Journal of Reseacrh in Business, Economics, and Education Volume 2
E-ISSN 2686-6056 Issue 4
August Edition 2020

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The Effect of Investment Motivation, Financial Literation, and Financial Behavior on Investment Decisions (Studies on Management Students at Pelita Bangsa University)

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Abstract

This study aims to examine the effect of investment motivation, financial literacy and financial behavior on investment decisions. This type of research is quantitative research using descriptive methods. Processed data is primary data obtained from the results of distributing questionnaires with simple random sampling technique to students majoring in management at Pelita Bangsa University. From 7179 students, a sample of 380 respondents was obtained. Data analysis was performed using the PLS (Partial Least Square) program. The results of this study indicate a positive and significant effect of investment motivation, financial literacy and financial behavior on investment decisions.

Keywords: Investment Decisions, Investment Motivation, Financial Literacy, Financial Behavior.

1. Introduction

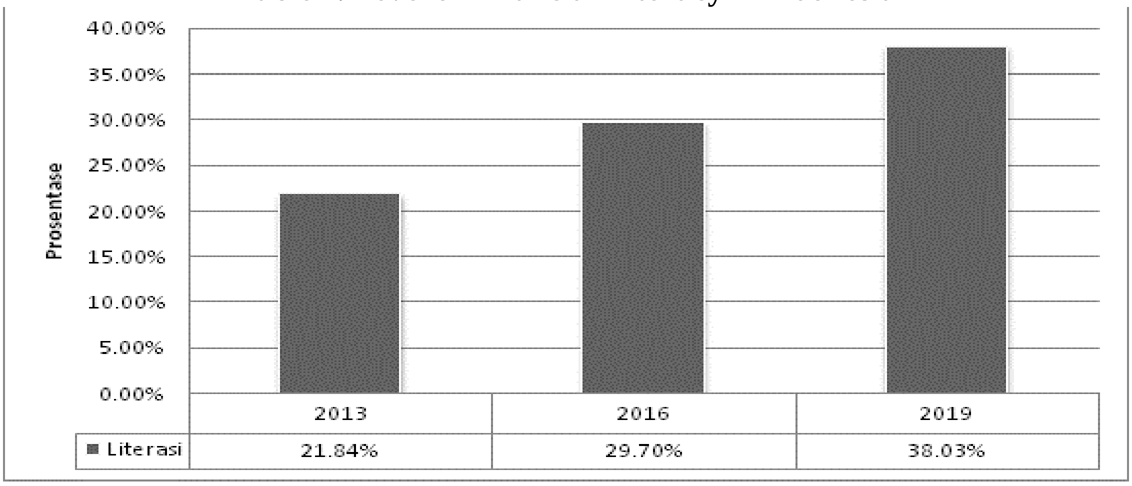
The trade war between the United States and China did not have a strong effect on world economic development. The investment climate, especially in Indonesia, is still warming in the midst of cold relations between the two superpowers. The Indonesia Stock Exchange (IDX) said that the number of investors in the Indonesian capital market has grown significantly in the last 5 years. The President Director of the IDX said that currently the number of investors has reached 2.2 million, of which 60% are millennials. The number of capital market investors has increased to double digits (CNBC Indonesia, 2019).

The current digital era makes it easier for everyone to gain access to information that influences the millennial generation to take part in the world of the capital market. The decision to invest is driven by a need in the future, which causes a person to take an effort or action.

The desire to invest is also strengthened by knowledge of financial literacy. According to Syahyunan (2015: 1), investment is a form of effort or a number of resources that are stored or set aside at this time with the aim of obtaining profits in the future. It can also be stated that several factors that influence investment decisions are motivation, financial literacy and financial behavior.

With the sophistication of technology, every individual can easily get knowledge about financial literacy. Financial literacy is always a package of knowledge and skills that allow a person to make decisions with all the financial resources they have (Huston, 2010). This is because a lot of financial information is free and can be accessed easily so that each individual can acquire financial knowledge or literacy that will enable the individual to make careful investment decisions and financial management. The image below is a graph of the level of financial literacy in Indonesia in 2019 according to the OJK.

Table 1. Level of Financial Literacy in Indonesia



Source: https://ojk.go.id

The Organization for Economic Cooperation and Development or OECD (2016) states that financial literacy is a science, knowledge, a concept, motivation, skills, beliefs which are then used to make effective decisions that can improve the welfare of both personally and society and play a role in improving the economy. Consumers who have financial literacy can go through difficult financial times because they have accumulated savings, buy insurance and diversify their investments. Financial literacy is also directly correlated with positive financial behavior, such as timely bill payments, loan installments, savings before they run out, using credit cards to make wise investment decisions. In order to understand the risks and benefits associated with financial products, financial literacy is a must.

Academics are the community groups that are the main target in efforts to increase investment awareness (Yoiz, 2017). Meanwhile, Widayati (2012) explains that learning in higher education has an important role in the process of forming student financial literacy. Students live in a diverse and complex economic environment so that an increased need for financial education is essential. Effective and efficient learning will help students could understand, assess, and act in their financial interests. Financial behavior also involves emotions, traits, preferences and various kinds of things that exist in humans as intellectual and social beings who will interact and underlie decisions to act.

Correct knowledge of financial literacy will have a strong influence on financial behavior. According to Gitosudarmo (2015: 109), motivation is defined as one of the factors driving a person's behavior. There is a relationship between literacy and motivation with a person's behavior in making decisions. Financial Behavior is a behavior related to the implementation of financial actions. According to Dwi (2016), financial behavior involves the nature, emotions, habits and psychology of a person who acts as a social and intelligent being which is the basis for decisions in action.

The phenomenon in this research is the lack of motivation, interest or desire of students majoring in management at Pelita Bangsa University to invest even though they have received financial literacy in investment analysis studies and risk management, investment management and portfolio management as well as the existence of the Pelita Bangsa University capital market study group. Based on preliminary observations on several students majoring in management at Pelita Bangsa University, students tend to still experience difficulties in managing finances because of their high level of consumption, such as spending money for non-essential needs. In addition, some students have to deal with many financial options, such as paying for rent, installments, meeting daily needs, paying tuition fees, saving and making budget plans. There are also many Pelita Bangsa University students who are employees, so they also have to balance their life in a work, college and social environment.

2. Literature Review

Investation Decision

Individual investors are individual investors who carry out investment activities to take profits in the future. Investors learn how to manage financial behavior for their monetary welfare. This monetary well-being can be assessed from the sum of current income and present value with future income. According to Aminatuzzahra (2014), this investment decision is based on two things, namely portfolio and profitability. The portfolio itself is a purchase of shares with price momentum at the same time ignoring the principle of supply and demand which is actually known in financial behavior as a herd behavior. The theory of factors that influence investment decisions, according to Tandelilin (2010), states that investment is a commitment to a number of funds or other resources currently made. The goal is to obtain a number of benefits in the future. This means that investors invest funds in forms such as stocks, land, buildings with the aim of obtaining profits in the future.

Investment Motivation

Minimum investment capital is one of the factors that must be considered before deciding to invest. Minimum investment capital is taken into consideration because in it there is a calculation of estimated funds for investment, the minimum funds needed, the higher one's interest in investing (Rima, 2015). Investment capital according to Moko (2008: 298) is capital used to make purchases or procurement for the purpose of supporting the production process. The amount of capital to invest depends on the type of investment product desired. If the investment is in the form of fixed assets such as land, buildings, production machinery and so on, then the investment costs incurred will tend to be much more expensive when compared to investments in stocks or non-fixed asset products.

Financial Literacy

Financial intelligence is the ability that a person has to manage their financial resources, with financial well-being as the ultimate goal (Widayati, 2014). Knowledge and understanding of personal finance are needed for individuals to be able to make correct financial decisions. With correct knowledge and understanding, negative cash flow problems can be avoided (Mendari, 2013). Individuals must have the knowledge and skills to manage their personal financial resources effectively for their welfare. Apart from determining short-term financial decisions such as savings and loans, individuals must also think about long-term financial decisions such as retirement planning and educational planning for their children (Margaretha, 2015). Financial management capability is very important, whether it is applied to everyday life or to be used in dealing with crisis situations that can occur at any time. To meet daily needs, the need for health, the need for children's education and the need for insurance in old age, a mature and planned financial management is needed (Rapih, 2016).

Financial Behavior

Arlina et al (2013) state that financial behavior is a theory based on psychology that seeks to understand how emotions and cognitive deviations affect investor behavior. Financial Management Behavior or financial behavior is a person's ability to manage day-to-day finances including planning, budgeting, checking, managing, controlling, seeking and storing funds for the future. The emergence of financial behavior is the impact of a person's desire to meet their needs in accordance with the level of income obtained (Kholilah and Iramani, 2013). Rizkiana (2017) defines financial behavior as the study of how humans act in the decision-making process in investing as response to the information it gets. Financial behavior is a way in which individuals manage sources of funds to be used as decisions on the use of funds, determining sources of funds, and decisions for retirement planning. According to Rizkiana (2017), there are 9 personal financial behaviors. In the list, the first 4 were categorized as planning behaviors and subsequently were categorized as implementing behaviors.

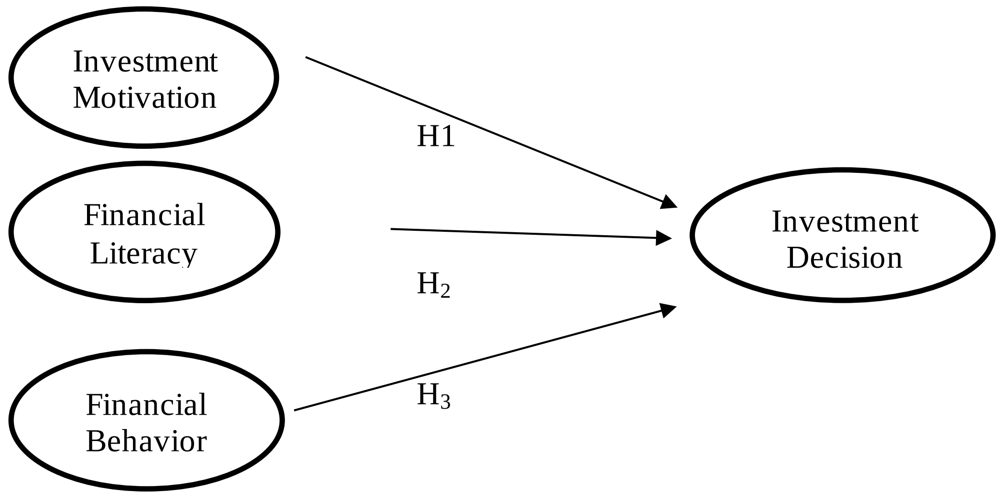


Figure 1. Research Design

H1: The Effect of Investment Motivation on Investment Decisions

An increase in investment motivation variables will have an impact on increasing investment decisions, and a decrease in investment motivation will have an impact on decreasing investment decisions (Widyastuti et al. (2004). This hypothesis is supported by the results of research by Aminatun Nisa & Luki Zulaika (2017) which explains that the understanding of investment is obtained by students when they get a course in investment management and capital markets do not affect students' interest in investing in the capital market. However, the existence of a small minimum capital and motivation from themselves and others greatly affect students to invest in the capital market. This is a discourse for students about what can influence students to invest in the capital market.

H2: The Effect of Financial Literacy on Investment Decisions

An increase in financial literacy variables will have an impact on increasing investment decisions, and a decrease in financial literacy variables will have an impact on decreasing investment decisions (Kim (2001) in Sabri (2011). This hypothesis is supported by the results of research by Hisashi Tarora and Ratna Juwita (2017) which explain that all independent variables significantly influence the dependent variable.

H3: The Effect of Financial Behavior on Investment decisions

An increase in the financial behavior variable will have an impact on an increase in investment decisions, and a decrease in the financial behavior variable will have an impact on a decrease in investment decisions. This hypothesis is supported by research by Baiq Fitriarianti (2018) which explains that financial literacy does not have a significant effect on investment decisions, while financial behavior and income have a significant effect on investment decisions.

3. Methodology

Testing the data used in this study includes testing including validity, reliability, structural model testing, and hypothesis testing. The analysis requirements test used is the outer model test which consists of convergent validity test, discriminant validity test, composite reliability test, Cronbach's Alpha test.

4. Result and Discussion

In this study, there is no variable indicator whose outer loading value or measurement model is below 0.500, so that the indicator is declared feasible or valid to be used in research. The value of the average variance extracted (AVE) already has a value above 0.500, so it can be declared valid and can be continued to the next stage. The composite reliability value for the variable investment motivation, financial literacy, financial behaviour, and investment decisions has a value of> 0.700. Thus, it can be concluded that each variable has a good value. The Cronbach’s alpha value of each study variable was> 0.7. Thus, these results indicate that each research variable has met the requirements for the Cronbach's alpha value, so it can be concluded that all variables have a high level of reliability.

Inner Model Test

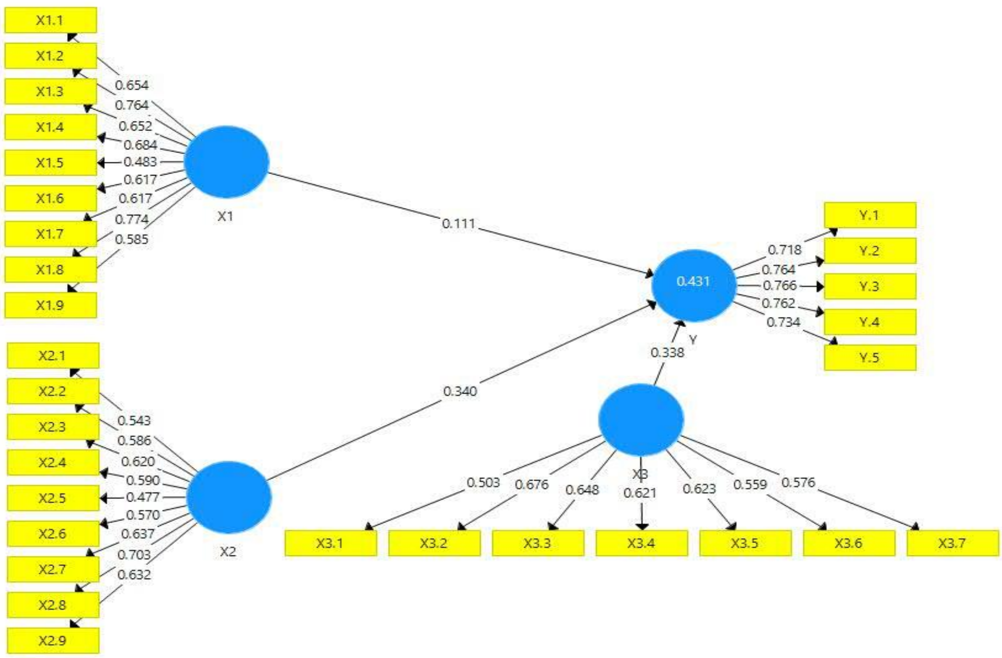


Figure 2. Inner Model Test Results

Test the R Square Value

The adjusted R square value is 0.434 in the investment decision variable. The adjusted R square value of the investment decision variable is 0.434, meaning that 43.4% of investment decisions are influenced by motivation, financial literacy and financial behaviour, while 56.6% are influenced by other variables not explained in this study. When viewed from the predetermined requirements, the R square value above is included in the moderate category because it has an R square value between 0.33-0.67.

Table 2. Value of R Square

No	Variable	R *Square*	R *Square Adjusted*
1	Y	0,438	0,434

Test Coefficients Patch

Estimated values for the path relationships in the structural model should be evaluated from the perspective of the strength and significance of the relationships. The significance of the relationship can be obtained by doing a Bootstrapping test. The value generated from the Bootstrap ping test is in the form of a t-count value which will then be compared with the t-table value. If the t-count is greater than the t-table (1.96) at the alpha value of 5%, then the path estimate value can be said to be significant.

Table 3. Path Coefficients Test Results

Variable	*Original Sample*	*Sample Mean*	*Standart Deviation*	t *Statistic*	P *Value*
Motivation	0,200	0,202	0,047	4,242	0,000
Financial Literacy	0,366	0,370	0,069	5,322	0,000
Financial Behavior	0,302	0,304	0,079	3,809	0,000

The p value of the financial motivation variable has a value of 0,000, so this variable has a significant influence on investment decisions. To check for positive or negative effects, it is necessary to check the value of the original sample on these variables. The investment motivation variable has an original sample value of 0.200, which means that the path estimate of the financial literacy variable on investment decisions has a positive path with a value of 0.200. So, it can be concluded that the investment motivation variable has a significant positive effect on investment decisions in students, so the first hypothesis (H1) is accepted. The results of the path coefficients test on the financial literacy variable have a t-count value of 5.322. When compared with the t table (1.648), the t value is greater than the t table so it can be concluded that financial literacy has a significant effect on investment decisions.

The p value of the financial literacy variable has a value of 0.000, so this variable has a significant influence on investment decisions. To check for positive or negative effects, it is necessary to check the value of the original sample on these variables. The financial literacy variable has an original sample value of 0.366 which means that the path estimate of the financial literacy variable on investment decisions has a positive path with a value of 0.366. So, it can be concluded that the financial literacy variable has a significant positive effect on investment decisions in students, so the second hypothesis (H2) is accepted.

The results of the path coefficients test on the financial behaviour variable have a t-count value of 3.809. When compared with the t table (1.648), the t value is greater than the t table, so it can be concluded that financial behaviour has a significant effect on investment decisions. The p value of the financial behaviour variable has a value of 0.000, so this variable has a significant influence on investment decisions. To check for positive or negative effects, it is necessary to check the value of the original sample on these variables. The financial behaviour variable has an original value. The sample has a value of 0.302, which means that the path estimate of the financial behaviour variable on investment decisions has a positive path with a value of 0.302. So it can be concluded that the financial behaviour variable has a significant positive effect on investment decisions in students. So, the third hypothesis (H3) is accepted.

The results in this study indicate the full support of investment motivation given by Pelita Bangsa University students has a positive effect on investment decisions in students. The results of this study are in line with the results of research by Aminatun Nisa & Luki Zulaika (2017) in the study of the Effect of Investment Understanding, Minimum Investment Capital and Motivation on Student Interest in Investing in the Capital Market. The results of this study indicate that the understanding of investment that students get when they receive a course in investment management and capital markets has no effect on students' interest in investing in the capital market. However, the existence of a small minimum capital and motivation from themselves and others greatly influence students to invest in the capital market. Motivation from within students is the basic capital to fight the fear of the stigma of risk in the capital market, plus encouragement from outside such as lecturers or investment groups can raise student morale to have the courage to decide to invest in the capital market.

The results of the study show that financial literacy support has a positive effect on investment decisions in Pelita Bangsa University students. These results are in line with research conducted by Hisashi Tarora and Ratna Juwita (2017) in a study entitled Analysis of the Effect of Financial Literacy on Investment Decisions. The results of the study simultaneously show that all independent variables have a significant effect on the dependent variable. Partially, all independent variables affect the dependent variable. In addition to strong motivation, students must also have good financial knowledge, especially related to investment, in order to realize expectations when deciding to start investing in the capital market. With good financial knowledge, students can minimize risks due to ignorance and get the desired return on investment.

The results of this study show that financial behavior has a positive effect on investment decisions in Pelita Bangsa University students, as evidenced by the results of research that support this hypothesis. This result is in line with the research conducted by Baiq Fitriarianti (2018) in a study entitled The Effect of Financial Literacy, Financial Behavior and Income on Investment Decisions. The results of this study indicate that financial literacy has no significant effect on investment decisions, while financial behavior and income have a significant effect on investment decisions. Student behavior that leads to a thinking pattern of financial solutions in the future is the key to success in investing, starting from setting aside money to save, choosing to buy basic necessities and delaying purchases for luxury items. This will help students to have the capital to start investing in the capital market.

5. Conclusion

Investment motivation affects investment decisions. Financial literacy affects investment decisions. Financial behavior affects investment decisions. For students who have the desire to invest in the capital market to increase self-motivation, deepen their understanding of investment by making good use of the Investment Gallery at Pelita Bangsa University, join a capital market discussion group, find colleagues who are experienced in the capital market and start by buying investment products with a small level of risk. Take advantage of the facilities provided by the campus, such as reading books in the library or using internet facilities that can be accessed free of charge for students. Increase financial literacy and start learning terms in the capital market, using the demo application provided by the securities application, so that it can simulate capital market conditions with real conditions with the nature of learning, so there is no risk of loss for students. Managing personal finances carefully and thoroughly, the minimum capital policy in the capital market must be utilized properly by students who are not working and do not have a steady income, for students who work and have income saving money in a bank is no longer the best choice because does n ot provide maximum returns or interest, students can move their savings to the capital market with careful analysis beforehand.

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