy makes it difficult for people to invest and access the capital market. Based on educational background, retail investors are divided into four groups, first there is a group of <SMA as much as 61.41%, S1 as much as 28.78%, D3 as much as 7.19%, and > S2 as much as 2.62%. From this composition, it can be seen that the percentage of retail investors is still dominated by people with a high school educational background with 61.41%. While at the S1 level the number of retail investors ranked second with a percentage of 29.78%. Based on these market statistics, researchers have a focus on examining financial literacy and investment interest among students, especially at the undergraduate level..

Most students during college are the first time in the process of managing finances individually without supervision from parents. Students as an educated group should understand and implement financial literacy, but most of them still experience difficulties in the financial management process because they still depend on their parents and do not have income. The problems experienced by students in managing their finances include still being consumptive, lack of wisdom in deciding financial decisions and being wasteful. One concrete evidence of the lack of financial literacy among students is the fraud that occurred at the Bogor Agricultural University (IPB) (Finance, 2022). A total of 121 students at the university were in debt with a very large amount. This shows that knowledge about financial literacy among students is still lacking and must be followed by an understanding of service products in the financial sector, so that students are able to become agents and pioneers of financial literacy among the community. Based on a press release (Financial Services Authority, 2022) there are 144 illegal investment platforms that have the potential to cause losses to the people of Indonesia. Therefore, financial literacy is very important in improving the welfare of the Indonesian people because with education and a good level of financial literacy, it will realize better decision making and financial management as well. Education has a crucial role in the formation of financial literacy, both informal education in the family environment and formal education in the university environment. Effective and efficient financial education or learning will help students understand, manage, and make decisions related to finance.[3]. Education has a significant influence on financial knowledge, attitudes, and behavior.

Bandung, is one of the economic and educational centers as well as the capital of West Java Province. As one of the education centers in West Java province, the Central Bureau of Statistics of Bandung City in 2020 published a population census where when classified by type of work in Bandung City is dominated by students and college students totaling 544,30 people. Based on this phenomenon, researchers have an interest in conducting research that reviews financial literacy and investment interest of students in Bandung Cit.

2   Theoretical Foundations

Financial literacy is an important skill for everyone to avoid financial problems in the future. This is because people are often faced with situations where they have to prioritize one interest over another. With a good and qualified understanding of financial literacy, it will be able to help individuals to carry out good and targeted financial management and allocation. There are five important aspects of financial literacy[4], ome of these aspects are as follows:

a.   Basic Financial Knowledge
This basic knowledge of finance includes knowledge of basic concepts in finance consisting of calculating the time value of money, inflation, interest rates, liquidity, and other factors.

b.   Financial Management
Financial management can also be interpreted as financial management. Where financial management can be defined as an overall activity related to income, use, and allocation of funds effectively and efficiently. Based on the above definition, financial management in simple terms is how each individual can manage and allocate money as best as possible in this case income and expenses.

c.   Credit Management
Credit management can be interpreted as individuals being able to manage their income and credit, so that they are not burdened by debts that are not needed and tend to be detrimental.

d.   Savings and Investment
Savings are the result of consuming less income, this is intended to accumulate excess funds. In other words, savings is a method of setting aside a portion of income for later storage. Investment is the act of putting money away with the aim of generating higher income. One common method that individuals use to invest is by placing money in securities such as stocks, bonds, or mutual funds, or by buying real estate property.

e.   Risk Management
Risk management is the process of identifying, analyzing, and managing risk. In financial literacy, it means that each individual has the ability to analyze and mitigate financial risks that will be faced, such as the risk of savings and investment.

The level of financial literacy is classified into three categories, namely low, medium, and high. Where for the low category the level of financial literacy is in the range of <60%, for the medium financial literacy category ranges from 61-79% and for the high financial literacy level is in the range of >80%[5].

Investment can be defined as one of the activities of placing funds in one or more instruments or assets at a certain time with the aim of getting a return or increasing value. In the Big Indonesian Dictionary, Investment is defined as investing money or capital in a

company or project with the aim of making a profit. Investment is a current commitment to an amount of money or other resources in the hope of obtaining benefits in the future. Besides the goal of getting a return or return from investing in both financial instruments and real assets, this investment has risks. There are several investment risks such as financial risk, liquidity risk, interest rates, and other risks. The risk in this investment has a correlation with the rate of return where the risk and the rate of return are directly proportional. Interest is the natural attraction of each individual to a thing or activity without any pressure or influence from outside and is done with awareness. According to the Big Indonesian Dictionary, interest is defined as a great inner tendency towards something; passion; or desire. Interest is a person's affective tendency to make activity choices, individual conditions can change a person's interest. From the previous explanation and definition, investment interest can be interpreted as an urge to explore and understand all aspects related to investment with the ultimate goal of applying it.

There are three indicators in investment interest, namely willingness to find out about investment instruments, willingness to spend time attending investment seminars and training, and trying to invest.

3   Methods

The approach in this study uses a descriptive quantitative approach. Quantitative research is research that can be completed with calculations such as statistics, while the type of descriptive research aims to obtain an overview of each variable in the study. Research variables are basically any elements or factors set by researchers to be analyzed, so that researchers can obtain information about them and draw conclusions. As for this study, it uses two variables, namely the independent variable and the dependent variable.[6]

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The sample criteria required in this study are as follows:
a.   Active students.
b.   Studying at a university in Bandung City.

The population in this study is known to be 48,888 students. researchers used the slovin formula with a margin of error of 10%, with the following formula:

$$n = \frac{N}{1 + N(e)^2}$$
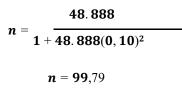
Description:
- n   :   Number of samples
- N   :   Population
- e   :   The margin of error in this study is 10% (0.10). Due to time and cost constraints, this error rate was chosen. Therefore, the confidence level in this study is 90%

Then,

$$n = \frac{48.888}{1 + 48.888(0,10)^2}$$

$$n = 99,79$$

Therefore, the minimum sample size required in this study is 99 respondents, which will then be rounded up to 100 respondents.

Data collection in this study was carried out by distributing questionnaires (google form) online to respondents. In the preparation of this questionnaire using a Likert measurement scale.

4   Discussion on Results

The researcher selected active university students in Bandung City as respondents. The type of data used in this research is primary data, which is information obtained directly from respondents by distributing closed questionnaires via google forms online. From the online questionnaire, participation was obtained from 110 student respondents in Bandung City. The composition of respondents based on gender, consists of two categories, namely Men and Women. Of the 110 respondents, 76 were female and 34 were male. The composition of respondents based on gender can be seen in the table:

Table 1. Gender

No	Gender	Respondent	Percentage (%)
1	Male	34	31%
2	Female	76	69%
	Total	120	100%

Respondent data was classified by age range, namely under 21 years old, 21-23 years old, and over 23 years old. From the description of this age composition, information is obtained that of the total respondents, 82 people are 21-23 years old, 23 people are under 21 years old, and 5 people are over 23 years old. Further information regarding respondents' age data can be found in the table below :

Table 2. Respondent's Age

No	Ages	Respondent	Percentage (%)
1	< 21 Age	23	21%
2	21 – 23 Age	82	75%
3	> 23Age	5	4%
	Total	110	100%

Source: Processed data (2023)

Description of respondents based on college, 27 respondents came from STIA LAN Bandung Polytechnic, 14 respondents came from Indonesian Education University, 14

respondents came from Pasundan University, 11 respondents came from Widyatama University, 10 respondents came from Bandung Islamic University, 8 respondents from Telkom University, 6 respondents from Maranatha Christian University, 5 respondents from National Institute of Technology, 5 respondents from UIN Sunan Gunung Djati, 3 respondents from Social Welfare Polytechnic, 2 respondents from Universitas Muhammadiyah Bandung, and 1 respondent from each university from Bandung Institute of Technology, Bandung State Polytechnic, Parahyangan Catholic University, Open University and Universitas Islam Nusantara. More complete information about respondent data based on universities can be seen in the table below.

Table 3. College Respondent

No.	Collage	Respondent	Percentage (%)
1	Politeknik STIA LAN Bandung	27	24,5%
2	Universitas Pendidikan Indonesia	14	12,7%
3	Universitas Pasundan	14	12,7%
4	Universitas Widyatama	11	10%
5	Universitas Islam Bandung	10	9,1%

This study seeks to reveal the role of financial literacy level on interest in investing in Bandung City Students. From some of the data findings, it can be described as follows:

the level of financial literacy is classified into 3 categories, namely low, medium, and medium. Low financial literacy level has a range of <60%, medium financial literacy level has a range of values from 61%-79%, and high financial literacy level has a value >80%. Based on table 4.7, where 6 students in Bandung City have a low level of financial literacy, 39 people have a medium level of financial literacy, and 65 people have a high level of financial literacy, with an average value of the financial literacy level of students in Bandung City classified as high with a value of 81%.

Education has a crucial role in the formation of financial literacy, both informal education in the family environment and formal education in the university environment. This shows that formal learning in college can help improve student financial literacy..

The minimum value of investment interest from 110 samples of Bandung City students is 1.17, the maximum value is 4.00, the mean value is 2.94. As for the composition of investment interest from 110 samples of Bandung City students, 7 students have low investment interest, 36 people have a medium level of investment interest, and 67 people have high investment interest. With the smallest indicator value being in participation in investment seminars or training with a value of 2.85, while the value of other indicators, namely learning investment instruments and trying to invest, have a value of 3.1 and 2.95 respectively. Based on the acquisition of these values indicates that there is still a lack of awareness of students in Bandung City to attend seminars and training on investment.

The tcount result is 10.771, while the ttable value is 1.982. So it can be interpreted that the value of tcount> from ttable with a value of 10.771> 1.982. So H0 is rejected and Ha is accepted, meaning that financial literacy has an influence on investment interest. And obtained the regression equation Y = 2.962 + 0.379x The constant value (a) is negative, namely -2.962, which means that if financial literacy is constant or equal to (0) then investment interest will decrease. While the value of the financial literacy regression coefficient (b) is 0.379, which means that financial literacy has a positive influence on investment interest..

This study suggests that financial literacy has a positive and significant effect on interest in investing. Where this shows that the higher the financial literacy, the higher the interest in investing.

Financial literacy analysis has five indicators, namely basic financial knowledge, financial management, credit management, savings and investment, and risk management. Based on the data findings, it shows that of the five indicators, two indicators, namely basic financial knowledge and financial management in students in Bandung City, have the lowest value compared to others with a medium predicate, with each having a value of 79%. While the other three variables namely credit management, savings and investment, and risk management have a high predicate, with a value of 82%, 84%, and 81% respectively. While the average value of investment interest of Bandung City students has a medium predicate.

The investment instruments of interest, the majority of the total 110 respondents of Bandung City students, the majority of Bandung City students chose gold as an investment instrument of interest with a total of 51, followed by stocks 49, then property 44, mutual funds as many as 37, and bonds as many as 16 voters. The efforts of individuals in this case students to improve financial literacy and investment interest in students in Bandung City are to focus on improving indicators of basic financial knowledge and financial management. Concrete steps to improve both indicators are by suggesting students to follow technical guidance on finance and investment that can be accessed with a learning management system provided by the Financial Services Authority which can be accessed online through the portal https://lmsku.ojk.go.id.

As for the implementers of higher education and student organizations in Bandung City, they can help increase awareness of financial literacy, especially on indicators of basic knowledge and financial management and interest in investing on indicators of participation in seminars or investment training by helping to facilitate students to realize activities such as seminars, technical guidance, or workshops on financial literacy and investment in the hope of realizing good financial management for students in Bandung City.

The Financial Services Authority (OJK) as a regulator or supervisor in the financial services sector should help accelerate the improvement of financial literacy in a sustainable manner. This can be done by realizing programs that are indeed able to improve financial literacy by involving all business actors in the financial services sector, this can be realized by issuing regulations by requiring every financial services business actor to provide an understanding of financial literacy and investment.

5   Conclusion

The level of financial literacy of Bandung City students has a high predicate value, while the level of investment interest of students in Bandung City has a medium predicate value.

Financial literacy has a positive and significant influence on the investment interest of Bandung City students, the higher the financial literacy, the more investment interest will increase. The relationship between the two variables is evidenced by the correlation coefficient value of 0.720.

Efforts to increase financial literacy and investment interest for Bandung city students can be done by following or studying the technical guidance available on the learning management system page provided by the Financial Services Authority. And can be assisted with the help of related parties in this case the implementers of universities or student organizations in

Bandung City by realizing activities such as seminars, technical guidance or workshops on financial literacy and investment in the hope of helping to increase awareness of financial literacy and investment for students in Bandung City.

For students, it is recommended to further improve financial literacy so that they understand more about basic financial knowledge and financial management that will affect financial decisions for students by studying financial literacy and investment on the portal provided by the Financial Services Authority which can be accessed at https://lmsku.ojk.go.id. 2. Suggestions for higher education implementers in Bandung City, it is recommended that they realize activities in the form of seminars, technical guidance, or workshops regarding financial literacy and investment in order to increase student awareness of the importance of financial literacy and investment due to the lack of understanding of students in Bandung City about financial literacy, especially in indicators of basic financial knowledge and financial management and also the lack of student participation in training or seminars on investment.

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